

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES
CHAIRMAN

3 GARY PIERCE
COMMISSIONER

4 SANDRA D. KENNEDY
COMMISSIONER

5 PAUL NEWMAN
COMMISSIONER

6 BOB STUMP
COMMISSIONER

7
8 IN THE MATTER OF THE APPLICATION OF
9 JOHNSON UTILITIES, LLC FOR AN
10 INCREASE IN ITS WATER AND
WASTEWATER RATES FOR CUSTOMERS
WITHIN PINAL COUNTY, ARIZONA.

Docket No. WS-02987A-08-0180

11 **NOTICE OF FILING**

12
13 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing
14 the Affidavit of Rodney L. Moore in the above-referenced matter.
15

16 RESPECTFULLY SUBMITTED this 4th day of June, 2010.
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18
19

20 _____
Daniel W. Pozefsky
Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 4th day
2 of June, 2010 with:

3 Docket Control
Arizona Corporation Commission
4 1200 West Washington
Phoenix, Arizona 85007

5 COPIES of the foregoing hand delivered/
6 mailed this 4th day of June, 2010 to:

7 Teena Wolfe
Administrative Law Judge
8 Hearing Division
Arizona Corporation Commission
9 1200 West Washington
Phoenix, Arizona 85007

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By _____
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23

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AFFIDAVIT OF RODNEY L. MOORE

STATE OF ARIZONA)
 : ss.
COUNTY OF MARICOPA)

Rodney L. Moore, having been first duly sworn upon oath, deposes and states that he is over the age of 21, that he has personal knowledge of the following facts, and that if called to testify would aver their truth:

1) I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office (“RUCO”) located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

2) I am familiar with the facts and circumstances of the application of Johnson Utilities, LLC for an increase in its rates (Docket No. WS-02987A-08-0180) and make this affidavit in response to the Commission’s request for additional information.

3) I have calculated the Company’s operating margin using an operating margin of 3% for the Company’s water and wastewater divisions using the operating revenues and expenses in the Recommended Opinion and Order. The calculation is more fully set forth in Exhibit A attached hereto and made a part hereof. Using a 3% operating margin the margin the Company will earn is \$323,977 for the water division and \$290,617 for the wastewater division.

4) I have calculated the Company’s operating margin using an operating margin of 5% for the Company’s water and wastewater divisions using the operating revenues and expenses in the Recommended Opinion and Order. The calculation is more fully set forth in

Exhibit B attached hereto and made a part hereof. Using a 5% operating margin the margin the Company will earn is \$551,340 for the water division and \$494,795 for the wastewater division.

5) I have calculated the Company's operating margin using an operating margin of 7% for the Company's water and wastewater divisions using the operating revenues and expenses in the Recommended Opinion and Order. The calculation is more fully set forth in Exhibit C attached hereto and made a part hereof. Using a 7% operating margin the margin the Company will earn is \$787,858 for the water division and \$707,962 for the wastewater division.

6) I have calculated the Company's operating margin using an operating margin of 10% for the Company's water and wastewater divisions as recommended in the ROO using the operating revenues and expenses in the Recommended Opinion and Order. The calculation is more fully set forth in Exhibit D attached hereto and made a part hereof. Using a 10% operating margin the margin the Company will earn is \$1,163,918 for the water division and \$1,045,913 for the wastewater division.

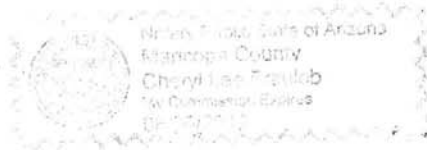
7) Attached hereto as Exhibit E is a comparison of the operating margins under each of the above scenarios.

8) RUCO does not oppose the rate base recommendations in the Recommended Opinion and Order and is not proposing a positive rate base for either division. Therefore, RUCO is not recommending or applying a weighted average cost of capital to a rate base.

DATED this 3rd day of June, 2010.

Rodney Moore
Rodney L. Moore

SUBSCRIBED and SWORN to this 3rd day of June, 2010.



Cheryl Lee Fraulob
Notary Public

**EXHIBIT A - WATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN ROO & AMEND'TS	(B) OPERATING MARGIN 3.00%
1	Original Cost Rate Base	\$ (13,682,831)	\$ (13,682,831)
2	Adjusted Operating Income (Loss)	\$ 2,664,888	\$ 2,664,888
3	OPERATING MARGIN	\$ 1,163,918	\$ 323,977
4	Current Rate Of Return	N/A	N/A
5	Required Operating Income	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency	N/A	N/A
8	Gross Revenue Conversion Factor	N/A	N/A
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (1,500,970)	\$ (2,340,911)
10	Computation Difference (Per ROO)	(32,656)	(32,656)
11	Rounding	(98)	(98)
12	Increase In Gross Revenue Requirement (L9 + L10 + L11)	\$ (1,533,724)	\$ (2,373,664)
13	Adjusted Test Year Revenue	\$ 13,172,899	\$ 13,172,899
14	Proposed Annual Revenue (L12 + L13)	\$ 11,639,175	\$ 10,799,235
15	Required Percentage Increase In Revenue (L9 / L13)	-11.39%	-17.77%
16	Rate Of Return On Common Equity	N/A	N/A
17	Required Operating Margin	10.00%	3.00%

**EXHIBIT A - WASTEWATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN PER ROO	(B) OPERATING MARGIN 3.00%
1	Original Cost Rate Base	\$ 136,562	\$ 136,562
2	Adjusted Operating Income (Loss)	\$ 1,922,159	\$ 1,938,774
3	OPERATING MARGIN	\$ 1,045,913	\$ 290,617
4	Current Rate Of Return (L2 / L1)	N/A	N/A
5	Required Operating Income (L5 X L1)	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency (L4 - L2)	N/A	N/A
8	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (876,245)	\$ (1,648,157)
10	Computation Difference (Per ROO)	<u>(18,855)</u>	<u>(18,855)</u>
11	Increase In Gross Revenue Requirement (L9 + L10)	\$ (895,100)	\$ (1,667,012)
12	Rounding	220	220
13	Adjusted Test Year Revenue	\$ 11,354,014	\$ 11,354,014
14	Proposed Annual Revenue (L11 + L12 + L13)	\$ 10,459,134	\$ 9,687,222
15	Required Percentage Increase In Revenue (L9 / L13)	-7.72%	-14.52%
16	Rate Of Return On Common Equity	N/A	N/A
17	Current Operating Margin (L2 / L13)	16.93%	17.08%
18	Required Operating Margin	10.00%	3.00%

**EXHIBIT B - WATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN ROO & AMEND'TS	(B) OPERATING MARGIN 5.00%
1	Original Cost Rate Base	\$ (13,682,831)	\$ (13,682,831)
2	Adjusted Operating Income (Loss)	\$ 2,664,888	\$ 2,664,783
3	OPERATING MARGIN	\$ 1,163,918	\$ 551,340
4	Current Rate Of Return	N/A	N/A
5	Required Operating Income	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency	N/A	N/A
8	Gross Revenue Conversion Factor	N/A	N/A
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (1,500,971)	\$ (2,113,443)
10	Computation Difference (Per ROO)	(32,656)	(32,656)
11	Rounding	(98)	(98)
12	Increase In Gross Revenue Requirement (L9 + L10 + L11)	(1,533,724)	(2,146,098)
13	Adjusted Test Year Revenue	13,172,899	13,172,899
14	Proposed Annual Revenue (L12 + L13)	11,639,175	11,026,800
15	Required Percentage Increase In Revenue (L9 / L13)	-11.39%	-16.04%
16	Rate Of Return On Common Equity	N/A	N/A
17	Required Operating Margin	10.00%	5.00%

**EXHIBIT B - WASTEWATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN PER ROO	(B) OPERATING MARGIN 5.00%
1	Original Cost Rate Base	\$ 136,562	\$ 136,562
2	Adjusted Operating Income (Loss)	\$ 1,922,159	\$ 1,934,282
3	OPERATING MARGIN	\$ 1,045,913	\$ 494,795
4	Current Rate Of Return (L2 / L1)	N/A	N/A
5	Required Operating Income (L5 X L1)	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency (L4 - L2)	N/A	N/A
8	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (876,245)	\$ (1,439,488)
10	Computation Difference (Per ROO)	<u>(18,855)</u>	<u>(18,855)</u>
11	Increase In Gross Revenue Requirement (L9 + L10)	\$ (895,100)	\$ (1,458,343)
12	Rounding	220	220
13	Adjusted Test Year Revenue	\$ 11,354,014	\$ 11,354,014
14	Proposed Annual Revenue (L11 + L12 + L13)	\$ 10,459,134	\$ 9,895,891
15	Required Percentage Increase In Revenue (L9 / L13)	-7.72%	-12.68%
16	Rate Of Return On Common Equity	N/A	N/A
17	Current Operating Margin (L2 / L13)	16.93%	17.04%
18	Required Operating Margin	10.00%	5.00%

**EXHIBIT C - WATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN ROO & AMEND'TS	(B) OPERATING MARGIN 7.00%
1	Original Cost Rate Base	\$ (13,682,831)	\$ (13,682,831)
2	Adjusted Operating Income (Loss)	\$ 2,664,888	\$ 2,672,989
3	OPERATING MARGIN	\$ 1,163,918	\$ 787,858
4	Current Rate Of Return	N/A	N/A
5	Required Operating Income	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency	N/A	N/A
8	Gross Revenue Conversion Factor	N/A	N/A
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (1,500,971)	\$ (1,885,131)
10	Computation Difference (Per ROO)	(32,656)	(32,656)
11	Rounding	(98)	(98)
12	Increase In Gross Revenue Requirement (L9 + L10 + L11)	(1,533,724)	(1,917,885)
13	Adjusted Test Year Revenue	13,172,899	13,172,899
14	Proposed Annual Revenue (L12 + L13)	11,639,175	11,255,112
15	Required Percentage Increase In Revenue (L9 / L13)	-11.39%	-14.31%
16	Rate Of Return On Common Equity	N/A	N/A
17	Required Operating Margin	10.00%	7.00%

**EXHIBIT C - WASTEWATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN PER ROO	(B) OPERATING MARGIN 7.00%
1	Original Cost Rate Base	\$ 136,562	\$ 136,562
2	Adjusted Operating Income (Loss)	\$ 1,922,159	\$ 1,929,593
3	OPERATING MARGIN	\$ 1,045,913	\$ 707,962
4	Current Rate Of Return (L2 / L1)	N/A	N/A
5	Required Operating Income (L5 X L1)	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency (L4 - L2)	N/A	N/A
8	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (876,245)	\$ (1,221,631)
10	Computation Difference (Per ROO)	<u>(18,855)</u>	<u>(18,855)</u>
11	Increase In Gross Revenue Requirement (L9 + L10)	\$ (895,100)	\$ (1,240,485)
12	Rounding	220	220
13	Adjusted Test Year Revenue	\$ 11,354,014	\$ 11,354,014
14	Proposed Annual Revenue (L11 + L12 + L13)	\$ 10,459,134	\$ 10,113,749
15	Required Percentage Increase In Revenue (L9 / L13)	-7.72%	-10.76%
16	Rate Of Return On Common Equity	N/A	N/A
17	Current Operating Margin (L2 / L13)	16.93%	16.99%
18	Required Operating Margin	10.00%	7.00%

**EXHIBIT D - WATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN ROO & AMEND'TS	(B) OPERATING MARGIN 10.00%
1	Original Cost Rate Base	\$ (13,682,831)	\$ (13,682,831)
2	Adjusted Operating Income (Loss)	\$ 2,664,888	\$ 2,664,786
3	OPERATING MARGIN	\$ 1,163,918	\$ 1,163,918
4	Current Rate Of Return	N/A	N/A
5	Required Operating Income	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency	N/A	N/A
8	Gross Revenue Conversion Factor	N/A	N/A
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (1,500,971)	\$ (1,500,868)
10	Computation Difference (Per ROO)	(32,656)	(32,656)
11	Rounding	(98)	(98)
12	Increase In Gross Revenue Requirement (L9 + L10 + L11)	(1,533,724)	\$ (1,533,524)
13	Adjusted Test Year Revenue	13,172,899	\$ 13,172,899
14	Proposed Annual Revenue (L12 + L13)	11,639,175	11,639,175
15	Required Percentage Increase In Revenue (L9 / L13)	-11.39%	-11.39%
16	Rate Of Return On Common Equity	N/A	N/A
17	Required Operating Margin	10.00%	10.00%

**EXHIBIT D - WASTEWATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) OPERATING MARGIN PER ROO	(B) OPERATING MARGIN 10.00%
1	Original Cost Rate Base	\$ 136,562	\$ 136,562
2	Adjusted Operating Income (Loss)	\$ 1,922,159	\$ 1,922,159
3	OPERATING MARGIN	\$ 1,045,913	\$ 1,045,913
4	Current Rate Of Return (L2 / L1)	N/A	N/A
5	Required Operating Income (L5 X L1)	N/A	N/A
6	Required Rate Of Return On Fair Value Rate Base	N/A	N/A
7	Operating Income Deficiency (L4 - L2)	N/A	N/A
8	Gross Revenue Conversion Factor	<u>1.0000</u>	<u>1.0000</u>
9	Increase In Gross Revenue Requirement (L3 - L2)	\$ (876,245)	\$ (876,245)
10	Computation Difference (Per ROO)	<u>(18,855)</u>	<u>(18,855)</u>
11	Increase In Gross Revenue Requirement (L9 + L10)	\$ (895,100)	\$ (895,100)
12	Rounding	220	220
13	Adjusted Test Year Revenue	\$ 11,354,014	\$ 11,354,014
14	Proposed Annual Revenue (L11 + L12 + L13)	\$ 10,459,134	\$ 10,459,134
15	Required Percentage Increase In Revenue (L9 / L13)	-7.72%	-7.72%
16	Rate Of Return On Common Equity	N/A	N/A
17	Current Operating Margin (L2 / L13)	16.93%	16.93%
18	Required Operating Margin	10.00%	10.00%

**EXHIBIT E - WATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	EXHIBIT A OPERATING MARGIN 3.00%	EXHIBIT B OPERATING MARGIN 5.00%	EXHIBIT C OPERATING MARGIN 7.00%	EXHIBIT D ROO OPERATING MARGIN 10.00%
1	Original Cost Rate Base	\$ (13,682,831)	\$ (13,682,831)	\$ (13,682,831)	\$ (13,682,831)
2	Adjusted Operating Income (Loss)	\$ 2,664,888	\$ 2,664,783	\$ 2,672,989	\$ 2,664,786
3	OPERATING MARGIN	\$ 323,977	\$ 551,340	\$ 787,858	\$ 1,163,918
4	Current Rate Of Return (L2 / L1)	N/A	N/A	N/A	N/A
5	Required Operating Income (L5 X L1)	N/A	N/A	N/A	N/A
6	Required R Of R On FVRB	N/A	N/A	N/A	N/A
7	Operating Income Deficiency (L4 - L2)	N/A	N/A	N/A	N/A
8	Gross Revenue Conversion Factor	N/A	N/A	N/A	N/A
9	Increase In Gross Rev. Req. (L3 - L2)	\$ (2,340,911)	\$ (2,113,443)	\$ (1,885,131)	\$ (1,500,868)
10	Computation Difference (Per ROO)	(32,656)	(32,656)	(32,656)	(32,656)
11	Rounding	(98)	(98)	(98)	(98)
12	Increase In Gross Rev. Req. (L9 + L10)	\$ (2,373,664)	\$ (2,146,098)	\$ (1,917,885)	\$ (1,533,524)
13	Adjusted Test Year Revenue	\$ 13,172,899	\$ 13,172,899	\$ 13,172,899	\$ 13,172,899
14	Proposed Annual Revenue (L11 + L12)	\$ 10,799,235	\$ 11,026,800	\$ 11,255,112	\$ 11,639,175
15	Required % Increase In Rev. (L9 / L11)	-17.77%	-16.04%	-14.31%	-11.39%
16	Rate Of Return On Common Equity	N/A	N/A	N/A	N/A
17	Required Operating Margin	3.00%	5.00%	7.00%	10.00%

**EXHIBIT E - WASTEWATER DISTRICT
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	EXHIBIT A OPERATING MARGIN 3.00%	EXHIBIT B OPERATING MARGIN 5.00%	EXHIBIT C OPERATING MARGIN 7.00%	EXHIBIT D ROO OPERATING MARGIN 10.00%
1	Original Cost Rate Base	\$ 136,562	\$ 136,562	\$ 136,562	\$ 136,562
2	Adjusted Operating Income (Loss)	\$ 1,938,774	\$ 1,934,282	\$ 1,929,593	\$ 1,922,159
3	OPERATING MARGIN	\$ 290,617	\$ 494,795	\$ 707,962	\$ 1,045,913
4	Current Rate Of Return (L2 / L1)	N/A	N/A	N/A	N/A
5	Required Operating Income (L5 X L1)	N/A	N/A	N/A	N/A
6	Required Rate Of Return On FVRB	N/A	N/A	N/A	N/A
7	Operating Income Deficiency (L4 - L2)	N/A	N/A	N/A	N/A
8	Gross Revenue Conversion Factor	1.0000	1.0000	1.0000	1.0000
9	Increase In Gross Rev. Req. (L3 - L2)	\$ (1,648,157)	\$ (1,439,488)	\$ (1,221,631)	\$ (876,245)
10	Computation Difference (Per ROO)	(18,855)	(18,855)	(18,855)	(18,855)
11	Increase In Gross Rev. Req. (L9 + L10)	\$ (1,667,012)	\$ (1,458,343)	\$ (1,240,485)	\$ (895,100)
12	Rounding	220	220	220	220
13	Adjusted Test Year Revenue	\$ 11,354,014	\$ 11,354,014	\$ 11,354,014	\$ 11,354,014
14	Proposed Ann. Rev. (L11 + L12 + L13)	\$ 9,687,222	\$ 9,895,891	\$ 10,113,749	\$ 10,459,134
15	Required % Increase In Rev. (L9 / L13)	-14.52%	-12.68%	-10.76%	-7.72%
16	Rate Of Return On Common Equity	N/A	N/A	N/A	N/A
17	Current Operating Margin (L2 / L13)	17.08%	17.04%	16.99%	16.93%
18	Required Operating Margin	3.00%	5.00%	7.00%	10.00%