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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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COMMISSIONERS

KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF BLACK MOUNTAIN SEWER CORPORATION, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO. SW-02361A-08-0609 **STAFF'S NOTICE OF FILING SUPPLEMENTAL SURREBUTTALTESTIMONY**

The Utilities Division of the Arizona Corporation Commission ("Staff") hereby provides notice of filing of the Supplemental Surrebuttal Testimony of Crystal S. Brown in the above-referenced matter.

RESPECTFULLY SUBMITTED this 19th day of November, 2009.

Kevin O. Torrey, Attorney
Legal Division
Arizona Corporation Commission
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(602) 542-3402

Original and 13 copies of the foregoing were filed this 19th day of November, 2009, with:

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Arizona Corporation Commission
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Phoenix, AZ 85007

Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
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IN THE MATTER OF THE APPLICATION OF BLACK MOUNTAIN SEWER CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	)	DOCKET NO. SW-02361A-08-0609

SUPPLEMENTAL

SURREBUTTAL

TESTIMONY

OF

CRYSTAL S. BROWN

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

NOVEMBER 19, 2009

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EXECUTIVE SUMMARY
BLACK MOUNTAIN SEWER COMPANY, INC.
DOCKET NO. SW-02361A-08-0609

Staff recommends an increase in revenue of $553,240 or a 35.01 percent increase over test year revenue of $1,580,170. The total annual revenue of $2,133,410 produces an operating income of $318,059 or a 9.40 percent rate of return on Staff's recommended fair value rate base of $3,383,526. Staff's Supplemental Surrebuttal Testimony supplements Staff's Surrebuttal Testimony on the following issues:

1. Rate Base

    a. Odor Control Plant Equipment
    b. Accumulated Deferred Income Taxes
    c. Cash Working Capital

2. Operating Income

    a. Bad Debt Expense
    b. Rate Case Expense

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Crystal S. Brown. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Crystal S. Brown who filed Direct Testimony in this case?

A. Yes.

PURPOSE OF SUPPLEMENTAL SURREBUTTAL TESTIMONY

Q. What is the purpose of your Supplemental Surrebuttal Testimony in this proceeding?

A. The purpose of my Supplemental Surrebuttal Testimony in this proceeding is to present Staff's recommendations based upon additional analysis of the Company's lead-lag study and its responses to Staff's data requests that were not reflected in Staff's Surrebuttal Testimony.

Q. What issues will you address?

A. I will address the issues listed below that are discussed in the Rebuttal Testimony of Black Mountain witness Mr. Thomas J. Bourassa.

1. Rate Base

    a. Odor Control Plant Equipment
    b. Accumulated Deferred Income Taxes
    c. Cash Working Capital

2. Operating Income

    a. Bad Debt Expense
    b. Rate Case Expense

Q. What is Staff's recommended revenue?

A. Staff now recommends an increase in revenue of $553,240 or a 35.01 percent increase over test year revenue of $1,580,170. The total annual revenue of $2,133,410 produces an operating income of $318,059 or a 9.40 percent rate of return on Staff's recommended fair value rate base of $3,383,526.

Q. How does Staff's recommended revenue compare to the recommended revenue in Staff's Surrebuttal Testimony?

A. Staff's recommended revenue has increased by $9,306, from $2,124,105 in its Surrebuttal testimony to $2,133,410 in its Supplemental Testimony as follow:

	Surrebuttal	Increase	Supplemental Surrebuttal
Recommended Revenue	$ 2,124,105	$ 9,306	$ 2,133,410
Test Year Revenue	$ 1,580,170	$ -	$ 1,580,170
Recommended Increase	$ 543,935	$ 9,306	$ 553,240
% Increase	34.42%	0.59%	35.01%
Rate Base	$ 3,365,416	$ 18,110	$ 3,383,526
Rate of Return	9.4%	$ -	9.40%

RATE BASE

Odor Control Plant Equipment

Q. What was Staff's Surrebuttal position regarding the Company's proposed inclusion of $38,625 for an odor control unit (Bourassa rebuttal testimony 5:17-19)?

A. Staff did not include the odor control equipment in plant in service because Staff was awaiting supporting documentation from the Company that included, but was not limited to, the invoice and canceled check.

Q. Did the Company provide the invoice and canceled check for the odor control equipment?

A. No it did not.

Q. Can Staff make the appropriate adjustments to rate base without this information?

A. No, Staff cannot. Staff must verify the cost of the plant, recalculate the accumulated depreciation, and verify how the plant was financed.

Q. What is Staff's recommendation?

A. Staff recommends that if the Company cannot provide adequate documentation by the end of the hearing, the odor control equipment be included in plant in service and its related accumulated depreciation be included in the accumulated depreciation account as the Company proposes, but be treated as CIAC with the appropriate adjustment to that account. This treatment would have no net impact on rate base.

Rate Base Adjustment No. 5 - Accumulated Deferred Income Taxes

Q. Did the Company provide adequate documentation for its accumulated deferred income taxes ("ADITs")?

A. No, it did not. The Company provided a 2007 tax depreciation schedule. It provided estimates rather than actual amounts for the 2008 taxes related to the test year. The gross depreciable plant on the tax depreciation schedule of $5,671,344 did not agree with the gross plant on Schedule B-2, page 7. Further, only one number in the Company's response to Staff's data request CSB 11- 4 was supported with documentation.

Q. What is Staff's recommendation concerning the Company's proposed ADIT balance?

A. Staff continues to recommend increasing accumulated deferred income taxes by $170,554, from a negative $170,554 to $0 as shown on Supplemental Surrebuttal Schedule CSB-9.

Rate Base Adjustment No. 6 - Working Capital

Q. Did Staff review the work papers supporting the Company's lead-lag study in more detail?

A. Yes.

Q. What work paper did Staff perform more detailed analysis upon?

A. Staff reviewed the Company's file that provided a history of bill dates and customer payment dates. The file also calculated the number of days after the bill date that customers paid their bills. Using the Company provided customer payment information, Staff determined that on average customers paid their bills 19.23 days after the bill date. Further, the Company indicated that the bills were sent out on average within about 4.65 days of the first day of the service period. The average customer payment date is 23.88 (i.e. 19.23 + 4.65 = 23.88). Therefore, the customer payment lag (which is measured from the midpoint of service to the customer payment date) and is the same as the revenue lag for this case is 8.88 days. It is calculated as follows: 23.88 (payment date) - 15 (midpoint of service period) = 8.88.

Service Begins	Bill Sent	Service Midpoint	Payment Is Made	Service Ends
1st Day	4.65 Day	15th Day	23.88 Day	30th Day

Q. What other changes did Staff make to the lead-lag study?

A. Staff removed synchronized interest as Staff has not recognized debt in the Company's capital structure. Staff adopted the Company's expense lag days for income tax expense and reflected Staff's operating expenses.

Q. How does the cash working capital calculated in Staff's Supplemental Surrebuttal Testimony compare to the cash working capital calculated in Staff's Surrebuttal Testimony?

A. It increases cash working capital by $18,110, from a negative $101,242 to a negative $83,132.

Q. What is Staff's recommendation for cash working capital?

A. Staff recommends decreasing cash working capital by $83,132, from $0 to a negative $83,132 as shown on Surrebuttal Schedule CSB-10.

OPERATING INCOME

Q. What is Staff's recommendation for rental expense?

A. Staff recommends increasing rental expense by $18,432 from $19,830 to $38,262 as shown on Surrebuttal Schedule CSB-11 and page 2 of Surrebuttal Schedule CSB-12.

Operating Income Adjustment No. 9 - Bad Debt Expense

Q. Did Staff review the Company's data request response showing the amount of bad debt expense written off in a subsequent year that was related to test year revenues?

A. Yes. The Company provided evidence showing that $6,479 in bad debt expense related to test year revenues was written off in a subsequent year.

Q. Does Staff agree with the Company?

A. Yes.

Q. What is Staff's recommendation?

A. Staff recommends increasing bad debt expense by $2,412, from $11,965 to $14,377 as shown on Supplemental Surrebuttal Schedule CSB-21.

Rate Case Expense

Q. Did Staff review the Company's data request response concerning the additional $50,000 rate case expense?

A. Yes. The Company indicated in its response that the costs pertained to costs of the settlement agreement with a home owners' association.

Q. Does Staff agree that these costs should be included in rate case expense?

A. No. The settlement agreement costs are not pertinent to the processing of the rate case.

Q. What is Staff's recommendation?

A. Staff recommends that the additional $50,000 in rate case expense be disallowed.

Q. Does this conclude your Supplemental Surrebuttal Testimony?

A. Yes, it does.

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	$ 3,723,245	$ 3,383,526
2	Adjusted Operating Income (Loss)	$ (84,484)	$ (8,438)
3	Current Rate of Return (L2 / L1)	-2.27%	-0.25%
4	Required Rate of Return	12.80%	9.40%
5	Required Operating Income (L4 * L1)	$ 476,575	$ 318,051
6	Operating Income Deficiency (L5 - L2)	$ 561,059	$ 326,489
7	Gross Revenue Conversion Factor	1.6286	1.6945
8	Required Revenue Increase (L7 * L6)	$ 913,780	**$ 553,240**
9	Adjusted Test Year Revenue	$ 1,580,170	$ 1,580,170
10	Proposed Annual Revenue (L8 + L9)	$ 2,493,950	$ 2,133,410
11	Required Increase in Revenue (%)	57.83%	35.01%

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line	40.9860%			
5	Subtotal (L3 - L4)	59.0140%			
6	**Revenue Conversion Factor (L1 / L5)**	1.694512			
	Calculation of Uncollecttible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 23)	40.6414%			
9	One Minus Combined Income Tax Rate (L7 - L8)	59.3586%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
	Calculation of Effective Tax Rate:				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 55)	36.1955%			
16	Effective Federal Income Tax Rate (L14 x L15)	33.6734%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		40.6414%		
	Calculation of Effective Property Tax Factor				
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	40.6414%			
20	One Minus Combined Income Tax Rate (L18-L19)	59.3586%			
21	Property Tax Factor (CSB-16, L21)	0.5804%			
22	Effective Property Tax Factor (L20*L21)		0.3445%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			40.9860%	
24	Required Operating Income (Schedule CSB-1, Line 5)	$ 318,051			
25	AdjustedTest Year Operating Income (Loss) (Schedule CSB-11, Line 3	(8,438)			
26	Required Increase in Operating Income (L24 - L25)		$ 326,489		
27	Income Taxes on Recommended Revenue (Col. [E], L52)	$ 258,071			
28	Income Taxes on Test Year Revenue (Col. [B], L52)	34,532			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		223,540		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	$ 2,133,410			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncolllectible Expense on Recommended Revenue (L30*L31)	$ -			
33	Adjusted Test Year Uncollectible Expense	$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)		-		
35	Property Tax with Recommended Revenue (CSB-16, Col B, L16)	$ 30,446			
36	Property Tax on Test Year Revenue (CSB-16, Col A, L16)	27,235			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		3,211		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		$ 553,240		

	Calculation of Income Tax:	Test Year		Staff Recommended
39	Revenue (Schedule CSB-11, Col. [C], Line 5 & Sch. CSB-1, Col. [D] Li	$ 1,580,170	$ 553,240	$ 2,133,410
40	Operating Expenses Excluding Income Taxes	$ 1,389,554	$ 3,211	$ 1,392,765
41	Synchronized Interest (L56)	$ 72,047		$ 72,047
42	Arizona Taxable Income (L39 - L40 - L41)	$ 118,569		$ 668,598
43	Arizona State Income Tax Rate	6.9680%		6.9680%
44	Arizona Income Tax (L42 x L43)	$ 8,262		$ 46,588
45	Federal Taxable Income (L42 - L44)	$ 110,307		$ 622,010
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ 6,250		$ 6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 8,500		$ 8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 4,020		$ 91,650
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ 97,583
51	Total Federal Income Tax	$ 26,270		$ 211,483
52	Combined Federal and State Income Tax (L44 + L51)	$ 34,532		$ 258,071

53 Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45] 36.1955%

	Calculation of Interest Synchronization:	
54	Rate Base (Schedule CSB-3, Col. (C), Line 17	$ 3,602,336
55	Weighted Average Cost of Debt (Schedule CSB-17, Col. [F], L1 + L2)	2.0000%
56	Synchronized Interest (L45 X L46)	$ 72,047

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-3

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	Adj. No.	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 11,357,735	$ 250,184	1,2	$ 11,607,919
2	Less: Accumulated Depreciation	5,625,025	89,118	3	5,714,143
3	Net Plant in Service	$ 5,732,710	$ 161,066		$ 5,893,776
	LESS:				
4	Contributions in Aid of Construction (CIAC)	$ 5,232,139	$ -		$ 5,232,139
5	Less: Accumulated Amortization	4,214,384	-		$ 4,214,384
6	Net CIAC	1,017,755	-		$ 1,017,755
7	Advances in Aid of Construction (AIAC)	1,457,009	254,251	4	1,711,260
8	Customer Deposits	94,290	-		94,290
9	Deferred Income Tax Credits	(170,554)	170,554	5	-
	ADD:				
9	Deferred Regulatory Assets	389,035	-		389,035
10	Cash Working Capital	-	(83,132)	6	(83,132)
11	Prepayments	-	7,152	6	7,152
12	**Original Cost Rate Base**	$ 3,723,245	$ (339,719)		$ 3,383,526

References:
Column (A), Company Schedule B-1
Column (B): Schedule MEM-4
Column (C): Column (A) + Column (B)

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Unrecorded Retirement & Addition Ref: Sch CSB-5	[C] ADJ #2 Expensed Plant Ref: Sch CSB-6	[D] ADJ #3 Accumulated Depreciation Ref: Sch CSB-7	[E] ADJ #4 AIAC Ref: Sch CSB-8	[F] ADJ #5 Accumulated Deferred Income Taxes Ref: Sch CSB-9	[G] ADJ #6 Working Capital Ref: Sch CSB-10	[H] STAFF ADJUSTED
		PLANT IN SERVICE:								
1										
2	351	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	352	Franchises	-	-	-	-	-	-	-	-
4	353	Land and Land Rights	461,300	-	-	-	-	-	-	461,300
5	354	Structures and Improvements	2,557,920	-	2,300	-	-	-	-	2,560,220
6	355	Power Generation Equipment	-	-	-	-	-	-	-	-
7	360	Collection Services - Force	706,292	-	1,600	-	-	-	-	707,892
8	361	Collection Services - Gravity	4,284,948	-	-	-	-	-	-	4,284,948
9	362	Special Collecting Structures	-	-	-	-	-	-	-	-
10	363	Services to Customers	198,723	-	-	-	-	-	-	198,723
11	364	Flow Measuring Devices	31,512	-	-	-	-	-	-	31,512
12	365	Flow Measuring Installations	179,622	-	-	-	-	-	-	179,622
13	370	Receiving Wells	690,628	241,043	1,200	-	-	-	-	932,871
14	371	Effluent Pumping Equipment	654,844	-	2,803	-	-	-	-	657,647
15	380	Treatment and Disposal Equipment	143,578	-	-	-	-	-	-	143,578
16	381	Plant Sewers	123,289	-	1,238	-	-	-	-	124,527
17	382	Outfall Sewer Lines	-	-	-	-	-	-	-	-
18	389	Other Plant & Misc. Equipment	939,432	-	-	-	-	-	-	939,432
19	390	Office Furniture & Equipment	224,587	-	-	-	-	-	-	224,587
20	391	Transportation Equipment	107,367	-	-	-	-	-	-	107,367
21	393	Tools, Shop & Garage Equipment	5,754	-	-	-	-	-	-	5,754
22	394	Labratory Equipment	7,488	-	-	-	-	-	-	7,488
23	395	Power Operated Equipment	-	-	-	-	-	-	-	-
24	396	Communication Equipment	40,451	-	-	-	-	-	-	40,451
25	398	Other Tangible Plant	-	-	-	-	-	-	-	-
26			-	-	-	-	-	-	-	-
27										
28		Total Plant in Service	$ 11,357,735	$ 241,043	$ 9,141	$ -	$ -	$ -	$ -	$ 11,607,919
29		Less: Accumulated Depreciation	5,625,025	-	-	89,118	-	-	-	5,714,143
30			-	-	-	-			-	-
31		Net Plant in Service (L59 - L 60)	$ 5,732,710	$ 241,043	$ 9,141	$ (89,118)	$ -	$ -	$ -	$ 5,893,776
32										
33		*LESS:*								
34		Contributions in Aid of Construction (CIAC)	$ 5,232,139	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,232,139
35		Less: Accumulated Amortization	4,214,384	-	-	-	-	-	-	4,214,384
36		Net CIAC (L25 - L26)	1,017,755	-	-	-	-	-	-	1,017,755
37		Advances in Aid of Construction (AIAC)	1,457,009	-	-	-	254,251	-	-	1,711,260
38		Customer Deposits	94,290	-	-	-	-	-	-	94,290
39		Deferred Income Taxes	(170,554)	-	-	-	-	170,554	-	-
40			-	-						-
41										
42		*ADD:*								
43		Deferred Reg Asset - Unamortized Balance of Scottsdale Treatmei	389,035	-	-	-	-	-	-	389,035
44		Cash Working Capital	-	-	-	-	-	-	(83,132)	(83,132)
45		Prepayments	-	-	-	-	-	-	7,152	7,152
46		**Original Cost Rate Base**	$ 3,723,245	$ 241,043	$ 9,141	$ (89,118)	$ (254,251)	$ (170,554)	$ (75,980)	$ 3,383,526

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-5

RATE BASE ADJUSTMENT NO. 1 - UNRECORDED PLANT RETIREMENT AND PLANT ADDITION

LINE NO.	Description	[A] COMPANY AS FILED	[B] ADJUSTMENTS	[C] STAFF AS ADJUSTED Col A - Col B
1	Account 370 - Receiving Wells	$ 690,628	$ -	$ 690,628
2	Old Trade Center Lift Station	-	(13,208)	(13,208)
3	New Trade Center Lift Station	-	$ 254,251	254,251
4		$ 690,628	$ 241,043	$ 931,671

References:

Column A: Company Schedule B-2, Page 3
Column B: Testimony, CSB, Company Data Request Responses DH 2.4 and 2.5
Column C: Column [A] + Column [B]

Black Mountain Sewer Company
Docket No. SW-02361A-05-0657
Test Year Ended December 31, 2004

Supplemental Surrebuttal Schedule CSB-6

RATE BASE ADJUSTMENT NO. 2 - EXPENSED PLANT

LINE NO.	Plant Account Number	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	354	Structures and Improvemnts	$ 461,300	$ 2,300	$ 463,600
2	360	Collection Services, Force	$ 706,292	$ 1,600	$ 707,892
3	370	Receiving Wells	$ 690,628	$ 1,200	$ 691,828
4	371	Effluent Pumping Equip	$ 654,844	$ 2,803	$ 657,647
5	381	Plant Sewers	$ 123,289	$ 1,238	$ 124,527
6		Total	$ 2,636,353	**$ 9,141**	$ 2,645,494
7					
8					
9	**FROM CONTRACTUAL SERVICES, LEGAL & ENGINEERING EXPENSE (MEM 1.55)**				
10	Acct. No.	Vendor Name	Description		Amount
11	354 - Structures & Improv	Consulting Land Surveyors	Locate existing and set new boundaries		$ 1,500.00
12					
13					
14	**FROM CONTRACTUAL SERVICES, OTHER EXPENSE (MEM 1.55)**				
15	Acct. No.	Vendor Name	Description		Amount
16	354 - Structures & Improv	Consulting Land Surveyors	Locate existing and set new boundaries		$ 800.00
17					
18					
19	360-Collection Srvcs, Force	ADEQ Approval to Construct	Certificate		$ 1,600.00
20	370-Receiving Wells	ADEQ Approval to Construct	Certificate		$ 1,200.00
21				Subtotal	$ 2,800.00
22					
23	371-Effluent Pumping Plant	Keller Equipment Company	Install submersible Pumps		$ 1,212.00
24	371-Effluent Pumping Plant	Keller Equipment Company	Set two pumps; pull one		$ 1,591.25
25				Subtotal	$ 2,803.25
26					
27					
28	381-Plant Sewers	KSK Electric	New cables, sand filters		$ 1,237.72
29					
30				Total for Contractual Services, Other	$ 7,640.97
31					
32				**Grand Total**	$ 9,140.97

References:

Column A: Company Schedule B-2, Page 3
Column B: Testimony, CSB, Company Data Request Responses MEM 1.55
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Accumulated Depreciation	$ 5,625,025	$ 89,118	$ 5,714,143

References:

Column A: Company Schedule B-1, Page 1
Column B: Testimony, CSB; Schedule CSB-7, Page 5 of 5
Column C: Column [A] + Column [B]

Black Mountain Sewer Company
SW-02361A-08-0609
Test Year Ended 6/30/2008

PLANT AND ACCUMULATED DEPRECIATION
With Staff Recommended Plant Adjustments

	Staff 31-Dec-04 Original Cost	Staff 31-Dec-04 Accumulated Depreciation	Depreciation Rates Before Dec. 69164	Depreciation Rates After Dec. 69164	2005 Additions	2005 Retirements	Depreciation Expense	2005 Total Cost	2005 Accumulated Depreciation
351 Organization Cost	$0	$0	0.00%	0.00%	$0	$0	$0	$0	$0
352 Franchise Cost	$0	$0	0.00%	0.00%	$0	0	$0	0	0
353 Land & Land Rights	$461,300	$0	0.00%	0.00%	$0	0	$0	461,300	0
354 Structures & Improvements	$1,239,905	$888,015	5.00%	3.33%	$54,645	0	$63,361	1,294,549	951,376
355 Power Generation Equip	$0	$706	5.00%	5.00%	$0	0	($706)	0	0
360 Collection Sewers, Force	$568,413	$154,483	5.00%	2.00%	$89,562	0	$30,660	657,976	185,143
361 Collection Sewers, Gravity	$3,614,544	$2,488,740	5.00%	2.00%	$275,691	0	$187,619	3,890,235	2,676,359
362 Special Collection Structures	$0	$0	5.00%	2.00%	$0	0	$0	0	0
363 Services	$157,218	$128,612	5.00%	10.00%	$19,337	0	$8,344	176,555	136,956
364 Flow Measuring Devices	$39,829	$23,004	5.00%	10.00%	($8,135)	0	$1,788	31,694	24,792
365 Flow Measuring Installations	$156,204	$3,959	5.00%	3.33%	$19,404	0	$8,295	175,608	12,254
370 Receiving Wells	$696,137	$199,051	5.00%	12.50%	$0	0	$34,807	696,137	233,858
371 Effluent Pumping Equipment	$453,558	$244,706	5.00%	5.00%	$11,119	0	$22,956	464,677	267,662
380 Treatment & Disposal Equip	$0	$0	5.00%	5.00%	$6,288	0	$157	6,288	157
381 Plant Sewers	$123,289	$84,017	5.00%	3.33%	$0	0	$6,164	123,289	90,181
382 Outfall Sewer Lines	$0	$0	5.00%	6.67%	$0	0	$0	0	0
389 Other Plant & Misc. Equip	$804,839	$80,678	5.00%	6.67%	$6,221	0	$40,397	811,059	121,075
390 Office Furniture & Fixt	$220,360	$27,165	5.00%	20.00%	$1,465	0	$11,055	221,825	38,220
391 Transportation Equipment	$87,811	$7,642	5.00%	5.00%	$0	0	$4,391	87,811	12,032
393 Tools, Shop, & Garage Equip	$0	$0	5.00%	5.00%	$0	0	$0	0	0
394 Laboratory Equipment	$7,280	$352	5.00%	10.00%	$209	0	$369	7,488	721
395 Power Operated Equipment	$0	$0	5.00%	5.00%	$0	0	$0	0	0
396 Communication Equipment	$0	$0	5.00%	10.00%	$0	0	$0	0	0
398 Other Tangible Plant	$0	$0	5.00%	10.00%	$0	0	$0	0	0
2004/2005 Totals	$8,630,686	$4,331,129			$475,805	$0	$419,658	$9,106,491	$4,750,787

PLANT AND ACCUMULATED DEPRECIATION
With Staff Recommended Plant Adjustments

	2006 Additions Cost	2006 Retirements Cost	2006 Retirements Depreciation	Fully Depreciated	2006 Depr. Expense	2006 Total Cost	2006 Accumulated Depreciation	2006 Net Book Value
351 Organization Cost	$0	$0	$0	$0	$0	$0	$0	$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	461,300	0	461,300
354 Structures & Improvements	3,625	0	0	0	63,014	1,298,174	1,014,390	283,784
355 Power Generation Equip	0	0	0	0	0	0	0	0
360 Collection Sewers, Force	3,592	0	0	0	31,339	661,568	216,482	445,086
361 Collection Sewers, Gravity	89,849	0	0	0	186,920	3,980,084	2,863,280	1,116,804
362 Special Collection Structures	0	0	0	0	0	0	0	0
363 Services	10,429	0	0	0	8,634	186,984	145,590	41,394
364 Flow Measuring Devices	(182)	0	0	0	1,712	31,512	26,504	5,008
365 Flow Measuring Installations	3,740	0	0	0	9,613	179,348	21,868	157,480
370 Receiving Wells	2,141	0	0	0	33,890	698,278	267,748	430,530
371 Effluent Pumping Equipment	44,676	0	0	0	27,395	509,353	295,056	214,297
380 Treatment & Disposal Equip	12,184	0	0	0	619	18,472	776	17,696
381 Plant Sewers	0	0	0	0	6,164	123,289	96,346	26,943
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant & Misc. Equip	52,315	0	0	0	43,026	863,374	164,101	699,273
390 Office Furniture & Fixtures	0	0	0	0	11,400	221,825	49,620	172,205
391 Transportation Equip	0	0	0	0	5,488	87,811	17,520	70,291
393 Tools, Shop, & Garage Equip	0	0	0	0	0	0	0	0
394 Laboratory Equipment	0	0	0	0	406	7,488	1,126	6,362
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communication Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2006 Totals	$222,369	$0	$0	$0	$429,620	$9,328,860	$5,180,408	$4,148,452

PLANT AND ACCUMULATED DEPRECIATION
With Staff Recommended Plant Adjustments

	2007 Additions Cost	2007 Retirements Cost	2007 Retirements Depreciation	Fully Depreciated	2007 Depr. Expense	2007 Total Cost	2007 Accumulated Depreciation	2007 Net Book Value
351 Organization Cost	$0	$0	$0	$0	$0	$0	$0	$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	461,300	0	461,300
354 Structures & Improvements	(18,852)	0	0	0	42,915	1,279,322	1,057,306	222,016
355 Power Generation Equip	0	0	0	0	0	0	0	0
360 Collection Sewers, Force	32,466	0	0	0	13,556	694,034	230,038	463,996
361 Collection Sewers, Gravity	178,995	0	0	0	81,392	4,159,079	2,944,671	1,214,408
362 Special Collection Structures	0	0	0	0	0	0	0	0
363 Services	0	0	0	0	3,740	186,984	149,330	37,654
364 Flow Measuring Devices	0	0	0	0	3,151	31,512	29,655	1,857
365 Flow Measuring Installations	0	0	0	0	17,935	179,348	39,802	139,546
370 Receiving Wells	0	0	0	0	23,253	698,278	291,001	407,277
371 Effluent Pumping Equipment	69,428	0	0	0	68,008	578,781	363,065	215,716
380 Treatment & Disposal Equip	4,387	0	0	0	1,033	22,859	1,809	21,050
381 Plant Sewers	0	0	0	0	6,164	123,289	102,510	20,779
382 Outfall Sewer Lines	0	0	0	0	0	0	0	0
389 Other Plant & Misc. Equip	(158)	0	0	0	57,582	863,216	221,683	641,533
390 Office Furniture & Fixt	2,763	0	0	0	14,888	224,588	64,507	160,081
391 Transportation Equip	19,556	0	0	0	19,518	107,367	37,038	70,329
393 Tools, Shop, & Garage Equip	3,493	0	0	0	87	3,493	87	3,406
394 Laboratory Equipment	0	0	0	0	749	7,488	1,875	5,613
395 Power Operated Equip	0	0	0	0	0	0	0	0
396 Communication Equipment	0	0	0	0	0	0	0	0
398 Other Tangible Plant	0	0	0	0	0	0	0	0
2007 Totals	$292,078	$0	$0	$0	$353,971	$9,620,938	$5,534,379	$4,086,559

PLANT AND ACCUMULATED DEPRECIATION
With Staff Recommended Plant Adjustments

	2008 Additions Cost	2008 Retirements Cost	2008 Retirements Depreciation	Fully Depreciated	Six Months 2008 Depr. Expense	2008 Total Cost	2008 Accumulated Depreciation	2008 Net Book Value
351 Organization Cost	$0	$0	$0	$0	$0	$0	$0	$0
352 Franchise Cost	0	0	0	0	0	0	0	0
353 Land & Land Rights	0	0	0	0	0	461,300	0	461,300
354 Structures & Improvements	1,280,897	0	0	0	31,964	2,560,219	1,089,270	1,470,949
355 Power Generation Equip	0	0	0	0	0	0	0	0
360 Collection Sewers, Force	13,858	0	0	0	7,010	707,892	237,048	470,844
361 Collection Sewers, Gravity	125,870	0	0	0	42,220	4,284,949	2,986,891	1,298,058
362 Special Collection Structures	0	0	0	0	0	0	0	0
363 Services	11,739	0	0	0	1,929	198,723	151,259	47,464
364 Flow Measuring Devices	0	0	0	0	1,576	31,512	31,231	281
365 Flow Measuring Installations	274	0	0	0	8,974	179,622	48,777	130,845
370 Receiving Wells	255,684	21,091	21,091	0	13,579	932,871	283,489	649,382
371 Effluent Pumping Equipment	78,867	0	0	0	38,638	657,648	401,703	255,945
380 Treatment & Disposal Equip	120,719	0	0	0	2,080	143,578	3,890	139,688
381 Plant Sewers	1,238	0	0	0	3,098	124,527	105,608	18,919
382 Outfall Sewer Lines		0	0	0	0	0	0	0
389 Other Plant & Misc. Equip	76,216	0	0	0	30,059	939,432	251,742	687,690
390 Office Furniture & Fixt	0	0	0	0	7,490	224,588	71,997	152,591
391 Transportation Equip	0	0	0	0	10,737	107,367	47,775	59,592
393 Tools, Shop, & Garage Equip	2,262	0	0	0	116	5,755	203	5,552
394 Laboratory Equipment	0	0	0	0	374	7,488	2,249	5,239
395 Power Operated Equip		0	0	0	0	0	0	0
396 Communication Equipment	40,451	0	0	0	1,011	40,451	1,011	39,440
398 Other Tangible Plant		0	0	0	0	0	0	0
2008 Totals	$2,008,075	$21,091	$21,091	$0	$200,855	$11,607,922	$5,714,143	$5,893,779

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-8

RATE BASE ADJUSTMENT NO. 4 - ADVANCES IN AID OF CONSTRUCTION ("AIAC")

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY AS FILED**	**STAFF ADJUSTMENTS**	**STAFF AS ADJUSTED**
1	Advances in Aid of Construction	$ 1,457,009	$ 254,251	$ 1,711,260

References:

Column A: Company Schedule B-1, Page 1
Column B: Testimony, CSB, Company Data Request Responses DH 2.4 and 2.5
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-9

RATE BASE ADJUSTMENT NO. 5 - ACCUMULATED DEFERRED INCOME TAXES ("ADIT")

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY AS FILED**	**STAFF ADJUSTMENTS**	**STAFF AS ADJUSTED**
1	Accumulated Deferred Income Taxes	$ (170,554)	$ 170,554	$ -

References:

Column A: Company Schedule B-1, Page 1
Column B: Testimony, CSB;
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Cash Working Capital	$ -	$ (83,132)	$ (83,132)
2				
3				
4				

References:

Column A: Company Schedule B-1
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL CONTINUED
Cash Working Capital - Lead Lag Study

Line No.	Description	[A] Proforma TY Expense	[B] Revenue Lag Days[7]	[C] Expense Lag Days	[D] Net Lag Days	[E] Lead/Lag Factor Col E/365	[F] Cash Working Capital Required (Col A x Col F)
1	Purchased Power	$ 54,960	8.88	39.79	-30.91	-0.084684932	$ (4,654)
2	Purchased Wastewater Treatment	$ 338,381	8.88	38.01	-29.13	-0.079808219	$ (27,006)
3	Rents - Building	$ 38,262	8.88	-15.00	23.88	0.065424658	$ 2,503
4	Scottsdale Capacity Lease[1]	$ 164,522	8.88	45.00	-36.12	-0.098958904	$ (16,281)
5	Contractual Services - Allocated Expense	$ 429,083	8.88	15.00	-6.12	-0.016767123	$ (7,194)
6	Regulatory Commission Expense - Rate Case Exp[2]	$ -	0	0	0	0	$ -
7	Insurance[3]	$ 18,704	8.88	-15.00	23.88	0.065424658	$ 1,224
8	Other Operating Expenses	$ 140,536	8.88	45.00	-36.12	-0.098958904	$ (13,907)
9	Property Taxes[4]	$ 27,235	8.88	212.00	-203.12	-0.556493151	$ (15,156)
10	Income Taxes[5]	$ 34,532	8.88	37	-28.12	-0.077041096	$ (2,660)
11	Synchronized Interest Expense[6]	$ -			0	0	$ -
12		$ 1,246,215					$ (83,132)

[1] The Commission has authorized the debt payment to be treated as an operating expense. As such, Staff increased the number of expense lag days from a negative 15 to 45. The 45 expense lag days is the number of lag days that the Company is proposing for Other Operating Expenses shown on line 8.

[2] Staff removed rate case expense so that customers would not be required to pay a rate of return on any portion of the rate case expense.

[3] Staff reviewed the insurance account activity on the general ledger that was provided in response to MEM 1.06 and found that the Company makes . regular payments to its affiliates for insurance. Therefore, consistent with this observation, Staff utilized that 15 expense lag days that the Company proposes for other expenses paid to affiliates

[4] Staff used 212 days. This number of lag days has been previously authorized by the Commission for property taxes (Decision No. 66849, page 8, line 16).

[5] Staff adopted the 37 days the Company proposed in its Rebuttal testimony.

[6] Interest expense is a component of return and, therefore, a component of revenue. Interest expense requires a cash payment. The Company collects cash used to make interest payments prior to the interest due date. While Black Mountain has possession of these funds, they are a source of cost-free cash that the Company can use until making payments. Staff calculated 91.25 expense lag days by dividing 365 days by 4 quarterly interest payments.

[7] Using the Company provided customer payment information, Staff determined that on average customers paid their bills 19.23 days after the bill date. The Company indicated that the bills were sent out on average about 4.65 days after the first of the service period. The customer payment date is 23.88 calculated by summing 4.65 and 19.23. Therefore, the customer payment lag is 8.88 {i.e., 23.88 (payment date) -15 (midpoint of service period) = 8.88.}

RATE BASE ADJUSTMENT NO. 6 - CASH WORKING CAPITAL
Prepayments

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY AS FILED**	**STAFF ADJUSTMENTS**	**STAFF AS ADJUSTED**
1	Prepayments	$ -	$ 7,152	$ 7,152
2				
3				
4				

	Per Company's General Ledger
Prepaid licenses, fees & permits	$ (195)
Prepaid rent	$ 2,174
Prepaid insurance	$ 7,273
	$ 9,252
Less: Maricopa County Environmental Services permit fee	$ 2,100
	$ 7,152

References:

Column A: Company Schedule B-1
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-11

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj. No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*						
2	Flat Rate Revenues	$ 1,557,337	$ -		$ 1,557,337	$ 553,240	$ 2,110,577
3	Measured Revenues	15,917	-		15,917	-	15,917
4	Other Wastewater Revenues	6,916	-		6,916	-	6,916
5	Intentionally Left Blank	-	-		-	-	-
6	**Total Operating Revenues**	$ 1,580,170	$ -		$ 1,580,170	$ 553,240	**$ 2,133,410**
7							
8	*OPERATING EXPENSES:*						
9	Salaries and Wages	$ -	$ -		$ -	$ -	$ -
10	Purchased Wastewater Treatment	335,255	3,125	1,2	338,380	-	338,380
11	Sludge Removal Expense	706	-		706	-	706
12	Purchased Power	54,690	-		54,690	-	54,690
13	Fuel for Power Production	928	-		928	-	928
14	Chemicals	37,489	3,324	3,4	40,813	-	40,813
15	Materials & Supplies	11,224	-		11,224	-	11,224
16	Contractural Services, Legal&Engr	9,362	(4,861)	7,8	4,501	-	4,501
17	Contractural Sevices - Other	553,043	(123,960)	5,6,7,8,13	429,083	-	429,083
18	Contractural Services - Testing	16,955	(1,733)	12	15,222	-	15,222
19	Equipment Rental	1,863	-		1,863	-	1,863
20	Rents - Building	19,830	18,432	10	38,262	-	38,262
21	Transportation	34,445	(5,375)	11	29,070	-	29,070
22	General Liability Insurance	18,704	-		18,704	-	18,704
23	Insurance - Other	990	-		990	-	990
24	Regulatory Commission/Rate Case Expense	60,000	-		60,000	-	60,000
25	Miscellaneous Expense	20,845	-		20,845	-	20,845
26	Bad Debt Expense	11,962	2,412	9	14,374	-	14,374
27	Scottsdale Capacity (Operating Lease)	164,522	-		164,522	-	164,522
28	Amort. Of Addit'l Scottsdale Capacity	48,629	-		48,629	-	48,629
29	Depreciation	224,818	9,217	14	234,035	-	234,035
30	Taxes other than Income	(1,780)	1,780	15	-	-	-
31	Property Taxes	32,414	(5,179)	16	27,235	3,211	30,446
32	Income Taxes	7,760	26,772	17	34,532	223,540	258,071
33	Intentionally Left Blank	-	-		-	-	-
34	**Total Operating Expenses**	$ 1,664,654	$ (76,046)		$ 1,588,608	$ 226,751	$ 1,815,359
35	**Operating Income (Loss)**	$ (84,484)	$ 76,046		$ (8,438)	$ 326,489	**$ 318,051**

References:
Column (A): Company Schedule C-1
Column (B): Schedule MEM-13
Column (C): Column (A) + Column (B)
Column (D): Schedules MEM-1 and MEM-2
Column (E): Column (C) + Column (D)

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Scottsdale Treatment Price Increase ADJ #1	[C] Annualize Wastewater Treatment ADJ #2	[D] Chemicals Expense Price Increase ADJ #3	[E] Annualize Chemicals Expense ADJ #4	[F] Corporate Expense Allocation ADJ #5	[G] Affiliate Increase ADJ #6	[H] Expensed Plant ADJ #7	[I] Normalized Maint., Legal & Engr. Expenses ADJ #8	[J] Bad Debt Expense ADJ #9
			Ref: Sch CSB-13	Ref: Sch CSB-14	Ref: Sch CSB-15	Ref: Sch CSB-16	Ref: Sch CSB-17	Ref: Sch CSB-18	Ref: Sch CSB-19	Ref: Sch CSB-20	Ref: Sch CSB-21
1	*REVENUES:*										
2	Flat Rate Revenues	$ 1,557,337	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	Measured Revenues	15,917	-	-	-	-	-	-	-	-	-
4	Other Wastewater Revenues	6,916	-	-	-	-	-	-	-	-	-
5	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-
6	**Total Operating Revenues**	$ 1,580,170	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7											
8	*OPERATING EXPENSES:*										
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Purchased Wastewater Trmnt	335,255	2,509	616	-	-	-	-	-	-	-
11	Sludge Removal Expense	706	-	-	-	-	-	-	-	-	-
12	Purchased Power	54,690	-	-	-	-	-	-	-	-	-
13	Fuel for Power Production	928	-	-	-	-	-	-	-	-	-
14	Chemicals	37,489	-	-	3,191	133	-	-	-	-	-
15	Materials & Supplies	11,224	-	-	-	-	-	-	-	-	-
16	Contractural Services, Legal&Engr	9,362	-	-	-	-	-	-	(1,500)	(3,361)	-
17	Contractural Sevices - Other	553,043	-	-	-	-	(24,492)	(50,302)	(7,641)	(26,580)	-
18	Contractural Services - Testing	16,955	-	-	-	-	-	-	-	-	-
19	Equipment Rental	1,863	-	-	-	-	-	-	-	-	-
20	Rents - Building	19,830	-	-	-	-	-	-	-	-	-
21	Transportation	34,445	-	-	-	-	-	-	-	-	-
22	General Liability Insurance	18,704	-	-	-	-	-	-	-	-	-
23	Insurance - Other	990	-	-	-	-	-	-	-	-	-
24	Reg Comm/Rate Case Expense	60,000	-	-	-	-	-	-	-	-	-
25	Miscellaneous Expense	20,845	-	-	-	-	-	-	-	-	-
26	Bad Debt Expense	11,962	-	-	-	-	-	-	-	-	2,412
27	Scottsdale Cap (Operating Lease)	164,522	-	-	-	-	-	-	-	-	-
28	Addt'l Scottsdale Capacity Amort.	48,629	-	-	-	-	-	-	-	-	-
29	Depreciation	224,818	-	-	-	-	-	-	-	-	-
30	Taxes other than Income	(1,780)	-	-	-	-	-	-	-	-	-
31	Property Taxes	32,414	-	-	-	-	-	-	-	-	-
32	Income Taxes	7,760	-	-	-	-	-	-	-	-	-
33	Intentionally Left Blank	-	-	-	-	-	-	-	-	-	-
34	**Total Operating Expenses**	$ 1,664,654	$ 2,509	$ 616	$ 3,191	$ 133	$ (24,492)	$ (50,302)	$ (9,141)	$ (29,941)	$ 2,412
35	**Operating Income (Loss)**	$ (84,484)	$ (2,509)	$ (616)	$ (3,191)	$ (133)	$ 24,492	$ 50,302	$ 9,141	$ 29,941	$ (2,412)

BLACK MOUNTAIN SEWER CORPORATION
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SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR CONTINUED

LINE NO.	DESCRIPTION	[K] Rents Expense ADJ #10	[L] Transportation Expense ADJ #11	[M] Testing Expense ADJ #12	[N] Bonuses, Meals, and Other Expenses ADJ #13	[O] Depreciation Expense ADJ #14	[P] Taxes Other Than Income Exp ADJ #15	[Q] Property Tax Expense ADJ #16	[R] Income Tax Expense ADJ #17	[S] STAFF ADJUSTED
1	*REVENUES:*	Ref: Sch CSB-22	Ref: Sch CSB-23	Ref: Sch CSB-24	Ref: Sch CSB-25	Ref: Sch CSB-26	Ref: Sch CSB-27	Ref: Sch CSB-28	Ref: Sch CSB-29	
2	Flat Rate Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,557,337
3	Measured Revenues	-	-	-	-	-	-	-	-	15,917
4	Other Wastewater Revenues	-	-	-	-	-	-	-	-	6,916
5	Intentionally Left Blank	-	-	-	-	-	-	-	-	-
6	**Total Operating Revenues**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,580,170
7										
8	*OPERATING EXPENSES:*									
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Purchased Wastewater Trmnt	-	-	-	-	-	-	-	-	338,380
11	Sludge Removal Expense	-	-	-	-	-	-	-	-	706
12	Purchased Power	-	-	-	-	-	-	-	-	54,690
13	Fuel for Power Production	-	-	-	-	-	-	-	-	928
14	Chemicals	-	-	-	-	-	-	-	-	40,813
15	Materials & Supplies	-	-	-	-	-	-	-	-	11,224
16	Contractural Services, Legal&Engr	-	-	-	-	-	-	-	-	4,501
17	Contractural Sevices - Other	-	-	-	(14,945)	-	-	-	-	429,083
18	Contractural Services - Testing	-	-	(1,733)	-	-	-	-	-	15,222
19	Equipment Rental	-	-	-	-	-	-	-	-	1,863
20	Rents - Building	18,432	-	-	-	-	-	-	-	38,262
21	Transportation	-	(5,375)	-	-	-	-	-	-	29,070
22	General Liability Insurance	-	-	-	-	-	-	-	-	18,704
23	Insurance - Other	-	-	-	-	-	-	-	-	990
24	Reg Comm/Rate Case Expense	-	-	-	-	-	-	-	-	60,000
25	Miscellaneous Expense	-	-	-	-	-	-	-	-	20,845
26	Bad Debt Expense	-	-	-	-	-	-	-	-	14,374
27	Scottsdale Cap (Operating Lease)	-	-	-	-	-	-	-	-	164,522
28	Addt'l Scottsdale Capacity Amort.	-	-	-	-	-	-	-	-	48,629
29	Depreciation	-	-	-	-	9,217	-	-	-	234,035
30	Taxes other than Income	-	-	-	-	-	1,780	-	-	-
31	Property Taxes	-	-	-	-	-	-	(5,179)	-	27,235
32	Income Taxes	-	-	-	-	-	-	-	26,772	34,532
33	Intentionally Left Blank	-	-	-	-	-	-	-	-	-
34	**Total Operating Expenses**	$ 18,432	$ (5,375)	$ (1,733)	$ (14,945)	$ 9,217	$ 1,780	$ (5,179)	$ 26,772	$ 1,588,608
35	**Operating Income (Loss)**	$ (18,432)	$ 5,375	$ 1,733	$ 14,945	$ (9,217)	$ (1,780)	$ 5,179	$ (26,772)	$ (8,438)

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-13

OPERATING INCOME ADJUSTMENT NO. 1 - SCOTTSDALE TREATMENT PRICE INCREASE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Wastewater Treatment	$ 335,255	$ -	$ 335,255
2	Scottsdale Treatment Price Increase	-	2,509	2,509
3	Total Purchased Wastewater Treament	$ 335,255	$ 2,509	$ 337,764

References:
Column A: Company Schedule C-1
Column B: Testimony, CSB; Company Rebuttal Schedule C-1, Page 2.1
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-14

OPERATING INCOME ADJUSTMENT NO. 2 - ANNUALIZE WASTEWATER TREATMENT

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Purchased Wastewater Treatment	$ 335,255	$ -	$ 335,255
2	Annualize Treatment Expense	-	616	616
3	Total Purchased Wastewater Treament	$ 335,255	$ 616	$ 335,871

References:
Column A: Company Schedule C-1
Column B: Testimony, CSB; Company Rebuttal Schedule C-1, Page 2.1
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-15

OPERATING INCOME ADJUSTMENT NO. 3 - CHEMICALS PRICE INCREASE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Chemicals	$ 37,489	$ -	$ 37,489
2	Chemicals Price Increase	-	3,191	3,191
3	Total Chemicals Expense	$ 37,489	$ 3,191	$ 40,680

References:
Column A: Company Schedule C-1
Column B: Testimony, CSB; Company Rebuttal Schedule C-1, Page 2.1
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-16

OPERATING INCOME ADJUSTMENT NO. 4 - ANNUALIZE CHEMICALS EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Chemicals	$ 37,489	$ -	$ 37,489
2	Chemicals Price Increase	-	133	133
3	Total Chemicals Expense	$ 37,489	$ 133	$ 37,622

References:
Column A: Company Schedule C-1
Column B: Testimony, CSB; Company Rebuttal Schedule C-1, Page 2.1
Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - EXPENSE ALLOCATIONS FROM UNREGULATED AFFILIATE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS (Col C - Col A)	[C] STAFF AS ADJUSTED
1	Contractural Services - Other	$ 527,099	$ -	$ 527,099
2	Corporate Expense Allocation	25,944	(24,492)	1,452
3	Total Contractural Services - Other	$ 553,043	$ (24,492)	$ 528,551

	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
	COSTS TO BE ALLOCATED TO BLACK MOUNTAIN							
	Description		Amount	Unallowable Costs (Sch CSB-6, P2)	Direct Costs of Unregulated Affiliate(s)	Allowable Common Costs Allocated to All 78 Companies	Allocation[5] %	Costs to be Allocated to Black Mtn (Col I x Col J)
13	Rent		$ 430,739	$ -	$ (430,739)	$ -	1.28%	$ -
14	Audit[1]		$ 507,000	$ -	$ (456,300)	$ 50,700	1.28%	$ 650.00
15	Tax Services[2]		$ 265,000	$ -	$ (238,500)	$ 26,500	1.28%	$ 339.74
16	Legal-General[3]		$ 300,000	$ -	$ (284,400)	$ 15,600	1.28%	$ 200.00
17	Other Professional Services		$ 455,000	$ -	$ (455,000)	$ -	1.28%	$ -
18	Management Fee		$ 636,619	$ -	$ (636,619)	$ -	1.28%	$ -
19	Unit Holder Communications		$ 314,100	$ -	$ (314,100)	$ -	1.28%	$ -
20	Trustee Fees		$ 204,000	$ -	$ (204,000)	$ -	1.28%	$ -
21	Office Costs		$ 254,100	$ (46,186)	$ (207,914)	$ -	1.28%	$ -
22	Licenses/Fees and Permits		$ 305,000	$ (145,642)	$ (159,358)	$ -	1.28%	$ -
23	Escrow and Transfer Fees		$ 75,000	$ -	$ (75,000)	$ -	1.28%	$ -
24	Depreciation Expense[4]		$ 204,242	$ -	$ (183,818)	$ 20,424	1.28%	$ 261.85
25			$ 3,950,800	$ (191,828)	$ (3,645,748)	$ 113,224		$ 1,451.59

Foot Note 1: Audit - As the parent company's lenders require the APIF to have annual financial audits, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 78 companies/interests.

Foot Note 2: Tax Services - Given the tax complexity of the APIF's many holdings and transactions, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 78 companies/interests.

Foot Note 3: Legal, General - Staff reviewed the legal invoices and found that the very large majority of the legal invoices pertained to the APIF. Staff identified only one invoice that specifically related to Black Mountain. The cost indicated on the invoice that was directly related to Black Mountain was approximately $200.

Foot Note 4: Depreciation Expense - Given that most of APIF's plant costs benefit primarily APIF, Staff assigned the majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 78 companies/interests.

Foot Note 5: Allocation Percentage - Calculated as follows: 1 / 78 companies = 1.28%. The 78 companies represents the average of the year-end 2006, 85 companies, and year-end 2007, 71 companies.

References:

Column A: Company Schedule E-5

Column B: Testimony, CSB, Company Data Request Responses CSB 1.45

Column C: Column [A] + Column [B]

LINE NO.	Category	Description of Unallowable Cost	Amount
1	**Category**	**Description of Unallowable Cost**	**Amount**
2	Office Fees and Expenses	Wind Analysis & Planning Software	$15,056
3	Office Fees and Expenses	Gold Watches and Clocks	$16,864
4	Office Fees and Expenses	Pilsner Beer Glasses	$5,700
5	Office Fees and Expenses	Leafs-Raptors Season Tickets	$5,066
6	Office Fees and Expenses	Super Bowl XLII Tickets	$3,500
7		**Subtotal for Office Expenses**	**$46,186**
8			
9	Licenses and Fees	Donation - Wind Project Develop	$25,000
10	Licenses and Fees	Donation - Water Project in Africa	$25,000
11	Licenses and Fees	Donation - Cancer Society	$13,350
12	Licenses and Fees	Donation - Multiple Myeloma	$5,000
13	Licenses and Fees	Wind Development	$7,887
14	Licenses and Fees	U.S. Trustee	$9,375
15	Licenses and Fees	St. Leon Wind Energy	$12,556
16	Licenses and Fees	Algonquin Power Fund Inc Taxes	$6,891
17	Licenses and Fees	Algonquin Power Fund Inc Taxes	$6,794
18	Licenses and Fees	Tax Ruling Request for KMS America & Subs	$10,000
19	Licenses and Fees	Algonquin Power Fund Inc Taxes	$23,789
20		**Subtotal for Licenses & Fees**	**$145,642**

OPERATING INCOME ADJUSTMENT NO. 6 - AFFILIATE INCREASE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS (Col C - Col A)	[C] STAFF AS ADJUSTED
1	Contractural Services - Other	$ 452,439	$ -	$ 452,439
2	Affiliate Increase	50,302	(50,302)	-
3	Total Contractural Services - Other	$ 502,741	$ (50,302)	$ 452,439
4				
5				
6				

References:

Column A: Company Schedule C-2, Page 1, Adjustment No. 11

Column B: Testimony, CSB; Company Data Request Responses to MEM 1.28, CSB 9.5, 9.6, 9.8

Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-19

OPERATING INCOME ADJUSTMENT NO. 7 - EXPENSED PLANT

LINE NO.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	Contractual Services, Legal and Engineering Exp	$ 9,362	$ (1,500)	$ 7,862
2	Contractual Services, Other Expense	$ 553,043	$ (7,641)	$ 545,402
3		$ -		
4		$ -		
5		$ -		
6	Total	$ 562,405	**$ (9,141)**	$ 553,264
7				
8				

9	**PLANT COSTS REMOVED FROM CONTRACTUAL SERVICES, LEGAL & ENGINEERING EXPENSE (MEM 1.55)**			
10	Acct. No.	Vendor Name	Description	Amount
11	354 - Structures & Improv	Consulting Land Surveyors	Locate existing and set new boundaries	$ 1,500.00
12				
13				
14	**PLANT COSTS REMOVED FROM CONTRACTUAL SERVICES, OTHER EXPENSE (MEM 1.55)**			
15	Acct. No.	Vendor Name	Description	Amount
16	354 - Structures & Improv	Consulting Land Surveyors	Locate existing and set new boundaries	$ 800.00
17				
18				
19	360-Collection Srvcs, Force	ADEQ Approval to Construct	Certificate	$ 1,600.00
20	370-Receiving Wells	ADEQ Approval to Construct	Certificate	$ 1,200.00
21			Subtotal	$ 2,800.00
22				
23	371-Effluent Pumping Plant	Keller Equipment Company	Install submersible Pumps	$ 1,212.00
24	371-Effluent Pumping Plant	Keller Equipment Company	Set two pumps; pull one	$ 1,591.25
25			Subtotal	$ 2,803.25
26				
27				
28	381-Plant Sewers	KSK Electric	New cables, sand filters	$ 1,237.72
29				
30			Total for Contractual Services, Other	$ 7,640.97
31				
32			**Grand Total**	$ 9,140.97

References:

Column A: Company Schedule B-2, Page 3
Column B: Testimony, CSB, Company Data Request Responses MEM 1.55
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-20

OPERATING INCOME ADJUSTMENT NO. 8 - NORMALIZED MAINTENANCE, LEGAL, & ENGINEERING EXPENSES

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Contractural Services - Other	$ 462,871	$ (26,580)	$ 489,451
2	Contractual Services, Legal and Engr.	9,362	(3,361)	9,362
3		$ 472,233	$ (29,941)	$ 498,813
4				
5				[D]
6				Normalized
7				Maintenance Expense
8				(MEM 1.55)
9			Cost of Sewer Spill	$ 39,870
10			Divided by 3 Years	3
11			Normalized Cost for Sewer Spill	$ 13,290
12				
13			Normalized Cost for Sewer Spill	$ 13,290
14			Less: Cost for Sewer Spill	$ 39,870
15			**Staff's Adjustment**	**(26,580)**
16				
17				
18				
19	[E]	[F]	[G]	[H]
20		Contractual	Land Surveying	Normalized
21	Year	Services	Costs Capitalized	Legal & Engr. Exp
22	Company Schedule E-2	Legal & Engr	(Sch CSB-14)	(Col E + Col F)
23	6/30/2006	$ 5,503	$ -	$ 5,503
24	6/30/2007	$ 4,639	$ -	$ 4,639
25	6/30/2008	$ 9,362	$ (1,500)	$ 7,862
26				$ 18,004
27			Divided by 3 Years	3
28			Normalized Legal and Engineering Expense	$ 6,001
29				
30			Normalized Legal and Engineering Expense	$ 6,001
31			Less: Legal and Engineering Expense	$ 9,362
32			**Staff's Adjustment**	**(3,361)**

References:

Column A: Company Schedule C-1

Column B: Testimony, CSB, Company Data Request Response MEM 1.55, Company Schedule E-2

Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-21

OPERATING INCOME ADJUSTMENT NO. 9 - BAD DEBT EXPENSE

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Bad Debt Expense - Test Year	$ 7,898	$ -	$ 7,898
2	Bad Debt Expense Not Incurred in Test Year	$ 4,067	$ (4,067)	$ -
3	Bad Debt Expense - Test Year Related	$ -	$ 6,479	$ 6,479
4	Total Bad Debt Expense	$ 11,965	$ 2,412	$ 14,377
5				
6				
7				
8			[D]	[E]
9				
10			Year	Bad Debt
11				Expense
12			6/30/2006	$ 2,240
13			6/30/2007	$ 1,757
14			Amount to Reconcile G/L to Actual Write-offs	$ 70
15			**Bad Debt Expense Not Incurred in Test Year**	**$ 4,067**
16			6/30/2008	$ 7,898
17			Bad Debt Expense per Company	$ 11,965

References:

Column A: Company Schedule C-1
Column B: Testimony, CSB, Company Schedule E-2
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-22

OPERATING INCOME ADJUSTMENT NO. 10 - RENTS, BUILDING EXPENSE

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Rents, Building (1/1/2008 to 6/30/2008)	$ 19,830	$ -	$ 19,830
2	Annualization Adjustment	-	18,432	18,432
3	Total Contractural Services - Other	$ 19,830	$ 18,432	$ 38,262
4				
5				
6				
7				[D]
8				Rents, Building
9				Expense
10				(CSB 10.11)
11			Office Rent	$ 2,368
			Storage Space	$ 117
12			Utilities	600
13			Taxes	104
14			Total	$ 3,189
15			Multiplied by 12 months	12
16				$ 38,262
17			Test Year Rents, Building Expense	$ 19,830
18			Annualization Adjustment	**$ 18,432**

References:

Column A: Company Schedule C-1
Column B: Testimony, CSB, Company Data Request Response CSB 10.11
Column C: Column [A] + Column [B]

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Supplemental Surrebuttal Schedule CSB-23

OPERATING INCOME ADJUSTMENT NO. 11 - TRANSPORTATION EXPENSE

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Transportation Expense	$ 23,695	$ -	$ 23,695
2	2007 Chevrolet Silverado Lease Cost	10,750	(5,375)	5,375
3	Total Contractural Services - Other	$ 34,445	$ (5,375)	$ 29,070
4				
5				
6				
7		[D]		
8		Transportation		
9		Expense		
10		(MEM 1.55)		
11	Annual Lease Expense for 2007	$ 10,750		
12	Multiplied by	50.00%	Split Between Black Mtn and Litchfield Park	
13	**Black Mountain's Allocated Costs**	$ 5,375		
14				
15				

References:

Column A: Company Schedule C-1
Column B: Testimony, CSB, Company Data Request Response MEM 1.55 and CSB 10.4
Column C: Column [A] + Column [B]

BLACK MOUNTAIN SEWER CORPORATION
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Supplemental Surrebuttal Schedule CSB-24

OPERATING INCOME ADJUSTMENT NO. 12 - TESTING EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Testing Expense	$ 16,955	$ (1,733)	$ 15,222

References:
Column A: Company Schedule C-1
Column B: Testimony, CSB, Staff Engineering Report Executive Summary
Column C: Column [A] + Column [B]

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Supplemental Surrebuttal Schedule CSB-25

OPERATING INCOME ADJUSTMENT NO. 13 - BONUSES, MEALS, & OTHER EXPENSES

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Contractural Services - Other	$ 487,796	$ -	$ 487,796
2	Bonuses, Meals, Beverages, Etc.	14,945	(14,945)	-
3	Total Contractural Services - Other	$ 502,741	$ (14,945)	$ 487,796
4				
5				
6				
7		Bonuses	$ 13,460	MEM 1.24
8		Meals	526	CSB 10.3
9		Beverages	907	MEM 1.55
10		Charitable Contributions	52	MEM 1.46
11			$ 14,945	

References:

Column A: Company Schedule C-1
Column B: Testimony, CSB, Company Data Request Response MEM 1.24,1.46,1.55, CSB 10.3
Column C: Column [A] + Column [B]

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Supplemental Surrebuttal Schedule CSB-26

OPERATING INCOME ADJUSTMENT NO. 14 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable or Fully Depreciated PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	351	Organization	$ -	$ -	$ -	0.00%	$ -
2	352	Franchises	$ -	$ -	$ -	0.00%	$ -
3	353	Land and Land Rights	$ 461,300	$ 461,300	$ -	0.00%	$ -
4	354	*Structures and Improvements*	$ 2,560,220	$ -	$ 2,560,220	3.33%	$ 85,255
5	355	Power Generation Equipment	$ -	$ -	$ -	5.00%	$ -
6	360	Collection Services - Force	$ 707,892	$ -	$ 707,892	2.00%	$ 14,158
7	361	Collection Services - Gravity	$ 4,284,948	$ -	$ 4,284,948	2.00%	$ 85,699
8	362	Special Collecting Structures	$ -	$ -	$ -	2.00%	$ -
9	363	Services to Customers	$ 198,723	$ -	$ 198,723	2.00%	$ 3,974
10	364	Flow Measuring Devices	$ 31,512	$ -	$ 31,512	10.00%	$ 3,151
11	365	Flow Measuring Installations	$ 179,622	$ -	$ 179,622	10.00%	$ 17,962
12	370	Receiving Wells	$ 932,871	$ -	$ 932,871	3.33%	$ 31,065
13	371	Effluent Pumping Equipment	$ 657,647	$ -	$ 657,647	12.50%	$ 82,206
14	380	Treatment and Disposal Equipment	$ 143,578	$ -	$ 143,578	5.00%	$ 7,179
15	381	Plant Sewers	$ 124,527	$ -	$ 124,527	5.00%	$ 6,226
16	382	Outfall Sewer Lines	$ -	$ -	$ -	3.33%	$ -
17	389	Other Plant & Misc. Equipment	$ 939,432	$ -	$ 939,432	6.67%	$ 62,660
18	390	Office Furniture & Equipment	$ 224,587	$ -	$ 224,587	6.67%	$ 14,980
19	391	Transportation Equipment	$ 107,367	$ -	$ 107,367	20.00%	$ 21,473
20	393	Tools, Shop & Garage Equipment	$ 5,754	$ -	$ 5,754	5.00%	$ 288
21	394	Labratory Equipment	$ 7,488	$ -	$ 7,488	10.00%	$ 749
22	395	Power Operated Equipment	$ -	$ -	$ -	5.00%	$ -
23	396	Communication Equipment	$ 40,451	$ -	$ 40,451	10.00%	$ 4,045
24	398	Other Tangible Plant	$ -	$ -	$ -	10.00%	$ -
25		*Total Plant*	$ 11,607,919	$ 461,300	$ 11,146,619		$ 441,071
26							
27		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	3.96%				
28		CIAC:	$ 5,232,139				
29		Amortization of CIAC (Line 25 x Line 26):	$ 207,035				
30							
31		Depreciation Expense Before Amortization of CIAC:	$ 441,071				
32		Less Amortization of CIAC:	$ 207,035				
33		**Test Year Depreciation Expense - Staff:**	**$ 234,035**				
34		Depreciation Expense - Company:	$ 224,818				
35		**Staff's Total Adjustment:**	**$ 9,217**				

References:
Column [A]: Schedule CSB-4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-27

OPERATING INCOME ADJUSTMENT NO. 15 - TAXES OTHER THAN INCOME

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Taxes Other Than Income	$ (1,780)	$ 1,780	$ -

References:
Col [A]: Company Schedule C-2
Col [B]: Col [C] - Col [A]
Col [C]: CSB Testimony; Company Data Request Response to MEM 1.58

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-28

OPERATING INCOME ADJUSTMENT #16 - Property Tax Expense

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$ 1,580,170	$ 1,580,170
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,160,340	$ 3,160,340
4	Staff Recommended Revenue, Per Schedule CSB-1	1,580,170	$ 2,133,410
5	Subtotal (Line 4 + Line 5)	4,740,510	5,293,750
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,580,170	$ 1,764,583
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,160,340	$ 3,529,167
10	Plus: 10% of CWIP -	14,202	14,202
11	Less: Net Book Value of Licensed Vehicles	46,420	$ 46,420
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,128,122	$ 3,496,949
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	656,906	$ 734,359
15	Composite Property Tax Rate (Per Company Schedule C-2, P	4.1459%	4.1459%
			$ -
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 27,235	
17	Company Proposed Property Tax	32,414	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (5,179)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 30,446
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 27,235
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ 3,211
22	Increase to Property Tax Expense		$ 3,211
23	Increase in Revenue Requirement		553,240
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.580426%

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02519A-06-0015
Test Year Ended October 31, 2005

Supplemental Surrebuttal Schedule CSB-29

OPERATING INCOME ADJUSTMENT NO. 17 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION		Test Year
	Calculation of Income Tax:		
1	Revenue (Schedule CSB-11)	$	1,580,170
2	Operating Expenses Excluding Income Taxes	$	1,389,554
3	Synchronized Interest (L17)	$	72,047
4	Arizona Taxable Income (L1 - L2 - L3)	$	118,569
5	Arizona State Income Tax Rate		6.9680%
6	Arizona Income Tax (L4 x L5)	$	8,262
7	Federal Taxable Income (L4 - L6)	$	110,307
8	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$	7,500
9	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$	6,250
10	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$	8,500
11	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$	4,020
12	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$	-
13	Total Federal Income Tax	$	26,270
14	Combined Federal and State Income Tax (L44 + L51)	$	34,532
	Calculation of Interest Synchronization:		
15	Rate Base (Schedule CSB-13, Col. (C), Line 16)	$	3,602,336
16	Weighted Average Cost of Debt		2.00%
17	Synchronized Interest (L16 x L17)	$	72,047
18	Income Tax - Per Staff	$	34,532
19	Income Tax - Per Company	$	7,760
20	**Staff Adjustment**	**$**	**26,772**

BLACK MOUNTAIN SEWER CORPORATION
Docket No. SW-02361A-08-0609
Test Year Ended June 30, 2008

Supplemental Surrebuttal Schedule CSB-30

RATE DESIGN

	Present Rates	Company Proposed	Percent Increase	Present Rates	Staff Recommended	Percent Increase
Residential Service-Per Month	$45.64	$ 71.08	55.74%	$45.64	$61.89	35.61%
Commercial, Regular[1]	$ 0.18298	$ 0.28499	55.75%	$ 0.18298	$ 0.24815	35.61%

Commercial - Special Rate	Present Rates			Company Proposed		Staff Recommended	
Name of Business	Gallons Per Day	Monthly Billing	Rate Per Gallon	Monthly Billing	Rate Per Gallon	Monthly Billing	Rate Per Gallon
BH Enterprises-West	2,525	$354.36	$0.14034	N/A	N/A	*	*
BH Enterprises-East	1,400	$196.48	$0.14034	N/A	N/A	*	*
Barb's Pet Grooming	250	$35.09	$0.14034	N/A	N/A	*	*
Boulder's Resort	29,345	$4,173.74	$0.14223	$8,363.03	$ 0.28499	$5,660.17	$0.19288
Carefree Dental	1,625	$228.05	$0.14034	N/A	N/A	*	*
Ridgecrest Realty	450	$63.87	$0.14193	N/A	N/A	*	*
Desert Forest	7,000	$1,144.08	$0.16344	$1,994.93	$ 0.28499	$1,551.53	$0.22165
Desert Hills Pharmacy	800	$136.49	$0.17061	N/A	N/A	*	*
El Pedregal	15,787	$2,215.55	$0.14034	$4,499.14	$ 0.28499	$3,004.59	$0.19032
Lemon Tree	300	$41.07	$0.13691	N/A	N/A	*	*
Body Shop	1,000	$176.47	$0.17647	N/A	N/A	*	*
Spanish Village	4,985	$699.59	$0.14034	$1,420.68	$ 0.28499	$948.75	$0.19032
Boulder's Club	1,200	$168.41	$0.14034	$341.99	$ 0.28499	$341.99	$0.19032
Anthony Vuitaggio	300	$46.79	$0.15597	N/A	N/A	*	*

	Effluent Sales		
Effluent Sales	**Present Rates**	**Company Proposed**	**Staff Recommended**
Per thousand gallons	$0.374400	$0.460510	$0.460510
Per Acre Feet	$122.00	$150.00	

Service Charges:	Present Rates	Company Proposed	Staff Recommended
Establishment	$ 25.00	$ 25.00	$ 25.00
Re-establishment	$ 25.00	$ 25.00	$ 25.00
Re-connection	No Charge	No Charge	No Charge
Minimum Deposit (Residential)	**(a)**	**(a)**	**(a)**
Minimum Deposit (Non-Residential)	**(a)**	**(a)**	**(a)**
Deposit Interest	**(a)**	**(a)**	6.00%
NSF Check Charge	$ 10.00	$ 10.00	$ 10.00
Deferred Paymnt Finance Charge	1.50%	1.50%	1.50%
Late Charge	1.50%	1.50%	1.50%
Main Extension Tariff	Cost	Cost **(b)**	Cost
Hook-Up Fee for New Service[1]	$ 6.47	$ 6.47	N/A

[1] Per Gallon per Day. Wastewater flows are based on Engineering Bulletin 12, Table 1 published by ADEQ.
(a) Per A.A.C. R14-2-603B: Residential - two times average bill, Non-residential - two and one-half times average bill
(b) Per A.A.C. R14-2-606B
N/A Not included in current or proposed tariff.
* Staff recommends that this rate be removed from the tariff.