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BEFORE THE ARIZONA CORPORATIO

COMMISSIONERS
DOUG LITTLE - CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

Arizona Corporation Commission
DOCKETED
MAR 11 2016
DOCKETED BY

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, LLC, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES.

Docket No. W- 03718A-15-0213

NOTICE OF FILING REBUTTAL TESTIMONY

Sahuarita Water Company, LLC, submits the Rebuttal Testimony of Geoff Caron, and Thomas J. Bourassa in two volumes: (1) Rate Base, Operating Income, Rate Design; and (2) Cost of Capital.

RESPECTFULLY SUBMITTED this 11th day of March, 2016.

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Geoff Caron
Rebuttal Testimony

BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, LLC, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES.	)	DOCKET NO. W-03718A-15-0213

Rebuttal Testimony of

Geoff Caron

on Behalf of

Sahuarita Water Company

March 11, 2016

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I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is Geoff Caron. My address is 725 W Via Ranch Sahuarita Blvd. #101 Sahuarita, AZ 85629

Q. Did you file Direct Testimony in this proceeding?

A. Yes.

Q. On whose behalf are you filing your Rebuttal Testimony in this proceeding?

A. My Rebuttal Testimony is filed on behalf of Sahuarita Water Company, LLC ("Sahuarita" or "the Company")

Q. Which Commission Staff testimony do you address in your Rebuttal Testimony?

A. I am addressing Staff's recommended Rate Base Adjustment No. 2 – Plant Retirement. Mr. Thomas J. Bourassa will also be addressing this and other recommended Staff adjustments to rate base, operating revenues and expenses in his pre-filed Rebuttal Testimony. Mr. Bourassa will also address Staff's cost of capital and return on equity recommendations on behalf of Sahuarita.

II. RECOMMENDATION REGARDING ARSENIC ABSORPTION MEDIA PLANT AND REGENERATION.

Q. Do you agree with Staff's Rate Base Adjustment No. 2 – Plant Retirement?

A. No. Staff decreases the Plant in Service by $575,005 – removing the arsenic adsorption media from plant in service essentially. Staff accounting witness Teresa B. Hunsaker indicates in her Direct Testimony that Staff found that the original batches of arsenic

adsorption media "have since been replaced or regenerated."[1] Further, Staff engineering witness Michael S. Thompson indicates in his engineering report that "the initial and regenerated arsenic adsorption media were fully depreciated."[2] But the Company's original arsenic media is still in use and is not fully depreciated. The primary purpose of my Rebuttal Testimony is to clarify the arsenic media that is in use and what has been regenerated versus what has been replaced.

Q. Is there a difference between replacing arsenic media versus regeneration?

A. Yes. Replacing the arsenic media means it is taken out of service and replaced with new media. Regeneration treats the arsenic media after a certain period so that it can remain in use. In Sahuarita's case, we have regenerated the original media acquired in 2009; but we have not replaced it. Thus, the arsenic adsorption media is not fully depreciated as Staff suggests. The Company believes there was some confusion over whether the arsenic media is still in service based on how it was classified in the last rate case for Sahuarita – and that this confusion is the basis for Staff's adjustment.

Q. Have you identified the source of the confusion?

A. Yes, I believe so. In Sahuarita's last rate case (Docket No. W-03718A-09-0359), the account established for arsenic media (Account No. 320.3) does not actually reflect the actual operation of the arsenic media, which has an estimated useful life of 10-to-15 years. Instead, the depreciation rate established for that account more accurately reflects the useful life of regeneration of the arsenic media (67%). Further, Staff's adjustments also appear to reflect subtraction of $120,000 for arsenic media regeneration that had not yet occurred. Rather, the $575,005 in arsenic adsorption media that Ms. Hunsaker indicates was "misclassified" should have been reflected in this account, but with a depreciation rate

[1] See Page 7 of Ms. Hunsaker's Direct Testimony submitted on January 15, 2016.
[2] See Page 21 of Staff's Engineering Report submitted on January 15, 2016.

no greater than 10%. We are recommending a depreciation rate of 6.67% for Original Arsenic Media, to reflect a useful life of 15 years.

Q. Have you already spoken to Staff regarding this adjustment?

A. Yes. Based on conversations to date, we feel that we have reached resolution of this issue.

Q. Even so, do you believe it would be helpful to explain the purpose and origins of Sahuarita's purchase and use of the arsenic media?

A. Yes. The original arsenic media was included in the total cost to construct the Arsenic Treatment Plant (completed in 2009) with an expected useful life of 10-to-15 years. This includes a range of six-to-eight regenerations, according to the manufacturer. Media regeneration is necessary to remove the arsenic that becomes entrapped or adsorbed in the resin during normal operation. When the regeneration process is completed, the same physical media returns, but minus the arsenic previously adsorbed. This process helps prolong the life of the media, so that it does not have to be replaced every couple of years.

Eventually, however, the resin beads in the media break down, because the regeneration process exposes the media to caustic compounds. This means that the media must be replaced at some point, when it can no longer be regenerated. The manufacturer for the media analyzes the condition of the media after each regeneration process, and will notify Sahuarita when the media can no longer be regenerated.

After the final regeneration, the media will be placed into service until break-through arsenic levels reach 8 micrograms per liter (μg/l). At this time, the original media will be removed and replaced with a new batch. The process then starts over.

Q. How did Sahuarita acquire its arsenic media needed for the arsenic treatment plant?

A. The Company's original purchase cost included what was needed for the entire arsenic treatment plant. But the operation of the plant splits the media into two configurations, a lead configuration and a lag configuration. These were labeled Batch 1.0 and Batch 2.0 respectively. Future media replacement will only include half of the total media originally purchased at a time (the exhausted media in the lead vessels of the arsenic treatment plant). The original purchase cost equaled approximately $575,005, which is the total amount of Staff's Rate Base Adjustment No. 2.

Q. Has any of the arsenic media been regenerated?

A. Yes. In 2011, Batch 1.0 (one-half of the total original media purchased) was supposed to be regenerated. During this process the manufacturer inadvertently destroyed Batch 1.0 – but replaced it for $130,000 (equal to the cost of regeneration.) For ease of tracking the media, this "replaced" batch was labelled Batch 3.0. Batch 2.0 was regenerated in 2013 at a cost of $115,917. In 2015, Batch 3.0 was regenerated at a cost of $150,657.

Q. What would it cost to replace the arsenic adsorption media versus regenerating it?

A. The cost to replace 790 cubic feet (cu/ft) of Layne RT media (1 batch) would be approximately $472,810 – including $589 per cubic-feet (cu/ft), and $7,500 for freight.

Q. As a result of the clarification, what are you recommending regarding the treatment of arsenic media in this case going forward?

A. Mr. Bourassa details these adjustments, but I am recommending that the original purchase cost for the arsenic media at $575,005 be reflected in the new Original Arsenic Media Account No. 320.4, adjusted for depreciation and reflecting a fifteen-year useful life. The "replaced" Batch 3.0 should also be included in Account 320.4, but we also recommend reflecting the removal of Batch 1.0 from this account. The original arsenic media amount

of $575,005 should be subtracted from the Arsenic Treatment Plant amount of $1,814,684 that was originally included in Account 320 (Water Treatment Equipment). Sahuarita believes that the Arsenic Treatment Plant, with a 30-year useful life, should equal $1,239,679.

I also recommend that a new account – Account No. 320.5 – be established to track the costs of *regenerating* arsenic media. The costs included in this account should be the following:

- $115,917 – for the regeneration of Batch 2.0 in 2013 (which should be fully depreciated).
- $150,657 – for the regeneration of Batch 3.0 in 2015; this is the same as Staff's Rate Base Adjustment No. 3 – for Post-Test Year Plant. Because it is regeneration, it belongs in the new Account No. 320.5.

Q. What depreciation rate are you recommending for Arsenic Media Regeneration – Account No. 320.5?

A. I am recommending a depreciation rate of 40% or 2 ½ years. I believe a 40% depreciation rate more accurately describes the regeneration's useful life based on my training, background and experience operating the Company's water system.

Q. Does Mr. Bourassa also speak to the adjustments involving arsenic media?

A. Yes and he includes further detail on the reasons for the accounting adjustments we are recommending. My purpose is more to describe the actual operation and history of the arsenic media, which I hope clears up this issue in this rate case.

III. OTHER ISSUES.

Q. Do you have any other comments regarding Staff's Direct Testimony?

A. Only to say that my silence on the other issues and adjustments in Staff's Direct Testimony does not mean that we accept all of Staff's adjustments and positions. Mr. Bourassa details areas where we disagree with Staff, including on operating expense adjustments and cost of capital. Still, Sahuarita is modifying its position and adjustments on several issues in light of Staff's Direct Testimony and in an effort to find agreement on many of those issues. The Company will continue to review its position as the rate case procedure continues.

Q. Does this conclude your Rebuttal Testimony?

A. Yes.

Thomas J. Bourassa
Rebuttal Testimony on Rate Base, Income Statement, Rate Design

BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, LLC, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES.	DOCKET NO. W-03718A-15-0213

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT & RATE DESIGN

MARCH 11, 2016

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

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

A. I am testifying in this proceeding on behalf of the applicant, Sahuarita Water Company, LLC. ("SWC" or the "Company").

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE INSTANT CASE?

A. Yes, my Direct Testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

A. I will provide Rebuttal Testimony in response to the direct filings by Staff. More specifically, this first volume of my Rebuttal Testimony relates to rate base, income statement and rate design for SWC. In a second, separate volume of my Rebuttal Testimony, I will present an update to the Company's requested cost of capital as well as provide responses to Staff on the cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

II. SUMMARY OF SWC'S REBUTTAL POSITION

Q. WHAT IS THE REVENUE THE COMPANY IS PROPOSING IN THIS REBUTTAL TESTIMONY?

A. The Company proposes a total revenue requirement of $3,173,385, which constitutes an increase in revenues of $276,638, or 9.55% over adjusted test year revenues.

Q. HOW DO THESE COMPARE WITH THE COMPANY'S DIRECT FILING?

A. In the direct filing, the Company requested a total revenue requirement of $3,229,480, which required an increase in revenues of $332,733, or 11.49%.

Q. WHAT ACCOUNTS FOR THE DIFFERENCE?

A. In its rebuttal filing, SWC has adopted a number of rate base and revenue/expense adjustments recommended by Staff, as well as proposed a number of adjustments of its own based on known and measurable changes to the test year.

The net result of these adjustments is: (1) the Company's proposed operating expenses have decreased by $49,997, from $2,298,742 in the direct filing to $2,248,744; and (2) a net increase in rate base of $61,682 from the direct filing of $9,298,032 to $9,359,714.

The Company continues to recommend a cost of equity of 10.5%. In addition, the Company continues to recommend a 9.2% rate of return on FVRB based on the Company weighted average cost of capital which reflects the Company's capital structure of 20.57% debt and 79.43% equity. I discuss the Company proposed return on equity, cost of debt, and capital structure in my cost of capital testimony.

Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY AND STAFF AT THIS STAGE OF THE PROCEEDING?

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

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	$3,229,480	$332,733	11.49%
Staff	$2,967,308	$70,562	2.44%
Company-Rebuttal	$3,173,385	$276,638	9.55%

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS?

A. Yes, the rate bases proposed by the Company and Staff are as follows:

	OCRB	FVRB
Company-Direct	$ 9,298,032	$ 9,298,032
Staff	$ 8,778,456	$ 8,778,456
Company Rebuttal	$ 9,359,714	$ 9,359,714

III. RATE BASE

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE?

A. Yes. The Company's rebuttal rate base adjustments to OCRB are detailed on rebuttal schedules B-2, pages 3 through 6. Rebuttal Schedule B-2, pages 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

A. **Plant-in Service (PIS)**

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO PLANT-IN-SERVICE, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

A. The Company's proposed plant-in-service ("PIS") adjustment is Rebuttal B-2, Adjustment 1, and is summarized on Rebuttal Schedule B-2, page 2. Rebuttal B-2, Adjustment 1, actually consists of seven individual adjustments labeled as "A", "B", "C", "D", "E", "F", and "G" on Rebuttal Schedule B-2, page 3.

Adjustment A reflects the reversal of $250,000 of retirements for arsenic media (Acct. 320.3) the Company proposed in its direct filing.[1] In its initial filing, the Company proposed retirements of totaling $365,917 consisting of $120,000, $130,000, and $115,917 the Company treated as regeneration costs.[2] Based upon discussions with Staff, these were not regeneration costs, but rather original arsenic media costs.

Adjustment B reflects a reclassification of $250,000 of arsenic media cost from Plant Account 320.3 – Arsenic Media to Plant Accounts 320 – Water Treatment Equipment for $120,000 and 320.4 – Original Arsenic Media for $130,000. The net impact on the total PIS balance is zero.

Adjustment C reflects a reclassification of $575,005 of original arsenic media costs from Plant Account 320 – Water Treatment Equipment to plant account 320.4 – Original Arsenic Media.

Adjustment D reflects the retirement of original arsenic media totaling $287,502.50.

[1] See Direct Schedule B-2, page 3.2.
[2] See Direct Schedule B-2, page 3.2.

Q. PLEASE EXPLAIN THE REASONS FOR PIS ADJUSTMENTS "A", "B", "C", AND "D".

A. These adjustments reflect a change in the treatment of arsenic media related costs. After discussions with Staff, it was determined that the accounting of the arsenic media costs, as the Company now proposes, more appropriately adheres to the history and nature of the transactions surrounding the arsenic media.

Q. BRIEFLY DESCRIBE THE HISTORY AND NATURE OF THE ARSENIC MEDIA TRANSACTIONS.

A. SWC witness Mr. Geoff Caron also details the history of the arsenic media, from an engineering and operational perspective, in his Rebuttal Testimony. In 2009, the Company installed original virgin arsenic media in its arsenic water treatment plant at a cost of $575,005. The arsenic media was separated into two vessels (a primary and a secondary). I will refer to these as Batch 1.0 and Batch 2.0. In 2011, Batch 1.0 was scheduled for regeneration, but Batch 1.0 was destroyed during the process of regeneration. In 2012, the Company purchased replacement arsenic media (Batch 3.0) and the vendor agreed to only charge the Company the cost of regeneration rather than the cost of new virgin arsenic media. The Company paid $130,000 for the new arsenic media to replace Batch 1.0 in 2012. In 2013, Batch 2.0 was regenerated at a cost of $115,917.

Q. HOW IS THE REBUTTAL TREATMENT OF THE ARSENIC MEDIA COST DIFFERENT THAN THE COMPANY PROPOSED IN ITS DIRECT FILING?

A. In the Company's direct filing, the Company proposed retiring $250,000 of arsenic media related costs which the Company assumed to be related to regeneration. The Company did not propose to reclassify the $575,005 of original arsenic media to a separate plant account, so these costs were included in the Plant Account 320 – Water Treatment Equipment balance. In the rebuttal filing, the $250,000 of cost is considered part of the original

arsenic media and is ultimately transferred to account 320.4 – Original Arsenic Media. As reflected in the rebuttal filing, plant account 320.4 – Original Arsenic Media has a balance of $417,503.[3] That amount consists of $575,005 of cost for the original arsenic media purchased in 2009 (Batch 1.0 and Batch 2.0) – plus $130,000 of the replacement media purchased in 2012 (Batch 3.0) – less the retirement of original media in 2011 (Batch 1.0) costing $287,503.

Q. WHY IS THE COMPANY PROPOSING THE RECLASSIFICATION OF THE ORIGINAL ARSENIC MEDIA COSTS TO A SEPARATE PLANT ACCOUNT?

A. Because the original arsenic media has a useful life of approximately 15 years, which is less than the useful life of other water treatment plant, which currently has an estimated useful life of 30 years.

Q. IS STAFF IN AGREEMENT WITH THE COMPANY ON THE COMPANY'S PROPOSED REBUTTAL TREATMENT OF THESE COSTS?

A. I will let Staff speak for itself, but based upon my discussions with Staff I believe so.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S REBUTTAL PIS ADJUSTMENTS?

A. Adjustment E reflects a reclassification of PIS which is a reflection, in part, of Staff's proposed reclassification.[4] The net impact on the overall PIS balance is zero.

Q. WHAT'S DIFFERENT?

A. The Company proposes reclassification of the $575,005 of arsenic media from plant account 320 – Water Treatment Equipment to account 320.4 (Original Arsenic Media) as

[3] See Rebuttal Schedule B-2, page 3.
[4] Hunsaker Dt. at 6-7. See also Staff Schedule TBH-5.

its PIS adjustment B. The $575,005 reclassification is reflected in the Staff proposed reclassification.[5]

Q. IN ITS PROPOSED RECLASSIFICATION STAFF RECLASSIFIES $1,379,569 FROM PLANT ACCOUNT 320 – WATER TREATMENT EQUIPMENT TO PLANT ACCOUNT 320.1 – WATER TREATMENT PLANTS WHILE THE COMPANY RECLASSIFIES $1,499,569. WHY IS THERE A DIFFERENCE?

A. The difference of $120,000 ($1,499,569 minus $1,379,569) is due to the reversal of the $120,000 retirement of arsenic media costs the Company proposed in its direct filing.

Q. PLEASE DESCRIBE ADJUSTMENTS "F" AND "G".

A. Adjustment F reflects a downward adjustment of $1,650 to account 320.5 – Arsenic Media and reflects the adoption of Staff proposed adjustment post-test year arsenic media regeneration costs.[6]

Adjustment G reflects the reconciliation of the PIS balance to the reconstruction of PIS shown on Rebuttal Schedule B-2, pages 3.8 through 3.14. As shown, there are no differences between the reconstructed balance and the adjusted balances shown on Rebuttal Schedule B-2, page 3.7. This means I have accounted for all of the Company's proposed PIS adjustments in the plant reconstruction.

B. <u>Accumulated Depreciation (A/D)</u>

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO ACCUMULATED DEPRECIATION, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

A. The Company's proposed accumulated depreciation ("A/D") adjustment is rebuttal B-2,

[5] Hunsaker Dt. at 6-7. See also Staff Schedule TBH-5.
[6] Hunsaker Dt. at 7-8. See also Staff Schedule TBH-7.

Adjustment 2, and is summarized on Rebuttal Schedule B-2, page 2. Rebuttal B-2, Adjustment 2, also consists of six individual adjustments labeled as "A", "B", "C", "D", "E", and "F" on Rebuttal Schedule B-2, page 4.

Adjustment A increases A/D by $250,000 and reflects the reversal of the Company's direct filing retirement of arsenic media costs. This adjustment is a corresponding adjustment to PIS adjustment A discussed above.

Adjustment B reduces A/D by $206,345 and reflects the change in A/D from reclassifying arsenic media related costs in PIS adjustment B.

Adjustment C increases A/D by $38,511 and reflects the change in A/D and reflects the change in A/D from reclassifying arsenic media related costs in PIS adjustment C.

Adjustment D reduces A/D by $287,503 and reflects the retirement of original arsenic media (Batch 1). This adjustment is a corresponding adjustment to PIS adjustment D discussed above.

Adjustment E increases A/D by $43,604 and reflects the change in the A/D balance from reclassifying plant costs in PIS adjustment E.

Adjustment F reflects the reconciliation of the A/D balance to the reconstruction of A/D shown on Rebuttal Schedule B-2, pages 3.8 through 3.14. As shown, there are no differences between the reconstructed balance and the adjusted balances shown on Rebuttal Schedule B-2, page 4.6; which means I have accounted for all of the Company's proposed A/D adjustments in the plant reconstruction.

C. Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization (A.A.)

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO CONTRIBUTIONS-IN-AID OF CONSTRUCTION AND/OR ACCUMULATED AMORTIZATION.

A. In Rebuttal B-2 Adjustment 3, as shown on Schedule B-2, page 2, the Company increases accumulated amortization ("A.A.") of CIAC by $22,097. This adjustment recognizes the changes to the annually computed composite amortization rates in the intervening years since the last test year resulting from the Company's proposed plant adjustments.

D. Accumulated Deferred Income Taxes (ADIT)

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO ACCUMULATED DEFERRED INCOME TAXES.

A. In Rebuttal B-2 Adjustment 4, as shown on Schedule B-2, page 2, the Company reduces accumulated deferred income taxes ("ADIT") by $38,801 from $283,078 to $321,878. The proposed change in the ADIT balance reflects the Company proposed changes to the PIS, A/D, CIAC, and A.A. balances.

IV. REVENUES AND EXPENSES

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. The Company's proposed rebuttal adjustments are detailed on Rebuttal Schedule C-2, pages 1-12. The rebuttal income statement with adjustments is summarized on Rebuttal

Schedule C-1, page 1-2.

Adjustment 1 annualizes depreciation expense. Annualized depreciation expense is lower reflecting the Company's proposed adjustments to PIS, proposed changes to the depreciation rate for arsenic media regeneration (Plant Account 320.5) for 67% to 40% (2.5-year useful life), and proposed depreciation rate for original arsenic media (Plant Account 320.4) of 6.67% (15-year useful life).

Q. WHY IS THE COMPANY PROPOSING A DEPRECIATION RATE OF 40% FOR ARSENIC MEDIA REGENERATION?

A. The Company is adopting the Staff proposed depreciation rate for arsenic media regeneration costs.[7] The 40% rate is reflective of the Company's actual experience with media regeneration.

Q. ARE THE OTHER DEPRECIATION RATES PROPOSING BY THE COMPANY CONSISTENT WITH THE RECOMMENDATIONS OF STAFF?

A. I believe so. Based upon my discussions with Staff a depreciation rate of 6.67% is appropriate for Plant Account 320.4 – Original Arsenic Media. But, again, I will let Staff speak for itself.

Q. DO YOU BELIEVE THAT THE PARTIES' DEPRECIATION EXPENSE PROPOSALS WILL BE SIMILAR?

A. Yes, assuming the parties agree on the depreciable balances as set forth on the Company's Rebuttal Schedule C-2, page 2.

[7] See Staff Schedule TBH-18.

Q. PLEASE DESCRIBE ADJUSTMENTS 2 AND 3 IN REBUTTAL SCHEDULE C-2, PAGE 2.

A. Adjustment 2 changes the property taxes to reflect the Company's rebuttal proposed revenues. Staff and the Company are in agreement on the method of computing property taxes. This method utilizes the ADOR formula and inputs two years of adjusted revenues plus one year of proposed revenues. I computed the property taxes based on the Company's proposed revenues, and then used the property tax rate and assessment ratio that was used in the direct filing.

Adjustment 3 reduces annual rate case expense by $15,000 and reflects a reduction in the Company's proposed total rate case expense by $75,000 from $250,000 to $175,000 amortized over 5 years or $35,000 annually.

Q. WHAT IS STAFF PROPOSING FOR RATE CASE EXPENSE?

A. Staff is proposing total rate case expense of $150,000 amortized over 5 years or $30,000 annually. The difference in annual cost between the parties is now $5,000.

Q. WHY DOES THE COMPANY BELIEVE $175,000 OF TOTAL RATE CASE EXPENSE IS APPROPRIATE FOR THIS RATE CASE?

A. The Company was authorized rate case expense of $225,000 in its prior case.[8] The Company believes one major issue (arsenic media cost treatment) has been resolved, but there still remain disputes between the parties particularly over the level of some expenses and the cost of capital. A request for $175,000 is reasonable given the now known remaining disputes with Staff. How the issues will be resolved going forward will directly impact the ultimate cost to the Company. That said, the Company will revisit its request at the appropriate time based upon the then existing facts and circumstances.

[8] See Decision No. 72177 (February 11, 2011) at Page 23.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S PROPOSED REBUTTAL REVENUE AND EXPENSE ADJUSTMENTS.

A. Adjustment 4 reflects the reclassification of certain expenses. Specifically, the adjustment reduces Repairs and Maintenance expense by $6,584 and Contractual Services – Other by $1,020 and increases Contractual Services – Water Testing by $7,604. This adjustment adopts the Staff proposed expense reclassification.[9]

Adjustment 5 reclassifies workman's compensation insurance of $9,983 from Contractual Services – Other to Contractual Services – Management Fees and reflects the adoption of the Staff proposed expense reclassification.[10]

Adjustment 6 reduces Contractual Services - Management fees by $17,407 for prior year management fee expenses and reflects the adoption of the Staff proposed expense adjustment.[11]

Adjustment 7 reduces Contractual Services – Management fees by $8,803 and reflects the Company's proposed reduction of bonuses from the test year amount of $21,470 to $12,967. The $12,967 represents a 5-year average of bonuses paid to employees (both dedicated and non-dedicated).

Q. DOES STAFF PROPOSE AN ADJUSTMENT TO CONTRACTUAL SERVICES – MANAGEMENT FEES FOR BONUSES?

A. Yes. Staff reduces Contractual Services – Management Fees by $21,470, eliminating all bonuses from expenses.[12] The Company strongly disagrees with the removal of all bonuses from test year expenses.

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[9] Hunsaker Dt. at 9.
[10] Hunsaker Dt. at 9.
[11] Hunsaker Dt. at 9.
[12] Hunsaker Dt. at 9.

Q. WHY DOES THE COMPANY OPPOSE THIS ADJUSTMENT?

A. There are several reasons. First, Staff has not really explained its recommended disallowance. Staff's entire justification appears to be that paying bonuses is not necessary to the provision of water service.[13] Staff's analysis does not take into consideration that bonuses are part of the *total* compensation, which must be competitive in order to attract and retain qualified employees who are necessary to provide safe and reliable water service. At this point, no one is arguing that it was unreasonable or prudent for the management company to pay bonuses. Second, and as I mentioned above, bonuses or incentive programs are just a part of an employee's overall or total compensation. Some of the compensation is held back and paid as a bonus which creates a continuing incentive. But, the focus should be on total compensation which has to be market competitive or, all other things being equal, employees will leave for what they perceive to be a better paying job. This will then lead to higher turnover and ultimately a degradation of service to the customer. A similar concept applies to recruiting new employees. One of the primary considerations they make is the compensation and benefits package. Employee pay and benefits packages have to be market competitive. Third, it is reasonable for part of the total compensation package to consist of bonuses or incentive pay. Bonuses provided to employees whose responsibilities are toward providing water service, based on their performance in doing so, is directly and reasonably related to providing water service. That is the standard as to whether these amounts should be included in rates.

Q. DOES THE MANAGEMENT FEE CONTAIN COSTS FOR RETIREMENT PLANS?

A. No, which makes the management fees all the more reasonable in my view.

[13] Hunsaker Dt. at 10.

Q. BUT HOW DO WE KNOW THAT THE MANAGEMENT COMPANY WILL PAY THE SAME AMOUNT OF BONUSES IN THE FUTURE?

A. We do not. Nor do we know how much the Company will pay for power, fuel, chemicals, paper clips, or lawyers. But the Company did have a known and measurable amount of bonuses paid during the test year, which was included in its direct filing. But in light of Staff's position, the Company reviewed the bonuses paid over the past five years. Essentially, the Company is amending its proposal to include a normalized amount of bonuses to include in rates, based on the average of bonuses paid over the past five years – which is nearly $9,000 less than the amount paid in the test year.

Q. SO THE MANAGEMENT COMPANY HAS HISTORICALLY PAID BONUSES AND PASSED THOSE COSTS ON TO SWC?

A. Yes, and that is the point. Like any expense, the year to year amount may vary slightly but the bonus program is there, and it is a recurring expense that will continue and the amount the Company has proposed provides a reasonable expense level. The bonuses paid that SWC is seeking recovery for is a necessary cost of providing service.

Q. TO SUMMARIZE YOUR TESTIMONY ON THIS EXPENSE, WHY IS AUTHORIZING THIS EXPENSE TO BE INCLUDED IN THE COST OF SERVICE IN THE PUBLIC INTEREST?

A. First, achievement pay is an important tool in recruiting employees who ultimately provide service to SWC through the management company. Second, achievement pay is not purely a financial measure but rather is represented by a balanced approach which evaluates such things as the quality and level of customer service and both financial and operational reliability provided and financial. Third, this expense was incurred and will be a continuing expense going forward that ultimately helps SWC provide quality utility service to its customers.

Q. THANK YOU. PEASE CONTINUE WITH YOUR DISCUSSION OF THE REVENUE AND EXPENSE ADJUSTMENTS.

A. Adjustment 8 increases Contractual Services – Water Testing by $1,030 and reflects the adoption of the Staff proposed adjustment.[14]

Adjustment 9 is intentionally left blank.

Adjustment 10 adjusts interest expense to reflect interest synchronization with rate base.

Adjustment 11 adjusts income taxes to reflect the Company proposed adjusted test year revenues and expenses.

V. RATE DESIGN

Q. WHAT ARE SWC'S PROPOSED RATES FOR WATER SERVICE?

A. The Company's proposed rates are shown on Rebuttal Schedule H-3, pages 1 and 2.

Q. WHAT WILL BE THE AVERAGE 5/8 x 3/4-INCH METERED CUSTOMER AVERAGE MONTHLY BILL UNDER THE COMPANY'S REBUTTAL PROPOSED RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8 x 3/4 inch metered customer, using an average of 4,677 gallons, is $34.21 – equivalent to a $3.24 increase over the present monthly bill of $30.94 or a 10.56 percent increase.

Q. IS THE COMPANY MODIFYING ITS PROPOSED RATE DESIGN FROM ITS DIRECT FILING?

A. No.

[14] Hunsaker Dt. at 10.

Q. PLEASE DISCUSS THE STAFF PROPOSED RATE DESIGN.

A. Before I begin, I would note that the Staff proposed rates do not generate Staff's proposed revenue requirement. According to my revenue proof of the Staff rates, Staff's proposed rates produce approximately $48,000 less revenue than the Staff proposed revenue requirement. I have spoken with Staff about this issue and Staff has agreed to look into the matter. That said, the rate designs proposed by each of the parties are similar; an inverted 3-tier design for the ¾-inch and smaller residential metered customers and an inverted 2-tier design for other meter sizes and classes (residential, commercial, industrial public authority and irrigation). The proposed break-over points are the same between the parties.

Q. WHAT ABOUT REVENUE RECOVERY FROM THE MONTHLY MINIMUMS AND COMMODITY RATES?

A. Revenue recovery from the monthly minimums and the commodity rates are similar. For example, under the Company's proposed rates, recovery from the monthly minimums is 47.46% whereas under the Staff proposed rates revenue recovery from the monthly minimums is 48.3%. Revenue recovery from the first, second and third tier commodity rates are 23.91%, 25.19%, and 3.45%, respectively under the Company's proposed rates whereas Revenue recovery from the first, second and third tier commodity rates are 23.29%, 24.98%, 3.43%, respectively under Staff's proposed rates.

Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE MISCELLANEOUS SERVICE CHARGES?

A. No.

Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE METER AND SERVICE LINE CHARGES?

A. No.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ON RATE BASE, INCOME STATEMENT AND RATE DESIGN?

A. Yes.

Thomas J. Bourassa
Rebuttal Testimony on
Cost of Capital

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
DOUG LITTLE - CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, LLC, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES.	)	DOCKET NO. W-03718A-15-0213

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

COST OF CAPITAL

MARCH 11, 2016

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I. INTRODUCTION.

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

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

A. I am testifying on behalf of the applicant, Sahuarita Water Company, LLC. ("SWC" or the "Company").

Q. ARE YOU THE SAME THOMAS J. BOURASSA THAT FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes, my Direct Testimony was presented in two volumes. My background information and qualifications are set forth in the rate base and revenue requirement volume of my Direct Testimony.

Q. DID YOU ALSO PREPARE REBUTTAL TESTIMONY ON THOSE ISSUES IN THIS DOCKET?

A. Yes, my Rebuttal Testimony on rate base, income statement, revenue requirement and rate design is being filed in a separate volume at the same time as this testimony. In this volume, I present my cost of capital Rebuttal Testimony. Also attached are two exhibits, which are discussed below.

II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY.

A. Summary of Company's Rebuttal Recommendation.

Q. WHAT IS YOUR RECOMMENDED COST OF CAPITAL?

A. I recommend a return on equity (ROE") of 10.5 percent, the same as my recommendation in the Company's initial filing. My recommendation of 10.5 percent is above the mid-point of the range of my discounted cash flow (DCF), Risk Premium, and capital asset pricing model (CAPM) analyses of 10.0 percent for the publicly traded water utilities ("water proxy group"). My recommendation of 10.5 percent is also below the mid-point of the range of estimates for SWC of 11.1 percent – taking into account a downward financial risk adjustment of 40 basis points, and recognizing the Company's lower financial risk compared to the water proxy group, but also recognizing the higher risk in SWC compared to the water proxy group through an upward risk adjustment for SWC of 150 basis points.[1] I also recommend a capital structure consisting of 20.57 percent debt and 79.43 percent equity and a cost of debt of 4.2 percent. Based on these recommendations, the weighted average cost of capital ("WACC") is 9.2 percent.[2] Therefore, I recommend a return of at least 9.2 percent be applied to SWC's fair value rate base ("FVRB").

Q. HAVE YOU UPDATED YOUR COST OF CAPITAL ANALYSIS?

A. Yes, the results of my updated analysis for the water proxy group are somewhat lower than those in my Direct Testimony. The range of my rebuttal DCF, Risk Premium, and CAPM analyses for the water proxy group is from 9.6 percent to 10.4 percent with a mid-point of

[1] *See* Rebuttal COC Schedule D-4.1.
[2] See Rebuttal COC Schedule D-1.

10.0 percent.[3] This compares to my direct filing where the range was from 9.8 percent to 10.4 percent with midpoint estimate of 10.1 percent.[4]

The results of my updated analysis for SWC are higher than those in my direct testimony. The range of my rebuttal DCF, Risk Premium, and CAPM analyses for SWC is 10.7 percent to 11.5 percent with a mid-point of 11.1 percent.[5] My direct DCF, DCF, Risk Premium, and CAPM analyses for SWC showed the indicated cost of equity in the range of 10.4 percent to 11.0 percent with a midpoint of 10.7 percent.[6]

After considering the differences in business and financial risk between SWC and the publicly traded water utilities, the cost of equity for SWC falls in the range of 10.7 percent to 11.5 percent with a mid-point of 11.1 percent. However, despite a somewhat higher indicated cost of equity for SWC, I continue to recommend a ROE of 10.5 percent for SWC, which is the same as I proposed in my Direct Testimony, to avoid creating additional issues in this case.

Q. WHAT CHANGE HAVE YOU MADE TO YOUR RECOMMEND RISK PREMIUM FOR SWC?

A. Instead of recommending a 100 basis point premium to reflect the additional risks of an investment in SWC compared to the water proxy group, I now recommend 150 basis points which is at the mid-point of my risk premium estimates based upon my risk study. My risk study was shown in my direct Exhibit TJB-COC-DT-2. I provide an updated risk study in rebuttal Exhibit TJB-COC-RT-2.

Q. WHY HAVE YOU CHANGED YOUR RISK PREMIUM RECOMMENDATION?

A. In my direct analysis, I was overly conservative by recommending a risk premium that was 100 basis points below the indicated risk premium from my study, which indicated a 140

[3] *See* Rebuttal COC Schedule D-4.1.
[4] *See* Direct COC Schedule D-4.1.
[5] *See* Rebuttal COC Schedule D-4.1.
[6] *See* Direct COC Schedule D-4.1.

to 160 basis point risk premium. I no longer believe that the risk premium should be only 100 basis points given the now indisputably unique nature of regulation in Arizona relative to the other states in which the sample companies operate, and the risks such regulation brings.

Q. WHAT DO YOU MEAN BY THE "NOW" INDISPUTABLY UNIQUE NATURE OF ARIZONA REGULATION?

A. On or about August 18, 2015, the Arizona court of appeals issued its decision in *RUCO v. Arizona Corporation Commission* ("SIB Decision"). In the SIB Decision, the court declared the recently approved SIB mechanisms to be contrary to Arizona law.[7] The court further concluded that a fair value finding cannot be made without considering all of the other elements of ratemaking like revenues and expenses.[8] The court's written opinion repeatedly recognizes the unique nature of Arizona's legal framework for utility regulation, and makes it clear that notwithstanding the demands of the public interest, the law trumps all. As the court put it:

> We recognize the Commission's legitimate desire to "initiate innovative procedures in an attempt to deal promptly and equitably with increasingly complex regulatory matters," and its corresponding goal of avoiding "a constant series of extended rate hearings [that] are not necessary to protect the public interest." (Citation omitted). But the question before us is not whether the SIB mechanism represents prudent public policy. Our focus is on the propriety of that mechanism given the unique and express provisions of our state constitution.[9]

Even our state courts recognize the unique regulatory risk utilities in Arizona face.

[7] SIB Decision at 18 ¶¶ 49-50.
[8] SIB Decision at 14-15 ¶¶ 40-42.
[9] SIB Decision at 17 ¶ 48.

Q. BUT MR. BOURASSA, YOU ARE NOT AN ATTORNEY. HOW CAN YOU OFFER YOUR OPINION ON THIS LEGAL DECISION?

A. I do not have to be an attorney to read the opinion and analyze its impact on risk. More importantly, I have nearly 20 years of experience testifying before multiple PUCs as an expert on ratemaking, including cost of capital analysis. In that capacity I believe I am unquestionably qualified to evaluate the court's opinion and assess the impacts on the rate setting process. Indeed, the court's opinion echoes what I have claimed for years, which is that the regulatory risks Arizona utilities face are higher. Unfortunately, the court also limits the tools available to the Commission to address regulatory risks. All of this has a direct bearing on the analyses I conduct when trying to determine the reasonable and appropriate cost of capital and return on equity for water utilities like SWC.

Q. DON'T ALL ARIZONA UTILITIES FACE THE SAME REGULATORY RISKS?

A. I don't think the *Bluefield* and *Hope* comparable risk standard (discussed below), would allow for such a narrow consideration, but that's not the point. The point is that we use a group of sample publicly-traded utility companies to determine the returns on equity for water and sewer companies in rates cases before the Commission. Those utilities operate in other states – states that do not face the limitations of Arizona's "unique" constitution. Regulation along with other factors (including size, limited service territory, and smaller customer base) impact an Arizona utility's ability to earn its authorized return and cause greater fluctuations in earnings.[10] This is risk that investors do not ignore. Therefore, we have to take those differences into account in determining equity returns.

Unlike Staff, I have actually quantified the relative risk differences between the water proxy group and SWC, using commonly accepted metrics that valuation experts would (and should) consider in determining the cost of capital.[11]

[10] See Direct Testimony of Thomas J. Bourassa ("Bourassa Dt.") at 9 and 20.
[11] Bourassa Dt. at 20-23.

B. Summary of the Staff Recommendations.

Q. PLEASE SUMMARIZE THE RECOMMENDATIONS OF STAFF FOR THE COST OF EQUITY AND THE RATE OF RETURN ON FAIR VALUE RATE BASE.

A. Staff is recommending a capital structure consisting of 20.57 percent debt and 79.43 percent equity.[12] Staff determined a cost of equity of 8.6 percent based on the average cost of equity produced by its DCF and CAPM models but is recommending a 9.5 percent ROE.[13] Staff also determined the cost of debt to be 4.2 percent.[14] Based on the foregoing capital structure, cost of equity and cost of debt, Staff recommends weighted cost of capital ("WACC") is 8.41 percent.[15]

Staff used a sample of seven publicly traded water utilities; all of which are the same as those I used in my analysis.[16] But Staff did not consider financial risk, firm size, or firm-specific risks in its analysis.

C. Comments on the Staff Testimony and ROE Recommendation.

Q. BEFORE ADDRESSING STAFF'S COST OF CAPITAL TESTIMONY, DO YOU HAVE SOME ITEMS TO CORRECT FROM STAFF'S TESTIMONY?

A. Yes, I have a few "housekeeping" comments. On page 2 of Ms. Brown's testimony she states that the Company has 16,000 customers. This is incorrect, as the Company only has about 5,500 customers. On page 6, Staff states that it uses six publicly traded utility companies in its proxy group and on page 16 Staff lists six companies. However, Staff actually uses seven as shown on Schedules CSB-4, CSB-5, CSB-6, CSB-7 and CSB-9. On page 36 of Ms. Brown's testimony, she refers to the Company as Liberty Sahuarita Sewer.

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[12] Direct Testimony of Crystal S. Brown ("Brown Dt.") at 5-6.
[13] *Id.* at 5.
[14] *Id.* at 6.
[15] *Id.*
[16] *Id.* *See also* Staff Schedule CSB-4.

The Company is not associated in any way with Liberty Utilities Corp. or any other entity with the name "Liberty". Finally, on page 43 of Ms. Brown's testimony, she provides a computation of a WACC in Table 3 of 7.69 percent which does not match her recommendation on the same page of 8.41 percent.

Q. WITH THOSE ITEMS ADDRESSED, PLEASE DESCRIBE YOUR PRIMARY CRITICISMS OF STAFF'S COST OF CAPITAL ANALYIS. .

A. Ms. Brown asserts her cost of capital analysis is more straightforward, conceptually sound, and simpler to understand.[17] I disagree. Let's start with Staff's assertion that is models are straightforward. I would not characterize the DCF and CAPM as straightforward or easy to understand; after all, they have many assumptions that do not always hold true and the process of determining reasonable inputs is not easy. One cannot simply mechanically apply these models and accept the indicated results as Staff appears to have done here, and has done in the past.. That said, apart from the differences in the inputs, I employ the same basic DCF and CAPM models as does Staff. So the Company's approach is not any less straightforward than Staff's in that respect.

Q. DOES STAFF'S COST OF CAPITAL ANALYSIS IGNORE THE LIMITATIONS OF THE MODELS THEY EMPLOY?

A. Yes, Staff's witness Crystal Brown makes some broad assertions about the models she uses to determine Staff's recommendations. . First, with all due respect, Ms. Brown has not, until recently, been a cost of capital witness and, therefore, lacks the expertise and experience to make these sweeping assertions. Second, Staff does not discuss and, therefore, does not recognize, the limitations imposed by the assumptions underlying the DCF and CAPM. For example, the DCF model assumes that earnings, dividends, book

[17] Brown Dt. at 73.

value, and market price, all grow at this same rate.[18] Also, Staff's analysis gives less weight to the best estimate of growth for the DCF.[19] Further, Staff makes no accommodation and/or consideration of current capital market conditions to recognize that the DCF model may, as a result, understate the true expected cost of equity at this time.[20]

Likewise, Staff also uses spot interest rates for its risk-free rate in its CAPM when the cost of capital estimation in a ratemaking setting is a forward looking process. As such, models to determine the cost of capital, like the CAPM, are prospective in nature, which require inputs such as forecasted interest rates.[21] I can go on, but in the end, the failure to recognize and account for the limitations in the use of these complex models undermines Ms. Brown's bold assertion that Staff's cost of capital analysis is always conceptually sound.

Q. DOES STAFF'S ANALYSIS PROVIDE SWC WITH A RETURN THAT IS ON PAR WITH INVESTMENTS OF COMPARABLE RISK?

A. No, not in my professional opinion based on my experience. Indeed, Staff's approach is only simpler in the sense that Staff ignores the necessary work and analysis required by *Hope* and *Bluefield* to provide SWC with a return that is commensurate with returns on investments of comparable risk.[22] Obviously, SWC is more risky than the large publicly traded water utilities. A great deal of my Direct Testimony was devoted to this explaining why this is the case.[23] Further, I prepared a risk study to specifically quantify this risk difference, which happens to be consistent with the empirical financial data and with published studies.[24]

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[18] Bourassa COC Dt. at 28.
[19] Bourassa COC Dt. at 31 – 32.
[20] Bourassa COC Dt. at 28-29.
[21] Morin, p. 172.
[22] Bourassa COC Dt. at 12 – 13.
[23] Bourassa COC Dt. at 13-24; 41 – 43.
[24] *See* Exhibit TJB-COC-RB2 and Schedule D-4.15.

Q. DO YOU BELIEVE STAFF'S ANALYSIS RESULTS IN A REASONABLE RANGE OF COST OF EQUITY FOR SWC?

A. No. At the end of the day, I believe the unreasonableness of Staff's cost of equity analysis which has a midpoint of 8.6 percent and her cost of equity recommendation of 9.5 percent speak for themselves. An equity return of 8.6 percent as indicated by her models is not even within the realm of reasonableness as measured by currently authorized returns and projected equity returns; both of which are available to investors to consider and both of which are considerably higher than Staff's cost of equity analysis and Staff's return of equity recommendation.

Q. HOW DOES STAFF'S RECOMMENDATION COMPARE TO THE ACTUAL AND FORECAST COMMON EQUITY RETURNS AND CURRENTLY AUTHORIZED RETURNS?

A. *Value Line*, a reputable publication used by the Company and Staff cost of capital witness, publishes forecasts of returns on common equity for larger water publicly traded companies. These water utilities are included in my sample group and Staff's sample group. *AUS Utility Reports* also provides the currently authorized ROE for these utilities. The reported currently authorized returns as the projected ROEs are as follows:

		Currently	Value Line[2]			
Company	Symbol	Authorized[1]	2014 Actual	2015 Projected	2016 Projected	2018-20 Projected
American States Water	AWR	9.43%	12.0%	12.5%	12.5%	14.5%
Aqua America	WTR	9.79%	12.9%	13.0%	13.5%	14.0%
California Water	CWT	9.43%	9.1%	7.5%	9.0%	9.5%
Connecticut Water	CTWS	9.63%	10.2%	10.5%	10.0%	9.5%
Middlesex	MSEX	9.75%	9.3%	10.0%	10.0%	9.5%
SJW Corp.	SJW	9.43%	14.4%	7.0%	8.0%	7.5%
York Water Company	YORW	NM	11.0%	11.0%	12.0%	12.0%
Average		9.6%	11.3%	10.2%	10.7%	10.9%

[1] AUS Utility Reports (January 2016)

[2] Value Line Rating and Reports (January 15, 2016)

The Staff cost of equity analysis mid-point result of 8.6 percent is well below *all* of the returns listed above.[25] The Staff ROE recommendation of 9.5 percent is below that of the currently authorized returns and well below *all* of the actual and projected returns listed above.

Q. WHAT CONCLUSIONS CAN BE DRAWN FROM THE RETURN DATA YOU JUST PRESENTED, MR. BOURASSA?

A. For one, they are all much higher than the Staff returns produced by their models, before any consideration of financial or other risks. For another, since we are applying a return to a book value rate base, book equity returns have relevance. If we are to meet the comparable earnings standards set forth in *Hope* and *Bluefield,* then a comparison to book returns is an essential element. These utilities' rates will be in effect during approximately the same time period as SWC's new rates. Yet, if the Staff recommendation is adopted, SWC will be allowed to earn much less. In short, SWC will not even be given the opportunity to earn a return commensurate with investments of comparable risk.

Something is very wrong with the results of Staff cost of capital analysis and its recommendation. Investors would be better off investing in the publicly traded utility companies than investing in SWC.[26] In fact, an investor would be hard-pressed to invest in SWC under Staff's analysis. Putting aside the additional risks of investing in SWC, only the Company's cost of capital analysis comes close to reflecting what the public traded companies are expected to earn. At the end of the day, when all the expert and lawyer wrangling over inputs and assumptions is done, the results should still pass the simple, common-sense "smell test" and the Staff recommendation doesn't pass that test.

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[25] The Staff models produces an indicated ROE of 8.6 percent which is 100 basis points below the currently authorized returns, 270 basis points below the actual equity returns for 2014, 210 basis points below the 2016 projected equity returns, and 230 basis points below the projected returns for 2018-2010. Even the Staff recommended return of 9.5 percent is 180 basis points below the actual equity returns for 2014, 120 basis points below the 2016 projected equity returns, and 140 basis points below the projected returns for 2018-2010.

[26] *Value Line* reports the total 3-year and 5-year market returns for the water proxy group are 14.15% and 11.66% respectively.

Q. MS. BROWN TESTIFIES (ON PAGES 37 AND 40) THAT YOUR FINANCIAL RISK ADJUSTMENT AND YOUR RISK PREMIUM FOR THE COMPANY IS ARBITRARY. PLEASE COMMENT.

A. Again, Ms. Brown's inexperience and lack of expertise on this aspect of ratemaking is impacting her testimony. The financial risk adjustment I recommend is anything but arbitrary. In fact, Staff has used the Hamada method in past cases to adjust for financial risk, the Commission has adopted it many times on Staff's recommendation, and never do I recall Staff referring to the Hamada method as arbitrary.[27] The Hamada method is an accepted method for quantifying the differences in financial risk between firms with different levels of leverage (the amount of debt in capital structure). Professor Hamada developed his methodology from an extension of the CAPM using market values of firms.[28] Dr. Morin describes the same methodology in his textbook, *New Regulatory Finance*.[29]

With regard to my risk premium adjustment, I have not only identified the risk differences between SWC and the water proxy group, but quantified them as well. I did not pick a number out of thin air. My recommended risk premium adjustment is supported by facts and a detailed analysis. I not only describe all the reasons for the risk differences, but I also quantified the relative risks and computed a specific range of risk adjustments that would be appropriate, based upon market data.[30] In the end, the results of my detailed risk study are entirely consistent with the numerous reasons why the SWC is more risky and consistent with the empirical market financial data. My work hardly qualifies as arbitrary.

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[27] *See Liberty Utilities (Bella Vista Water) Corp. (formerly Bella Vista Water Company),et al.*, W-02465A-09-0411, W-20453A-09-0412, and W-20454A-09-0413; *Liberty Litchfield Park (formerly Litchfield Park Service Company)*, Docket Nos. SW- 01428A-09-0103, W-01427A-09-0104, W-01427A-09-0116, and W-01427A-09-0120 (consolidated); *Liberty Rio Rico (formerly Rio Rico Utilities, Inc.)*, Docket No. WS- 02676A- 09-0257.

[28] "Effects of the Firm's Capital structure on Systematic Risk of Common Stock," *Journal of Finance*, Vol. 27 No. 2 (May 1972) 435 – 453.

[29] Morin, pp. 222 – 223.

[30] Bourassa COC Dt. at 18 – 23; 41 – 43.

Finally, the mid-point of Ms. Brown's cost of capital analysis is 8.6 percent[31], but she recommends 9.5 percent, effectively adding 90 basis points to the average results of her results. Ms. Brown explains that she is recommending the high-end of the range of estimates produced by her analysis to avoid a recommendation for decrease in revenues.[32] But she did not take a similar approach in the recent Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Back Mountain") rate case.[33] In the Liberty Black Mountain rate case Staff was recommending a rate decrease based in part upon Ms. Brown's recommended ROE of 8.6 percent which as the average of the results of Staff cost of capital analysis.[34] Staff did not recommend a higher ROE in that case to avoid a rate decrease recommendation.

In my view, a risk premium is warranted for SWC in this case; but I also believe that a risk premium was warranted in the Liberty Black Mountain case based upon the supportable evidence, and not some arbitrary decision by Staff to avoid or not to avoid a recommendation for a rate decrease. What if Staff surrebuttal results indicate a rate increase rather than a rate decrease is indicated using Staff's 8.6 percent mid-point for the ROE? Would that mean that Staff will lower its recommendation from 9.5 percent to 8.6 percent?

Q. MS. BROWN TESTIFIES (ON PAGE 3) THAT ANY RETURN ON EQUITY FALLING IN THE RANGE OF A COST OF CAPITAL ANALYSIS COULD BE CONSIDERED A REASONABLE RETURN ON EQUITY. DO YOU AGREE?

A. No. I disagree. First of all, I am not sure whose cost of capital analysis is Staff referring to. Clearly, there are differences in the indicated costs of equity results produced by the models each party utilized in this instant case. Even so, just because Staff's CAPM produces a certain indicated cost of equity does not mean that the result is reasonable. As I

[31] *See* Staff Schedule CBS-3.
[32] Brown Dt. at 5.
[33] *See* Direct Testimony of Crystal S. Brown in Docket No. SW-02361A-15-0206 at 80.
[34] *Id.*

showed from the data I previously discussed on page 9, Staff's range of results for cost of equity is simply not reasonable.

Second, each of the methods used by the parties does not produce perfect proxies for the cost of capital. All methods have significant limitations. Each has its own way of estimating the cost of capital and each has its own underlying assumptions. That is why multiple methods should be used and considerable and reasoned judgment must be made on the inputs and their applicability under current market conditions. As Dr. Morin states:

> Each methodology requires the exercise of considerable judgment on the reasonableness of the assumptions underlying the methodology and on the reasonableness of the proxies used to validate a theory. *The inability of the DCF model to account for changes in relative market valuation, discussed below, is a vivid example of the potential shortcomings of the DCF model when applied to a given company.* Similarly, the inability of the CAPM to account for variables that affect security returns other than beta tarnishes its use.
>
> *No one individual method provides the necessary level of precision for determining a fair return, but each method provides useful evidence to facilitate the exercise of an informed judgment.* Reliance on any single method or preset formula is inappropriate when dealing with investor expectations because of possible measurement difficulties and vagaries in individual companies' market data.
>
> When measuring equity costs, which essentially deals with the measurement of investor expectations, no single methodology provides a foolproof panacea. Each methodology requires the exercise of considerable judgment on the reasonableness of the assumptions underlying the methodology and on the reasonableness of the proxies used to validate the theory. It follows that more than one methodology should be employed in arriving at a judgment on the cost of equity and that these methodologies should be applied across a series of comparable risk companies. [35]

In sum, Ms. Brown's is over-reliant on a mechanical application of models, and is really basing of Staff's range of equity returns, on the results of its CAPM.[36] As I have shown, however, her results are not reasonable.

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[35] Morin, pp. 428-429 [emphasis added].

[36] Ms. Brown testifies that the range of estimates of its models is 7.6% to 9.5% on page 42 of her testimony, which is the range of her CAPM estimates shown on Schedule CSB-3.

Q. MS. BROWN ALSO TESTIFIES (ON PAGE 38-39) THAT ANY ROE ABOVE THE LOW-POINT OF ITS RANGE OF ESTIMATES MAKES A REASONABLE ACKNOWLEDGMENT OF OR CONCESSION TO THE OTHER RISK FACTORS ATTRIBUTED TO SWC. DO YOU AGREE?

A. No. First, because the cost of capital is an estimation process and we don't know whether the low point of a range is correct or the high point of a range is correct, the mid-point (and sometimes the median) is arguably the most "fair" estimate, unless there is a reasonable argument to do otherwise.

Second, in my experience, Staff typically recommends the mid-point of its analyses of its water proxy group in almost every case.[37] Until the recent assignment of Ms. Brown as Staff cost of capital witness, I do not recall Staff ever making the argument that it chose the mid-point of its results because Staff was recognizing other additional risks associated with an investment in the utility in the rate case. In fact, Staff has argued in the past, using portfolio theory, that investors should not be expected to receive higher returns for Company specific risks (unique risks) and that an investment in the utility therefore has no more risk than the water proxy group. Why is this case any different for Staff? The answer is, it is not, or at least should not be.

Q. BUT, MR. BOURASSA, YOU ARE RECOMMENDING A SPECIFIC RISK PREMIUM ADJUSTMENT FOR SWC. WOULDN'T STAFF'S PORTFOLIO THEORY ARGUMENT BE JUSTIFICATION FOR DENYING YOUR RECOMMENDED RISK PREMIUM ADJUSTMENT?

A. No. First, the risk of smaller companies *is* a systematic risk and not a unique risk.[38] Second, I bracketed the range of small company risk premiums garnered from the empirical financial data and studies, and then specifically quantified the risk premium for SWC from my risk study. In quantifying that risk premium, I use market portfolio data

[37] Brown Dt. at 4.
[38] Bourassa COC Dt. at 36.

provided by Duff & Phelps as the basis for determining the additional systematic risk of SWC due to its smaller size.[39]

Q. DO YOU HAVE ANY FURTHER COMMENTS ON MS. BROWN'S TESTIMONY?

A. Not at this time. Again, I think the Staff cost of equity analysis result of 8.6 percent, and its ROE recommendation of 9.5 percent, clearly show how flawed Staff's cost of capital analysis is in this rate case.

Q. WHAT ROE DO YOU RECOMMEND?

A. While I can support a ROE of 11.1 percent, I am recommending a ROE of *no less than* 10.5 percent, the same ROE as I proposed in my direct testimony.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY ON COST OF CAPITAL?

A. Yes.

[39] Bourassa COC Dt. at 41 – 43.

Exhibit TJB-COC-RT-1

Shares of companies in the Water Utility Industry performed well since our last report. This marks the second-straight impressive quarterly performance.

Strong equity prices have resulted in low yields for members of the group. Indeed, income-oriented investors may be disappointed that the average yield for this industry is now the same as the median for the typical dividend-paying stock in the *Value Line* universe.

Each water company is involved in a substantial building program. Most of the spending is on replacing and modernizing existing pipelines, valves, and wastewater facilities. These programs should last well past late decade.

External financing will most likely continue to be needed to fund these expenditures. Overall, most water utilities are in decent financial health, however. Much of this can be attributed to regulators being relatively reasonable in rate cases. There is a general understanding that underinvestment in the past has led to a deterioration in the nation's water infrastructure and billions of dollars in capital will be needed to improve the system.

Larger firms have been buying up lots of small municipally owned water districts that don't have the financial wherewithal to perform the required upgrades. Because there are significant redundancies in the industry, the acquiring firms can usually generate better returns with the purchased assets.

Despite the Federal Reserve's recent rate hike, yields on income-generating nondistressed securities of all types, remain very low, leaving income investors with difficult choices.

Yields On Water Stocks Are Low

Historically, sought out for above-average yields and strong dividend growth prospects, water utility equities currently do not offer any premium in the form of current income. Since our last report in mid-October, the shares of the nine members of the group appreciated by 4.9%, versus 1.9% for the S&P 500 Index. We can only speculate that the rash of uneasiness in world markets sent investors into safe sectors of the economy, such as the water industry.

Large Construction Programs

For years, insufficient funding was made to properly maintain America's water infrastructure, leading to a general state of disrepair. At some point, executives and regulators realized that massive amounts of money would have to be spent to replace aging pipes, valves, and other equipment. Thus, over the past five to 10 years, water utilities, in cooperation with state regulators, have been involved in major building projects.

External Financing Is Required

Internally generated funds are not sufficient to fund the amount of construction now underway. Every member of the industry has had to turn to the debt and equity markets to raise needed capital. Fortunately, the company's balance sheets have remained in relatively solid

INDUSTRY TIMELINESS: 34 (of 97)

condition. Of the nine firms, two have Financial Strength ratings of an A, two a B++, and five a B+. (The average rating for the typical *Value Line* stock is B+.)

With the stocks having done well, now may be a good time to tap the equity markets. In the recent past, many companies have relied mostly on debt, due to the prolonged low interest rate environment. One feature of the water industry is that it isn't big in terms of market capitalization. In fact, we think that the rarity of water stocks is probably one of the reasons they tend to trade at a premium. For example, the market capitalization of Con Edison alone is only modestly less than the total of the entire water industry combined. The scarcity of water stocks is one of the reasons its yield is 2.4%, while the electric industry's yield is 3.8%, 140 basis points higher.

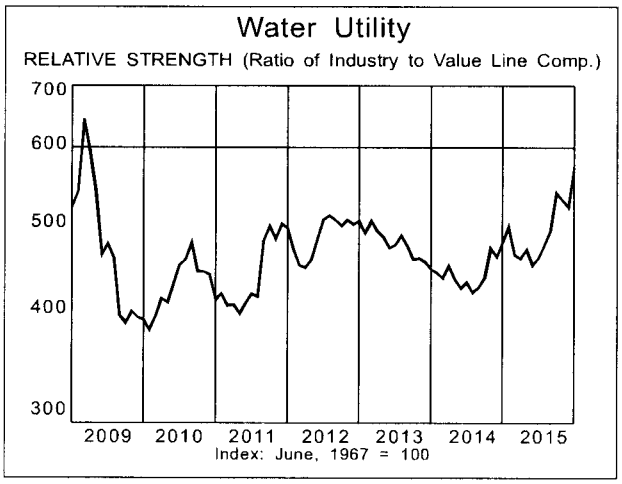
Consolidation

The overwhelming majority of water districts in the U.S. are small and run by local municipal-water districts. Include the small micro-districts in the mix, and the number of different water authorities rises to over 100,000. As the infrastructure ages and the EPA increases the number of costly mandates, some are selling themselves to better capitalized, more-professional investor-owned companies. The arrangements have proved successful in most cases because of the large amount of redundancies that exist in this industry. The smaller district get the capital spending they need to update their systems, and the buyers are able to use their resources and expertise to improve the facilities while generating better returns on the assets. We wouldn't be surprised if this trend picked up in the future.

Conclusion

Of the nine stocks in the industry, three are ranked to outperform the broader market averages in the year ahead; *American States Water*, *American Water Works*, and *The York Water Company*. Since many investors in this sector are more buy-and-hold types, they should be aware that none of these three issues offer attractive long-term appeal, however.

James A. Flood



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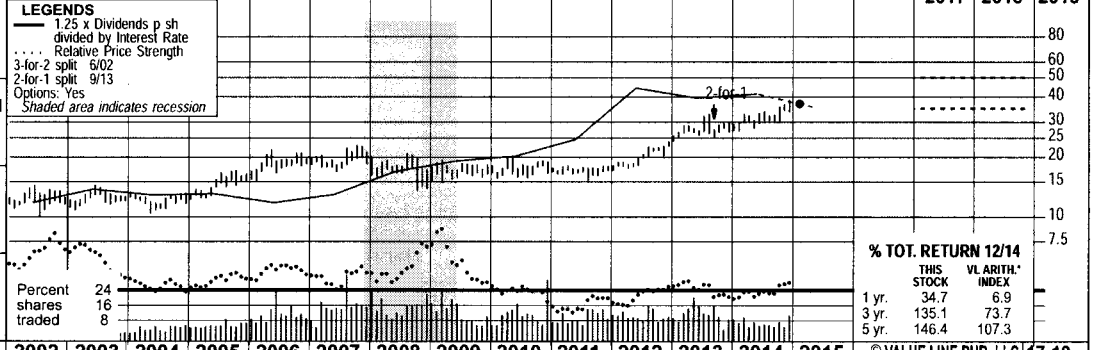
AMER. STATES WATER NYSE-AWR

RECENT PRICE **36.97** | P/E RATIO **23.4** (Trailing: 24.5 / Median: 21.0) | RELATIVE P/E RATIO **1.29** | DIV'D YLD **2.4%** | VALUE LINE

TIMELINESS 3 Lowered 5/16/14
SAFETY 2 Raised 7/20/12
TECHNICAL 3 Raised 11/21/14
BETA .70 (1.00 = Market)

High:	14.5	13.4	17.3	21.9	23.1	21.0	19.4	19.8	18.2	24.1	33.1	38.7
Low:	10.8	10.4	12.2	15.1	16.8	13.5	14.9	15.6	15.3	17.0	24.0	27.0

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
2-for-1 split 9/13
Options: Yes
Shaded area indicates recession



Target Price Range
2017 | 2018 | 2019

2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+35%)	10%
Low	35	(-5%)	2%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	2	0	0	1	0	0	1	0

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	79	96	81
to Sell	72	68	86
Hld's(000)	23233	23236	23032

% TOT. RETURN 12/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	34.7	6.9
3 yr.	135.1	73.7
5 yr.	146.4	107.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
5.51	6.45	6.08	6.53	6.89	6.99	6.81	7.03	7.88	8.75	9.21	9.74	10.71	11.12	12.12	12.19	12.50	13.35	Revenues per sh	15.05
1.02	1.13	1.10	1.26	1.27	1.04	1.11	1.32	1.45	1.65	1.69	1.70	2.11	2.13	2.48	2.65	2.55	2.75	"Cash Flow" per sh	3.35
.54	.60	.64	.67	.67	.39	.53	.66	.67	.81	.78	.81	1.11	1.12	1.41	1.61	1.50	1.60	Earnings per sh A	2.00
.42	.43	.43	.43	.44	.44	.44	.45	.46	.48	.50	.51	.52	.55	.64	.76	.83	.90	Div'd Decl'd per sh B■	1.15
1.56	2.15	1.51	1.59	1.34	1.88	2.51	2.12	1.95	1.45	2.23	2.09	2.12	2.13	1.77	2.52	2.05	2.40	Cap'l Spending per sh	2.40
5.74	5.91	6.37	6.61	7.02	6.98	7.51	7.86	8.32	8.77	8.97	9.70	10.13	10.84	11.80	12.72	13.15	13.05	Book Value per sh	15.25
26.87	26.87	30.24	30.24	30.36	30.42	33.50	33.60	34.10	34.46	34.60	37.06	37.26	37.70	38.53	38.72	38.00	37.50	Common Shs Outst'g C	37.50
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	17.2	21.0		Avg Ann'l P/E Ratio	21.0
.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	.97	.91	.97	1.09		Relative P/E Ratio	1.30
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%	2.7%	2.6%		Avg Ann'l Div'd Yield	2.7%
						228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	466.9	472.1	475	500	Revenues ($mill)	565
						16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	54.1	62.7	56.0	57.0	Net Profit ($mill)	75.0
						37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	39.9%	36.3%	38.5%	39.0%	Income Tax Rate	38.0%
						--	--	12.2%	8.5%	6.9%	3.2%	5.8%	2.0%	2.5%	.5%	.5%	2.0%	AFUDC % to Net Profit	2.0%
						47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	42.2%	39.8%	40.0%	41.0%	Long-Term Debt Ratio	42.0%
						52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	57.8%	60.2%	60.0%	59.0%	Common Equity Ratio	58.0%
						480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	787.0	818.4	830	870	Total Capital ($mill)	980
						664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	917.8	981.5	1000	1040	Net Plant ($mill)	1160
						5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	7.1%	8.3%	8.9%	9.0%	8.5%	Return on Total Cap'l	8.5%
						6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	11.5%	12.0%	Return on Shr. Equity	12.5%
						6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	11.5%	12.0%	Return on Com Equity	12.5%
						1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.3%	6.6%	6.8%	5.5%	5.0%	Retained to Com Eq	5.5%
						84%	67%	67%	58%	64%	61%	47%	49%	45%	47%	59%	56%	All Div'ds to Net Prof	58%

CAPITAL STRUCTURE as of 9/30/14
Total Debt $317.1 mill. **Due in 5 Yrs** $7.6 mill.
LT Debt $310.8 mill. **LT Interest** $22.0 mill.
(LT interest earned: 5.7 x: total interest coverage: 5.4 x) (38% of Cap'l)
Leases, Uncapitalized: Annual rentals $2.2 mill.
Pension Assets-12/13 $127.5 mill. **Oblig.** $152.7 mill.
Pfd Stock None.

Common Stock 38,400,038 shs. as of 10/31/14

MARKET CAP: $1.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	23.5	38.2	57.9
Other	160.5	153.4	128.7
Current Assets	184.0	191.6	186.6
Accts Payable	40.6	49.8	49.7
Debt Due	3.3	6.3	6.3
Other	49.8	44.8	64.6
Current Liab.	93.7	100.9	120.6
Fix. Chg. Cov.	488%	531%	533%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	5.5%	6.5%	4.0%
"Cash Flow"	7.5%	8.5%	5.5%
Earnings	9.0%	13.0%	6.5%
Dividends	4.0%	6.5%	10.0%
Book Value	5.5%	6.5%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	94.3	109.8	119.9	95.3	419.3
2012	107.6	114.3	133.5	111.5	466.9
2013	110.6	120.7	130.9	109.9	472.1
2014	101.9	115.6	138.3	119.2	475
2015	110	125	145	120	500

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.19	.34	.42	.17	1.12
2012	.27	.40	.49	.26	1.41
2013	.35	.43	.53	.30	1.61
2014	.28	.39	.54	.29	1.50
2015	.30	.45	.55	.30	1.60

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.13	.14	.14	.14	.55
2012	.14	.14	.1775	.1775	.64
2013	.1775	.1775	.2025	.2025	.76
2014	.2025	.2025	.213	.213	.83
2015					

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.

Shares of American States Water have surged since our October report. The price of the stock has increased 21%, well above the 4% gain posted by the market averages. The entire water sector has done well, but American States' performance has been especially strong. This is unusual because water utilities are generally considered to be low-Beta, defensive equities. One possibility for American States' stock movement could be that investors are willing to pay a large premium for higher-yielding stocks with good dividend growth prospects. Another is that the company repurchased more of its own shares on the open market (at a very high price).

The attractiveness of the stock has been greatly reduced. Despite American States being one of the best run water utilities in the country, with very favorable long-term dividend growth prospects, our concern is with the valuation of the equity. True, these shares are ranked to perform in line with the market in the year ahead. However, total return potential through 2017-2019 is now below average.

Meanwhile, the company's earnings may be restrained by its current high return on equity. States regulate the upper limit as to what utilities are allowed to earn on the common equity dedicated to the water business. (Please note the calculations on our page can vary significantly from how regulators arrive at their numbers.) Hence, we estimate that American States' share net declined 6% in 2014, to $1.50, because 2013's results were aided by a one-time recovery of certain expenses. In 2015, we expect earnings per share to recover and rise 6%, to $1.60.

Nonregulated operations could well be a swing factor in the company's earnings. American States provides water services to nine domestic military bases. Profits from this segment can be uneven, but they carry higher margins than the regulated water business. We estimate that this endeavor accounts for almost 20% of the utility's total earnings. With an estimated 50 to 70 bases expected to privatize their water operations in the next few years, the company may pick up another 15 to 20. This would make our long-term earnings estimates somewhat conservative.

James A. Flood *January 16, 2015*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 7¢; '05, 13¢; '06, 3¢; '08, (14¢); '10, (23¢) '11, 10¢. Next earnings report due mid February. Quarterly earnings 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 splits.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	65
Earnings Predictability	85

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AQUA AMERICA NYSE-WTR

RECENT PRICE **26.35** | P/E RATIO **21.3** (Trailing: 22.5 / Median: 24.0) | RELATIVE P/E RATIO **1.18** | DIV'D YLD **2.6%** | VALUE LINE

TIMELINESS 3 Lowered 5/24/13
SAFETY 2 Raised 4/20/12
TECHNICAL 3 Raised 12/26/14
BETA .70 (1.00 = Market)

High:	13.4	14.8	23.4	23.8	21.3	17.6	17.2	18.4	19.0	21.5	28.1	28.2
Low:	9.5	11.3	14.0	16.1	15.1	9.8	12.3	13.2	15.4	16.8	20.6	22.4

Target Price Range 2017 | 2018 | 2019

2017-19 PROJECTIONS

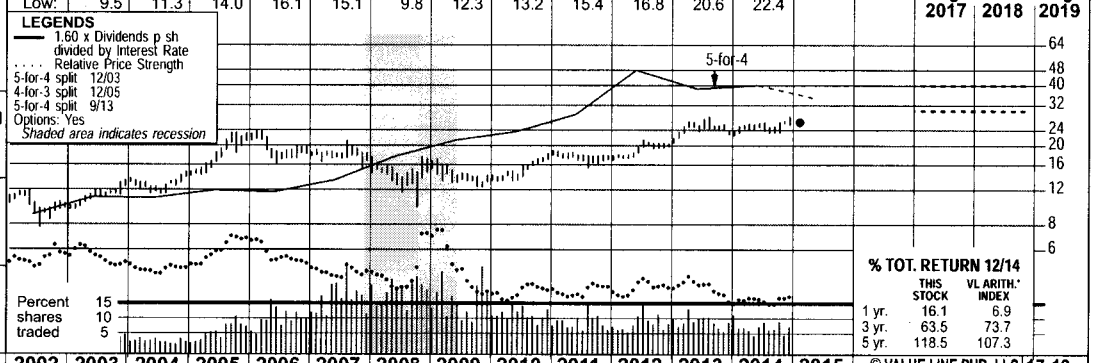
	Price	Gain	Ann'l Total Return
High	40	(+50%)	14%
Low	30	(+15%)	7%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	3	2	0	2	1	0	1	0	0
to Sell	1	4	1	3	1	1	2	1	2

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	130	127	139
to Sell	145	133	126
Hld's(000)	82758	81999	80311



% TOT. RETURN 12/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.1	6.9
3 yr.	63.5	73.7
5 yr.	118.5	107.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
1.67	1.93	1.97	2.16	2.28	2.38	2.78	3.08	3.23	3.61	3.71	3.93	4.21	4.10	4.32	4.32	*4.50*	*4.75*	Revenues per sh	*5.65*
.49	.58	.61	.69	.76	.77	.87	.97	1.01	1.10	1.14	1.29	1.42	1.45	1.51	1.82	*1.90*	*2.05*	"Cash Flow" per sh	*2.90*
.32	.33	.37	.41	.43	.46	.51	.57	.56	.57	.58	.62	.72	.83	.87	1.16	*1.20*	*1.30*	Earnings per sh A	*1.55*
.20	.22	.23	.24	.26	.28	.29	.32	.35	.38	.41	.44	.47	.50	.54	.58	.63	*.69*	Div'd Decl'd per sh B■	*.90*
.65	.72	.93	.87	.96	1.06	1.23	1.47	1.64	1.43	1.58	1.66	1.89	1.90	1.98	1.73	*1.75*	*1.95*	Cap'l Spending per sh	*1.95*
2.57	2.74	3.08	3.32	3.49	4.27	4.71	5.04	5.57	5.85	6.26	6.50	6.81	7.21	7.90	8.63	*8.85*	*9.05*	Book Value per sh	*11.00*
90.25	133.50	139.78	142.47	141.49	154.31	158.97	161.21	165.41	166.75	169.21	170.61	172.46	173.60	175.43	177.93	*176.50*	*175.00*	Common Shs Outst'g C	*170.00*
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	21.2	*20.8*		Avg Ann'l P/E Ratio	*21.5*
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	1.39	1.19	*1.08*		Relative P/E Ratio	*1.35*
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%	2.4%	2.5%		Avg Ann'l Div'd Yield	*2.6%*

CAPITAL STRUCTURE as of 9/30/14
Total Debt $1653.6 mill. **Due in 5 Yrs** $324.6 mill.
LT Debt $1560.0 mill. **LT Interest** $70.0 mill.
(Total interest coverage: 3.9x) (49% of Cap'l)

Pension Assets-12/13 $232.4 mill. **Oblig.** $281.2 mill.

Pfd Stock None
Common Stock 176,633,848 shares as of 10/24/14

MARKET CAP: $4.7 billion (Mid Cap)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		17-19
442.0	496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	768.6	*790*	*835*	Revenues ($mill)	*960*
80.0	91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	205.0	*215*	*230*	Net Profit ($mill)	*265*
39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	10.0%	*15.0%*	*28.0%*	Income Tax Rate	*28.0%*
--	--	--	--	--	--	--	--	2.9%	1.1%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*2.0%*
50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	*49.0%*	*49.0%*	Common Equity Ratio	*48.0%*
1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	*3200*	*3325*	Total Capital ($mill)	*3950*
2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	*4360*	*4400*	Net Plant ($mill)	*5000*
6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	*8.5%*	*9.0%*	Return on Total Cap'l	*8.5%*
10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	*13.5%*	*14.5%*	Return on Shr. Equity	*14.0%*
10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	*13.5%*	*14.5%*	Return on Com Equity	*14.0%*
4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	*6.5%*	*7.0%*	Retained to Com Eq	*6.0%*
57%	56%	63%	67%	70%	72%	65%	60%	61%	50%	*53%*	*53%*	All Div'ds to Net Prof	*58%*

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	5.5	5.1	4.8
Receivables	92.9	95.4	105.7
Inventory (AvgCst)	11.8	11.4	12.6
Other	150.7	59.8	84.4
Current Assets	260.9	171.7	207.5
Accts Payable	55.5	65.8	48.9
Debt Due	125.4	123.0	93.6
Other	93.3	78.1	92.9
Current Liab.	274.2	266.9	235.4
Fix. Chg. Cov.	413%	388%	389%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	6.5%	4.0%	*5.0%*
"Cash Flow"	8.0%	8.0%	*10.5%*
Earnings	8.5%	11.0%	*8.5%*
Dividends	7.5%	7.0%	*9.0%*
Book Value	8.0%	6.0%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	163.6	178.3	197.3	172.7	712.0
2012	164.0	191.7	214.6	187.5	757.8
2013	180.0	195.7	204.3	188.6	768.6
2014	182.7	195.3	210.5	*201.5*	*790*
2015	*195*	*210*	*220*	*210*	*835*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.18	.22	.24	.19	.83
2012	.15	.24	.29	.19	.87
2013	.26	.30	.36	.24	1.16
2014	.24	.31	.38	*.27*	*1.20*
2015	*.27*	*.32*	*.40*	*.31*	*1.30*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.124	.124	.124	.132	.50
2012	.132	.132	.132	.14	.54
2013	.14	.14	.152	.152	.58
2014	.152	.152	.165	.165	.63
2015					

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. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '13: residential, 60.3%; commercial, 15.8%; industrial & other, 23.9%. Officers and directors own .8% of the common stock; Vangurad Group, 6.6%; State Street Capital Corp., 6.3%; Blackrock, Inc, 6.1% (4/14 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 should record solid earnings in 2015. The company probably posted decent results in 2014 as we think earnings per share rose 3.4%, to $1.20. This figure is much better than it appears, as 2013 was an outstanding year and comparisons with it are very difficult. Fueled by an expanding rate base (on which the utility earns a return), we expect share net to increase a healthy 8%, to $1.30 a share this year.

Acquisitions will continue to remain a key part of Aqua's strategy. The U.S. water market consists of over 50,000 municipally-run districts, many of which are financially strapped and don't have the required funds to upgrade their antiquated water infrastructure. Some are willing to sell themselves to a well-capitalized utility. Since there are many redundancies in the business, Aqua is able to integrate purchases and improve profitability by reducing costs. An estimated 20 acquisitions were made last year, and we think that will represent the low end of Aqua's long-term merger activity.

Dividend growth prospects are excellent. Over the next three- to five-year period, the utility's annual payout will likely be hiked 9% annually, a level well above that of its peers.

Nonregulated operations will probably be affected by declining oil prices. Exploring for oil and gas domestically requires large quantities of water, which are usually shipped to the drilling site by trucks. This is an expensive and cumbersome process. Aqua has simplified the procedure by extending water pipelines right to the rigs. Energy producers are willing to pay high fees for such a service. However, with oil prices having declined by about 50% since last summer, energy exploration could fall substantially if crude prices do not recover.

Income-oriented investors will find much to like about these shares. True, the stock's yield is lower than the industry average. However, buyers typically have to sacrifice more current income to obtain a water utility with such robust dividend growth prospects. Indeed, the equity's capital appreciation and total return potential through 2017-2019 are much higher than others in the group.

James A. Flood *January 16, 2015*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (9¢); '00, 2¢; '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢. May not sum due to rounding. Next earnings report due mid February.
(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	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	95

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CALIFORNIA WATER NYSE-CWT

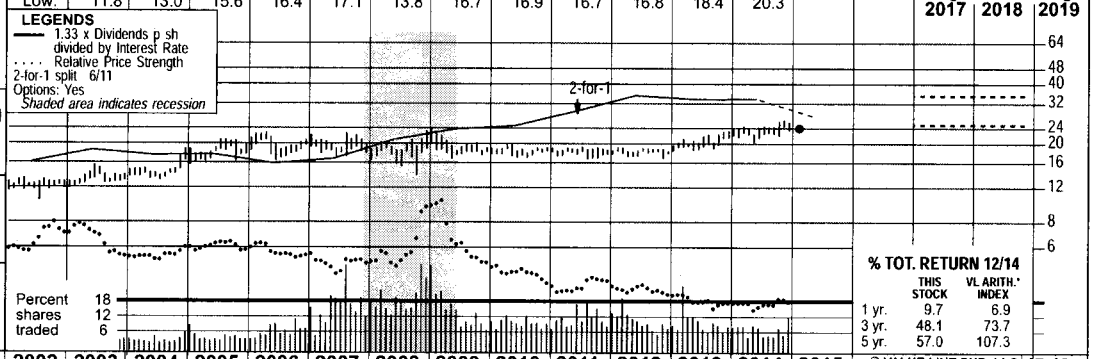
RECENT PRICE **24.08** | P/E RATIO **20.1** (Trailing: 22.5 / Median: 20.0) | RELATIVE P/E RATIO **1.11** | DIV'D YLD **2.8%** | VALUE LINE

TIMELINESS 3 Raised 6/20/14
SAFETY 3 Lowered 7/27/07
TECHNICAL 2 Raised 1/16/15
BETA .70 (1.00 = Market)

High:	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3	23.4	26.4
Low:	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	16.8	18.4	20.3

Target Price Range 2017 | 2018 | 2019

LEGENDS
— 1.33 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 6/11
Options: Yes
Shaded area indicates recession



2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+45%)	11%
Low	25	(+5%)	4%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	0	1	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	64	57	53
to Sell	58	56	53
Hld's(000)	29389	30279	29552

% TOT. RETURN 12/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.7	6.9
3 yr.	48.1	73.7
5 yr.	57.0	107.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
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	13.34	12.23	12.50	13.25	Revenues per sh	16.60
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	2.32	2.21	2.40	2.60	"Cash Flow" per sh	3.00
.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	1.02	1.10	1.25	Earnings per sh A	1.50
.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	.64	.65	.67	Div'd Decl'd per sh B ■	.95
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	3.04	2.58	2.50	2.60	Cap'l Spending per sh	3.20
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	11.28	12.54	13.00	13.55	Book Value per sh C	16.00
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	41.98	47.74	48.00	48.00	Common Shs Outst'g D	50.00
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	20.1	21.3		Avg Ann'l P/E Ratio	20.0
.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	1.14	1.13	1.11		Relative P/E Ratio	1.25
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%	3.1%	2.8%		Avg Ann'l Div'd Yield	3.2%

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		17-19
315.6	320.7	334.7	367.1	410.3	449.4	460.4	501.8	560.0	584.1	600	635	Revenues ($mill) E	830
26.0	27.2	25.6	31.2	39.8	40.6	37.7	36.1	42.6	47.3	52.5	60.0	Net Profit ($mill)	75.0
39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	37.5%	30.3%	27.5%	35.0%	Income Tax Rate	37.0%
3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	4.3%	2.0%	4.5%	AFUDC % to Net Profit	5.0%
48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	47.8%	41.6%	40.5%	40.5%	Long-Term Debt Ratio	40.5%
50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	52.2%	58.4%	59.5%	59.5%	Common Equity Ratio	59.5%
565.9	568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	1024.9	1050	1095	Total Capital ($mill)	1350
800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	1515.8	1575	1630	Net Plant ($mill)	1820
6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.3%	6.0%	6.5%	7.0%	Return on Total Cap'l	7.0%
8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	8.5%	9.0%	Return on Shr. Equity	9.5%
9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	8.5%	9.0%	Return on Com Equity	9.5%
2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.4%	3.4%	3.5%	4.5%	Retained to Com Eq	3.5%
77%	78%	86%	77%	61%	60%	66%	71%	62%	56%	59%	54%	All Div'ds to Net Prof	63%

CAPITAL STRUCTURE as of 9/30/14
Total Debt $491.1 mill. **Due in 5 Yrs** $89.3 mill.
LT Debt $422.8 mill. **LT Interest** $27.0 mill.
(LT interest earned: 3.4x; total int. cov.: 3.2x)
(40% of Cap'l)
Pension Assets-12/13 $266.2 mill.
Oblig. $383.2 mill.
Pfd Stock None

Common Stock 47,803,849 shs.
as of 10/28/14

MARKET CAP: $1.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	38.8	27.5	29.5
Other	107.8	112.0	147.8
Current Assets	146.6	139.5	177.3
Accts Payable	46.8	55.1	71.9
Debt Due	136.3	54.7	68.3
Other	59.7	56.8	75.2
Current Liab.	242.8	166.6	215.4
Fix. Chg. Cov.	296%	301%	299%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	4.0%	7.0%	5.0%
"Cash Flow"	6.0%	6.5%	5.5%
Earnings	5.5%	4.0%	7.5%
Dividends	1.0%	1.5%	7.0%
Book Value	5.5%	4.5%	5.5%

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	98.1	131.4	169.3	103.0	501.8
2012	116.8	143.6	178.1	121.5	560.0
2013	111.4	154.6	184.4	133.7	584.1
2014	110.5	158.4	191.2	139.9	600
2015	125	160	200	150	635

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.03	.29	.50	.04	.86
2012	.03	.31	.56	.12	1.02
2013	.01	.28	.61	.12	1.02
2014	d.11	.36	.70	.15	1.10
2015	.03	.32	.75	.15	1.25

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.154	.154	.154	.154	.62
2012	.1575	.1575	.1575	.1575	.63
2013	.16	.16	.16	.16	.64
2014	.1625	.1625	.1625	.1625	.65
2015					

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, '13: residential, 70%; business, 19%; public authorities, 5%; industrial, 5%; other 1%. '13 reported depreciation rate: 3.8%. 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.

Previously granted rate relief should help propel California Water Service Group's earnings for the next few years. Utilities in the state are only allowed to file a petition seeking higher tariffs every three years. Hence, the relatively favorable decision allowed by California regulators last summer will have a positive effect on the company's bottom line through 2017. In addition, a major potential regulatory risk has been removed for the next several years.

We are raising our bottom-line estimates for the company, yet again. Third-quarter earnings came in higher than we expected, even though the recent rate hike was only in effect for part of the quarter. Expectations for the year-ending period are favorable, too. All told, share net should probably reach $1.10, a 7.4% increase over 2013's uninspiring showing. In 2015, with the rates in effect for the entire year, a 13.6% hike in earnings per share, to $1.25, is possible.

Dividend growth should accelerate as well. Over the past five- and ten-year periods, California Water's annual dividend payout averaged a meager 1.0%, and 1.5%, respectively. This rate was significantly below the average of the typical water utility. In the coming year, we are conservatively estimating that there will be a $0.03 (4.6%) increase. Furthermore, annual hikes through 2017-2019 could be in the 7% range.

California Water is not being meaningfully impacted by the area's severe drought. State regulators have implemented rules so that water utilities won't be penalized for a decline in water consumption due to conservation measures. Also, future demand should be met with water from the company's own wells along with a dependable secondary source that sells its bulk water. Moreover, any change in the price of water will just be passed along directly to consumers.

These shares do not have much to offer. Despite a strong balance sheet and solid dividend growth prospects, the recent strong price showing by the equity of California Water has greatly reduced its near-term attraction. Moreover, total return potential through 2017-2019 is below average for a stock followed by *Value Line.*

James A. Flood *January 16, 2015*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due mid-February. (B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available. (C) Incl. intangible assets. In '13: $18.2 mill., $0.38/sh. (D) In millions, adjusted for splits. (E) Excludes non-reg. rev.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	40
Earnings Predictability	90

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CONNECTICUT WATER NDQ-CTWS

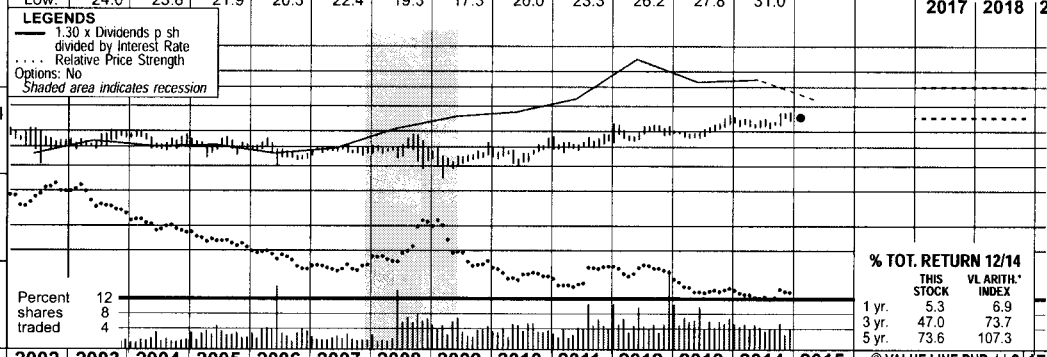
RECENT PRICE 35.18 | P/E RATIO 18.4 (Trailing: 18.8 Median: 22.0) | RELATIVE P/E RATIO 1.02 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 3 Lowered 11/21/14
SAFETY 3 New 1/18/13
TECHNICAL 2 Raised 1/16/15
BETA .65 (1.00 = Market)

High:	30.4	29.8	28.2	27.7	25.6	29.0	26.4	27.9	29.1	32.8	36.4	37.5
Low:	24.0	23.8	21.9	20.3	22.4	19.3	17.3	20.0	23.3	26.2	27.8	31.0

Target Price Range 2017 | 2018 | 2019

LEGENDS
— 1.30 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: No
Shaded area indicates recession



2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+40%)	12%
Low	35	(Nil)	3%

Insider Decisions

	F	M	A	M	J	J	A	S	O
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	0	0	0

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	44	40	50
to Sell	27	32	34
Hld's(000)	4324	4304	4299

Percent shares traded 12 8 4

% TOT. RETURN 12/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	5.3	6.9
3 yr.	47.0	73.7
5 yr.	73.6	107.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
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	9.47	8.29	*8.95*	*9.25*	Revenues per sh	*12.50*
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	2.64	2.63	*2.90*	*3.10*	"Cash Flow" per sh	*3.40*
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	1.66	*1.90*	*2.00*	Earnings per sh A	*2.15*
.78	.79	.79	.80	.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	.98	1.01	*1.05*	Div'd Decl'd per sh B■	*1.20*
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	2.79	3.02	*4.10*	*4.85*	Cap'l Spending per sh	*3.00*
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	20.95	17.92	*18.85*	*19.80*	Book Value per sh D	*21.65*
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	8.85	11.04	*11.15*	*11.35*	Common Shs Outst'g C	*12.00*
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	18.4	*17.7*		Avg Ann'l P/E Ratio	*20.0*
.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	1.23	1.03	*.92*		Relative P/E Ratio	*1.25*
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%	3.2%	3.2%	3.0%		Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 9/30/14
Total Debt $175.6 mill. **Due in 5 Yrs** $18.6 mill.
LT Debt $173.4 mill. **LT Interest** $7.0 mill.
(Total interest coverage: 4.4x)
(45% of Cap'l)
Leases, Uncapitalized: Annual rentals $.1 mill.
Pension Assets $56.8 mill.
Oblig. $64.2 mill.

Pfd Stock $0.8 mill. **Pfd Divd** NMF

Common Stock 11,112,589 shs.
as of 10/31/14
MARKET CAP: $400 million (Small Cap)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		17-19
48.5	47.5	46.9	59.0	61.3	59.4	66.4	69.4	83.8	91.5	*100*	*105*	Revenues ($mill)	*150*
9.4	7.2	6.7	8.8	9.4	10.2	9.8	9.9	13.6	18.3	*21.0*	*22.5*	Net Profit ($mill)	*26.0*
22.9%	--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	32.0%	28.0%	*19.0%*	*20.5%*	Income Tax Rate	*30.5%*
--	--	--	--	1.7%	--	--	--	1.7%	2.0%	*.5%*	*2.0%*	AFUDC % to Net Profit	*2.0%*
42.8%	44.9%	44.4%	47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	46.9%	*45.5%*	*47.0%*	Long-Term Debt Ratio	*48.0%*
56.7%	54.6%	55.1%	51.8%	52.7%	49.1%	50.2%	46.5%	50.8%	52.9%	*54.5%*	*53.0%*	Common Equity Ratio	*52.0%*
155.1	172.3	174.1	193.2	196.5	221.3	225.6	254.2	364.6	373.6	*385*	*425*	Total Capital ($mill)	*500*
246.1	247.7	268.1	284.3	302.3	325.2	344.2	362.4	447.9	471.9	*500*	*530*	Net Plant ($mill)	*580*
7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	4.8%	5.9%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	7.3%	9.2%	*10.0%*	*10.0%*	Return on Shr. Equity	*10.0%*
10.6%	7.6%	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	9.2%	*10.0%*	*10.0%*	Return on Com Equity	*10.0%*
3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	2.8%	3.8%	*4.5%*	*5.0%*	Retained to Com Eq	*5.5%*
71%	95%	105%	82%	79%	76%	81%	83%	62%	59%	*53%*	*53%*	All Div'ds to Net Prof	*56%*

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	13.2	18.4	1.6
Accounts Receivable	11.5	12.3	13.0
Other	11.7	16.2	24.7
Current Assets	36.4	46.9	39.3
Accts Payable	10.0	10.8	9.0
Debt Due	3.0	4.1	2.2
Other	2.9	7.8	9.9
Current Liab.	15.9	22.7	21.1
Fix. Chg. Cov.	408%	375%	375%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	4.0%	5.0%	*6.5%*
"Cash Flow"	3.0%	6.5%	*5.5%*
Earnings	2.5%	8.0%	*7.0%*
Dividends	1.5%	2.0%	*4.0%*
Book Value	6.0%	8.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	16.0	17.4	20.6	15.4	69.4
2012	18.5	21.3	24.5	19.5	83.8
2013	19.7	22.6	27.6	21.6	91.5
2014	20.3	27.3	29.4	*23.0*	*100*
2015	*22.0*	*28.0*	*32.0*	*23.0*	*105*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.26	.37	.39	.11	1.13
2012	.22	.47	.67	.17	1.53
2013	.24	.39	.86	.17	1.66
2014	.27	.67	.76	*.20*	*1.90*
2015	*.35*	*.60*	*.80*	*.25*	*2.00*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.233	.233	.238	.238	.942
2012	.238	.238	.2425	.2425	.962
2013	.2425	.2425	.2475	.2475	.98
2014	.2475	.2475	.2575	.2575	1.01
2015					

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). Its 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 2.4% of the common stock; BlackRock, Inc. 7.3%; The Vanguard Group, 3.8% (4/14 proxy). Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Internet: www.ctwater.com.

Connecticut Water Service probably finished up a successful 2014. Thanks to a deal reached in 2013 with Connecticut regulators, the utility agreed to lower customers' bills and delay seeking higher rates in return for being allowed to hold on to an IRS tax refund. In addition, Connecticut Water was able to cut costs by merging the two utilities that it operates in Maine. All told, we think that share net probably rose a robust 14%, to $1.90.

Bottom-line gains should moderate this year. A recent petition for higher rates in Maine and the ongoing tax benefits should enable share earnings to rise $0.10, or 5%, in 2015. If not for the difficult comparison with last year, these number would be more impressive.

Capital expenditures are expected to rise a sizable 20% in 2015. Like most water utilities, Connecticut Water is in the process of upgrading an antiquated infrastructure. We estimate that about $46 million was spent on modernizations in 2014. The company has announced plans to increase this total to $55 million this year.

Connecticut Water's finances should be able to handle the additional capital spending. Entering 2014's fourth quarter, the company's equity-to-total capital ratio stood at a very healthy 55%. Internally generated funds will probably not be sufficient to cover the capital budget over the next three- to five-year period. Issuance of new debt will be required and the quality of Connecticut's balance sheet may decline somewhat, but it still should remain in relatively good shape.

Two future projects will increase the company's revenues. Pipelines are being extended to include the town of Mansfield and the main campus of the University of Connecticut in Storrs to expand Connecticut Water's service area.

These shares have lost most of their appeal. Like the rest of the sector, the stock of Connecticut Water has outperformed the market by a wide margin since our October report. Hence, the equity is now less attractive on a relative basis. The Timelessness rank has also been dropped a notch to 3 (Average). Moreover, prospects to 2017-2019 are now well below average compared to other stocks in the *Value Line* universe.

James A. Flood *January 16, 2015*

(A) Diluted earnings. Next earnings report due early February. Quarterly earnings do not add in '12 due to rounding.
(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 '13: $31.7 million/$2.87 a share.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	85

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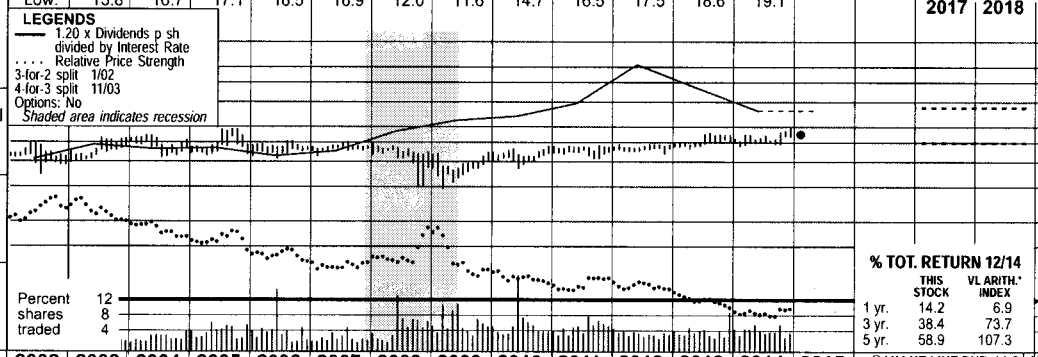
MIDDLESEX WATER NDQ-MSEX

RECENT PRICE **22.07** | P/E RATIO **19.5** (Trailing: 20.1 / Median: 21.0) | RELATIVE P/E RATIO **1.08** | DIV'D YLD **3.5%** | VALUE LINE

TIMELINESS 3 Lowered 4/11/14
SAFETY 2 New 10/21/11
TECHNICAL 3 Lowered 9/26/14
BETA .70 (1.00 = Market)

High:	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6	22.5	23.7
Low:	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5	17.5	18.6	19.1

Target Price Range 2017 | 2018 | 2019



2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+35%)	11%
Low	20	(-10%)	2%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	2	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	1	0

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	37	41	32
to Sell	34	34	40
Hld's(000)	6432	6463	6339

% TOT. RETURN 12/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.2	6.9
3 yr.	38.4	73.7
5 yr.	58.9	107.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
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	7.19	*7.30*	*8.00*	Revenues per sh	*10.00*
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	1.72	*1.80*	*1.90*	"Cash Flow" per sh	*2.15*
.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	.90	1.03	*1.10*	*1.15*	Earnings per sh A	*1.25*
.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	.74	.75	.76	*.77*	Div'd Decl'd per sh B■	*.83*
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	1.26	*1.30*	*2.00*	Cap'l Spending per sh	*2.00*
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	11.82	*12.15*	*12.30*	Book Value per sh D	*13.25*
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	15.96	*16.15*	*16.25*	Common Shs Outst'g C	*17.00*
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	19.7	*19.0*		Avg Ann'l P/E Ratio	*21.0*
.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	1.32	1.11	*.99*		Relative P/E Ratio	*1.30*
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%	3.7%	3.6%		Avg Ann'l Div'd Yield	*3.3%*

CAPITAL STRUCTURE as of 9/30/14
Total Debt $165.3 mill. **Due in 5 Yrs** $56.4 mill.
LT Debt $129.2 mill. **LT Interest** $4.5 mill.
(LT interest earned: 6.0x)
(40% of Cap'l)

Pension Assets-12/13 $46.4 mill.
Oblig. $56.0 mill.
Pfd Stock $2.4 mill. **Pfd Div'd:** $.1 mill.

Common Stock 16,111,268 shs.
as of 10/31/14

MARKET CAP: $350 million (Small Cap)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		17-19
71.0	74.6	81.1	86.1	91.0	91.2	102.7	102.1	110.4	114.8	*118*	*125*	Revenues ($mill)	*150*
8.4	8.5	10.0	11.8	12.2	10.0	14.3	13.4	14.4	16.6	*17.5*	*18.5*	Net Profit ($mill)	*21.0*
31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.7%	33.9%	34.1%	*34.5%*	*35.0%*	Income Tax Rate	*34.5%*
--	--	--	--	--	--	6.8%	6.1%	3.4%	1.9%	*1.5%*	*1.5%*	AFUDC % to Net Profit	*2.0%*
53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	42.3%	41.5%	40.4%	*40.0%*	*42.5%*	Long-Term Debt Ratio	*43.5%*
42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	56.6%	57.4%	58.7%	*59.5%*	*57.0%*	Common Equity Ratio	*56.0%*
214.5	231.7	264.0	268.8	259.4	267.9	310.5	312.5	316.5	321.4	*330*	*350*	Total Capital ($mill)	*400*
262.9	288.0	317.1	333.9	366.3	376.5	405.9	422.2	435.2	446.5	*460*	*470*	Net Plant ($mill)	*500*
5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.2%	5.4%	5.9%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	7.8%	8.7%	*9.0%*	*9.5%*	Return on Shr. Equity	*9.5%*
9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.5%	7.8%	8.7%	*9.0%*	*9.5%*	Return on Com Equity	*9.5%*
.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.0%	1.4%	2.4%	*3.0%*	*3.0%*	Retained to Com Eq	*3.0%*
90%	94%	84%	79%	78%	98%	75%	87%	83%	73%	*69%*	*67%*	All Div'ds to Net Prof	*66%*

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	3.0	4.8	5.1
Other	21.6	21.0	23.7
Current Assets	24.6	25.8	28.8
Accts Payable	3.8	6.3	7.2
Debt Due	11.1	33.8	36.1
Other	41.1	12.6	13.4
Current Liab.	56.0	52.7	56.7
Fix. Chg. Cov.	554%	697%	695%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	1.5%	1.0%	*6.5%*
"Cash Flow"	3.0%	1.5%	*5.5%*
Earnings	3.5%	1.5%	*5.0%*
Dividends	1.5%	1.5%	*2.0%*
Book Value	4.5%	3.0%	*2.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	24.0	26.1	28.7	23.3	102.1
2012	23.5	27.4	32.4	27.1	110.4
2013	27.0	29.1	31.3	27.4	114.8
2014	27.1	29.2	32.7	*29.0*	*118*
2015	*29.0*	*31.0*	*34.0*	*31.0*	*125*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.11	.23	.32	.12	.84
2012	.11	.23	.38	.17	.90
2013	.20	.28	.36	.19	1.03
2014	.20	.29	.42	*.19*	*1.10*
2015	*.21*	*.31*	*.43*	*.20*	*1.15*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.183	.183	.183	.185	.73
2012	.185	.185	.185	.1875	.74
2013	.1875	.1875	.1875	.19	.75
2014	.19	.19	.19	.1925	.76
2015					

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 2013, the Middlesex System accounted for 60% of operating revenues. At 12/31/13, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 3.3% of the common stock; BlackRock, 7.4%; Vanguard 3.3%. (4/14 proxy). Add.: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Middlesex Water Company has an incredibly consistent dividend policy. In late October, the company raised its dividend by one-quarter of $0.01. For the full year, the increase works out to one cent. This marks the 12th straight year in which the utility has raised the annual payout by $0.01.

Consistency is not always a good characteristic for a company. The latest dividend hike represents a paltry 1.3% yearly hike, compared to the industry average of over 6%. Indeed, this represented the lowest rate of growth of any regulated water utility in the industry. What's more, we don't anticipate any change in Middlesex's one-cent-a-year philosophy until 2016 or 2017.

Near-term earnings prospects are not bad for a water utility. Even though we are not looking for a great comparison in the fourth quarter, better-than-expected results in the September period were probably enough to enable the company to earn $1.10 a share, a solid 7% increase over 2013. Modest rate increases in both New Jersey and Delaware were most likely behind most of the gains. All things considered, this was a good showing, considering that the company lost its largest client (a Hess refinery) and the borough of Sayreville less than two years ago. In 2015, the increase in profits will probably be less impressive, as we estimate only calls for a 4%-5% advance in share net to $1.15.

The balance sheet may be small but it is relatively solid. With net plant just a little north of $450 million and total capital of only about $330 million, Middlesex has better than average financial metrics compared to the rest of the industry.

More attractive candidates can be found for those investors insisting on being involved in the water utility industry. If a water utility stock must be selected, we think that most current valuations in the group are too high. Moreover, Middlesex would not be our recommendation. Typically, utilities with subpar dividend growth prospects must compensate buyers by having a much higher yield. Middlesex's yield does not appear to be high enough to make up for its poor dividend growth prospects.

James A. Flood *January 16, 2015*

(A) Diluted earnings. May not sum due to rounding. Next earnings report due mid-February.
(B) Dividends historically paid in mid-Feb., May, Aug., and November.■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	40
Earnings Predictability	80

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SJW CORP. NYSE-SJW

RECENT PRICE **32.02** | P/E RATIO **11.6** (Trailing: 12.9 / Median: 24.0) | RELATIVE P/E RATIO **0.64** | DIV'D YLD **2.5%** | VALUE LINE

TIMELINESS 4 Lowered 12/19/14
SAFETY 3 New 4/22/11
TECHNICAL 2 Raised 1/2/15
BETA .85 (1.00 = Market)

High:	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	26.9	30.1	33.7
Low:	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.6	24.5	25.5

Target Price Range 2017 | 2018 | 2019

2017-19 PROJECTIONS

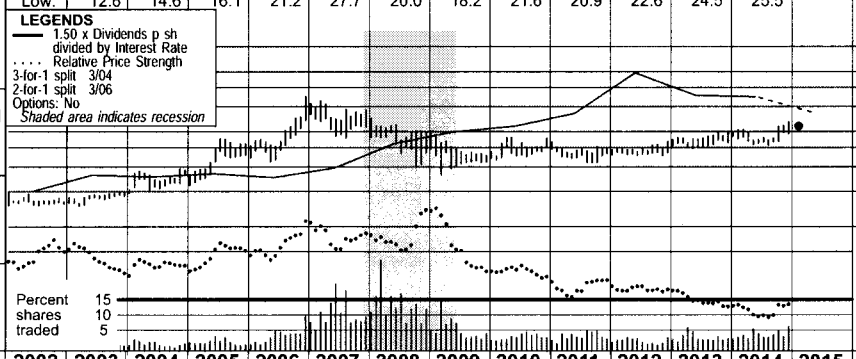
	Price	Gain	Ann'l Total Return
High	45	(+40%)	11%
Low	30	(-5%)	1%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	1	1	0	1	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	1	0

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	32	45	38
to Sell	39	40	45
Hld's(000)	10980	10965	10784



% TOT. RETURN 12/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	10.8	6.9
3 yr.	47.8	73.7
5 yr.	64.0	107.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
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	14.01	13.73	*15.85*	*14.75*	Revenues per sh	*17.15*
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	2.97	2.90	*4.40*	*3.35*	"Cash Flow" per sh	*3.85*
.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	1.12	*2.60*	*1.45*	Earnings per sh A	*1.70*
.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	.73	.75	*.79*	Div'd Decl'd per sh B■	*1.00*
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	5.67	4.68	*4.60*	*5.25*	Cap'l Spending per sh	*5.00*
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	14.71	15.92	*17.55*	*18.55*	Book Value per sh	*20.70*
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	18.67	20.17	*20.50*	*21.00*	Common Shs Outst'g C	*23.00*
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	24.3	*10.9*		Avg Ann'l P/E Ratio	*22.0*
.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.30	1.36	*.57*		Relative P/E Ratio	*1.40*
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%	2.7%	2.6%		Avg Ann'l Div'd Yield	*2.7%*

166.9	180.1	189.2	206.6	220.3	216.1	215.6	239.0	261.5	276.9	*325*	*310*	Revenues ($mill)	*395*
16.0	20.7	22.2	19.3	20.2	15.2	15.8	20.9	22.3	23.5	*52.0*	*30.0*	Net Profit ($mill)	*39.0*
42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	41.1%	38.7%	*30.0%*	*38.0%*	Income Tax Rate	*38.5%*
2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	--	--	2.0%	--	*1.0%*	*1.0%*	AFUDC % to Net Profit	*2.0%*
43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	55.0%	51.1%	*52.0%*	*52.0%*	Long-Term Debt Ratio	*53.5%*
56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	45.0%	48.9%	*48.0%*	*47.5%*	Common Equity Ratio	*46.5%*
328.3	341.2	391.8	453.2	470.9	499.6	550.7	607.9	610.2	656.2	*750*	*825*	Total Capital ($mill)	*1025*
456.8	484.8	541.7	645.5	684.2	718.5	785.5	756.2	831.6	898.7	*965*	*1010*	Net Plant ($mill)	*1200*
6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	4.9%	5.0%	5.0%	*8.5%*	*5.0%*	Return on Total Cap'l	*5.5%*
8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	*14.5%*	*8.0%*	Return on Shr. Equity	*8.0%*
8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	*14.5%*	*8.0%*	Return on Com Equity	*8.0%*
3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	3.3%	2.8%	*10.5%*	*3.5%*	Retained to Com Eq	*3.5%*
58%	47%	46%	57%	59%	80%	80%	61%	59%	62%	*29%*	*54%*	All Div'ds to Net Prof	*59%*

CAPITAL STRUCTURE as of 9/30/14
Total Debt $393.3 mill. **Due in 5 Yrs** $21.2 mill.
LT Debt $384.5 mill. **LT Interest** $18.1 mill.
(Total interest coverage: 2.9x) (52% of Cap'l)

Leases, Uncapitalized: Annual rentals $5.5 mill.

Pension Assets $91.4 mill. **Oblig.** $128.7 mill.

Pfd Stock None.

Common Stock 20,238,134 shs. as of 10/24/14

MARKET CAP: $650 million (Small Cap)

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	2.5	2.3	5.6
Other	40.4	37.4	64.9
Current Assets	42.9	39.7	70.5
Accts Payable	8.5	12.6	12.3
Debt Due	20.7	23.0	8.8
Other	19.9	23.6	30.7
Current Liab.	49.1	59.2	51.8
Fix. Chg. Cov.	317%	268%	270%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	5.5%	4.0%	*4.0%*
"Cash Flow"	6.0%	4.0%	*5.0%*
Earnings	3.5%	.5%	*7.0%*
Dividends	4.5%	3.5%	*6.0%*
Book Value	5.5%	2.5%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	43.7	59.0	73.9	62.4	239.0
2012	51.1	65.6	82.4	62.4	261.5
2013	50.1	74.2	85.2	67.4	276.9
2014	54.6	70.4	125.4	*74.6*	*325*
2015	*60.0*	*75.0*	*95.0*	*80.0*	*310*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.03	.29	.44	.35	1.11
2012	.06	.28	.53	.31	1.18
2013	.07	.37	.44	.24	1.12
2014	.04	.34	1.88	*.34*	*2.60*
2015	*.10*	*.43*	*.55*	*.35*	*1.45*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.173	.173	.173	.173	.69
2012	.1775	.1775	.1775	.1775	.71
2013	.1825	.1825	.1825	.1825	.73
2014	.1875	.1875	.1875	.1875	.75
2015					

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 228,000 connections that serve a population of approximately one million people in the San Jose area and 11,000 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 379 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's impressive 2014 performance was the result of a one-time event. In the third quarter, the utility's share net spiked to $1.88, versus the $0.44 recorded in the similar 2013 period. Behind this whopping increase was SJW's recognition of $58.2 million in revenues due the company for expenses incurred in previous years. The delay in recovering the revenues was the reason for the previous four quarters having negative year-over-year comparisons. We are not backing out the profits as a nonrecurring item because they were earned by the utility's main business during the course of normal operations. It's just that they were recognized all at the same time. Investors should note that SJW's P/E and relative P/E ratio will be out of kilter for the next three months.

Earnings in 2015 will not be as poor as they will probably appear. Excluding the large one-time item taken by SJW last year, we estimate that the utility could have shown close to a double-digit increase in earnings per share.

SJW is in the midst of overhauling its outdated infrastructure. To remove and install new pipes, as well as repair and modernize waste facilities, the company will need to spend close to $1 billion annually over the next several years.

The large projected capital outlays will only have a minor impact on the company's balance sheet. SJW will have to issue new debt because internally generated funds will not cover the entire long-term capital budget. The common equity-to-total capital ratio will most likely decline from the current 48% level to about 46.5% by later in the decade. This should leave the utility with marginally below-average finances.

Shares of SJW do not have good near-term prospects. Our proprietary system has dropped the ranking of SJW one notch to 4 (Below Average) for year-ahead relative performance.

Long-term prospects are not encouraging either. The 18% rise in the price of the equity since our October report has reduced much of SJW's appeal. With the stock already trading in our 2017-2019 projected Target Price Range, both total return and capital appreciation potential are not impressive.

James A. Flood *January 16, 2015*

(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 mid February. 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	30
Earnings Predictability	80

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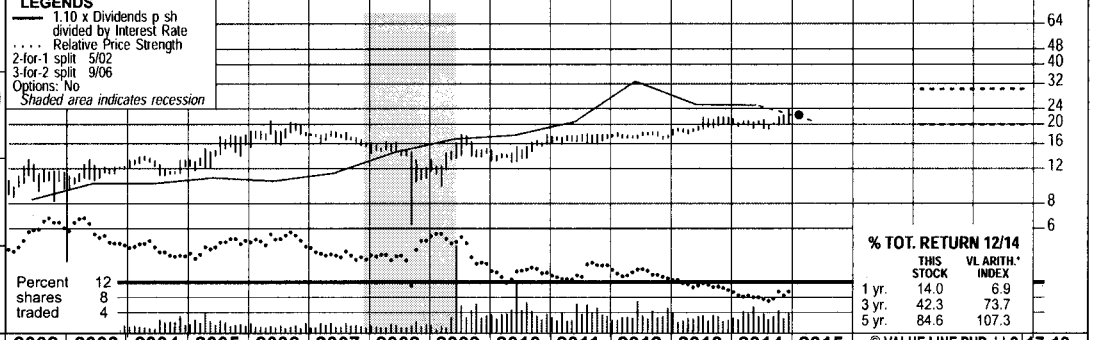
YORK WATER NDQ-YORW

RECENT PRICE 22.35 | P/E RATIO 24.3 (Trailing: 27.3 Median: 25.0) | RELATIVE P/E RATIO 1.34 | DIV'D YLD 2.7% | VALUE LINE

TIMELINESS 3 Raised 12/19/14
SAFETY 2 New 7/19/13
TECHNICAL 3 Lowered 10/10/14
BETA .65 (1.00 = Market)

High:	13.5	14.0	17.9	21.0	18.5	16.5	18.0	18.0	18.1	18.5	22.0	24.3
Low:	9.3	11.0	11.7	15.3	15.5	6.2	9.7	12.8	15.8	16.8	17.6	18.8

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 5/02
3-for-2 split 9/06
Options: No
Shaded area indicates recession



Target Price Range
2017 | 2018 | 2019

2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+35%)	10%
Low	20	(-10%)	1%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	1	4	1	0	4	2	1	4
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	1	0	0	0	0

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	30	29	30
to Sell	21	28	30
Hld's(000)	3634	3603	3656

Percent shares traded 12 8 4

% TOT. RETURN 12/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.0	6.9
3 yr.	42.3	73.7
5 yr.	84.6	107.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
--	--	--	2.05	2.05	2.17	2.18	2.58	2.56	2.79	2.89	2.95	3.07	3.18	3.21	3.27	*3.60*	*3.85*	Revenues per sh	*4.65*
--	--	--	.59	.57	.65	.65	.79	.77	.86	.88	.95	1.07	1.09	1.12	1.19	*1.35*	*1.45*	"Cash Flow" per sh	*1.70*
--	--	--	.43	.40	.47	.49	.56	.58	.57	.57	.64	.71	.71	.72	.75	*.85*	*.95*	Earnings per sh A	*1.10*
--	--	--	.34	.35	.37	.39	.42	.45	.48	.49	.51	.52	.53	.54	.55	.57	*.60*	Div'd Decl'd per sh B	*.75*
--	--	--	.75	.66	1.07	2.50	1.69	1.85	1.69	2.17	1.18	.83	.74	.94	.76	*.95*	*.95*	Cap'l Spending per sh	*1.00*
--	--	--	3.79	3.90	4.06	4.65	4.85	5.84	5.97	6.14	6.92	7.19	7.45	7.73	7.98	*8.20*	*8.00*	Book Value per sh	*8.90*
--	--	--	9.46	9.55	9.63	10.33	10.40	11.20	11.27	11.37	12.56	12.69	12.79	12.92	12.98	*12.80*	*12.50*	Common Shs Outst'g C	*11.80*
--	--	--	17.8	26.9	24.5	25.7	26.3	31.2	30.3	24.6	21.9	20.7	23.9	24.4	26.3	*24.2*		Avg Ann'l P/E Ratio	*22.5*
--	--	--	.91	1.47	1.40	1.36	1.40	1.68	1.61	1.48	1.46	1.32	1.50	1.55	1.48	*1.26*		Relative P/E Ratio	*1.40*
--	--	--	4.4%	3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	3.1%	3.1%	2.8%	2.8%		Avg Ann'l Div'd Yield	*3.0%*
						22.5	26.8	28.7	31.4	32.8	37.0	39.0	40.6	41.4	42.4	*46.0*	*48.0*	Revenues ($mill)	*55.0*
						4.8	5.8	6.1	6.4	6.4	7.5	8.9	9.1	9.3	9.7	*11.0*	*12.0*	Net Profit ($mill)	*13.0*
						36.7%	36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	35.3%	37.6%	37.6%	*37.5%*	*38.0%*	Income Tax Rate	*37.5%*
						--	--	7.2%	3.6%	10.1%	--	1.2%	1.1%	1.1%	.8%	*1.5%*	*1.5%*	AFUDC % to Net Profit	*1.0%*
						42.5%	44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	47.1%	46.0%	45.1%	*45.0%*	*46.0%*	Long-Term Debt Ratio	*50.0%*
						57.5%	55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	52.9%	54.0%	54.9%	*55.0%*	*54.0%*	Common Equity Ratio	*50.0%*
						83.6	90.3	126.5	125.7	153.4	160.1	176.4	180.2	184.8	188.4	*190*	*185*	Total Capital ($mill)	*210*
						140.0	155.3	174.4	191.6	211.4	222.0	228.4	233.0	240.3	244.2	*250*	*255*	Net Plant ($mill)	*270*
						7.6%	8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	6.4%	6.4%	6.5%	*7.0%*	*8.0%*	Return on Total Cap'l	*7.5%*
						10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	*10.5%*	*12.0%*	Return on Shr. Equity	*12.5%*
						10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	*10.5%*	*12.0%*	Return on Com Equity	*12.5%*
						2.1%	3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	2.5%	2.4%	2.4%	*3.5%*	*4.5%*	Retained to Com Eq	*4.0%*
						79%	74%	77%	82%	85%	78%	72%	73%	74%	74%	*67%*	*66%*	All Div'ds to Net Prof	*68%*

CAPITAL STRUCTURE as of 9/30/14
Total Debt $84.9 mill. **Due in 5 Yrs** $19.5 mill.
LT Debt $84.9 mill. **LT Interest** $5.1 mill.
(Total interest coverage: 4.0x)
(45% of Cap'l)
Pension Assets 12/13 $27.1 mill.
Oblig. $32.1 mill.

Pfd Stock None

Common Stock 12,809,217 shs.
as of 11/4/14

MARKET CAP: $275 million (Small Cap)

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	4.0	7.6	3.2
Accounts Receivable	6.4	3.8	4.2
Other	1.2	3.8	4.3
Current Assets	11.6	15.2	11.7
Accts Payable	1.1	1.8	2.7
Debt Due	.1	--	--
Other	4.3	6.0	8.9
Current Liab.	5.5	7.8	11.6
Fix. Chg. Cov.	414%	417%	417%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	4.5%	3.0%	6.5%
"Cash Flow"	6.5%	6.5%	7.0%
Earnings	5.5%	5.0%	7.0%
Dividends	4.5%	2.5%	5.5%
Book Value	7.0%	5.0%	2.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	9.6	10.5	10.5	10.0	40.6
2012	9.6	10.4	11.0	10.4	41.4
2013	10.1	10.7	10.9	10.7	42.4
2014	10.6	11.8	12.1	*11.5*	*46.0*
2015	*11.0*	*12.0*	*12.5*	*12.5*	*48.0*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.17	.19	.19	.16	.71
2012	.15	.17	.22	.18	.72
2013	.17	.18	.19	.21	.75
2014	.16	.22	.23	*.24*	*.85*
2015	*.20*	*.25*	*.25*	*.25*	*.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.131	.131	.131	.131	.524
2012	.134	.134	.134	.134	.535
2013	.138	.138	.138	.138	.552
2014	.1431	.1431	.1431	.1431	.572
2015	.1495				

BUSINESS: The York Water Company is the oldest investor-owned regulated water utility in the United States. It has operated continuously since 1816. As of December 31, 2013, the company's average daily availability was 35.0 million gallons and its service territory had an estimated population of 190,000. Has more than 63,000 customers. Residential customers accounted for 63% of 2013 revenues; commercial and industrial (29%); other (8%). It also provides sewer billing services. Incorporated: PA. York had 105 full-time employees at 12/31/13. President/CEO: Jeffrey R. Hines. Officers/directors own 1.1% of the common stock (3/14 proxy). Address: 130 East Market Street York, Pennsylvania 17401. Telephone: (717) 845-3601. Internet: www.yorkwater.com.

In late November, The York Water Company raised its dividend by 4.5%. This increase is much higher than the subpar (for a water utility) 2.5% annual growth rate that the company averaged over the past five years. We believe this is the start of a trend in which York will probably be able to raise the yearly payout between 5% and 6% for the next five years.

The company has solid short-term earning prospects. For the last 10 months of 2014, Pennsylvania regulators allowed York to raise customers' monthly bills. This probably enabled the company to earn $0.85 a share in 2014, a 13% increase over 2013. In 2015, due to a combination of the higher tariffs being in effect for all 12 months, along with a slower increase in expenses thanks to some cost cutting, we look for a 12% increase in share earnings, to $0.95.

The capital budget is manageable. Most U.S. water utilities have aging infrastructures that are in need of repair. We estimate that York spent about $12 million for this purpose last year and will come close to this figure again in 2015. So, while the outlays will be meaningful, they will not be overwhelming.

Finances should remain solid. Cash on hand and internally generated funds were probably sufficient to meet 2014's planned expenditures. Over the next three- to five-year period, however, York will most likely have to access the debt markets to fully fund the capital budget. Currently, the company is well capitalized, as its common equity-to-total capital ratio is a healthy 55%. So, while the company's financial condition may slip a few notches, we think the balance sheet will remain healthy.

As has been the case with most water utilities, York shares have been performing extremely well. In December alone, the value of the equity rose 20%. This strong showing has reduced the dividend yield to only 2.7%, or only 60 basis points higher than the median of all dividend-paying companies in the *Value Line* universe. Investors have been willing to pay a substantial premium for just a little more current income. In addition, the recent price run-up in the stock has left it with meager potential returns through 2017-2019.

James A. Flood *January 16, 2015*

(A) Diluted earnings. Next earnings report due mid February.
(B) Dividends historically paid in mid-January, April, July, and October.
(C) In millions, adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	55
Earnings Predictability	100

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Exhibit TJB-COC-RT-2

Sahuarita Water Company, LLC
Comparative Risk Study
Computations of Operating Margin and Coefficient of Variation of Operating Margin

Line No.	Operating Income EBIT ($ in millions)		2014	2013	2012	2011	2010	Average	Std Dev.	Co-efficient of variation of Operating Income
4	Company	Symbol								
5	American States Water	AWR	119	119	111	95	73	103.40	19.62	0.1897
6	Aqua America	WTR	314	305	322	286	272	299.80	20.52	0.0685
7	California Water	CWT	109	93	93	90	85	94.00	9.00	0.0957
8	Connecticut Water	CTWS	25	22	20	16	14	19.40	4.45	0.2294
9	Middlesex	MSEX	34	31	28	24	27	28.80	3.83	0.1331
10	SJW Corp.	SJW	93	53	55	54	38	58.60	20.45	0.3490
11	York Water Company	YORW	22	21	21	20	20	20.80	0.84	0.0402
13	Water Proxy Group									0.1579
15	Sahuarita Water Company, LLC		0.74	0.76	0.97	0.71	0.10	0.66	0.33	0.4959
17	**Risk relative to the average risk of the water utilities sample**									**3.14**

Line No.	Sales ($ in millions)		2014	2013	2012	2011	2010	Average
20	Company	Symbol						
21	American States Water	AWR	466	472	467	419	399	445
22	Aqua America	WTR	780	769	758	712	726	749
23	California Water	CWT	598	584	560	502	460	541
24	Connecticut Water	CTWS	94	91	84	69	66	81
25	Middlesex	MSEX	117	115	110	102	103	109
26	SJW Corp.	SJW	320	277	262	239	216	263
27	York Water Company	YORW	46	42	41	41	39	42
29	Sahuarita Water Company, LLC		3.35	3.26	3.27	3.01	2.42	3.06

Line No.	Operating Margin (%)		2014	2013	2012	2011	2010	Average	Std Dev.	Co-efficient of variation of Operating Margin
32	Company	Symbol								
33	Amercian Water Works	AWK	25.54%	25.21%	23.77%	22.67%	18.30%	23.10%	0.03	0.1264
34	Aqua America	WTR	40.26%	39.66%	42.48%	40.17%	37.47%	40.01%	0.02	0.0447
35	California Water	CWT	18.23%	15.92%	16.61%	17.93%	18.48%	17.43%	0.01	0.0637
36	Connecticut Water	CTWS	26.60%	24.18%	23.81%	23.19%	21.21%	23.80%	0.02	0.0815
37	Middlesex	MSEX	29.06%	26.96%	25.45%	23.53%	26.21%	26.24%	0.02	0.0772
38	SJW Corp.	SJW	29.06%	19.13%	20.99%	22.59%	17.59%	21.88%	0.04	0.2029
39	York Water Company	YORW	47.83%	50.00%	51.22%	48.78%	51.28%	49.82%	0.02	0.0304
41	Average Water Proxy Group							28.90%		0.0895
43	Sahuarita Water Company, LLC		22.05%	23.42%	29.82%	23.54%	4.34%	20.63%	0.10	0.4649
45	**Risk relative to the average risk of the water utilities sample**									**5.19**

Line No.	Return on Equity (ROE)		2014	2013	2012	2011	2010	Average	Std Dev.	Co-efficient of variation of ROE
50	Company	Symbol								
51	American States Water	AWR	12.1%	12.7%	11.9%	10.3%	11.0%	11.6%	0.01	0.0818
52	Aqua America	WTR	12.9%	13.4%	11.0%	11.6%	10.6%	11.9%	0.01	0.1015
53	California Water	CWT	9.0%	9.0%	9.0%	8.0%	8.6%	8.7%	0.00	0.0502
54	Connecticut Water	CTWS	10.2%	9.3%	7.3%	8.3%	8.7%	8.8%	0.01	0.1239
55	Middlesex	MSEX	9.3%	8.7%	7.8%	7.5%	8.2%	8.3%	0.01	0.0865
56	SJW Corp.	SJW	14.4%	7.0%	8.1%	7.9%	6.2%	8.7%	0.03	0.3744
57	York Water Company	YORW	11.0%	9.4%	9.3%	9.5%	9.8%	9.8%	0.01	0.0711
59	Water Proxy Group		11.3%	9.9%	9.2%	9.0%	9.0%	9.7%		0.1271
61	Sahuarita Water Company, LLC		7.90%	7.26%	9.45%	6.67%	0.13%	6.28%	0.04	0.5719
63	**Risk relative to the average risk of the water utilities sample**									**4.50**

Sahuarita Water Company, LLC
Comparative Risk Study
Beta Estimate Using Duff and Phelps Risk Study Portfolio Information

Line No.		Portfolio	Operating Margin	Portfolio	CV (Operating Margin)[1]	Portfolio	CV (ROE)[1]	
	A. Beta Estimates for Water Sample Group and Company`							
1	Company	5	20.63%	5	46.49%	10	57.19%	
2	Water Proxy Group	2	28.90%	17	8.95%	23	12.71%	
			Portfolio Beta[2]		Portfolio Beta[3]		Portfolio Beta[3]	Average
3	Company		0.98		1.27		1.17	
4	Water Proxy Group		0.83		0.99		0.89	
5	Percentage Difference		18.1%		28.3%		31.5%	**25.9%**
	B. Assume percentage difference is the same for water utilities as companies in general							
6	Water Sample Group[5]		0.72		0.72		0.72	
7	Implied Beta for Company[6]		0.85		0.92		0.95	**0.91**

Notes:
[1] See Risk Study. CV stands for Coefficient of Variation,
[2] Source is Duff & Phelps 2105 Valuation Handbook, Risk Study, Exhibit D-1, Companies Ranked by Operating Margin.
[3] Source is Duff & Phelps 2105 Valuation Handbook, Risk Study, Exhibit D-2, Companies Ranked by CV (Operating Margin).
[5] Source is Schedule D-4.3.
[6] Calculated by multiplying (1+ percentage difference in risk study betas) times average beta for the water sample group.

Sahuarita Water Company, LLC
Comparative Risk Study
Traditional Capital Asset Pricing Model (CAPM) Using Implied Beta
To Find Additional Risk Premium

Line No.		Rf[1]	+	Implied beta[2]	x	RP_M		=	k	CAPM Results From Schedule D-4.11	Indicated Company Risk Premium
1	Historical Market Risk Premium CAPM	4.5%	+	0.91	x	7.00%	[3]	=	10.9%	9.5%	1.4%
2	Currrent Market Risk Premium CAPM	4.5%	+	0.91	x	8.83%	[4]	=	12.5%	10.9%	1.6%

Notes:

[1] Forecasts of long-term treasury yields. See Scehdule D-4.9.

[2] Implied Beta computed from Duff and Phelps 2015 Valuation Handbook Risk Study information. See page 1 of exhibit.

[3] Historical Market Risk Premium Duff & Phelps 2015 Valuation Handbook, Appendix 3, Long-Horizon ERP.

[4] See Schedule D-4.10

Schedules

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 9,359,714
2		
3	Adjusted Operating Income	648,002
4		
5	Current Rate of Return	6.92%
6		
7	Required Operating Income	$ 861,094
8		
9	Required Rate of Return on Fair Value Rate Base	9.20%
10		
11	Operating Income Deficiency	$ 213,092
12		
13	Gross Revenue Conversion Factor	1.2982
14		
15	Increase in Gross Revenue Revenue Requirement	276,638
16		
17	Adjusted Test Year Revenues	$ 2,896,746
18	Increase in Gross Revenue Revenue Requirement	$ 276,638
19	Proposed Revenue Requirement	$ 3,173,385
20	% Increase	9.55%
21		

	Customer Classification		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
22						
23						
24	5/8 Inch	Residential	$ 1,754,351	$ 1,933,850	$ 179,499	10.23%
25	3/4 Inch	Residential	374,310	402,626	28,317	7.57%
26	1 Inch	Residential	56,962	62,420	5,458	9.58%
27		**Subtotal**	$ 2,185,623	$ 2,398,896	$ 213,273	9.76%
28						
29	1 Inch	Commercial	$ 635	$ 694	$ 60	9.45%
30	1.5 Inch	Commercial	2,774	3,043	269	9.68%
31	2 Inch	Commercial	78,061	85,605	7,544	9.66%
32	3 Inch	Commercial	8,473	9,301	828	9.77%
33		**Subtotal**	$ 89,943	$ 98,644	$ 8,700	9.67%
34						
35	1 Inch	Public Authority	$ 10,908	$ 11,952	$ 1,044	9.57%
36	2 Inch	Public Authority	19,539	21,392	1,853	9.49%
37	4 Inch	Public Authority	35,006	38,411	3,405	9.73%
38		**Subtotal**	$ 65,453	$ 71,755	$ 6,302	9.63%
39						
40	5/8 Inch	Irrigation	$ 14,044	$ 15,388	$ 1,344	9.57%
41	3/4 Inch	Irrigation	5,122	5,570	448	8.75%
42	1 Inch	Irrigation	76,839	84,207	7,369	9.59%
43	1.5 Inch	Irrigation	40,234	44,107	3,873	9.63%
44	2 Inch	Irrigation	383,182	420,159	36,977	9.65%
45	3 Inch	Irrigation	-	-	-	0.00%
46		**Subtotal**	$ 519,420	$ 569,432	$ 50,012	9.63%
47						
48	3 Inch	Construction	$ 32,933	$ 36,038	$ 3,106	9.43%
49						
50	**Subtotal Revenues before Annualization**		$ 2,893,372	$ 3,174,765	$ 281,393	9.73%
51	**Usage Normalization**		(73,316)	(81,190)	(7,874)	10.74%
52	**Revenue Annualization**		24,165	26,426	2,262	9.36%
53	Other Water Revenues		53,528	53,528	-	0.00%
54	Reconciling Amount H-1 to C-1		(1,001)	(144)	857	-85.65%
55	**Total of Water Revenues**		$ 2,896,747	$ 3,173,385	$ 276,638	9.55%
56						

57 SUPPORTING SCHEDULES:
58 B-1
59 C-1
60 C-3
61 H-1

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 27,429,576	$ 27,429,576
3	Less: Accumulated Depreciation	6,147,648	6,147,648
4			
5	Net Utility Plant in Service	$ 21,281,929	$ 21,281,929
6			
7	Less:		
8	Advances in Aid of		
9	Construction	5,189,497	5,189,497
10	Contributions in Aid of		
11	Construction	7,712,717	7,712,717
12			
13	Accumulated Amortization of CIAC	(1,354,755)	(1,354,755)
14			
15	Customer Security Deposits	52,876	52,876
16	Deferred Income Taxes & Credits	321,878	321,878
17			
18			
19			
20	Plus:		
21	Unamortized Debt Issuance		
22	Costs	-	-
23	Deferred Reg. Assets	-	-
24	Working capital	-	-
25			
26			
27			
28			
29	Total Rate Base	$ 9,359,714	$ 9,359,714
30			
31			
32			
33	SUPPORTING SCHEDULES:		RECAP SCHEDULES:
34	B-2		A-1
35	B-3		
36	B-5		
37			
38			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Rebuttal Proforma Adjustment Amount	Rebuttal Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 27,468,728	(39,152)	$ 27,429,576
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	6,309,380	(161,733)	6,147,648
7				
8				
9	Net Utility Plant			
10	in Service	$ 21,159,348		$ 21,281,929
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	5,189,497	-	5,189,497
15				
16	Contributions in Aid of			
17	Construction	7,712,717	-	7,712,717
18				
19	Accumulated Amort of CIAC	(1,376,852)	22,097	(1,354,755)
20				
21	Customer Security Deposits	52,876		52,876
22	Deferred Income Taxes & Credits	283,078	38,801	321,878
23				
24				
25				
26	**Plus:**			
27	Unamortized Debt Issuance			
28	Costs	-		-
29	Deferred Reg. Assets	-	-	-
30	Working capital	-	-	-
31				
32				
33				
34				
35	Total	$ 9,298,032		$ 9,359,714
36				
37				
38				
39	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
40	B-2, pages 2			B-1
41				
42				
43				
44				
45				
46				
47				
48				

Sahuarita Water Company, LLC
Test Year Ended September 30, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant	2 Accumulated Depr.	3 CIAC	4 ADIT	Adjusted at end of Test Year
1	Gross Utility						
2	Plant in Service	$ 27,468,728	(39,152)				$ 27,429,576
3							
4	**Less:**						
5	Accumulated						
6	Depreciation	6,309,380		(161,733)			6,147,648
7							
8							
9	Net Utility Plant						
10	in Service	$ 21,159,348	$ (39,152)	$ 161,733	$ -	$ -	$ 21,281,929
11							
12	**Less:**						
13	Advances in Aid of						
14	Construction	5,189,497					5,189,497
15							
16	Contributions in Aid of						
17	Construction (CIAC)	7,712,717					7,712,717
18							
19	Accumulated Amort of CIAC	(1,376,852)			22,097		(1,354,755)
20							
21	Customer Security Deposits	52,876					52,876
22	Deferred Income Taxes & Credits	283,078				38,801	321,878
23							
24							
25	**Plus:**						
26	Unamortized Finance						
27	Charges	-					-
28							
29	Allowance for Working Capital	-					-
30							
31	Total	$ 9,298,032	$ (39,152)	$ 161,733	$ (22,097)	$ (38,801)	$ 9,359,714
32							
33							
34							
35	SUPPORTING SCHEDULES:						
36	B-2, pages 3-6						
37	E-1						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Line No.				Adjustments							
1	Plant-in-Service			A	B	C	D	E	F	G	
3	Acct.		Adjusted Orginal	Arsenic Media Retirement	Repclassify Arsenic	Relcassify Arsenic	Orginal Arsenic Media		Arsenic Media Regen. PTY	Adjustmtents To Rconcile Plant	Rebuttal Adjusted Original
4	No.	Description	Cost	Reversal	Media	Media	Retirement	Reclassify Plant	Plant	to Reconstruction	Cost
5	301	Organization Cost	7,541							-	7,541
6	302	Franchise Cost	352,403							-	352,403
7	303	Land and Land Rights	13,636							-	13,636
8	304	Structures and Improvements	401,832							-	401,832
9	305	Collecting and Impounding Res.	-							-	-
10	306	Lake River and Other Intakes	-							-	-
11	307	Wells and Springs	2,142,644							-	2,142,644
12	308	Infiltration Galleries and Tunnels	-							-	-
13	309	Supply Mains	-							-	-
14	310	Power Generation Equipment	549,708							-	549,708
15	311	Electric Pumping Equipment	195,407							-	195,407
16	320	Water Treatment Equipment	2,001,053		120,000	(575,005)		(1,546,048)		-	-
17	320.1	Water Treatment Plant	-					1,499,569		-	1,499,569
18	320.2	Chemical Solution Feeders	-					46,479		-	46,479
19	320.3	Arsenic Media	152,307	250,000	(250,000)			(152,307)		0	-
20	320.4	Original Arsenic Media	-		130,000	575,005	(287,503)	-		-	417,503
21	320.5	Arsenic Media Regneration	-					152,307	(1,650)	-	150,657
22	330	Dist. Reservoirs & Standpipe	1,848,872					(1,848,872)		-	-
23	330.1	Storage tanks	-					1,811,998		-	1,811,998
24	330.2	Pressure Tanks	-					36,874		-	36,874
25	331	Trans. and Dist. Mains	13,281,054							-	13,281,054
26	333	Services	2,256,719							-	2,256,719
27	334	Meters	1,489,172							-	1,489,172
28	335	Hydrants	732,251							-	732,251
29	336	Backflow Prevention Devices	1,660							-	1,660
30	339	Other Plant and Misc. Equip.	-							-	-
31	340	Office Furniture and Fixtures	160,855							-	160,855
32	340.1	Computers and Software	122,607							-	122,607
33	341	Transportation Equipment	139,706							-	139,706
34	342	Stores Equipment	-							-	-
35	343	Tools and Work Equipment	37,840							-	37,840
36	344	Laboratory Equipment	132							-	132
37	345	Power Operated Equipment	-							-	-
38	346	Communications Equipment	577,721							-	577,721
39	347	Miscellaneous Equipment	695							-	695
40	348	Other Tangible Plant	1,002,914							-	1,002,914
41			-								-
42		TOTALS	$ 27,468,728	$ 250,000			$ (287,503)	$ -	$ (1,650)	$ 0	$ 27,429,576
43											
44	Plant-in-Service per Books										$ 27,468,728
45											
46	Increase (decrease) in Plant-in-Service										$ (39,152)
47											
48	Adjustment to Plant-in-Service										$ (39,152)
49											
50	SUPPORTING SCHEDULES										
51	B-2, pages 3.1-3.7										

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.				
1	Reverse Retirement of Arsenic Media			
2				
3				
4	Acct.			Orginal
5	No.	Description		Cost
6	320.3	Arsenic Media	$	120,000
7	320.3	Arsenic Media		130,000
8				
9		TOTALS	$	250,000
10				
11				
12				
13				
14				
15				
16				
17				
18	SUPPORTING SCHEDULE			
19	Testimony			
20	Workpapers			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.				
1	Reclassify Arsenic Media			
2				
3				
4	Acct.			Orginal
5	No.	Description		Cost
6	320	Water Treatment Equipment	$	120,000
7	320.3	Arsenic Media		(250,000)
8	320.4	Original Arsenic Media - Batch 3		130,000
9				
10		TOTALS	$	-
11				
12				
13				
14				
15				
16				
17				
18	SUPPORTING SCHEDULE			
19	Testimony			
20	Workpapers			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.				
1	Reclass Arsenic Media Cost			
2				
3				
4	Acct.			Orginal
5	No.	Description		Cost
6	320	Water Treatment Equipment	$	(575,005)
7	320.4	Original Arsenic Media - Batch 1		287,503
8	320.4	Original Arsenic Media - Batch 2		287,503
9				
10		TOTALS	$	-
11				
12				
13				
14				
15				
16				
17				
18				
19	SUPPORTING SCHEDULE			
20	Testimony			
21	Workpapers			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

Line No.				
1	Retire Arsenic Media			
2				
3				
4	Acct.			Orginal
5	No.	Description		Cost
6	320.4	Original Arsenic Media - Batch 1	$	(287,503)
7				
8				
9				
10		TOTALS	$	(287,503)
11				
12				
13				
14				
15				
16				
17				
18				
19	SUPPORTING SCHEDULE			
20	Testimony			
21	Workpapers			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Bourassa

Line No.				
1	Reclass Plant			
2				
3				
4	Acct.			Orginal
5	No.	Description		Cost
6	320	Water Treatment Equipment	$	(1,546,048)
7	320.1	Water Treatment Plant		1,499,569
8	320.2	Chemical Solution Feeders		46,479
9	320.3	Arsenic Media		(152,307)
10	320.4	Original Arsenic Media		-
11	320.5	Arsenic Media Regneration		152,307
12	330	Distribution Reservoirs and Standpipes	$	(1,848,872)
13	330.1	Storage Tanks		1,811,998
14	330.2	Pressure Tanks		36,874
15		TOTALS	$	-
16				
17				
18				
19				
20				
21				
22				
23	SUPPORTING SCHEDULE			
24	Testimony			
25	Workpapers			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Bourassa

Line No.				
1	Revice Cost of Post-Test Year Plant - Arsenic Media			
2				
3				
4				
5				Amount
6	320.5	Arsenic Media Regneration	Revised Arsenic Media Regeneration Costs	$ 150,657
7	320.5	Arsenic Media Regneration	Proposed Arsenic Media Regeneration Costs per Direct	152,307
8				
9				
10	Increase (decrease) in Arseninc Media Regneration Cost (320.5)			$ (1,650)
11				
12				
13				
14				
15				
16				
17				
18	SUPPORTING SCHEDULE			
19	Testimony			
20	Workpapers			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - G

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Line No.

1 Reconciliation of Plant to Plant Reconstruction

Acct. No.	Description	Adjusted Orginal Cost	Rebuttal B-2 Adjustments	Rebuttal Adjusted Orginal Cost	Rebuttal Plant Per Reconstruction	Difference
301	Organization Cost	7,541	-	7,541	7,541	-
302	Franchise Cost	352,403	-	352,403	352,403	-
303	Land and Land Rights	13,636	-	13,636	13,636	-
304	Structures and Improvements	401,832	-	401,832	401,832	-
305	Collecting and Impounding Res.	-	-	-	-	-
306	Lake River and Other Intakes	-	-	-	-	-
307	Wells and Springs	2,142,644	-	2,142,644	2,142,644	-
308	Infiltration Galleries and Tunnels	-	-	-		-
309	Supply Mains	-	-	-		-
310	Power Generation Equipment	549,708	-	549,708	549,708	-
311	Electric Pumping Equipment	195,407	-	195,407	195,407	-
320	Water Treatment Equipment	2,001,053	(2,001,053)	-	-	-
320.1	Water Treatment Plant	-	1,499,569	1,499,569	1,499,569	-
320.2	Chemical Solution Feeders	-	46,479	46,479	46,479	-
320.3	Arsenic Media Regneration	152,307	(152,307)	(0)	-	0
320.4	Originial Arsenic Media	-	417,503	417,503	417,503	-
320.5	Arsenic Media Regneration	-	150,657	150,657	150,657	
330	Dist. Reservoirs & Standpipe	1,848,872	(1,848,872)	-	-	-
330.1	Storage tanks	-	1,811,998	1,811,998	1,811,998	-
330.2	Pressure Tanks	-	36,874	36,874	36,874	-
331	Trans. and Dist. Mains	13,281,054	-	13,281,054	13,281,054	-
333	Services	2,256,719	-	2,256,719	2,256,719	-
334	Meters	1,489,172	-	1,489,172	1,489,172	-
335	Hydrants	732,251	-	732,251	732,251	-
336	Backflow Prevention Devices	1,660	-	1,660	1,660	-
339	Other Plant and Misc. Equip.	-	-	-		-
340	Office Furniture and Fixtures	160,855	-	160,855	160,855	-
340.1	Computers and Software	122,607	-	122,607	122,607	-
341	Transportation Equipment	139,706	-	139,706	139,706	-
342	Stores Equipment	-	-	-		-
343	Tools and Work Equipment	37,840	-	37,840	37,840	-
344	Laboratory Equipment	132	-	132	132	-
345	Power Operated Equipment	-	-	-		-
346	Communications Equipment	577,721	-	577,721	577,721	-
347	Miscellaneous Equipment	695	-	695	695	-
348	Other Tangible Plant	1,002,914	-	1,002,914	1,002,914	-
	Rounding			-	-	-
	TOTALS	$ 27,468,728	$ (39,153)	$ 27,429,576	$ 27,429,576	$ 0

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.6
B-2, pages 3.8 through 3.14

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.8
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Company Plant at 12/31/2008	Order Adopted Adjustments	Order Plant at 12/31/2008	Accum. Deprec. At 12/31/2008	Order Adopted Adjustments	Order A/D at 12/31/2008	Net Plant 12/31/2008	Plant at 12/31/2008	Accum. Deprec. At 12/31/2008
1	301	Organization Cost	0.00%	7,541	-	7,541	-		-	7,541	7,541	-
2	302	Franchise Cost	0.00%	350,861	-	350,861	-		-	350,861	350,861	-
3	303	Land and Land Rights	0.00%	13,636	-	13,636	-		-	13,636	13,636	-
4	304.1	Structures & Improvements	3.33%	171,671	-	171,671	7,678	-	7,678	163,993	171,671	7,678
6	304.2	Structures and Improv - Water Trmnt	3.33%	-	-	-	-	-	-	-	-	-
7	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-
8	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-
9	307	Wells & Springs	3.33%	800,396	(251,483)	548,913	126,795	(251,483)	(124,688)	673,601	548,913	(124,688)
10	308	Infiltration Galleries	6.67%	-	-	-			-	-	-	-
11	309	Raw Water Supply Mains	2.00%	-	-	-			-	-	-	-
12	310	Power Generation Equipment	5.00%	335,668	-	335,668	16,317	-	16,317	319,351	335,668	16,317
13	311	Pumping Equipment	12.50%	43,912	-	43,912	9,696	-	9,696	34,216	43,912	9,696
14	311.1	Pumping Equipment - Gas	12.50%	-	-	-	-	-	-	-	-	-
15	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-
16	320.1	Water Treatment Plants	3.33%	18,694	-	18,694	1,552	-	1,552	17,142	18,694	1,552
17	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-
18	320.4	Original Arsenic Media	6.67%	-	-	-	-	-	-	-	-	-
19	320.5	Arsenic Media Regneration	67.00%	-	-	-	-	-	-	-	-	-
20	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-
21	330.1	Storage Tanks	2.22%	1,811,998	-	1,811,998	132,080	-	132,080	1,679,918	1,811,998	132,080
22	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-
23	331	Transmission & Distribution Mains	2.00%	10,162,557	(30,250)	10,132,307	587,243	(30,250)	556,993	9,575,314	10,132,307	556,993
24	333	Services	3.33%	2,081,553	(30,159)	2,051,394	151,782	(30,159)	121,623	1,929,771	2,051,394	121,623
25	333.1	Fire Taps	3.33%	-	-	-	-	-	-	-	-	-
26	334	Meters	8.33%	1,238,008	(15,673)	1,222,335	422,202	-	422,202	800,133	1,222,335	422,202
27	335	Hydrants	2.00%	656,364	-	656,364	27,628	(15,673)	11,955	644,409	656,364	11,955
28	336	Backflow Prevention Devices	6.67%	816	-	816	102	-	102	714	816	102
29	339	Other Plant & Misc Equipment	6.67%	0	-	0	-	-	-	0	0	-
30	340	Office Furniture & Equipment	6.67%	283,991	-	283,991	40,362	-	40,362	243,629	283,991	40,362
31	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-
32	341	Transportation Equipment	20.00%	146,129	-	146,129	97,477	-	97,477	48,652	146,129	97,477
34	343	Tools, Shop & Garage Equipment	5.00%	13,856	-	13,856	3,133	-	3,133	10,723	13,856	3,133
35	344	Laboratory Equipment	10.00%	132	-	132	20	-	20	112	132	20
36	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
37	345.1	Power Operated Equipment - Backhoe	5.00%	-	-	-	-	-	-	-	-	-
38	346	Communication Equipment	10.00%	11,818	-	11,818	2,077	-	2,077	9,741	11,818	2,077
39	347	Miscellaneous Equipment	10.00%	695	-	695	104	-	104	591	695	104
40	348	Other Tangible Plant	10.00%	962,974	-	962,974	54,602	-	54,602	908,372	962,974	54,602
41		Rounding			-				-	-	-	-
		PTY Plant	0%	1,844,270	2,850,253	4,694,523			-	4,694,523	4,694,523	-
42		CWIP			-	-			-	-	-	-
43		TOTALS		20,957,540	2,522,688	23,480,228	1,680,847	(327,565)	1,353,282	22,126,946	23,480,228	1,353,282

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.9
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%			-			-		-	7,541	-
2	302	Franchise Cost	0.00%	1,542		1,542			-		-	352,403	-
3	303	Land and Land Rights	0.00%			-			-		-	13,636	-
4	304.1	Structures & Improvements	3.33%	225,636	-	225,636	-	-	-	-	9,473	397,307	17,152
6	304.2	Structures and Improv - Water Trmnt	3.33%	-	-	-	-	-	-	-	-	-	-
7	305	Collecting & Impounding Reservoirs	2.50%			-			-		-	-	-
8	306	Lake, River, Canal Intakes	2.50%			-			-		-	-	-
9	307	Wells & Springs	3.33%	1,463,988	-	1,463,988	-	-	-	-	42,654	2,012,901	(82,034)
10	308	Infiltration Galleries	6.67%			-			-		-	-	-
11	309	Raw Water Supply Mains	2.00%			-			-		-	-	-
12	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	16,783	335,668	33,100
13	311	Pumping Equipment	12.50%	102,189	-	102,189	-	-	-	-	11,876	146,101	21,571
14	311.1	Pumping Equipment - Gas	12.50%	-	-	-	-	-	-	-	-	-	-
15	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-
16	320.1	Water Treatment Plants	3.33%	1,842,469	(621,484)	1,220,985	-	-	-	-	20,952	1,239,679	22,504
17	320.2	Solution Chemical Feeders	20.00%	-	46,479	46,479	-	-	-	-	4,648	46,479	4,648
18	320.4	Original Arsenic Media	6.67%	-	575,005	575,005	-	-	-	-	19,176	575,005	19,176
19	320.5	Arsenic Media Regneration	67.00%	-	-	-	-	-	-	-	-	-	-
20	330	Distribution Reservoirs & Standpipes	2.22%	36,874	(36,874)	-	-	-	-	-	-	-	-
21	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	40,226	1,811,998	172,306
22	330.2	Pressure Tanks	5.00%	-	36,874	36,874	-	-	-	-	922	36,874	922
23	331	Transmission & Distribution Mains	2.00%	2,381,014	-	2,381,014	-	-	-	-	226,456	12,513,321	783,449
24	333	Services	3.33%	-	-	-	-	-	-	-	68,311	2,051,394	189,934
25	333.1	Fire Taps	3.33%	-	-	-	-	-	-	-	-	-	-
26	334	Meters	8.33%	94,085	-	94,085	-	-	-	-	105,739	1,316,420	527,941
27	335	Hydrants	2.00%	3,050	-	3,050	-	-	-	-	13,158	659,414	25,112
28	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	54	816	156
29	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-	0	0	0
30	340	Office Furniture & Equipment	6.67%	-	-	-	127,131	-	127,131	-	14,702	156,860	(72,067)
31	340.1	Computers & Software	20.00%	75,672	-	75,672	-	-	-	-	7,567	75,672	7,567
32	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	29,226	146,129	126,702
34	343	Tools, Shop & Garage Equipment	5.00%	6,574	-	6,574	-	-	-	-	857	20,430	3,990
35	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	13	132	33
36	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
37	345.1	Power Operated Equipment - Backhoe	5.00%	-	-	-	-	-	-	-	-	-	-
38	346	Communication Equipment	10.00%	489,268	-	489,268	-	-	-	-	25,645	501,086	27,722
39	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	70	695	174
40	348	Other Tangible Plant	10.00%	28	-	28	-	-	-	-	96,299	963,002	150,900
41		Rounding				-			-		-	-	-
		PTY Plant	0%	(4,694,523)		(4,694,523)			-		-	-	-
42		CWIP				-			-		-	-	-
43		TOTALS		2,027,864	-	2,027,864	127,131	-	127,131	-	754,810	25,380,961	1,980,961

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.10
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%			-			-		-	7,541	-
2	302	Franchise Cost	0.00%			-			-		-	352,403	-
3	303	Land and Land Rights	0.00%			-			-		-	13,636	-
4	304.1	Structures & Improvements	3.33%	2,207	-	2,207	-	-	-	-	13,267	399,514	30,419
6	304.2	Structures and Improv - Water Trmnt	3.33%	-	-	-	-	-	-	-	-	-	-
7	305	Collecting & Impounding Reservoirs	2.50%			-			-		-	-	-
8	306	Lake, River, Canal Intakes	2.50%			-			-		-	-	-
9	307	Wells & Springs	3.33%	90,391	-	90,391	440	-	440	-	68,527	2,102,852	(13,947)
10	308	Infiltration Galleries	6.67%			-			-		-	-	-
11	309	Raw Water Supply Mains	2.00%			-			-		-	-	-
12	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	16,783	335,668	49,883
13	311	Pumping Equipment	12.50%	719	-	719	-	-	-	-	18,308	146,820	39,879
14	311.1	Pumping Equipment - Gas	12.50%	-	-	-	-	-	-	-	-	-	-
15	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-
16	320.1	Water Treatment Plants	3.33%	198,380	-	198,380	-	-	-	-	44,584	1,438,059	67,088
17	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	9,296	46,479	13,944
18	320.4	Original Arsenic Media	6.67%	-	-	-	-	-	-	-	38,353	575,005	57,529
19	320.5	Arsenic Media Regneration	67.00%	-	-	-	-	-	-	-	-	-	-
20	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-
21	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	40,226	1,811,998	212,533
22	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	1,844	36,874	2,766
23	331	Transmission & Distribution Mains	2.00%	166,451	-	166,451	-	-	-	-	251,931	12,679,772	1,035,380
24	333	Services	3.33%	69,053	-	69,053	-	-	-	-	69,461	2,120,447	259,396
25	333.1	Fire Taps	3.33%	-	-	-	-	-	-	-	-	-	-
26	334	Meters	8.33%	32,986	-	32,986	-	-	-	-	111,032	1,349,406	638,973
27	335	Hydrants	2.00%	18,031	-	18,031	-	-	-	-	13,369	677,445	38,481
28	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	54	816	211
29	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-	0	0	0
30	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	10,463	156,860	(61,604)
31	340.1	Computers & Software	20.00%	11,844	-	11,844	-	-	-	-	16,319	87,516	23,886
32	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	19,427	146,129	146,129
34	343	Tools, Shop & Garage Equipment	5.00%	2,232	-	2,232	-	-	-	-	1,077	22,662	5,067
35	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	13	132	46
36	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
37	345.1	Power Operated Equipment - Backhoe	5.00%	-	-	-	-	-	-	-	-	-	-
38	346	Communication Equipment	10.00%	77,885	-	77,885	-	-	-	-	54,003	578,971	81,725
39	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	70	695	243
40	348	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	96,300	963,002	247,201
41		Rounding				-			-		-	-	-
		PTY Plant	0%			-			-		-	-	-
42		CWIP				-			-		-	-	-
43		TOTALS		670,179	-	670,179	440	-	440	-	894,706	26,050,701	2,875,227

Sahuarita Water Company, LLC
Plant Additions and Retirements

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Schedule B-2
Page 3.11
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%			-			-		-	7,541	-
2	302	Franchise Cost	0.00%			-			-		-	352,403	-
3	303	Land and Land Rights	0.00%			-			-		-	13,636	-
4	304.1	Structures & Improvements	3.33%	-	-	-	-	-	-	-	13,304	399,514	43,723
6	304.2	Structures and Improv - Water Trmnt	3.33%	-	-	-	-	-	-	-	-	-	-
7	305	Collecting & Impounding Reservoirs	2.50%			-			-		-	-	-
8	306	Lake, River, Canal Intakes	2.50%			-			-		-	-	-
9	307	Wells & Springs	3.33%	39,792	-	39,792	-	-	-	-	70,687	2,142,644	56,741
10	308	Infiltration Galleries	6.67%			-			-		-	-	-
11	309	Raw Water Supply Mains	2.00%			-			-		-	-	-
12	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	16,783	335,668	66,667
13	311	Pumping Equipment	12.50%	-	-	-	-	-	-	-	18,353	146,820	58,232
14	311.1	Pumping Equipment - Gas	12.50%	-	-	-	-	-	-	-	-	-	-
15	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-
16	320.1	Water Treatment Plants	3.33%	891	-	891	-	-	-	-	47,902	1,438,950	114,990
17	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	9,296	46,479	23,240
18	320.4	Original Arsenic Media	6.67%	-	-	-	287,503	-	287,503	-	28,765	287,503	(201,209)
19	320.5	Arsenic Media Regneration	67.00%	-	-	-	-	-	-	-	-	-	-
20	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-
21	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	40,226	1,811,998	252,759
22	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	1,844	36,874	4,609
23	331	Transmission & Distribution Mains	2.00%	134,849	-	134,849	-	-	-	-	254,944	12,814,621	1,290,324
24	333	Services	3.33%	2,300	-	2,300	-	-	-	-	70,649	2,122,747	330,045
25	333.1	Fire Taps	3.33%	-	-	-	-	-	-	-	-	-	-
26	334	Meters	8.33%	26,655	-	26,655	-	-	-	-	113,516	1,376,061	752,488
27	335	Hydrants	2.00%	2,600	-	2,600	-	-	-	-	13,575	680,045	52,056
28	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	54	816	265
29	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-	0	0	0
30	340	Office Furniture & Equipment	6.67%	546	-	546	-	-	-	-	10,481	157,406	(51,124)
31	340.1	Computers & Software	20.00%	2,231	-	2,231	-	-	-	-	17,726	89,747	41,612
32	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	146,129	146,129
34	343	Tools, Shop & Garage Equipment	5.00%	2,208	-	2,208	-	-	-	-	1,188	24,869	6,256
35	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	13	132	59
36	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
37	345.1	Power Operated Equipment - Backhoe	5.00%	-	-	-	-	-	-	-	-	-	-
38	346	Communication Equipment	10.00%	-	-	-	7,382	-	7,382	-	57,528	571,589	131,871
39	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	70	695	313
40	348	Other Tangible Plant	10.00%	19,693	-	19,693	-	-	-	-	97,285	982,695	344,485
41		Rounding				-			-		-	-	-
		PTY Plant	0%			-			-		-	-	-
42		CWIP				-			-		-	-	-
43		TOTALS		231,766	-	231,766	294,885	-	294,885	-	884,189	25,987,582	3,464,532

Sahuarita Water Company, LLC
Plant Additions and Retirements

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Schedule B-2
Page 3.12
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%			-			-		-	7,541	-
2	302	Franchise Cost	0.00%			-			-		-	352,403	-
3	303	Land and Land Rights	0.00%			-			-		-	13,636	-
4	304.1	Structures & Improvements	3.33%	-	-	-	-	-	-	-	13,304	399,514	57,027
6	304.2	Structures and Improv - Water Trmnt	3.33%	-	-	-	-	-	-	-	-	-	-
7	305	Collecting & Impounding Reservoirs	2.50%			-			-		-	-	-
8	306	Lake, River, Canal Intakes	2.50%			-			-		-	-	-
9	307	Wells & Springs	3.33%	-	-	-	-	-	-	-	71,350	2,142,644	128,091
10	308	Infiltration Galleries	6.67%			-			-		-	-	-
11	309	Raw Water Supply Mains	2.00%			-			-		-	-	-
12	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	16,783	335,668	83,450
13	311	Pumping Equipment	12.50%	-	-	-	-	-	-	-	18,353	146,820	76,584
14	311.1	Pumping Equipment - Gas	12.50%	-	-	-	-	-	-	-	-	-	-
15	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-
16	320.1	Water Treatment Plants	3.33%	895	-	895	-	-	-	-	47,932	1,439,845	162,922
17	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	9,296	46,479	32,535
18	320.4	Original Arsenic Media	6.67%	130,000	-	130,000	-	-	-	-	23,512	417,503	(177,697)
19	320.5	Arsenic Media Regneration	67.00%	-	-	-	-	-	-	-	-	-	-
20	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-
21	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	40,226	1,811,998	292,985
22	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	1,844	36,874	6,453
23	331	Transmission & Distribution Mains	2.00%	229,944	-	229,944	-	-	-	-	258,592	13,044,564	1,548,916
24	333	Services	3.33%	30,159	-	30,159	-	-	-	-	71,190	2,152,906	401,234
25	333.1	Fire Taps	3.33%	-	-	-	-	-	-	-	-	-	-
26	334	Meters	8.33%	64,989	-	64,989	-	-	-	-	117,333	1,441,050	869,821
27	335	Hydrants	2.00%	15,673	-	15,673	-	-	-	-	13,758	695,718	65,814
28	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	54	816	319
29	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-	0	0	0
30	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	10,499	157,406	(40,625)
31	340.1	Computers & Software	20.00%	5,465	-	5,465	2,991	-	2,991	-	18,197	92,221	56,818
32	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	146,129	146,129
34	343	Tools, Shop & Garage Equipment	5.00%	1,679	-	1,679	-	-	-	-	1,285	26,548	7,541
35	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	13	132	73
36	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
37	345.1	Power Operated Equipment - Backhoe	5.00%	-	-	-	-	-	-	-	-	-	-
38	346	Communication Equipment	10.00%	-	-	-	-	-	-	-	57,159	571,589	189,030
39	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	70	695	382
40	348	Other Tangible Plant	10.00%	13,920	-	13,920	-	-	-	-	98,965	996,614	443,451
41		Rounding				-			-		-	-	-
		PTY Plant	0%			-			-		-	-	-
42		CWIP				-			-		-	-	-
43		TOTALS		492,723	-	492,723	2,991	-	2,991	-	889,714	26,477,314	4,351,255

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.13
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2013 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%			-			-		-	7,541	-
2	302	Franchise Cost	0.00%			-			-		-	352,403	-
3	303	Land and Land Rights	0.00%			-			-		-	13,636	-
4	304.1	Structures & Improvements	3.33%	2,318	-	2,318	-	-	-	-	13,342	401,832	70,369
6	304.2	Structures and Improv - Water Trmnt	3.33%	-	-	-	-	-	-	-	-	-	-
7	305	Collecting & Impounding Reservoirs	2.50%			-			-		-	-	-
8	306	Lake, River, Canal Intakes	2.50%			-			-		-	-	-
9	307	Wells & Springs	3.33%	-	-	-	-	-	-	-	71,350	2,142,644	199,441
10	308	Infiltration Galleries	6.67%			-			-		-	-	-
11	309	Raw Water Supply Mains	2.00%			-			-		-	-	-
12	310	Power Generation Equipment	5.00%	3,116	-	3,116	-	-	-	-	16,861	338,784	100,312
13	311	Pumping Equipment	12.50%	18,589	-	18,589	-	-	-	-	19,514	165,409	96,098
14	311.1	Pumping Equipment - Gas	12.50%	-	-	-	-	-	-	-	-	-	-
15	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-
16	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	47,947	1,439,845	210,869
17	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	9,296	46,479	41,831
18	320.4	Original Arsenic Media	6.67%	-	-	-	-	-	-	-	27,847	417,503	(149,849)
19	320.5	Arsenic Media Regneration	67.00%	115,917	-	115,917	-	-	-	-	38,832	115,917	38,832
20	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-
21	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	40,226	1,811,998	333,212
22	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	1,844	36,874	8,297
23	331	Transmission & Distribution Mains	2.00%	139,030	-	139,030	-	-	-	-	262,282	13,183,594	1,811,197
24	333	Services	3.33%	60,501	-	60,501	-	-	-	-	72,699	2,213,407	473,933
25	333.1	Fire Taps	3.33%	-	-	-	-	-	-	-	-	-	-
26	334	Meters	8.33%	30,190	-	30,190	-	-	-	-	121,297	1,471,240	991,118
27	335	Hydrants	2.00%	22,517	-	22,517	-	-	-	-	14,140	718,235	79,953
28	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	54	816	374
29	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-	0	0	0
30	340	Office Furniture & Equipment	6.67%	1,126	-	1,126	-	-	-	-	10,537	158,533	(30,088)
31	340.1	Computers & Software	20.00%	6,101	-	6,101	4,798	-	4,798	-	18,575	93,524	70,594
32	341	Transportation Equipment	20.00%	16,307	-	16,307	22,730	-	22,730	-	1,631	139,706	125,030
34	343	Tools, Shop & Garage Equipment	5.00%	7,777	-	7,777	-	-	-	-	1,522	34,325	9,063
35	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	13	132	86
36	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
37	345.1	Power Operated Equipment - Backhoe	5.00%	-	-	-	-	-	-	-	-	-	-
38	346	Communication Equipment	10.00%	6,132	-	6,132	-	-	-	-	57,465	577,721	246,496
39	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	70	695	452
40	348	Other Tangible Plant	10.00%	5,272	-	5,272	-	-	-	-	99,925	1,001,887	543,376
41		Rounding				-			-		-	-	-
		PTY Plant	0%			-			-		-	-	-
42		CWIP				-			-		-	-	-
43		TOTALS		434,893	-	434,893	27,528	-	27,528	-	947,269	26,884,678	5,270,995

Sahuarita Water Company, LLC
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.14
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2014 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	PTY Plant	PTY Retirements	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%			-			-		-			7,541	-
2	302	Franchise Cost	0.00%			-			-		-			352,403	-
3	303	Land and Land Rights	0.00%			-			-		-			13,636	-
4	304.1	Structures & Improvements	3.33%	-	-	-	-	-	-	-	13,381			401,832	83,750
6	304.2	Structures and Improv - Water Trmnt	3.33%	-	-	-	-	-	-	-	-			-	-
7	305	Collecting & Impounding Reservoirs	2.50%			-			-		-			-	-
8	306	Lake, River, Canal Intakes	2.50%			-			-		-			-	-
9	307	Wells & Springs	3.33%	-	-	-	-	-	-	-	71,350			2,142,644	270,791
10	308	Infiltration Galleries	6.67%			-			-		-			-	-
11	309	Raw Water Supply Mains	2.00%			-			-		-			-	-
12	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	16,939	210,924	-	549,708	117,251
13	311	Pumping Equipment	12.50%	29,998	-	29,998	-	-	-	-	22,551			195,407	118,649
14	311.1	Pumping Equipment - Gas	12.50%	-	-	-	-	-	-	-	-			-	-
15	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-			-	-
16	320.1	Water Treatment Plants	3.33%	59,724	-	59,724	-	-	-	-	48,941			1,499,569	259,810
17	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	4,648			46,479	46,479
18	320.4	Original Arsenic Media	6.67%	-	-	-	-	-	-	-	27,847	-	-	417,503	(122,002)
19	320.5	Arsenic Media Regneration	67.00%	-	-	-	-	-	-	-	77,664	150,657	(115,917)	150,657	-
20	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-	-	-
21	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	40,226	-	-	1,811,998	373,438
22	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	1,844	-	-	36,874	10,140
23	331	Transmission & Distribution Mains	2.00%	97,460	-	97,460	-	-	-	-	264,646			13,281,054	2,075,844
24	333	Services	3.33%	43,312	-	43,312	-	-	-	-	74,428			2,256,719	548,361
25	333.1	Fire Taps	3.33%	-	-	-	-	-	-	-	-			-	-
26	334	Meters	8.33%	17,932	-	17,932	-	-	-	-	123,301			1,489,172	1,114,419
27	335	Hydrants	2.00%	14,016	-	14,016	-	-	-	-	14,505			732,251	94,458
28	336	Backflow Prevention Devices	6.67%	844	-	844	-	-	-	-	83			1,660	456
29	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-	0			0	0
30	340	Office Furniture & Equipment	6.67%	2,323	-	2,323	-	-	-	-	10,652			160,855	(19,436)
31	340.1	Computers & Software	20.00%	29,083	-	29,083	-	-	-	-	16,982			122,607	87,576
32	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	3,261			139,706	128,291
34	343	Tools, Shop & Garage Equipment	5.00%	3,515	-	3,515	-	-	-	-	1,804			37,840	10,867
35	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	13			132	99
36	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-			-	-
37	345.1	Power Operated Equipment - Backhoe	5.00%	-	-	-	-	-	-	-	-			-	-
38	346	Communication Equipment	10.00%	-	-	-	-	-	-	-	57,772			577,721	304,268
39	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	70			695	521
40	348	Other Tangible Plant	10.00%	1,028	-	1,028	-	-	-	-	100,240			1,002,914	643,616
41		Rounding				-			-		-			-	-
		PTY Plant	0%			-			-		-			-	-
42		CWIP				-			-		-			-	-
43		TOTALS		299,234	-	299,234	-	-	-	-	993,148	361,581	(115,917)	27,429,576	6,147,647

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Line No.	Acct. No.	Description	Adjusted Accum. Depr.	A Arsenic Media Retirement Reversal	B Arsenic Media Reclass	C Arsenic Media Reclass	D Arsenic Media Batch #1 Retirement	E Plant Reclass	F Adjustments to Reconcile A/D to Reconstruction	Rebuttal Adjusted Accum. Depr.
1		Plant-in-Service								
5	301	Organization Cost	-						-	-
6	302	Franchise Cost	-						-	-
7	303	Land and Land Rights	-						-	-
8	304	Structures and Improvements	83,750						-	83,750
9	305	Collecting and Impounding Res.	-						-	-
10	306	Lake River and Other Intakes	-						-	-
11	307	Wells and Springs	270,791						-	270,791
12	308	Infiltration Galleries and Tunnels	-						-	-
13	309	Supply Mains	-						-	-
14	310	Power Generation Equipment	117,251						-	117,251
15	311	Electric Pumping Equipment	118,649						-	118,649
16	320	Water Treatment Equipment	351,657		21,978	(105,312)		(268,323)	-	-
17	320.1	Water Treatment Plant	-					259,810	-	259,810
18	320.2	Chemical Solution Feeders	-					46,479	0	46,479
19	320.3	Arsenic Media	-	250,000	(250,000)				-	-
20	320.4	Original Arsenic Media	-		21,678	143,823	(287,503)		-	(122,002)
	320.5	Arsenic Media Regneration	-						-	-
21	330	Dist. Reservoirs & Standpipe	377,940					(377,940)	-	0
22	330.1	Storage tanks	-					373,438	-	373,438
23	330.2	Pressure Tanks	-					10,140	-	10,140
24	331	Trans. and Dist. Mains	2,075,844						-	2,075,844
25	333	Services	548,361						-	548,361
26	334	Meters	1,114,419						-	1,114,419
27	335	Hydrants	94,458						-	94,458
28	336	Backflow Prevention Devices	456						-	456
29	339	Other Plant and Misc. Equip.	-						-	-
30	340	Office Furniture and Fixtures	(19,436)						-	(19,436)
31	340.1	Computers and Software	87,576						-	87,576
32	341	Transportation Equipment	128,291						-	128,291
33	342	Stores Equipment	-						-	-
34	343	Tools and Work Equipment	10,867						-	10,867
35	344	Laboratory Equipment	99						-	99
36	345	Power Operated Equipment	-						-	-
37	346	Communications Equipment	304,268						-	304,268
38	347	Miscellaneous Equipment	521						-	521
39	348	Other Tangible Plant	643,616						-	643,616
40		Rounding	1						(1)	-
41		TOTALS	$ 6,309,380	$ 250,000	$ (206,345)	$ 38,511	$ (287,503)	$ 43,604	$ (1)	$ 6,147,647
42										
43		Accumulated Depreciation per Books								$ 6,309,380
44										
45		Increase (decrease) in Plant-in-Service								$ (161,733)
46										
47		Adjustment to Plant-in-Service								$ (161,733)
48										
49		SUPPORTING SCHEDULES								
50		B-2, pages 4.1 to 4.6								
51										

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.			
1	Reverse Retirement of Arsenic Media A/D		
2			
3			
4	Acct.		Orginal
5	No.	Description	Cost
6	320.3	Arsenic Media	$ 120,000
7	320.3	Arsenic Media	130,000
8			
9		TOTALS	$ 250,000
10			
11			
12			
13			
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULE		
20	Schedule B-2, page 3.1		
21	Testimony		
22	Workpapers		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line No.									
1	Reclass Arsenic Media A/D								
2									
3									
4									
5	Acct.				Years of	Years of			
6	No.	Description	Original Cost	Year Installed	Depreciation to 2011	Depreciation to 2014	Rate	Accumulated Depreciation (A/D)	
7	320.3	Arsenic Media	(250,000)						(250,000)
8	320.0	Water Treatment Equipment	$ 120,000	2009		5.5	3.33%	$	21,978
9	320.4	Original Arsenic Media - Batch 3	130,000	2012		2.5	6.67%		21,678
10		TOTALS						$	(206,345)
11									
12									
13									
14									
15									
16									
17									
18									
19	SUPPORTING SCHEDULE								
20	Schedule B-2, page 3.1								
21	Testimony								
22	Workpapers								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Reclassify Arsenic Media A/D

Acct. No.	Description	Original Cost	Year Installed	Years of Depreciation to 2011	Years of Depreciation to 2014	Rate	Accumulated Depreciation (A/D)
320.0	Water Treatment Equipment	$ (575,005)	2009		5.5	3.33%	$ (105,312)
320.4	Original Arsenic Media Batch 1	287,503	2009	2.0		6.67%	38,353
320.4	Original Arsenic Media Batch 2	287,503	2009		5.5	6.67%	105,470
	TOTALS						$ 38,511

19 SUPPORTING SCHEDULE
20 Schedule B-2, page 3.2
21 Testimony
22 Workpapers

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - D

Exhibit
Rebuttal Schedule B-2
Page 4.4
Witness: Bourassa

Line No.				
1	Retire Arsenic Media			
2				
3				
4	Acct.			Orginal
5	No.	Description		Cost
6	320.4	Original Arsenic Media - Batch 1	$	(287,503)
7				
8				
9				
10		TOTALS	$	(287,503)
11				
12				
13				
14				
15				
16				
17				
18				
19	SUPPORTING SCHEDULE			
20	Testimony			
21	Workpapers			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Exhibit
Rebuttal Schedule B-2
Page 4.5
Witness: Bourassa

Line No.

1 Relcass Plant A/D

Line No.	Acct. No.	Description	Original Cost	Year Installed	Prior A/D	Years to 2014	Rate	Accumulated Depreciation (A/D) 2009 to 2014	Reclass Accumulated Depreciation (A/D)
6	320	Water Treatment Equipment	$ (18,694)	<=2008	$ (1,552)	6	3.33%	$ (3,735)	$ (5,287)
7	320	Water Treatment Equipment	(1,267,464)	2009		5.5	3.33%	(232,136)	(232,136)
8	320	Water Treatment Equipment	(198,380)	2010		4.5	3.33%	(29,727)	(29,727)
9	320	Water Treatment Equipment	(891)	2011		3.5	3.33%	(104)	(104)
10	320	Water Treatment Equipment	(895)	2012		2.5	3.33%	(75)	(75)
11	320	Water Treatment Equipment	(59,724)	2014		0.5	3.33%	(994)	(994)
12	Subtotal		$ (1,546,048)					$ (266,771)	$ (268,323)
13									
14	320.1	Water Treatment Plant	$ 18,694	<=2008	$ 1,552	6	3.33%	$ 3,735	$ 5,287
15	320.1	Water Treatment Equipment	1,220,985	2009		5.5	3.33%	223,623	223,623
16	320.1	Water Treatment Equipment	198,380	2010		4.5	3.33%	29,727	29,727
17	320.1	Water Treatment Equipment	891	2011		3.5	3.33%	104	104
18	320.1	Water Treatment Equipment	895	2012		2.5	3.33%	75	75
19	320.1	Water Treatment Equipment	59,724	2014		0.5	3.33%	994	994
20	Subtotal		$ 1,499,569					$ 258,258	$ 259,810
21									
22	320.2	Chemical Solution Feeders	$ 46,479	2009		5.5	20.00%	$ 46,479	$ 46,479
23									
24	330	Distribution Reservoirs and Standp	$ (1,811,998)	<=2008	$ (132,080)	6.0	2.22%	$ (241,358)	$ (373,438)
25	330	Distribution Reservoirs and Standp	(36,874)	2009		5.5	2.22%	(4,502)	(4,502)
26	Subtotal		$ (1,848,872)					$ (245,860)	$ (377,940)
27									
28	330.1	Storage Tanks	1,811,998	<=2008	$ 132,080	6.0	2.22%	241,358	373,438
29	330.2	Pressure Tanks	36,874	2009		5.5	5.00%	10,140	10,140
30	Total							$ 43,604	$ 43,604

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40 SUPPORTING SCHEDULE
41 Schedule B-2, page 3.2
42 Testimony
43 Workpapers

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

Exhibit
Rebuttal Schedule B-2
Page 4.6
Witness: Bourassa

Line No.

1 Reconciliation of A/D to A/D Reconstruction

Acct. No.	Description	Rebuttal Orginal Cost	Rebuttal B-2 Adjustments	Rebuttal Adjusted Orginal Cost	Rebuttal Plant Per Reconstruction	Difference
301	Organization Cost	-	-	-	-	-
302	Franchise Cost	-	-	-	-	-
303	Land and Land Rights	-	-	-	-	-
304	Structures and Improvements	83,750	-	83,750	83,750	-
305	Collecting and Impounding Res.	-	-	-	-	-
306	Lake River and Other Intakes	-	-	-	-	-
307	Wells and Springs	270,791	-	270,791	270,791	-
308	Infiltration Galleries and Tunnels	-	-	-		-
309	Supply Mains	-	-	-		-
310	Power Generation Equipment	117,251	-	117,251	117,251	-
311	Electric Pumping Equipment	118,649	-	118,649	118,649	-
320	Water Treatment Equipment	351,657	(351,657)	-	-	-
320.1	Water Treatment Plant	-	259,810	259,810	259,810	-
320.2	Chemical Solution Feeders	-	46,479	46,479	46,479	0
320.3	Arsenic Media	-	-	-		-
320.4	Original Arsenic Media	-	(122,002)	(122,002)	(122,002)	-
320.5	Arsenic Media Regneration	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	377,940	(377,940)	-	-	-
330.1	Storage tanks	-	373,438	373,438	373,438	-
330.2	Pressure Tanks	-	10,140	10,140	10,140	-
331	Trans. and Dist. Mains	2,075,844	-	2,075,844	2,075,844	-
333	Services	548,361	-	548,361	548,361	-
334	Meters	1,114,419	-	1,114,419	1,114,419	-
335	Hydrants	94,458	-	94,458	94,458	-
336	Backflow Prevention Devices	456	-	456	456	-
339	Other Plant and Misc. Equip.	-	-	-		-
340	Office Furniture and Fixtures	(19,436)	-	(19,436)	(19,436)	-
340.1	Computers and Software	87,576	-	87,576	87,576	-
341	Transportation Equipment	128,291	-	128,291	128,291	-
342	Stores Equipment	-	-	-		-
343	Tools and Work Equipment	10,867	-	10,867	10,867	-
344	Laboratory Equipment	99	-	99	99	-
345	Power Operated Equipment	-	-	-		-
346	Communications Equipment	304,268	-	304,268	304,268	-
347	Miscellaneous Equipment	521	-	521	521	-
348	Other Tangible Plant	643,616	-	643,616	643,616	-
	Rounding	1	-	1	-	(1)
	TOTALS	$ 6,309,380	$ (161,732)	$ 6,147,648	$ 6,147,647	$ (1)

SUPPORTING SCHEDULE
B-2, page 4.1 to 4.6
B-2, pages 3.8 through 3.14

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 4

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line No.			
1	CIAC and Accumulated Amortization		
2			
3			
4			
5	Computed balance at end of TY	$ 7,712,719	$ 1,354,755
6			
7	Adjusted balance at end of TY	$ 7,712,717	$ 1,376,852
8			
9	Increase (decrease)	$ 2	$ (22,097)
10			
11			
12	Adjustment to CIAC	$ 2	$ 22,097
13	Label	4a	4b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	B-2, page 6.1 to 6.5		
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Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5.1
Witness: Bourassa

Line No.	Description	Vintage	Per Decision 12/31/2008	2009 Activity	Balance at 12/31/2009	2010 Activity	Balance at 12/31/2010	2011 Activity	Balance at 12/31/2011
1	Contributions-in-Aid (CIAC)	<=Sep 2008	4,314,264	-	4,314,264		4,314,264		4,314,264
2	Contributions-in-Aid (CIAC)	>=Oct 2008			-		-		-
3	Contributions-in-Aid (CIAC)	2009		103,954	103,954		103,954		103,954
4	Contributions-in-Aid (CIAC)	2010			-	160,671	160,671		160,671
5	Contributions-in-Aid (CIAC)	2011			-		-	22,679	22,679
6	Contributions-in-Aid (CIAC)	2012			-		-		-
7	Contributions-in-Aid (CIAC)	2013			-		-		-
8	Contributions-in-Aid (CIAC)	2014			-		-		-
9	Total Contributions-in-Aid (CIAC)		4,314,264	103,954	4,418,218	160,671	4,578,889	22,679	4,601,569
10									
11	Amortization Rate			3.06%		3.48%		3.47%	
12									
13	Amortization	<=Sep 2008	251,796	132,194	383,991	150,328	534,319	149,782	684,101
14	Amortization	>=Oct 2008							
15	Amortization	2009		3,185	3,185	3,622	6,808	3,609	10,417
16	Amortization	2010			-	5,599	5,599	5,578	11,177
17	Amortization	2011			-		-	787	787
18	Amortization	2012			-		-		-
19	Amortization	2013			-		-		-
20	Amortization	2014			-		-		-
21	Total Accum Amort.		251,796	135,380	387,176	159,549	546,725	159,756	706,482
22									
23									
24	Net CIAC	<=Sep 2008			3,930,273		3,779,945		3,630,163
25	Net CIAC	>=Oct 2008	-		-		-		-
26	Net CIAC	2009	-		100,769		97,146		93,537
27	Net CIAC	2010	-		-		155,073		149,495
28	Net CIAC	2011	-		-		-		21,892
29	Net CIAC	2012	-		-		-		-
30	Net CIAC	2013	-		-		-		-
31	Net CIAC	2014	-		-		-		-
32									
33	**Total Net CIAC**		-	-	4,031,042	-	4,032,164	-	3,895,087
34									
35									
36									
37									
38									
39									
40									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5.2
Witness: Bourassa

Line No.	Description	Vintage	2012 Activity	Balance at 12/31/2012	2013 Activity	Balance at 12/31/2013	2014 Activity	Balance at 12/31/2014
1	Contributions-in-Aid (CIAC)	<=Sep 2008		4,314,264		4,314,264		4,314,264
2	Contributions-in-Aid (CIAC)	>=Oct 2008		-		-		-
3	Contributions-in-Aid (CIAC)	2009		103,954		103,954		103,954
4	Contributions-in-Aid (CIAC)	2010		160,671		160,671		160,671
5	Contributions-in-Aid (CIAC)	2011		22,679		22,679		22,679
6	Contributions-in-Aid (CIAC)	2012	900,622	900,622		900,622		900,622
7	Contributions-in-Aid (CIAC)	2013		-	353,213	353,213		353,213
8	Contributions-in-Aid (CIAC)	2014		-		-	1,857,315	1,857,315
9	Total Contributions-in-Aid (CIAC)		900,622	5,502,191	353,213	5,855,404	1,857,315	7,712,719
10								
11	Amortization Rate		3.43%		3.59%		3.71%	
12								
13	Amortization	<=Sep 2008	147,874	831,975	154,874	986,849	123,557	1,110,406
14	Amortization	>=Oct 2008						
15	Amortization	2009	3,563	13,980	3,732	17,711	3,852	21,563
16	Amortization	2010	5,507	16,684	5,768	22,452	5,954	28,405
17	Amortization	2011	777	1,565	814	2,379	840	3,219
18	Amortization	2012	30,869	30,869	32,331	63,200	33,372	96,572
19	Amortization	2013		-	12,680	12,680	13,088	25,768
20	Amortization	2014		-		-	68,821	68,821
21	Total Accum Amort.		188,591	895,073	210,198	1,105,271	249,484	1,354,755
22								
23								
24	Net CIAC	<=Sep 2008		3,482,289		3,327,415		3,203,858
25	Net CIAC	>=Oct 2008		-		-		-
26	Net CIAC	2009		89,974		86,243		82,391
27	Net CIAC	2010		143,987		138,220		132,266
28	Net CIAC	2011		21,114		20,300		19,460
29	Net CIAC	2012		869,753		837,422		804,050
30	Net CIAC	2013		-		340,534		327,446
31	Net CIAC	2014		-		-		1,788,494
32								
33	**Total Net CIAC**		-	4,607,118	-	4,750,134	-	6,357,965
34								
35								
36								
37								
38								
39								
40								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 6.0
Witness: Bourassa

Deferred Income Tax as of December 31, 2014

Line No.			Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
6		Plant-in-Service	$ 27,415,940 [1]								
7		Accum. Deprec.	(6,147,648) [1]								
8		CIAC	(9,990,611) [3]								
9	Fed.	Fixed Assets	$ 11,277,682	$ 7,737,970 [2]	100.0%	$ (3,539,712)	18.47%		-		(653,819)
11	State	Fixed Assets	$ 11,277,682	$ 11,151,197 [2]	100.0%	$ (126,485)	3.102%		-		(3,924)
13	Fed &State	AIAC		1,556,849 [4]	100.0%	$ 1,556,849 [4]	21.57%		$ 335,865		
16								$ -	$ 335,865	$ -	$ (657,743)
17		Net Asset (Liability)						$ (321,878)			
19		Allocation Factor						1.0000			
21		Net Asset (Liability)						$ (321,878)			
23		DIT Asset (Liability) per Direct						$ (283,078)			
25		Adjustment to DIT						$ 38,801			

Footnotes - See page 6.1

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		FEDERAL			STATE		
1	[1] **Per adjusted book balances, land not included**						
2							
3	[2] **Computation of Net Tax Value December 31, 2014**						
4							
5	Based on 2014 Tax Depreciation report (December 31, 2014).						
6	Unadjusted Cost at December 31, 2014 per federal and state tax depr. report	$ 15,034,019			$ 15,034,019		
7	Reconciling Items not on tax report:						
8	Retirements not Recorded	(115,917)			(115,917)		
9		-			-		
10		-			-		
11					-		
12					-		
13					-		
14		-			-		
15	Net Unadjusted Cost tax Basis at December 31, 2014			$ 14,918,102			$ 14,918,102
16							
17	Reductions						
18	Basis Reduction 2014 and Prior Years per federal and state tax depr. report	$ (3,413,227)			$ -		
19	Accumulated Depreciation 2014 and prior per federal and state tax depr. report	(3,882,822)			(3,882,822)		
20	Retirements not Recorded	115,917			115,917		
21		-			-		
22		-			-		
23							
24							
25							
26	Net Reductions through December 31, 2014			(7,180,132)			(3,766,905)
27	Net tax value of plant-in-service at December 31. 2014			$ 7,737,970			$ 11,151,197
28							
29	[3] **CIAC (including impact of change to probability of realization)**						
30	Gross CIAC per adjusted book balances		$ 7,712,717				
31	CIAC reductions/addtions						
32	A.A per adjusted book balances	$ (1,354,755)					
33		-					
34							
35	Net CIAC before unrealized AIAC		(1,354,755)				
36				$ 6,357,962			
37	Unrealized AIAC Component						
38	AIAC per adjusted book balances		$ 5,189,497				
39	Adjusted Net AIAC (see footnote 5 below)		70.0%				
40	Unrealized AIAC Component % (1-Realized AIAC Component)			$ 3,632,648			
41	Total realizable CIAC			$ 9,990,611			
42							
43							
44	[4] **AIAC (including impact of change in probability of realization)**						
45	AIAC per adjusted book balances			$ 5,189,497			
46	Less: Unrealized AIAC (from Note 3, above)			$ (3,632,648)			
47							
48	Subtotal			$ 1,556,849			
49	Meter and Service Line Installation Charges as Adjusted			-			
50	Total realizable AIAC			$ 1,556,849			
51							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	141,999
3	Pumping Power (1/24 of Pumping Power)		5,789
4	Purchased Water (1/24 of Purchased Water)		219
5	Prepaid Expenses		3,106
6	Meterials and Supplies		53,450
7			
8			
9	Total Working Capital Allowance	$	204,564
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	C-1	B-1	
17			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 2,843,219	$ -	$ 2,843,219	$ 276,638	$ 3,119,857
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	53,528	-	53,528	-	53,528
5		$ 2,896,746	$ -	$ 2,896,746	$ 276,638	$ 3,173,385
6	**Operating Expenses**					
7	Salaries and Wages	$ -	-	$ -	-	$ -
8	Purchased Water	5,265	-	5,265	-	5,265
9	Purchased Power	138,932	-	138,932	-	138,932
10	Fuel For Power Production	-	-	-	-	-
11	Chemicals	14,734	-	14,734	-	14,734
12	Repairs and Maintenance	102,989	(6,584)	96,405	-	96,405
13	Office Supplies and Expense	-	-	-	-	-
14	Contract Services - Accounting	13,497	-	13,497	-	13,497
15	Contract Services - Legal	10,603	-	10,603	-	10,603
16	Contract Services - Eng	7,968	-	7,968	-	7,968
17	Contract Services - Other	126,034	(11,003)	115,031	-	115,031
18	Management Fees	765,161	(16,227)	748,934	-	748,934
19	Contract Services - Water Testing	5,341	8,634	13,975	-	13,975
20	Rents	1,666	-	1,666	-	1,666
21	Transportation Expenses	20,650	-	20,650	-	20,650
22	Insurance - General Liability	17,137	-	17,137	-	17,137
23	Insurance - Health and Life	-	-	-	-	-
24	Reg. Comm. Exp. - Other	-	-	-	-	-
25	Reg. Comm. Exp. - Rate Case	50,000	(15,000)	35,000	-	35,000
26	Miscellaneous Expense	29,504	-	29,504	-	29,504
27	Bad Debt Expense	541	-	541	-	541
28	Depreciation Expense	721,109	(22,049)	699,060	-	699,060
29	Taxes Other Than Income	10,350	-	10,350	-	10,350
30	Property Taxes	154,562	-	154,562	4,930	159,492
31	Income Tax	102,700	12,232	114,932	58,617	173,548
32	**Total Operating Expenses**	$ 2,298,742	$ (49,997)	$ 2,248,744	$ 63,547	$ 2,312,291
33	**Operating Income**	$ 598,005	$ 49,997	$ 648,002	$ 213,091	$ 861,093
34	**Other Income (Expense)**					
35	Interest Income	8,066	-	8,066	-	8,066
36	Other income (loss)	79,344	-	79,344	-	79,344
37	Interest Expense	(80,324)	(533)	(80,857)	-	(80,857)
38	Other Expense	(17,406)	-	(17,406)	-	(17,406)
39		-	-	-		-
40	**Total Other Income (Expense)**	$ (10,320)	$ (533)	$ (10,853)	$ -	$ (10,853)
41	**Net Profit (Loss)**	$ 587,685	$ 49,464	$ 637,149	$ 213,091	$ 850,241
42						
43	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
44	C-1, page 2.1 and 2.2					
45						

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		Label>>>>>> Test Year Adjusted Results	1 Depreciation	2 Property Taxes	3 Rate Case Exp.	4 Expense Reclass	5 Expense Reclass	ADJUSTMENT 6 Management Fees	7 Bonuses
1	**Revenues**								
2	Metered Water Revenues	$ 2,843,219							
3	Unmetered Water Revenues	-							
4	Other Water Revenues	53,528							
5		$ 2,896,746	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**								
7	Salaries and Wages	$ -							
8	Purchased Water	5,265							
9	Purchased Power	138,932							
10	Fuel For Power Production	-							
11	Chemicals	14,734							
12	Repairs and Maintenance	102,989				(6,584)			
13	Office Supplies and Expense	-							
14	Contract Services - Accounting	13,497							
15	Contract Services - Legal	10,603							
16	Contract Services - Eng	7,968							
17	Contract Services - Other	126,034				(1,020)	(9,983)		
18	Management Fees	765,161					9,983	(17,407)	(8,803)
19	Contract Services - Water Testing	5,341				7,604			
20	Rents	1,666							
21	Transportation Expenses	20,650							
22	Insurance - General Liability	17,137							
23	Insurance - Health and Life	-							
24	Reg. Comm. Exp. - Other	-							
25	Reg. Comm. Exp. - Rate Case	50,000			(15,000)				
26	Miscellaneous Expense	29,504							
27	Bad Debt Expense	541							
28	Depreciation Expense	721,109	(22,049)						
29	Taxes Other Than Income	10,350							
30	Property Taxes	154,562		-					
31	Income Tax	102,700							
32	**Total Operating Expenses**	$ 2,298,742	$ (22,049)	$ -	$ (15,000)	$ -	$ -	$ (17,407)	$ (8,803)
33	**Operating Income**	$ 598,005	$ 22,049	$ -	$ 15,000	$ -	$ -	$ 17,407	$ 8,803
34	**Other Income (Expense)**								
35	Interest Income	8,066							
36	Other income (loss)	79,344							
37	Interest Expense	(80,324)							
38	Other Expense	(17,406)							
39		-							
40	**Total Other Income (Expense)**	$ (10,320)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
41	**Net Profit (Loss)**	$ 587,685	$ 22,049	$ -	$ 15,000	$ -	$ -	$ 17,407	$ 8,803
42									
43	SUPPORTING SCHEDULES:								
44	C-2								
45									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		8 Water Testing Expense	9 Intentionally Left Blank	10 Interest Synch.	11 Income Tax	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**							
2	Metered Water Revenues					$ 2,843,219	$ 276,638	$ 3,119,857
3	Unmetered Water Revenues					-		-
4	Other Water Revenues					53,528		53,528
5		$ -	$ -	$ -	$ -	$ 2,896,746	$ 276,638	$ 3,173,385
6	**Operating Expenses**							
7	Salaries and Wages					$ -		$ -
8	Purchased Water					5,265		5,265
9	Purchased Power					138,932		138,932
10	Fuel For Power Production					-		-
11	Chemicals					14,734		14,734
12	Repairs and Maintenance					96,405		96,405
13	Office Supplies and Expense					-		-
14	Contract Services - Accounting					13,497		13,497
15	Contract Services - Legal					10,603		10,603
16	Contract Services - Eng					7,968		7,968
17	Contract Services - Other					115,031		115,031
18	Management Fees					748,934		748,934
19	Contract Services - Water Testing	1,030				13,975		13,975
20	Rents					1,666		1,666
21	Transportation Expenses					20,650		20,650
22	Insurance - General Liability					17,137		17,137
23	Insurance - Health and Life					-		-
24	Reg. Comm. Exp. - Other					-		-
25	Reg. Comm. Exp. - Rate Case					35,000		35,000
26	Miscellaneous Expense					29,504		29,504
27	Bad Debt Expense					541		541
28	Depreciation Expense					699,060		699,060
29	Taxes Other Than Income					10,350		10,350
30	Property Taxes					154,562	4,930	159,492
31	Income Tax				12,232	114,932	58,617	173,548
32	**Total Operating Expenses**	$ 1,030	$ -	$ -	$ 12,232	$ 2,248,744	$ 63,547	$ 2,312,291
33	**Operating Income**	$ (1,030)	$ -	$ -	$ (12,232)	$ 648,002	$ 213,091	$ 861,093
34	**Other Income (Expense)**							
35	Interest Income					8,066		8,066
36	Other income (loss)					79,344		79,344
37	Interest Expense			(533)		(80,857)		(80,857)
38	Other Expense					(17,406)		(17,406)
39						-		-
40	**Total Other Income (Expense)**	$ -	$ -	$ (533)	$ -	$ (10,853)	$ -	$ (10,853)
41	**Net Profit (Loss)**	$ (1,030)	$ -	$ (533)	$ (12,232)	$ 637,149	$ 213,091	$ 850,241
42								
43	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
44	C-2						A-1	
45								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustments to Revenues and/or Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

Line No.		1 Depreciation	2 Property Taxes	3 Rate Case Exp.	4 Revenue Annualization	5 Usage Normalization	6 Remove CAGRD Rev./Exp.	Subtotal
1								
2								
3								
4	Revenues	-	-	-	-	-	-	-
5								
6	Expenses	(22,049)	-	(15,000)	-	-	(17,407)	(54,456)
7								
8	Operating							
9	Income	22,049	-	15,000	-	-	17,407	54,456
10								
11	Interest							
12	Expense							-
13	Other							
14	Income /							
15	Expense							-
16								
17	Net Income	22,049	-	15,000	-	-	17,407	54,456
18								

Adjustments to Revenues and Expenses

Line No.		7 Electric Well Sharing	8 Over-billing Adjustment	9 Management Fees	10 Interest Synch.	11 Income Tax	12 Intentionally Left Blank	Subtotal
19								
20								
21								
22								
23								
24	Revenues	-	-	-	-	-		-
25								
26	Expenses	(8,803)	1,030	-	-	12,232		(49,997)
27								
28	Operating							
29	Income	8,803	(1,030)	-	-	(12,232)	-	49,997
30								
31	Interest							
32	Expense				(533)			(533)
33	Other							
34	Income /							
35	Expense							-
36								
37	Net Income	8,803	(1,030)	-	(533)	(12,232)	-	49,464

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Line No.

1 Depreciation Expense

Line	Acct. No.	Description	Original Cost	Non-Depr or Fully Depr Plant	Adjusted Original Cost	Proposed Rates	Depreciation Expense
5	301	Organization Cost	7,541	(7,541)	-	0.00%	-
6	302	Franchise Cost	352,403	(352,403)	-	0.00%	-
7	303	Land and Land Rights	13,636	(13,636)	-	0.00%	-
8	304	Structures and Improvements	401,832	-	401,832	3.33%	13,381
9	305	Collecting and Impounding Res.	-	-	-	2.50%	-
10	306	Lake River and Other Intakes	-	-	-	2.50%	-
11	307	Wells and Springs	2,142,644	-	2,142,644	3.33%	71,350
12	308	Infiltration Galleries and Tunnels	-	-	-	6.67%	-
13	309	Supply Mains	-	-	-	2.00%	-
14	310	Power Generation Equipment	549,708	-	549,708	5.00%	27,485
15	311	Electric Pumping Equipment	195,407	-	195,407	12.50%	24,426
16	320	Water Treatment Equipment	-	-	-	3.33%	-
17	320.1	Water Treatment Plant	1,499,569	-	1,499,569	3.33%	49,936
18	320.2	Chemical Solution Feeders	46,479	(46,479)	-	20.00%	-
19	320.3	Arsenic Media Regeneration	-	0	0	67.00%	0
20	320.4	Original Arsenic Media	417,503	0	417,503	6.66%	27,806
21	320.5	Arsenic Media Regneration	150,657		150,657	40.00%	60,263
22	330	Dist. Reservoirs & Standpipe	-	-	-	2.22%	-
23	330.1	Storage tanks	1,811,998	-	1,811,998	2.22%	40,226
24	330.2	Pressure Tanks	36,874	-	36,874	5.00%	1,844
25	331	Trans. and Dist. Mains	13,281,054	-	13,281,054	2.00%	265,621
26	333	Services	2,256,719	-	2,256,719	3.33%	75,149
27	334	Meters	1,489,172	-	1,489,172	8.33%	124,048
28	335	Hydrants	732,251	-	732,251	2.00%	14,645
29	336	Backflow Prevention Devices	1,660	-	1,660	6.67%	111
30	339	Other Plant and Misc. Equip.	-	-	-	6.67%	-
31	340	Office Furniture and Fixtures	160,855	-	160,855	6.67%	10,729
32	340.1	Computers and Software	122,607	(67,883)	54,724	20.00%	10,945
33	341	Transportation Equipment	139,706	(123,399)	16,307	20.00%	3,261
34	342	Stores Equipment	-	-	-	4.00%	-
35	343	Tools and Work Equipment	37,840	-	37,840	5.00%	1,892
36	344	Laboratory Equipment	132	-	132	10.00%	13
37	345	Power Operated Equipment	-	-	-	5.00%	-
38	346	Communications Equipment	577,721	-	577,721	10.00%	57,772
39	347	Miscellaneous Equipment	695	-	695	10.00%	70
40	348	Other Tangible Plant	1,002,914	-	1,002,914	10.00%	100,291
42		TOTALS	$ 27,429,576	$ (611,340)	$ 26,818,236		$ 981,264

Line		Gross CIAC	Rate	
45	Less: Amortization of Contributions	$ 7,712,717	3.6589%	$ (282,204)
49	Total Depreciation Expense			$ 699,060
51	Test Year Depreciation Expense			721,109
53	Increase (decrease) in Depreciation Expense			(22,049)
55	Adjustment to Revenues and/or Expenses			$ (22,049)

57 SUPPORTING SCHEDULE
58 B-2, page 3
59 B-2, page 4

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 2,896,746	$ 2,896,746
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	5,793,493	5,793,493
4	Company Recommended Revenue	2,896,746	3,173,385
5	Subtotal (Line 4 + Line 5)	8,690,239	8,966,878
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,896,746	2,988,959
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	5,793,493	5,977,918
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	11,415	11,415
12	Full Cash Value (Line 9 + Line 10 - Line 11)	5,782,078	5,966,504
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	1,040,774	1,073,971
15	Composite Property Tax Rate	14.8507%	14.8507%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 154,562	$ 159,492
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 154,562	
19	Adjusted Test Year Property Taxes	$ 154,562	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	$ -	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 159,492
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 154,562
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 4,930**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 4,930
27	Increase in Revenue Requirement		$ 276,638
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.78208%
29			
30			
31			
32			
33			
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39			
40			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

RATE CASE EXPENSE

Line No.			
1	Rate Case Expense		
2			
3	Estimated Rate Case Expense	$	175,000
4			
5	Rate Case Expense	$	175,000
6			
7	Estimated Amortization Period (in Years)		5.0
8			
9	Annual Rate Case Expense	$	35,000
10			
11	Test Year Rate Case Expense	$	50,000
12			
13	Increase(decrease) Rate Case Expense	$	(15,000)
14			
15	Adjustment to Revenue and/or Expense	$	(15,000)
16			
17			
18			
19			
20	SUPPORTING SCHEDULES		
21	Testimony		
22			
23			
24			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

EXPENSE RECLASSIFICATION

Line No.			
1	Repairs and Maintenance	$	(6,584)
2	Contract Services - Other		(1,020)
3	Contract Services - Water Testing		7,604
4			
5			
6	Increase(decrease) Operating Expenses	$	-
7			
8			
9			
10	Adjustment to Revenue and/or Expense	$	-
11			
12			
13			
14			
15			
16			
17	SUPPORTING SCHEDULES		
18	Staff Adjustment No. 1		
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

EXPENSE RECLASSIFICATION

Line No.			
1	Contract Services - Other	$	(9,983)
2	Management Fees		9,983
3			
4	Increase(decrease) Operating Expenses	$	-
5			
6			
7			
8	Adjustment to Revenue and/or Expense	$	-
9			
10			
11			
12			
13	SUPPORTING SCHEDULES		
14	Staff Adjustment No. 2		
15			
16			
17			
18			
19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

MANAGEMENT FEES

Line No.			
1	Management Fees	$	(17,407)
2			
3			
4	Increase(decrease) Management Fees	$	(17,407)
5			
6			
7			
8	Adjustment to Revenue and/or Expense	$	(17,407)
9			
10			
11			
12			
13			
14	SUPPORTING SCHEDULES		
15	Testimony		
16			
17			
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19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

MANAGEMENT FEES - BONUSES

Line No.			
1	5-Year Average of Bonuses Paid	$	12,967
2	Test Year Bonuses Paid		21,770
3			
4	Increase(decrease) Management Fees	$	(8,803)
5			
6			
7			
8	Adjustment to Revenue and/or Expense	$	(8,803)
9			
10			
11			
12			
13			
14	SUPPORTING SCHEDULES		
15	Testimony		
16			
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22			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

WATER TESTING

Line No.			
1	Staff Recommended Testing Expense	$	6,371
2	Adjusted Test Year Water Testing Expense		5,341
3			
4	Increase(decrease) Management Fees	$	1,030
5			
6			
7			
8	Adjustment to Revenue and/or Expense	$	1,030
9			
10			
11			
12			
13			
14	SUPPORTING SCHEDULES		
15	Staff Adjustment No. 4		
16			
17			
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19			
20			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

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Line No.
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Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rebuttal Schedule C-2
Page 11
Witness: Bourassa

Line No.				
1	Interest Synchronization			
2				
3				
4	Fair Value Rate Base	$ 9,359,714		
5	Weighted Cost of Debt	0.86%		
6	Interest Expense		$	80,857
7				
8	Test Year Interest Expense		$	80,324
9				
10	Increase (decrease) in Interest Expense			533
11				
12				
13				
14	Adjustment to Revenue and/or Expense		$	(533)
15				
16				
17	Weighted Cost of Debt Computation			
18				

		Amount	Percent	Cost	Weighted Cost
Debt	$	2,326,035	20.57%	4.20%	0.86%
Equity	$	8,982,660	79.43%	10.50%	8.34%
Total	$	11,308,695	100.00%		9.20%

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 11

Exhibit
Rebuttal Schedule C-2
Page 12
Witness: Bourassa

Line No.		Adjusted Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Computed Income Tax	$ 114,932	$ 173,548
5	Adjusted TY Income Taxes	102,700	114,932
6	Adjustment to Income Tax Expense	$ 12,232	$ 58,617
7			
8			
9			
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16			
17			
18			
19			
20			
21	SUPPORTING SCHEDULE		
22	C-3, page 2		
23			
24			
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30			

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	18.47%
2		
3	State Income Taxes	3.10%
4		
5	Uncollectibles	0%
6		
7	Property Taxes	1.40%
8		
9		
10	Total Tax Percentage	22.97%
11		
12	Operating Income % = 100% - Tax Percentage	77.03%
13		
14		
15		
16		
17	1 = Gross Revenue Conversion Factor	
18	Operating Income %	1.2982
19		
20	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
21		A-1
22		

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014

Exhibit
Rebuttal Schedule C-3
Page 2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor (Line 11)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	22.9710%		
5	Subtotal (L3 - L4)	77.0290%		
6	**Revenue Conversion Factor (L1 / L5)**	1.298212		
	Calculation of Uncollectible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	21.5734%		
9	One Minus Combined Income Tax Rate (L7 - L8)	78.4266%		
10	Uncollectible Rate	0.0000%		
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 (L55 Col [E])	3.1024%		
14	Federal Taxable Income (L12 - L13)	96.8976%		
15	Applicable Federal Income Tax Rate (Line 44)	19.0624%		
16	Effective Federal Income Tax Rate (L14 x L15)	18.4710%		
17	Combined Federal and State Income Tax Rate (L13 +L16)		21.5734%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (L17)	21.5734%		
20	One Minus Combined Income Tax Rate (L18-L19)	78.4266%		
21	Property Tax Factor	1.7821%		
22	Effective Property Tax Factor (L20*L21)		1.3976%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			22.9710%
24	Required Operating Income	$ 861,094		
25	AdjustedTest Year Operating Income (Loss)	$ 648,002		
26	Required Increase in Operating Income (L24 - L25)		$ 213,092	
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 173,548		
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ 114,932		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 58,617	
30	Recommended Revenue Requirement	$ 2,797,809		
31	Uncollectible Rate (Line 10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -		
33	Adjusted Test Year Uncollectible Expense	$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -	
35	Property Tax with Recommended Revenue	$ 159,492		
36	Property Tax on Test Year Revenue	$ 154,562		
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 4,930	
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		$ 276,638	

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			At Proposed Rates		
		Total	Water		Total	Water	
	Calculation of Income Tax:						
39	Revenue	$ 2,896,746	$ 2,896,746		$ 3,173,385	$ 3,173,385	
40	Operating Expenses Excluding Income Taxes	$ 2,133,813	$ 2,133,813		$ 2,138,743	$ 2,138,743	
41	Synchronized Interest (L47)	$ 80,857	$ 80,857		$ 80,857	$ 80,857	
42	Arizona Taxable Income (L39 - L40 - L31)	$ 682,077	$ 682,077		$ 953,786	$ 953,786	
43	Arizona State Income Tax Rate (see Scehdule C-3, page 3 and 4)	2.7661%	2.7661%		2.8619%	2.8619%	
44	Arizona Income Tax (L42 x L43)	$ 18,867	$ 18,867		$ 27,296	$ 27,296	
45	Federal Taxable Income (L42 - L44)	$ 663,210	$ 663,210		$ 926,490	$ 926,490	
46	Federal Tax Rate (see Schedule C-3, page 3 and 4)	14.4848%	14.4848%		15.7856%	15.7856%	
47	Federal Income Taxes (L45xL46)	$ 96,065	$ 96,065		$ 146,252	$ 146,252	
48							
49							
50							
51	Total Federal Income Tax (L47)	$ 96,065	$ 96,065		$ 146,252	$ 146,252	
52	Combined Federal and State Income Tax (L44 + L47)	$ 114,932	$ 114,932	$ -	$ 173,548	$ 173,548	$ -

53	COMBINED Applicable Federal Income Tax Rate [Col. [D], L51 - Col. [A], L51] / [Col. [D], L45 - Col. [A], L45]	19.0624%	
54	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]		19.0624%
55	Applicable State Income Tax Rate [Col. [E], L44 - Col. [B], L44] / [Col. [E], L42 - Col. [B], L42]		3.1024%

		Water	
	Calculation of Interest Synchronization:		
56	Rate Base	$ 9,359,714	
57	Weighted Average Cost of Debt	0.8639%	
58	Synchronized Interest (L56 X L57)	$ 80,857	

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Summary of Cost of Capital

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	2,326,035	20.57%	4.20%	0.86%	$ 2,209,677	18.68%	4.20%	0.78%
2									
3	Member Equity	8,982,660	79.43%	10.50%	8.34%	9,619,810	81.32%	10.50%	8.54%
4									
5	Totals	$ 11,308,695	100.00%		9.20%	$ 11,829,487	100.00%		9.32%
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	SUPPORTING SCHEDULES:					RECAP SCHEDULES:			
18	D-1					A-3			
19	D-3								
20	D-4								
21	E-1								
22									
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33									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Cost of Long Term Debt

Exhibit
Rebuttal Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1	WIFA Loan	2,326,035	97,693	4.20%	4.20%	2,209,677	92,806	4.20%	4.20%
2			-	0.00%	0.00%	-	-	0.00%	0.00%
3			-	0.00%	0.00%	-	-	0.00%	0.00%
4			-	0.00%	0.00%	-	-	0.00%	0.00%
5			-	0.00%	0.00%	-	-	0.00%	0.00%
6			-	0.00%	0.00%	-	-	0.00%	0.00%
7			-	0.00%	0.00%	-	-	0.00%	0.00%
8			-	0.00%	0.00%	-	-	0.00%	0.00%
9			-	0.00%	0.00%	-	-	0.00%	0.00%
10			-	0.00%	0.00%	-	-	0.00%	0.00%
11			-	0.00%	0.00%	-	-	0.00%	0.00%
12									
13	Totals	$ 2,326,035	$ 97,693		4.20%	$ 2,209,677	92,806		4.20%
14									
15	SUPPORTING SCHEDULES:								
16	E-2								
17									
18									
19									
20									

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Cost of Preferred Stock

Exhibit
Rebuttal Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
18	E-1			D-1			
19							
20							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Cost of Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.50% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	E-1	D-1
19		
20		

Sahuarita Water Company, LLC
Summary of Results

Exhibit
Rebuttal Schedule D-4.1
Witness: Bourassa

Line No.		Indicated Cost of Equity for Water Sample Group			Indicated Cost of Equity for Sahuarita Water Company, LLC [1]		
1	DCF Constant Growth - Rebuttal Schedule D-4-7	8.7%	to	9.7%	10.2%	to	11.2%
2	Risk Premium Model - Rebuttal Schedule D-4.9		10.5%			12.0%	
3	CAPM - Rebuttal Schedule D-4.11	9.5%	to	10.9%	11.0%	to	12.4%
4	Range of Cost of Equity Estimates	9.6%	to	10.4%	11.1%	to	11.9%
5	Financial Risk Adjustment - Rebuttal Schedule D-4.14		0.0%			-0.40%	
6	Adjusted Range of Cost of Equity Estimates	9.6%	to	10.4%	10.7%	to	11.5%
7	Mid-point		10.0%			11.1%	
8	Cost of Equity Recommendation			10.5%			

Notes:
[1]Estimates include an equity risk premium of 150 basis points based on comparative risk study. See Testimony.

Sahuarita Water Company, LLC
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rebuttal Schedule D-4.2
Witness: Bourassa

Line No.	Company	Symbol	% Water Revenues[1]	Operating Revenues (millions)[1]	Net Plant (millions)[1]	S&P Bond Rating[1]	Moody's Bond Rating[1]	Allowed ROE (%)[1]	Value Line Beta[2]	Market Capitalization[2]	Size Category[3]
1	American States Water	AWR	72%	$ 458.4	$ 1,032.1	A+	A2	9.43	0.70	$ 1,475.7	Low-Cap
2	Aqua America	WTR	95%	$ 808.5	$ 4,605.5	AA-	NR	9.79	0.75	$ 5,111.4	Mid cap
3	California Water	CWT	98%	$ 587.3	$ 1,663.6	AA-	NR	9.43	0.75	$ 1,116.0	Low-Cap
4	Connecticut Water	CTWS	100%	$ 97.9	$ 529.0	A/A-	NR	9.63	0.65	$ 441.4	Micro-cap
5	Middlesex	MSEX	86%	$ 123.2	$ 477.8	A	NR	9.75	0.70	$ 424.5	Micro-cap
6	SJW Corp.	SJW	95%	$ 286.8	$ 991.5	A	NR	9.43	0.75	$ 619.2	Micro-cap
7	York Water Company	YORW	100%	$ 47.0	$ 260.1	A-	NR	NM	0.75	$ 317.4	Micro-cap
8	Average		92%	$ 344.2	$ 1,365.7			9.58	0.72	$ 1,357.9	Low-Cap
9	Sahuarita Water Company, LLC		100%	$ 3.4	$ 21.2	NR	NR	-			

Notes:
[1]AUS Utility Reports (January 2016).
[2] Value Line Analyzer Data (Weekly as of January 22, 2016)
[3] See Schdule D-4.15 for definitions of size category

Sahuarita Water Company, LLC
Capital Structures

Exhibit
Rebuttal Schedule D-4.3
Witness: Bourassa

Line No.	Company	Symbol	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	American States Water	AWR	39.1%	60.9%	18.1%	81.9%
2	Aqua America	WTR	48.5%	51.5%	23.4%	76.6%
3	California Water	CWT	40.1%	59.9%	27.3%	72.7%
4	Connecticut Water	CTWS	45.8%	54.2%	28.6%	71.4%
5	Middlesex	MSEX	40.8%	59.2%	24.3%	75.7%
6	SJW Corp.	SJW	51.6%	48.4%	38.3%	61.7%
7	York Water Company	YORW	44.8%	55.2%	21.1%	78.9%
8	Average		44.4%	55.6%	25.9%	74.1%
9	Sahuarita Water Company, LLC	Proforma	20.6%	79.4%	N/A	N/A

[1] Value Line Analyzer Data (Weekly as of January 22, 2016)

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.4
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Historical Growth	[6] Value Line Projected Growth[2]	[7] Average of Historical and Proj. Grwth
		Five-year historical average annual changes						
1	American States Water	23.63%	6.50%	14.00%	8.50%	13.16%	6.00%	9.58%
2	Aqua America	13.77%	6.50%	13.00%	7.00%	10.07%	7.50%	8.78%
3	California Water	8.42%	5.00%	4.00%	2.00%	4.85%	6.50%	5.68%
4	Connecticut Water	10.10%	9.50%	9.00%	2.00%	7.65%	4.50%	6.08%
5	Middlesex	11.86%	3.00%	4.50%	1.50%	5.22%	5.00%	5.11%
6	SJW Corp.	11.86%	3.50%	NMF	3.00%	6.12%	1.50%	3.81%
7	York Water Company	11.86%	4.50%	6.00%	2.50%	6.22%	6.50%	6.36%
8	GROUP AVERAGE	13.07%	5.50%	8.42%	3.79%	7.61%	5.36%	6.48%

Notes:
[1] Average of changes in annual stock prices ending on December 31 through 2015. Data from Yahoo Finance website.
[2] Value Line Analyzer, weekly as of January 22, 2016.

Sahuarita Water Company, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.5
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Value Line Growth[2]	[7] Average of Historical and Proj. Grwth
		Ten-year historical average annual changes						
1	American States Water	14.75%	6.00%	11.00%	5.50%	9.31%	6.00%	7.66%
2	Aqua America	6.90%	7.50%	8.50%	7.50%	7.60%	7.50%	7.55%
3	California Water	6.13%	5.50%	5.00%	1.50%	4.53%	6.50%	5.52%
4	Connecticut Water	8.45%	6.50%	4.00%	2.00%	5.24%	4.50%	4.87%
5	Middlesex	8.56%	4.50%	4.00%	1.50%	4.64%	5.00%	4.82%
6	SJW Corp.	8.01%	6.00%	6.50%	4.00%	6.13%	1.50%	3.81%
7	York Water Company	8.01%	6.50%	5.50%	4.00%	6.00%	6.50%	6.25%
8	GROUP AVERAGE	8.69%	6.07%	6.36%	3.71%	6.21%	5.36%	5.78%

Notes:
[1] Average of changes in annual stock prices ending December 31, 2015. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, weekly as of January 22, 2016.

Sahuarita Water Company, LLC
Current Dividend Yields for Water Utility Sample Group

Exhibit
Rebuttal Schedule D-4.6
Witness: Bourassa

Line No.	Company	[1] Stock Price (P_0)[1]	[2] Current Dividend (D_0)[1]	[3] Current Dividend Yield (D_0/P_0)	[4] Average Annual Dividend Yield (D_0/P_0)[1,2]
1	1. American States Water	$ 43.86	$ 0.92	2.10%	2.63%
2	2. Aqua America	$ 30.57	$ 0.74	2.42%	2.53%
3	3. California Water	$ 24.45	$ 0.69	2.82%	2.77%
4	4. Connecticut Water	$ 41.22	$ 1.09	2.64%	3.00%
5	5. Middlesex	$ 27.48	$ 0.80	2.91%	3.65%
6	6. SJW Corp.	$ 31.47	$ 0.81	2.57%	2.64%
7	7. York Water Company	$ 25.49	$ 0.63	2.47%	2.79%
8	GROUP AVERAGE			2.56%	2.86%

Notes:

[1] Stock prices as of January 28, 2016. Indicated Dividend from Value Line Analyzer weekly as of January 21, 2016.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. As report by Value Line Analyzer software. For comparison purposes only.

Sahuarita Water Company, LLC
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rebuttal Schedule D-4.7 (page 1)
Witness: Bourassa

Line No.		[1] Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]		[3] Value Line Projected Growth (g)[3]		[4] Indicated Cost of Equity (COE) k=Div Yld + g (Cols 2+3)
1	1. American States Water	2.10%	2.22%	+	6.00%	=	8.22%
2	2. Aqua America	2.42%	2.60%	+	7.50%	=	10.10%
3	3. California Water	2.82%	3.01%	+	6.50%	=	9.51%
4	4. Connecticut Water	2.64%	2.76%	+	4.50%	=	7.26%
5	5. Middlesex	2.91%	3.06%	+	5.00%	=	8.06%
6	6. SJW Corp.	2.57%	2.61%	+	1.50%	=	4.11%
7	7. York Water Company	2.47%	2.63%	+	6.50%	=	9.13%
8	Average	2.56%	2.70%		5.36%		8.06%
9	Adjusted Average[4]						8.71%

Notes:

[1] Spot Dividend Yield = D0/P0. See Schedule D-4.6.

[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.

[3] Value Line Growth rate (g). See Schedule D-4.5, Col. 6.

[4] Remove indicated COE less than the projected Baa bond yield plus 100 basis points or 7.4%

Sahuarita Water Company, LLC
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rebuttal Schedule D-4.7 (page 2)
Witness: Bourassa

Line No.		[1] Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]		[3] Average of Historical and Proj. Grwth[3]		[4] Indicated Cost of Equity (COE) k=Div Yld + g (Cols 2+3)
1	1. American States Water	2.10%	2.30%	+	9.58%	=	11.88%
2	2. Aqua America	2.42%	2.63%	+	8.78%	=	11.42%
3	3. California Water	2.82%	2.98%	+	5.68%	=	8.66%
4	4. Connecticut Water	2.64%	2.81%	+	6.08%	=	8.88%
5	5. Middlesex	2.91%	3.06%	+	5.11%	=	8.17%
6	6. SJW Corp.	2.57%	2.67%	+	3.81%	=	6.48%
7	7. York Water Company	2.47%	2.63%	+	6.36%	=	8.99%
8	Average						9.21%
9	Adjusted Average[4]						9.66%

Notes:

[1] Spot Dividend Yield = D_0/P_0. See Schedule 4.7.

[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.

[3] Historical Growth rate (g). See Schedule D-4.5 Col. 7.

[4] Remove indicated COE less than the projected Baa bond yield plus 100 basis points or 7.4%

Sahuarita Water Company, LLC
Forecasts of Long-Term Interest Rates

Exhibit
Rebuttal Schedule D-4.8
Witness: Bourassa

Line No.		2017	2018	2019	Average
1	Long-term Treasury Rates				
2	Blue Chip Consensus Forecasts[1]	4.00%	4.40%	4.60%	
3	Value Line[2]	4.40%	4.60%	4.70%	
4	Average				4.5%
5	Aaa Corporate Bonds				
6	Blue Chip Consensus Forecasts[1]	5.10%	5.50%	5.70%	
7	Value Line[2]	5.50%	5.80%	6.00%	
8	Average				5.6%
9	Baa Corporate Bonds				
10	Blue Chip Consensus Forecasts[1]	6.00%	6.50%	6.70%	
11	Value Line[2]				
12	Average				6.4%

Notes:
[1] Blue Chip consensus forecasts (December 2015).
[2] Value Line Quarterly Forecasts dated December 4, 2015.

Sahuarita Water Company, LLC
Risk Premium Analysis Based on Total Returns

Exhibit
Rebuttal Schedule D-4.9
Witness: Bourassa

Line No.		Annual Total Return[1]	Treasury Bond Yields[2]	Annual Risk Premiums
1	1996	21.41%	6.71%	14.70%
2	1997	30.02%	6.61%	23.41%
3	1998	18.32%	5.58%	12.74%
4	1999	30.66%	5.87%	24.79%
5	2000	3.15%	5.94%	-2.79%
6	2001	16.00%	5.49%	10.51%
7	2002	-4.16%	5.43%	-9.59%
8	2003	23.72%	4.96%	18.76%
9	2004	13.78%	5.04%	8.74%
10	2005	19.02%	4.64%	14.38%
11	2006	15.86%	4.91%	10.95%
12	2007	-2.71%	4.84%	-7.55%
13	2008	-1.87%	4.28%	-6.15%
14	2009	-0.20%	4.08%	-4.28%
15	2010	15.26%	4.25%	11.01%
16	2011	1.52%	3.91%	-2.39%
17	2012	15.08%	2.92%	12.16%
18	2013	20.34%	3.45%	16.89%
19	2014	14.98%	3.34%	11.64%
20	2015	8.22%	2.84%	5.38%
17		15-Year Average	4.3%	6.0%
18		Expected Long-term Treasury Bond Rate[3]		4.5%
19		Projected Returns on Equity for Sample		10.5%

Notes:
[1] Composite of average total returns for water utilities. Data from Value Line Analyzer software.
[2] As reported by the Federal Reserve.
[3] Source isSchedule D-4.8.

Sahuarita Water Company, LLC
Estimation of Current Market Risk Premium
Using DCF Analysis

Exhibit
Rebuttal Schedule D-4.10
Witness: Bourassa

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Expected Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Expected Market Risk Premium (MRP)
1	May 2014	2.37%	2.59%	+	9.42%	=	12.01%	-	3.39%	=	8.62%
2	June	2.34%	2.56%	+	9.33%	=	11.89%	-	3.42%	=	8.47%
3	July	2.42%	2.65%	+	9.50%	=	12.15%	-	3.33%	=	8.82%
4	Aug	2.38%	2.61%	+	9.50%	=	12.11%	-	3.20%	=	8.91%
5	Sept	2.82%	3.10%	+	9.83%	=	12.93%	-	3.26%	=	9.67%
6	Oct	2.45%	2.68%	+	9.50%	=	12.18%	-	3.04%	=	9.14%
7	Nov	2.38%	2.61%	+	9.67%	=	12.27%	-	3.04%	=	9.23%
8	Dec	2.44%	2.67%	+	9.67%	=	12.34%	-	2.83%	=	9.51%
9	Jan 2015	2.45%	2.68%	+	9.50%	=	12.18%	-	2.46%	=	9.72%
10	Feb	2.38%	2.61%	+	9.50%	=	12.11%	-	2.57%	=	9.54%
11	Mar	2.42%	2.64%	+	9.17%	=	11.81%	-	2.63%	=	9.18%
12	Apr	2.40%	2.61%	+	9.00%	=	11.61%	-	2.59%	=	9.02%
13	May	2.41%	2.63%	+	9.00%	=	11.63%	-	2.96%	=	8.67%
14	June	2.50%	2.72%	+	8.83%	=	11.56%	-	3.11%	=	8.45%
15	July	2.56%	2.78%	+	8.83%	=	11.62%	-	3.07%	=	8.55%
16	Aug	2.70%	2.95%	+	9.00%	=	11.95%	-	2.86%	=	9.09%
17	Sept	2.84%	3.10%	+	9.00%	=	12.10%	-	2.95%	=	9.15%
18	Oct	2.67%	2.91%	+	9.00%	=	11.91%	-	2.89%	=	9.02%
19	Nov.	2.70%	2.94%	+	8.83%	=	11.77%	-	3.03%	=	8.74%
20	Dec.	2.80%	3.04%	+	8.67%	=	11.71%	-	2.97%	=	8.74%
21	Recommended	2.72%	2.96%	+	8.83%	=	11.79%	-	2.96%	=	8.83%
22	Short-term Trends										
23	Recent Twelve Months Avg	2.57%	2.80%	+	9.03%	=	11.83%	-	2.84%	=	8.99%
24	Recent Nine Months Avg	2.62%	2.85%	+	8.91%	=	11.76%	-	2.94%	=	8.82%
25	Recent Six Months Avg	2.71%	2.95%	+	8.89%	=	11.84%	-	2.96%	=	8.88%
26	Recent Three Months Avg	2.72%	2.96%	+	8.83%	=	11.79%	-	2.96%	=	8.83%

Notes:
[1] Average Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
[2] Expected Dividend Yield (D_1/P_0) equals current average dividend yield (D_0/P_0) times one plus growth rate(g).
[3] Median of Projected EPS, Projected DPS Growth and Projected BV Growth for VL 1700 stocks. Data from Value Line Investment Analyzer Software.
[4] Monthly average 30 year U.S. Treasury. Federal Reserve.

Sahuarita Water Company, LLC
Traditional Capital Asset Pricing Model (CAPM)

Exhibit
Rebuttal Schedule D-4.11
Witness: Bourassa

Line No.		Rf[1]	+	beta[2]	x	RP_M		=	k
1	Historical Market Risk Premium CAPM	4.5%	+	0.72	x	7.00%	[3]	=	9.5%
2	Currrent Market Risk Premium CAPM	4.5%	+	0.72	x	8.83%	[4]	=	10.9%
3	Average								10.2%

Notes:
[1] Forecasts of long-term treasury yields. See Schedule D-4.8.
[2] Value Line Investment Analyzer data. See Schedule D-4.3
[3] Historical Market Risk Premium Duff & Phelps 2015 Valuation Handbook, Appendix 3, Long-Horizon ERP.
[4] See Schedule D-4.10.

Sahuarita Water Company, LLC
Financial Risk Computation
Unlevered Beta

Exhibit
Rebuttal Schedule D-4.12
Witness: Bourassa

Line No.		Company	VL Beta β_L[1]	Raw Beta Raw β_L[2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]		Unlevered Raw Beta β_U[5]
5	1.	American Water Worl	0.70	0.55	38.4%	18.1%	81.9%		0.48
6	2.	Aqua America	0.75	0.63	10.5%	23.4%	76.6%		0.49
7	3.	California Water	0.75	0.63	33.0%	27.3%	72.7%		0.50
8	4.	Connecticut Water	0.65	0.48	14.4%	28.6%	71.4%		0.36
9	5.	Middlesex	0.70	0.55	35.0%	24.3%	75.7%		0.46
10	6.	SJW Corp.	0.75	0.63	32.5%	38.3%	61.7%		0.44
11	7.	York Water	0.75	0.63	29.8%	21.1%	78.9%		0.53
13		Sample Water Utilitie:	0.72	0.59	27.7%	25.9%	74.1%	#	0.47

[1] Value Line Investment Analyzer data. See Schedule D-4.1.
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2013.
4 See Rebuttal Schedule D-4.2.
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Sahuarita Water Company, LLC
Financial Risk Computation
Relevered Beta

Exhibit
Rebuttal Schedule D-4.13
Witness: Bourassa

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
5	Sahuarita Water Company, LLC	0.47	9.2%	90.8%	21.23%	0.50	0.67

[1] Unlevered Beta fron Unlevered Beta tab in WP.
[2] Proforma Capital Structure of Company per D-1

	BV (in Thousands)			MV (in Thousands)	MV %
Long-term Debt	$ 2,326	1.00		$ 2,326	9.20%
Preferred Stock	$ -	1.00		-	0.0%
Common Stock	$ 8,983	2.54	(a)	22,855	90.8%
Total Capital	$ 11,309			$ 25,181	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

[3] Current Tax rate based on test year ending 12/31/2013. SeeSchedule C-5.

Sahuarita Water Company, LLC
Financial Risk Computation

Exhibit
Rebuttal Schedule D-4.14
Witness: Bourassa

Line No.											
1	**CAPM**										
2		**Rf**		+	**β**		x	**(Rp)**			**k**
3	Historical Market Risk Premium	4.5%	1	+	0.72	2	x	7.00%	3	=	9.5%
4	Current Market Risk Premium	4.5%	1	+	0.72	2	x	8.83%	4	=	10.9%
5											
6	Average										10.2%
7											
8											
9	**CAPM Relevered Beta**										
10		**Rf**		+	**β**		x	**(Rp)**			**k**
11	Historical Market Risk Premium	4.5%	1	+	0.67	5	x	7.00%	3	=	9.2%
12	Current Market Risk Premium	4.5%	1	+	0.67	5	x	8.83%	4	=	10.4%
13											
14	Average										9.8%
15											
16	Indicated Financial Risk Adjustment										**-0.4%**
17											
18											
19	[1] Forecast of long-term treasury yields. See Schedule D-4.8.										
20	[2] Value Line Investment Analyzer data. See Schedule D-4.1.										
21	[3] Historical Market Risk Premium from (Rp) Duff & Phelps 2015 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2013.										
22	[4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks										
23	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.10.										
24	[5] Relevered beta found on Relevered Beta. See Schedule D-4.15.										
25											

Sahuarita Water Company, LLC
Risk Premium[1]

Exhibit
Rebuttal Schedule D-4.15
Witness: Bourassa

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
1	Mid-Cap Companies[2]	1.12	1.07%	
2	Low-Cap Companies[3]	1.22	1.80%	
3	Micro-Cap Companies[4]	1.35	3.74%	
4	Decile 10[5]	1.40	5.78%	3.25%

		Risk Premium for Small Water Utilities
5	Estimated Risk Premium for small utilities[6]	0.99%
6	Estimated Risk Premium for Company[8]	1.40% to 1.60%

[1] Data from Table 4-7 of Duff & Phelps, 2015 Valuation Handbook Guide to Cost of Capital.
[2] Mid-Cap companies includes companies with market capitalization between $2,552 million and $10,106 million.
[3] Low-Cap companies includes companies with market capitalization between $549 million and $2,552 million.
[4] Micro-Cap companies includes companies with market capitalization less than $549 million.
[5] Decile 10 includes companies with market capitalization less than $301 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Micro-Cap risk premium and the inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 1,476	Low-Cap	1.80%	3.98%	0.14285714	0.57%
2.	Aqua America	$ 5,111	Mid-Cap	1.07%	4.71%	0.14285714	0.67%
3.	California Water	$ 1,116	Low-Cap	1.80%	3.98%	0.14285714	0.57%
4.	Connecticut Water	$ 441	Micro-Cap	3.74%	2.04%	0.14285714	0.29%
5.	Middlesex	$ 425	Micro-Cap	3.74%	2.04%	0.14285714	0.29%
6.	SJW Corp.	$ 619	Micro-Cap	1.80%	3.98%	0.14285714	0.57%
7.	York Water Company	$ 317	Micro-Cap	3.74%	2.04%	0.14285714	0.29%
			Average	2.53%	Wghtd Size Prem. for Small Utilities		3.25%

[8] Results of Comparative Risk Study. See work papers.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	$ 1,754,351	$ 1,933,850	$ 179,499	10.23%	60.56%	60.94%
2	3/4 Inch	Residential	374,310	402,626	28,317	7.57%	12.92%	12.69%
3	1 Inch	Residential	56,962	62,420	5,458	9.58%	1.97%	1.97%
4								
5		Subtotal	2,185,623	2,398,896	213,273	9.76%	75.45%	75.59%
6								
7	1 Inch	Commercial	635	694	60	9.45%	0.02%	0.02%
8	1 1/2 Inch	Commercial	2,774	3,043	269	9.68%	0.10%	0.10%
9	2 Inch	Commercial	78,061	85,605	7,544	9.66%	2.69%	2.70%
10	3 Inch	Commercial	8,473	9,301	828	9.77%	0.29%	0.29%
11								
12		Subtotal	$ 89,943	$ 98,644	$ 8,700	9.67%	3.10%	3.11%
13								
14	1 1/2 Inch	Public Authority	$ 10,908	$ 11,952	$ 1,044	9.57%	0.38%	0.38%
15	2 Inch	Public Authority	19,539	21,392	1,853	9.49%	0.67%	0.67%
16	4 Inch	Public Authority	35,006	38,411	3,405	9.73%	1.21%	1.21%
17		Subtotal	65,453	71,755	6,302	9.63%	2.26%	2.26%
18								
19	5/8x3/4 Inch	Irrigation	$ 14,044	$ 15,388	$ 1,344	9.57%	0.48%	0.48%
20	3/4 Inch	Irrigation	5,122	5,570	448	8.75%	0.18%	0.18%
21	1 Inch	Irrigation	76,839	84,207	7,369	9.59%	2.65%	2.65%
22	1 1/2 Inch	Irrigation	40,234	44,107	3,873	9.63%	1.39%	1.39%
23	2 Inch	Irrigation	383,182	420,159	36,977	9.65%	13.23%	13.24%
24	3 Inch	Irrigation	-	-	-	0.00%	0.00%	0.00%
25								
26		Subtotal	519,420	569,432	50,012	9.63%	17.93%	17.94%
27								
28								
29	3 Inch	Construction	32,933	36,038	3,106	9.43%	1.14%	1.14%
30								
31		Subtotal	32,933	36,038	3,106	9.43%	1.14%	1.14%
32								
33	Total Revenues Before Annualization		$ 2,893,372	$ 3,174,765	$ 281,393	9.73%	99.88%	100.04%
34								
35								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)
			Revenue Annualization					
1	5/8x3/4 Inch	Residential	$ 8,339	$ 9,204	865	10.37%	267	1,270
2	3/4 Inch	Residential	6,717	7,229	511	7.61%	143	912
3	1 Inch	Residential	2,190	2,400	210	9.59%	32	218
4								
5		Subtotal	$ 17,246	$ 18,833	$ 1,586	9.20%	442	2,400
6								
7	1 Inch	Commercial	-	-	-	0.00%	-	-
8	1 1/2 Inch	Commercial	1,627	1,785	158	9.73%	8	249
9	2 Inch	Commercial	4,302	4,722	420	9.77%	12	708
10	3 Inch	Commercial	-	-	-	0.00%	-	-
11								
12		Subtotal	$ 5,929	$ 6,507	$ 3,751	63.28%	20	957
13								
14	1 1/2 Inch	Public Authority	-	-	-	0.00%	-	-
15	2 Inch	Public Authority	-	-	-	0.00%	-	-
16	4 Inch	Public Authority	-	-	-	0.00%	-	-
17		Subtotal	$ -	$ -	$ -	0.00%	-	-
18								
19	5/8x3/4 Inch	Irrigation	$ 73	$ 80	7	9.72%	1	-
20	3/4 Inch	Irrigation	-	-	-	0.00%	-	-
21	1 Inch	Irrigation	917	1,006	89	9.76%	8	151
22	1 1/2 Inch	Irrigation	-	-	-	0.00%	-	-
23	2 Inch	Irrigation	-	-	-	0.00%	-	-
24	3 Inch	Irrigation	-	-	-	0.00%	-	-
25								
26		Subtotal	990	1,086	97	9.75%	9	151
27								
28								
29	3 Inch	Construction	-	-	-	0.00%	-	-
30								
31		Subtotal	-	-	-	0.00%	-	-
32								
33								
34	Total Revenue Annualization		$ 24,165	$ 26,426	$ 5,434	22.49%	$ 471	3,509
35								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Subtotal Metered Revenues	$ 2,893,372	$ 3,174,765	$ 281,393	9.73%	99.88%	100.04%
2	Revenue Normalization	(73,316)	(81,190)	(7,874)	10.74%	-2.53%	-2.56%
3	Subtotal Revenue Annualization	24,165	26,426	2,262	9.36%	0.83%	0.83%
4	Total Metered Revenues	$ 2,844,220	$ 3,120,001	$ 275,780	9.70%	98.19%	98.32%
5							
6	Misc. Revenues	$ 53,528	$ 53,528	-	0.00%	1.85%	1.69%
7	Reconciling Amount to GL/C-1	(1,001)	(144)	857	-85.65%	-0.03%	0.00%
8	Total Water Revenues	$ 2,896,747	$ 3,173,385	$ 276,638	9.55%	100.00%	100.00%
9							
10							
11							
12							
13							
14							
15							
16							
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31							
32							
33							
34							
35							

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Customer Summary

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 12/31/2014	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch	Residential	4,604	4,677	$ 30.94	$ 34.15	3.21	10.38%
2	3/4 Inch	Residential	655	6,316	46.73	50.29	3.55	7.60%
3	1 Inch	Residential	69	6,796	68.36	74.91	6.55	9.59%
4								
5		Subtotal	5,328					
6								
7	1 Inch	Commercial	1	2,667	52.88	57.87	4.99	9.45%
8	1 1/2 Inch	Commercial	1	23,251	172.94	189.69	16.75	9.69%
9	2 Inch	Commercial	18	56,638	349.59	383.73	34.14	9.77%
10	3 Inch	Commercial	1	115,126	706.12	775.10	68.98	9.77%
11								
12		Subtotal	21					
13								
14	1 1/2 Inch	Public Authority	5	23,727	174.73	191.66	16.93	9.69%
15	2 Inch	Public Authority	9	11,658	180.92	198.08	17.16	9.49%
16	4 Inch	Public Authority	1	611,322	2,917.20	3,200.91	283.71	9.73%
17		Subtotal	15					
18								
19	5/8x3/4 Inch	Irrigation	13	17,095	$ 87.33	$ 95.78	8.45	9.68%
20	3/4 Inch	Irrigation	3	26,972	141.42	153.82	12.40	8.77%
21	1 Inch	Irrigation	50	20,313	119.28	130.95	11.67	9.78%
22	1 1/2 Inch	Irrigation	12	47,160	262.60	288.38	25.78	9.82%
23	2 Inch	Irrigation	48	127,321	642.64	705.33	62.69	9.75%
24	3 Inch	Irrigation	-					
25								
26		Subtotal	126					
27								
28								
29	3 Inch	Construction	4	113,269	784.11	858.05	73.94	9.43%
30								
31		Subtotal	4					
32								
33		Total	5,494					
34								

35 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Customer Summary

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 12/31/2014	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch	Residential	4,604	4,500	$ 30.28	$ 33.42	3.14	10.38%
2	3/4 Inch	Residential	655	5,500	43.68	46.92	3.24	7.43%
3	1 Inch	Residential	69	5,500	63.50	69.56	6.06	9.55%
4								
5								
6		Subtotal	5,328					
7								
8	1 Inch	Commercial	1	2,500	52.25	57.18	4.93	9.44%
9	1 1/2 Inch	Commercial	1	17,000	149.50	163.89	14.39	9.63%
10	2 Inch	Commercial	18	32,500	259.08	284.10	25.03	9.66%
11	3 Inch	Commercial	1	106,890	675.24	741.11	65.87	9.76%
12								
13		Subtotal	21					
14								
15	1 1/2 Inch	Public Authority	5	25,370	110.13	120.55	10.43	9.47%
16	2 Inch	Public Authority	9	10,501	170.95	187.11	16.16	9.45%
17	4 Inch	Public Authority	1	493,780	2,768.96	3,038.59	269.63	9.74%
18		Subtotal	15					
19								
20	5/8x3/4 Inch	Irrigation	13	4,500	$ 34.03	$ 37.32	3.29	9.68%
21	3/4 Inch	Irrigation	3	9,500	62.80	67.73	4.93	7.85%
22	1 Inch	Irrigation	50	7,500	71.00	77.82	6.82	9.60%
23	1 1/2 Inch	Irrigation	12	20,500	162.63	178.34	15.71	9.66%
24	2 Inch	Irrigation	48	87,000	463.45	509.05	45.60	9.84%
25	3 Inch	Irrigation	-					
26								
27		Subtotal	126					
28								
29								
30	3 Inch	Construction	4	6,000	301.40	329.48	28.08	9.32%
31								
32		Subtotal	4					
33								
34		Total	5,494					
35								
36	(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.							
37								

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Present and Proposed Rates
Typical Rate Design

Exhibit
Rebuttla Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4Inch	$ 17.15	$ 18.74	$ 1.59	9.30%
2	3/4 Inch	26.80	28.12	1.32	4.92%
3	1 Inch	42.88	46.86	3.99	9.30%
4	1 1/2 Inch	85.75	93.72	7.97	9.30%
5	2 Inch	137.20	149.96	12.76	9.30%
6	3 Inch	274.40	299.92	25.52	9.30%
7	4 Inch	428.75	468.62	39.87	9.30%
8	6 Inch	857.50	937.25	79.75	9.30%
9					
10					
11					
12	Gallons In Minimum (All Classes)	-	-		
13					
14					
15			(Per 1,000 gallons)		
16	**Commodity Rates**	**Block**	**Present Rate**	**Proposed Rate**	
17	5/8x3/4 Inch - Residential	0 gallons to 3,000 gallons	$ 2.500	$ 2.828	
18		3,001 to 9,000 gallons	$ 3.750	$ 4.128	
19		over 9,000 gallons	$ 4.500	$ 4.928	
20					
21	5/8x3/4 Inch - Non-residential	0 gallons to 9,000 gallons	$ 3.750	$ 4.128	
22		Over 9,000 gallons	$ 4.500	$ 4.928	
23					
24	3/4 Inch Meter Residential	0 gallons to 3,000 gallons	$ 2.500	$ 2.828	
		3,001 to 9,000 gallons	$ 3.750	$ 4.128	
25		over 9,000 gallons	$ 4.500	$ 4.928	
26					
27	3/4 Inch Meter - Non-residential	0 gallons to 9,000 gallons	$ 3.750	$ 4.128	
28		Over 9,000 gallons	$ 4.500	$ 4.928	
29					
30					
31	1 Inch - All classes	0 gallons to 20,000 gallons	$ 3.750	$ 4.128	
32		Over 20,000 gallons	$ 4.500	$ 4.928	
33					
34	1 1/2 Inch - All classes	0 gallons to 55,000 gallons	$ 3.750	$ 4.128	
35		Over 55,000 gallons	$ 4.500	$ 4.928	
36					
37	2 Inch - All classes	0 gallons to 90,000 gallons	$ 3.750	$ 4.128	
38		Over 90,000 gallons	$ 4.500	$ 4.928	
39					
40	3 Inch - All classes	0 gallons to 200,000 gallons	$ 3.750	$ 4.128	
41		Over 200,000 gallons	$ 4.500	$ 4.928	
42					
43	4 Inch - All classes	0 gallons to 350,000 gallons	$ 3.750	$ 4.128	
44		Over 350,000 gallons	$ 4.500	$ 4.928	
45					

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Present and Proposed Rates
Typical Rate Design

Exhibit
Schedule H-3
Page 2
Witness: Bourassa

Line No.	Commodity Rates	Block	Present Rate (Per 1,000 gallons)	Proposed Rate (Per 1,000 gallons)
4	6 Inch - All classes	0 gallons to 750,000 gallons	$ 3.750	$ 4.128
5		Over 750,000 gallons	$ 4.500	$ 4.928
9	Construction/Bulk	All gallons	$ 4.500	$ 4.928

Sahuarita Water Company, LLC
Changes in Representative Rate Schedules
Test Year Ended December 31, 2014

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Meter and Service Line Charges[1]

	Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install-ation Charge	Total Proposed Charge
5/8 x 3/4 Inch	$ 445	$ 155	$ 600.00	$ 445	$ 155	$ 600.00
3/4 Inch	445	255	700.00	445	255	700.00
1 Inch	495	315	810.00	495	315	810.00
1 1/2 Inch	550	525	1,075.00	550	525	1,075.00
2 Inch Turbo	830	1,045	1,875.00	830	1,045	1,875.00
2 Inch, Compound	830	1,890	2,720.00	830	1,890	2,720.00
3 Inch Turbo	1,045	1,670	2,715.00	1,045	1,670	2,715.00
3 Inch, compound	1,165	2,545	3,710.00	1,165	2,545	3,710.00
4 Inch Turbo	1,490	2,670	4,160.00	1,490	2,670	4,160.00
4 Inch, compound	1,670	3,645	5,315.00	1,670	3,645	5,315.00
6 Inch Turbo	2,210	5,025	7,235.00	2,210	5,025	7,235.00
6 Inch, compound	2,330	6,920	9,250.00	2,330	6,920	9,250.00
Over 6"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

[1] Based on ACC Staff Engineering Memo dated Feburary 21, 2008
NT = No Tariff

Other Charges:

	Present	Proposed
Establishment	$ 25.00	$ 25.00
Establishment (After Hours)	$ 40.00	Remove
Reestablishment (within 12 months)	*	*
Reconnection (Deliquent)	$ 25.00	$ 25.00
Reconnection (Deliquent and After Hours)	$ 40.00	Remove
Meter Test (if correct)	$ 25.00	$ 25.00
Meter Re-read (if correct)	NT	$ 25.00
Deposit	**	**
Deposit Interest**	6%	6%
NSF Check	$ 15.00	$ 15.00
Deferred Payment, per month	1.5%	1.5%
Late Payment Fee (per month)	Min. $ 5.00 or 1.5% per month	Min. $ 5.00 or 1.5% per month
Moving Meter at Customer Request	At Cost	At Cost
After hours service charge	NT	$ 50.00
Main Extension and Additional Facilities	At Cost	At Cost

* Per Commissin Rule A.A.C. R-14-2-403(D). Number of months off the system times the monthly minimum.
** Per Commission Rule Rule R14-2-403(B)

NT = No Tariff

Sahuarita Water Company, LLC
Test Year Ended December 31, 2014
Hook-Up Fees

Exhibit
Rebuttal Schedule H-3
Page 4
Witness: Bourassa

Off-site Facilities Hook-up Fee

	Present Charge	Proposed Charge
5/8 x 3/4 Inch	$ 350	$ 350
3/4 Inch	420	420
1 Inch	700	700
1 1/2 Inch	1,400	1,400
2 Inch	2,240	2,240
3 Inch	4,200	4,200
4 Inch	7,000	7,000
6 Inch or larger	14,000	14,000

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 17.15	$ 18.74	$ 1.59	9.30%
1,000	19.65	21.57	1.92	9.78%
2,000	22.15	24.40	2.25	10.16%
3,000	24.65	27.23	2.58	10.46%
4,000	28.40	31.35	2.95	10.40%
5,000	32.15	35.48	3.33	10.37%
6,000	35.90	39.61	3.71	10.33%
7,000	39.65	43.74	4.09	10.31%
8,000	43.40	47.86	4.46	10.29%
9,000	47.15	51.99	4.84	10.27%
10,000	51.65	56.92	5.27	10.20%
12,000	60.65	66.77	6.12	10.10%
14,000	69.65	76.63	6.98	10.02%
16,000	78.65	86.48	7.83	9.96%
18,000	87.65	96.34	8.69	9.91%
20,000	96.65	106.19	9.54	9.88%
25,000	119.15	130.83	11.68	9.80%
30,000	141.65	155.47	13.82	9.76%
35,000	164.15	180.11	15.96	9.72%
40,000	186.65	204.74	18.09	9.69%
45,000	209.15	229.38	20.23	9.67%
50,000	231.65	254.02	22.37	9.66%
60,000	276.65	303.29	26.64	9.63%
70,000	321.65	352.57	30.92	9.61%
80,000	366.65	401.84	35.19	9.60%
90,000	411.65	451.12	39.47	9.59%
100,000	456.65	500.39	43.74	9.58%
Average Usage				
4,677	$ 30.94	$ 34.15	$ 3.21	10.38%
Median Usage				
4,500	$ 30.28	$ 33.42	$ 3.14	10.38%

Present Rates:			
Monthly Minimum:		$	17.15
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	2.50
Up to	9,000	$	3.75
Over	9,000	$	4.50
Proposed Rates:			
Monthly Minimum:		$	18.74
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	2.83
Up to	9,000	$	4.13
Over	9,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 26.80	$ 28.12	$ 1.32	4.92%
1,000	29.30	30.94	1.64	5.61%
2,000	31.80	33.77	1.97	6.20%
3,000	34.30	36.60	2.30	6.71%
4,000	38.05	40.73	2.68	7.04%
5,000	41.80	44.85	3.05	7.31%
6,000	45.55	48.98	3.43	7.54%
7,000	49.30	53.11	3.81	7.73%
8,000	53.05	57.24	4.19	7.89%
9,000	56.80	61.36	4.56	8.04%
10,000	61.30	66.29	4.99	8.14%
12,000	70.30	76.15	5.85	8.32%
14,000	79.30	86.00	6.70	8.45%
16,000	88.30	95.86	7.56	8.56%
18,000	97.30	105.71	8.41	8.65%
20,000	106.30	115.57	9.27	8.72%
25,000	128.80	140.20	11.40	8.85%
30,000	151.30	164.84	13.54	8.95%
35,000	173.80	189.48	15.68	9.02%
40,000	196.30	214.12	17.82	9.08%
45,000	218.80	238.75	19.95	9.12%
50,000	241.30	263.39	22.09	9.16%
60,000	286.30	312.67	26.37	9.21%
70,000	331.30	361.94	30.64	9.25%
80,000	376.30	411.22	34.92	9.28%
90,000	421.30	460.49	39.19	9.30%
100,000	466.30	509.77	43.47	9.32%
Average Usage				
6,316	$ 46.73	$ 50.29	$ 3.55	7.60%
Median Usage				
5,500	$ 43.68	$ 46.92	$ 3.24	7.43%

Present Rates:			
Monthly Minimum:		$	26.80
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	2.50
Up to	9,000	$	3.75
Over	9,000		
Proposed Rates:			
Monthly Minimum:		$	28.12
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	3,000	$	2.83
Up to	9,000	$	4.13
Over	9,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 42.88	$ 46.86	$ 3.99	9.30%
1,000	46.63	50.99	4.36	9.36%
2,000	50.38	55.12	4.74	9.41%
3,000	54.13	59.24	5.12	9.46%
4,000	57.88	63.37	5.50	9.50%
5,000	61.63	67.50	5.87	9.53%
6,000	65.38	71.63	6.25	9.56%
7,000	69.13	75.75	6.63	9.59%
8,000	72.88	79.88	7.01	9.62%
9,000	76.63	84.01	7.38	9.64%
10,000	80.38	88.14	7.76	9.66%
12,000	87.88	96.39	8.52	9.69%
14,000	95.38	104.65	9.27	9.72%
16,000	102.88	112.90	10.03	9.75%
18,000	110.38	121.16	10.78	9.77%
20,000	117.88	129.41	11.54	9.79%
25,000	140.38	154.05	13.67	9.74%
30,000	162.88	178.69	15.81	9.71%
35,000	185.38	203.32	17.95	9.68%
40,000	207.88	227.96	20.09	9.66%
45,000	230.38	252.60	22.22	9.65%
50,000	252.88	277.24	24.36	9.63%
60,000	297.88	326.51	28.64	9.61%
70,000	342.88	375.79	32.91	9.60%
80,000	387.88	425.06	37.19	9.59%
90,000	432.88	474.34	41.46	9.58%
100,000	477.88	523.61	45.74	9.57%
Average Usage				
6,796	$ 68.36	$ 74.91	$ 6.55	9.59%
Median Usage				
5,500	$ 63.50	$ 69.56	$ 6.06	9.55%

Present Rates:			
Monthly Minimum:		$	42.88
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	20,000	$	3.75
Over	20,000	$	4.50

Proposed Rates:			
Monthly Minimum:		$	46.86
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	20,000	$	4.13
Over	20,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 42.88	$ 46.86	$ 3.99	9.30%
1,000	46.63	50.99	4.36	9.36%
2,000	50.38	55.12	4.74	9.41%
3,000	54.13	59.24	5.12	9.46%
4,000	57.88	63.37	5.50	9.50%
5,000	61.63	67.50	5.87	9.53%
6,000	65.38	71.63	6.25	9.56%
7,000	69.13	75.75	6.63	9.59%
8,000	72.88	79.88	7.01	9.62%
9,000	76.63	84.01	7.38	9.64%
10,000	80.38	88.14	7.76	9.66%
12,000	87.88	96.39	8.52	9.69%
14,000	95.38	104.65	9.27	9.72%
16,000	102.88	112.90	10.03	9.75%
18,000	110.38	121.16	10.78	9.77%
20,000	117.88	129.41	11.54	9.79%
25,000	140.38	154.05	13.67	9.74%
30,000	162.88	178.69	15.81	9.71%
35,000	185.38	203.32	17.95	9.68%
40,000	207.88	227.96	20.09	9.66%
45,000	230.38	252.60	22.22	9.65%
50,000	252.88	277.24	24.36	9.63%
60,000	297.88	326.51	28.64	9.61%
70,000	342.88	375.79	32.91	9.60%
80,000	387.88	425.06	37.19	9.59%
90,000	432.88	474.34	41.46	9.58%
100,000	477.88	523.61	45.74	9.57%
Average Usage				
2,667	$ 52.88	$ 57.87	$ 4.99	9.45%
Median Usage				
2,500	$ 52.25	$ 57.18	$ 4.93	9.44%

Present Rates:			
Monthly Minimum:		$	42.88
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	20,000	$	3.75
Over	20,000	$	4.50
Proposed Rates:			
Monthly Minimum:		$	46.86
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	20,000	$	4.13
Over	20,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 85.75	$ 93.72	$ 7.97	9.30%
1,000	89.50	97.85	8.35	9.33%
2,000	93.25	101.98	8.73	9.36%
3,000	97.00	106.11	9.11	9.39%
4,000	100.75	110.23	9.48	9.41%
5,000	104.50	114.36	9.86	9.44%
6,000	108.25	118.49	10.24	9.46%
7,000	112.00	122.62	10.62	9.48%
8,000	115.75	126.74	10.99	9.50%
9,000	119.50	130.87	11.37	9.52%
10,000	123.25	135.00	11.75	9.53%
12,000	130.75	143.25	12.50	9.56%
14,000	138.25	151.51	13.26	9.59%
16,000	145.75	159.76	14.01	9.62%
18,000	153.25	168.02	14.77	9.64%
20,000	160.75	176.27	15.52	9.66%
25,000	179.50	196.91	17.41	9.70%
30,000	198.25	217.55	19.30	9.74%
35,000	217.00	238.19	21.19	9.76%
40,000	235.75	258.82	23.07	9.79%
45,000	254.50	279.46	24.96	9.81%
50,000	273.25	300.10	26.85	9.83%
60,000	314.50	345.37	30.87	9.82%
70,000	359.50	394.65	35.15	9.78%
80,000	404.50	443.92	39.42	9.75%
90,000	449.50	493.20	43.70	9.72%
100,000	494.50	542.47	47.97	9.70%
Average Usage				
23,251	$ 172.94	$ 189.69	$ 16.75	9.69%
Median Usage				
17,000	$ 149.50	$ 163.89	$ 14.39	9.63%

Present Rates:			
Monthly Minimum:		$	85.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	55,000	$	3.75
Over	55,000	$	4.50
Proposed Rates:			
Monthly Minimum:		$	93.72
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	55,000	$	4.13
Over	55,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 137.20	$ 149.96	$ 12.76	9.30%
1,000	140.95	154.09	13.14	9.32%
2,000	144.70	158.21	13.51	9.34%
3,000	148.45	162.34	13.89	9.36%
4,000	152.20	166.47	14.27	9.38%
5,000	155.95	170.60	14.65	9.39%
6,000	159.70	174.72	15.02	9.41%
7,000	163.45	178.85	15.40	9.42%
8,000	167.20	182.98	15.78	9.44%
9,000	170.95	187.11	16.16	9.45%
10,000	174.70	191.23	16.53	9.46%
12,000	182.20	199.49	17.29	9.49%
14,000	189.70	207.74	18.04	9.51%
16,000	197.20	216.00	18.80	9.53%
18,000	204.70	224.25	19.55	9.55%
20,000	212.20	232.51	20.31	9.57%
25,000	230.95	253.15	22.20	9.61%
30,000	249.70	273.78	24.08	9.65%
35,000	268.45	294.42	25.97	9.67%
40,000	287.20	315.06	27.86	9.70%
45,000	305.95	335.70	29.75	9.72%
50,000	324.70	356.33	31.63	9.74%
60,000	362.20	397.61	35.41	9.78%
70,000	399.70	438.88	39.18	9.80%
80,000	437.20	480.16	42.96	9.83%
90,000	474.70	521.43	46.73	9.85%
100,000	519.70	570.71	51.01	9.82%
Average Usage				
56,638	$ 349.59	$ 383.73	$ 34.14	9.77%
Median Usage				
32,500	$ 259.08	$ 284.10	$ 25.03	9.66%

Present Rates:			
Monthly Minimum:		$	137.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	90,000	$	3.75
Over	90,000	$	4.50
Proposed Rates:			
Monthly Minimum:		$	149.96
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	90,000	$	4.13
Over	90,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 274.40	$ 299.92	$ 25.52	9.30%
1,000	278.15	304.05	25.90	9.31%
2,000	281.90	308.17	26.27	9.32%
3,000	285.65	312.30	26.65	9.33%
4,000	289.40	316.43	27.03	9.34%
5,000	293.15	320.56	27.41	9.35%
6,000	296.90	324.68	27.78	9.36%
7,000	300.65	328.81	28.16	9.37%
8,000	304.40	332.94	28.54	9.38%
9,000	308.15	337.07	28.92	9.38%
10,000	311.90	341.19	29.29	9.39%
12,000	319.40	349.45	30.05	9.41%
14,000	326.90	357.70	30.80	9.42%
16,000	334.40	365.96	31.56	9.44%
18,000	341.90	374.21	32.31	9.45%
20,000	349.40	382.47	33.07	9.46%
25,000	368.15	403.11	34.96	9.50%
30,000	386.90	423.74	36.84	9.52%
35,000	405.65	444.38	38.73	9.55%
40,000	424.40	465.02	40.62	9.57%
45,000	443.15	485.66	42.51	9.59%
50,000	461.90	506.29	44.39	9.61%
60,000	499.40	547.57	48.17	9.65%
70,000	536.90	588.84	51.94	9.67%
80,000	574.40	630.12	55.72	9.70%
90,000	611.90	671.39	59.49	9.72%
100,000	649.40	712.67	63.27	9.74%
Average Usage				
115,126	$ 706.12	$ 775.10	$ 68.98	9.77%
Median Usage				
106,890	$ 675.24	$ 741.11	$ 65.87	9.76%

Present Rates:			
Monthly Minimum:		$	274.40
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	200,000	$	3.75
Over	200,000	$	4.50

Proposed Rates:			
Monthly Minimum:		$	299.92
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	200,000	$	4.13
Over	200,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Public Authority

Exhibit
Rebuttal Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 85.75	$ 93.72	$ 7.97	9.30%
1,000	89.50	97.85	8.35	9.33%
2,000	93.25	101.98	8.73	9.36%
3,000	97.00	106.11	9.11	9.39%
4,000	100.75	110.23	9.48	9.41%
5,000	104.50	114.36	9.86	9.44%
6,000	108.25	118.49	10.24	9.46%
7,000	112.00	122.62	10.62	9.48%
8,000	115.75	126.74	10.99	9.50%
9,000	119.50	130.87	11.37	9.52%
10,000	123.25	135.00	11.75	9.53%
12,000	130.75	143.25	12.50	9.56%
14,000	138.25	151.51	13.26	9.59%
16,000	145.75	159.76	14.01	9.62%
18,000	153.25	168.02	14.77	9.64%
20,000	160.75	176.27	15.52	9.66%
25,000	179.50	196.91	17.41	9.70%
30,000	198.25	217.55	19.30	9.74%
35,000	217.00	238.19	21.19	9.76%
40,000	235.75	258.82	23.07	9.79%
45,000	254.50	279.46	24.96	9.81%
50,000	273.25	300.10	26.85	9.83%
60,000	314.50	345.37	30.87	9.82%
70,000	359.50	394.65	35.15	9.78%
80,000	404.50	443.92	39.42	9.75%
90,000	449.50	493.20	43.70	9.72%
100,000	494.50	542.47	47.97	9.70%
Average Usage				
23,727	$ 174.73	$ 191.66	$ 16.93	9.69%
Median Usage				
6,500	$ 110.13	$ 120.55	$ 10.43	9.47%

Present Rates:			
Monthly Minimum:		$	85.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	55,000	$	3.75
Over	55,000	$	4.50
Proposed Rates:			
Monthly Minimum:		$	93.72
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	55,000	$	4.13
Over	55,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Public Authority

Exhibit
Rebuttal Schedule H-4
Page 9
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 137.20	$ 149.96	$ 12.76	9.30%
1,000	140.95	154.09	13.14	9.32%
2,000	144.70	158.21	13.51	9.34%
3,000	148.45	162.34	13.89	9.36%
4,000	152.20	166.47	14.27	9.38%
5,000	155.95	170.60	14.65	9.39%
6,000	159.70	174.72	15.02	9.41%
7,000	163.45	178.85	15.40	9.42%
8,000	167.20	182.98	15.78	9.44%
9,000	170.95	187.11	16.16	9.45%
10,000	174.70	191.23	16.53	9.46%
12,000	182.20	199.49	17.29	9.49%
14,000	189.70	207.74	18.04	9.51%
16,000	197.20	216.00	18.80	9.53%
18,000	204.70	224.25	19.55	9.55%
20,000	212.20	232.51	20.31	9.57%
25,000	230.95	253.15	22.20	9.61%
30,000	249.70	273.78	24.08	9.65%
35,000	268.45	294.42	25.97	9.67%
40,000	287.20	315.06	27.86	9.70%
45,000	305.95	335.70	29.75	9.72%
50,000	324.70	356.33	31.63	9.74%
60,000	362.20	397.61	35.41	9.78%
70,000	399.70	438.88	39.18	9.80%
80,000	437.20	480.16	42.96	9.83%
90,000	474.70	521.43	46.73	9.85%
100,000	519.70	570.71	51.01	9.82%
Average Usage				
11,658	$ 180.92	$ 198.08	$ 17.16	9.49%
Median Usage				
9,000	$ 170.95	$ 187.11	$ 16.16	9.45%

Present Rates:			
Monthly Minimum:		$	137.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	90,000	$	3.75
Over	90,000	$	4.50

Proposed Rates:			
Monthly Minimum:		$	149.96
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	90,000	$	4.13
Over	90,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 4 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 10
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 428.75	$ 468.62	$ 39.87	9.30%
1,000	432.50	472.75	40.25	9.31%
2,000	436.25	476.88	40.63	9.31%
3,000	440.00	481.01	41.01	9.32%
4,000	443.75	485.13	41.38	9.33%
5,000	447.50	489.26	41.76	9.33%
6,000	451.25	493.39	42.14	9.34%
7,000	455.00	497.52	42.52	9.34%
8,000	458.75	501.64	42.89	9.35%
9,000	462.50	505.77	43.27	9.36%
10,000	466.25	509.90	43.65	9.36%
12,000	473.75	518.15	44.40	9.37%
14,000	481.25	526.41	45.16	9.38%
16,000	488.75	534.66	45.91	9.39%
18,000	496.25	542.92	46.67	9.40%
20,000	503.75	551.17	47.42	9.41%
25,000	522.50	571.81	49.31	9.44%
30,000	541.25	592.45	51.20	9.46%
35,000	560.00	613.09	53.09	9.48%
40,000	578.75	633.72	54.97	9.50%
45,000	597.50	654.36	56.86	9.52%
50,000	616.25	675.00	58.75	9.53%
60,000	653.75	716.27	62.52	9.56%
70,000	691.25	757.55	66.30	9.59%
80,000	728.75	798.82	70.07	9.62%
90,000	766.25	840.10	73.85	9.64%
100,000	803.75	881.37	77.62	9.66%
Average Usage				
611,322	$ 2,917.20	$ 3,200.91	$ 283.71	9.73%
Median Usage				
578,380	$ 2,768.96	$ 3,038.59	$ 269.63	9.74%

Present Rates:			
Monthly Minimum:		$	428.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	350,000	$	3.75
Over	350,000	$	4.50
Proposed Rates:			
Monthly Minimum:		$	468.62
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	350,000	$	4.13
Over	350,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Irrigation

Exhibit
Rebuttal Schedule H-4
Page 11
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 17.15	$ 18.74	$ 1.59	9.30%
1,000	20.90	22.87	1.97	9.44%
2,000	24.65	27.00	2.35	9.53%
3,000	28.40	31.13	2.73	9.60%
4,000	32.15	35.25	3.10	9.66%
5,000	35.90	39.38	3.48	9.70%
6,000	39.65	43.51	3.86	9.74%
7,000	43.40	47.64	4.24	9.76%
8,000	47.15	51.76	4.61	9.79%
9,000	50.90	55.89	4.99	9.81%
10,000	55.40	60.82	5.42	9.78%
12,000	64.40	70.67	6.27	9.74%
14,000	73.40	80.53	7.13	9.71%
16,000	82.40	90.38	7.98	9.69%
18,000	91.40	100.24	8.84	9.67%
20,000	100.40	110.09	9.69	9.66%
25,000	122.90	134.73	11.83	9.63%
30,000	145.40	159.37	13.97	9.61%
35,000	167.90	184.01	16.11	9.59%
40,000	190.40	208.64	18.24	9.58%
45,000	212.90	233.28	20.38	9.57%
50,000	235.40	257.92	22.52	9.57%
60,000	280.40	307.19	26.79	9.56%
70,000	325.40	356.47	31.07	9.55%
80,000	370.40	405.74	35.34	9.54%
90,000	415.40	455.02	39.62	9.54%
100,000	460.40	504.29	43.89	9.53%
Average Usage				
17,095	$ 87.33	$ 95.78	$ 8.45	9.68%
Median Usage				
4,500	$ 34.03	$ 37.32	$ 3.29	9.68%

Present Rates:

Monthly Minimum:		$	17.15
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	9,000	$	3.75
Over	9,000	$	4.50

Proposed Rates:

Monthly Minimum:		$	18.74
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	9,000	$	4.13
Over	9,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Irrigation

Exhibit
Rebuttal Schedule H-4
Page 12
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 26.80	$ 28.12	$ 1.32	4.92%
1,000	30.55	32.24	1.69	5.55%
2,000	34.30	36.37	2.07	6.04%
3,000	38.05	40.50	2.45	6.44%
4,000	41.80	44.63	2.83	6.76%
5,000	45.55	48.75	3.20	7.04%
6,000	49.30	52.88	3.58	7.27%
7,000	53.05	57.01	3.96	7.46%
8,000	56.80	61.14	4.34	7.64%
9,000	60.55	65.26	4.71	7.79%
10,000	65.05	70.19	5.14	7.91%
12,000	74.05	80.05	6.00	8.10%
14,000	83.05	89.90	6.85	8.25%
16,000	92.05	99.76	7.71	8.37%
18,000	101.05	109.61	8.56	8.47%
20,000	110.05	119.47	9.42	8.56%
25,000	132.55	144.10	11.55	8.72%
30,000	155.05	168.74	13.69	8.83%
35,000	177.55	193.38	15.83	8.92%
40,000	200.05	218.02	17.97	8.98%
45,000	222.55	242.65	20.10	9.03%
50,000	245.05	267.29	22.24	9.08%
60,000	290.05	316.57	26.52	9.14%
70,000	335.05	365.84	30.79	9.19%
80,000	380.05	415.12	35.07	9.23%
90,000	425.05	464.39	39.34	9.26%
100,000	470.05	513.67	43.62	9.28%
Average Usage				
26,972	$ 141.42	$ 153.82	$ 12.40	8.77%
Median Usage				
9,500	$ 62.80	$ 67.73	$ 4.93	7.85%

Present Rates:

Monthly Minimum:		$	26.80
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	9,000	$	3.75
Over	9,000	$	4.50

Proposed Rates:

Monthly Minimum:		$	28.12
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	9,000	$	4.13
Over	9,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 13
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 42.88	$ 46.86	$ 3.99	9.30%
1,000	46.63	50.99	4.36	9.36%
2,000	50.38	55.12	4.74	9.41%
3,000	54.13	59.24	5.12	9.46%
4,000	57.88	63.37	5.50	9.50%
5,000	61.63	67.50	5.87	9.53%
6,000	65.38	71.63	6.25	9.56%
7,000	69.13	75.75	6.63	9.59%
8,000	72.88	79.88	7.01	9.62%
9,000	76.63	84.01	7.38	9.64%
10,000	80.38	88.14	7.76	9.66%
12,000	87.88	96.39	8.52	9.69%
14,000	95.38	104.65	9.27	9.72%
16,000	102.88	112.90	10.03	9.75%
18,000	110.38	121.16	10.78	9.77%
20,000	117.88	129.41	11.54	9.79%
25,000	140.38	154.05	13.67	9.74%
30,000	162.88	178.69	15.81	9.71%
35,000	185.38	203.32	17.95	9.68%
40,000	207.88	227.96	20.09	9.66%
45,000	230.38	252.60	22.22	9.65%
50,000	252.88	277.24	24.36	9.63%
60,000	297.88	326.51	28.64	9.61%
70,000	342.88	375.79	32.91	9.60%
80,000	387.88	425.06	37.19	9.59%
90,000	432.88	474.34	41.46	9.58%
100,000	477.88	523.61	45.74	9.57%
Average Usage				
20,313	$ 119.28	$ 130.95	$ 11.67	9.78%
Median Usage				
7,500	$ 71.00	$ 77.82	$ 6.82	9.60%

Present Rates:			
Monthly Minimum:		$	42.88
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	20,000	$	3.75
Over	20,000	$	4.50

Proposed Rates:			
Monthly Minimum:		$	46.86
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	20,000	$	4.13
Over	20,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Irrigation

Exhibit
Rebuttal Schedule H-4
Page 14
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 85.75	$ 93.72	$ 7.97	9.30%
1,000	89.50	97.85	8.35	9.33%
2,000	93.25	101.98	8.73	9.36%
3,000	97.00	106.11	9.11	9.39%
4,000	100.75	110.23	9.48	9.41%
5,000	104.50	114.36	9.86	9.44%
6,000	108.25	118.49	10.24	9.46%
7,000	112.00	122.62	10.62	9.48%
8,000	115.75	126.74	10.99	9.50%
9,000	119.50	130.87	11.37	9.52%
10,000	123.25	135.00	11.75	9.53%
12,000	130.75	143.25	12.50	9.56%
14,000	138.25	151.51	13.26	9.59%
16,000	145.75	159.76	14.01	9.62%
18,000	153.25	168.02	14.77	9.64%
20,000	160.75	176.27	15.52	9.66%
25,000	179.50	196.91	17.41	9.70%
30,000	198.25	217.55	19.30	9.74%
35,000	217.00	238.19	21.19	9.76%
40,000	235.75	258.82	23.07	9.79%
45,000	254.50	279.46	24.96	9.81%
50,000	273.25	300.10	26.85	9.83%
60,000	314.50	345.37	30.87	9.82%
70,000	359.50	394.65	35.15	9.78%
80,000	404.50	443.92	39.42	9.75%
90,000	449.50	493.20	43.70	9.72%
100,000	494.50	542.47	47.97	9.70%
Average Usage				
47,160	$ 262.60	$ 288.38	$ 25.78	9.82%
Median Usage				
20,500	$ 162.63	$ 178.34	$ 15.71	9.66%

Present Rates:			
Monthly Minimum:		$	85.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	55,000	$	3.75
Over	55,000	$	4.50
Proposed Rates:			
Monthly Minimum:		$	93.72
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	55,000	$	4.13
Over	55,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Irrigation

Exhibit
Rebuttal Schedule H-4
Page 15
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 137.20	$ 149.96	$ 12.76	9.30%
1,000	140.95	154.09	13.14	9.32%
2,000	144.70	158.21	13.51	9.34%
3,000	148.45	162.34	13.89	9.36%
4,000	152.20	166.47	14.27	9.38%
5,000	155.95	170.60	14.65	9.39%
6,000	159.70	174.72	15.02	9.41%
7,000	163.45	178.85	15.40	9.42%
8,000	167.20	182.98	15.78	9.44%
9,000	170.95	187.11	16.16	9.45%
10,000	174.70	191.23	16.53	9.46%
12,000	182.20	199.49	17.29	9.49%
14,000	189.70	207.74	18.04	9.51%
16,000	197.20	216.00	18.80	9.53%
18,000	204.70	224.25	19.55	9.55%
20,000	212.20	232.51	20.31	9.57%
25,000	230.95	253.15	22.20	9.61%
30,000	249.70	273.78	24.08	9.65%
35,000	268.45	294.42	25.97	9.67%
40,000	287.20	315.06	27.86	9.70%
45,000	305.95	335.70	29.75	9.72%
50,000	324.70	356.33	31.63	9.74%
60,000	362.20	397.61	35.41	9.78%
70,000	399.70	438.88	39.18	9.80%
80,000	437.20	480.16	42.96	9.83%
90,000	474.70	521.43	46.73	9.85%
100,000	519.70	570.71	51.01	9.82%
Average Usage				
127,321	$ 642.64	$ 705.33	$ 62.69	9.75%
Median Usage				
87,000	$ 463.45	$ 509.05	$ 45.60	9.84%

Present Rates:			
Monthly Minimum:		$	137.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	90,000	$	3.75
Over	90,000	$	4.50

Proposed Rates:			
Monthly Minimum:		$	149.96
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	90,000	$	4.13
Over	90,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Irrigation

Exhibit
Rebuttal Schedule H-4
Page 16
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 274.40	$ 299.92	$ 25.52	9.30%
1,000	278.15	304.05	25.90	9.31%
2,000	281.90	308.17	26.27	9.32%
3,000	285.65	312.30	26.65	9.33%
4,000	289.40	316.43	27.03	9.34%
5,000	293.15	320.56	27.41	9.35%
6,000	296.90	324.68	27.78	9.36%
7,000	300.65	328.81	28.16	9.37%
8,000	304.40	332.94	28.54	9.38%
9,000	308.15	337.07	28.92	9.38%
10,000	311.90	341.19	29.29	9.39%
12,000	319.40	349.45	30.05	9.41%
14,000	326.90	357.70	30.80	9.42%
16,000	334.40	365.96	31.56	9.44%
18,000	341.90	374.21	32.31	9.45%
20,000	349.40	382.47	33.07	9.46%
25,000	368.15	403.11	34.96	9.50%
30,000	386.90	423.74	36.84	9.52%
35,000	405.65	444.38	38.73	9.55%
40,000	424.40	465.02	40.62	9.57%
45,000	443.15	485.66	42.51	9.59%
50,000	461.90	506.29	44.39	9.61%
60,000	499.40	547.57	48.17	9.65%
70,000	536.90	588.84	51.94	9.67%
80,000	574.40	630.12	55.72	9.70%
90,000	611.90	671.39	59.49	9.72%
100,000	649.40	712.67	63.27	9.74%
Average Usage				
-	$ 274.40	$ 299.92	$ 25.52	9.30%
Median Usage				
-	$ 274.40	$ 299.92	$ 25.52	9.30%

Present Rates:			
Monthly Minimum:		$	274.40
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	200,000	$	3.75
Over	200,000	$	4.50

Proposed Rates:			
Monthly Minimum:		$	299.92
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	200,000	$	4.13
Over	200,000	$	4.93

Sahuarita Water Company, LLC
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Construction

Exhibit
Rebuttal Schedule H-4
Page 17
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 274.40	$ 299.92	$ 25.52	9.30%
1,000	278.90	304.85	25.95	9.30%
2,000	283.40	309.77	26.37	9.31%
3,000	287.90	314.70	26.80	9.31%
4,000	292.40	319.63	27.23	9.31%
5,000	296.90	324.56	27.66	9.32%
6,000	301.40	329.48	28.08	9.32%
7,000	305.90	334.41	28.51	9.32%
8,000	310.40	339.34	28.94	9.32%
9,000	314.90	344.27	29.37	9.33%
10,000	319.40	349.19	29.79	9.33%
12,000	328.40	359.05	30.65	9.33%
14,000	337.40	368.90	31.50	9.34%
16,000	346.40	378.76	32.36	9.34%
18,000	355.40	388.61	33.21	9.35%
20,000	364.40	398.47	34.07	9.35%
25,000	386.90	423.11	36.21	9.36%
30,000	409.40	447.74	38.34	9.37%
35,000	431.90	472.38	40.48	9.37%
40,000	454.40	497.02	42.62	9.38%
45,000	476.90	521.66	44.76	9.38%
50,000	499.40	546.29	46.89	9.39%
60,000	544.40	595.57	51.17	9.40%
70,000	589.40	644.84	55.44	9.41%
80,000	634.40	694.12	59.72	9.41%
90,000	679.40	743.39	63.99	9.42%
100,000	724.40	792.67	68.27	9.42%
Average Usage				
113,269	$ 784.11	$ 858.05	$ 73.94	9.43%
Median Usage				
6,000	$ 301.40	$ 329.48	$ 28.08	9.32%

Present Rates:

Monthly Minimum:	$ 274.40
Gallons in Minimum	-
Charge Per 1,000 Gallons	
All gallons	$ 4.50

Proposed Rates:

Monthly Minimum:	$ 299.92
Gallons in Minimum	-
Charge Per 1,000 Gallons	
All Gallons	$ 4.93