

RIO RICO UTILITIES, INC.
DOCKET NO. WS-02676A-09-0257
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WEIGHTED AVERAGE COST OF CAPITAL - WATER AND WASTEWATER DIVISIONS

LINE NO.	DESCRIPTION	(A) CAPITAL RATIO	(B) COST RATE	(C) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.26%	2.50%
2	Common Equity	60.00%	9.00%	5.40%
3	Total Capitalization	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL			7.90%

REFERENCES:

COLUMN (A): TESTIMONY, WAR

COLUMN (B): TESTIMONY, WAR - SCHEDULE WAR-1, PAGE 2

COLUMN (C): COLUMN (A) x COLUMN (B)

SAMPLE COMPANIES APPROXIMATE WEIGHTED COSTS OF DEBT

<u>LINE NO.</u>	<u>STOCK SYMBOL</u>	<u>COMPANY</u>	<u>WEIGHTED COSTS</u>
1	AWR	AMERICAN STATES WATER CO.	7.13%
2	CWT	CALIFORNIA WATER SERVICE GROUP	6.43%
3	WTR	AQUA AMERICA, INC.	6.03%
4	CTWS	CONNECTICUT WATER SERVICES, INC.	4.95%
5	MSEX	MIDDLESEX WATER COMPANY	5.52%
6	SJW	SJW CORP.	6.81%
7	YORW	YORK WATER COMPANY	6.92%
8	AVERAGE OF APPROXIMATE WEIGHTED COSTS OF DEBT (a)		6.26% AVERAGE OF LINES 1 THRU 8
9	RUCO RECOMMENDED COST OF DEBT		6.26%

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS

NOTE:
(a) COSTS ARE APPROXIMATE AND DO NOT INCLUDE THE FOLLOWING:
DEBT ISSUES THAT DID NOT HAVE STATED YIELDS; AND
DEBT ISSUES WITH ZERO RATES OF INTEREST.
IN THE CASE OF ISSUES WITH VARIABLE RATES OF INTEREST THE HIGH END OF THE VARIABLE RANGE WAS USED.

COST OF COMMON EQUITY CALCULATION

LINE
NO.

1	<u>DCF METHODOLOGY</u>		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.94%	SCHEDULE WAR-2, COLUMN (C), LINE 5
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	<u>9.48%</u>	SCHEDULE WAR-2, COLUMN (C), LINE 13
4	AVERAGE OF DCF ESTIMATES	9.71%	(LINE 2 + LINE 3) ÷ 2
5	<u>CAPM METHODOLOGY</u>		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	5.72%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	5.05%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	7.29%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	<u>6.32%</u>	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13
10	AVERAGE OF CAPM ESTIMATES	6.10%	(SUM OF LINES 6 THRU 9) ÷ 4
11	AVERAGE OF DCF AND CAPM ESTIMATES	7.90%	(SUM OF LINES 4 AND 10) ÷ 2
12	FINAL COST OF COMMON EQUITY ESTIMATE	9.00%	TESTIMONY WAR

RIO RICO UTILITIES, INC.
TEST YEAR ENDED DECEMBER 31, 2008
DCF COST OF EQUITY CAPITAL

DOCKET NO. WS-02676A-09-0257
FINAL SCHEDULE WAR - 2

<u>LINE NO.</u>	<u>STOCK SYMBOL</u>	<u>COMPANY</u>	<u>(A) DIVIDEND YIELD</u>	<u>+</u>	<u>(B) GROWTH RATE (g)</u>	<u>=</u>	<u>(C) DCF COST OF EQUITY CAPITAL</u>
1	AWR	AMERICAN STATES WATER CO.	2.92%	+	8.86%	=	11.79%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.15%	+	6.67%	=	9.82%
3	SWWC	SOUTHWEST WATER COMPANY	1.76%	+	7.27%	=	9.02%
4	WTR	AQUA AMERICA, INC.	3.36%	+	5.75%	=	9.11%
5	WATER COMPANY AVERAGE						9.94%
6	AGL	AGL RESOURCES, INC.	4.88%	+	5.96%	=	10.84%
7	ATO	ATMOS ENERGY CORP.	4.66%	+	4.43%	=	9.09%
8	LG	LACLEDE GROUP, INC.	4.86%	+	5.05%	=	9.91%
9	NJR	NEW JERSEY RESOURCES CORPORATION	3.46%	+	5.67%	=	9.12%
10	GAS	NICOR, INC.	4.87%	+	5.19%	=	10.06%
11	NWN	NORTHWEST NATURAL GAS CO.	3.69%	+	4.96%	=	8.65%
12	PNY	PIEDMONT NATURAL GAS COMPANY	4.58%	+	4.75%	=	9.34%
13	SJI	SOUTH JERSEY INDUSTIES, INC.	3.32%	+	7.92%	=	11.25%
14	SWX	SOUTHWEST GAS CORPORATION	3.69%	+	4.03%	=	7.72%
15	WGL	WGL HOLDINGS, INC.	4.47%	+	4.38%	=	8.85%
16	NATURAL GAS LDC AVERAGE						9.48%

REFERENCES:

COLUMN (A): SCHEDULE WAR - 3, COLUMN C
 COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C
 COLUMN (C): COLUMN (A) + COLUMN (B)

RIO RICO UTILITIES, INC.
TEST YEAR ENDED DECEMBER 31, 2008
DIVIDEND YIELD CALCULATION

DOCKET NO. WS-02676A-09-0257
FINAL SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	÷	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	\$1.00	÷	\$34.19	=	2.92%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.18	÷	37.45	=	3.15%
3	SWWC	SOUTHWEST WATER COMPANY	0.10	÷	5.69	=	1.76%
4	WTR	AQUA AMERICA, INC.	0.54	÷	16.09	=	3.36%
5	WATER COMPANY AVERAGE						2.80%
6	AGL	AGL RESOURCES, INC.	\$1.72	÷	\$35.27	=	4.88%
7	ATO	ATMOS ENERGY CORP.	1.32	÷	28.34	=	4.66%
8	LG	LACLEDE GROUP, INC.	1.54	÷	31.71	=	4.86%
9	NJR	NEW JERSEY RESOURCES CORPORATION	1.24	÷	35.88	=	3.46%
10	GAS	NICOR, INC.	1.86	÷	38.16	=	4.87%
11	NWN	NORTHWEST NATURAL GAS CO.	1.58	÷	42.78	=	3.69%
12	PNY	PIEDMONT NATURAL GAS COMPANY	1.08	÷	23.56	=	4.58%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	1.19	÷	35.90	=	3.32%
14	SWX	SOUTHWEST GAS CORPORATION	0.95	÷	25.77	=	3.69%
15	WGL	WGL HOLDINGS, INC.	1.48	÷	33.09	=	4.47%
16	NATURAL GAS LDC AVERAGE						4.25%

REFERENCES:

COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's).
 COLUMN (B): EIGHT WEEK AVERAGE OF CLOSING PRICES FROM 08/24/2009 TO 10/16/2009 STOCK QUOTES OBTAINED THROUGH BIG CHARTS WEB SITE - HISTORICAL QUOTES (www.bigcharts.com).
 COLUMN (C): COLUMN (A) / COLUMN (B)

RIO RICO UTILITIES, INC.
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. WS-02676A-09-0257
 FINAL SCHEDULE WAR - 4
 PAGE 1 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)	
1	AWR	AMERICAN STATES WATER CO.	6.20%	+	2.66%	=	8.86%	
2	CWT	CALIFORNIA WATER SERVICE GROUP	6.00%	+	0.67%	=	6.67%	
3	SWWC	SOUTHWEST WATER COMPANY	7.15%	+	0.12%	=	7.27%	
4	WTR	AQUA AMERICA, INC.	5.50%	+	0.25%	=	5.75%	
5	WATER COMPANY AVERAGE							7.14%
6	AGL	AGL RESOURCES, INC.	5.50%	+	0.46%	=	5.96%	
7	ATO	ATMOS ENERGY CORP.	4.10%	+	0.33%	=	4.43%	
8	LG	LACLEDE GROUP, INC.	4.50%	+	0.55%	=	5.05%	
9	NJR	NEW JERSEY RESOURCES CORPORATION	5.10%	+	0.57%	=	5.67%	
10	GAS	NICOR, INC.	5.10%	+	0.09%	=	5.19%	
11	NWN	NORTHWEST NATURAL GAS CO.	4.60%	+	0.36%	=	4.96%	
12	PNY	PIEDMONT NATURAL GAS COMPANY	4.75%	+	0.00%	=	4.75%	
13	SJI	SOUTH JERSEY INDUSTIES, INC.	7.00%	+	0.92%	=	7.92%	
14	SWX	SOUTHWEST GAS CORPORATION	4.00%	+	0.03%	=	4.03%	
15	WGL	WGL HOLDINGS, INC.	4.35%	+	0.03%	=	4.38%	
16	NATURAL GAS LDC AVERAGE							5.23%

REFERENCES:

COLUMN (A): TESTIMONY, WAR
 COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
 COLUMN (C): COLUMN (A) + COLUMN (B)

RIO RICO UTILITIES, INC.
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. WS-02676A-09-0257
 FINAL SCHEDULE WAR - 4
 PAGE 2 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	(B) $x \{ [((M \div B) + 1) \div 2] - 1 \}$	(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	5.00%	$x \{ [((2.07) + 1) \div 2] - 1 \} =$	2.66%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.50%	$x \{ [((1.90) + 1) \div 2] - 1 \} =$	0.67%
3	SWWC	SOUTHWEST WATER COMPANY	1.10%	$x \{ [((1.21) + 1) \div 2] - 1 \} =$	0.12%
4	WTR	AQUA AMERICA, INC.	0.50%	$x \{ [((2.00) + 1) \div 2] - 1 \} =$	0.25%
5	WATER COMPANY AVERAGE				0.93%
6	AGL	AGL RESOURCES, INC.	1.75%	$x \{ [((1.53) + 1) \div 2] - 1 \} =$	0.46%
7	ATO	ATMOS ENERGY CORP.	3.75%	$x \{ [((1.18) + 1) \div 2] - 1 \} =$	0.33%
8	LG	LACLEDE GROUP, INC.	3.25%	$x \{ [((1.34) + 1) \div 2] - 1 \} =$	0.55%
9	NJR	NEW JERSEY RESOURCES CORPORATION	1.25%	$x \{ [((1.91) + 1) \div 2] - 1 \} =$	0.57%
10	GAS	NICOR, INC.	0.25%	$x \{ [((1.73) + 1) \div 2] - 1 \} =$	0.09%
11	NWN	NORTHWEST NATURAL GAS CO.	1.00%	$x \{ [((1.72) + 1) \div 2] - 1 \} =$	0.36%
12	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	$x \{ [((1.86) + 1) \div 2] - 1 \} =$	0.00%
13	SJI	SOUTH JERSEY INDUSTIES, INC.	2.00%	$x \{ [((1.92) + 1) \div 2] - 1 \} =$	0.92%
14	SWX	SOUTHWEST GAS CORPORATION	2.50%	$x \{ [((1.02) + 1) \div 2] - 1 \} =$	0.03%
15	WGL	WGL HOLDINGS, INC.	0.10%	$x \{ [((1.50) + 1) \div 2] - 1 \} =$	0.03%
16	NATURAL GAS LDC AVERAGE				0.33%

REFERENCES:

COLUMN (A): TESTIMONY, WAR

COLUMN (B): VALUE LINE INVESTMENT SURVEY

- RATINGS & REPORTS DATED 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's)

COLUMN (C): COLUMN (A) x COLUMN (B)

LINE NO.	STOCK SYMBOL	WATER COMPANY NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	2004	0.1524		6.60%		1.01%	15.01	16.75	
2			2005	0.3182		8.50%		2.70%	15.72	16.80	
3			2006	0.3158		8.10%		2.56%	16.64	17.05	
4			2007	0.4074		9.30%		3.79%	17.53	17.23	
5			2008	0.3548		8.60%		3.05%	17.95	17.30	
6			GROWTH 2004 - 2008					2.62%	5.00%		0.81%
7			2009	0.4632		10.00%		4.63%		18.50	6.94%
8			2010	0.4732		10.50%		4.97%		18.75	4.11%
9			2012-14	0.5192		12.00%		6.23%	4.00%	20.00	2.94%
10											
11	CWT	CALIFORNIA WATER SERVICE GROUP	2004	0.2260		9.00%		2.03%	15.66	18.37	
12			2005	0.2245		9.30%		2.09%	15.79	18.39	
13			2006	0.1418		6.80%		0.96%	18.15	20.66	
14			2007	0.2267		8.10%		1.84%	18.50	20.67	
15			2008	0.3842		9.90%		3.80%	19.44	20.72	
16			GROWTH 2004 - 2008					2.15%	6.50%		3.06%
17			2009	0.4381		11.50%		5.04%		21.00	1.35%
18			2010	0.4591		10.50%		4.82%		21.50	1.86%
19			2012-14	0.4943		12.00%		5.93%	3.00%	22.50	1.66%
20											
21	SWWC	SOUTHWEST WATER COMPANY	2004	0.2174		3.60%		0.78%	6.17	20.36	
22			2005	0.4118		5.00%		2.06%	6.49	22.33	
23			2006	0.4750		5.60%		2.66%	6.98	23.80	
24			2007	0.2581		3.20%		0.83%	6.54	24.27	
25			2008	-5.0000		0.80%		NME	4.55	24.90	
26			GROWTH 2004 - 2008					1.58%	7.00%		5.16%
27			2009	0.9333		3.00%		2.80%		25.00	0.40%
28			2010	0.9667		6.00%		5.80%		25.50	1.20%
29			2012-14	0.9000		8.00%		7.20%	-	26.50	1.25%
30											
31	WTR	AQUA AMERICA, INC.	2004	0.4219		10.70%		4.51%	5.89	127.18	
32			2005	0.4366		11.20%		4.89%	6.30	128.97	
33			2006	0.3714		10.00%		3.71%	6.96	132.33	
34			2007	0.3239		9.70%		3.14%	7.32	133.40	
35			2008	0.3014		9.30%		2.80%	7.82	135.37	
36			GROWTH 2004 - 2008					3.81%	10.00%		1.57%
37			2009	0.3415		10.50%		3.59%		136.00	0.47%
38			2010	0.3778		11.00%		4.16%		136.50	0.42%
39			2012-14	0.4800		11.50%		5.52%	6.50%	138.00	0.39%

REFERENCES:

COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
 - RATINGS & REPORTS DATED 10/23/2009
 COLUMN (C): COLUMN (A) x COLUMN (B)
 COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
 COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
 COLUMN (E): VALUE LINE INVESTMENT SURVEY
 COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

RIO RICO UTILITIES, INC.
TEST YEAR ENDED DECEMBER 31, 2008
DIVIDEND GROWTH COMPONENTS

DOCKET NO. WS-02676A-09-0257
FINAL SCHEDULE WAR - 5
PAGE 2 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AGL	AGL RESOURCES, INC.	2004	0.4956		11.00%		5.45%	18.06	76.70	
2			2005	0.4758		12.90%		6.14%	19.29	77.70	
3			2006	0.4559		13.20%		6.02%	20.71	77.70	
4			2007	0.3971		12.70%		5.04%	21.74	76.40	
5			2008	0.3801		12.60%		4.79%	21.48	76.90	
6			GROWTH 2004 - 2008					5.49%	10.00%		0.07%
7			2009	0.3630		11.50%		4.17%		78.00	1.43%
8			2010	0.3931		12.50%		4.91%		79.00	1.36%
9			2012-14	0.4303		14.00%		6.02%	1.50%	85.00	2.02%
10											
11	ATO	ATMOS ENERGY CORP.	2004	0.2278		7.60%		1.73%	18.05	62.80	
12			2005	0.2791		8.50%		2.37%	19.90	80.54	
13			2006	0.3700		9.80%		3.63%	20.16	81.74	
14			2007	0.3402		8.70%		2.96%	22.01	89.33	
15			2008	0.3500		8.80%		3.08%	22.60	90.81	
16			GROWTH 2004 - 2008					2.75%	7.50%		9.66%
17			2009	0.3714		9.00%		3.34%		92.50	1.86%
18			2010	0.3909		9.00%		3.52%		93.50	1.47%
19			2012-14	0.4400		9.50%		4.18%	4.00%	110.00	3.91%
20											
21	LG	LACLEDE GROUP, INC.	2004	0.2582		10.10%		2.61%	16.96	20.98	
22			2005	0.2789		10.90%		3.04%	17.31	21.17	
23			2006	0.4093		12.50%		5.12%	18.85	21.36	
24			2007	0.3723		11.60%		4.32%	19.79	21.65	
25			2008	0.4356		11.80%		5.14%	22.12	21.99	
26			GROWTH 2004 - 2008					4.04%	5.50%		1.18%
27			2009	0.4814		12.00%		5.78%		22.50	2.32%
28			2010	0.3962		11.00%		4.36%		23.00	2.27%
29			2012-14	0.4333		11.00%		4.77%	5.50%	26.00	3.41%
30											
31	NJR	NEW JERSEY RESOURCES CORPORATION	2004	0.4882		15.30%		7.47%	11.25	41.61	
32			2005	0.4859		17.00%		8.26%	10.60	41.32	
33			2006	0.4866		12.60%		6.13%	15.00	41.44	
34			2007	0.3484		10.10%		3.52%	15.50	41.61	
35			2008	0.5889		15.70%		9.25%	17.28	42.06	
36			GROWTH 2004 - 2008					6.93%	11.50%		0.27%
37			2009	0.4939		13.00%		6.42%		42.50	1.05%
38			2010	0.5259		13.00%		6.84%		43.00	1.11%
39			2012-14	0.5000		10.00%		5.00%	9.50%	45.00	1.36%

REFERENCES:

COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 09/11/2009
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

RIO RICO UTILITIES, INC.
 TEST YEAR ENDED DECEMBER 31, 2008
 DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH	
1	GAS	NICOR, INC.	2004	0.1622		13.10%		2.12%	16.99	44.10		
2			2005	0.1806		12.50%		2.26%	18.36	44.18		
3			2006	0.3519		14.70%		5.17%	19.43	44.90		
4			2007	0.3779		14.30%		5.40%	20.58	45.90		
5			2008	0.2928		12.30%		3.60%	21.55	45.13		
6			GROWTH 2004 - 2008						3.71%	4.00%		0.58%
7			2009	0.2706		11.50%		3.11%		45.50	0.82%	
8			2010	0.3474		12.50%		4.34%		45.50	0.41%	
9			2012-14	0.4277		12.00%		5.13%	4.50%	45.50	0.16%	
10	NWN	NORTHWEST NATURAL GAS CO.	2004	0.3011		8.90%		2.68%	20.64	27.55		
11			2005	0.3744		9.90%		3.71%	21.28	27.58		
12			2006	0.4085		10.90%		4.45%	22.01	27.24		
13			2007	0.4783		12.50%		5.98%	22.52	26.41		
14			2008	0.4086		10.90%		4.45%	23.71	26.50		
15			GROWTH 2004 - 2008						4.25%	3.50%		-0.97%
16			2009	0.4386		11.00%		4.82%		26.50	0.00%	
17			2010	0.4105		11.00%		4.52%		26.50	0.00%	
18			2012-14	0.4203		11.00%		4.62%	5.00%	28.00	1.11%	
19	PNY	PIEDMONT NATURAL GAS COMPANY	2004	0.3307		11.10%		3.67%	11.15	76.67		
20			2005	0.3106		11.50%		3.57%	11.53	76.70		
21			2006	0.2520		11.00%		2.77%	11.83	74.61		
22			2007	0.2929		11.90%		3.49%	11.99	73.23		
23			2008	0.3087		12.40%		3.83%	12.11	73.26		
24			GROWTH 2004 - 2008						3.47%	6.00%		-1.13%
25			2009	0.3313		12.50%		4.14%		73.50	0.33%	
26			2010	0.3471		13.00%		4.51%		73.50	0.16%	
27			2012-14	0.3526		12.50%		4.41%	4.00%	73.00	-0.07%	
28	SJI	SOUTH JERSEY INDUSTIES, INC.	2004	0.4810		12.50%		6.01%	12.41	27.76		
29			2005	0.4971		12.40%		6.16%	13.50	28.98		
30			2006	0.6260		16.30%		10.20%	15.11	29.33		
31			2007	0.5167		12.80%		6.61%	16.25	29.61		
32			2008	0.5110		13.10%		6.69%	17.33	29.73		
33			GROWTH 2004 - 2008						7.14%	11.00%		1.73%
34			2009	0.5000		12.50%		6.25%		30.00	0.91%	
35			2010	0.5170		13.50%		6.98%		31.00	2.11%	
36			2012-14	0.5161		13.50%		6.97%	6.00%	33.00	2.11%	

REFERENCES:

COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
 - RATINGS & REPORTS DATED 09/11/2009
 COLUMN (C): COLUMN (A) x COLUMN (B)
 COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2004 - 2008

COLUMN (D): VALUE LINE INVESTMENT SURVEY
 COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
 COLUMN (E): VALUE LINE INVESTMENT SURVEY
 COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	SWX	SOUTHWEST GAS CORPORATION	2004	0.5060		8.30%		4.20%	19.18	36.79	
2			2005	0.3440		6.40%		2.20%	19.10	39.33	
3			2006	0.5859		8.90%		5.21%	21.58	41.77	
4			2007	0.5590		8.50%		4.75%	22.98	42.81	
5			2008	0.3525		5.90%		2.08%	23.49	44.19	
6			GROWTH 2004 - 2008					3.69%	5.00%		4.69%
7			2009	0.4571		7.00%		3.20%		45.50	2.96%
8			2010	0.4737		7.50%		3.55%		47.00	3.13%
9			2012-14	0.5000		8.00%		4.00%	3.50%	50.00	2.50%
10											
11	WGL	WGL HOLDINGS, INC.	2004	0.3434		11.70%		4.02%	16.95	48.67	
12			2005	0.3803		11.70%		4.45%	17.80	48.65	
13			2006	0.3041		10.30%		3.13%	18.86	48.89	
14			2007	0.3476		10.40%		3.62%	19.83	49.45	
15			2008	0.4221		11.60%		4.90%	20.99	49.92	
16			GROWTH 2004 - 2008					4.02%	4.50%		0.64%
17			2009	0.4120		12.00%		4.94%		50.00	0.16%
18			2010	0.4078		11.50%		4.69%		50.00	0.08%
19			2012-14	0.3963		11.00%		4.36%	4.50%	50.00	0.03%

REFERENCES:

COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
 - RATINGS & REPORTS DATED 09/11/2009

COLUMN (C): COLUMN (A) x COLUMN (B)

COLUMN (C): LINES 6 & 16, SIMPLE AVERAGE GROWTH, 2004 - 2008

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A)	(B)	(C)			(D)			(E)	(F)		
		(br) + (sv)	ZACKS EPS	EPS	VALUE LINE PROJECTED DPS	BVPS	EPS	VALUE LINE HISTORIC DPS	BVPS	VALUE LINE & ZACKS AVGS.	EPS	5 - YEAR COMPOUND HISTORY DPS	BVPS
1	AWR	8.86%	4.00%	9.50%	4.50%	4.00%	5.50%	2.00%	5.00%	4.93%	10.23%	2.96%	4.57%
2	CWT	6.67%	6.70%	4.75%	2.50%	3.50%	7.00%	0.50%	6.50%	4.49%	6.81%	0.87%	5.55%
3	SWWC	7.27%	-	12.00%	-22.50%	-	-10.00%	8.50%	7.00%	-1.00%	-35.42%	7.46%	-7.33%
4	WTR	5.75%	7.70%	10.00%	5.50%	6.50%	5.50%	8.00%	10.00%	7.60%	3.34%	8.35%	7.34%
5				9.06%	-2.50%	4.67%	2.00%	4.75%	7.13%		-3.76%	4.91%	2.53%
6	AVERAGES	7.14%	6.13%		3.74%			4.63%		4.01%		1.23%	

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A)	(B)	(C)			(D)			(E)	(F)		
		(br) + (sv)	ZACKS EPS	EPS	VALUE LINE PROJECTED DPS	BVPS	EPS	VALUE LINE HISTORIC DPS	BVPS	VALUE LINE & ZACKS AVGS.	EPS	5 - YEAR COMPOUND HISTORY DPS	BVPS
1	AGL	5.96%	4.50%	3.50%	2.50%	1.50%	8.50%	8.00%	10.00%	5.50%	4.41%	9.94%	4.43%
2	ATO	4.43%	5.00%	4.00%	1.50%	4.00%	5.00%	1.50%	7.50%	4.07%	6.07%	1.60%	5.78%
3	LG	5.05%	3.00%	3.50%	2.50%	5.50%	9.50%	1.50%	5.50%	4.43%	9.74%	2.50%	6.87%
4	NJR	5.67%	7.00%	5.50%	5.50%	9.50%	7.50%	5.00%	11.50%	7.36%	12.26%	6.28%	11.33%
5	GAS	5.19%	4.20%	2.50%	-	4.50%	1.00%	0.50%	4.00%	2.78%	4.33%	0.00%	6.12%
6	NWN	4.96%	5.80%	5.00%	5.50%	5.00%	8.00%	3.00%	3.50%	5.11%	8.42%	3.99%	3.53%
7	PNY	4.75%	7.00%	5.50%	3.50%	4.00%	6.50%	4.50%	6.00%	5.29%	4.07%	4.92%	2.09%
8	SJI	7.92%	11.10%	5.50%	7.00%	6.00%	13.00%	6.00%	11.00%	8.51%	9.48%	7.86%	8.71%
9	SWX	4.03%	7.00%	4.50%	5.00%	3.50%	9.00%	1.00%	5.00%	5.00%	-4.34%	2.35%	5.20%
10	WGL	4.38%	-	4.00%	3.00%	4.50%	4.00%	1.50%	4.50%	3.58%	5.36%	2.05%	5.49%
11				4.35%	4.00%	4.80%	7.20%	3.25%	6.85%		5.98%	4.15%	5.95%
12	AVERAGES	5.23%	6.07%		4.38%			5.77%		5.16%		5.36%	

REFERENCES:

COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C

COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)

COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's)

COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's)

COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 10 (NATURAL GAS)

COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY

- RATINGS & REPORTS DATED 10/23/2009 (WATER COMPANIES) AND 09/11/2009 (NATURAL GAS LDC's)

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	(A)						(B)
		k	=	r _f	+	[β x (r _m - r _f)]	=	EXPECTED RETURN
1	AWR	k	=	2.26%	+	[0.80 x (9.60% - 5.40%)]	=	5.62%
2	CWT	k	=	2.26%	+	[0.75 x (9.60% - 5.40%)]	=	5.41%
3	SWWC	k	=	2.26%	+	[1.10 x (9.60% - 5.40%)]	=	6.88%
4	WTR	k	=	2.26%	+	[0.65 x (9.60% - 5.40%)]	=	4.99%
5	WATER COMPANY AVERAGE					0.83		5.72%
6	AGL	k	=	2.26%	+	[0.75 x (9.60% - 5.40%)]	=	5.41%
7	ATO	k	=	2.26%	+	[0.65 x (9.60% - 5.40%)]	=	4.99%
8	LG	k	=	2.26%	+	[0.60 x (9.60% - 5.40%)]	=	4.78%
9	NJR	k	=	2.26%	+	[0.65 x (9.60% - 5.40%)]	=	4.99%
10	GAS	k	=	2.26%	+	[0.70 x (9.60% - 5.40%)]	=	5.20%
11	NWN	k	=	2.26%	+	[0.60 x (9.60% - 5.40%)]	=	4.78%
12	PNY	k	=	2.26%	+	[0.65 x (9.60% - 5.40%)]	=	4.99%
13	SJI	k	=	2.26%	+	[0.65 x (9.60% - 5.40%)]	=	4.99%
14	SWX	k	=	2.26%	+	[0.75 x (9.60% - 5.40%)]	=	5.41%
15	WGL	k	=	2.26%	+	[0.65 x (9.60% - 5.40%)]	=	4.99%
16	NATURAL GAS LDC AVERAGE					0.67		5.05%

REFERENCES:

COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
 r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
 β = THE BETA COEFFICIENT OF A GIVEN SECURITY
 r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

- (a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 10/16/2009 THROUGH 12/04/2009 WAS USED AS A RISK FREE RATE OF RETURN.
- (b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2008 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PERIOD. THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2009 YEARBOOK.

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	(A)					(B) EXPECTED RETURN
		k	=	r _f	+ [β x (r _m - r _f)]	=	
1	AWR	k	=	2.26%	+ [0.80 x (11.70% - 5.60%)]	=	7.14%
2	CWT	k	=	2.26%	+ [0.75 x (11.70% - 5.60%)]	=	6.83%
3	SWWC	k	=	2.26%	+ [1.10 x (11.70% - 5.60%)]	=	8.97%
4	WTR	k	=	2.26%	+ [0.65 x (11.70% - 5.60%)]	=	6.22%
5	WATER COMPANY AVERAGE				0.83		7.29%
6	AGL	k	=	2.26%	+ [0.75 x (11.70% - 5.60%)]	=	6.83%
7	ATO	k	=	2.26%	+ [0.65 x (11.70% - 5.60%)]	=	6.22%
8	LG	k	=	2.26%	+ [0.60 x (11.70% - 5.60%)]	=	5.92%
9	NJR	k	=	2.26%	+ [0.65 x (11.70% - 5.60%)]	=	6.22%
10	GAS	k	=	2.26%	+ [0.70 x (11.70% - 5.60%)]	=	6.53%
11	NWN	k	=	2.26%	+ [0.60 x (11.70% - 5.60%)]	=	5.92%
12	PNY	k	=	2.26%	+ [0.65 x (11.70% - 5.60%)]	=	6.22%
13	SJI	k	=	2.26%	+ [0.65 x (11.70% - 5.60%)]	=	6.22%
14	SWX	k	=	2.26%	+ [0.75 x (11.70% - 5.60%)]	=	6.83%
15	WGL	k	=	2.26%	+ [0.65 x (11.70% - 5.60%)]	=	6.22%
16	NATURAL GAS LDC AVERAGE				0.67		6.32%

REFERENCES:

COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
 r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
 β = THE BETA COEFFICIENT OF A GIVEN SECURITY
 r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

- (a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 10/16/2009 THROUGH 12/04/2009 WAS USED AS A RISK FREE RATE OF RETURN.
- (b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2008 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PE THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2009 YEARBOOK.

RIO RICO UTILITIES, INC.
 TEST YEAR ENDED DECEMBER 31, 2008
 ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. WS-02676A-09-0257
 FINAL SCHEDULE WAR - 8

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 \$)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	5.95%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	5.38%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	4.57%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.00%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.58%	1.30%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	CURRENT	-0.20%	2.80%	3.25%	0.50%	0.00% - 0.25%	0.03%	4.25%	5.52%	6.22%

REFERENCES:

COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
 COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS WEB SITE
 COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
 COLUMN (C) THROUGH (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 12/04/2009
 COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 12/04/2009
 COLUMN (H) THROUGH (I): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORTS
 COLUMN (H) THROUGH (I): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL
 COLUMN (H) THROUGH (I): 2003 MERGENT NEWS REPORTS

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES

LINE NO.		AWR	PCT.	CWT	PCT.	SWWC	PCT.	WTR	PCT.	WATER COMPANY AVERAGE	PCT.
1	DEBT	\$ 266.5	46.2%	\$ 287.5	41.6%	\$ 190.6	62.6%	\$ 1,248.1	54.1%	\$ 498.2	51.4%
2											
3	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.5	0.2%	0.0	0.0%	0.1	0.0%
4											
5	COMMON EQUITY	310.5	53.8%	402.9	58.4%	113.3	37.2%	1,058.4	45.9%	471.3	48.6%
6											
7	TOTALS	\$ 577.0	100%	\$ 690.4	100%	\$ 304.4	100%	\$ 2,306.5	100%	\$ 969.6	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES

LINE NO.		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	GAS	PCT.
1											
2											
3	DEBT	\$ 1,675.0	50.3%	\$ 2,119.8	50.8%	\$ 389.2	44.4%	\$ 455.1	38.5%	\$ 448.0	31.5%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.5	0.1%	0.0	0.0%	0.6	0.0%
6											
7	COMMON EQUITY	1,652.0	49.7%	2,052.5	49.2%	486.5	55.5%	727.0	61.5%	973.1	68.4%
8											
9	TOTALS	\$ 3,327.0	100%	\$ 4,172.3	100%	\$ 876.2	100%	\$ 1,182.1	100%	\$ 1,421.7	100%
10											
11											
12		NWN	PCT.	PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.
13											
14	DEBT	\$ 512.0	44.9%	\$ 794.3	47.2%	\$ 332.8	39.2%	\$ 1,185.5	51.0%	\$ 603.7	38.5%
15											
16	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	100.0	4.3%	28.2	1.8%
17											
18	COMMON EQUITY	628.4	55.1%	887.2	52.8%	515.3	60.8%	1,037.8	44.7%	935.1	59.7%
19											
20	TOTALS	\$ 1,140.4	100%	\$ 1,681.5	100%	\$ 848.1	100%	\$ 2,323.3	100%	\$ 1,567.0	100%
21											
22											
23		NATURAL GAS LDC				WATER & LDC					
24		AVERAGE	PCT.			AVERAGE	PCT.				
25											
26	DEBT	\$ 851.5	45.9%			\$ 674.9	47.8%				
27											
28	PREFERRED STOCK	12.9	0.7%			6.5	0.5%				
29											
30	COMMON EQUITY	989.5	53.4%			730.4	51.7%				
31											
32	TOTALS	\$ 1,854.0	100%			\$ 1,411.7	100%				

REFERENCE:
 MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	\$ 8,455,517	\$ 7,175,864
2	Adjusted Operating Income (Loss)	\$ (214,606)	\$ (20,999)
3	Current Rate of Return (L2 / L1)	-2.54%	-0.29%
4	Required Operating Income (L5 X L1)	\$ 1,048,484	\$ 567,180
5	Required Rate of Return on Fair Value Rate Base	12.40%	7.90%
6	Operating Income Deficiency (L4 - L2)	\$ 1,263,090	\$ 588,179
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	\$ 2,057,112	\$ 957,929
9	Adjusted Test Year Revenue	\$ 1,847,256	\$ 1,852,050
10	Proposed Annual Revenue (L8 + L9)	\$ 3,904,369	\$ 2,809,979
15	Required Percentage Increase in Revenue (L8 / L9)	111.36%	51.72%
16	Rate of Return on Common Equity	12.40%	9.00%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-6, and TJC-17

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	Revenue Conversion Factor (L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	\$ 567,180			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	(20,999)			
13	Required Increase In Operating Income (L11 - L12)		\$ 588,179		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 243,594			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(126,156)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 369,750		
17	Total Required Increase In Revenue (L13 + L16)		\$ 957,929		
CALCULATION OF INCOME TAX:					
RUCO Recommended					
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			\$ 2,809,979	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,999,205	
20	Synchronized Interest (Col. (C), L37)			179,684	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 631,091	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				\$ 43,974
24	Fed. Taxable Income (L21 - L23)			\$ 587,116	
25	Fed. Tax on 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			\$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			\$ 8,500	
28	Fed. Tax on 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			\$ 91,650	
29	Fed. Tax on 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			\$ 85,719	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)			\$ 199,619	
31	Combined Federal and State Income Tax (L23 + L30)			\$ 243,594	
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)			\$ (126,156)	
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)			\$ 369,750	
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. TJC-2, Col. (C), L17)			\$ 7,175,864	
				2.50%	
				\$ 179,684	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	\$ 34,059,801	\$ -	\$ 34,059,801
2	Less: Accumulated Depreciation	<u>(12,472,661)</u>	-	<u>(12,472,661)</u>
3	Net Utility Plant In Service (Sum L1 & L2)	\$ 21,587,140	\$ -	\$ 21,587,140
	<u>Less:</u>			
4	Advances in Aid of Construction	(73,648)	(48,724)	(122,372)
5	Contribution in Aid of Construction	(20,188,921)	48,724	(20,140,197)
6	Accumulated Amortization of CIAC	6,628,197	-	6,628,197
7	NET CIAC (L5 + L6)	<u>\$ (13,560,724)</u>	<u>\$ 48,724</u>	<u>\$ (13,512,000)</u>
8	Customer Meter Deposits	(275,455)	-	(275,455)
9	Deferred Income Taxes & Credits	778,203	(1,279,653)	(501,450)
	<u>Plus:</u>			
10	Unamortized Debt Issuance Costs	-	-	-
11	Deferred Regulatory Assets	-	-	-
12	Allowance For Working Capital	-	-	-
13	Rounding	<u>1</u>	<u>-</u>	<u>1</u>
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	<u>\$ 8,455,517</u>	<u>\$ (1,279,653)</u>	<u>\$ 7,175,864</u>

References:

Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 DEFERRED INCOME TAXES	(D) ADJMT NO. 3 PER RUCO DR 1.08	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	\$ 34,059,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,059,801
2	Less: Accumulated Depreciation	(12,472,661)		-	-	-	-	-	(12,472,661)
3	Net Utility Plant In Service (Sum L1 & L2)	<u>\$ 21,587,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,587,140</u>
	<u>Less:</u>								
4	Advances in Aid of Construction	\$ (73,648)	\$ -	\$ -	\$ (48,724)	\$ -	\$ -	\$ -	\$ (122,372)
5	Contribution in Aid of Construction	(20,188,921)	-	-	48,724	-	-	-	(20,140,197)
6	Accumulated Amortization of CIAC	6,628,197	-	-	-	-	-	-	6,628,197
7	NET CIAC (L5 + L6)	<u>\$ (13,560,724)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,512,000)</u>
8	Customer Meter Deposits	(275,455)	-	-	-	-	-	-	(275,455)
9	Deferred Income Taxes & Credits	778,203	-	(1,279,653)	-	-	-	-	(501,450)
	<u>Plus:</u>								
10	Unamortized Debt Issuance Costs	-	-	-	-	-	-	-	-
11	Deferred Regulatory Assets	-	-	-	-	-	-	-	-
12	Allowance For Working Capital	-	-	-	-	-	-	-	-
13	Rounding	1	-	-	-	-	-	-	1
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	<u>\$ 8,455,517</u>	<u>\$ -</u>	<u>\$ (1,279,653)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,175,864</u>

Column (A): Company Schedule B-2
Column (B): Adjustment #1 - See TJC Testimony
Column (C): Adjustment No. 2 - Deferred Income Taxes (See Schedule TJC-3)
Column (D): Adjustment No. 3 - To Adjust AIAC & CIAC Balances Per Company Response to RUCO DR 1.08 and Discussed in TJC Testimony
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008

Water Division - Final Schedules
Schedule TJC-4
Page 1 of 1

**RATE BASE ADJUSTMENT NO. 1
PLANT & ACCUMULATED DEPRECIATION**

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**RATE BASE ADJUSTMENT NO. 2
ACCUMULATED DEFERRED INCOME TAXES**

Line No.	<u>Deferred Income Taxes:</u>	<u>Amount</u>	<u>Reference</u>
1			
2			
3	Algonquin Accumulated Deferred Income Tax Assets	\$ 23,032,000	2008 Algonquin Annual Report
4			
5	Algonquin Accumulated Deferred Income Tax Liabilities	<u>(106,983,000)</u>	2008 Algonquin Annual Report
6			
7	Net Accumulated Deferred Income Tax Assets (Liabilities)	\$ (83,951,000)	Line 3 + Line 5
8			
9	Rio Rico Allocation	<u>0.8997%</u>	Note (A)
10			
11	Rio Rico ADIT Liabilities Allocation	\$ (755,287)	Line 7 X Line 9
12			
13	Convert to US Dollars	<u>0.9400</u>	Note (B)
14			
15	Allocated ADIT Liabilites Balance	\$ (709,970)	Line 11 X Line 13
16			
17	Rio Rico Water Allocation Factor	0.70630	Note (C)
18			
19	Rio Rico Wastewater Allocation Factor	0.29370	Note (C)
20			
21	Rio Rico Water Allocation	<u>\$ (501,450)</u>	Line 15 X Line 17
22			
23	Rio Rico Wastewater Allocation	<u>\$ (208,519)</u>	Line 15 X Line 19
24			
25			
26			
27			
28	<u>NOTES:</u>		
29	(A) Purchase Price of Rio Rico Utilities. Inc.	\$ 8,800,000	
30	Algonquin Total Assets	978,130,000	
31			
32	Ratio	0.8997%	
33			
34			
35	(B) www.bank-banque-canada.ca on 11/19/2009	0.9400	
36			
37			
38	(C) Rio Rico Water Allocation	0.7063	
39			
40	Rio Rico Wastewater Allocation	0.2937	
41			
42			
43	<u>SUPPORTING SCHEDULES</u>		
44	2008 Algonquin Power Income Fund Annual Report		

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJMT'S	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Revenues	\$ 1,802,584	\$ 4,794	\$ 1,807,378	\$ 957,929	\$ 2,765,307
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	44,672	-	44,672	-	44,672
4	Total Revenues	<u>\$ 1,847,256</u>	<u>\$ 4,794</u>	<u>\$ 1,852,050</u>	<u>\$ 957,929</u>	<u>\$ 2,809,979</u>
Operating Expenses:						
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water	-	-	-	-	-
7	Purchased Power	441,501	(45,671)	395,830	-	395,830
8	Fuel for Power Production	-	-	-	-	-
9	Chemicals	9,347	-	9,347	-	9,347
10	Materials & Supplies	23,150	-	23,150	-	23,150
11	Outside Services	805,032	(107,846)	697,186	-	697,186
12	Outside Services - Other	76,859	-	76,859	-	76,859
13	Outside Services - Legal	487	-	487	-	487
14	Water Testing	-	-	-	-	-
15	Rents	26,954	-	26,954	-	26,954
16	Transportation Expenses	79,315	(6,725)	72,590	-	72,590
17	Insurance - General Liability	37,699	-	37,699	-	37,699
18	Insurance - Health and Life	-	-	-	-	-
19	Regulatory Commission Expense	17,564	-	17,564	-	17,564
20	Reg. Comm. Exp. - Rate Case	70,000	(7,000)	63,000	-	63,000
21	Miscellaneous Expense	14,822	(1,363)	13,459	-	13,459
22	Bad Debt Expense	371	799	1,170	-	1,170
23	Depreciation Expense	463,297	1,687	464,984	-	464,984
24	Taxes Other Than Income	-	-	-	-	-
25	Property Taxes	130,373	(31,447)	98,926	-	98,926
26	Federal Income Tax	(110,555)	7,173	(103,382)	303,001	199,619
27	State Income Tax	(24,354)	1,580	(22,774)	66,749	43,974
28	Total Operating Expenses	<u>\$ 2,061,862</u>	<u>\$ (188,813)</u>	<u>\$ 1,873,049</u>	<u>\$ 369,750</u>	<u>\$ 2,242,799</u>
29	Operating Income	<u>\$ (214,606)</u>	<u>\$ 193,607</u>	<u>\$ (20,999)</u>	<u>\$ 588,179</u>	<u>\$ 567,180</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule TJC-7, Columns (B) Thru (K)
- Column (C): Column (A) + Column (B)
- Column (D): TJC-1, pages 1 and 2
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 REVENUE ANNUAL/TN	(C) ADJMT NO. 2 PURCHASED POWER	(D) ADJMT NO. 3 DEPRECIATION EXPENSE	(E) ADJMT NO. 4 PROPERTY TAX	(F) ADJMT NO. 5 RATE CASE EXPENSE	(G) ADJMT NO. 6 MISCELL EXPENSE	(H) ADJMT NO. 7 PURCH. POWEF PER GB 3.8	(I) ADJMT NO. 8 TRANSPORTATION EXPENSE	(J) ADJMT NO. 9 OUT OF PERIOD EXP.	(K) ADJMT NO. 10 CENTRAL OFFICE COSTS	(L) ADJMT NO. 11 CORPORATE ALLOCATION	(M) ADJMT NO. 12 INTENTIONALL LEFT BLANK	(N) ADJMT NO. 13 BAD DEBT EXPENSE	(O) ADJMT NO. 14 INCOME TAXES	(P) RUCO AS ADJTD
Revenues:																	
1	Metered Water Revenues	\$ 1,802,584	\$ 4,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807,378
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	44,672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,672
4	Total Revenues	\$ 1,847,256	\$ 4,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,852,050
Operating Expenses:																	
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Purchased Power	441,501	-	2,334	-	-	-	-	(48,005)	-	-	-	-	-	-	-	395,830
8	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Chemicals	9,347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,347
10	Materials & Supplies	23,150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,150
11	Outside Services	805,032	-	-	-	-	-	-	-	-	(14,477)	3,274	(96,643)	-	-	-	697,186
12	Outside Services - Other	76,859	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,859
13	Outside Services - Legal	487	-	-	-	-	-	-	-	-	-	-	-	-	-	-	487
14	Water Testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Rents	26,954	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,954
16	Transportation Expenses	79,315	-	-	-	-	-	-	-	(6,725)	-	-	-	-	-	-	72,590
17	Insurance - General Liability	37,699	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,699
18	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Regulatory Commission Expense	17,564	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,564
20	Reg. Comm. Exp. - Rate Case	70,000	-	-	-	-	(7,000)	(1,363)	-	-	-	-	-	-	-	-	63,000
21	Miscellaneous Expense	14,822	-	-	-	-	-	(1,363)	-	-	-	-	-	-	-	-	13,459
22	Bad Debt Expense	371	-	-	-	-	-	-	-	-	-	-	-	-	799	-	1,170
23	Depreciation Expense	463,297	-	-	1,687	-	-	-	-	-	-	-	-	-	-	-	464,984
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Property Taxes	130,373	-	-	-	(31,447)	-	-	-	-	-	-	-	-	-	-	98,926
26	Federal Income Tax	(110,555)	-	-	-	-	-	-	-	-	-	-	-	-	-	7,173	(103,382)
27	State Income Tax	(24,354)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,580
28	Total Operating Expenses	\$ 2,061,862	\$ -	\$ 2,334	\$ 1,687	\$ (31,447)	\$ (7,000)	\$ (1,363)	\$ (48,005)	\$ (6,725)	\$ (14,477)	\$ 3,274	\$ (96,643)	\$ -	\$ 799	\$ 8,753	\$ 1,873,049
29	Operating Income	\$ (214,606)	\$ 4,794	\$ (2,334)	\$ (1,687)	\$ 31,447	\$ 7,000	\$ 1,363	\$ 48,005	\$ 6,725	\$ 14,477	\$ (3,274)	\$ 96,643	\$ -	\$ (799)	\$ (8,753)	\$ (20,999)

ADJUSTMENTS:

- 1 - Revenue Annualization
- 2 - Purchased Power Expense Increase and Annualization
- 3 - Depreciation Expense
- 4 - Property Tax Expense
- 5 - Rate Case Expense
- 6 - Miscellaneous Expense
- 7 - Purchased Power Expense Per Staff DR GB 3.8

REFERENCE:

- TJC Testimony and Schedule TJC-8 Pages 1 thru 16
- TJC Testimony and Schedule TJC-9
- TJC Testimony and Schedule TJC-10
- TJC Testimony and Schedule TJC-11
- TJC Testimony and Schedule TJC-12
- TJC Testimony and Schedule TJC-13
- TJC Testimony and Schedule TJC-14

ADJUSTMENTS:

- 8 - Transportation Expense
- 9 - Out of Test Year Expense
- 10 - Actual Central Office Cost Allocations
- 11 - Corporate Allocations
- 12 - Intentionally Left Blank
- 13 - Bad Debt Expense
- 14 - Income Taxes

REFERENCE:

- Schedule TJC-15 - See TJC Testimony
- TJC Testimony and Schedule TJC-16
- TJC Testimony and Schedule TJC-17
- TJC Testimony and Schedule TJC-18
- Intentionally Left Blank
- TJC Testimony and Schedule TJC-20
- TJC Testimony and Schedule TJC-21

**OPERATING INCOME ADJUSTMENT NO. 3
TEST YEAR DEPRECIATION EXPENSE**

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	\$ 5,785	0.00%	\$ -
2	302	Franchises	417	0.00%	-
3	303	Land and Land Rights	44,194	0.00%	-
4	304	Structures and Improvements	2,732,833	3.33%	91,003
5	305	Collecting and Impounding Res.	-	2.50%	-
6	306	Lake, River and Other Intakes	-	2.50%	-
7	307	Wells and Springs	563,511	3.33%	18,765
8	308	Infiltration Galleries and Tunnels	-	6.67%	-
9	309	Supply Mains	279,153	2.00%	5,583
10	310	Power Generation Equipment	197,120	5.00%	9,856
11	311	Electric Pumping Equipment	2,591,970	12.50%	323,996
12	320	Water Treatment Equipment	372,970	3.33%	12,420
13	320	Water Treatment Equipment	-	3.33%	-
14	320	Chemical Solution Feeders	-	20.00%	-
15	330	Distribution Reservoirs & Standpipe	759,861	2.22%	16,869
16	330	Storage Tanks	-	2.22%	-
17	330	Pressure Tanks	-	5.00%	-
18	331	Transmission & Distribution Mains	22,089,150	2.00%	441,783
19	333	Services	2,209,274	3.33%	73,569
20	334	Meters	956,605	8.33%	79,685
21	335	Hydrants	568,577	2.00%	11,372
22	336	Backflow Prevention Devices	3,848	6.67%	257
23	339	Other Plant and Miscellaneous Equipment	121,843	6.67%	8,127
24	340	Office Furniture and Fixtures	22,986	6.67%	1,533
25	340	Computers and Software	76,919	20.00%	-
26	341	Transportation Equipment	218,945	20.00%	43,789
27	342	Stores Equipment	-	4.00%	-
28	343	Tools and Work Equipment	15,035	5.00%	752
29	344	Laboratory Equipment	3,061	10.00%	306
30	345	Power Operated Equipment	-	5.00%	-
31	346	Communication Equipment	218,040	10.00%	21,804
32	347	Miscellaneous Equipment	7,701	10.00%	770
33	348	Other Tangible Plant	-	10.00%	-
34					
35		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	<u>\$ 34,059,801</u>		<u>\$ 1,162,239</u>
36					
37					
38		AMORTIZATION OF CONTRIBUTIONS	(20,140,197)	3.46%	(697,254)
39					
40		Rounding			(1)
41					
42		TOTAL DEPRECIATION EXPENSE			<u>\$ 464,984</u>
43					
44		Company As Filed			463,297
45		Difference			<u>1,687</u>
46					
47		RUCO Adjustment			<u>\$ 1,687</u>

**OPERATING INCOME ADJUSTMENT NO. 4
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	\$ 1,852,050	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,852,050	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	<u>2,809,979</u>	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 6,514,080	
5	Average Annual Operating Revenues	Line 4 / 3	<u>2,171,360</u>	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		\$ 4,342,720
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Company Schedule E	\$ 95,024	
8	10% Of CWIP	Line 7 X 10%		\$ 9,502
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RUCO Plant Schedule TJC-4	\$ 218,945	
10	Acc. Dep. Of Transportation Equipment	RUCO Plant Schedule TJC-4	<u>(25,112)</u>	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		\$ 193,833
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		<u>\$ 4,158,389</u>
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 873,262	
Property Tax Rates:				
15	Primary Tax Rate	Company Workpapers	11.3283%	
16	Secondary Tax Rate	Company Workpapers	<u>0.00%</u>	
17	Estimated Tax Rate Liability	Line 15 + Line 16	11.33%	
	Property Tax			\$ 98,926
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		<u>\$ 98,926</u>
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		130,373
20	Decrease In Property Tax Expense	Line 18 - Line 19		\$ (31,447)
		Line 20		<u><u>\$ (31,447)</u></u>

**OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE**

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	<u>\$ 210,000</u>	<u>\$ (21,000)</u>	<u>\$ 189,000</u>
2	Allocation Factor			100%
3	Water Division - Final Schedules (Line 1 X Line 2)			<u>\$ 189,000</u>
4	Normalization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			<u>\$ 63,000</u>
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			\$ 70,000
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			<u>\$ (7,000)</u>
8	RUCO Adjustment (Line 7)			<u><u>\$ (7,000)</u></u>

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

LINE NO.	DESCRIPTION	(A) AMOUNT
1	<u>Miscellaneous Expense - Disallowed:</u>	
2		
3	Family Traditions - Outreach Program	\$ 643
4	Family Traditions - Outreach Program	450
5	Arizona Highway Patrol - Donation	150
6	Rio Rico Rotary Tickets	120
7		
8	RUCO Miscellaneous Adjustment	\$ 1,363
9		
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34	<u>SUPPORTING SCHEDULES</u>	
35	RUCO Work Paper - Miscellaneous Expense Adjustment - Water	
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Rio Rico Utilities, Inc.
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**OPERATING INCOME ADJUSTMENT NO. 7
PURCHASED POWER**

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Rio Rico Utilities, Inc.
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Water Division - Final Schedules
Schedule TJC-13
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**OPERATING INCOME ADJUSTMENT NO. 8
TRANSPORTATION EXPENSE**

Intentionally Left Blank - See TJC Testimony

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Water Division - Final Schedules
Schedule TJC-14
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**OPERATING INCOME ADJUSTMENT NO. 9
OUT OF PERIOD CENTRAL OFFICE COSTS**

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OPERATING INCOME ADJUSTMENT #10 - ACTUAL CORPORATE COST ALLOCATIONS

Line No.	Description	Company Actual Costs	RUCO Disallowed Costs	RUCO Other Disallowed Costs	RUCO Allowable Costs	RUCO 2008 Allocation Factor	RUCO Allowed Allocated Costs	Allocation % To Rio Rico	RUCO Amount Allocated To Rio Rico
1	Rent	299,586		(299,586)	-	24.29%	-	12.92%	-
2	Audit	1,021,609		(766,207)	255,402	24.29%	62,026	12.92%	8,011.91
3	Tax Services	322,446		(241,835)	80,612	24.29%	19,577	12.92%	2,528.76
4	Legal - General	767,451	(113,853) Note A	(575,588)	78,010	24.29%	18,945	12.92%	2,447.15
5	Other Professional Services	565,649		(565,649)	-	24.29%	-	12.92%	-
6	Management Fee	642,771		(642,771)	-	24.29%	-	12.92%	-
7	Unit Holder Communications	289,796		(289,796)	-	24.29%	-	12.92%	-
8	Trustee Fees	129,000		(129,000)	-	24.29%	-	12.92%	-
9	Office Costs	808,101	(74,847) Note A	(733,254)	-	24.29%	-	12.92%	-
10	Licenses/Fees and Permits	140,852	(140,852) Note A	-	-	24.29%	-	12.92%	-
11	Escrow and Transfer Fees	71,366		(71,366)	-	24.29%	-	12.92%	-
12	Depreciation Expense	211,253		(158,440)	52,813	24.29%	12,826	12.92%	1,656.74
Total		5,269,882	(329,552)	(4,473,492)	466,837		113,375		14,645

RUCO Direct Testimony Amount of APT Costs Allowed	10,009
RUCO Surrebuttal Testimony Additional Amount of Actual APT Costs Allowed	4,636
RUCO Allocation To Rio Rico Water Division (Based on Total Ratio of Rate Base)	0.7063
RUCO Allocation To Rio Rico Wastewater Division (Based on Total Ratio of Rate Base)	0.2937

RUCO's Additional APT Cost Allocation Allowed for Water Division 3,274

RUCO's Additional APT Cost Allocation Allowed for Wastewater Division 1,361

Note A:

Per Company Rebuttal Schedule C-2	\$ (113,853)
Per Company Rebuttal Schedule C-2	(74,847)
Per Company Rebuttal Schedule C-2	(140,852)

SUPPORTING SCHEDULES

2008 Algonquin Power Income Fund Annual Report
Company's Response to Staff GB 3.2 and 3.10 APT Affiliate Charges - Rio Rico
Company's Response to Staff GB 3.7 and 3.15

OPERATING INCOME ADJUSTMENT #11 - CORPORATE ALLOCATIONS

Line No.	Description	Company Total Cost	RUCO Disallowed Costs	RUCO Other Disallowed Costs	RUCO Allowable Costs	RUCO 2008 Allocation Factor	RUCO Allowed Allocated Costs	Allocation % To Rio Rico	RUCO Amount Allocated To Rio Rico
1	Rent	430,739		(430,739)	-	24.29%	-	12.92%	-
2	Audit	507,000		(380,250)	126,750	24.29%	30,782	12.92%	3,976.12
3	Tax Services	265,000		(198,750)	66,250	24.29%	16,089	12.92%	2,078.25
4	Legal - General	300,000		(225,000)	75,000	24.29%	18,214	12.92%	2,352.73
5	Other Professional Services	455,000		(455,000)	-	24.29%	-	12.92%	-
6	Management Fee	636,619		(636,619)	-	24.29%	-	12.92%	-
7	Unit Holder Communications	314,100		(314,100)	-	24.29%	-	12.92%	-
8	Trustee Fees	204,000		(204,000)	-	24.29%	-	12.92%	-
9	Office Costs	254,100	(49,686) Note A	(204,414)	-	24.29%	-	12.92%	-
10	Licenses/Fees and Permits	305,000	(145,642) Note B	(159,358)	-	24.29%	-	12.92%	-
11	Escrow and Transfer Fees	75,000		(75,000)	-	24.29%	-	12.92%	-
12	Depreciation Expense	204,242		(153,182)	51,061	24.29%	12,400	12.92%	1,601.76
Total		3,950,800	(195,328)	(3,436,412)	319,061		77,486		10,009

RUCO Allocation To Rio Rico Water Division (Based on Total Ratio of Rate Base) 70.9536%

RUCO Allocation To Rio Rico Wastewater Division (Based on Total Ratio of Rate Base) 29.0464%

Company's APT Cost Allocation for Water Division (Per Staff DR GB 3.7 & GB 3.15) \$ 103,745
RUCO's APT Cost Allocation Allowed for Water Division 7,102
RUCO's APT Cost Allocation Adjustment for Water Division **(96,643)**

Company's APT Cost Allocation for Wastewater Division (Per Staff DR GB 3.7 & GB 3.15) \$ 34,582
RUCO's APT Cost Allocation Allowed for Wastewater Division 2,907
RUCO's APT Cost Allocation Adjustment for Wastewater Division **(31,675)**

Note A:

Description	Amount
Office Costs	Wind Analysis Software \$ 15,056
Office Costs	Gold Watches & Clocks 16,864
Office Costs	Pilsner Beer Glasses 5,700
Office Costs	Leafs/Raptors Tickets 5,066
Office Costs	Super Bowl Tickets 7,000
Total	\$ (49,686)

Note B:

Licenses/Fees and Permits	Donation	\$ 25,000
Licenses/Fees and Permits	Donation	25,000
Licenses/Fees and Permits	Donation	13,350
Licenses/Fees and Permits	Donation	5,000
Licenses/Fees and Permits	Wind Developmt	7,887
Licenses/Fees and Permits	US Trustee	9,375
Licenses/Fees and Permits	Wind Energy	12,556
Licenses/Fees and Permits	APF Inc Taxes	6,891
Licenses/Fees and Permits	APF Inc Taxes	6,794
Licenses/Fees and Permits	APF Inc Taxes	23,789
Licenses/Fees and Permits	KMS Tax Ruling	10,000

Total \$ **(145,642)**

SUPPORTING SCHEDULES

2008 Algonquin Power Income Fund Annual Report
Company's Response to Staff GB 3.2 and 3.10 APT Affiliate Charges - Rio Rico
Company's Response to Staff GB 3.7 and 3.15

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Schedule TJC-17
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OPERATING INCOME ADJUSTMENT NO. 12
REMOVE UNAMORTIZED PRIOR RATE CASE EXPENSE

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**OPERATING INCOME ADJUSTMENT NO. 13
BAD DEBT EXPENSE**

LINE NO.	DESCRIPTION	(A) AMOUNT
1	<u>Normalize Bad Debt Expense:</u>	
2		
3	2008 Bad Debt Expense	\$ 371
4	2007 Bad Debt Expense	-
5	2006 Bad Debt Expense	3,140
6		
7	3 Year Normalization	\$ 1,170
8		
9	Company As Filed	371
10		
11	RUCO Adjustment	\$ 799
12		
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38	<u>SUPPORTING SCHEDULES</u>	
39	Company Schedule E-2	
40		
41		

**OPERATING INCOME ADJUSTMENT #14
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	\$ (147,155)
LESS:			
2	Arizona State Tax	Line 11	(22,774)
3	Interest Expense	Note (A) Line 21	179,684
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (304,065)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	<u>\$ (103,382)</u>
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ (147,155)
LESS:			
8	Interest Expense	Note (A) Line 21	179,684
9	State Taxable Income	Line 7 - Line 8	\$ (326,839)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	<u>\$ (22,774)</u>
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (103,382)
13	State Income Tax Expense	Line 11	(22,774)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	<u>\$ (126,156)</u>
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L28)		(110,555)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L28)		(24,354)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	\$ 7,173
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	\$ 1,580

NOTE (A):

Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	\$ 7,175,864
20	Weighted Cost Of Debt (Sch. TJC-16 Col. (F), L1)	2.50%
		<u>\$ 179,684</u>

COST OF CAPITAL

LINE NO.	DESCRIPTION	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.26%	2.50%
2	Common Equity	<u>60.00%</u>	9.00%	<u>5.40%</u>
3	Total Capitalization	<u><u>100.00%</u></u>		
4	WEIGHTED AVERAGE COST OF CAPITAL			7.90%

References:

Columns (A) Thru (D): Testimony, WAR

TABLE OF CONTENTS TO TJC SCHEDULES

<u>SCHEDULE NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
TJC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
TJC-2	1	RATE BASE
TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1 TO 7	RATE BASE ADJUSTMENT NO. 1 - INTENTIONALLY LEFT BLANK
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEFERRED INCOME TAXES
TESTIMONY		RATE BASE ADJUSTMENT NO. 3 - AIAC & CIAC BALANCES PER RUCO DR 1.08 & 1.09
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 6 - INTENTIONALLY LEFT BLANK
TJC-6	1	OPERATING INCOME
TJC-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-8	1 OF 16	OPERATING INCOME ADJUSTMENT NO. 1 - REVENUE ANNUALIZATION
TJC-9	1	OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED POWER INCREASE & EXPENSE ANNUALIZATION
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 3 - DEPRECIATION EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 4 - PROPERTY TAX EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 6 - INTENTIONALLY LEFT BLANK
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 7 - PURCHASED POWER EXPENSE ADJUSTMENT
TJC-15	1	OPERATING INCOME ADJUSTMENT NO. 8 - TRANSPORTATION EXPENSE
TJC-16	1	OPERATING INCOME ADJUSTMENT NO. 9 - INTENTIONALLY LEFT BLANK
TJC-17	1	OPERATING INCOME ADJUSTMENT NO. 10 - ACTUAL CORPORATE APT COSTS
TJC-18	1	OPERATING INCOME ADJUSTMENT NO. 11 - APT CORPORATE COSTS ADJUSTMENT
TJC-19	1	OPERATING INCOME ADJUSTMENT NO. 12 - INTENTIONALLY LEFT BLANK
TJC-20	1	OPERATING INCOME ADJUSTMENT NO. 13 - NORMALIZE BAD DEBT EXPENSE
TJC-21	1	OPERATING INCOME ADJUSTMENT NO. 14 - INCOME TAX EXPENSE
TJC-22 & WAR TESTIMONY	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	\$ 3,516,078	\$ 2,983,957
2	Adjusted Operating Income (Loss)	\$ 490,676	\$ 539,140
3	Current Rate of Return (L2 / L1)	13.96%	18.07%
4	Required Operating Income (L5 X L1)	\$ 435,994	\$ 235,852
5	Required Rate of Return on Fair Value Rate Base	12.40%	7.90%
6	Operating Income Deficiency (L4 - L2)	\$ (54,682)	\$ (303,288)
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	\$ (89,058)	\$ (493,946)
9	Adjusted Test Year Revenue	\$ 1,829,976	\$ 1,834,481
10	Proposed Annual Revenue (L8 + L9)	\$ 1,740,918	\$ 1,340,535
15	Required Percentage Increase in Revenue (L8 / L9)	-4.87%	-26.93%
16	Rate of Return on Common Equity	12.40%	9.00%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-6, and TJC-17

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	Revenue Conversion Factor (L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	\$ 235,852			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	539,140			
13	Required Increase In Operating Income (L11 - L12)		\$ (303,288)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 101,294			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	291,952			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ (190,657)		
17	Total Required Increase In Revenue (L13 + L16)		\$ (493,946)		
CALCULATION OF INCOME TAX:					
RUCO Recommended					
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			\$ 1,340,535	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,003,389	
20	Synchronized Interest (Col. (C), L37)			74,718	
21	Arizona Taxable Income (L18 - L19 - L20)			\$ 262,428	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				\$ 18,286
24	Fed. Taxable Income (L21 - L23)			\$ 244,142	
25	Fed. Tax on 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ -	
26	Fed. Tax on 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			\$ -	
27	Fed. Tax on 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			\$ -	
28	Fed. Tax on 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			\$ -	
29	Fed. Tax on 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			\$ 83,008	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)			\$ 83,008	
31	Combined Federal and State Income Tax (L23 + L30)			\$ 101,294	
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)			\$ 291,952	
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)			\$ (190,657)	
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. TJC-2, Col. (C), L17)			\$ 2,983,957	
				2.50%	
				\$ 74,718	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ TED OCRB/FVRB
1	Gross Utility Plant in Service	\$ 11,829,043	\$ -	\$ 11,829,043
2	Less: Accumulated Depreciation	<u>(5,110,028)</u>	<u>-</u>	<u>(5,110,028)</u>
3	Net Utility Plant In Service (Sum L1 & L2)	\$ 6,719,014	\$ -	\$ 6,719,014
	<u>Less:</u>			
4	Advances in Aid of Construction	861	(238,783)	(237,922)
5	Contribution in Aid of Construction	(5,376,456)	238,783	(5,137,673)
6	Accumulated Amortization of CIAC	<u>1,944,057</u>	<u>-</u>	<u>1,944,057</u>
7	NET CIAC (L5 + L6)	\$ <u>(3,432,399)</u>	\$ <u>238,783</u>	\$ <u>(3,193,616)</u>
8	Customer Meter Deposits	(95,000)	-	(95,000)
9	Deferred Income Taxes & Credits	323,602	(532,121)	(208,519)
	<u>Plus:</u>			
10	Unamortized Debt Issuance Costs	-	-	-
11	Deferred Regulatory Assets	-	-	-
12	Allowance For Working Capital	-	-	-
13	Rounding	<u>-</u>	<u>-</u>	<u>-</u>
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	\$ <u>3,516,078</u>	\$ <u>(532,121)</u>	\$ <u>2,983,957</u>

References:

Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 DEFERRED INCOME TAXES	(D) ADJMT NO. 3 PER RUCO DR 1.08	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	\$ 11,829,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,829,043
2	Less: Accumulated Depreciation	(5,110,028)	-	-	-	-	-	-	(5,110,028)
3	Net Utility Plant In Service (Sum L1 & L2)	<u>\$ 6,719,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,719,014</u>
<u>Less:</u>									
4	Advances in Aid of Construction	\$ 861	\$ -	\$ -	\$ (238,783)	\$ -	\$ -	\$ -	\$ (237,922)
5	Contribution in Aid of Construction	(5,376,456)	-	-	238,783	-	-	-	(5,137,673)
6	Accumulated Amortization of CIAC	1,944,057	-	-	-	-	-	-	1,944,057
7	NET CIAC (L5 + L6)	<u>\$ (3,432,399)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,193,616)</u>
8	Customer Meter Deposits	(95,000)	-	-	-	-	-	-	(95,000)
9	Deferred Income Taxes & Credits	323,602	-	(532,121)	-	-	-	-	(208,519)
<u>Plus:</u>									
10	Unamortized Debt Issuance Costs	-	-	-	-	-	-	-	-
11	Deferred Regulatory Assets	-	-	-	-	-	-	-	-
12	Allowance For Working Capital	-	-	-	-	-	-	-	-
13	Rounding	-	-	-	-	-	-	-	-
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	<u>\$ 3,516,078</u>	<u>\$ -</u>	<u>\$ (532,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,983,957</u>

Column (A): Company Schedule B-2
Column (B): Adjustment #1 - See TJC Testimony
Column (C): Adjustment No. 2 - Deferred Income Taxes (See Schedule TJC-5)
Column (D): Adjustment No. 3 - To Adjust AIAC & CIAC Balances Per Company Response to RUCO DR 1.08 and Discussed in TJC Testimony
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank

**RATE BASE ADJUSTMENT NO. 1
PLANT & ACCUMULATED DEPRECIATION**

LINE NO.	DESCRIPTION	(A) AMOUNT
1	Intentionally Left Blank - See TJC Testimony	
2		
3		
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**RATE BASE ADJUSTMENT NO. 2
ACCUMULATED DEFERRED INCOME TAXES**

Line No.	<u>Deferred Income Taxes:</u>	<u>Amount</u>	<u>Reference</u>
1			
2			
3	Algonquin Accumulated Deferred Income Tax Assets	\$ 23,032,000	2008 Algonquin Annual Report
4			
5	Algonquin Accumulated Deferred Income Tax Liabilities	<u>(106,983,000)</u>	2008 Algonquin Annual Report
6			
7	Net Accumulated Deferred Income Tax Assets (Liabilities)	\$ (83,951,000)	Line 3 + Line 5
8			
9	Rio Rico Allocation	<u>0.8997%</u>	Note (A)
10			
11	Rio Rico ADIT Liabilities Allocation	\$ (755,287)	Line 7 X Line 9
12			
13	Convert to US Dollars	<u>0.9400</u>	Note (B)
14			
15	Allocated ADIT Liabilites Balance	\$ (709,970)	Line 11 X Line 13
16			
17	Rio Rico Water Allocation Factor	0.70630	Note (C)
18			
19	Rio Rico Wastewater Allocation Factor	0.29370	Note (C)
20			
21	Rio Rico Water Allocation	<u>\$ (501,450)</u>	Line 15 X Line 17
22			
23	Rio Rico Wastewater Allocation	<u>\$ (208,519)</u>	Line 15 X Line 19
24			
25			
26			
27			
28	<u>NOTES:</u>		
29	(A) Purchase Price of Rio Rico Utilities. Inc.	\$ 8,800,000	
30	Algonquin Total Assets	978,130,000	
31			
32	Ratio	0.8997%	
33			
34			
35	(B) www.bank-banque-canada.ca on 11/19/2009	0.9400	
36			
37			
38	(C) Rio Rico Water Allocation	0.70630	
39			
40	Rio Rico Wastewater Allocation	0.29370	
41			
42			
43	<u>SUPPORTING SCHEDULES</u>		
44	2008 Algonquin Power Income Fund Annual Report		

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'MTS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Revenues	\$ 1,829,726	\$ 4,505	\$ 1,834,231	\$ (493,946)	\$ 1,340,285
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	250	-	250	-	250
4	Total Revenues	<u>\$ 1,829,976</u>	<u>\$ 4,505</u>	<u>\$ 1,834,481</u>	<u>\$ (493,946)</u>	<u>\$ 1,340,535</u>
Operating Expenses:						
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water and WW Treatment	-	-	-	-	-
7	Purchased Power	17,426	48,393	65,819	-	65,819
8	Fuel for Power Production	-	-	-	-	-
9	Chemicals	9,644	212	9,856	-	9,856
10	Materials & Supplies	14,304	-	14,304	-	14,304
11	Contractual Services	298,008	(30,258)	267,750	-	267,750
12	Outside Services - Other	175,196	-	175,196	-	175,196
13	Outside Services - Legal	367	-	367	-	367
14	Equipment Rental	25,781	-	25,781	-	25,781
15	Rents - Building	-	-	-	-	-
16	Transportation Expenses	26,817	(2,242)	24,575	-	24,575
17	Insurance - General Liability	12,021	-	12,021	-	12,021
18	Insurance - Vehicle	-	-	-	-	-
19	Regulatory Commission Expense	994	-	994	-	994
20	Reg. Comm. Exp. - Rate Case	41,667	(10,417)	31,250	-	31,250
21	Miscellaneous Expense	155	-	155	-	155
22	Bad Debt Expense	64,087	(30,315)	33,772	-	33,772
23	Depreciation and Amortization	252,672	9,361	262,033	-	262,033
24	Taxes Other Than Income	-	-	-	-	-
25	Property Taxes	91,705	(12,189)	79,516	-	79,516
26	Federal Income Tax	252,773	(13,525)	239,248	(156,239)	83,008
27	State Income Tax	55,684	(2,979)	52,704	(34,418)	18,286
28	Total Operating Expenses	<u>\$ 1,339,300</u>	<u>\$ (43,959)</u>	<u>\$ 1,295,341</u>	<u>\$ (190,657)</u>	<u>\$ 1,104,683</u>
29	Operating Income	<u>\$ 490,676</u>	<u>\$ 48,464</u>	<u>\$ 539,140</u>	<u>\$ (303,288)</u>	<u>\$ 235,852</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule TJC-7, Columns (B) Thru (K)
Column (C): Column (A) + Column (B)
Column (D): TJC-1, pages 1 and 2
Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 REVENUE ANNUAL/TN	(C) ADJMT NO. 2 EXPENSE ANNUAL/ZED	(D) ADJMT NO. 3 DEPRECIATION EXPENSE	(E) ADJMT NO. 4 PROPERTY TAX	(F) ADJMT NO. 5 RATE CASE EXPENSE	(G) ADJMT NO. 6 INTENTIONALLY LEFT BLANK	(H) ADJMT NO. 7 PURCH. POWER PER GB 3.8	(I) ADJMT NO. 8 TRANSPORTATION EXPENSE	(J) ADJMT NO. 9 INTENTIONALLY LEFT BLANK	(K) ADJMT NO. 10 CENTRAL OFFICE COSTS	(L) ADJMT NO. 11 CORPORATE ALLOCATION	(M) ADJMT NO. 12 INTENTIONALLY LEFT BLANK	(N) ADJMT NO. 13 BAD DEBT EXPENSE	(O) ADJMT NO. 14 INCOME TAXES	(P) RUCO AS ADJTD	
Revenues:																		
1	Metered Water Revenues	\$ 1,829,726	\$ 4,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,834,231
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250
4	Total Revenues	\$ 1,829,976	\$ 4,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,834,481
Operating Expenses:																		
5	Salaries and Wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Purchased Water and WW Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Purchased Power	17,426	-	388	-	-	-	-	48,005	-	-	-	-	-	-	-	-	65,819
8	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Chemicals	9,644	-	212	-	-	-	-	-	-	-	-	-	-	-	-	-	9,856
10	Materials & Supplies	14,304	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,304
11	Contractual Services	298,008	-	-	-	-	-	-	-	-	-	1,346	(31,604)	-	-	-	-	267,750
12	Outside Services - Other	175,196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,196
13	Outside Services - Legal	367	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	367
14	Equipment Rental	25,781	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,781
15	Rents - Building	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Transportation Expenses	26,817	-	-	-	-	-	-	(2,242)	-	-	-	-	-	-	-	-	24,575
17	Insurance - General Liability	12,021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,021
18	Insurance - Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Regulatory Commission Expense	994	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	994
20	Reg. Comm. Exp. - Rate Case	41,667	-	-	-	-	(10,417)	-	-	-	-	-	-	-	-	-	-	31,250
21	Miscellaneous Expense	155	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155
22	Bad Debt Expense	64,087	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,315)	-	33,772
23	Depreciation and Amortization	252,672	-	-	9,361	-	-	-	-	-	-	-	-	-	-	-	-	262,033
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Property Taxes	91,705	-	-	-	(12,189)	-	-	-	-	-	-	-	-	-	-	-	79,516
26	Federal Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,525)	239,248
27	State Income Tax	55,684	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,979)	52,704
28	Total Operating Expenses	\$ 1,339,300	\$ -	\$ 600	\$ 9,361	\$ (12,189)	\$ (10,417)	\$ -	\$ 48,005	\$ (2,242)	\$ -	\$ 1,346	\$ (31,604)	\$ -	\$ (30,315)	\$ (16,504)	\$ 1,295,341	
29	Operating Income	\$ 490,676	\$ 4,505	\$ (600)	\$ (9,361)	\$ 12,189	\$ 10,417	\$ -	\$ (48,005)	\$ 2,242	\$ -	\$ (1,346)	\$ 31,604	\$ -	\$ 30,315	\$ 16,504	\$ 539,140	

- ADJUSTMENTS:**
- 1 - Revenue Annualization
 - 2 - Purchased Power Expense Increase and Annualization
 - 3 - Depreciation Expense
 - 4 - Property Tax Expense
 - 5 - Rate Case Expense
 - 6 - Intentionally Left Blank
 - 7 - Purchased Power Expense Per Staff DR GB 3.8

- REFERENCE:**
- TJC Testimony and Schedule TJC-8 Pages 1 thru 15
 - TJC Testimony and Schedule TJC-9
 - TJC Testimony and Schedule TJC-10
 - TJC Testimony and Schedule TJC-11
 - TJC Testimony and Schedule TJC-12
 - Intentionally Left Blank
 - Schedule TJC-14 - See TJC Testimony

- ADJUSTMENTS:**
- 8 - Transportation Expense
 - 9 - Intentionally Left Blank
 - 10 - Actual Central Office Cost Allocations
 - 11 - Corporate Allocations
 - 12 - Intentionally Left Blank
 - 13 - Bad Debt Expense
 - 14 - Income Taxes

- REFERENCE:**
- Schedule TJC-14 - See TJC Testimony
 - Intentionally Left Blank
 - TJC Testimony and Schedule TJC-17
 - TJC Testimony and Schedule TJC-18
 - Intentionally Left Blank
 - Schedule TJC-20 - See TJC Testimony
 - TJC Testimony and Schedule TJC-21

**OPERATING INCOME ADJUSTMENT NO. 3
TEST YEAR DEPRECIATION EXPENSE**

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	351	Organization	\$ 5,785	0.00%	\$ -
2	352	Franchises	417	0.00%	-
3	353	Land	7,545	0.00%	-
4	354	Structures and Improvements	28,548	3.33%	951
5	355	Power Generation	-	5.00%	-
6	360	Collection Sewer Forced	636,023	2.00%	12,720
7	361	Collection Sewers Gravity	5,945,962	2.00%	118,919
8	362	Special Collecting Structures	-	2.00%	-
9	363	Customer Services	1,145,530	2.00%	22,911
10	364	Flow Measuring Devices	55,989	10.00%	5,599
11	365	Flow Measuring Installation	-	10.00%	-
12	366	Reuse Services	-	2.00%	-
13	367	Reuse Meters And Installation	-	8.33%	-
14	370	Receiving Wells	867,120	3.33%	28,875
15	371	Pumping Equipment	1,504,181	12.50%	188,023
16	374	Reuse Distribution Reservoirs	-	2.50%	-
17	375	Reuse Trans. and Dist. System	-	2.50%	-
18	380	Treatment & Disposal Equipment	1,006,848	5.00%	50,342
19	381	Plant Sewers	-	5.00%	-
20	382	Outfall Sewer Lines	-	3.33%	-
21	389	Other Sewer Plant & Equipment	68,869	6.67%	4,594
22	390	Office Furniture & Equipment	110,454	6.67%	7,367
23	390	Computers and Software	4,025	20.00%	805
24	391	Transportation Equipment	-	20.00%	-
25	392	Stores Equipment	-	4.00%	-
26	393	Tools, Shop And Garage Equip	4,897	5.00%	245
27	394	Laboratory Equip	-	10.00%	-
28	396	Communication Equip	5,936	10.00%	594
29	398	Other Tangible Plant	3,913	4.00%	157
30	398	Nogales WW Trmnt Capacity	427,000	5.00%	21,350
31	346	Rounding	1		
32					
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	<u>\$ 11,829,043</u>		<u>\$ 463,451</u>
34					
35					
36		AMORTIZATION OF CONTRIBUTIONS	(5,137,673)	3.92%	(201,418)
37					
38		Rounding			
39					
40		TOTAL DEPRECIATION EXPENSE			<u>\$ 262,033</u>
41					
42		Company As Filed			252,672
43		Difference			<u>\$ 9,361</u>
44					
45		RUCO Adjustment			<u>\$ 9,361</u>
46					
47					

**OPERATING INCOME ADJUSTMENT NO. 4
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	\$ 1,834,481	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,834,481	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	<u>1,340,535</u>	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 5,009,497	
5	Average Annual Operating Revenues	Line 4 / 3	<u>1,669,832</u>	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		\$ 3,339,664
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Company Schedule E	\$ 28,150	
8	10% Of CWIP	Line 7 X 10%		\$ 2,815
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RUCO Plant Schedule TJC-4	\$ -	
10	Acc. Dep. Of Transportation Equipment	RUCO Plant Schedule TJC-4	<u>-</u>	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		\$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		<u>\$ 3,342,479</u>
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 701,921	
Property Tax Rates:				
15	Primary Tax Rate	Company Workpapers	11.3283%	
16	Secondary Tax Rate	Company Workpapers	<u>0.00%</u>	
17	Estimated Tax Rate Liability	Line 15 + Line 16	11.33%	
	Property Tax			\$ 79,516
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		<u>\$ 79,516</u>
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		91,705
20	Decrease In Property Tax Expense	Line 18 - Line 19		\$ (12,189)
		Line 20		<u><u>\$ (12,189)</u></u>

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'MTS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Revenues	\$ 1,829,726	\$ 4,505	\$ 1,834,231	\$ (493,946)	\$ 1,340,285
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	250	-	250	-	250
4	Total Revenues	<u>\$ 1,829,976</u>	<u>\$ 4,505</u>	<u>\$ 1,834,481</u>	<u>\$ (493,946)</u>	<u>\$ 1,340,535</u>
Operating Expenses:						
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
6	Purchased Water and WW Treatment	-	-	-	-	-
7	Purchased Power	17,426	48,393	65,819	-	65,819
8	Fuel for Power Production	-	-	-	-	-
9	Chemicals	9,644	212	9,856	-	9,856
10	Materials & Supplies	14,304	-	14,304	-	14,304
11	Contractual Services	298,008	(30,258)	267,750	-	267,750
12	Outside Services - Other	175,196	-	175,196	-	175,196
13	Outside Services - Legal	367	-	367	-	367
14	Equipment Rental	25,781	-	25,781	-	25,781
15	Rents - Building	-	-	-	-	-
16	Transportation Expenses	26,817	(2,242)	24,575	-	24,575
17	Insurance - General Liability	12,021	-	12,021	-	12,021
18	Insurance - Vehicle	-	-	-	-	-
19	Regulatory Commission Expense	994	-	994	-	994
20	Reg. Comm. Exp. - Rate Case	41,667	(10,417)	31,250	-	31,250
21	Miscellaneous Expense	155	-	155	-	155
22	Bad Debt Expense	64,087	(30,315)	33,772	-	33,772
23	Depreciation and Amortization	252,672	9,361	262,033	-	262,033
24	Taxes Other Than Income	-	-	-	-	-
25	Property Taxes	91,705	(12,189)	79,516	-	79,516
26	Federal Income Tax	252,773	(13,525)	239,248	(156,239)	83,008
27	State Income Tax	55,684	(2,979)	52,704	(34,418)	18,286
28	Total Operating Expenses	<u>\$ 1,339,300</u>	<u>\$ (43,959)</u>	<u>\$ 1,295,341</u>	<u>\$ (190,657)</u>	<u>\$ 1,104,683</u>
29	Operating Income	<u>\$ 490,676</u>	<u>\$ 48,464</u>	<u>\$ 539,140</u>	<u>\$ (303,288)</u>	<u>\$ 235,852</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule TJC-7, Columns (B) Thru (K)
Column (C): Column (A) + Column (B)
Column (D): TJC-1, pages 1 and 2
Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 REVENUE ANNUAL/TN	(C) ADJMT NO. 2 EXPENSE ANNUALIZED	(D) ADJMT NO. 3 DEPRECIATION EXPENSE	(E) ADJMT NO. 4 PROPERTY TAX	(F) ADJMT NO. 5 RATE CASE EXPENSE	(G) ADJMT NO. 6 INTENTIONALLY LEFT BLANK	(H) ADJMT NO. 7 PURCH. POWER PER GB 3.8	(I) ADJMT NO. 8 TRANSPORTATION EXPENSE	(J) ADJMT NO. 9 INTENTIONALLY LEFT BLANK	(K) ADJMT NO. 10 CENTRAL OFFICE COSTS	(L) ADJMT NO. 11 CORPORATE ALLOCATION	(M) ADJMT NO. 12 INTENTIONALLY LEFT BLANK	(N) ADJMT NO. 13 BAD DEBT EXPENSE	(O) ADJMT NO. 14 INCOME TAXES	(P) RUCO AS ADJTD	
Revenues:																		
1	Metered Water Revenues	\$ 1,829,726	\$ 4,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,834,231
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250
4	Total Revenues	\$ 1,829,976	\$ 4,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,834,481
Operating Expenses:																		
5	Salaries and Wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Purchased Water and WW Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Purchased Power	17,426	-	388	-	-	-	-	48,005	-	-	-	-	-	-	-	-	65,819
8	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Chemicals	9,644	-	212	-	-	-	-	-	-	-	-	-	-	-	-	-	9,856
10	Materials & Supplies	14,304	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,304
11	Contractual Services	298,008	-	-	-	-	-	-	-	-	-	1,346	(31,604)	-	-	-	-	267,750
12	Outside Services - Other	175,196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,196
13	Outside Services - Legal	367	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	367
14	Equipment Rental	25,781	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,781
15	Rents - Building	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Transportation Expenses	26,817	-	-	-	-	-	-	-	(2,242)	-	-	-	-	-	-	-	24,575
17	Insurance - General Liability	12,021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,021
18	Insurance - Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Regulatory Commission Expense	994	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	994
20	Reg. Comm. Exp. - Rate Case	41,667	-	-	-	-	(10,417)	-	-	-	-	-	-	-	-	-	-	31,250
21	Miscellaneous Expense	155	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155
22	Bad Debt Expense	64,087	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,315)	-	33,772
23	Depreciation and Amortization	252,672	-	-	9,361	-	-	-	-	-	-	-	-	-	-	-	-	262,033
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Property Taxes	91,705	-	-	-	(12,189)	-	-	-	-	-	-	-	-	-	-	-	79,516
26	Federal Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,525)	239,248
27	State Income Tax	55,684	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,979)	52,704
28	Total Operating Expenses	\$ 1,339,300	\$ -	\$ 600	\$ 9,361	\$ (12,189)	\$ (10,417)	\$ -	\$ 48,005	\$ (2,242)	\$ -	\$ 1,346	\$ (31,604)	\$ -	\$ (30,315)	\$ (16,504)	\$ 1,295,341	
29	Operating Income	\$ 490,676	\$ 4,505	\$ (600)	\$ (9,361)	\$ 12,189	\$ 10,417	\$ -	\$ (48,005)	\$ 2,242	\$ -	\$ (1,346)	\$ 31,604	\$ -	\$ 30,315	\$ 16,504	\$ 539,140	

ADJUSTMENTS:

- 1 - Revenue Annualization
- 2 - Purchased Power Expense Increase and Annualization
- 3 - Depreciation Expense
- 4 - Property Tax Expense
- 5 - Rate Case Expense
- 6 - Intentionally Left Blank
- 7 - Purchased Power Expense Per Staff DR GB 3.8

REFERENCE:

- TJC Testimony and Schedule TJC-8 Pages 1 thru 15
- TJC Testimony and Schedule TJC-9
- TJC Testimony and Schedule TJC-10
- TJC Testimony and Schedule TJC-11
- TJC Testimony and Schedule TJC-12
- Intentionally Left Blank
- Schedule TJC-14 - See TJC Testimony

ADJUSTMENTS:

- 8 - Transportation Expense
- 9 - Intentionally Left Blank
- 10 - Actual Central Office Cost Allocations
- 11 - Corporate Allocations
- 12 - Intentionally Left Blank
- 13 - Bad Debt Expense
- 14 - Income Taxes

REFERENCE:

- Schedule TJC-14 - See TJC Testimony
- Intentionally Left Blank
- TJC Testimony and Schedule TJC-17
- TJC Testimony and Schedule TJC-18
- Intentionally Left Blank
- Schedule TJC-20 - See TJC Testimony
- TJC Testimony and Schedule TJC-21

**OPERATING INCOME ADJUSTMENT NO. 3
TEST YEAR DEPRECIATION EXPENSE**

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	351	Organization	\$ 5,785	0.00%	\$ -
2	352	Franchises	417	0.00%	-
3	353	Land	7,545	0.00%	-
4	354	Structures and Improvements	28,548	3.33%	951
5	355	Power Generation	-	5.00%	-
6	360	Collection Sewer Forced	636,023	2.00%	12,720
7	361	Collection Sewers Gravity	5,945,962	2.00%	118,919
8	362	Special Collecting Structures	-	2.00%	-
9	363	Customer Services	1,145,530	2.00%	22,911
10	364	Flow Measuring Devices	55,989	10.00%	5,599
11	365	Flow Measuring Installation	-	10.00%	-
12	366	Reuse Services	-	2.00%	-
13	367	Reuse Meters And Installation	-	8.33%	-
14	370	Receiving Wells	867,120	3.33%	28,875
15	371	Pumping Equipment	1,504,181	12.50%	188,023
16	374	Reuse Distribution Reservoirs	-	2.50%	-
17	375	Reuse Trans. and Dist. System	-	2.50%	-
18	380	Treatment & Disposal Equipment	1,006,848	5.00%	50,342
19	381	Plant Sewers	-	5.00%	-
20	382	Outfall Sewer Lines	-	3.33%	-
21	389	Other Sewer Plant & Equipment	68,869	6.67%	4,594
22	390	Office Furniture & Equipment	110,454	6.67%	7,367
23	390	Computers and Software	4,025	20.00%	805
24	391	Transportation Equipment	-	20.00%	-
25	392	Stores Equipment	-	4.00%	-
26	393	Tools, Shop And Garage Equip	4,897	5.00%	245
27	394	Laboratory Equip	-	10.00%	-
28	396	Communication Equip	5,936	10.00%	594
29	398	Other Tangible Plant	3,913	4.00%	157
30	398	Nogales WW Trmnt Capacity	427,000	5.00%	21,350
31	346	Rounding	1		
32					
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	<u>\$ 11,829,043</u>		<u>\$ 463,451</u>
34					
35					
36		AMORTIZATION OF CONTRIBUTIONS	(5,137,673)	3.92%	(201,418)
37					
38		Rounding			
39					
40		TOTAL DEPRECIATION EXPENSE			<u>\$ 262,033</u>
41					
42		Company As Filed			252,672
43		Difference			<u>\$ 9,361</u>
44					
45		RUCO Adjustment			<u>\$ 9,361</u>
46					
47					

**OPERATING INCOME ADJUSTMENT NO. 4
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	\$ 1,834,481	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,834,481	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	<u>1,340,535</u>	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 5,009,497	
5	Average Annual Operating Revenues	Line 4 / 3	<u>1,669,832</u>	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		\$ 3,339,664
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Company Schedule E	\$ 28,150	
8	10% Of CWIP	Line 7 X 10%		\$ 2,815
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RUCO Plant Schedule TJC-4	\$ -	
10	Acc. Dep. Of Transportation Equipment	RUCO Plant Schedule TJC-4	<u>-</u>	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		\$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		<u>\$ 3,342,479</u>
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	\$ 701,921	
Property Tax Rates:				
15	Primary Tax Rate	Company Workpapers	11.3283%	
16	Secondary Tax Rate	Company Workpapers	<u>0.00%</u>	
17	Estimated Tax Rate Liability	Line 15 + Line 16	11.33%	
	Property Tax			\$ 79,516
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		<u>\$ 79,516</u>
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		91,705
20	Decrease In Property Tax Expense	Line 18 - Line 19		\$ (12,189)
		Line 20		<u><u>\$ (12,189)</u></u>

**OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE**

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	\$ 125,000	\$ (31,250)	\$ 93,750
2	Allocation Factor			100%
3	Wastewater Division - Final Schedules (Line 1 X Line 2)			\$ 93,750
4	Normalization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			\$ 31,250
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			\$ 41,667
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			\$ (10,417)
8	RUCO Adjustment (Line 7)			\$ (10,417)

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

LINE NO.	DESCRIPTION	(A) AMOUNT
1	Intentionally Left Blank - See TJC Testimony	
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Rio Rico Utilities, Inc.
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Test Year Ended December 31, 2008

Wastewater Division - Final Schedules
Schedule TJC-12
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**OPERATING INCOME ADJUSTMENT NO. 7
PURCHASED POWER**

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Rio Rico Utilities, Inc.
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Test Year Ended December 31, 2008

Wastewater Division - Final Schedules
Schedule TJC-13
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**OPERATING INCOME ADJUSTMENT NO. 8
TRANSPORTATION EXPENSE**

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Rio Rico Utilities, Inc.
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Test Year Ended December 31, 2008

Wastewater Division - Final Schedules
Schedule TJC-14
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**OPERATING INCOME ADJUSTMENT NO. 9
OUT OF PERIOD CENTRAL OFFICE COSTS**

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OPERATING INCOME ADJUSTMENT #10 - ACTUAL CORPORATE COST ALLOCATIONS

Line No.	Description	Company Actual Costs	RUCO Disallowed Costs	RUCO Other Disallowed Costs	RUCO Allowable Costs	RUCO 2008 Allocation Factor	RUCO Allowed Allocated Costs	Allocation % To Rio Rico	RUCO Amount Allocated To Rio Rico
1	Rent	299,586		(299,586)	-	24.29%	-	12.92%	-
2	Audit	1,021,609		(766,207)	255,402	24.29%	62,026	12.92%	8,011.91
3	Tax Services	322,446		(241,835)	80,612	24.29%	19,577	12.92%	2,528.76
4	Legal - General	767,451	(113,853) Note A	(575,588)	78,010	24.29%	18,945	12.92%	2,447.15
5	Other Professional Services	565,649		(565,649)	-	24.29%	-	12.92%	-
6	Management Fee	642,771		(642,771)	-	24.29%	-	12.92%	-
7	Unit Holder Communications	289,796		(289,796)	-	24.29%	-	12.92%	-
8	Trustee Fees	129,000		(129,000)	-	24.29%	-	12.92%	-
9	Office Costs	808,101	(74,847) Note A	(733,254)	-	24.29%	-	12.92%	-
10	Licenses/Fees and Permits	140,852	(140,852) Note A	-	-	24.29%	-	12.92%	-
11	Escrow and Transfer Fees	71,366		(71,366)	-	24.29%	-	12.92%	-
12	Depreciation Expense	211,253		(158,440)	52,813	24.29%	12,826	12.92%	1,656.74
Total		5,269,882	(329,552)	(4,473,492)	466,837		113,375		14,645

RUCO Direct Testimony Amount of APT Costs Allowed 10,009

RUCO Surrebuttal Testimony Additional Amount of Actual APT Costs Allowed 4,636

RUCO Allocation To Rio Rico Water Division (Based on Total Ratio of Rate Base) 70.9536%

RUCO Allocation To Rio Rico Wastewater Division (Based on Total Ratio of Rate Base) 29.0464%

RUCO's Additional APT Cost Allocation Allowed for Water Division 3,289

RUCO's Additional APT Cost Allocation Allowed for Wastewater Division 1,346

Note A:

Per Company Rebuttal Schedule C-2 \$ (113,853)
Per Company Rebuttal Schedule C-2 (74,847)
Per Company Rebuttal Schedule C-2 (140,852)

SUPPORTING SCHEDULES

2008 Algonquin Power Income Fund Annual Report
Company's Response to Staff GB 3.2 and 3.10 APT Affiliate Charges - Rio Rico
Company's Response to Staff GB 3.7 and 3.15

OPERATING INCOME ADJUSTMENT #11- CORPORATE ALLOCATIONS

Line No.	Description	Company Total Cost	RUCO Disallowed Costs	RUCO Other Disallowed Costs	RUCO Allowable Costs	RUCO 2008 Allocation Factor	RUCO Allowed Allocated Costs	Allocation % To Rio Rico	RUCO Amount Allocated To Rio Rico
1	Rent	430,739		(430,739)	-	24.29%	-	12.92%	-
2	Audit	507,000		(380,250)	126,750	24.29%	30,782	12.92%	3,976.12
3	Tax Services	265,000		(198,750)	66,250	24.29%	16,089	12.92%	2,078.25
4	Legal - General	300,000		(225,000)	75,000	24.29%	18,214	12.92%	2,352.73
5	Other Professional Services	455,000		(455,000)	-	24.29%	-	12.92%	-
6	Management Fee	636,619		(636,619)	-	24.29%	-	12.92%	-
7	Unit Holder Communications	314,100		(314,100)	-	24.29%	-	12.92%	-
8	Trustee Fees	204,000		(204,000)	-	24.29%	-	12.92%	-
9	Office Costs	254,100	(46,186) Note A	(207,914)	-	24.29%	-	12.92%	-
10	Licenses/Fees and Permits	305,000	(145,642) Note B	(159,358)	-	24.29%	-	12.92%	-
11	Escrow and Transfer Fees	75,000		(75,000)	-	24.29%	-	12.92%	-
12	Depreciation Expense	204,242		(153,182)	51,061	24.29%	12,400	12.92%	1,601.76
Total		3,950,800	(191,828)	(3,439,912)	319,061		77,486		10,009

RUCO Allocation To Rio Rico Water Division (Based on Total Ratio of Rate Base) 70.2482%

RUCO Allocation To Rio Rico Wastewater Division (Based on Total Ratio of Rate Base) 29.7518%

Company's APT Cost Allocation for Water Division (Per Staff DR GB 3.7 & GB 3.15) \$ 103,745
RUCO's APT Cost Allocation Allowed for Water Division 7,031
RUCO's APT Cost Allocation Adjustment for Water Division **(96,714)**

Company's APT Cost Allocation for Wastewater Division (Per Staff DR GB 3.7 & GB 3.15) \$ 34,582
RUCO's APT Cost Allocation Allowed for Wastewater Division 2,978
RUCO's APT Cost Allocation Adjustment for Wastewater Division **(31,604)**

Note A:	Description		Note B:		
Office Costs	Wind Analysis Software	\$ 15,056	Licenses/Fees and Permits	Donation	\$ 25,000
Office Costs	Gold Watches & Clocks	16,864	Licenses/Fees and Permits	Donation	25,000
Office Costs	Pilsner Beer Glasses	5,700	Licenses/Fees and Permits	Donation	13,350
Office Costs	Leafs/Raptors Tickets	5,066	Licenses/Fees and Permits	Donation	5,000
Office Costs	Super Bowl Tickets	3,500	Licenses/Fees and Permits	Wind Developmt	7,887
			Licenses/Fees and Permits	US Trustee	9,375
Total		\$ 46,186	Licenses/Fees and Permits	Wind Energy	12,556
			Licenses/Fees and Permits	APF Inc Taxes	6,891
			Licenses/Fees and Permits	APF Inc Taxes	6,794
			Licenses/Fees and Permits	APF Inc Taxes	23,789
			Licenses/Fees and Permits	KMS Tax Ruling	10,000
			Total		\$ 145,642

SUPPORTING SCHEDULES

2008 Algonquin Power Income Fund Annual Report
Company's Response to Staff GB 3.2 and 3.10 APT Affiliate Charges - Rio Rico
Company's Response to Staff GB 3.7 and 3.15

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**OPERATING INCOME ADJUSTMENT NO. 12
REMOVE UNAMORTIZED PRIOR RATE CASE EXPENSE**

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**OPERATING INCOME ADJUSTMENT NO. 13
BAD DEBT EXPENSE**

LINE NO.	DESCRIPTION	(A) AMOUNT
1	<u>Normalize Bad Debt Expense:</u>	
2		
3	2008 Bad Debt Expense	\$ 64,087
4	2007 Bad Debt Expense	28,498
5	2006 Bad Debt Expense	8,732
6		
7	3 Year Normalization	\$ 33,772
8		
9	Company As Filed	64,087
10		
11	RUCO Adjustment	\$ (30,315)
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38	<u>SUPPORTING SCHEDULES</u>	
39	Company Schedule E-2	
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41		

**OPERATING INCOME ADJUSTMENT #14
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	\$ 831,092
LESS:			
2	Arizona State Tax	Line 11	52,704
3	Interest Expense	Note (A) Line 21	74,718
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ 703,669
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ 239,248
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ 831,092
LESS:			
8	Interest Expense	Note (A) Line 21	74,718
9	State Taxable Income	Line 7 - Line 8	\$ 756,373
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ 52,704
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ 239,248
13	State Income Tax Expense	Line 11	52,704
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ 291,952
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L28)		252,773
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L28)		55,684
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	\$ (13,525)
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	\$ (2,979)

NOTE (A):

Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	\$ 2,983,957
20	Weighted Cost Of Debt (Sch. TJC-16 Col. (F), L1)	2.50%
		\$ 74,718

COST OF CAPITAL

LINE NO.	DESCRIPTION	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.26%	2.50%
2	Common Equity	<u>60.00%</u>	9.00%	<u>5.40%</u>
3	Total Capitalization	<u><u>100.00%</u></u>		
4	WEIGHTED AVERAGE COST OF CAPITAL			7.90%

References:

Columns (A) Thru (D): Testimony, WAR

FINAL RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RUCO RECOMMENDED REVENUE

LINE NO.	DESCRIPTION	(A) TEST YEAR DETERMIN'TS	(B) RUCO ANN'ZED ADJTM'TS	(C) RUCO ADJUSTED DETERMIN'TS	(D) RUCO RECOMND'ED RATES	(E) RUCO PROPOSED REVENUES	(F) RUCO TOTAL REVENUES
RESIDENTIAL CUSTOMERS							
1	5/8" Commodity Usage	68,940	1,344	70,284	\$ 9.53	\$ 669,739	\$ 669,739
2	First Tier - First 4,000 Gals.	235,875	5,804	241,679	\$ 2.04	\$ 492,174	
3	Second Tier - Next 6,000 Gals.	198,643	4,015	202,658	\$ 2.56	\$ 518,349	
4	Third Tier - Over 10,000 Gals.	154,775	1,648	156,423	\$ 2.91	\$ 454,453	
							\$ 1,464,976
5	3/4" Commodity Usage	95	1	96	\$ 14.26	\$ 1,369	\$ 1,369
6	First Tier - First 6,000 Gals.	334	3	337	\$ 2.56	\$ 863	
7	Second Tier - Over 6,000 Gals.	4	2	6	\$ 2.91	\$ 17	
							\$ 879
8	1" Commodity Usage	432	168	600	\$ 25.26	\$ 15,155	\$ 15,155
9	First Tier - First 15,000 Gals.	3,417	1,976	5,393	\$ 2.56	\$ 13,794	
10	Second Tier - Over 15,000 Gals.	1,476	13	1,489	\$ 2.91	\$ 4,326	
							\$ 18,120
11	1.5" Commodity Usage	43	53	96	\$ 51.25	\$ 4,920	\$ 4,920
12	First Tier - First 20,000 Gals.	600	1,050	1,650	\$ 2.56	\$ 4,220	
13	Second Tier - Over 20,000 Gals.	265	192	457	\$ 2.91	\$ 1,328	
							\$ 5,548
14	2" Commodity Usage	48	12	60	\$ 79.76	\$ 4,785	\$ 4,785
15	First Tier - First 57,000 Gals.	872	246	1,118	\$ 2.56	\$ 2,860	
16	Second Tier - Over 57,000 Gals.	85	(0)	85	\$ 2.91	\$ 247	
							\$ 3,107
17	Total Residential Customers	<u>69,558</u>	<u>1,578</u>	<u>71,136</u>			
18	Total Residential Usage	<u>596,346</u>	<u>14,949</u>	<u>611,295</u>			
19	TOTAL RESIDENTIAL CUSTOMERS REVENUE						<u>\$ 2,188,597</u>
COMMERCIAL CUSTOMERS							
20	5/8" Commodity Usage	1,163	229	1,392	\$ 9.53	\$ 13,264	\$ 13,264
21	First Tier - First 4,000 Gals.	3,255	1,193	4,448	\$ 2.04	\$ 9,058	
22	Second Tier - Next 6,000 Gals.	3,111	673	3,784	\$ 2.56	\$ 9,678	
23	Third Tier - Over 10,000 Gals. #	7,096	861	7,957	\$ 2.91	\$ 23,117	\$ 41,853
24	1" Commodity Usage	515	37	552	\$ 25.26	\$ 13,942	\$ 13,942
25	First Tier - First 15,000 Gals.	4,169	540	4,709	\$ 2.56	\$ 12,043	
26	Second Tier - Over 15,000 Gals. #	5,000	83	5,083	\$ 2.91	\$ 14,767	\$ 26,811
27	1-1/2" Commodity Usage	124	(4)	120	\$ 51.25	\$ 6,150	\$ 6,150
28	First Tier - First 20,000 Gals.	1,867	(80)	1,787	\$ 2.56	\$ 4,571	
29	Second Tier - Over 20,000 Gals. #	3,054	(64)	2,990	\$ 2.91	\$ 8,686	\$ 13,256
30	2" Commodity Usage	393	27	420	\$ 79.76	\$ 33,498	\$ 33,498
31	First Tier - First 57,000 Gals.	12,341	1,539	13,880	\$ 2.56	\$ 35,502	
32	Second Tier - Over 57,000 Gals.	48,381	1,351	49,732	\$ 2.91	\$ 144,485	
							\$ 179,987
33	3" Commodity Usage	161	(17)	144	\$ 155.68	\$ 22,417	\$ 22,417
34	First Tier - First 57,000 Gals.	4,188	(969)	3,219	\$ 2.56	\$ 8,233	
35	Second Tier - Over 57,000 Gals. 0	38,661	(3,403)	35,258	\$ 2.91	\$ 102,435	\$ 110,668

RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RUCO RECOMMENDED REVENUE

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
		TEST YEAR DETERMINANTS	RUCO ANN'ZED ADJTM'TS	RUCO ADJUSTED DETERMINANTS	RUCO RECOMND'ED RATES	RUCO PROPOSED REVENUES	RUCO TOTAL REVENUES
1	4"	61	11	72	\$ 256.26	\$ 18,450	\$ 18,450
	Commodity Usage						
2	First Tier - First 57,000 Gals.	3,063	627	3,690	\$ 2.56	\$ 9,438	
3	Second Tier - Over 57,000 Gals.	14,765	2,805	17,570	\$ 2.91	\$ 51,045	
							\$ 60,483
4	6"	12	-	12	\$ 474.48	\$ 5,694	\$ 5,694
	Commodity Usage						
5	First Tier - First 125,000 Gals.	1,500	-	1,500	\$ 2.56	\$ 3,837	
6	Second Tier - Over 125,000 Gals.	6,200	-	6,200	\$ 2.91	\$ 18,013	
							\$ 21,849
7	Total Commercial Customers	<u>2,429</u>	<u>283</u>	<u>2,712</u>			
8	Total Commercial Usage	<u>156,651</u>	<u>5,155</u>	<u>161,806</u>			
9	TOTAL COMMERCIAL CUSTOMERS REVENUE						<u>\$ 568,324</u>
	Multi-Family						
10	5/8"	117	(9)	108	\$ 9.53	\$ 1,029	\$ 1,029
	Commodity Usage						
11	First Tier - First 4,000 Gals.	433	(33)	400	\$ 2.04	\$ 814	
12	Second Tier - Next 6,000 Gals.	439	(32)	407	\$ 2.56	\$ 1,041	
13	Third Tier - Over 10,000 Gals.	382	(30)	352	\$ 2.91	\$ 1,024	
							\$ 2,879
14	1-1/2"	12	-	12	\$ 51.25	\$ 615	\$ 615
	Commodity Usage						
15	First Tier - First 20,000 Gals.	89	-	89	\$ 2.56	\$ 228	
16	Second Tier - Over 20,000 Gals.	0	-	0	\$ 2.91	\$ -	
							\$ 228
17	Total Multi-Family Customers	<u>129</u>	<u>(9)</u>				
18	Total Commercial Usage	<u>1,343</u>	<u>(95)</u>				
19	TOTAL MULTI-FAMILY CUSTOMER REVENUE						<u>\$ 4,751</u>
	PRIVATE FIRE PROTECTION CUSTOMERS						
20	Fire Lines Up to 8"	185	79	264	\$ 13.77	\$ 3,635	\$ 3,635
21	Commodity Usage	0	-	-	No Charge		
22	TOTAL PRIVATE FIRE PROTECTION CUSTOMERS REVENUE						<u>\$ 3,635</u>
23	COMPANY TOTAL PROPOSED REVENUE PER BILL DETERMINANTS						\$ 3,859,697
24	Other Revenue						44,672
25	COMPANY PROPOSED TOTAL REVENUES						<u>\$ 3,904,369</u>
26	RUCO TOTAL RECOMMENDED REVENUE PER BILL DETERMINANTS						\$ 2,765,307
27	Other Revenue						44,672
28	TOTAL RUCO RECOMMENDED REVENUE PER TJC-1						<u>\$ 2,809,979</u>

FINAL TYPICAL RESIDENTIAL BILL ANALYSIS

LINE NO.	DESCRIPTION	(A) PRESENT	(B)	(C) COMPANY PROPOSED	(D)	(E) RUCO PROPOSED	(F)
TOTAL REVENUES							
1	RESIDENTIAL	\$ 1,440,833	79.66%	\$ 3,067,443	79.29%	\$ 2,188,597	79.14%
2	COMMERCIAL	363,332	20.09%	791,256	20.45%	568,324	20.55%
3	MULTI-FAMILY	3,418	0.19%	7,297	0.19%	4,751	0.17%
	PRIVATE FIRE	1,199	0.07%	2,547	0.07%	3,635	0.13%
	TOTAL	<u>\$ 1,808,782</u>	<u>100.00%</u>	<u>\$ 3,868,544</u>	<u>100.00%</u>	<u>\$ 2,765,307</u>	<u>100.00%</u>
ALLOCATION RATIOS							
4	FIX REVENUE	\$ 532,661	29.45%	\$ 1,133,658	29.38%	\$ 814,663	29.46%
5	VARIABLE REVENUE	1,276,120	70.55%	2,725,445	70.62%	1,950,645	70.54%
6	TOTAL	<u>\$ 1,808,782</u>	<u>100.00%</u>	<u>\$ 3,859,103</u>	<u>100.00%</u>	<u>\$ 2,765,307</u>	<u>100.00%</u>
RES. G-1 (5/8" X 3/4") RATE DESIGN							
		PRESENT		COMPANY PROPOSED		RUCO PROPOSED	
7	BASIC MONTHLY CHARGE	\$ 6.45		\$ 13.71		\$ 9.53	
	COMMODITY CHARGE						
		PRESENT	PROPOSED				
8	First Tier - First 4,000 Gals.	First Tier - First 4,000 Gals.	\$ 1.4400	\$ 2.9300	\$ 2.0365		
9	Second Tier - Next 6,000 Gals.	Second Tier - Next 6,000 Gals.	\$ 1.7000	\$ 3.6800	\$ 2.5578		
10	Third Tier - Over 10,000 Gals.	Third Tier - Over 10,000 Gals.	\$ 1.9000	\$ 4.1800	\$ 2.9053		
RESIDENTIAL BILL COMPARISONS							
	COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE WITH PERCENTAGE INCREASE IN BILL	% OF AVERAGE MONTH USAGE OF 8,548 Gal.	GALLONS USED AT VARIOUS USAGE	PRESENT MONTHLY WATER COST	RUCO PROP'D MONTHLY WATER COST	RUCO PROP'D MONTHLY INCREASE	RUCO PROP'D MONTHLY % INCREASE
11		25.00%	2,137	\$ 9.53	\$ 13.88	\$ 4.35	45.70%
12		50.00%	4,274	\$ 12.68	\$ 18.38	\$ 5.70	44.97%
13		100.00%	8,548	\$ 19.94	\$ 29.31	\$ 9.37	46.97%
14		150.00%	12,822	\$ 27.77	\$ 41.22	\$ 13.45	48.42%
15		200.00%	17,096	\$ 35.89	\$ 53.64	\$ 17.74	49.44%

FINAL RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RUCO SURREBUTTAL PROPOSED REVENUE

LINE NO.	DESCRIPTION	(A) TEST YEAR DETERMIN'TS	(B) RUCO ANN'ZED ADJTM'TS	(C) RUCO ADJUSTED DETERMIN'TS	(D) RUCO RECOMND'ED RATES	(E) RUCO PROPOSED REVENUES	(F) RUCO TOTAL REVENUES
RESIDENTIAL CUSTOMERS							
1	5/8" Commodity Usage	22,848	16	22,864	\$ 40.84	\$ 933,676	\$ 933,676
2	First Tier - First 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
3	Second Tier - Over 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
4	3/4" Commodity Usage	98	(2)	96	\$ 46.57	\$ 4,471	\$ 4,471
5	First Tier - First 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
6	Second Tier - Over 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
7	1" Commodity Usage	104	2	106	\$ 57.53	\$ 6,076	\$ 6,076
8	First Tier - First 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
9	Second Tier - Over 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
10	1.5" Commodity Usage	0	0	0	\$ 84.95	\$ -	\$ -
11	First Tier - First 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
12	Second Tier - Over 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
13	2" Commodity Usage	12	0	12	\$ 117.83	\$ 1,414	\$ 1,414
14	First Tier - First 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
15	Second Tier - Over 7,000 Gals.	0	0	0	\$ -	\$ -	\$ -
16	Total Residential Usage	<u>23,062</u>	<u>15</u>	<u>23,077</u>			
17	Total Residential Usage	<u>0</u>	<u>0</u>	<u>0</u>			
18	TOTAL RESIDENTIAL CUSTOMERS REVENUE						<u>\$ 945,637</u>
COMMERCIAL CUSTOMERS							
19	5/8" Commodity Usage	831	105	936	\$ 40.84	\$ 38,223	\$ 38,223
20	First Tier - First 7,000 Gals.	3,681	735	4,416	\$ -	\$ -	
21	Second Tier - Over 7,000 Gals.	5,459	377	5,836	\$ 4.14	\$ 24,145	\$ 24,145
22	1" Commodity Usage	437	55	492	\$ 57.53	\$ 28,305	\$ 28,305
23	First Tier - First 7,000 Gals.	2,079	385	2,464	\$ -	\$ -	
24	Second Tier - Over 7,000 Gals.	4,640	507	5,147	\$ 4.14	\$ 21,293	\$ 21,293
25	1-1/2" Commodity Usage	87	(3)	84	\$ 84.95	\$ 7,136	\$ 7,136
26	First Tier - First 7,000 Gals.	545	(23)	522	\$ -	\$ -	
27	Second Tier - Over 7,000 Gals.	2,970	(122)	2,848	\$ 4.14	\$ 11,784	\$ 11,784
28	2" Commodity Usage	238	2	240	\$ 117.83	\$ 28,279	\$ 28,279
29	First Tier - First 7,000 Gals.	1,511	14	1,525	\$ -	\$ -	
30	Second Tier - Over 7,000 Gals.	24,496	178	24,674	\$ 4.14	\$ 102,085	\$ 102,085
31	3" Commodity Usage	12	0	12	\$ 205.27	\$ 2,463	\$ 2,463
32	First Tier - First 7,000 Gals.	77	0	77	\$ -	\$ -	
33	Second Tier - Over 7,000 Gals.	790	0	790	\$ 4.14	\$ 3,268	\$ 3,268

**FINAL RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RUCO SURREBUTTAL PROPOSED REVENUE**

LINE NO.	DESCRIPTION	(A) TEST YEAR DETERMIN'TS	(B) RUCO ANN'ZED ADJTM'TS	(C) RUCO ADJUSTED DETERMIN'TS	(D) RUCO RECOMND'ED RATES	(E) RUCO PROPOSED REVENUES	(F) RUCO TOTAL REVENUES
1	4" Commodity Usage	48	0	48	\$ 304.25	\$ 14,604	\$ 14,604
2	First Tier - First 7,000 Gals.	336	0	336	\$ -	\$ -	
3	Second Tier - Over 7,000 Gals.	16,015	90	16,105	\$ 4.14	\$ 66,633	\$ 66,633
4	6" Commodity Usage	12	0	12	\$ 578.17	\$ 6,938	\$ 6,938
5	First Tier - First 7,000 Gals.	84	0	84	\$ -	\$ -	
6	Second Tier - Over 7,000 Gals.	7,707	0	7,707	\$ 4.14	\$ 31,886	\$ 31,886
7	Total Commercial Customers	<u>1,665</u>	<u>159</u>	<u>1,824</u>		\$ -	\$ -
8	Total Commercial Usage	<u>70,390</u>	<u>2,142</u>	<u>72,532</u>			
9	TOTAL COMMERCIAL CUSTOMERS REVENUE						<u>\$ 387,043</u>
Multi-Family							
10	5/8" Commodity Usage	113	(5)	108	\$ 40.84	\$ 4,410	\$ 4,410
11	First Tier - First 7,000 Gals.	660	(35)	625	\$ -	\$ -	
12	Second Tier - Over 7,000 Gals.	528	(20)	508	\$ 4.14	\$ 2,101	\$ 2,101
13	1-1/2" Commodity Usage	12	0	12	\$ 84.95	\$ 1,019	\$ 1,019
14	First Tier - First 7,000 Gals.	73	0	73	\$ -	\$ -	
15	Second Tier - Over 7,000 Gals.	18	0	18	\$ 4.14	\$ 74	\$ 74
16	Total Multi-Family Customers	<u>125</u>	<u>(5.00)</u>	<u>120</u>			
17	Total Commercial Usage	<u>1,279</u>	<u>(55)</u>	<u>1,224</u>			
18	TOTAL MULTI-FAMILY CUSTOMER REVENUE						<u>\$ 7,605</u>
23	COMPANY TOTAL PROPOSED REVENUE PER BILL DETERMINANTS						\$ 1,740,668
24	Other Revenue						<u>250</u>
25	COMPANY PROPOSED TOTAL REVENUES						<u>\$ 1,740,918</u>
26	RUCO TOTAL SURREBUTTAL RECOMMENDED REVENUE PER BILL DETERMINANTS						\$ 1,340,285
27	Other Revenue						<u>250</u>
28	TOTAL RUCO SURREBUTTAL RECOMMENDED REVENUE PER TJC-1						<u>\$ 1,340,535</u>

FINAL TYPICAL RESIDENTIAL BILL ANALYSIS

LINE NO.	DESCRIPTION	(A) PRESENT	(B)	(C) COMPANY PROPOSED	(D)	(E) RUCO PROPOSED	(F)
REVENUE ALLOCATION							
1	RESIDENTIAL	\$ 1,304,221	71.10%	\$ 1,241,618	71.15%	\$ 945,637	70.55%
2	COMMERCIAL	518,027	28.24%	493,162	28.26%	387,043	28.88%
3	MULTI-FAMILY	10,893	0.59%	10,370	0.59%	7,605	0.57%
	Unreconciled Difference	1,090	0.06%	-	0.00%	-	0.00%
	TOTAL	<u>\$ 1,834,231</u>	<u>100.00%</u>	<u>\$ 1,745,150</u>	<u>100.00%</u>	<u>\$ 1,340,285</u>	<u>100.00%</u>
ALLOCATION RATIOS							
4	FIXED REVENUE	\$ 1,475,564	80.45%	\$ 1,414,966	80.36%	\$ 1,077,014	80.36%
5	VARIABLE REVENUE	357,577	19.49%	345,878	19.64%	263,270	19.64%
	Unreconciled Difference	1,090	0.06%	-	0.00%	-	0.00%
6	TOTAL	<u>\$ 1,834,231</u>	<u>100.00%</u>	<u>\$ 1,760,844</u>	<u>100.00%</u>	<u>\$ 1,340,285</u>	<u>100.00%</u>
RESIDENTIAL 5/8" METER RATE DESIGN							
		PRESENT		COMPANY PROPOSED		RUCO PROPOSED	
7	BASIC MONTHLY CHARGE	\$ 56.36		\$ 53.65		\$ 40.84	
	COMMODITY CHARGE: (Commercial & Multi-Family Only)						
		PRESENT		PROPOSED			
8	First Tier - 0 Gals. To & 7,000 Gals.	First Tier - 0 Gals. To & 7,000 Gals.	\$ -	First Tier - 0 Gals. To & 7,000 Gals.	\$ -	First Tier - 0 Gals. To & 7,000 Gals.	\$ -
9	Second Tier - Over 7,000 Gals.	Second Tier - Over 7,000 Gals.	\$ 5.71	Second Tier - Over 7,000 Gals.	\$ 5.44	Second Tier - Over 7,000 Gals.	\$ 4.14