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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

2010 APR 16 P 3:35

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
CORONADO UTILITIES, INC. FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANT AND PROPERTY AND
FOR INCREASES IN ITS WATER AND
WASTEWATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO. SW-04305A-09-0291

**STAFF'S NOTICE OF FILING
SURREBUTTAL TESTIMONY**

The Utilities Division of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony of Staff Witness Gary T. McMurry in the above-referenced matter.

RESPECTFULLY SUBMITTED this 16th day of April, 2010.

Ayesha Vohra, Attorney
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Original and thirteen (13) copies
of the foregoing filed this
16th day of April, 2010 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

APR 16 2010

DOCKETED BY

Copies of the foregoing mailed this
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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MACORONADO

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
CORONADO UTILITIES INC FOR AN)
INCREASE IN ITS WATER RATES)
FOR CUSTOMERS WITHIN PINAL)
COUNTY, ARIZONA)
_____)

DOCKET NO. SW-04305A-09-0291

SURREBUTTAL

TESTIMONY

OF

GARY T. MCMURRY

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

APRIL 16, 2010

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**EXECUTIVE SUMMARY
CORONADO UTILITIES, INC.
DOCKET NO. SW-04305A-09-0291**

The surrebuttal testimony of Staff witness Mr. Gary T. McMurry addresses rate base, operating income, revenue requirement and rate design issues.

Staff's revenue requirement of \$1,001,960 represents an increase of \$133,056, or 15.31 percent, for a 10.50 percent rate of return on a Staff adjusted OCRB of \$3,531,742. Staff's surrebuttal revenue requirement represents a \$555 decrease from its direct testimony. Staff's surrebuttal position reflects the following modifications to its direct position: a \$921 decrease to accumulated depreciation; a \$320 decrease to the accumulated deferred income tax debit; and a \$14,627 reduction to test year revenue related to the San Miguel Mobile Home Park with corresponding changes to the revenue-dependent property and income taxes. Staff's recommended rate would increase the typical residential sewer bill by \$7.15, or 15.37 percent, from \$46.50 to \$53.65.

Rebuttal Testimony of Jason Williamson

Disconnection Fee - The Company proposes to charge the actual cost of service line disconnection. Staff also recommends actual cost, provided the Company is unable to negotiate a water services termination agreement with Arizona Water Company.

Low-Income Tariff - The Company proposes a low-income tariff. Staff supports a low-income tariff but takes issue with the Company proposed discount percentage (25 percent), the income eligibility factor (100 percent of federal poverty level) and the participation cap (none).

Rebuttal Testimony of Thomas J. Bourassa

Accumulated Deferred Income Tax - The Company asserts that Staff's direct position balance is overstated by \$320 due to an error in Staff Accumulated Depreciation Balance. Staff corrected the error and agrees with the Company's rebuttal balance.

Accumulated Depreciation - The Company asserts that Staff's direct position balance is overstated by \$921. Staff acknowledges an inadvertent error and agrees with the Company's rebuttal balance.

Revenue - The Company's rebuttal introduced a \$14,627 downward adjustment to operating revenue to recognize the loss of San Miguel Highland Mobile Home Park as a customer. Staff concurs with the Company that the loss of this customer should be recognized in the annualization adjustment and the associated revenue should be removed from the test year.

Bad Debt Expense - The Company proposes the recorded test year bad debt expense. Staff recommends a normalized amount equal to the mean average for the past three years.

Rate Design - The Company's rebuttal proposed a change in rate design for the mobile home park customers. Staff opposes this revision to rate design due to the seasonal nature of the mobile home park.

Low-Income Tariff - The Company proposes a low-income tariff. Staff supports a low-income tariff but takes issue with the Company proposed administrative fee (10 percent).

1 **I. INTRODUCTION**

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

3 A. My name is Gary McMurry. I am a Public Utilities Analyst employed by the Arizona
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”).
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Gary McMurry who previously filed direct testimony on the rate
8 base, operating income, and revenue requirement, and rate design in this
9 proceeding?**

10 A. Yes.

11

12 **II. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony in this case?**

14 A. The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of
15 Staff to the Rebuttal Testimonies of Mr. Jason Williamson and Mr. Thomas J. Bourassa
16 who represent Coronado Utilities, Inc. (“Coronado” or “Company”).

17

18 **Q. How is your surrebuttal testimony organized?**

19 A. My testimony is presented in five sections. Section I is the introduction. Section II is this
20 description/purpose of my testimony. Section III presents a summary of Staff
21 recommendations. Section IV presents my responses to the rebuttal testimony provided
22 by Jason Williamson. Section V presents my responses to the rebuttal testimony provided
23 by Thomas J. Bourassa.

1 **Q. Have you prepared any schedules to accompany your testimony?**

2 A. Yes. I prepared Surrebuttal Schedules GTM-1 to GTM-15. The surrebuttal schedules
3 reflect the Company's application as filed, not its rebuttal position.

4

5 **III. SUMMARY OF STAFF RECOMMENDATIONS**

6 **Q. Please provide a summary of Staff surrebuttal recommendations.**

7 A. Staff's revenue requirement of \$1,001,960 represents an increase of \$133,056, or 15.31
8 percent, for a 10.50 percent rate of return on a Staff adjusted OCRB of \$3,531,742. This
9 surrebuttal revenue requirement represents a \$555 decrease from its direct testimony.

10

11 **IV. STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF MR. JASON**
12 **WILLIAMSON**

13 *Service Line Disconnection Tariff*

14 **Q. What has the Company proposed with respect to service line disconnection tariff?**

15 A. Coronado proposes to charge customers the actual cost of service line disconnection.

16

17 **Q. What are Staff's concerns with respect to this proposal?**

18 A. Simply put, if a customer is unable to pay his or her sewer bill, the customer is also likely
19 to be unable to pay the high cost of the sewer line disconnection.

20

21 **Q. What did Staff recommend as an alternative?**

22 A. In direct testimony, Staff recommended that the Company attempt to negotiate a water
23 services termination agreement with Arizona Water Company.

1 **Q. Did the Company attempt to negotiate such a water services agreement?**

2 A. According to Mr. Williamson's rebuttal testimony (at page two), Coronado contacted
3 Arizona Water Company on multiple occasions regarding execution of a water services
4 agreement; however, Arizona Water Company is not interested in an agreement.

5
6 **Q. Did Staff recommend in its direct testimony an alternative in the event that Arizona**
7 **Water Company was not receptive to the Company's request for a water services**
8 **agreement?**

9 A. Yes. As noted on GTM-13 footnote (b), Staff recommended as an alternative that the
10 Company be allowed to charge the customer the actual cost of physical disconnection and
11 reconnection including parts, labor, overhead, and all applicable taxes.

12
13 **Q. Is Staff completely satisfied that the Company's efforts to execute a water services**
14 **agreement with Arizona Water Company have been exhausted and have no**
15 **opportunity for success?**

16 A. No. A simple statement that the Company has contacted Arizona Water Company on
17 several occasions without drawing interest is not sufficient to demonstrate that there is no
18 reasonable opportunity to successfully execute a water services agreement. Staff
19 concludes that approval of a service line disconnection fee should be subject to conditions
20 that demonstrate that all reasonable efforts have been taken without success to execute a
21 water services agreement. This may include having the Commission require Arizona
22 Water to explain to the Commission why it is not willing to enter into such an agreement.

23
24 **Q. What conditions does Staff recommend?**

25 A. Staff recommends that authorization of a service line disconnection fee be subject to the
26 following conditions:

- 1 1. That the Company explore all reasonable efforts to contact Arizona Water Company to
2 begin discussions to execute a water service agreement;
- 3 2. That the efforts include preparing and sending a written letter by registered mail to the
4 President of Arizona Water Company to begin discussions to execute a water service
5 agreement;
- 6 3. That the Company file copies of this letter and Arizona Water company's response in
7 this docket;
- 8 4. That the Company document all other efforts to engage in discussions with Arizona
9 Water Company including: the dates, methods, the name(s) of Company
10 representative(s) making contact and the Arizona Water Company representative(s)
11 contacted and provide the information to Staff upon request;
- 12 5. That upon completion of all reasonable efforts to execute a water services agreement,
13 (a) if successful, docket copies of the agreement or (b) if unsuccessful, docket a
14 written summary of all efforts taken to execute a water service agreement and an
15 explanation of the reason(s) those efforts were unsuccessful.

16

17 *Low-Income Tariff*

18 **Q. What does the Company recommend with respect to the discount to be provided to**
19 **eligible customers for the low-income tariff?**

20 A. The Company recommends a 25 percent discount for qualified participants of the low-
21 income tariff plan.

22

23 **Q. Does Staff agree with the Company's proposal?**

24 A. No. It is Staff's position that a 15 percent discount similar to the one adopted in the
25 Chaparral City decision is more appropriate.

1 **Q. Why does the Company propose a higher discount in this case?**

2 A. The Company indicates that its service territory has a large number of low- and fixed-
3 income residents.

4
5 **Q. Does Staff agree with the Company's position?**

6 A. No. Accepting the premise that San Manuel is more disadvantaged, there will be fewer
7 ineligible customers available to pay for the low-income tariff and increasing the discount
8 rate exacerbates the burden on those ineligible customers.

9
10 **Q. What does the Company recommend with respect to the income eligibility factor to
11 be provided to eligible customers of the low-income tariff?**

12 A. The Company recommends that all families earning 100 percent or less than the federal
13 poverty level be eligible for this program.

14
15 **Q. Does Staff agree with this proposal?**

16 A. No. Staff recommends that eligibility be limited to families making 150 percent or less of
17 the federal poverty level.

18
19 **Q. Why has Staff chosen the higher level?**

20 A. Because this factor is consistent with other low income programs including Chaparral City
21 Water Company, Rio Rico Utilities, Inc., and Litchfield Park Service Corporation.

22
23 **Q. Why has the Company chosen a lower eligibility threshold?**

24 A. Mr. Williamson states in his rebuttal testimony (at page seven) that San Manuel is a very
25 poor community and "we were concerned we would have too many people qualifying if
26 we set eligibility above the federal poverty level."

1 **Q. Does Staff agree with this position?**

2 A. No. As an alternative to limiting eligibility, Staff recommends placing a limit on the
3 number of participants. Staff's alternative provides greater certainty that the cost of the
4 low-income discount does not excessively burden other customers.

5
6 **Q. What does Staff recommend?**

7 A. Staff continues to recommend the eligibility level to be set at 150 percent of the federal
8 poverty level. This position is consistent with what was approved in the Chaparral City
9 Water Company and is proposed in the Rio Rico Utilities, Inc. and Litchfield Park Service
10 Corporation proceedings.

11
12 **Q. What limit does the Company propose for the participation eligibility for the low-
13 income tariff?**

14 A. The Company recommends no cap to the number of eligible participants.

15
16 **Q. What is the basis for the Company's recommendation?**

17 A. The Company shares Staff's concern regarding heavy participation but has opted to use an
18 unlimited cap "in an effort to help reduce the chance of over-participation."

19
20 **Q. Does Staff agree with the Company's position?**

21 A. No. By not establishing a cap on eligible participants, the Company actually increases the
22 chances of over-participation. It is Staff's position that it is not prudent to allow unlimited
23 participation because of the increasing financial impact to the nonparticipating residential
24 customer base.

1 **Q. What does Staff recommend?**

2 A. Staff continues to recommend a participation limit of 400 customers or 30 percent of the
3 existing customer base (to limit the impact to non-participating customers to < 10%).
4

5 **V. STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF MR. THOMAS**
6 **BOURASSA**

7 *Accumulated Deferred Income Tax*

8 **Q. What is the Company's rebuttal position with respect to accumulated deferred**
9 **income tax?**

10 A. The Company's rebuttal balance is a \$39,744 debit (addition to rate base). The Company
11 asserts that Staff's direct position, a \$40,064 debit, is overstated due to an error in Staff's
12 accumulated depreciation balance.
13

14 **Q. Does Staff agree with the Company explanation for the \$320 difference?**

15 A. Yes. As discussed below, Staff is revising its accumulated depreciation balance and
16 subsequent to that revision the difference in accumulated deferred income tax is
17 inconsequential.
18

19 **Q. What is Staff's surrebuttal position?**

20 A. Staff accepts the Company's \$39,744 debit balance for accumulated deferred income tax.

21 *Accumulated Depreciation*

22 **Q. What is the Company's rebuttal position with respect to accumulated depreciation?**

23 A. The Company proposes an accumulated depreciation balance of \$406,157.
24

25 **Q. What did Staff recommend in direct testimony?**

26 A. Staff initially recommended a balance of \$407,078, a difference of \$921.

1 **Q. What does Staff recommend now?**

2 A. Staff agrees with the Company's calculation and now proposes an accumulated
3 depreciation balance of \$406,157.

4

5 *Revenue*

6 **Q. Has the Company revised its test year revenue in its rebuttal testimony?**

7 A. Yes. The Company's rebuttal testimony proposes to modify its revenue annualization
8 adjustment resulting in a \$14,627 reduction to test year revenue to recognize the closure of
9 the San Miguel Highlands Mobile Home Park.

10

11 **Q. What does Staff recommend?**

12 A. Staff concurs with the Company and recommends the \$14,627 reduction to test year
13 revenue.

14

15 *Bad Debt Expense*

16 **Q. What does the Company propose with respect to bad debt expense?**

17 A. The Company proposes the \$46,313 recorded in the test year.

18

19 **Q. Is the amount recorded in the test year representative of on-going average bad debt
20 expense?**

21 A. Not if the Company's recent experience continues in future years. The Company's bad
22 debt has fluctuated widely since 2006. When expenses vary widely from year to year it is
23 generally more appropriate to normalize that expense.

1 **Q. Does the Company agree with Staff's normalized amount?**

2 A. No. The Company asserts that the normalized amount is inappropriate and that its bad
3 debt expense increased to \$59,764 in 2009.

4
5 **Q. What is the Company's policy with respect to collections and bad debt?**

6 A. In response to GTM-1.33, the Company provided a copy of its "Collection and Bad Debt
7 Write-offs" policy. This summary indicates only that the customer receives a 90-day
8 delinquency letter and, if no response is received, the Company places a door hanger on
9 the customer's house to provide notice of the Company's intention to disconnect service.
10 If there is still no response from the customer it appears that the account is referred to a
11 collection agency. The Company does not report delinquencies to credit reporting
12 bureaus. The Company asserts that it has neither disconnected nor taken to small claims
13 court any customer for non-payment in 2008 or 2009.

14
15 **Q. Does a utility's bad debt collection policy affect its uncollectible amount?**

16 A. Yes. The Company serves a small community. An initial effort to disconnect a customer
17 would send a signal to other customers, and it could have a significant impact on the
18 Company's uncollectible rate. Similarly, use of small claims court could notably improve
19 collections. It is inappropriate to impose the cost of uncollectibles on paying customers
20 when the Company has not even pursued actions that are normally recognized and
21 available to effectuate prompt customer payment. If the Company improves its collection
22 activities, its unusually high bad debt expense may be mitigated.

1 **Q. What is Staff's response to the Company's assertion that bad debt expense increased**
2 **in 2009 from the test year amount?**

3 A. As discussed above, the Company should improve its collection activities including, if
4 possible, execution of a water services agreement with Arizona Water Company. The
5 Company's relatively passive collection policy does not provide customers adequate
6 incentive to make payments. As an example, Staff notes that \$20,464 of the Company's
7 2009 bad debt expense represent write-offs on active customer accounts that are over 90
8 days delinquent. Further, the Company controls its write-off policy, and its collection
9 policy does not state when bad debts are written off.

10
11 **Q. What is Staff's response to the Company's assertion that bad debt expense is**
12 **subjective and backward looking?**

13 A. Staff calculated a normalized bad debt expense as the mean average of the years 2006,
14 2007 and 2008. If the Company regularly files rate cases in a three-year cycle and the
15 same normalization method is used, all of the Company's bad debt expense will be
16 included in rates. Three years is an appropriate period because it matches the
17 normalization period used for rate case expense.

18
19 **Q. What does Staff recommend?**

20 A. Staff continues to recommend the normalization of the bad debt expense as propose in its
21 direct testimony.

1 *Rate Design*

2 **Q. Does the Company's rebuttal testimony propose to modify the rates for the mobile**
3 **home park?**

4 A. Yes. In its direct testimony, the Company proposed to continue the existing rate structure
5 and uniformly increase the fixed and commodity rates to generate its revenue requirement.
6 The present rates for the mobile home park consist of a fixed monthly charge for the
7 summer season and a fixed monthly charge plus a volumetric rate for the winter season.
8 In its rebuttal testimony, the Company proposes to change the rate design for the mobile
9 home park. The Company's rebuttal proposal eliminates the seasonal rates in favor of a
10 fixed monthly charge of \$38.78 per occupied space per month.

11
12 **Q. Why has the Company changed its proposed rates for the mobile home park?**

13 A. The Company asserts that the mobile home park owner suggested the fixed monthly
14 charge per occupied space due to a concern over the certainty of its bill.

15
16 **Q. Does Staff agree with the Company's proposal?**

17 A. No. The occupancy of the mobile home park is highly seasonal. During the summer
18 months, specifically April through September, the park is quite slow. During the winter
19 months, October through March, is the period when the highest demands are placed on the
20 sewer system. The seasonal rates provide a more appropriate price signal to the customer.

21
22 **Q. What does Staff recommend?**

23 A. Staff recommends the continuation of the seasonal rate structure. Revenues should follow
24 costs and the cost of meeting peak wastewater demand is during the busy winter season.

1 *Low-Income Tariff*

2 **Q. What does the Company recommend with respect to the administration fee of the**
3 **low-income tariff?**

4 A. The Company recommends a ten percent administration fee to cover the costs of the
5 program.

6

7 **Q. How did the Company arrive at the ten percent fee?**

8 A. In response to GTM-6.6 the Company stated that it could not provide support for the cost
9 estimate but offered its belief that the fee was a fair amount. In response to GTM-7.5 the
10 Company acknowledged that it has performed no such cost analysis of the low income
11 program. Mr. Bourassa identifies the types of costs the Company anticipates the fee to
12 cover, however, the Company has no data or analysis to show that the revenues generated
13 by the fee are representative of the related costs.

14

15 **Q. Does Staff agree with the Company's proposal?**

16 A. No. It is Staff's position that the Company should charge only the actual direct costs of
17 the program. If the Company truly is not intending the low-income tariff to provide a
18 profit center, then Staff's recommendation provides the Company better assurance of cost
19 recovery for these costs that the Company has not quantified.

20

21 **Q. What does Staff recommend?**

22 A. Staff continues to advocate adoption of the low-income tariff recommendations in its
23 direct testimony.

24

25 **Q. Does this conclude your surrebuttal testimony?**

26 A. Yes, it does.

CORONADO UTILITIES, INC.
Docket No. SW-04305A-09-0291
Test Year ended December 31, 2008

SURREBUTTAL TESTIMONY OF Gary T. McMurry

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GTM-5	ORIGINAL COST RATE BASE ADJUSTMENT # 1 - DEFERRED TAXES
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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 3,536,648	\$ 3,536,648	\$ 3,531,742	\$ 3,531,742
2	Adjusted Operating Income (Loss)	\$ 154,497	\$ 154,497	\$ 174,534	\$ 174,534
3	Current Rate of Return (L2 / L1)	4.37%	4.37%	4.94%	4.94%
4	Required Rate of Return	7.36%	7.36%	7.36%	7.36%
5	Required Operating Income (L4* L1)	\$ 260,297	\$ 260,297	\$ 259,936	\$ 259,936
6	Operating Income Deficiency (L5 - L2)	\$ 105,800	\$ 105,800	\$ 85,402	\$ 85,402
7	Gross Revenue Conversion Factor	1.4792	1.4792	1.5580	1.5580
8	Required Revenue Increase (L7 * L6)	\$ 156,498	\$ 156,498	\$ 133,056	\$ 133,056
9	Adjusted Test Year Revenue	\$ 868,904	\$ 868,904	\$ 868,904	\$ 868,904
10	Proposed Annual Revenue (L8 + L9)	\$ 1,025,401	\$ 1,025,401	\$ 1,001,960	\$ 1,001,960
11	Required Increase in Revenue (%)	18.01%	18.01%	15.31%	15.31%
12	Rate of Return on Common Equity (%)	14.00%	14.00%	10.50%	10.50%

References:

Column (A): Company Schedule B-1
Column (B): Company Schedules A-1, A-2, & D-1
Column (C): Staff Schedule GTM-2, GTM-3 & GTM-7
Column (D): Staff Schedule GTM-2, GTM-3 & GTM-7

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<i>Calculation of Gross Revenue Conversion Factor:</i>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Rate (Line 23)	35.8151%			
5	Subtotal (L3 - L4)	64.1849%			
6	Revenue Conversion Factor (L1 / L5)	1.55800057			
<i>Calculation of Uncollectible Factor:</i>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	34.4674%			
9	One Minus Combined Income Tax Rate (L7 - L8)	65.5326%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<i>Calculation of Effective Tax Rate:</i>					
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 53)	29.5590%			
16	Effective Federal Income Tax Rate (L14 x L15)	27.4994%			
17	Combined Federal and State Income Tax Rate (L13 +L16)	34.4674%			
<i>Calculation of Effective Property Tax Factor</i>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	34.4674%			
20	One Minus Combined Income Tax Rate (L18 - L19)	65.5326%			
21	Property Tax Factor (GTM-11, L24)	2.0567%			
22	Effective Property Tax Factor (L 20* L 21)	1.3478%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		35.8151%		
24	Required Operating Income (Schedule GTM-1, Line 5)	\$ 259,936			
25	Adjusted Test Year Operating Income (Loss) (Schedule GTM-7, Line 34)	\$ 174,534			
26	Required Increase in Operating Income (L24 - L25)		\$ 85,402		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 49,888			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 4,970			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 44,918		
30	Recommended Revenue Requirement (Schedule GTM-1, Line 10)	\$ 1,001,960			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (GTM-11, L19)	\$ 56,348			
36	Property Tax on Test Year Revenue (GTM-11, L 16)	\$ 53,612			
37	Increase in Property Tax Due to Increase in Revenue (GTM-11, L22)		\$ 2,737		
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 133,056		
<i>Calculation of Income Tax:</i>					
39	Revenue (Schedule GTM-7, Col.[C], Line 5 & Sch. GTM-1, Col. [B], Line 10)	\$ 868,904		\$ 1,001,960	
40	Operating Expenses Excluding Income Taxes	\$ 689,399		\$ 692,136	
41	Synchronized Interest (L56)	\$ 155,750		\$ 155,750	
42	Arizona Taxable Income (L39 - L40- L41)	\$ 23,755		\$ 154,074	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)		\$ 1,655		\$ 10,736
45	Federal Taxable Income (L42 - L44)	\$ 22,099		\$ 143,338	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 3,315		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ 16,902	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
51	Total Federal Income Tax	\$ 3,315		\$ 39,152	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 4,970		\$ 49,888	
53	Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (B), L51] / [Col. (C), L45 - Col. (A), L45]				29.56%
<i>Calculation of Interest Synchronization:</i>					
54	Rate Base (Schedule GTM-3, Col. [C], Line (14))	\$ 3,531,742			
55	Weighted Average Cost of Debt (Schedule C-2, p 14)	4.41%			
56	Synchronized Interest (L45 X L46)	\$ 155,750			

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	REF	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 4,428,471	\$ -	\$ 4,428,471
2	Less: Accumulated Depreciation	398,932	7,225	406,157
3	Net Plant in Service	<u>\$ 4,029,539</u>	<u>\$ (7,225)</u>	<u>\$ 4,022,314</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ 603,201	\$ -	\$ 603,201
5	Less: Accumulated Amortization	9,755	-	9,755
6	Net CIAC	<u>\$ 593,446</u>	<u>\$ -</u>	<u>\$ 593,446</u>
7	Advances in Aid of Construction (AIAC)	-	-	-
8	Customer Deposits	19,809	-	19,809
9	Deferred Income Tax Credits	-	-	-
<u>ADD:</u>				
10	Unamortized Finance Charges	82,938	-	82,938
11	Deferred Income Tax Debits	37,425	2,319	39,744
12	Working Capital	-	-	-
13	Rounding	1	-	1
14	Original Cost Rate Base	<u>\$ 3,536,648</u>	<u>\$ (4,906)</u>	<u>\$ 3,531,742</u>

References:

Column (A), Company Schedule B-1 , GTM-4
Column [B]: Column [C] - Column [A]
Column [C], Staff Adjusted Total Col.

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	Deferred Taxes GTM-5 (B) ADJ.#1	Accumulated Depreciation GTM-6 (C) ADJ.#2	(D) ADJ.#	(E) ADJ.#	(F) ADJ.#	(G) STAFF ADJUSTED
PLANT IN SERVICE:									
1	351	Organization Cost	\$ 5,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,194
2	352	Franchise Cost	-	-	-	-	-	-	-
3	353	Land and Land Rights	315,001	-	-	-	-	-	315,001
4	354	Structures and Improvements	1,858	-	-	-	-	-	1,858
5	355	Power Generation Equipment	-	-	-	-	-	-	-
6	360	Collection Sewer Forced	-	-	-	-	-	-	-
7	361	Collection Sewer Gravity	59,350	-	-	-	-	-	59,350
8	362	Special Collecting Structures	1,576	-	-	-	-	-	1,576
9	363	Customer Services	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	-	-	-	-	-	-	-
11	365	Flow Measuring Installation	-	-	-	-	-	-	-
12	366	Reuse Services	-	-	-	-	-	-	-
13	367	Reuse Meters and Installation	-	-	-	-	-	-	-
14	370	Receiving Wells	16,133	-	-	-	-	-	16,133
15	371	Pumping Equipment	15,223	-	-	-	-	-	15,223
16	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-
17	375	Reuse Transmission & Distrib. System	-	-	-	-	-	-	-
18	380	Treatment & Disposal Equipment	-	-	-	-	-	-	-
19	381	Plant Sewers	3,243,375	-	-	-	-	-	3,243,375
20	382	Outfall Sewer Lines	-	-	-	-	-	-	-
21	389	Other Sewer Plant & Equipment	540,205	-	-	-	-	-	540,205
22	390	Office Furniture and Equipment	178,135	-	-	-	-	-	178,135
23	390.1	Computers and Software	-	-	-	-	-	-	-
24	391	Transportation Equipment	-	-	-	-	-	-	-
25	392	Stores Equipment	-	-	-	-	-	-	-
26	393	Tools, Shop and Garage Equipment	-	-	-	-	-	-	-
27	394	Laboratory Equipment	-	-	-	-	-	-	-
28	396	Communication Equipment	-	-	-	-	-	-	-
29	398	Other Tangible Plant	52,423	-	-	-	-	-	52,423
30		Rounding	(2)	-	-	-	-	-	(2)
31		Subtotal Plant in Service	\$ 4,428,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,428,471
32									
33									
34									
35									
36									
37									
38									
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54									
55									
56									
57									
58									
Add:									
33		Other 1	-	-	-	-	-	-	-
34		Other 2	-	-	-	-	-	-	-
35		Other 3	-	-	-	-	-	-	-
36		Other 4	-	-	-	-	-	-	-
37		Other 3	-	-	-	-	-	-	-
38		Other 4	-	-	-	-	-	-	-
39		Other 4	-	-	-	-	-	-	-
40		Construction Work in Progress	-	-	-	-	-	-	-
41		General Office Plant Allocation	-	-	-	-	-	-	-
42		Post Test Year Plant	-	-	-	-	-	-	-
43		General Office Plant Allocation	-	-	-	-	-	-	-
44									
45									
46									
47									
48									
49									
50									
51									
52									
53									
54									
55									
56									
57									
58									
Total Plant in Service:			\$ 4,428,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,428,471
Less: Accumulated Depreciation			398,932	-	7,225	-	-	-	406,157
Intentionally Left Blank			-	-	-	-	-	-	-
Net Plant in Service (L59 - L 60)			\$ 4,029,539	\$ -	\$ (7,225)	\$ -	\$ -	\$ -	\$ 4,022,314
LESS:									
45		Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-
46		Less: Accumulated Amortization	603,201	-	-	-	-	-	603,201
47		Net CIAC (L25 - L26)	9,755	-	-	-	-	-	9,755
48		Advances in Aid of Construction (AIAC)	593,446	-	-	-	-	-	593,446
49		Customer Deposits	-	-	-	-	-	-	-
50		Deferred Income Tax Credits	19,809	-	-	-	-	-	19,809
51			-	-	-	-	-	-	-
52			-	-	-	-	-	-	-
53			-	-	-	-	-	-	-
54			82,938	-	-	-	-	-	82,938
55			37,425	2,319	-	-	-	-	39,744
56			-	-	-	-	-	-	-
57			1	-	-	-	-	-	1
58			3,536,648	2,319	(7,225)	-	-	-	3,531,742

References:
 Column [A] Schedule B-2

CORONADO UTILITIES, INC.
Docket No. SW-04305A-09-0291
Test Year ended December 31, 2008

Surrebuttal Schedule GTM-5

ORIGINAL COST RATE BASE ADJUSTMENT # 1 - DEFERRED TAXES

<u>Line No.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Deferred Income Tax Debits	\$ 37,425	\$ 2,319	\$ 39,744

References:

Col [A]: Company Schedule B-1

Col [B]: GTM Testimony

Col [C]: Col. [A] + Col. [B]

CORONADO UTILITIES, INC.
Docket No. SW-04305A-09-0291
Test Year ended December 31, 2008

Surrebuttal Schedule GTM-6

ORIGINAL COST RATE BASE ADJUSTMENT # 2 - ACCUMULATED DEPRECIATION

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	371	Pumping Equipment	\$ 15,223	190	\$ 15,413
2	382	Outfall Sewer Lines	\$ 540,205	(7,415)	\$ 532,790
3		Accumulated Depreciation	<u>\$ 398,932</u>	<u>\$ 7,225</u>	<u>\$ 406,157</u>

			Rate used <u>by Company</u>	Rate approved by <u>Commission (Dec. No. 68608)</u>
4	371	Pumping Equipment	12.50%	10.00%
5	382	Outfall Sewer Lines	3.33%	4.00%

			<u>Expensed by Company</u>	<u>Approved Depreciation Charge</u>	<u>Accumulated Depreciation</u>
6	371	Pumping Equipment	951	761	(190)
7	382	Outfall Sewer Lines	36,854	44,269	7,415
8		Increase to Accumulated Depreciation			<u>7,225</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GTM Testimony
Col [C]: Col. [A] + Col. [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>OPERATING REVENUES:</u>					
2	Flat Rate Revenues	\$ 710,657	\$ (14,626)	\$ 696,031	\$ 126,394	\$ 822,425
3	Measured Revenues	157,655	-	157,655	6,662	164,317
4	Other Waste Water Revenues	15,218	-	15,218	-	15,218
5	Total Operating Revenues	\$ 883,530	\$ (14,626)	\$ 868,904	\$ 133,056	\$ 1,001,960
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries and Wages	\$ 52,500	\$ -	\$ 52,500	\$ -	\$ 52,500
9	Purchased Wastewater Treatment	-	-	-	-	-
10	Sludge Removal Expenses	-	-	-	-	-
11	Purchased Power	54,218	-	54,218	-	54,218
12	Fuel for Power Production	-	-	-	-	-
13	Chemicals	27,790	-	27,790	-	27,790
14	Material and Supplies	2,978	-	2,978	-	2,978
15	Contractual Services	141,386	-	141,386	-	141,386
16	Contractual Services - Testing	3,676	-	3,676	-	3,676
17	Contractual Services - other	41,341	-	41,341	-	41,341
18	Equipment Rental	-	-	-	-	-
19	Rents - Building	-	-	-	-	-
20	Transportation Expenses	209	-	209	-	209
21	Insurance - General Liability	11,066	-	11,066	-	11,066
22	Insurance - Other	-	-	-	-	-
23	Regulatory Expenses	3,505	-	3,505	-	3,505
24	Regulatory Commission Expense	58,333	-	58,333	-	58,333
25	Miscellaneous Expense	37,081	-	37,081	-	37,081
26	Bad Debt Expense	46,313	(27,881)	18,432	-	18,432
27	Depreciation and Amortization	186,095	(8,343)	177,752	-	177,752
28	Taxes other than Income	5,521	-	5,521	-	5,521
29	Property Taxes	57,733	(4,121)	53,612	2,737	56,348
30	Income Tax	(711)	5,681	4,970	44,918	49,888
31	Rounding	(1)	1	-	-	-
32	Total Operating Expenses	\$ 729,033	\$ (34,664)	\$ 694,369	\$ 47,654	\$ 742,023
33						
34	Operating Income	154,497	20,037	174,534	85,402	259,936

References:
 Column [A]: Company Schedule C-1
 Column [B]: Schedule GTM-8
 Column [C]: Column [A] + Column [B]
 Column [D]: Schedules GTM-1 and GTM-2
 Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	Normalize Bad Debt Expense (B) ADJ #1	Depreciation Expense (C) ADJ #2	Property Taxes (D) ADJ #3	Income Taxes (E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) STAFF ADJUSTED
1	Operating Revenues:								
2	Flat Rate Revenues	\$ 710,657	\$ -	\$ -	\$ -	\$ -	\$ (14,626)	\$ -	\$ 696,031
3	Measured Revenues	157,655	-	-	-	-	-	-	157,655
4	Other Waste Water Revenues	15,218	-	-	-	-	-	-	15,218
5	Total Operating Revenues	\$ 883,530	\$ -	\$ -	\$ -	\$ -	\$ (14,626)	\$ -	\$ 868,904
6									
7	Operating Expenses:								
8	Salaries and Wages	\$ 52,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,500
9	Purchased Wastewater Treatment	-	-	-	-	-	-	-	-
10	Sludge Removal Expenses	-	-	-	-	-	-	-	-
11	Purchased Power	54,218	-	-	-	-	-	-	54,218
12	Fuel for Power Production	-	-	-	-	-	-	-	-
13	Chemicals	27,790	-	-	-	-	-	-	27,790
14	Material and Supplies	2,978	-	-	-	-	-	-	2,978
15	Contractual Services	141,386	-	-	-	-	-	-	141,386
16	Contractual Services - Testing	3,676	-	-	-	-	-	-	3,676
17	Contractual Services - other	41,341	-	-	-	-	-	-	41,341
18	Equipment Rental	-	-	-	-	-	-	-	-
19	Rents - Building	-	-	-	-	-	-	-	-
20	Transportation Expenses	209	-	-	-	-	-	-	209
21	Insurance - General Liability	11,066	-	-	-	-	-	-	11,066
22	Insurance - Other	-	-	-	-	-	-	-	-
23	Regulatory Expenses	3,505	-	-	-	-	-	-	3,505
24	Regulatory Commission Expense	58,333	-	-	-	-	-	-	58,333
25	Miscellaneous Expense	37,081	-	-	-	-	-	-	37,081
26	Bad Debt Expense	46,313	(27,881)	-	-	-	-	-	18,432
27	Depreciation and Amortization	186,095	-	(8,343)	-	-	-	-	177,752
28	Taxes other than Income	5,521	-	-	-	-	-	-	5,521
29	Property Taxes	57,733	-	-	(4,121)	-	-	-	53,612
30	Income Tax	(711)	-	-	-	5,681	-	-	4,970
	Rounding	(1)	-	-	-	-	-	-	-
	Total Operating Expenses	\$ 729,033	\$ (27,881)	\$ (8,343)	\$ (4,121)	\$ 5,681	\$ -	\$ -	\$ 694,369
	Operating Income	\$ 154,497	\$ 27,881	\$ 8,343	\$ 4,121	\$ (5,681)	\$ (14,626)	\$ -	\$ 174,534

References:
 Column [A]: Company Schedule C-1

CORONADO UTILITIES, INC.
 Docket No. SW-04305A-09-0291
 Test Year ended December 31, 2008

Surrebuttal Schedule GTM-9

OPERATING INCOME ADJUSTMENT # 1 - NORMALIZE BAD DEBT EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Bad Debt Expense	\$ 46,313	\$ (27,881)	\$ 18,432
	<u>Bad Debt Expense</u>			
2	2006	\$ 3,483		
3	2007	5,500		
4	2008	46,312		
5	Total	<u>\$ 55,295</u>		
			<u>3</u>	
6	Normalized Amount	<u>\$ 18,432</u>		

References:

Col [A]: Company Schedule C-1 Page 3

Col [B]: GTM Testimony

Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT # 2 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Operating Income	\$ 186,095	\$ (8,343)	\$ 177,752

OPERATING INCOME ADJUSTMENT # - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] Company Proposed PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
Plant In Service						
2	351	Organization Cost	\$ 5,194	5,194	0.00%	\$ -
3	352	Franchise Cost	-	-	0.00%	-
4	353	Land and Land Rights	315,001	315,001	0.00%	-
5	354	Structures and Improvements	1,858	1,858	3.33%	62
6	355	Power Generation Equipment	-	-	5.00%	-
7	360	Collection Sewer Forced	-	-	2.00%	-
8	361	Collection Sewer Gravity	59,350	59,350	2.00%	1,187
9	362	Special Collecting Structures	1,576	1,576	2.00%	32
10	363	Customer Services	-	-	2.00%	-
11	364	Flow Measuring Devices	-	-	10.00%	-
12	365	Flow Measuring Installation	-	-	10.00%	-
13	366	Reuse Services	-	-	2.00%	-
14	367	Reuse Meters and Installation	-	-	8.33%	-
15	370	Receiving Wells	16,133	16,133	3.33%	537
16	371	Pumping Equipment	15,223	15,223	12.50%	1,903
17	374	Resue Distribution Reservoirs	-	-	2.50%	-
18	375	Reuse Transmission & Distrib. System	-	-	2.50%	-
19	380	Treatment & Disposal Equipment	3,243,375	3,243,375	5.00%	162,169
20	381	Plant Sewers	-	-	5.00%	-
21	382	Outfall Sewer Lines	540,205	540,205	3.33%	17,989
22	389	Other Sewer Plant & Equipment	178,135	178,135	6.67%	11,882
23	390	Office Furniture and Equipment	-	-	6.67%	-
24	390	Computers and Software	-	-	20.00%	-
25	391	Transportation Equipment	-	-	20.00%	-
26	392	Stores Equipment	-	-	4.00%	-
27	393	Tools, Shop and Garage Equipment	-	-	5.00%	-
28	394	Laboratory Equipment	-	-	10.00%	-
29	396	Communication Equipment	-	-	10.00%	-
30	398	Other Tangible Plant	52,423	52,423	4.00%	2,097
		Subtotal General	\$ 4,428,473	\$ 4,428,473		\$ 197,857
31		Less: Non- depreciable Account(s)	320,195	320,195		
32		Depreciable Plant (L29-L30)	\$ 4,108,278	\$ 4,108,278		
33		Contributions-in-Aid-of-Construction (CIAC)			\$ 603,201	
34		Composite Depreciation/Amortization Rate			3.33%	
35		Less: Amortization of CIAC (L32 x L33)				\$ 20,105
36		Depreciation Expense - STAFF				\$ 177,752

OPERATING INCOME ADJUSTMENT # 3 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2008	\$ 868,904	\$ 868,904
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 1,737,807	\$ 1,737,807
4a	Staff Adjusted Test Year Revenues - 2008	868,904	
4b	Staff Recommended Revenue, Per Schedule GTM-1		1,001,960
5	Subtotal (Line 4 + Line 5)	\$ 2,606,711	\$ 2,739,767
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 868,904	\$ 913,256
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 1,737,807	\$ 1,826,511
10	Plus: 10% of CWIP -		-
11	Less: Net Book Value of Licensed Vehicles		-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 1,737,807	\$ 1,826,511
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	364,940	\$ 383,567
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	14.6906%	14.6906%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$ 53,612	
17	Company Proposed Property Tax	57,733	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (4,121)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 56,348
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 53,612
21	Increase/(Decrease) to Property Tax Expense Due to Revenue Increase/(Decrease)		\$ 2,737
22	Decrease to Property Tax Expense		\$ 2,737
23	Increase in Revenue Requirement		133,056
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		2.056684%

References:

- Col [A]: Company Schedule C-1 Page 3
- Col [B]: GTM Testimony
- Col [C]:Schedule GTM-2

CORONADO UTILITIES, INC.
Docket No. SW-04305A-09-0291
Test Year ended December 31, 2008

Surrebuttal Schedule GTM-12

OPERATING INCOME ADJUSTMENT # 4 - INCOME TAXES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Tax	<u>\$ (711)</u>	<u>\$ 5,681</u>	<u>\$ 4,970</u>
2				
3				
4				
5				
6				
7				
8				
9				
10				
11	<u>References:</u>			
12	Col [A]: Company Schedule C-1 Page 3			
13	Col [B]: GTM Testimony			
14	Col [C]: Schedule GTM-2			

CORONADO UTILITIES, INC.
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Test Year ended December 31, 2008

Surrebuttal Schedule GTM-13

OPERATING INCOME ADJUSTMENT # 5 - SAN MANUEL HIGHLANDS REVENUE ADJUSTMENT

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Flat Rate Revenues	\$ 710,657	\$ (14,626)	\$ 696,030.63
2	Measured Revenues	157,655		\$ 157,655.00
3		<u>\$ 868,312</u>	<u>\$ (14,626)</u>	\$ 853,685.63
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11	<u>References:</u>			
12	Col [A]: Company Schedule C-1 Page 3			
13	Col [B]: GTM Testimony			
14	Col [C]: Schedule GTM-2			

RATE DESIGN

Monthly Fixed Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
Residential	\$ 46.50	\$ 54.73	\$ 53.65
Commercial	\$ 7.50	\$ 8.83	\$ 8.65
Mobile Home Park - Winter	\$ 7.50	\$ 8.83	\$ 8.65
Mobile Home Park - Summer	\$ 31.86	\$ 37.50	\$ 36.75
School	\$ 7.50	\$ 8.83	\$ 8.65
Effluent	\$ -	\$ -	\$ -
Commodity Rates (M-gal)			
Residential			
From 1 to Infinite Gallons	\$ -	\$ -	\$ -
Commercial			
From 1 to Infinite Gallons	\$ 9.80	\$ 11.54	\$ 11.32
Mobile Home Park - Winter			
From 1 to Infinite Gallons	\$ 5.70	\$ 6.71	\$ 6.60
Mobile Home Park - Summer			
From 1 to Infinite Gallons	\$ -	\$ -	\$ -
School			
From 1 to Infinite Gallons	\$ 3.12	\$ 3.68	\$ 3.60
Effluent			
From 1 to Infinite Gallons	\$ 0.15	\$ 0.20	\$ 0.20
	Present	Company Proposed	Staff Recommended
Service Charges			
Establishment of Service	\$25.00	\$25.00	\$25.00
Reconnection (delinquent)	\$35.00	\$35.00 + cost (a)	\$35.00 + cost (b)
Deposit	(c)	(c)	(c)
Deposit Interest	(d)	3.50%	6.0%
Re-Establishment (After Hours)	(e)	(e)	(e)
Late fee	1.5%	1.5%	1.5%
NSF Check	25.00	\$25.00	\$25.00
Deferred Payment, Per Month	1.5%	1.50%	1.5%
Main Extension and additional facilities agreements	cost	cost	cost
Service Calls	NT	\$40.00	\$40.00

NT = No Tariff

- (a) Reconnection fee "cost" of physical disconnection and reconnection including parts, labor, overhead, and all applicable taxes.
- (b) Company will be allowed to charge customer the actual "cost" of physical disconnection and reconnection only if 1) sewer provider is unable to negotiate a water termination services agreement with the water provider or 2) that the customer does not make current the account subsequent to water service termination.
- (c) Residential - two times the average bill. Non-residential - two and one-half times the average bill as per R14-2-603(B).
- (d) As per Commission Rule ACC R14-2-603 (B).
- (e) As per Commission Rule ACC R14-2-603 (d).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5).

All advances and/or contributions are to include labor, materials, overheads and all applicable taxes, Cost to include labor, materials and parts, overheads and all applicable taxes.

Typical Bill Analysis
Residential - flat rate

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	-	\$ 46.50	\$ 54.73	\$ 8.23	17.70%
Median Usage	-	46.50	54.73	\$ 8.23	17.70%
Staff Recommended					
Average Usage	-	\$ 46.50	\$ 53.65	\$ 7.15	15.37%
Median Usage	-	46.50	53.65	\$ 7.15	15.37%

Present & Proposed Rates (Without Taxes)
Residential - flat rate

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 46.50	\$ 54.73	17.70%	\$ 53.65	15.37%
1,000	46.50	54.73	17.70%	53.65	15.37%
2,000	46.50	54.73	17.70%	53.65	15.37%
3,000	46.50	54.73	17.70%	53.65	15.37%
4,000	46.50	54.73	17.70%	53.65	15.37%
5,000	46.50	54.73	17.70%	53.65	15.37%
6,000	46.50	54.73	17.70%	53.65	15.37%
7,000	46.50	54.73	17.70%	53.65	15.37%
8,000	46.50	54.73	17.70%	53.65	15.37%
9,000	46.50	54.73	17.70%	53.65	15.37%
10,000	46.50	54.73	17.70%	53.65	15.37%
11,000	46.50	54.73	17.70%	53.65	15.37%
12,000	46.50	54.73	17.70%	53.65	15.37%
13,000	46.50	54.73	17.70%	53.65	15.37%
14,000	46.50	54.73	17.70%	53.65	15.37%
15,000	46.50	54.73	17.70%	53.65	15.37%
16,000	46.50	54.73	17.70%	53.65	15.37%
17,000	46.50	54.73	17.70%	53.65	15.37%
18,000	46.50	54.73	17.70%	53.65	15.37%
19,000	46.50	54.73	17.70%	53.65	15.37%
20,000	46.50	54.73	17.70%	53.65	15.37%
25,000	46.50	54.73	17.70%	53.65	15.37%
30,000	46.50	54.73	17.70%	53.65	15.37%
35,000	46.50	54.73	17.70%	53.65	15.37%
40,000	46.50	54.73	17.70%	53.65	15.37%
45,000	46.50	54.73	17.70%	53.65	15.37%
50,000	46.50	54.73	17.70%	53.65	15.37%
75,000	46.50	54.73	17.70%	53.65	15.37%
100,000	46.50	54.73	17.70%	53.65	15.37%