

RIO RICO UTILITIES, INC.

DOCKET NO. WS-02676A-08-09-0257

SURREBUTTAL TESTIMONY

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

FEBRUARY 24, 2010

TABLE OF CONTENTS

1		
2	INTRODUCTION	1
3	SUMMARY OF RUCO's RECOMMENDED REVENUE REQUIREMENTS.....	2
4	SUMMARY OF RUCO's RATE BASE ADJUSTMENTS	3
5	SUMMARY OF RUCO's OPERATING INCOME ADJUSTMENTS.....	4
6	RUCO's ORIGINAL COST RATE BASE ADJUSTMENTS	9
7	RUCO's OPERATING INCOME ADJUSTMENTS	12
8	OTHER ISSUES	25
9	RATE DESIGN AND PROOF OF RECOMMENDED REVENUE	26
10	TYPICAL RESIDENTIAL BILL ANALYSIS.....	27
11	EXHIBIT 1	

1 **INTRODUCTION**

2 Q. Please state your name, position, employer and address.

3 A. My Name is Timothy J. Coley. I am a Public Utilities Analyst V employed
4 by the Residential Utility Consumer Office (“RUCO”) located at 1110 W.
5 Washington, Suite 220, Phoenix, Arizona 85007.

6
7 Q. Have you previously filed testimony in this docket?

8 A. Yes, I have. I filed direct testimony in this docket on December 23, 2009
9 and RUCO’s rate design testimony on January 4, 2010. On February 4,
10 2010, I filed a notice of errata to my direct testimony accompanied with the
11 appropriate schedules as needed.

12
13 Q. What is the purpose of your surrebuttal testimony?

14 A. My surrebuttal testimony will address the Company’s rebuttal comments
15 pertaining to adjustments I recommended in my direct testimony. I will
16 also discuss RUCO’s changes in position regarding certain adjustments
17 along with any new adjustments that RUCO made or adopted here in
18 surrebuttal testimony. In addition, RUCO has provided a study (Exhibit 1)
19 comparing wages/labor and contractual/corporate costs per utility
20 customer of various Arizona water and wastewater companies to support
21 RUCO’s position on Algonquin Power Trust’s (“APT”) allocated costs.

22
23
24

1 **SUMMARY OF RUCO's RECOMMENDED REVENUE REQUIREMENTS**

2 Q. What are RUCO's recommended surrebuttal revenue requirements for
3 RRUI Water and Wastewater Divisions?

4 A. For RRUI Water Division, RUCO recommends a fair value rate base in the
5 amount of \$7,175,864 compared to the Company's requested adjusted
6 rebuttal amount of \$7,992,279. RUCO recommends a required operating
7 income of \$567,180, which is \$367,917 less than the Company's
8 requested amount of \$935,097. RUCO's recommended required increase
9 in gross revenue is \$929,413, which is \$898,189 less than the Company's
10 adjusted rebuttal request of \$1,827,602. RUCO's recommendations
11 represent a 50.18 percent increase to total revenues. RUCO
12 recommends a 7.90 percent rate of return on the Company's fair value
13 rate base (See RUCO witness Mr. Rigsby's testimony as filed) compared
14 to RRUI's adjusted rebuttal request of 11.70 percent.

15
16 For RRUI Wastewater Division, RUCO recommends a fair value rate base
17 in the amount of \$2,983,957 compared to the Company's adjusted rebuttal
18 amount of \$3,323,449. RUCO recommends a required operating income
19 of \$235,852, which is \$152,992 less than the Company's requested
20 amount of \$388,844. RUCO's recommended required decrease in gross
21 revenue is (\$493,946), which is (\$374,815) less than the Company's
22 adjusted rebuttal decrease of (\$133,135). RUCO's recommendations
23 represent a (26.93) percent decrease to total revenues. RUCO

1 recommends a 7.90 percent rate of return on the Company's fair value
2 rate base (See RUCO witness Mr. Rigsby's testimony as filed) compared
3 to RRUI's adjusted rebuttal request of 11.70 percent.

4

5 **SUMMARY OF RUCO's RATE BASE ADJUSTMENTS**

6 Q. What areas will you address in RUCO's surrebuttal testimony?

7 A. RUCO's surrebuttal testimony will address its recommended rate base
8 and operating income adjustments to RRUI's Water and Wastewater
9 Divisions as follows:

10

11 RUCO's RATE BASE ADJUSTMENTS TO RRUI's REBUTTAL
12 POSITIONS

13 NOTE: All adjustments are common to both the Company's Water and
14 Wastewater Divisions unless otherwise noted.

15

16 1. RUCO Surrebuttal Rate Base Adjustment No. 1 – Plant and
17 Accumulated Depreciation: After a phone conversation with the
18 Company's rate consultant, RUCO reviewed its plant schedules and
19 identified a computation error in the accumulated depreciation excel
20 sheet. RUCO corrected the formula, which eliminated the need for this
21 adjustment in surrebuttal testimony.

22 ...

1 2. Rate Base Adjustment No. 2 – Accumulated Deferred Income Tax
2 (“ADIT”): This adjustment allocates RRUI’s parent company’s,
3 Algonquin Power Income Fund’s (“AAPIF”), net ADIT liability balance
4 based on RRUI’s asset value to APIF total asset value. The
5 adjustment decreases the Company’s ADIT asset by \$1,279,653 for
6 the Water Division and by \$532,121 for the Wastewater Division.

7
8 3. RUCO Surrebuttal Rate Base Adjustment No. 3 – Advances in Aid of
9 Construction (“AIAC”) and Contributions in Aid of Construction
10 (“CIAC”): This adjustment increases AIAC by \$48,724 and decreases
11 CIAC by the same \$48,724 for the Water Division. For the Wastewater
12 Division, this adjustment increases AIAC by \$238,783 and decreases
13 CIAC by the same \$238,783.

14
15 All those rate base adjustments are shown on RUCO’s Surrebuttal
16 Schedules TJC-2 and TJC-3. The supporting detail for RUCO’s ADIT
17 adjustment is shown on RUCO’s Surrebuttal Schedule TJC-5.

18
19 **SUMMARY OF RUCO’S OPERATING INCOME ADJUSTMENTS**

20 RUCO’s RATE BASE ADJUSTMENTS TO RRUI’s REBUTTAL
21 POSITIONS

22 NOTE: All adjustments are common to both the Company’s Water and
23 Wastewater Divisions unless otherwise noted.

1 1. RUCO Surrebuttal Operating Income Adjustment No.1 – Revenue

2 Annualization: This adjustment reverses the Company’s downward
3 adjustment to test year revenues. It increases revenues by \$4,794 for
4 the Water Division and by \$4,505 for the Wastewater Division.

5
6 2. RUCO Surrebuttal Operating Income Adjustment No.2 – Purchased

7 Power and Chemicals Expense Annualization: This is an
8 accompanying adjustment to RUCO rate base adjustment #1. The
9 adjustment increases purchased power expense by \$2,334 for the
10 Water Division to account for the additional pumping costs. For the
11 Wastewater Division, it increases purchased power expense by \$388
12 and by \$212 for chemical expenses.

13
14 3. RUCO Surrebuttal Operating Income Adjustment No.3 – Depreciation

15 Expense: This adjustment increases depreciation expense for the
16 Water Division by \$1,687 due primarily to an adjustment that increased
17 AIAC depreciable plant. For the Wastewater Division, this adjustment
18 increased depreciation expense by \$9,361 due primarily to an
19 adjustment that increased AIAC depreciable plant.

20
21 4. RUCO Surrebuttal Operating Income Adjustment No.4 – Property Tax

22 Expense: This adjustment decreases property tax expense for both
23 the Water and Wastewater Divisions by \$31,900 and \$12,189

1 respectively. The adjustments are due to the different levels of gross
2 revenues proposed by RUCO and the Company.

3

4 5. RUCO Surrebuttal Operating Income Adjustment No. 5 – Rate Case
5 Expense: This adjustment reduces rate case expense by \$17,500 for
6 the Water Division and reduces the Wastewater Division’s rate case
7 expense by \$10,417. The adjustment is due to RUCO’s 25 percent
8 overall reduction in rate case expense.

9

10 6. RUCO Surrebuttal Operating Income Adjustment No.6 – Miscellaneous
11 Expense: This adjustment is specific to only RRUI’s Water Division
12 and reduces miscellaneous expense by \$1,363.

13

14 7. RUCO Surrebuttal Operating Income Adjustment No.7 – Purchased
15 Power Expense: This adjustment reduces the purchased power
16 expense for the Water Division and increases the Wastewater
17 Division’s purchased power expense by the same \$48,005 due to the
18 Company recording the purchased power expense to the wrong
19 division.

20

21 8. RUCO Surrebuttal Operating Income Adjustment No.8 –Transportation
22 Expense: This adjustment was proposed by the Company in rebuttal

1 testimony and decreases transportation expense for both Water and
2 Wastewater by \$6,725 and \$2,242 respectively.

3

4 9. RUCO Surrebuttal Operating Income Adjustment No.9 – Out of Test
5 Year Contractual Services Expense: This adjustment is specific to the
6 Company's Water Division only and reduces the contractual services
7 account by \$14,477.

8

9 10. RUCO Surrebuttal Operating Income Adjustment No. 10 – Additional
10 Actual Algonquin Power Trust ("APT") Costs: This adjustment
11 increases the contractual services account by \$3,274 for the Water
12 Division and by \$1,346 for the Wastewater Division due to truing up
13 estimated costs to actual costs.

14

15 11. RUCO Surrebuttal Operating Income Adjustment No. 11 – APT
16 Corporate Allocation Costs: This adjustment removes excessive
17 corporate expenses for the provisioning of utility services. It reduces
18 the contractual services account by \$96,643 and \$31,604 for the Water
19 and Wastewater Divisions respectively.

20

21 12. RUCO Surrebuttal Operating Income Adjustment No.12 –
22 Unamortized Rate Case Expense: This adjustment is specific to
23 RRUI's Water Division only and reduces the regulatory commission

1 expense account by \$17,564 for what appears to be unamortized rate
2 case expense from a prior rate case.

3
4 13. RUCO Surrebuttal Operating Income Adjustment No.13 – Bad Debt

5 Expense: This adjustment normalizes bad debt expense and
6 increases it by \$799 for the Water Division and decreases it by
7 \$30,315 for the Wastewater Division.

8
9 14. RUCO Surrebuttal Operating Income Adjustment No.14 – Income Tax

10 Expense: This adjustment reflects RUCO's recommended operating
11 income before income taxes and increases the Water Division's
12 income tax expense by \$19,760 and decreases the Wastewater
13 Division's income tax expense by \$16,504.

14
15 These operating income adjustments are shown on RUCO's Surrebuttal
16 Schedules TJC-6 and TJC-7. The supporting details are shown on
17 RUCO's Surrebuttal Schedule TJC-8 thru TJC-19.

1 **RUCO's ORIGINAL COST RATE BASE ADJUSTMENTS**

2 **RUCO Surrebuttal OCRB Adjustment No. 1 – Plant and Accumulated**

3 **Depreciation:**

4 Q. Please explain RUCO's surrebuttal rate base adjustment #1 for plant and
5 accumulated depreciation.

6 A. This adjustment was recommended in RUCO's direct testimony schedules
7 but was eliminated in RUCO's surrebuttal testimony schedules. The
8 Company's witness, Mr. Bourassa, phoned me with some concerns
9 regarding my direct testimony plant schedules. Mr. Bourassa stated that
10 he thought my plant schedules were over-depreciating some accounts that
11 should have been fully depreciated and in the year of a retirement, he
12 didn't think I was taking the half-year convention when calculating that
13 year's depreciation expense.

14
15 After reviewing my plant schedules, I agreed with Mr. Bourassa that a few
16 accounts had been fully depreciated and thus, no further depreciation
17 should be taken on those accounts. The retirements, however, had been
18 treated properly using the half-year convention. The primary problem in
19 RUCO's direct plant schedules was the failure to remove the retirements
20 from the accumulated depreciation balances. Once that was corrected,
21 RUCO was in substantial agreement with the Company. RUCO

1 recommends eliminating that direct testimony adjustment in its surrebuttal
2 testimony for both RRUI's Water and Wastewater Divisions;

3

4 RUCO Surrebuttal OCRB Adjustment No. 2 – Accumulated Deferred
5 Income Tax (“ADIT”)

6 Q. Please explain RUCO's surrebuttal rate base adjustment #2 for ADIT.

7 A. The adjustment to ADIT is fully explained in RUCO's direct testimony.
8 This adjustment is the same in both RUCO's direct and surrebuttal
9 schedules.

10

11 Q. Does the Company agree with RUCO's ADIT calculation?

12 A. No.

13

14 Q. How did the Company respond to RUCO's methodology used to calculate
15 its ADIT balance?

16 A. Primarily, the Company claims that RUCO's approach to calculating
17 RRUI's ADIT balance fails to use both the assets and liabilities method as
18 prescribed by SFAS No. 109.

19

20 Q. Do you agree with the Company that RUCO's method fails to use both the
21 assets and liabilities as prescribed by SFAS No. 109?

22 A. No. RUCO's method for calculating ADIT does use both assets and
23 liabilities because RUCO netted the total ADIT assets and liabilities that

1 are on the parent company's, Algonquin Power Trust Fund ("APTF"),
2 books. Therefore, both assets and liabilities are used in RUCO's ADIT
3 calculation.

4

5 Q. Has the Company changed its ADIT balance in rebuttal testimony?

6 A. Yes. The Company recalculated its ADIT balance in its rebuttal testimony.
7 The new calculation reduces the Company's original ADIT asset balance
8 by roughly 60 percent from approximately \$1.1 million to \$445,000.

9

10 Q. Are there any other issues regarding ADIT that RUCO would like to
11 address?

12 A. Yes. The Company claims that the large AIAC balances on its books are
13 a major reason for contributing to its ADIT asset balance, which is an
14 addition to rate base. RUCO performed a study that included Black
15 Mountain Sewer, Litchfield Park Service Water and Wastewater Divisions,
16 Rio Rico Water and Wastewater Divisions, Bella Vista Water, and the
17 Northern and Southern Water Companies, which are all owned by APTF.
18 RUCO compared all APTF's referenced companies to Arizona Water
19 Company's ("AWC") seventeen systems and determined that AWC's total
20 rate base is comprised of 49 percent AIAC whereas the APTF's
21 referenced companies are comprised of 44 percent AIAC to total rate
22 base.

23 ...

1 Q. Did AWC have an ADIT balance in its last rate application?

2 A. Yes.

3

4 Q. What was AWC's ADIT balance in its last rate application?

5 A. AWC had a \$19 million ADIT liability balance, which is the natural balance
6 that reduces rate base accordingly. Not the reverse of what RRUI
7 proposes for an addition to rate base in this case. RUCO finds it
8 perplexing that AWC's total rate base is funded by similar means and
9 shows a \$19 million ADIT liability balance while APTF's Arizona utilities
10 claim an ADIT asset balance that increases rate base.

11

12 **RUCO's OPERATING INCOME ADJUSTMENTS**

13 RUCO Surrebuttal Operating Income Adjustment No. 1 – Revenue
14 Annualization

15 Q. Does RUCO continue to recommend annualizing revenues to the average
16 test year customer count here in its surrebuttal testimony?

17 A. No. RUCO now recommends reversing the Company's revenue
18 annualization that decreases revenue. RUCO also recommends reversing
19 the Company's adjustment that decreases the purchased power and
20 chemical expenses associated with RRUI revenue annualization expense
21 adjustment.

22 ...

1 Q. Why did RUCO change its position on revenue annualization to average
2 test year customer count?

3 A. In the spirit of compromise and an attempt to reach some agreement with
4 the Company, RUCO proposes a position that should be more amiable to
5 the Company and to eliminate some of contested issues in the case.

6

7 Q. Why does RUCO disagree with RRUI's proposed customer annualization
8 adjustment that reduces revenues?

9 A. RUCO disagrees with the Company's proposed customer annualization
10 adjustment because it does not make sense to reduce test year revenue
11 when RRUI has continued, through the test year, to experience year after
12 year customer growth. Consequently, RUCO has recommended that the
13 test year revenue be used to set rates and to reverse the Company's
14 proposed annualization adjustment. In my direct testimony, RUCO
15 illustrated, in detail, comparisons of total average customers and customer
16 counts historically and through the test year.

17

18 Q. What is the purpose of a revenue annualization adjustment normally in a
19 utility rate case?

20 A. When a utility is growing and having to add plant during a test year to
21 serve additional customers, a revenue annualization adjustment is
22 typically utilized in order to capture the impact on revenue from customer
23 growth that has occurred, and to better match the revenue with the test

1 year plant that has been added to serve the new customers. The revenue
2 growth that relates to the addition of customers is captured in a revenue
3 annualization adjustment to increase revenue related to the increased
4 plant which has been added to serve additional customers during the test
5 year. Moreover, the decrease in revenue produced by the Company's
6 calculation appears to be related to customer seasonality rather than a
7 permanent decline in customer count during the test year, and therefore
8 should not be adopted because it would understate test year and going-
9 forward revenues.

10

11 RRUI has added, on average, both residential and commercial customers
12 in each and every year, including the test year. Consequently, an
13 adjustment to decrease test year revenue would be inappropriate by
14 understating test year and going-forward revenues. Test year revenue of
15 \$4,794 and \$4,505 for the Company's Water and Wastewater Divisions
16 respectively should not be removed as proposed by the Company.
17 RUCO's adjustments restore revenues to test year levels.

18

19

20

21 ...

22

23

1 RUCO Surrebuttal Operating Income Adjustment No. 2 – Expense

2 Annualization

3 Q. Has RUCO made adjustments to reverse the expenses associated with
4 the Company's proposed downward revenue annualization?

5 A. Yes. Adjustments have been made to increase the Company's purchased
6 power expenses in the amount of \$2,334 and \$388 respectively for RRUI's
7 Water and Wastewater Divisions. An additional adjustment to increase
8 chemical expenses by \$212 was made for the Company's Wastewater
9 Division. These adjustments are shown on RUCO's Schedules TJC-7.

10

11 RUCO Surrebuttal Operating Income Adjustment No. 3 – Depreciation

12 Expense

13 Q. Are RUCO and the Company in general agreement on the appropriate
14 levels of depreciation expense?

15 A. Yes. There is a slight difference in the amount of CIAC amortization to be
16 removed from depreciation expense. This appears to be due to a
17 rounding issue of the amortization rate utilized by the parties.

18

19

20

21 ...

22

23

1 RUCO Surrebuttal Operating Income Adjustment No. 4 – Property Tax
2 Expense

3 Q. Are RUCO and the Company in general agreement on the methodology to
4 calculate property tax expense?

5 A. Yes. RUCO and the Company use the same methodology and inputs with
6 the exception of the adjusted levels of test year revenues and proposed
7 levels of revenues. This is due to the parties' different levels of
8 recommended revenue requirements. Once the Commission approves
9 the levels of revenues to set rates, either RUCO's or the Company's
10 property tax model should produce the same level of property tax expense
11 to be embedded in rates.

12
13 RUCO Surrebuttal Operating Income Adjustment No. 5 – Rate Case
14 Expense

15 Q. How did the Company respond to RUCO's 25 percent downward
16 adjustment to rate case expense?

17 A. The Company did not explicitly express an opinion either way to RUCO's
18 25 percent downward adjustment to rate case expense. However, the
19 Company did address RUCO's rate case adjustment as follows:

20 RUCO appears to base its 25 percent reduction on
21 the fact that through October 2009, the Company has
22 only incurred about \$41,000 of rate case expense. It
23 is entirely premature to make any meaningful
24 determinations about the ultimate level of rate case
25 expense that will be incurred in the instant case. This
26 is obviously true, given that at the time of Mr. Coley's
27 testimony the Company had yet to incur the costs for

1 the preparation of its rebuttal testimonies, rejoinder
2 testimonies, any discovery, hearing preparation and
3 hearings, post hearing briefs, and final decision.
4

5 In this light, RRUI continues to estimate rate case
6 expense of \$210,000 for the water division. But this is
7 still an estimate, which the Company will true-up at a
8 later date when more of the costs are known, as
9 needed.
10

11 Q. How did the Company respond concerning RUCO's downward adjustment
12 to rate case expense for the Wastewater Division?

13 A. The Company made reference to what it had previously stated (See
14 statement above) in the water section of its rebuttal testimony. The
15 Company further stated, "As discussed above, RUCO is recommending a
16 downward adjust [sic] of 25 percent to the company's proposed level of
17 rate case expense. This translated to a reduction to total rate case
18 expense of \$31,250, or a total rate case expense of \$93,750. For the
19 reasons I identified above, RUCO's adjustment is premature, at best."
20

21 Q. Does RUCO maintain its 25 percent downward adjustment to rate case
22 expense in surrebuttal testimony?

23 A. Yes. Until further updates are provided by the Company to be reviewed
24 by RUCO, RUCO, like the Company seems to be doing, reserves the right
25 to adjust its rate case expense adjustment prior to hearing.
26

27 ...
28

1 RUCO Surrebuttal Operating Income Adjustment No. 6 – Miscellaneous
2 Expense

3 Q. Did the Company accept RUCO's adjustment to remove \$1,363 of
4 miscellaneous expense relating to charitable contributions and donations
5 from RRUI's Water Division?

6 A. Yes. This adjustment applies only to the Water Division.

7

8 RUCO Surrebuttal Operating Income Adjustment No. 7 – Purchased
9 Power Expense

10 Q. Did the Company accept RUCO's adjustment to reclassify \$48,005 of
11 purchased power expense from the Company's Water Division to the
12 Wastewater Division?

13 A. Yes. This adjustment was agreed upon during the discovery period.
14 RRUI inadvertently charged the purchased power expense to the
15 Company's Water Division when it was actually attributable to the
16 Company's Wastewater Division.

17

18 RUCO Surrebuttal Operating Income Adjustment No. 8 – Transportation
19 Expense

20 Q. Please explain RRUI's rebuttal adjustment to transportation expense?

21 A. This adjustment originated in the Company's Litchfield Park Service
22 Company's hearing when it was discovered that the corporate parent has
23 a fleet of corporate executive jets and the costs were being allocated to

1 the various affiliates. The Company agreed to remove the costs
2 associated with its Airlink affiliate in that case. This is merely an
3 accommodating adjustment proposed by the Company.

4

5 Q. Does RUCO accept the Company's proposed adjustment to transportation
6 expense?

7 A. Yes.

8

9 RUCO Surrebuttal Operating Income Adjustment No. 9 – Out of Test Year

10 Contractual Services' Costs

11 Q. Please explain RUCO's surrebuttal adjustment that removes contractual
12 services' costs that were identified as costs incurred that were out of the
13 test year.

14 A. Staff identified \$14,477 of contractual services' costs that were incurred by
15 the Company but not in the 2008 test year. RRUI accepted Staff's
16 adjustment in rebuttal testimony.

17

18 Q. Does RUCO accept the Company's rebuttal adjustment in RUCO's
19 surrebuttal testimony?

20 A. Yes.

21

22 ...

23

1 RUCO Surrebuttal Operating Income Adjustment No. 10 – Actual
2 Additional Algonquin Power Trust (“APT”) Central Office Costs

3 Q. Please explain the Company’s rebuttal adjustment that increases the APT
4 central office cost pool to contractual services account.

5 A. This particular adjustment arose after the Company filed its rate
6 application. As the rate proceeding progressed, the Company determined
7 that its original rate application, which contained a cost pool of APT costs
8 in the amount of \$3,950,800 that are allocated 100 percent to its affiliates,¹
9 failed to include all of APT’s actual costs. In rebuttal testimony, the
10 Company added an additional \$1,319,082 for a total APT cost pool of
11 \$5,269,882 that it deemed as its actual APT costs. RRUI received an
12 additional APT cost allocation of \$27,574 for the Water Division and
13 \$8,474 for the Wastewater Division per the Company’s allocation
14 methodology.

15
16 Q. Please explain RUCO’s adjustment to the additional APT cost pool
17 allocations that the Company added in its rebuttal testimony.

18 A. As discussed in detail in RUCO’s direct testimony and further here in
19 surrebuttal testimony, RUCO disallowed the majority of the APT costs in
20 direct testimony. RUCO included the additional “actual” APT costs in
21 RUCO Surrebuttal Schedule TJC-15 and determined that an additional

¹ See RUCO witness Timothy J. Coley’s Direct Testimony for a full explanation of APT cost allocations.

1 \$3,274 and \$1,361 should be allocated to RRUI's Water and Wastewater
2 Divisions respectively using RUCO's allocation methodology.

3

4 Q. Does RUCO disagree with the Company's additional APT cost pool
5 allocation adjustments?

6 A. Yes. As I stated earlier, RUCO disallowed a majority of the APT cost pool
7 allocations and allowed only 25 percent of some of the costs (See Coley
8 Direct Testimony). RUCO's additional APT allocation adjustments are
9 much smaller than the Company's, as discussed earlier.

10

11 RUCO Surrebuttal Operating Income Adjustment No. 11 – APT Central
12 Office Cost Allocations

13 Q. Did the Company accept RUCO's APT cost pool allocation adjustments?

14 A. No.

15

16 Q. Does RUCO maintain its original direct testimony position regarding the
17 APT cost allocations?

18 A. Yes.

19

20 Q. Does RUCO provide any further analysis or studies in surrebuttal that
21 support its conclusions regarding the APT cost allocations?

22 A. Yes. RUCO Surrebuttal Exhibit 1, as attached, is a study of a number of
23 other Arizona water and wastewater companies. The study's focus is the

1 amount of total labor, wages, and corporate costs per customer on an
2 annual and monthly basis. The results support RUCO's conclusions and
3 position regarding the APT cost pool allocations.

4

5 RUCO Surrebuttal Operating Income Adjustment No. 12 – Prior Rate

6 Case Unamortized Rate Case Expense

7 Q. Please explain RUCO's adjustment that removes the prior rate case
8 expense from RRUI's Water Division that was not fully amortized.

9 A. This adjustment was overlooked in RUCO's direct testimony. It appears
10 that the amount in the Regulatory Commission Expense account for
11 \$17,564 is nearly identical to the amount of annual rate case expense
12 authorized in the prior Rio Rico rate case for the Company's Water
13 Division. RUCO routinely recommends disallowance of any unamortized
14 prior rate case expense when new rates are established in a current
15 proceeding.

16

17 Q. Did Staff make a similar adjustment to remove this expense in its direct
18 testimony?

19 A. Yes.

20

21

22 ...

23

1 Q. How did the Company respond to Staff regarding the disallowance of the
2 unamortized rate case expense?

3 A. The Company's rebuttal response to the adjustment claimed that it was
4 not unamortized rate case expense from a prior proceeding "at all." The
5 Company adds, "These costs are related to ADEQ annual registration
6 fees, ADOT registration fees, annual software license fees, right of way
7 permit fees, and some membership dues to organizations like the
8 American Water Works Association and the Arizona Water Pollution
9 Control Association."

10

11 Q. What is RUCO's surrebuttal position regarding the costs in the Regulatory
12 Commission Expense account in the Company's Water Division?

13 A. RUCO is taking a conservative approach and recommends removal of
14 these expenses until the nature of the costs can be verified.

15

16 Q. Does RUCO plan on issuing discovery for these related expenses?

17 A. Yes.

18

19

20

21 ...

22

23

1 RUCO Surrebuttal Operating Income Adjustment No. 13 – Normalize Bad

2 Debt Expense

3 Q. Did the Company accept RUCO's normalization of bad debt expense
4 adjustment?

5 A. Yes. However, the Company made an erroneous entry for the Water
6 Division's bad debt adjustment.

7

8 Q. Please explain the Company's erroneous entry for the Water Division's
9 bad debt expense adjustment.

10 A. When the Company made its adjustment, RRUI reduced bad debt
11 expense for the Water Division. The correct entry would increase bad
12 debt expense in the amount of \$799 rather than decrease it.

13

14 RUCO Surrebuttal Operating Income Adjustment No. 14 – Income Tax

15 Expense

16 Q. Please explain RUCO's income tax expense adjustment and the
17 Company's position on this adjustment.

18 A. This adjustment is a function of RUCO's recommended level of operating
19 income before income taxes. The Company did not raise any issue with
20 the adjustment to income taxes in rebuttal.

21

22 ...

23

1 Q. After RUCO filed its direct testimony and schedules, did RUCO identify a
2 problem with its recommended income taxes?

3 A. Yes. RUCO reviewed its Direct Schedules TJC-1, TJC-2, and TJC-6 and
4 found an error in the gross revenue conversion factor schedule (TJC-1,
5 page 2).

6

7 Q. Did RUCO correct the income tax problem?

8 A. Yes. RUCO filed errata to its direct testimony that corrected the problem.

9

10 **OTHER ISSUES**

11 Q. Is it true that the version of your direct testimony filed on December 23,
12 2009, contained RUCO's positions regarding other issues that were
13 incorrect at that time?

14 A. Yes. RUCO filed a notice of errata to correct its position regarding the
15 other issues addressed in that version of my direct testimony.

16

17 Q. Would you please clarify for the record what RUCO's positions are
18 concerning the other issues in this case?

19 A. Yes.

20

21 Low-Income Program ("LIP")

22 RUCO does not oppose the LIP as proposed by the Company.

23

1 Hook Up Fee (“HUF”)

2 RUCO does not support the Company’s HUF as proposed by the
3 Company for the reason given in its errata filing.

4
5 New Service Line Installations

6 RUCO prefers that the current rates in the tariff be maintained.

7
8 Late Payment Finance Charge

9 RUCO supports the late payment finance charge as proposed by RRUI.

10
11 **RATE DESIGN AND PROOF OF RECOMMENDED REVENUE**

12 Q. Have you revised your surrebuttal schedules presenting your surrebuttal
13 recommended rate designs?

14 A. Yes, as shown on Schedules SURR TJC-RD1, the rate design is
15 consistent with RUCO’s recommended revenue allocations and
16 requirement as in RUCO’s direct rate design testimonies.

17
18 Q. Have you updated your Schedules presenting proof of your recommended
19 revenue?

20 A. Yes, I have. As shown on Schedules SURR TJC-RD1, my recommended
21 rate design will produce the recommended required revenue as
22 recommended in my surrebuttal testimony.

23

1 **TYPICAL RESIDENTIAL BILL ANALYSIS**

2 Q. Has RUCO revised its Schedules representing the financial impact of
3 RUCO's surrebuttal recommended rate designs on the typical residential
4 customer?

5 A. Yes. The impact of RUCO's surrebuttal recommended revenues is
6 presented on the divisions Surrebuttal Schedules TJC-RD2. This typical
7 bill analysis for residential customers shows the financial impact with
8 various levels of usage.

9

10 Q. Does your silence on any issues or matters pertaining to the Company's
11 application constitute RUCO's acceptance of the Company's position?

12 A. No.

13

14 Q. Does this conclude your surrebuttal testimony?

15 A. Yes, it does.

16

RUCO'S SURREBUTAL

EXHIBIT 1

A Synopsis for RUCO Surrebuttal Exhibit 1

RUCO Exhibit 1 is a study that analyzed various Arizona utilities, both water and wastewater, to determine the levels of labor/wages expense, including outside contractual services, per each utility customer. The results are then compared to the Arizona Algonquin Water and Wastewater Utilities. The results are shown on the following seven pages and are segregated by water and wastewater utility services. Some of the utilities that were used in RUCO's study employ the shared services concept, as Algonquin's Liberty Water does, and others are stand-alone utilities. The utilities that have shared services are shown on separate pages from those that are stand-alone companies. I will briefly describe what each of the seven pages represents.

Page 1 – This page shows RRUI's Wastewater Division's cost of labor/wages expense, including outside contractual services, per each utility customer. It then shows the same costs for three of Arizona American's ("AZ-AM") Wastewater Districts that utilize the shared services concept. A comparison can then be drawn between RRUI and AZ-AM's costs for labor/wages expense, including outside contractual services, per each utility customer. The average cost for the utility groupings are shown on each page.

Page 2 – The same information is provided on page 2 for RRUI Wastewater Division but the comparable companies used in RUCO's study are stand-alone companies that do not utilize the shared services concept. Again, comparisons between the costs can be made. The average cost for the utility groupings are shown on each page.

Page 3 - This page shows RRUI's Water Division's cost of labor/wages expense, including outside contractual services, per each utility customer. It then shows the same costs for five of Arizona Water Company's ("AWC") Water Systems and a total of all AWC's systems, which consist of seventeen systems, cost of labor/wages expense, including outside contractual services, per each utility customer. A second group of AZ-AM Water Districts are shown which consist of five more water districts. All 22 systems on this page, consisting of AWC's total seventeen systems and AZ-AM's five districts, utilize the shared services concept. A comparison can then be drawn between RRUI, AWC, and AZ-AM's costs for labor/wages expense, including outside contractual services, per each utility customer. The average cost for the utility groupings are shown on each page.

Page 4 – This page shows the same information as provided on page 3 but for an American States Water affiliate, Chaparral City Water Company. Chaparral also utilizes the shared services concept. The same comparisons can be drawn between RRUI and Chaparral.

Page 5 - This page shows the same information as provided on the previous pages but for three various Arizona stand-alone water companies for a comparison to be made to RRUI. The average cost for the utility groupings are shown on this page too.

Page 6 - This page shows RRUI's rebuttal position regarding its costs of labor/wages expense, including outside contractual services, per each utility customer. A comparison can then be drawn between RRUI to the other 32 Arizona utility companies' costs associated with labor/wages expense, including outside contractual services, per each utility customer that is included in this study. The average cost for the Algonquin Water and Wastewater groupings are shown on this page.

Page 7 – The same information for RRUI is provided on this page that was shown on page 6 but with all of the APT costs removed. The average cost, after removing all APT costs, for the Algonquin Water and Wastewater groupings are shown on this page.

Results of the Study

Page 1 and 6 of the study shows Algonquin's sewer operations' cost of labor/wages expense, including outside contractual services, per each utility customer is on average 95 percent higher than the other three sewer companies in RUCO's study that utilize the shared services concept. Page 2 and 6 shows Algonquin's sewer operations' cost of labor/wages expense, including outside contractual services, per each utility customer is on average 115 percent higher than the other three stand-alone sewer companies that was included in RUCO's study. When combining RUCO's study samples of three shared services sewer companies (Page 1) and the three stand-alone sewer companies (Page 2), Algonquin on average is higher than the six sample companies by 104 percent.

Page 3, 4, and 6 of the study shows Algonquin's water operations' cost of labor/wages expense, including outside contractual services, per each utility customer is on average 50 percent higher than the eleven water companies in RUCO's study that utilize the shared services concept. Page 5 and of the study shows Algonquin's water operations' cost of labor/wages expense, including outside contractual services, per each utility customer is on average 66 percent higher than the three stand-alone water companies that was included in RUCO's study. When combining RUCO's study samples of seventeen AWC systems, five AZ-AM Districts, and a single Chaparral system that all utilize the shared services concept and the three stand-alone water companies, Algonquin on average is higher than the 26 sample companies by 54 percent.

When all of the APT costs are removed, as shown on page 7 of RUCO's study, Algonquin's sewer operations' cost of labor/wages expense, including outside contractual services, per each utility customer on average decreases from 95 percent higher than the three sewer companies (Page 1) included in RUCO's

study that utilize the shared services concept to 77 percent higher than the three companies in RUCO's study. Page 2 and 7 of the study shows Algonquin's sewer operations' cost of labor/wages expense, including outside contractual services, per each utility customer on average decreases from 115 percent higher to 96 percent higher than the three stand-alone sewer companies that was included in RUCO's study. When combining RUCO's study samples of three shared services sewer companies and three stand-alone sewer companies, Algonquin on average is higher than the six sample companies by 86 percent.

When the APT costs are removed, as shown on page 7 of RUCO's study, Algonquin's water operations' cost of labor/wages expense, including outside contractual services, per each utility customer on average decreases from 50 to 30 percent higher than RUCO's 23 sample water systems (Page 3 and 4) that utilize the shared services concept. When the APT costs are removed, Algonquin's water operations' cost of labor/wages expense, including outside contractual services, per each utility customer on average decreases from 66 percent higher to 44 percent higher than the three stand-alone water companies (Page 5) that was included in RUCO's study. When combining RUCO's study samples of seventeen AWC systems, five AZ-AM districts, and a single Chaparral system that all utilize the shared services concept and the three stand-alone water companies, Algonquin on average is higher than the 26 sample companies by 34 percent.

**SEWER COMPANIES IN ARIZONA
TOTAL LABOR / WAGE DOLLARS PER CUSTOMER ANALYSIS
COMPARISON OF ALGONQUIN UTILITIES WITH OTHER ARIZONA WASTEWATER COMPANIES WITH SHARED SERVICES**

Algonquin Wastewater Services

Line No.	Note	2008 Pro-Forma Wages Expensed	2008 Average Customer Count	Annual Wage Cost Per Customer	Monthly Wage Cost Per Customer
1		\$ 482,045	2,071	\$ 232.76	\$ 19.40

Arizona American Water Company

Individual Systems:	Note	As Company Filed	Note	As Company Filed	Annual Wage Cost Per Customer	Monthly Wage Cost Per Customer	Average Cost for AZ-AM
2 Sun City - Sewer	2	1,387,684	3	21,965	63.18	5.26	
3 Sun City West - Sewer	2	1,556,363	3	14,968	103.98	8.66	
4 Mohave Sewer	4	232,661	4	1,235	188.39	15.70	
5 Average Labor and Wage Cost per Customer per Month for AZ-AM Sewer Companies							9.88

Notes:

1. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
2. As Originally Filed by the Company in Docket No. SW-01303A-09-0343 - 2008 Test Year
3. Water Infrastructure Finance Authority of Arizona (WIFA) 2008 Water and Wastewater Residential Rate Survey for the State of Arizona
4. As Originally Filed by the Company in Docket No. SW-01303A-08-0227 - 2007 Test Year

SEWER COMPANIES IN ARIZONA
TOTAL LABOR / WAGE DOLLARS PER CUSTOMER ANALYSIS
COMPARISON OF ALGONQUIN UTILITIES WITH OTHER ARIZONA STAND-ALONE WASTEWATER COMPANIES WITHOUT SHARED SERVICES

Algonquin Wastewater Services

Line No.	Note	2008 Pro-Forma Wages Expensed	2008 Average Customer Count	Annual Wage Cost Per Customer	Monthly Wage Cost Per Customer
1	Rio Rico Utilities, Inc Sewer	\$ 482,045	2,071	\$ 232.76	\$ 19.40

Various Arizona Wastewater Companies

Line No.	Note	2008 Annual Report Wages Expensed	2008 Annual Report Customer Count	Annual Wage Cost Per Customer	Monthly Wage Cost Per Customer	Average Cost for Various Co.
2	Ajo Improvement Co. - Sewer	87,645	5	1,065	82.32	6.86
3	Rio Verde Utilities, Inc. - Sewer	224,012	5	1,622	138.07	11.51
4	Far West Sewer	724,159	5	7,166	101.05	8.42
5	Average Labor and Wage Cost per Customer per Month for Various Stand-Alone Arizona Sewer Companies					<u>8.93</u>
6	Average Labor and Wage Cost per Customer each Month for All 6 Companies on Pages 1 & 2					<u>9.40</u>

Notes:

1. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
5. As Filed by the Various Wastewater Companies in its 2008 Annual Report Filed with the Commission

**WATER COMPANIES IN ARIZONA
TOTAL LABOR / WAGE DOLLARS PER CUSTOMER ANALYSIS
COMPARISON OF ALGONQUIN UTILITIES WITH OTHER ARIZONA WATER COMPANIES WITH SHARED SERVICES**

Algonquin Water Services

	<u>Note</u>	2008 Pro-Forma <u>Wages Expensed</u>	2008 Pro-Forma <u>Customer Count</u>	Annual Wage Cost <u>Per Customer</u>	Monthly Wage Cost <u>Per Customer</u>
Rio Rico Utilities, Inc Water	1	\$ 895,475	6,025	\$ 148.63	\$ 12.39

Arizona Water Company

Line No.	<u>Individual Systems:</u>	<u>Note</u>	2007 Pro-Forma <u>Wages Expensed</u>	2007 Pro-Forma <u>Customer Count</u>	Annual Wage Cost <u>Per Customer</u>	Monthly Wage Cost <u>Per Customer</u>	Average Cost for <u>AZ Water</u>
1	Coolidge Water	2	\$ 352,652	4,703	\$ 74.98	\$ 6.25	
2	Lakeside Water	2	369,614	4,954	74.61	6.22	
3	Sedona Water	2	523,727	6,298	83.16	6.93	
4	Casa Grande	2	1,786,887	22,529	79.31	6.61	
5	Winkelman	2	18,962	168	112.87	9.41	
6	Total Arizona Water Company for All AWC 17 Water Systems	2	8,933,310	82,886	107.78		<u>7.08</u>
							<u>8.98</u>

Arizona American Water Company

	<u>Note</u>	2007 Pro-Forma <u>Wages Expensed</u>	2007 Pro-Forma <u>Customer Count</u>	Annual Wage Cost <u>Per Customer</u>	Monthly Wage Cost <u>Per Customer</u>	Average Cost for <u>AZ-AM</u>
7	Agua Fria Water	3	\$ 4,216,281	34,402	\$ 122.56	\$ 10.21
8	Havasu Water	3	371,202	2,565	144.72	12.06
9	Mohave Water	3	1,840,872	16,635	110.66	9.22
10	Sun City Water	4	2,734,992	23,140	118.19	9.85
11	Sun City West Water	3	1,703,120	15,465	110.13	9.18
12	Average Cost for the 5 AZ-AM Districts listed Above					<u>10.10</u>
13	Average Cost per Month for All 10 Systems on Page 3					<u>9.54</u>

Notes:

1. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
2. As Originally Filed by the Company in Docket No. W-01445A-08-0440
3. As Originally Filed by the Company in Docket No. W-01303A-08-0227
4. As Originally Filed by the Company in Docket No. W-01303A-09-0343

**WATER COMPANIES IN ARIZONA
TOTAL LABOR / WAGE DOLLARS PER CUSTOMER ANALYSIS
COMPARISON OF ALGONQUIN UTILITIES WITH OTHER ARIZONA WATER COMPANIES WITH SHARED SERVICES**

Algonquin Water Services

	<u>Note</u>	2008 Pro-Forma <u>Wages Expensed</u>	2008 Pro-Forma <u>Customer Count</u>	Annual Wage Cost <u>Per Customer</u>	Monthly Wage Cost <u>Per Customer</u>
Rio Rico Utilities, Inc Water	1	\$ 895,475	6,025	\$ 148.63	\$ 12.39

American States Water

	<u>Note</u>	2006 Pro-Forma <u>Wages Expensed</u>	2006 Average <u>Customer Count</u>	Annual Wage Cost <u>Per Customer</u>	Monthly Wage Cost <u>Per Customer</u>
12 Chaparral City Water Company	5	\$ 1,197,740	13,333	\$ 89.83	\$ 7.49
13 Total Average Costs for Total AWC 17 systems, 5 AZ-AM districts, and 1 Chaparral System that utilize the Shared Services Concept					<u>\$ 8.86</u>

Notes:

1. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
5. As Originally Filed by the Company in Docket No. W-02113A-07-0551

TOTAL LABOR / WAGE DOLLARS PER CUSTOMER ANALYSIS (continued)
COMPARISON OF ALGONQUIN UTILITIES WITH OTHER ARIZONA STAND-ALONE WATER COMPANIES WITHOUT SHARED SERVICES

Algonquin Water Services						
	<u>Note</u>	2008 Pro-Forma <u>Wages Expensed</u>	2008 Pro-Forma <u>Customer Count</u>	Annual Wage Cost <u>Per Customer</u>	Monthly Wage Cost <u>Per Customer</u>	
Rio Rico Utilities, Inc Water	1	\$ 895,475	6,025	\$ 148.63	\$ 12.39	
Various Stand-Alone Water Companies						
Line No. <u>Individual Systems:</u>	<u>Note</u>	2008 Annual Report <u>Wages Expensed</u>	2008 Annual Report <u>Customer Count</u>	Annual Wage Cost <u>Per Customer</u>	Monthly Wage Cost <u>Per Customer</u>	Average Cost for <u>Various Co.</u>
1 Rio Verde Utilities, Inc. - Water	2	\$ 239,802	1,688	\$ 142.06	\$ 11.84	
2 Bermuda Water Company	2	810,371	7,672	105.63	8.80	
3 Lago Del Oro Water Company	2	242,391	6,046	40.09	3.34	
4 Average Cost per Month for the 3 Systems listed Above						<u>7.99</u>
5 Average for Pages 3, 4, and 5						<u>8.64</u>

Notes:

1. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
2. As Filed by the Company in its 2008 Annual Report Filed with the Commission

**TOTAL LABOR / WAGE DOLLARS PER CUSTOMER ANALYSIS
INCLUDING APT COSTS AS PROPOSED BY ALGONQUIN UTILITY SERVICES**

Arizona's Algonquin Utility Services

Line No.	Note	Test Year Company Proposed Wages Expensed	Test Year Average Customer Count	Annual Wage Cost Proposed Per Customer	Monthly Wage Cost Proposed Per Customer
1	Black Mountain Sewer	\$ 560,744	2,106	\$ 266.26	\$ 22.19
2	LIPSCO Water Division	2,405,353	15,594	154.25	12.85
3	LIPSCO Sewer Division	2,816,007	14,589	193.02	16.09
4	Rio Rico Utilities, Inc Water	895,475	6,025	148.63	12.39
5	Rio Rico Utilities, Inc Sewer	482,045	2,071	232.76	19.40
6	Bella Vista Consolidated	1,646,008	9,400	175.11	14.59
7	Average for Algonquin Water Companies Above				<u>13.28</u>
8	Average for Algonquin Sewer Companies Above				<u>19.22</u>

Notes:

1. As Filed by the Company in Rejoinder in Docket No. SW-02361A-08-0609
2. As Filed by the Company in Rejoinder in Docket No. SW-01428A-09-0103
2. As Filed by the Company in Rejoinder in Docket No. SW-01428A-09-0103
4. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
5. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
6. As Originally Filed by the Company in Direct in Docket No. W-02465A-09-0414, W-20453A-09-0414, and W-20454A-09-0414

**TOTAL LABOR / WAGE DOLLARS PER CUSTOMER ANALYSIS
WITHOUT THE APT CENTRAL OFFICE COSTS**

Arizona's Algonquin Utility Services

Line <u>No.</u>	<u>Note</u>	Test Year Company Proposed <u>Wages Expensed</u>	Test Year Average <u>Customer Count</u>	Annual Wage Cost Proposed <u>Per Customer</u>	Monthly Wage Cost Proposed <u>Per Customer</u>
1	Black Mountain Sewer	1 \$ 525,277	2,106	\$ 249.42	\$ 20.78
2	LIPSCO Water Division	2 2,094,874	15,594	134.34	11.19
3	LIPSCO Sewer Division	3 2,472,319	14,589	169.46	14.12
4	Rio Rico Utilities, Inc Water	4 764,941	6,025	126.96	10.58
5	Rio Rico Utilities, Inc Sewer	5 438,989	2,071	211.97	17.66
6	Bella Vista Consolidated	6 1,447,487	9,400	153.99	12.83
7	Average for Algonquin Water Companies Above				<u>11.54</u>
8	Average for Algonquin Sewer Companies Above				<u>17.52</u>

Notes:

1. As Filed by the Company in Rejoinder in Docket No. SW-02361A-08-0609
2. As Filed by the Company in Rejoinder in Docket No. SW-01428A-09-0103
2. As Filed by the Company in Rejoinder in Docket No. SW-01428A-09-0103
4. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
5. As Filed by the Company in Rebuttal in Docket No. WS-02676A-09-0257
6. As Originally Filed by the Company in Direct in Docket No. W-02465A-09-0414, W-20453A-09-0414, and W-20454A-09-0414

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	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
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 1 - REVENUE ANNUALIZATION
TESTIMONY	1	OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED POWER INCREASE & EXPENSE ANNUALIZATION
TJC-8	1	OPERATING INCOME ADJUSTMENT NO. 3 - DEPRECIATION EXPENSE
TJC-9	1	OPERATING INCOME ADJUSTMENT NO. 4 - PROPERTY TAX EXPENSE
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 6 - MISCELLANEOUS EXPENSE
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 7 - PURCHASED POWER EXPENSE ADJUSTMENT
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 8 - TRANSPORTATION EXPENSE
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 9 - OUT OF TEST YEAR CORPORATE EXPENSES
TJC-15	1	OPERATING INCOME ADJUSTMENT NO. 10 - ACTUAL CORPORATE APT COSTS
TJC-16	1	OPERATING INCOME ADJUSTMENT NO. 11 - APT CORPORATE COSTS ADJUSTMENT
TJC-17	1	OPERATING INCOME ADJUSTMENT NO. 12 - REMOVE UNAMORTIZED RATE CASE EXPENSE
TJC-18	1	OPERATING INCOME ADJUSTMENT NO. 13 - NORMALIZE BAD DEBT EXPENSE
TJC-19	1	OPERATING INCOME ADJUSTMENT NO. 14 - INCOME TAX EXPENSE
TJC-20 & 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	\$ 8,455,517	\$ 7,175,864
2	Adjusted Operating Income (Loss)	\$ (214,606)	\$ (3,490)
3	Current Rate of Return (L2 / L1)	-2.54%	-0.05%
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	\$ 570,670
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	\$ 929,413
9	Adjusted Test Year Revenue	\$ 1,847,256	\$ 1,852,050
10	Proposed Annual Revenue (L8 + L9)	\$ 3,904,369	\$ 2,781,463
15	Required Percentage Increase in Revenue (L8 / L9)	111.36%	50.18%
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)	<u>0.6140</u>			
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)	<u>93.0320%</u>			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>31.6309%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u><u>38.5989%</u></u>			
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)	<u>(3,490)</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 570,670		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 243,594			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>(115,149)</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		<u>\$ 358,743</u>		
17	Total Required Increase In Revenue (L13 + L16)		<u><u>\$ 929,413</u></u>		
CALCULATION OF INCOME TAX:					
RUCO Recommended					
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			\$ 2,781,463	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,970,689	
20	Synchronized Interest (Col. (C), L37)			<u>179,684</u>	
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)			<u>\$ 587,116</u>	
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)				<u>\$ 243,594</u>
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				\$ (115,149)
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				<u>\$ 358,743</u>
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%	
				<u>\$ 179,684</u>	

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 - Surrebuttal 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		

ACCELERATED DEPRECIATION EFFECTS ON INCOME TAXES FOR RATEMAKING

Assumptions*

Original Cost of Asset: \$ 10,000
 Book and tax depreciable basis are equal.
 Book and tax lives are both 10 years
 Zero net salvage value
 Composite (state and federal) tax rate is 38.60 percent
 Asset in service at beginning of year 1

Line
No.

1	Straight			Effect on	Provision for		Accumulated	
2	Line	Accelerated	Current	Taxable	Deferred	Book	Deferred	
3	Year	Depreciation	Tax	Income	Taxes	Tax	Tax	
4	(a)	(b)	(C) = -(b)*.3860	(d) = (a) - (b)	(e) = -(d)*.3860	(f) = (c) + (e) or, -(a)*.3860	(g) = sum(e)	
5	1	1,000	2,000	772	(1,000)	386	(386)	386
6	2	1,000	1,600	618	(600)	232	(386)	618
7	3	1,000	1,280	494	(280)	108	(386)	726
8	4	1,000	1,024	395	(24)	9	(386)	735
9	5	1,000	819	316	181	(70)	(386)	665
10	6	1,000	655	253	345	(133)	(386)	532
11	7	1,000	656	253	344	(133)	(386)	399
12	8	1,000	655	253	345	(133)	(386)	266
13	9	1,000	656	253	344	(133)	(386)	133
14	10	1,000	655	253	345	(133)	(386)	-
15		10,000	10,000	3,860	0	0	(3,860)	4,459

16 * Note: Assumptions and analysis for illustrative purposes.

17

18 Income tax deduction for customers' rates (book tax) based on straight-line depreciation.
 19 Income tax deduction for utility's tax filings (current tax) based on accelerated depreciation.
 20 Over the life of the asset, the tax deduction is the same.
 21 During the life of the asset, customers receive the value of the accumulated deferred taxes
 22 as a reduction to rate base and required return.
 23

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	\$ 929,413	\$ 2,736,791
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>\$ 929,413</u>	<u>\$ 2,781,463</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)	-	-	-
20	Reg. Comm. Exp. - Rate Case	70,000	(17,500)	52,500	-	52,500
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	(31,900)	98,474	-	98,474
26	Federal Income Tax	(110,555)	16,193	(94,362)	293,982	199,619
27	State Income Tax	(24,354)	3,567	(20,787)	64,761	43,974
28	Total Operating Expenses	<u>\$ 2,061,862</u>	<u>\$ (206,322)</u>	<u>\$ 1,855,540</u>	<u>\$ 358,743</u>	<u>\$ 2,214,283</u>
29	Operating Income	<u>\$ (214,606)</u>	<u>\$ 211,116</u>	<u>\$ (3,490)</u>	<u>\$ 570,670</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. POWER 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 RATE CASE EXPENSE	(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	73,915	-	-	-	-	-	-	-	(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	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	-	-	52,500
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	-	-	-	(31,900)	-	-	-	-	-	-	-	-	-	-	-	98,474
26	Federal Income Tax	(110,555)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(84,352)
27	State Income Tax	(24,354)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,193
28	Total Operating Expenses	\$ 2,061,862	\$ -	\$ 2,334	\$ 1,687	\$ (31,900)	\$ (17,500)	\$ (1,363)	\$ (48,005)	\$ (6,725)	\$ (14,477)	\$ 3,274	\$ (96,643)	\$ (17,564)	\$ 799	\$ 19,760	\$ 1,855,540	
29	Operating Income	\$ (214,606)	\$ 4,794	\$ (2,334)	\$ (1,687)	\$ 31,900	\$ 17,500	\$ 1,363	\$ 48,005	\$ 6,725	\$ 14,477	\$ (3,274)	\$ 96,643	\$ 17,564	\$ (799)	\$ (19,760)	\$ (3,490)	

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 - Prior Rate Case Unamortized Expense
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
TJC Testimony and Schedule TJC-19
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>2,781,463</u>	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 6,485,564	
5	Average Annual Operating Revenues	Line 4 / 3	<u>2,161,855</u>	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		\$ 4,323,709
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>\$ 4,139,378</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	\$ 869,269	
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			\$ 98,473
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		<u>\$ 98,473</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		\$ (31,900)
		Line 20		<u><u>\$ (31,900)</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	\$ 210,000	\$ (52,500)	\$ 157,500
2	Allocation Factor			100%
3	Water Division - Surrebuttal Schedules (Line 1 X Line 2)			\$ 157,500
4	Normalization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			\$ 52,500
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			\$ 70,000
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			\$ (17,500)
8	RUCO Adjustment (Line 7)			\$ (17,500)

**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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33		
34	<u>SUPPORTING SCHEDULES</u>	
35	RUCO Work Paper - Miscellaneous Expense Adjustment - Water	
36		
37		
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40		
41		

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

Water Division - Surrebuttal Schedules
Schedule TJC-12
Page 1 of 1

**OPERATING INCOME ADJUSTMENT NO. 7
PURCHASED POWER**

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

Water Division - Surrebuttal Schedules
Schedule TJC-13
Page 1 of 1

**OPERATING INCOME ADJUSTMENT NO. 8
TRANSPORTATION EXPENSE**

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

Water Division - Surrebuttal Schedules
Schedule TJC-14
Page 1 of 1

**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		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	7,000	Licenses/Fees and Permits	Wind Developmt	7,887
			Licenses/Fees and Permits	US Trustee	9,375
Total		\$ (49,686)	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

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

Water Division - Surrebuttal Schedules
Schedule TJC-17
Page 1 of 1

**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
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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	\$ (118,639)
LESS:			
2	Arizona State Tax	Line 11	(20,787)
3	Interest Expense	Note (A) Line 21	179,684
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (277,535)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (94,362)
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ (118,639)
LESS:			
8	Interest Expense	Note (A) Line 21	179,684
9	State Taxable Income	Line 7 - Line 8	\$ (298,322)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (20,787)
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (94,362)
13	State Income Tax Expense	Line 11	(20,787)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ (115,149)
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	\$ 16,193
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	\$ 3,567

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%
		\$ 179,684

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	
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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'M'TS	(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 BLANK	(H) ADJMT NO. 7 PURCH. POWER PER GB 3.8	(I) ADJMT NO. 8 TRANSPORTATION EXPENSE	(J) ADJMT NO. 9 BLANK	(K) ADJMT NO. 10 CENTRAL OFFICE COSTS	(L) ADJMT NO. 11 CORPORATE ALLOCATION	(M) ADJMT NO. 12 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	252,572	-	-	9,361	-	-	-	-	-	-	-	-	-	-	-	-	262,033
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Property Taxes	91,705	-	-	-	(12,189)	-	-	-	-	-	-	-	-	-	-	-	79,516
26	Federal Income Tax	252,773	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(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
Schedule TJC-13 - 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			<u>252,672</u>
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		\$ 3,342,479
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		\$ 79,516
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>\$ (12,189)</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>\$ 125,000</u>	<u>\$ (31,250)</u>	<u>\$ 93,750</u>
2	Allocation Factor			100%
3	Wastewater Division - Surrebuttal Schedule: (Line 1 X Line 2)			<u>\$ 93,750</u>
4	Normalization Period - 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			<u>\$ 31,250</u>
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			\$ 41,667
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			<u>\$ (10,417)</u>
8	RUCO Adjustment (Line 7)			<u><u>\$ (10,417)</u></u>

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

LINE NO.	DESCRIPTION	(A) AMOUNT
1	Intentionally Left Blank - See TJC Testimony	
2		
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Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008

Wastewater Division - Surrebuttal Schedules
Schedule TJC-12
Page 1 of 1

**OPERATING INCOME ADJUSTMENT NO. 7
PURCHASED POWER**

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

Wastewater Division - Surrebuttal Schedules
Schedule TJC-13
Page 1 of 1

**OPERATING INCOME ADJUSTMENT NO. 8
TRANSPORTATION EXPENSE**

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

Wastewater Division - Surrebuttal Schedules
Schedule TJC-14
Page 1 of 1

**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

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

Wastewater Division - Surrebuttal Schedules
Schedule TJC-17
Page 1 of 1

**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	
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	\$ 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

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257

Water Division - Surrebuttal Rate Design Schedules

TJC-RD1

**RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RUCO SURREBUTTAL 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	\$ 9.43	\$ 662,823	\$ 662,823
2	First Tier - First 4,000 Gals.	235,875	5,804	241,679	\$ 2.02	\$ 487,092	
3	Second Tier - Next 6,000 Gals.	198,643	4,015	202,658	\$ 2.53	\$ 512,996	
4	Third Tier - Over 10,000 Gals.	154,775	1,648	156,423	\$ 2.88	\$ 449,761	\$ 1,449,849
5	3/4" Commodity Usage	95	1	96	\$ 14.11	\$ 1,354	\$ 1,354
6	First Tier - First 6,000 Gals.	334	3	337	\$ 2.53	\$ 854	
7	Second Tier - Over 6,000 Gals.	4	2	6	\$ 2.88	\$ 16	
8	1" Commodity Usage	432	168	600	\$ 25.00	\$ 14,998	\$ 870 \$ 14,998
9	First Tier - First 15,000 Gals.	3,417	1,976	5,393	\$ 2.53	\$ 13,651	
10	Second Tier - Over 15,000 Gals.	1,476	13	1,489	\$ 2.88	\$ 4,281	\$ 17,933
11	1.5" Commodity Usage	43	53	96	\$ 50.72	\$ 4,869	\$ 4,869
12	First Tier - First 20,000 Gals.	600	1,050	1,650	\$ 2.53	\$ 4,177	
13	Second Tier - Over 20,000 Gals.	265	192	457	\$ 2.88	\$ 1,314	
14	2" Commodity Usage	48	12	60	\$ 78.93	\$ 4,736	\$ 5,491 \$ 4,736
15	First Tier - First 57,000 Gals.	872	246	1,118	\$ 2.53	\$ 2,830	
16	Second Tier - Over 57,000 Gals.	85	(0)	85	\$ 2.88	\$ 244	\$ 3,075
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>\$ 2,165,998</u>
COMMERCIAL CUSTOMERS							
20	5/8" Commodity Usage	1,163	229	1,392	\$ 9.43	\$ 13,127	\$ 13,127
21	First Tier - First 4,000 Gals.	3,255	1,193	4,448	\$ 2.02	\$ 8,965	
22	Second Tier - Next 6,000 Gals.	3,111	673	3,784	\$ 2.53	\$ 9,578	
23	Third Tier - Over 10,000 Gals.	7,096	861	7,957	\$ 2.88	\$ 22,879	\$ 41,421
24	1" Commodity Usage	515	37	552	\$ 25.00	\$ 13,798	\$ 13,798
25	First Tier - First 15,000 Gals.	4,169	540	4,709	\$ 2.53	\$ 11,919	
26	Second Tier - Over 15,000 Gals.	5,000	83	5,083	\$ 2.88	\$ 14,615	\$ 26,534
27	1-1/2" Commodity Usage	124	(4)	120	\$ 50.72	\$ 6,087	\$ 6,087
28	First Tier - First 20,000 Gals.	1,867	(80)	1,787	\$ 2.53	\$ 4,524	
29	Second Tier - Over 20,000 Gals.	3,054	(64)	2,990	\$ 2.88	\$ 8,596	\$ 13,120
30	2" Commodity Usage	393	27	420	\$ 78.93	\$ 33,152	\$ 33,152
31	First Tier - First 57,000 Gals.	12,341	1,539	13,880	\$ 2.53	\$ 35,135	
32	Second Tier - Over 57,000 Gals.	48,381	1,351	49,732	\$ 2.88	\$ 142,993	\$ 178,129
33	3" Commodity Usage	161	(17)	144	\$ 154.07	\$ 22,186	\$ 22,186
34	First Tier - First 57,000 Gals.	4,188	(969)	3,219	\$ 2.53	\$ 8,148	
35	Second Tier - Over 57,000 Gals.	38,661	(3,403)	35,258	\$ 2.88	\$ 101,377	\$ 109,525

RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RUCO SURREBUTTAL 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
1	4"	61	11	72	\$ 253.61	\$ 18,260	\$ 18,260
	Commodity Usage						
2	First Tier - First 57,000 Gals.	3,063	627	3,690	\$ 2.53	\$ 9,341	
3	Second Tier - Over 57,000 Gals.	14,765	2,805	17,570	\$ 2.88	\$ 50,518	
							\$ 59,859
4	6"	12	-	12	\$ 469.58	\$ 5,635	\$ 5,635
	Commodity Usage						
5	First Tier - First 125,000 Gals.	1,500	-	1,500	\$ 2.53	\$ 3,797	
6	Second Tier - Over 125,000 Gals.	6,200	-	6,200	\$ 2.88	\$ 17,827	
							\$ 21,624
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>\$ 562,456</u>
	Multi-Family						
10	5/8"	117	(9)	108	\$ 9.43	\$ 1,019	\$ 1,019
	Commodity Usage						
11	First Tier - First 4,000 Gals.	433	(33)	400	\$ 2.02	\$ 806	
12	Second Tier - Next 6,000 Gals.	439	(32)	407	\$ 2.53	\$ 1,030	
13	Third Tier - Over 10,000 Gals.	382	(30)	352	\$ 2.88	\$ 1,013	
							\$ 2,849
14	1-1/2"	12	-	12	\$ 50.72	\$ 609	\$ 609
	Commodity Usage						
15	First Tier - First 20,000 Gals.	89	-	89	\$ 2.53	\$ 225	
16	Second Tier - Over 20,000 Gals.	0	-	0	\$ 2.88	\$ -	
							\$ 225
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>\$ 4,702</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 SURREBUTTAL RECOMMENDED REVENUE PER BILL DETERMINANTS						\$ 2,736,791
27	Other Revenue						44,672
28	TOTAL RUCO SURREBUTTAL RECOMMENDED REVENUE PER TJC-1						<u>\$ 2,781,463</u>

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257

Water Division - Surrebuttal Rate Design Schedules

TJC-RD2

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%	\$ 2,165,998	79.14%
2	COMMERCIAL	363,332	20.09%	791,256	20.45%	562,456	20.55%
3	MULTI-FAMILY	3,418	0.19%	7,297	0.19%	4,702	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>\$ 2,736,791</u>	<u>100.00%</u>
ALLOCATION RATIOS							
4	FIX REVENUE	\$ 532,661	29.45%	\$ 1,133,658	29.38%	\$ 806,288	29.46%
5	VARIABLE REVENUE	1,276,120	70.55%	2,725,445	70.62%	1,930,503	70.54%
6	TOTAL	<u>\$ 1,808,782</u>	<u>100.00%</u>	<u>\$ 3,859,103</u>	<u>100.00%</u>	<u>\$ 2,736,791</u>	<u>100.00%</u>
RES. G-1 (5/8" X 3/4") RATE DESIGN							
		<u>PRESENT</u>		<u>COMPANY PROPOSED</u>		<u>RUCO PROPOSED</u>	
7	BASIC MONTHLY CHARGE	\$ 6.45		\$ 13.71		\$ 9.43	
	COMMODITY CHARGE						
		<u>PRESENT</u>	<u>PROPOSED</u>				
8	First Tier - First 4,000 Gals.	First Tier - First 4,000 Gals.	\$ 1.4400	\$ 2.9300	\$ 2.0154		
9	Second Tier - Next 6,000 Gals.	Second Tier - Next 6,000 Gals.	\$ 1.7000	\$ 3.6800	\$ 2.5313		
10	Third Tier - Over 10,000 Gals.	Third Tier - Over 10,000 Gals.	\$ 1.9000	\$ 4.1800	\$ 2.8753		
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	\$ 13.74	\$ 4.21	44.19%
12		50.00%	4,274	\$ 12.68	\$ 18.19	\$ 5.51	43.47%
13		100.00%	8,548	\$ 19.94	\$ 29.00	\$ 9.06	45.45%
14		150.00%	12,822	\$ 27.77	\$ 40.79	\$ 13.02	46.89%
15		200.00%	17,096	\$ 35.89	\$ 53.08	\$ 17.19	47.90%

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257

Wastewater Division - Surrebuttal Rate Design Schedules

TJC-RD1

**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

**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"	48	0	48	\$ 304.25	\$ 14,604	\$ 14,604
	Commodity Usage						
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"	12	0	12	\$ 578.17	\$ 6,938	\$ 6,938
	Commodity Usage						
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"	113	(5)	108	\$ 40.84	\$ 4,410	\$ 4,410
	Commodity Usage						
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"	12	0	12	\$ 84.95	\$ 1,019	\$ 1,019
	Commodity Usage						
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>

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257

Wastewater Division - Surrebuttal Rate Design Schedules

TJC-RD2

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.	\$ -	\$ -	\$ -		
9	Second Tier - Over 7,000 Gals.	Second Tier - Over 7,000 Gals.	\$ 5.71	\$ 5.44	\$ 4.14		