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BEFORE THE ARIZONA CORPORATION COMMISSION
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COMMISSIONERS

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GARY PIERCE
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2010 MAY 12 P 4: 51

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
CHAPARRAL CITY WATER COMPANY, INC.,
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. W-02113A-07-0551

(REHEARING)

STAFF'S LATE-FILED EXHIBIT

The Utilities Division ("Staff") of the Arizona Corporation Commission hereby files the attached late filed exhibit as requested by Administrative Law Judge Teena Wolfe during the Rehearing held April 12, 2010. The attached exhibit describes the rate effect of Staff's recommendations, as well as other scenarios as requested. In the attached exhibit, Staff made certain adjustments related to the Gain on Proceeds from the Fountain Hills Sanitary District settlement that differ from the treatment in Decision No. 71308, based on a review of the initial underlying revenue requirement calculation workpapers.

RESPECTFULLY SUBMITTED this 11th day of May, 2010.

Robin R. Mitchell, Staff Attorney
Wesley Van Cleve, Staff Attorney
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Original and thirteen (13) copies of the foregoing filed this 11th day of May, 2010 with:

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

Arizona Corporation Commission
DOCKETED

MAY 12 2010

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1 Copies of the foregoing mailed this
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A handwritten signature in cursive script, appearing to read "Ashley Hodge", is written over a horizontal line. The signature is located on the left side of the page, between the 20 and 21 line markers.

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) DECISION FAIR VALUE	(C) RESTATE DECISION*	(D) SCENARIO 1	(E) SCENARIO 2	(F) SCENARIO 3	(G) SCENARIO 4
1	Adjusted Rate Base	\$ 28,768,975	\$ 26,776,414	\$ 26,776,414	\$ 27,506,414	\$ 27,521,414	\$ 27,506,414	\$ 27,521,414
2	Adjusted Operating Income (Loss)	\$ 855,581	\$ 943,185	\$ 988,008	\$ 946,566	\$ 945,715	\$ 926,099	\$ 925,248
3	Current Rate of Return (L2 / L1)	2.97%	3.52%	3.69%	3.44%	3.44%	3.37%	3.36%
4	Required Rate of Return	9.32%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%
5	Required Operating Income (L4 * L1)	\$ 2,681,268	\$ 2,013,586	\$ 2,013,586	\$ 2,068,482	\$ 2,069,610	\$ 2,068,482	\$ 2,069,610
6	Operating Income Deficiency (L5 - L2)	\$ 1,825,687	\$ 1,070,401	\$ 1,025,578	\$ 1,121,916	\$ 1,123,895	\$ 1,142,383	\$ 1,144,362
7	Gross Revenue Conversion Factor	1.6286	1.6483	1.6483	1.6483	1.6483	1.6483	1.6483
8	Required Revenue Increase (L7 * L6)	\$ 2,973,354	\$ 1,764,371	\$ 1,690,488	\$ 1,849,284	\$ 1,852,547	\$ 1,883,020	\$ 1,886,283
9	Adjusted Test Year Revenue	\$ 7,505,010	\$ 7,505,010	\$ 7,505,010	\$ 7,505,010	\$ 7,505,010	\$ 7,505,010	\$ 7,505,010
10	Proposed Annual Revenue (L8 + L9)	\$ 10,478,364	\$ 9,269,381	\$ 9,195,498	\$ 9,354,294	\$ 9,357,557	\$ 9,388,030	\$ 9,391,293
11	Required Increase in Revenue (%)	39.62%	23.51%	22.52%	24.64%	24.68%	25.09%	25.13%

* In Staffs review of the worksheets underlying the revenue requirement calculation for the decision, Staff made the following observations and adjustments related to the Gain on Proceeds from the Settlement:

- a) \$76,000 was included as a reduction to test year expenses for the amount of amortization on the gain during the test year. This appears to have been calculated by assuming a 10-year amortization period, but applied to 1/2 of the total gain amount. Staff restated adjusted operating income assuming a 10-year amortization period, applied to the full amount of the gain, resulting in a \$149,000 reduction to test year expenses (\$1,490,000 x 10%), as well as the related impacts to property tax and income tax expense.
- b) Staff restated the revenue requirement calculation to reflect the above changes.

References:

- Column (A): Company Schedule A-1
- Column (B): Rate Case Decision
- Column (C): Restated Rate Case Decision
- Column (D): Restated Rate Case Decision, equal sharing of \$1,490,000 gain
- Column (E): Restated Rate Case Decision, equal sharing of \$1,490,000 gain
- Column (F): Restated Rate Case Decision, equal sharing of \$1,520,000 gain and including \$100,000 remand rate case expense (annual amt \$33,333)
- Column (G): Restated Rate Case Decision, equal sharing of \$1,490,000 gain and including \$100,000 remand rate case expense (annual amt \$33,333)