

ORIGINAL



0000112987

BEFORE THE ARIZONA CORPORATION C

RECEIVED

2010 JUN 18 P 3:15

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

- 2 COMMISSIONERS
- 3 KRISTIN K. MAYES, Chairman
- 4 GARY PIERCE
- 5 PAUL NEWMAN
- 6 SANDRA D. KENNEDY
- 7 BOB STUMP

6 IN THE MATTER OF THE APPLICATION OF
 7 BELLA VISTA WATER CO., INC., AN ARIZONA
 8 CORPORATION, FOR A DETERMINATION OF
 9 THE FAIR VALUE OF ITS UTILITY PLANTS AND
 PROPERTY AND FOR INCREASES IN ITS WATER
 RATES AND CHARGES FOR UTILITY SERVICE
 BASED THEREON.

DOCKET NO. W-02465A-09-0411

10 IN THE MATTER OF THE APPLICATION OF
 11 NORTHERN SUNRISE WATER COMPANY, INC.,
 12 AN ARIZONA CORPORATION, FOR A
 13 DETERMINATION OF THE FAIR VALUE OF ITS
 UTILITY PLANTS AND PROPERTY AND FOR
 INCREASES IN ITS WATER RATES AND
 CHARGES FOR UTILITY SERVICE BASED
 THEREON.

DOCKET NO. W-20453A-09-0412

14 IN THE MATTER OF THE APPLICATION OF
 15 SOUTHERN SUNRISE WATER COMPANY, INC.,
 16 AN ARIZONA CORPORATION, FOR A
 17 DETERMINATION OF THE FAIR VALUE OF ITS
 UTILITY PLANTS AND PROPERTY AND FOR
 18 INCREASES IN ITS WATER RATES AND
 CHARGES FOR UTILITY SERVICE BASED
 THEREON.

DOCKET NO. W-20454A-09-0413

19 IN THE MATTER OF THE JOINT APPLICATION
 20 OF BELLA VISTA WATER CO., INC., NORTHERN
 21 SUNRISE WATER COMPANY, INC., AND
 22 SOUTHERN SUNRISE WATER COMPANY, INC.
 23 FOR APPROVAL OF AUTHORITY TO
 CONSOLIDATE OPERATIONS, AND FOR THE
 TRANSFER OF UTILITY ASSETS TO BELLA
 VISTA WATER CO., INC., PURSUANT TO
 ARIZONA REVISED STATUTES 4-285.

DOCKET NO. W-02465A-09-0414
 DOCKET NO. W-20453A-09-0414
 DOCKET NO. W-20454A-09-0414

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

24 The Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebittal
 25 Testimony of Staff Witnesses Crystal S. Brown, Pedro M. Chaves, and Marlin Scott, Jr., in the
 26 above-referenced matter.

Arizona Corporation Commission
DOCKETED

JUN 18 2010

DOCKETED BY	
-------------	--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

RESPECTFULLY SUBMITTED this 18th day of June, 2010.


Robin R. Mitchell, Staff Attorney
Kimberly Ruht, Staff Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing were filed this
18th day of June, 2010 with:

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

Copies of the foregoing were emailed
this 18th day of June, 2010; and mailed
on the 18th day of June, 2010, to:

Jay L. Shapiro, Esq.
Stephanie Johnson, Esq.
FENNEMORE CRAIG
3003 N. Central Avenue,
Suite 2600
Phoenix, Arizona 85012

jshapiro@fclaw.com

Michelle L. Wood, Esq.
RUCO
1110 West Washington, Suite 220
Phoenix, Arizona 85007

mwood@azruco.gov



BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
BELLA VISTA WATER COMPANY, INC., AN)
ARIZONA CORPORATION, FOR A DETERMINATION)
OF THE FAIR VALUE OF ITS UTILITY PLANTS AND)
PROPERTY AND FOR INCREASES IN ITS WATER)
RATES AND CHARGES FOR UTILITY SERVICE)
BASED THEREON.)

DOCKET NO. W-02465A-09-0411

IN THE MATTER OF THE APPLICATION OF)
NORTHERN SUNRISE WATER COMPANY, INC., AN)
ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF ITS)
UTILITY PLANTS AND PROPERTY AND FOR)
INCREASES IN ITS WATER RATES AND CHARGES)
FOR UTILITY SERVICE BASED THEREON.)

DOCKET NO. W-20453A-09-0412

IN THE MATTER OF THE APPLICATION OF)
SOUTHERN SUNRISE WATER COMPANY, INC., AN)
ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF ITS)
UTILITY PLANTS AND PROPERTY AND FOR)
INCREASES IN ITS WATER RATES AND CHARGES)
FOR UTILITY SERVICE BASED THEREON.)

DOCKET NO. W-20454A-09-0413

IN THE MATTER OF BELLA VISTA WATER)
COMPANY, INC., NORTHERN SUNRISE WATER)
COMPANY, INC., AND SOUTHERN SUNRISE)
WATER COMPANY, INC.'S JOINT APPLICATION)
FOR APPROVAL OF AUTHORITY TO)
CONSOLIDATE OPERATIONS, AND FOR THE)
TRANSFER OF UTILITY ASSETS TO BELLA VISTA)
WATER COMPANY, INC., PURSUANT TO)
ARIZONA REVISED STATUTES 40-285.)

DOCKET NO. W-02465A-09-0414

DOCKET NO. W-20453A-09-0414

DOCKET NO. W-20454A-09-0414

SURREBUTTAL
TESTIMONY
OF
CRYSTAL S. BROWN
PUBLIC UTILITIES ANALYST V
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JUNE 18, 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
PURPOSE OF SURREBUTTAL TESTIMONY	1
PROPOSED MERGER	2
SUMMARY OF PROPOSED REVENUES	3
RATE BASE.....	6
Rate Base Adjustment – Retirements	6
Rate Base Adjustment – Inadequately Supported Plant	9
Rate Base Adjustment – Regulatory Asset.....	10
Rate Base Adjustment – Accumulated Depreciation	11
Amortization of Contributions in Aid of Construction (“CIAC”).....	15
Rate Base Adjustment – Accumulated Deferred Income Taxes (All Algonquin Companies).....	17
Rate Base Adjustment – Customer Security Deposits (All Algonquin Companies).....	18
OPERATING INCOME	19
Operating Income Adjustment – Corporate Expense Allocation (All Algonquin Companies).....	19
Operating Income Adjustment – Water Testing Expense	24
Operating Income Adjustment – Transportation Expense.....	25
Operating Income Adjustment – Rate Case Expense	26
Operating Income Adjustment – Outside Services, Other Expense	27
Operating Income Adjustment – Depreciation Expense	30
Operating Income – Property Taxes.....	31
Operating Income – Income Taxes	31
HOOK-UP FEE (“HUF”)	31
RATE DESIGN	32

SURREBUTTAL SCHEDULES

REVENUE REQUIREMENT

Bella Vista Water Company:

Revenue Requirement	CSB-1
Gross Revenue Conversion Factor	CSB-2
Rate Base – Original Cost	CSB-3
Summary of Rate Base Adjustments	CSB-4
Rate Base Adjustment No. 1 – Post-Test Year Plant and Retirement	CSB-5
Rate Base Adjustment No. 2 – Inadequately Supported Plant	CSB-6
Rate Base Adjustment No. 3 – Plant Retirements	CSB-7
Rate Base Adjustment No. 4 – Accumulated Depreciation.....	CSB-8
Rate Base Adjustment No. 5 – Customer Deposits	CSB-9
Rate Base Adjustment No. 6 – Accumulated Deferred Income Taxes (“ADIT”).....	CSB-10
Operating Income Statement – Test Year and Staff Recommended	CSB-11

Summary of Operating Income Adjustments – Test Year.....	CSB-12
Operating Income Adjustment No. 1 – Corporate Expense Allocation	CSB-13
Operating Income Adjustment No. 2 – Outside Services, Other.....	CSB-14
Operating Income Adjustment No. 3 – General Office Allocation / Affiliate Increase	CSB-15
Operating Income Adjustment No. 4 – Water Testing Expense.....	CSB-16
Operating Income Adjustment No. 5 – Transportation Expense.....	CSB-17
Operating Income Adjustment No. 6 – Rate Case Expense	CSB-18
Operating Income Adjustment No. 7 – Meals, Entertainment, and Contributions	CSB-19
Operating Income Adjustment No. 8 – Depreciation Expense.....	CSB-20
Operating Income Adjustment No. 9 – Property Taxes	CSB-21
Operating Income Adjustment No. 10 – Income Taxes	CSB-22

Northern Sunrise Water Company:

Revenue Requirement	CSB-1
Gross Revenue Conversion Factor	CSB-2
Rate Base – Original Cost	CSB-3
Summary of Original Cost Rate Base Adjustments	CSB-4
Rate Base Adjustment No. 1 – Inadequately Supported Plant	CSB-5
Rate Base Adjustment No. 2 – Regulatory Asset.....	CSB-6
Rate Base Adjustment No. 3 – Accumulated Depreciation.....	CSB-7
Rate Base Adjustment No. 4 – Customer Deposits	CSB-8
Rate Base Adjustment No. 5 – Accumulated Deferred Income Taxes (“ADIT”).....	CSB-9
Operating Income Statement – Test Year and Staff Recommended	CSB-10
Summary of Operating Income Adjustments – Test Year.....	CSB-11
Operating Income Adjustment No. 1 – Corporate Expense Allocation	CSB-12
Operating Income Adjustment No. 2 – Outside Services, Other.....	CSB-13
Operating Income Adjustment No. 3 – General Office Allocation / Affiliate Increase	CSB-14
Operating Income Adjustment No. 4 – Water Testing Expense.....	CSB-15
Operating Income Adjustment No. 5 – Transportation Expense.....	CSB-16
Operating Income Adjustment No. 6 – Rate Case Expense	CSB-17
Operating Income Adjustment No. 7 – Meals, Entertainment, and Contributions	CSB-18
Operating Income Adjustment No. 8 – Depreciation Expense.....	CSB-19
Operating Income Adjustment No. 9 – Property Tax Expense	CSB-20
Operating Income Adjustment No. 10 – Income Tax Expense	CSB-21

Southern Sunrise Water Company:

Revenue Requirement	CSB-1
Gross Revenue Conversion Factor	CSB-2
Rate Base – Original Cost	CSB-3
Summary of Original Cost Rate Base Adjustments	CSB-4
Rate Base Adjustment No. 1 – Inadequately Supported Plant	CSB-5
Rate Base Adjustment No. 2 – Regulatory Asset.....	CSB-6
Rate Base Adjustment No. 3 – Accumulated Depreciation.....	CSB-7
Rate Base Adjustment No. 4 – Customer Deposits	CSB-8
Rate Base Adjustment No. 5 – Accumulated Deferred Income Taxes (“ADIT”).....	CSB-9
Operating Income Statement – Test Year and Staff Recommended	CSB-10
Summary of Operating Income Adjustments – Test Year.....	CSB-11
Operating Income Adjustment No. 1 – Corporate Expense Allocation	CSB-12
Operating Income Adjustment No. 2 – Outside Services, Other.....	CSB-13
Operating Income Adjustment No. 3 – General Office Allocation / Affiliate Increase	CSB-14
Operating Income Adjustment No. 4 – Water Testing Expense.....	CSB-15
Operating Income Adjustment No. 5 – Transportation Expense.....	CSB-16
Operating Income Adjustment No. 6 – Rate Case Expense	CSB-17
Operating Income Adjustment No. 7 – Meals, Entertainment, and Contributions	CSB-18
Operating Income Adjustment No. 8 – Depreciation Expense.....	CSB-19
Operating Income Adjustment No. 9 – Property Tax Expense	CSB-20

Operating Income Adjustment No. 10 – Income Tax Expense CSB-21

Consolidated (Bella Vista, Northern Sunrise, Southern Sunrise):

Revenue Requirement CSB-1
Gross Revenue Conversion Factor CSB-2
Rate Base – Original Cost CSB-3
Operating Income Statement – Test Year and Staff Recommended CSB-4
Property Tax Expense CSB-5

RATE DESIGN

Bella Vista Water Company:

Rate Design CSB-1
Typical Residential Bill Analysis CSB-2

Northern Sunrise Water Company

Rate Design CSB-3
Typical Residential Bill Analysis CSB-4

Southern Sunrise Water Company

Rate Design CSB-5
Typical Residential Bill Analysis CSB-6

Consolidation (Bella Vista, Northern Sunrise, Southern Sunrise)

Rate Design CSB-7
Typical Residential Bill Analysis CSB-8

EXECUTIVE SUMMARY

**BELLA VISTA WATER COMPANY, DOCKET NO. W-02465A-09-0411
NORTHERN SUNRISE WATER COMPANY, DOCKET NO. W-20453A-09-0412
SOUTHERN SUNRISE WATER COMPANY, DOCKET NO. W-20454A-09-0413
BELLA VISTA WATER COMPANY, INC., NORTHERN SUNRISE WATER COMPANY,
INC., AND SOUTHERN SUNRISE WATER COMPANY, INC.,
DOCKET NOS. W-02465A-09-0414, W-20453A-09-0414 AND W-20454A-09-0414**

Staff continues to recommend approval of consolidated rates for Bella Vista Water Company, Inc. ("Bella Vista"), Northern Sunrise Water Company, Inc. ("Northern Sunrise"), and Southern Sunrise Water Company, Inc. ("Southern Sunrise"), collectively "Algonquin Companies," as discussed in its direct testimony. Consistent with that recommendation, Staff recommends approval of the Companies' proposed merger, transfer of assets and transfer of certificates of convenience and necessity.

Staff recommends the following:

Consolidation (Bella Vista, Northern Sunrise, Southern Sunrise)

Staff recommends a \$442,372 or 10.63 percent revenue increase from \$4,162,136 to \$4,604,508. Staff's recommended revenue increase would produce an operating income of \$706,390 for an 8.80 percent rate of return on an OCRB of \$8,027,155.

For Bella Vista, the typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500 gallons would experience a \$1.27 or a 6.53 percent decrease in his monthly bill, from \$19.37 to \$18.10, under Staff's surrebuttal rates. A typical bill analysis is provided on surrebuttal Schedule CSB-8 RD, page 1.

For Northern Sunrise, the typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500 gallons would experience a \$21.90 or a 54.75 percent decrease in his monthly bill, from \$40.00 to \$18.10, under Staff's surrebuttal rates. A typical bill analysis is provided on surrebuttal Schedule CSB-8 RD, page 2.

For Southern Sunrise, the typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500 gallons would experience a \$21.90 or a 54.75 percent decrease in his monthly bill, from \$40.00 to \$18.10, under Staff's surrebuttal rates. A typical bill analysis is provided on surrebuttal Schedule CSB-8 RD, page 3.

Staff is recommending consolidated rates for the Algonquin Companies. However, if the Commission were to adopt stand-alone rates for the Algonquin Companies, Staff would recommend the following:

Bella Vista

Staff recommends a \$166,411 or 4.72 percent revenue increase from \$3,526,033 to \$3,692,444. Staff's recommended revenue increase would produce an operating income of \$535,716 for an 8.80 percent rate of return on an OCRB of \$6,087,677.

The typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500 gallons would experience a \$2.13 or a 10.98 percent increase in his monthly bill,

from \$19.37 to \$21.49, under Staff's surrebuttal rates. A typical bill analysis is provided on surrebuttal Schedule CSB-2 RD.

Northern Sunrise

Staff recommends a \$165,724 or 86.33 percent revenue increase from \$191,966 to \$357,691. Staff's recommended revenue increase would produce an operating income of \$56,530 for an 8.80 percent rate of return on an OCRB of \$642,392.

The typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500 gallons would experience a \$31.45 or a 78.63 percent increase in his monthly bill, from \$40.00 to \$71.45, under Staff's surrebuttal rates. A typical bill analysis is provided on surrebuttal Schedule CSB-4 RD.

Southern Sunrise

Staff recommends a \$140,492 or 31.63 percent revenue increase from \$444,136 to \$584,629. Staff's recommended revenue increase would produce an operating income of \$114,144 for an 8.80 percent rate of return on an OCRB of \$1,297,087.

The typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500 gallons would experience a \$11.23 or a 28.06 percent increase in his monthly bill, from \$40.00 to \$51.23, under Staff's surrebuttal rates. A typical bill analysis is provided on surrebuttal Schedule CSB-6 RD.

Staff's Surrebuttal Testimony responds to the Algonquin Companies' rebuttal testimony on the following issues:

1. Merger
2. Rate Base
 - a. Retirements
 - b. Allowance for Funds Used During Construction ("AFUDC")
 - c. Acquisition Costs
 - d. Unsupported Plant
 - e. Accumulated Depreciation
 - f. Contributions In Aid of Construction ("CIAC")
 - g. Accumulated Deferred Income Taxes ("ADIT")
 - h. Customer Security Deposits
3. Operating Income
 - a. Corporate Expense Allocation
 - b. Water Testing Expense
 - c. Transportation Expense
 - d. Rate Case Expense
 - e. Outside Services Expense
 - f. Depreciation Expense
 - g. Property Tax Expense
 - h. Income Tax Expense
4. Rate Design

1 **INTRODUCTION**

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

3 A. My name is Crystal S. Brown. I am a Public Utilities Analyst V 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 Crystal S. Brown who filed direct testimony in this case?**

8 A. Yes.

9
10 **PURPOSE OF SURREBUTTAL TESTIMONY**

11 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

12 A. The purpose of my surrebuttal testimony in this proceeding is to respond, on behalf of
13 Staff, to the rebuttal testimonies of Mr. Peter Eichler and Mr. Thomas Bourassa who
14 represent Bella Vista Water Company, Inc. (“Bella Vista”), Northern Sunrise Water
15 Company, Inc. (“Northern Sunrise”), Southern Sunrise Water Company, Inc. (“Southern
16 Sunrise”), collectively “Algonquin Companies” or “Companies”.

17
18 **Q. Did you attempt to address every issue raised by the Algonquin Companies in its
19 rebuttal testimony?**

20 A. No. I limited my discussion to certain issues as outlined below. My silence on any
21 particular issue raised in the Companies’ rebuttal testimony does not indicate that I agree
22 with the Companies’ stated rebuttal position on the issue. Rather, where I do not respond,
23 I rely on my direct testimony.

1 **Q. What issues will you address?**

2 A. I will address the issues listed below that are discussed in the rebuttal testimony of the
3 Algonquin Companies' witnesses Mr. Peter Eichler and Mr. Thomas Bourassa.

4 1. Merger

5 2. Rate Base

6 a. Retirements

7 b. Allowance for Funds Used During Construction ("AFUDC")

8 c. Regulatory Assets

9 d. Unsupported Plant

10 e. Accumulated Depreciation

11 f. Amortization of CIAC

12 g. Accumulated Deferred Income Taxes ("ADIT")

13 h. Customer Security Deposits

14 3. Operating Income

15 a. Corporate Expense Allocation

16 b. Transportation Expense

17 c. Rate Case Expense

18 d. Outside Services Expense

19 e. Depreciation Expense

20 f. Property Tax Expense

21 g. Income Tax Expense

22 4. Rate Design

23

24 **PROPOSED MERGER**

25 **Q. Did Staff review the Algonquin Companies' joint application for approval of**
26 **authority to consolidate operations and for the transfer of utility assets to Bella**
27 **Vista?**

28 A. Yes. Staff reviewed the merger proposal.

29

30 **Q. What are the Companies' primary reasons for the merger?**

31 A. According to the Companies' filing, the primary reasons for the merger are to reduce the
32 administrative burden for the Companies and the Commission, to enhance regional water

1 management and conservation, and to improve the Companies' ability to spread the cost
2 of complying with changing federal, state, and local water quality standards. Also,
3 Northern Sunrise and Southern Sunrise customers would receive a rate decrease and Bella
4 Vista customers would receive access to water supply through an existing interconnection
5 between Northern Sunrise and Southern Sunrise.

6
7 **Q. Did Staff prepare a schedule showing the individual and consolidated revenue**
8 **requirements, rate bases, and operating income statements for Bella Vista, Northern**
9 **Sunrise, and Southern Sunrise?**

10 A. Yes, see surrebuttal Schedules CSB-1 through CSB-5 for the consolidated systems.

11
12 **Q. What is Staff's recommendation?**

13 A. Consistent with Staff's recommendation for approval of consolidated rates discussed in its
14 direct testimony and in this testimony, Staff recommends approval of the Companies'
15 proposed merger.

16
17 **Q. The Company has requested authority to transfer the assets and the certificates of**
18 **convenience and necessity of Northern Sunrise and Southern Sunrise to Bella Vista**
19 **as part of its consolidation request. What is the Staff recommendation?**

20 A. Staff recommends that the Commission approve the Company's request.

21
22 **SUMMARY OF PROPOSED REVENUES**

23 **Q. Please summarize Staff's recommended revenue on a consolidated basis.**

24 A. On a consolidated basis, Staff recommends a revenue increase of \$442,372 for a 10.63
25 percent increase over test year revenue of \$4,162,136. The total annual revenue of

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

\$4,604,508 produces an operating income of \$706,390 or an 8.80 percent rate of return on an original cost rate base of \$8,027,155.

Q. Please summarize Staff's recommended revenue for each of the Companies on an individual basis.

A. Staff recommends revenue requirements totaling \$4,634,764, as shown in the chart below.

	Adjusted Test Year <u>Company</u>	Recommended Revenue <u>Surrebuttal</u>	<u>Revenue Increase</u>	
			<u>\$ Change</u>	<u>% Change</u>
Bella Vista	\$3,526,033	\$3,692,444	\$166,411	4.72%
Northern Sunrise	\$191,966	\$357,691	\$165,725	86.33%
Southern Sunrise	\$444,136	\$584,629	\$140,493	31.63%

Q. How does Staff's recommended revenue compare to the recommended revenue in Staff's direct testimony?

A. Staff's recommended revenue has increased as shown in the chart below:

Staff Recommended	<u>Direct Testimony</u>	<u>Surrebuttal Testimony</u>	<u>\$ Increase</u>	<u>% Increase</u>
Bella Vista	\$3,368,105	\$3,692,444	\$324,339	9.63%
Northern Sunrise	\$320,198	\$357,691	\$37,493	11.71%
Southern Sunrise	\$484,740	\$584,629	\$99,889	20.61%

The increase reflects the adjustments made in Staff's surrebuttal testimony.

Under Staff's recommendation, the above proposed and recommended revenue increases would apply to the customers of the Algonquin Companies on a consolidated basis as follows:

1 *Consolidated*

2 Staff recommends a \$442,372 or a 10.63 percent revenue increase. Staff's recommended
3 revenue increase would produce an operating income of \$706,390 for an 8.80 percent rate
4 of return on an OCRB of \$8,027,155.

5
6 On an individual basis, the above proposed and recommended revenue increases would
7 apply to the customers of the Algonquin Companies as follows:

8
9 *Bella Vista*

10 Staff recommends a \$166,411 or 4.72 percent revenue increase from \$3,526,033 to
11 \$3,692,444. Staff's recommended revenue increase would produce an operating income
12 of \$535,716 for an 8.80 percent rate of return on an original cost rate base ("OCRB") of
13 \$6,087,677.

14
15 *Northern Sunrise*

16 Staff recommends a \$165,724 or 86.33 percent revenue increase from \$191,966 to
17 \$357,691. Staff's recommended revenue increase would produce an operating income of
18 \$56,530 for an 8.80 percent rate of return on an OCRB of \$642,392.

19
20 *Southern Sunrise*

21 Staff recommends a \$140,492 or 31.63 percent revenue increase from \$444,136 to
22 \$584,629. Staff's recommended revenue increase would produce an operating income of
23 \$114,144 for an 8.80 percent rate of return on an OCRB of \$1,297,087.

24

1 **RATE BASE**

2 **Q. Please summarize Staff's adjustments to the Algonquin Companies' rate bases**
3 **shown on surrebuttal Schedules CSB-3 and CSB-4 of their respective schedules.**

4 **A. A summary of the Algonquin Companies' proposed and Staff's recommended rate bases**
5 **follow:**

	<u>Per Company</u>	<u>RATE BASE Staff's Adjustment</u>	<u>Surrebuttal Per Staff</u>
Bella Vista	\$6,343,311	(\$255,634)	\$6,087,677
Northern Sunrise	\$742,657	(\$100,265)	\$642,392
Southern Sunrise	\$1,544,434	(\$247,347)	\$1,297,087
Total	\$8,630,402	(\$603,247)	\$8,027,155

7
8 **Q. How does Staff's recommended rate base compare to the recommended rate base in**
9 **Staff's direct testimony?**

10 **A. Staff's recommended rate base has increased in aggregate by \$3,041,950, from \$4,985,205**
11 **in its direct testimony to \$8,027,155 in its surrebuttal testimony as follows:**

	STAFF RECOMMENDED RATE BASE			
	<u>Direct Testimony</u>	<u>Surrebuttal Testimony</u>	<u>\$ Change</u>	<u>% Change</u>
Bella Vista	\$3,800,682	\$ 6,087,677	\$2,286,995	60.17%
Northern Sunrise	\$457,384	\$ 642,392	\$ 185,007	40.45%
Southern Sunrise	\$727,139	\$ 1,297,087	\$ 569,948	78.38%
Total / Overall	\$4,985,205	\$8,027,155	\$3,041,950	61.02%

13
14 **Rate Base Adjustment – Retirements**

15 **Q. Has Staff reviewed Bella Vista's rebuttal testimony concerning its retirement**
16 **adjustment?**

17 **A. Yes.**

18

1 **Q. What is Bella Vista's primary concern?**

2 A. Bella Vista's primary concern is that, for certain plant accounts, Staff's retirements totaled
3 more than Bella Vista's additions for those accounts, indicating that some of the fully-
4 depreciated plant that Staff treated as retired is actually still in service.

5
6 **Q. Is Bella Vista's concern valid?**

7 A. For rate base, it is not. There is no net impact on rate base because, regardless of whether
8 fully-depreciated plant is included or excluded from plant in service, the cost of fully-
9 depreciated plant is offset by accumulated depreciation. The concern, however, is valid
10 for depreciation expense because Bella Vista uses the group method of depreciation. This
11 methodology allows plant that has been fully depreciated to continue to be depreciated as
12 long as the plant item is still in service.

13
14 **Q. Did Staff review the Company's alternative proposal for calculating retirements?**

15 A. Yes.

16
17 **Q. Does Staff have any concerns?**

18 A. Yes.

19
20 **Q. What are Staff's concerns?**

21 A. Bella Vista's methodology implies that retirements can only be caused by replacements.
22 This is not true. The following excerpt from the National Association of Regulatory
23 Utility Commissioners ("NARUC") Uniform System of Accounts accounting instruction
24 27 paragraph B (2) indicates that retirements can also occur without replacements:

25

1 When a retirement unit is retired from utility plant with or without
2 replacement, the book cost thereof shall be credited to the utility
3 plant account in which it is included (Emphasis added).
4

5 **Q. Does Staff have another concern?**

6 A. Yes. The schedule that Bella Vista provided to Staff shows that it had \$161,264 in
7 account no. 340.1 "Computers and Software" at December 31, 2000. During the
8 approximately eight intervening years between December 31, 2000, and the end of the
9 current test year, March 31, 2009, Bella Vista reports no retirements or additions. This is
10 unusual given the relatively fast pace that computers and software become obsolete.
11

12 **Q. Notwithstanding Staff's aforementioned concerns, is the Company's methodology to**
13 **calculate retirements reasonable?**

14 A. In general, yes.
15

16 **Q. What is Staff's recommendation?**

17 A. Staff recommends \$1,333,228 in retirements as shown on surrebuttal Schedule CSB-7.
18

19 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony**
20 **recommendation?**

21 A. The comparison is as follows:
22

BELLA VISTA RETIREMENTS				
	Reference:	Staff's Direct Testimony <u>Retirements</u>	<u>Change</u>	Staff's Surrebuttal <u>Testimony</u> <u>Retirements</u>
Bella Vista	Schedule CSB-7	\$2,553,834	\$(1,220,606)	\$1,333,228

1 **Rate Base Adjustment – Inadequately Supported Plant**

2 **Q. Did Staff review the Company’s rebuttal testimony concerning inadequately**
3 **supported plant costs?**

4 A. Yes. Staff will discuss the inadequately supported plant costs related to allowance for
5 funds used during construction (“AFUDC”) separately from those related to a lack of
6 invoices.

7

8 AFUDC

9 **Q. What was the Company’s rebuttal testimony related to the AFUDC costs?**

10 A. The Companies are proposing to remove \$40,887, \$13,740, and \$25,428 (totaling
11 \$80,055) respectively for revisions made in calculating AFUDC for Bella Vista, Northern
12 Sunrise, and Southern Sunrise.

13

14 **Q. Does Staff agree with these costs?**

15 A. Yes, Staff accepts the Companies’ adjustments for AFUDC.

16

17 Lack of Invoices

18 **Q. Did Staff review Bella Vista’s rebuttal testimony concerning inadequately supported**
19 **plant costs?**

20 A. Yes.

21

1 **Q. Does Staff agree with Bella Vista?**

2 A. No. As Staff stated in its direct testimony, it is the Company's responsibility to support its
3 claimed costs. If inadequately supported plant costs are not removed, ratepayers are at
4 risk of paying for non-existent or overstated costs. Therefore, Staff continues to
5 recommend a disallowance of \$104,983 for lack of invoices.

6
7 **Q. What is Staff's full recommendation for inadequately supported plant?**

8 A. Staff recommends removing from plant in service \$145,870, \$13,740, \$25,428, for Bella
9 Vista, Northern Sunrise, and Southern Sunrise, respectively.

10
11 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony
12 recommendation?**

13 A. The comparison is as follows:

14

INADEQUATELY SUPPORTED PLANT COSTS				
	Reference:	Staff's Direct Testimony Adjustment	Change	Staff's Surrebuttal Testimony Adjustment
Bella Vista	Schedule CSB-6	\$104,983	\$40,887	\$145,870
Northern Sunrise	Schedule CSB-5	\$23,454	(\$9,714)	\$13,740
Southern Sunrise	Schedule CSB-5	\$44,673	(\$19,245)	\$25,428
	Total	\$173,110	\$11,928	\$185,038

15
16 **Rate Base Adjustment – Regulatory Asset**

17 **Q. Did Staff review the Company's rebuttal testimony concerning the regulatory asset
18 for Northern Sunrise and Southern Sunrise?**

19 A. Yes. Northern Sunrise and Southern Sunrise are proposing revised amounts of \$48,984
20 and \$106,394, respectively (a total of \$155,378) in order to reflect the actual costs
21 incurred.

1 **Q. Does Staff agree with Northern Sunrise and Southern Sunrise?**

2 A. Yes. The Companies documentation supports the amounts proposed.

3
4 **Q. What is Staff's recommendation?**

5 A. Staff recommends regulatory assets of \$48,984 and \$106,394, respectively for Northern
6 Sunrise and Southern Sunrise as shown on surrebuttal Schedule CSB-6.

7
8 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony
9 recommendation?**

10 A. The comparison is as follows:

11

REGULATORY ASSET				
	Reference:	Staff's Direct Testimony Regulatory Asset	Change	Staff's Surrebuttal Testimony Regulatory Asset
Northern Sunrise	Schedule CSB-6	\$0	\$48,984	\$48,984
Southern Sunrise	Schedule CSB-6	\$0	\$106,394	\$106,394
	Total	\$0	\$155,378	\$155,378

12

13 **Rate Base Adjustment – Accumulated Depreciation**

14 *Depreciation Methodology*

15 **Q. Did Staff identify an issue that was not explicitly addressed in its direct testimony?**

16 A. Yes.

17

18 **Q. What is the issue?**

19 A. The issue is whether the Companies should continue using their current depreciation
20 methodology.

1 **Q. What depreciation methodology does Bella Vista currently use?**

2 A. Bella Vista currently uses the group method of depreciation. It applies straight line
3 depreciation to a group of assets rather than to individual assets as is typically done.
4

5 **Q. What is the primary difference between the group method and the individual asset
6 method of straight line depreciation?**

7 A. The group method of depreciation applies straight line depreciation to *a group* of assets.
8 The individual asset method applies straight line depreciation to *individual assets*. The
9 latter method is used by most regulated utilities in Arizona.
10

11 **Q. When is an asset considered fully depreciated under the group method and the
12 individual asset method of straight line depreciation?**

13 A. Under the group method of depreciation, plant assets are not considered fully depreciated
14 until they are retired. In other words, although the full cost of an asset has been recovered
15 through depreciation expense, it is not considered fully depreciated until it has been
16 retired. Depreciation expense will continue to be calculated on the asset as long as it is in
17 service. Under the individual asset method, assets are considered fully depreciated when
18 the full cost of the asset has been recovered through depreciation expense. Assets that
19 remain in service, though they are fully depreciated, will not continue to be depreciated.
20

21 **Q. What types of problems can arise using the group method of depreciation?**

22 A. A problem arises when an asset has been taken out of service but the cost of that asset has
23 not been removed from the associated plant account. Depreciation expense will continue
24 to be calculated on the plant asset indefinitely even though it is not in service. This
25 scenario will cause depreciation expense to be over-stated.
26

1 **Q. Has Bella Vista recorded any retirements since its last rate case over eight years ago?**

2 A. No, it has not recorded any retirements in over eight years since its last rate case.

3

4 **Q. How does this harm customers?**

5 A. The customers are harmed because they are paying for plant assets that are not in service.

6

7 **Q. What depreciation methodology does Staff generally recommend?**

8 A. Staff generally recommends the straight line individual asset methodology. Staff used this
9 methodology to calculate depreciation expense, and accordingly, accumulated
10 depreciation in its direct testimony for this case.

11

12 **Q. Did Staff recommend that Bella Vista discontinue using the group method of
13 depreciation in the Company's last rate case?**

14 A. No, because the Company, who was under different ownership/management, was properly
15 recording retirements.

16

17 **Q. Does Staff recommend that the Algonquin Companies discontinue the use of the
18 group method of depreciation and begin using the individual asset method in the
19 instant case?**

20 A. Yes.

21

22 **Q. Why does Staff make this recommendation?**

23 A. The Algonquin Companies do not keep track of their retirements and have not removed
24 the cost from the associated plant accounts. Further, the group method of depreciation is
25 not recommended by the NARUC USOA. Accounting Instruction No. 33, "Operating
26 Income – Depreciation Expense" of the NARUC USOA states the following:

1 A. Depreciation charges shall be computed using either the
2 straight-line remaining life method (See definition 36) or the
3 straight-line method (See definition 37), according to which method
4 has been approved by the Commission . . . (emphasis added)
5

6 Further, definition 37 of the NARUC USOA defines straight line depreciation as follows:

7
8 37. “Straight-line method” as applied to depreciation accounting
9 means the plan under which the service value of property is charged
10 to operating expenses (and to clearing accounts if used), and
11 credited to the accumulated depreciation account through equal
12 annual charges during its useful life . . . (emphasis added)

13
14 Moreover, as some of Bella Vista’s plant accounts are very large, plant additions were
15 essentially expensed in full in the same year they were added, rather than being
16 depreciated over the assets’ useful lives. Expensing the full cost of an asset in the year
17 that it was placed in service violates the NARUC USOA.

18
19 **Q. What adjustments did Staff make to accumulated depreciation for the Companies?**

20 A. Staff’s calculation of accumulated depreciation for the Companies was based on Staff’s
21 adjustments to plant in service. Staff’s calculation of depreciation expense recognizes
22 fully depreciated plant. For Bella Vista, Staff used revised 1998 plant balances provided-
23 by the Company to calculate fully-depreciated plant. Staff subtracted the Company-
24 provided retirements from the 1998 plant balances. The remainder represented fully-
25 depreciated plant that continues to be in service but for which no depreciation is
26 calculated, as shown on surrebuttal Schedule CSB-8, page 11. Northern Sunrise and
27 Southern Sunrise has had no plant in service long enough to be fully depreciated.

1 **Q. Please summarize Staff's recommendation for accumulated depreciation?**

2 A. Staff recommends decreasing accumulated depreciation by \$1,954,466, \$2,827, and
3 \$22,741 for Bella Vista, Northern Sunrise, and Southern Sunrise, respectively.

4
5 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony
6 recommendation?**

7 A. The comparison is as follows:

8

ACCUMULATED DEPRECIATION				
	Reference:	Staff's Direct Testimony Accumulated Depr.	Change	Staff's Surrebuttal Testimony Accumulated Depr
Bella Vista	Schedule CSB-8	\$11,909,440	(\$1,954,466)	\$9,954,974
Northern Sunrise	Schedule CSB-7	\$42,738	(\$2,827)	\$39,911
Southern Sunrise	Schedule CSB-7	\$105,733	(\$22,741)	\$82,992
	Total	\$12,057,911	(\$1,980,034)	\$10,077,877

9

10 **Amortization of Contributions in Aid of Construction ("CIAC")**

11 **Q. What is the best methodology to calculate the amortization of CIAC?**

12 A. Ultimately, the best methodology to calculate the amortization of CIAC is to identify the
13 amount of CIAC in each plant account and to multiply that amount by the depreciation
14 rate of the respective plant account. The sum of the individual amounts would represent
15 the amortization of CIAC.

16

17 **Q. Do most companies know the exact amount of CIAC included in each plant account?**

18 A. No, they do not.

1 **Q. When the exact amount of CIAC included in each plant account is not known, what**
2 **methodology does Staff recommend to calculate the amortization of CIAC?**

3 A. When the exact amount of CIAC included in each plant account is not known, Staff
4 recommends calculating the amortization rate of CIAC by using a composite depreciation
5 rate (i.e., dividing depreciation expense by depreciable plant).

6
7 **Q. Does the Commission approve of Staff's methodology?**

8 A. Yes. With few exceptions, Staff's methodology is approved by the Commission for all
9 rate cases that come before the Commission.

10
11 **Q. Did Staff review Mr. Bourassa's rebuttal testimony concerning the amortization of**
12 **CIAC?**

13 A. Yes. Mr. Bourassa claims that land costs (i.e., non-depreciable plant) should be included
14 in the composite depreciation rate that is used to calculate the amortization of CIAC
15 because land can be purchased with CIAC.

16
17 **Q. Does Mr. Bourassa provide any evidence showing that the land was purchased with**
18 **CIAC?**

19 A. No, he does not.

20
21 **Q. Does the Companies' proposal have the potential of harming customers?**

22 A. Yes. Essentially, the Companies are proposing to take more cash today for less cash in the
23 future. Under the Companies proposal, the amortization of CIAC will be lower which will
24 result in higher amounts of CIAC in later years. Since CIAC is a reduction to rate base,
25 the rate base will be lower and customers will pay less for the amount of return on rate
26 base in future years.

1 **Q. What is Staff's response to the Companies' proposal to include non-depreciable**
2 **plant items in its amortization of CIAC calculation?**

3 A. If the Companies want to move away from using a composite rate for CIAC amortization,
4 then the Companies must identify the amount of CIAC by plant account number and
5 provide Staff with adequate documentation supporting the CIAC amount.

6

7 **Q. In the long run, will the net present value of the cash flows for the CIAC plant be the**
8 **same whether or not non-depreciable plant is included in the composite depreciation**
9 **rate?**

10 A. Theoretically, if the cash flows are discounted on the original cost of the plant, the cash
11 flows will be the same on the original cost of the plant regardless of whether or not the
12 non-depreciable plant is included in the composite rate used to calculate the amortization
13 of CIAC.

14

15 **Q. What is Staff's recommendation?**

16 A. Staff continues to recommend calculating the composite depreciation rate used in the
17 calculation of the amortization of CIAC by dividing depreciation expense by depreciable
18 plant. With few exceptions, Staff's methodology has been recommended and adopted by
19 the Commission for all companies that have come before the Commission. The
20 Companies have not provided the exact amount of CIAC for each plant account. The
21 Companies' methodology has the potential to harm customers.

22

23 **Rate Base Adjustment – Accumulated Deferred Income Taxes (All Algonquin Companies)**

24 **Q. Did Staff review the Companies' rebuttal testimony concerning the ADITs?**

25 A. Yes, the Companies have provided additional information to support their revised ADIT
26 calculations. The Companies are proposing a consolidated ADIT of \$572,006.

1 **Q. Does the consolidated ADIT amount of \$572,006 equal the total of ADITs that the**
2 **Companies calculated individually for Bella Vista, Northern Sunrise, and Southern**
3 **Sunrise?**

4 A. No, it does not. The amounts total \$542,106 rather than \$572,006. The Companies
5 provided Staff with schedules showing the ADITs for Bella Vista, Northern Sunrise, and
6 Southern Sunrise as \$327,255, \$69,887, \$144,964, respectively which total \$542,106.

7
8 **Q. What is Staff's recommendation?**

9 A. Staff recommends ADITs of \$327,255, \$69,887, \$144,964, for Bella Vista, Northern
10 Sunrise, and Southern Sunrise, respectively.

11
12 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony**
13 **recommendation?**

14 A. The comparison is as follows:

15

ADITS				
	Reference:	Staff's Direct Testimony ADIT	Change	Staff's Surrebuttal Testimony ADIT
Bella Vista	Schedule CSB-10	(\$2,704,493)	\$ 3,031,748	\$327,255
Northern Sunrise	Schedule CSB-5	\$204,994	\$ (135,107)	\$69,887
Southern Sunrise	Schedule CSB-5	<u>\$607,388</u>	<u>\$ (462,424)</u>	<u>\$144,964</u>
	Total	(\$1,892,111)	\$2,434,217	\$542,106

16
17 **Rate Base Adjustment – Customer Security Deposits (All Algonquin Companies)**

18 **Q. Did Staff review the Companies' rebuttal testimony concerning customer security**
19 **deposits?**

20 A. Yes.

1 **Q. What was the Companies' main concern?**

2 A. The Companies' main concern was that Staff should not reflect customer security deposits
3 in rate base because Staff has not included the associated interest expense on customer
4 deposits in operating expenses.

5
6 **Q. What is Staff's response?**

7 A. Staff will consider inclusion of an appropriate amount of interest expense on customer
8 security deposits in operating expenses if the amount is appropriately supported.
9 Documentation would include, but not be limited to, documentation showing the customer
10 name, amount of the deposit, the length of time the deposit was held, the calculation of the
11 interest expense, and the front and the back of the canceled check for a sufficient number
12 of customers. It may also include a comparison/reconciliation of new customers to
13 deposits received and other similar analyses.

14
15 **Q. What is Staff's recommendation?**

16 A. Staff continues to recommend decreasing rate base to reflect that customer deposits are
17 customer-provided capital for the Algonquin Companies.

18
19 **OPERATING INCOME**

20 **Operating Income Adjustment – Corporate Expense Allocation (All Algonquin Companies)**

21 **Q. Did Staff review the Algonquin Companies' rebuttal testimony concerning Central**
22 **Fixed Overhead?**

23 A. Yes. Mr. Eichler claims that (1) the Algonquin Companies' allocation method is
24 consistent with NARUC Guidelines for Cost Allocation and Affiliate Transactions and
25 that (2) "APT costs are all indirect costs"¹

¹ Rebuttal Testimony of P. Eichler, page 5, lines 3-16.

1 **Q. Does Staff agree?**

2 A. No. Staff addresses the allocation methodology and its application below.

3

4 NARUC Guidelines for Cost Allocation and Affiliate Transactions

5 **Q. What is required regarding cost allocations by the NARUC Guidelines for Cost**
6 **Allocation and Affiliate Transactions?**

7 A. These guidelines require that the costs primarily attributable to a business operation
8 should be, to the extent appropriate, directly assigned to that business operation.

9

10 **Q. Does the Company claim that it is in full conformity with NARUC guidelines**
11 **pertaining to cost allocations?**

12 A. Yes.

13

14 **Q. Did Mr. Eichler provide specific evidence to substantiate its claim?**

15 A. No. Mr. Eichler discusses NARUC guidelines at length and claims that the Algonquin
16 Companies are following these guidelines, but he does not demonstrate (e.g. with time or
17 cost studies, invoices, etc.) the relationship between his claim and the evidence of record.

18

19 **Q. What is a key consideration in determining whether any of the costs discussed by Mr.**
20 **Eichler should be allocated to Bella Vista, Northern Sunrise, or Southern Sunrise?**

21 A. A key consideration is whether or not the costs discussed by Mr. Eichler would have been
22 incurred if the Algonquin Power Income Fund ("Fund" or "APIF") did not own Bella
23 Vista, Northern Sunrise, or Southern Sunrise.

1 **Q. Would the Fund have incurred the costs if it did not own Bella Vista, Northern**
2 **Sunrise, or Southern Sunrise?**

3 A. Yes, it would have incurred approximately the same costs if it did not own Bella Vista,
4 Northern Sunrise or Southern Sunrise. This demonstrates that it is the Fund's business
5 objectives and the activities it performs to achieve those objectives that are the primary
6 drivers of the costs discussed by Mr. Eichler. Therefore, according to the NARUC
7 Guidelines for Cost Allocation and Affiliate Transactions, these costs should be directly
8 charged to the affiliate. Nevertheless, Staff recognizes that Bella Vista, Northern Sunrise,
9 or Southern Sunrise receive a benefit and, therefore, has allocated to the Companies an
10 amount greater than zero.

11
12 **Q. Did Staff also look at the overall nature and objectives of the parent company in**
13 **allocating the corporate costs to the Companies?**

14 A. Yes.

15
16 **Q. How does the Fund produce income for its shareholders?**

17 A. The Fund, according to its 2008 annual report, produces earnings for its shareholders
18 through a diversified portfolio of renewable energy and utility assets.

19
20 **Q. What was the Fund's business strategy?**

21 A. The Fund's 2008 annual report states the following concerning its business strategy:

22
23 *Algonquin's business strategy is to maximize long term unit holder*
24 *value by strengthening its position as a strong renewable energy*
25 *and infrastructure company. The Company is focused on growth*
26 *in cash flow and earnings in the business segments in which it*
27 *operates. (emphasis added)*
28
29

1 The Fund's 2007 Report contained similar language:
2
3

4 ***Focused on Growth***

5 *The year 2007 was a year of growth opportunities, change, and*
6 *performance achievements for Algonquin Power Income Fund. The*
7 *Fund's management team and exceptional group of employees and*
8 *associates spent 2007 working on many new initiatives, including,*
9 *but not limited to wind development projects, the completion of St.*
10 *Leon Wind Energy ("St. Leon"), the re-powering of the Sanger,*
11 *California co-generation facility, acquisition projects, and*
12 *welcoming a new CFO to the Fund.² (emphasis added)*
13

14 **Q. What was the APIF's income for 2008?**

15 A. APIF generated \$57 million in income before taxes according to its 2008 audited financial
16 statements. This compares with the 2008 income³ (loss) of \$191,030, (\$66,998) and
17 \$17,547 for Bella Vista, Northern Sunrise, and Southern Sunrise, respectively.
18

19 **Q. Does Staff agree with the Company's statement that "to suggest that access to capital**
20 **benefits shareholders is counterintuitive. Staff's suggestion would have shareholders**
21 **paying for costs related to accessing capital that they themselves are providing"⁴?**

22 A. No, Staff does not. The cost pool exists primarily to further the interests of APIF and its
23 shareholders. The APIF is an unregulated for-profit business that incurs costs primarily
24 for the benefit of its shareholders. Making a profit is the ultimate reason any for-profit
25 company incurs expenses. The Fund is focused on "growth in cash flow and earnings" as
26 evidenced from its business strategy. Since shareholders seek a profit and APIF incurs
27 expenses (e.g. central office costs) in order to generate that profit, then a reasonable
28 conclusion is that the central office costs are incurred primarily for the benefit of the
29 shareholders rather than for the Algonquin Companies as the Companies indicate.

² Algonquin Power Annual Report for 2007, page 6.

³ As reported in the 2008 Utilities Annual Report

⁴ Rebuttal Testimony of Mr. Eichler, page 23, lines 19-21.

1 The central office costs would have been incurred even if the Fund did not own the
2 Algonquin Companies because the central office costs were incurred to make a profit for
3 the shareholders and not to operate the Algonquin Companies. The benefit to the
4 Algonquin Companies is only secondary or incidental.

5

6 **Q. Is there any additional evidence to support Staff's characterization of the Fund as**
7 **being mostly growth oriented?**

8 A. Yes, the financial statements indicate that revenues of the Fund grew from \$40 million in
9 2001 to \$186 million in 2007, for an average growth of 77.5 percent annually.

10

11 **Q. How does this growth compare with the Algonquin Companies in the instant case?**

12 A. In contrast to the growth reported by the Fund, the Algonquin Companies claim, and Staff
13 agrees, that there has been customer contraction which results in negative revenue
14 annualization in its case. In other words, the utility company in the instant case claims
15 negative growth, which is contrary to the results of the Fund and the Fund's basic
16 objectives.

17

18 APIF Management and Trustee Fees

19 **Q. Does Staff agree with the Company's claim that Staff's provision for management**
20 **fees from the central office is inadequate on a stand-alone basis?**

21 A. No, Staff does not. The managers at the central office, not the Algonquin Companies, are
22 directly responsible for the management of the income fund. Therefore, to add costs for
23 the management fees from the central office would be duplicative of the management fees
24 that are already included in the Algonquin Companies' operating expenses. Further, based
25 on the cost causation principle, the management fees should be allocated to APIF because
26 those costs are directly attributable to APIF.

1 **Q. What is Staff's recommendation?**

2 A. Staff continues to recommend the expense adjustments as reflected in its direct testimony.

3

4 **Operating Income Adjustment – Water Testing Expense**

5 **Q. Did Staff review the Companies' rebuttal testimony concerning water testing**
6 **expense?**

7 A. Yes. The Companies propose to increase water testing for the Companies by a total of
8 \$38,468 in aggregate on a consolidated basis.

9

10 **Q. Did Staff make any adjustments to water testing expense?**

11 A. Yes. As discussed in greater detail in the surrebuttal testimony of Staff witness, Marlin
12 Scott, Jr.; Staff recommends increasing the water testing expense.

13

14 **Q. What is Staff's recommendation?**

15 A. Staff recommends water testing expense of \$43,192, \$3,568, \$4,395, for Bella Vista,
16 Northern Sunrise, and Southern Sunrise, respectively.

17

18 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony**
19 **recommendation?**

20 A. The comparison is as follows:

21

WATER TESTING EXPENSE				
	Reference:	Direct Testimony Water Testing Expense	Increase	Surrebuttal Testimony Water Testing Expense
Bella Vista	Schedules CSB-17	\$18,805	\$24,387	\$43,192
Northern Sunrise	Schedules CSB-16	\$3,787	(\$219)	\$3,568
Southern Sunrise	Schedules CSB-16	<u>\$5,592</u>	<u>(\$1,197)</u>	<u>\$4,395</u>
Total		\$28,184	\$22,971	\$51,155

1 **Operating Income Adjustment – Transportation Expense**

2 **Q. Did Staff review the Companies' rebuttal testimony concerning transportation**
3 **expense?**

4 A. Yes. The Companies propose to decrease transportation expense by \$7,023 for Bella
5 Vista, \$647 for Northern Sunrise, and \$1,033 for Southern Sunrise to remove costs related
6 to Airlink travel.

7

8 **Q. Did Staff make any adjustments to transportation expense in its direct testimony?**

9 A. Yes. Staff recognized that some travel costs related to training or other similar activities
10 may not be incurred at the same level each year. Bella Vista experienced an approximate
11 42 percent (or \$22,993) increase in transportation expense from \$55,124 in 2008 to
12 \$78,117 in 2009, therefore Staff averaged the expense over two years to reflect
13 transportation expense at a normalized level. NARUC training classes recognize
14 normalization adjustments and the Commission has accepted normalization adjustments in
15 prior rate proceedings.

16

17 **Q. Did Staff make any changes based on the Company's rebuttal testimony?**

18 A. Yes. The Companies have identified and removed costs that may have contributed to the
19 large variance from 2008 to 2009. As a result, Staff has removed the adjustment made to
20 Bella Vista's transportation expense and adopted the Companies' adjustments.

21

22 **Q. What is Staff's recommendation?**

23 A. Staff recommends transportation expense of \$71,094, \$20,877, \$24,448, for Bella Vista,
24 Northern Sunrise, and Southern Sunrise respectively.

1 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony**
2 **recommendation?**

3 A. The comparison is as follows:
4

TRANSPORTATION EXPENSE				
	Reference:	Direct Testimony Transportation Expense	Increase	Surrebuttal Testimony Transportation Expense
Bella Vista	Schedules CSB-17	\$66,621	\$4,474	\$71,094
Northern Sunrise	Schedules CSB-16	\$21,524	(\$647)	\$20,877
Southern Sunrise	Schedules CSB-16	<u>\$25,481</u>	<u>(\$1,033)</u>	<u>\$24,448</u>
Total		\$113,626	\$2,794	\$116,419

5
6 **Operating Income Adjustment – Rate Case Expense**

7 **Q. Did Staff review the Algonquin Companies' rebuttal testimony concerning rate case**
8 **expense?**

9 A. Yes. The Companies claim that Staff's methodology of calculating rate case expense does
10 not account for the base cost inherent in processing a single rate case such as preparing
11 testimony and schedules and attending hearings and preparing briefs.

12
13 **Q. Does Staff agree?**

14 A. No. Staff's analysis includes the base and incremental costs such as preparing testimony
15 and schedules and attending hearings and preparing briefs that the Companies anticipated
16 incurring. Staff's calculation of a per company cost did not eliminate those costs.

17
18 **Q. Did the Companies have any other concern?**

19 A. Yes. The Companies stated that Staff had an error in its analysis.

1 **Q. Does Staff agree?**

2 A. Yes. Staff has corrected its calculation and revised the amount of rate case expense for the
3 Algonquin Companies.

4
5 **Q. What is Staff's recommendation?**

6 A. Staff recommends rate case expense of \$112,398, \$33,719, and \$56,199 for Bella Vista,
7 Northern Sunrise, and Southern Sunrise, respectively.

8
9 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony
10 recommendation?**

11 A. The comparison is as follows:

RATE CASE EXPENSE				
	Reference:	Direct Testimony Rate Case Expense	Increase	Surrebuttal Testimony Rate Case Expense
Bella Vista	Schedules CSB-18	\$65,182	\$47,215	\$112,398
Northern Sunrise	Schedules CSB-17	\$29,412	\$4,308	\$33,719
Southern Sunrise	Schedules CSB-17	\$19,054	\$37,145	\$56,199
Total		\$113,648	\$88,668	\$202,316

12
13
14 **Operating Income Adjustment – Outside Services, Other Expense**

15 **Q. Did Staff review the Algonquin Companies' rebuttal testimony concerning Outside
16 Services, Other Expense?**

17 A. Yes, the Companies disagree with Staff's averaging of the 2008 and 2009 Outside
18 Services, Other Expense because no competitive bids were obtained. The Companies
19 indicate, in the rebuttal testimony of Mr. Sorenson, that it would be inappropriate to
20 request competitive bids for the Algonquin Water Services ("AWS") employees because
21 the AWS employees are "essentially an employee cost pool" for Bella Vista, Northern

1 Sunrise, and Southern Sunrise. Moreover, the Companies claim that a salary survey is as
2 good or better than a competitive bid in helping to ensure that customers are not being
3 disadvantaged.

4
5 **Q. What comparison does Mr. Sorenson use to illustrate his point?**

6 A. Mr. Sorenson compares the AWS employees to State of Arizona employees and asks the
7 rhetorical question, "Imagine if the State of Arizona decided to put out for bid the services
8 provided by the ACC Staff?"

9
10 **Q. Is the relationship of State of Arizona employees to their employer similar to that of
11 AWS' employees to the Companies?**

12 A. No, it is not. The nature of AWS' relationship is a self-dealing one, it is at once both the
13 employer and the employees because Bella Vista, Northern Sunrise, and Southern Sunrise
14 have no management or operations staff that could participate in an arms-length
15 negotiation. They have no employees. Further, AWS (when acting in the employee role)
16 can pass along increases to Bella Vista, Northern Sunrise, and Southern Sunrise at any
17 time it decides to and AWS (when acting in the employer role) will accept the increase.
18 State of Arizona employees cannot increase their salaries at anytime they decide to. Many
19 State of Arizona employees have not had a salary increase in several years and are facing
20 work furloughs (required time off with no pay). Therefore, the comparison that Mr.
21 Sorenson uses is flawed.

22
23 **Q. Does a salary survey take the place of a competitive bid?**

24 A. No, it does not. Conventional wisdom and data indicate that the competition intrinsic in
25 the bidding process brings about a price advantage to rate payers that a salary survey alone

1 does not. This competition will help to ensure that the best service at the lowest price is
2 obtained.

3
4 **Q. Have the Companies demonstrated why competitive bids are neither necessary nor**
5 **appropriate?**

6 A. No, it has not.

7
8 **Q. For what major service do the Algonquin Companies request competitive bids?**

9 A. The Algonquin Companies request competitive bids for the contractors who construct
10 their plant.

11
12 **Q. Why do the Algonquin Companies select a contractor using a competitive bid rather**
13 **than using a “survey” of construction costs?**

14 A. The Algonquin Companies use a competitive bid to take advantage of the price reductions
15 that result from fair competition. Similar to the AWS workers that are contracted for to
16 provide services for which the Companies do not have their own employees, the
17 Companies also contract for construction services for which they do not have their own
18 employees.

19
20 **Q. Is a salary survey as good or better than competitive bids in providing a safeguard to**
21 **help ensure that customers are not being disadvantaged?**

22 A. No, it is not. AWS is self dealing in that it represents both itself and Bella Vista, Northern
23 Sunrise, and Southern Sunrise. A salary survey does not afford the price protections that a
24 competitive bid would.

1 **Q. What is Staff's recommendation?**

2 A. In the absence of a fair competitive bid, Staff continues to recommend the amounts stated
3 in its direct testimony.
4

5 **Operating Income Adjustment – Depreciation Expense**

6 **Q. What adjustment did Staff make to depreciation expense?**

7 A. Staff adjusted depreciation expense to reflect application of the Staff-recommended
8 depreciation rates to the Staff-recommended plant balances.
9

10 **Q. What is Staff's recommendation?**

11 A. Staff recommends depreciation expense of \$711,002, \$34,761, and \$64,663 for Bella
12 Vista, Northern Sunrise, and Southern Sunrise, respectively.
13

14 **Q. How does Staff's surrebuttal recommendation compare to its direct testimony
15 recommendation?**

16 A. The comparison is as follows:
17

DEPRECIATION EXPENSE				
	Reference:	Direct Testimony Depreciation Expense	Increase/ (Decrease)	Surrebuttal Testimony Depreciation Expense
Bella Vista	Schedules CSB-18	\$740,778	(\$29,777)	\$711,002
Northern Sunrise	Schedules CSB-17	\$27,817	\$6,944	\$34,761
Southern Sunrise	Schedules CSB-17	\$52,807	\$11,856	\$64,663
Total		\$821,402	(\$10,977)	\$810,426

1 **Operating Income – Property Taxes**

2 **Q. Did Staff make any adjustment to the Property Tax Expense?**

3 A. Yes. Staff's adjustment reflects Staff's calculation of the property tax expense using
4 Staff's recommended revenues.

5
6 **Operating Income – Income Taxes**

7 **Q. Did Staff make any adjustments to test year Income Tax Expense?**

8 A. Yes. Staff's adjustment reflects Staff's calculation of the income tax expense based upon
9 Staff's adjusted test year taxable income.

10
11 **HOOK-UP FEE (“HUF”)**

12 Changes to HUF Recommendation

13 **Q. Has Staff made any changes to its HUF recommendation?**

14 A. Yes. Staff is recommending adoption of the HUFs proposed by the Algonquin Companies
15 as discussed in greater detail in the testimony of Staff witness, Marlin Scott, Jr.

16
17 Classification of HUFs

18 **Q. Has Staff reviewed the Company's rebuttal testimony concerning the classification of
19 unexpended HUFs?**

20 A. Yes. The Companies propose that unexpended HUFs not be classified as CIAC.

21
22 **Q. Do the Commission's rules require companies to keep their books and records in
23 accordance with the NARUC USOA?**

24 A. Yes. The Arizona Administrative Code R14-2-411 D.2 requires water companies to
25 maintain their accounting records in accordance with the NARUC USOA. It states, “Each

1 utility shall maintain its books and records in conformity with the Uniform System of
2 Accounts for Class A, B, C and D Water Utilities” (emphasis added).
3

4 **Q. Is the Companies’ proposal consistent with NARUC USOA?**

5 A. No, it is not. The NARUC USOA definition of CIAC does not hinge upon whether or not
6 the CIAC is expended or unexpended but whether or not (1) it was provided by someone
7 other than the owner, (2) it is non-refundable, and (3) the purpose of the CIAC is to fund
8 plant. The NARUC USOA states the following:
9

10 271. Contributions In Aid of Construction

11 A. This account shall include:

- 12 1. Any amount or item of money, services or property received
13 by a utility, from any person or governmental agency, any
14 portion of which is provided at no cost to the utility, which
15 represents an addition or transfer to the capital of the
16 utility, and which is utilized to offset the acquisition,
17 improvement to offset the utility’s property, facilities, or
18 equipment used to provide utility services to the public.
19

20 **Q. What is Staff’s recommendation?**

21 A. Staff recommends that the Companies’ proposal that unexpended HUFs not be classified
22 as CIAC be denied.
23

24 **RATE DESIGN**

25 **Cost of Service Study (“COSS”)**

26 **Q. Has Staff reviewed the Company’s rebuttal testimony concerning Staff’s allocation
27 of revenue to Bella Vista’s customer classes?**

28 A. Yes.

1 **Q. What is Bella Vista's primary concern?**

2 A. Bella Vista's primary concern is that the amount of revenue increase Staff allocated to the
3 residential customer class is not sufficient to cover its cost of service.

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

6 A. No, because some of the allocations used in Bella Vista's COSS overstate the amount of
7 costs to be allocated to the residential customer class.

8
9 **Q. What is the usage of the residential class compared to the commercial class?**

10 A. The residential usage is approximately 57 percent and the commercial usage is
11 approximately 43 percent.

12
13 **Q. What allocations in particular have not been properly made?**

14 A. Allocations to the customer function have not been properly made.

15
16 **Q. Why are allocations to the customer function important to the residential class?**

17 A. Allocations to the customer function are important because most (i.e., approximately
18 87.65 percent⁵) of the costs of the customer function are allocated to the residential class.

19
20 **Q. What types of costs should be allocated to the customer function?**

21 A. According to the National Regulatory Research Institute ("NRRI")⁶, customer costs are
22 costs related to meter reading, billing, collections, and customer service. Consequently,
23 these costs should be allocated to the customer function.

⁵ Based on percentages reflected in COS from Company's Direct Testimony (Sch G-7, p.3)

⁶ National Regulatory Research Institute, Cost Allocation and Rate Design for Water Utilities, p.48

1 **Q. What concerns does Staff have with costs allocated to the customer function?**

2 A. The COSS⁷ allocated 100 percent of the costs for building rental, health and life insurance,
3 regulatory Commission expense, rate case expense, and miscellaneous expense to the
4 customer function. Since these costs are not entirely related to meter reading, billing,
5 collections, and customer service, a portion of these costs should have been allocated to
6 one or more of the other functions (i.e., demand, commodity, meter, and service).

7
8 Further, the Company's COS allocates over 73 percent of the general liability insurance
9 costs to the customer function. The insurance costs cover vehicles, water plant, machinery
10 breakdown, and workmen's compensation. Therefore, significantly more of the insurance
11 costs should have been allocated to one or more of the other functions (i.e., demand,
12 commodity, meter, and service).

13
14 Moreover, the Company's COSS allocates over 75 percent of the transportation costs to
15 the customer function. This amount appears overstated because vehicles are used on a
16 regular basis for activities other than meter reading such as for repair, maintenance,
17 training, Commission business, ADEQ business, etc., and these costs are likely to be more
18 than 25 percent of the total transportation costs.

19
20 **Q. What concerns does Staff have with the depreciation expense allocated to the**
21 **customer function?**

22 A. The Company's COSS⁸ allocates to the customer function all of the depreciation expense
23 for office furniture and fixtures, tools and work equipment, power-operated equipment,
24 and miscellaneous equipment. Since these costs are not entirely related to meter reading,
25 billing, collections, and customer service, a portion of these costs should have been

⁷ Based on percentages reflected in COS from Company's Direct Testimony (Sch G-6, p.1)

⁸ Based on percentages reflected in COS from Companies Direct Testimony (Sch G-6, p.2)

1 allocated to one or more of the other functions as well (i.e., demand, commodity, meter,
2 and service).

3
4 The Company's COSS allocates approximately 75 percent of the depreciation expense on
5 transportation equipment to the customer function. As previously discussed, this amount
6 appears overstated because vehicles are used on a regular basis for activities other than
7 meter reading such as for repair, maintenance, training, Commission business, ADEQ
8 business, etc., and these costs are likely to be more than 25 percent of the total
9 transportation costs.

10
11 **Q. Does the Company have any studies or other similar type data to support its**
12 **allocations of expenses to the customer function?**

13 A. No, as indicated on Schedule G-7 page 2.1, lines 19 through 26, of the COSS in the
14 Company's direct testimony, many of the allocations are based on estimates and
15 professional judgment.

16
17 **Q. What is the result of overstated expense allocations to the customer function?**

18 A. When the amount of expenses allocated to the customer function is overstated, then the
19 amount of expenses allocated to the residential class will also be overstated. This, in turn,
20 creates an erroneous result that the revenue increase Staff allocated to the residential
21 customer class is not sufficient to cover its cost of service.

22
23 **Q. How did Staff use the results of Bella Vista's COSS in its rate design?**

24 A. Staff utilized the COSS as an inexact guideline at the starting point of its rate design.
25 Staff did not rely solely on the Company's COSS but used other factors to develop its rate
26 design.

1 **Q. What other factors did Staff consider in developing its rate design?**

2 A. In addition to using the results of the COSS at the outset of Staff's analysis, Staff also
3 considered factors such as gradualism, promotion of efficient water usage and uniformity
4 of rates among customer classes.

5
6 **Recommended Rates and Typical Bill Analysis**

7 **Q. Has Staff modified its schedules summarizing the present, Company-proposed, and**
8 **Staff-recommended rates and service charges from your direct testimony?**

9 A. Yes. Staff has modified its previous direct testimony schedules to reflect changes to
10 Staff's recommended revenue requirements under consolidation and for each system
11 individually. A summary of the present, Company-proposed, and Staff-recommended
12 rates are presented in the attached surrebuttal schedules.

13
14 A summary of the rate impact on the typical residential customer under Staff's
15 recommended consolidation basis is presented below. For comparative purposes, Staff
16 has presented each system separately.

17
18 *Consolidation (Bella Vista, Northern Sunrise, Southern Sunrise)*

19 For Bella Vista, the typical 5/8-inch x 3/4-inch meter residential customer with a median
20 usage of 4,500 gallons would experience a \$1.27 or a 6.53 percent decrease in his monthly
21 bill, from \$19.37 to \$18.10, under Staff's surrebuttal rates. A typical bill analysis is
22 provided on surrebuttal Schedule CSB-8 RD, page 1.

23
24 For Northern Sunrise, the typical 5/8-inch x 3/4-inch meter residential customer with a
25 median usage of 4,500 gallons would experience a \$21.90 or a 54.75 percent decrease in

1 his monthly bill, from \$40.00 to \$18.10, under Staff's surrebuttal rates. A typical bill
2 analysis is provided on surrebuttal Schedule CSB-8 RD, page 2.

3
4 For Southern Sunrise, the typical 5/8-inch x 3/4-inch meter residential customer with a
5 median usage of 4,500 gallons would experience a \$21.90 or a 54.75 percent decrease in
6 his monthly bill, from \$40.00 to \$18.10, under Staff's surrebuttal rates. A typical bill
7 analysis is provided on surrebuttal Schedule CSB-8 RD, page 3.

8
9 Staff is recommending consolidated rates for the Algonquin Companies. However, if the
10 Commission were to adopt stand-alone rates for the Algonquin Companies, a summary of
11 the rate impact on the typical residential customer for each system on an individual basis
12 is presented below:

13
14 *Bella Vista*

15 The typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500
16 gallons would experience a \$2.13 or a 10.98 percent increase in his monthly bill, from
17 \$19.37 to \$21.49, under Staff's surrebuttal rates. A typical bill analysis is provided on
18 surrebuttal Schedule CSB-2 RD.

19
20 *Northern Sunrise*

21 The typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500
22 gallons would experience a \$31.45 or a 78.63 percent increase in his monthly bill, from
23 \$40.00 to \$71.45, under Staff's surrebuttal rates. A typical bill analysis is provided on
24 surrebuttal Schedule CSB-4 RD.

25

1 *Southern Sunrise*

2 The typical 5/8-inch x 3/4-inch meter residential customer with a median usage of 4,500
3 gallons would experience a \$11.23 or a 28.06 percent increase in his monthly bill, from
4 \$40.00 to \$51.23, under Staff's surrebuttal rates. A typical bill analysis is provided on
5 surrebuttal Schedule CSB-6 RD.

6

7 **Q. Does this conclude your Surrebuttal testimony?**

8 **A. Yes, it does.**

REVENUE REQUIREMENT

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY ORIGINAL COST</u>	<u>[B] STAFF ORIGINAL COST</u>
1	Adjusted Rate Base	\$ 6,343,311	\$ 6,087,677
2	Adjusted Operating Income (Loss)	\$ 94,521	\$ 434,940
3	Current Rate of Return (L2 / L1)	1.49%	7.14%
4	Required Rate of Return	10.77%	8.80%
5	Required Operating Income (L4 * L1)	\$ 683,175	\$ 535,716
6	Operating Income Deficiency (L5 - L2)	\$ 588,653	\$ 100,776
7	Gross Revenue Conversion Factor	1.62863	1.65130
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$ 958,701	\$ 166,411
9	Adjusted Test Year Revenue	\$ 3,526,033	\$ 3,526,033
10	Proposed Annual Revenue (L8 + L9)	\$ 4,484,734	\$ 3,692,444
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	27.19%	4.72%

References:

Column [A]: Company Schedules A-1, C-1, C-3, & D-1
Column [B]: Staff Schedules CSB-2, CSB-3, & CSB-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.4418%			
5	Subtotal (L3 - L4)	60.5582%			
6	Revenue Conversion Factor (L1 / L5)	1.651303			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
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)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (CSB-20, Col B, L24)	1.3727%			
22	Effective Property Tax Factor (L20*L21)		0.8429%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.4418%	
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ 535,716			
25	Adjusted Test Year Operating Income (Loss) (Sch CSB-11, Col C, Line 34)	434,940			
26	Required Increase in Operating Income (L24 - L25)		\$ 100,776		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 260,231			
28	Income Taxes on Test Year Revenue (Col. [A], L52)	196,880			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		63,351		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 3,692,444			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible 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-20, Col B, L19)	\$ 148,209			
36	Property Tax on Test Year Revenue (CSB-20, Col A, L16)	145,924			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		2,284		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$ 166,411		
<u>Calculation of Income Tax:</u>					
		Test Year		Staff Recommended	
39	Revenue (Schedule CSB-11, Col. [C], Line 4 & Sch. CSB-1, Col. [D] Line	\$ 3,526,033	\$ 166,411	\$ 3,692,444	
40	Operating Expenses Excluding Income Taxes	\$ 2,894,213	\$ 2,284	\$ 2,896,498	
41	Synchronized Interest (L56)	\$ 121,754		\$ 121,754	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 510,066		\$ 674,193	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	\$ 35,541		\$ 46,978	
45	Federal Taxable Income (L42 - L44)	\$ 474,525		\$ 627,215	
46	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
47	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
48	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
49	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
50	Federal Tax on All Income (\$0-\$10,000,000) @ 34%	\$ 161,338		\$ 213,253	
51	Total Federal Income Tax	\$ 161,338		\$ 213,253	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 196,880		\$ 260,231	
53	Applicable Federal Income Tax Rate [Col. [C], L51 - Col. [A], L51] / [Col. [C], L45 - Col. [A], L45]			34.0000%	
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule CSB-3, Col. (C), Line 14)	\$ 6,087,677			
55	Weighted Average Cost of Debt	2.0000%			
56	Synchronized Interest (L45 X L46)	\$ 121,754			

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJ ADJUSTMENTS NO.	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 25,625,205	\$ (1,476,144) 1, 2, 3 \$ 24,149,061
2	Less: Accumulated Depreciation	11,909,440	(1,954,466) 4 9,954,974
3	Net Plant in Service	<u>\$ 13,715,765</u>	<u>\$ 478,321</u> <u>\$ 14,194,086</u>
<u>LESS:</u>			
4	Advances in Aid of Construction (AIAC)	\$ 6,781,443	\$ - \$ 6,781,443
5	Service Line and Meter Advances	\$ 556,325	\$ - \$ 556,325
6	Contributions in Aid of Construction (CIAC)	\$ 496,445	\$ - \$ 496,445
7	Less: Accumulated Amortization	230,909	- 230,909
8	Net CIAC	<u>\$ 265,536</u>	<u>-</u> <u>\$ 265,536</u>
9	Total Advances and Contributions	\$ 7,603,304	\$ - \$ 7,603,304
10	Customer Deposits	\$ -	\$ 175,850 5 \$ 175,850
11	Accumulated Deferred Income Taxes	\$ (230,850)	\$ 558,105 6 \$ 327,255
<u>ADD:</u>			
12	Working Capital	\$ -	\$ - \$ -
13		\$ -	\$ - \$ -
14	Total Rate Base	<u>\$ 6,343,311</u>	<u>\$ (255,634)</u> <u>\$ 6,087,677</u>

References:

Column [A], Company Schedule B-1, Page 1
Column [B]: Schedule CSB-4
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 1 - POST TEST-YEAR PLANT AND RETIREMENT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED (MSJ 5.2)
1	Acct. No. 331 Mains, Post-Test Year Plant	\$ 110,057	\$ (5,550)	\$ 104,507
2	Acct. No. 331 Mains, PTY Plant Retirements	\$ 12,000	\$ (8,504)	\$ 3,496
3	Net Post-Test Year Plant (L1 - L3)	\$ 98,057	\$ 2,954	\$ 101,011

References:

Column [A]: Company Schedule B-2, Page 3

Column [B]: Testimony, CSB; Data Request Response to Marlin Scott, Jr. (MSJ 5.2)

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

RATE BASE ADJUSTMENT NO. 2 - INADEQUATELY SUPPORTED PLANT COSTS

Line No.	Acct. No.	Description	[A]	[B]	[C]
			No Invoices	AFUDC	Total
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -
3	303	Land and Land Rights	\$ -	\$ -	\$ -
4	304	Structures and Improvements	\$ -	\$ -	\$ -
5	305	Collecting and Impounding Res.	\$ -	\$ -	\$ -
6	306	Lake River and Other Intakes	\$ -	\$ -	\$ -
7	307	Wells and Springs	\$ -	\$ -	\$ -
8	308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -
9	309	Supply Mains	\$ -	\$ -	\$ -
10	310	Power Generation Equipment	\$ -	\$ -	\$ -
11	311	Electric Pumping Equipment	\$ (81,236)	\$ (10,472)	\$ (91,708)
12	320	Water Treatment Equipment	\$ -	\$ -	\$ -
13	320.1	Water Treatment Plant	\$ -	\$ -	\$ -
14	320.2	Chemical Solution Feeders	\$ -	\$ -	\$ -
15	330	Dist. Reservoirs & Standpipe	\$ -	\$ (19,649)	\$ (19,649)
16	330.1	Storage tanks	\$ -	\$ -	\$ -
17	330.2	Pressure Tanks	\$ -	\$ -	\$ -
18	331	Trans. and Dist. Mains	\$ -	\$ -	\$ -
19	333	Services	\$ (23,747)	\$ (986)	\$ (24,733)
20	334	Meters	\$ -	\$ (8,829)	\$ (8,829)
21	335	Hydrants	\$ -	\$ (498)	\$ (498)
22	336	Backflow Prevention Devices	\$ -	\$ -	\$ -
23	339	Other Plant and Misc. Equip.	\$ -	\$ -	\$ -
24	340	Office Furniture and Fixtures	\$ -	\$ -	\$ -
25	340.1	Computers and Software	\$ -	\$ (344)	\$ (344)
26	341	Transportation Equipment	\$ -	\$ -	\$ -
27	342	Stores Equipment	\$ -	\$ -	\$ -
28	343	Tools and Work Equipment	\$ -	\$ (109)	\$ (109)
29	344	Laboratory Equipment	\$ -	\$ -	\$ -
30	345	Power Operated Equipment	\$ -	\$ -	\$ -
31	346	Communications Equipment	\$ -	\$ -	\$ -
32	347	Miscellaneous Equipment	\$ -	\$ -	\$ -
33	348	Other Tangible Plant	\$ -	\$ -	\$ -
34		Total	\$ (104,983)	\$ (40,887)	\$ (145,870)

References:

- Column A: Schedule CSB-6, P.2
- Column B: Company Rebuttal Schedule B-2, P.3
- Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - INADEQUATELY SUPPORTED PLANT COSTS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		PLANT SELECTED IN SAMPLE	INADEQUATELY SUPPORTED COSTS	STAFF AS ADJUSTED
1	2002 Plant Addition, Acct No. 311 - Pumping Equipment	\$ 71,076	\$ (71,076)	\$ -
2	2003 Plant Addition, Acct No. 311 - Pumping Equipment	105,990	(10,160)	95,830
3	Acct No. 311- Pumping Equipment Subtotal	\$ 177,066	\$ (81,236)	\$ 95,830
4	2004 Plant Addition, Acct No. 333-Services	100,089	(23,747)	76,342
5	Acct No. 333- Services Subtotal	\$ 100,089	\$ (23,747)	\$ 76,342
6	Total	\$ 277,155	\$ (104,983)	\$ 172,172

References:

- Column A: Company Schedule B-2
- Column B: Testimony, CSB, Company Data Request Responses CSB 1-6
- Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - PLANT RETIREMENTS

<u>Line No.</u>	<u>Acct. No.</u>	<u>Description</u>	<u>Retirements</u> Per Company Rebuttal Sch B-2, P.3
1	301	Organization Cost	\$ -
2	302	Franchise Cost	\$ -
3	303	Land and Land Rights	\$ -
4	304	Structures and Improvements	\$ (4,181)
5	305	Collecting and Impounding Res.	\$ -
6	306	Lake River and Other Intakes	\$ -
7	307	Wells and Springs	\$ (4,565)
8	308	Infiltration Galleries and Tunnels	\$ -
9	309	Supply Mains	\$ -
10	310	Power Generation Equipment	\$ -
11	311	Electric Pumping Equipment	\$ (432,710)
12	320	Water Treatment Equipment	\$ (26,254)
13	320.1	Water Treatment Plant	\$ -
14	320.2	Chemical Solution Feeders	\$ -
15	330	Dist. Reservoirs & Standpipe	\$ (43,858)
16	330.1	Storage tanks	\$ -
17	330.2	Pressure Tanks	\$ -
18	331	Trans. and Dist. Mains	\$ (592,002)
19	333	Services	\$ (16,315)
20	334	Meters	\$ (124,204)
21	335	Hydrants	\$ (7,765)
22	336	Backflow Prevention Devices	\$ -
23	339	Other Plant and Misc. Equip.	\$ (0)
24	340	Office Furniture and Fixtures	\$ (25,258)
25	340.1	Computers and Software	\$ -
26	341	Transportation Equipment	\$ (26,760)
27	342	Stores Equipment	\$ -
28	343	Tools and Work Equipment	\$ (2,132)
29	344	Laboratory Equipment	\$ -
30	345	Power Operated Equipment	\$ (0)
31	346	Communications Equipment	\$ (24,184)
32	347	Miscellaneous Equipment	\$ (3,042)
33	348	Other Tangible Plant	\$ -
34		Total	\$ (1,333,228)

RATE BASE ADJUSTMENT NO. 4 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ 11,909,440	\$ (1,954,466)	\$9,954,974

References:

- Column A: Company Schedule C-1
- Column B: Testimony, CSB; Data Request Response CSB 1-7
- Column C: Column [A] + Column [B]

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	Dec. 31, 2000 Ending Original Cost (Dec. No. 65350)	Dec. 31, 2000 Ending Accumulated Depreciation (Dec. No. 65350)	Depr. Rates Effective on November 1, 2002 (Decision No. 65350)	2001		2001		2001		2001 Cost	2001 Acc Depr
				2001 Additions / (Retirements)	2001 Fully Depreciated	2001 Depr Exp	2001 Cost				
301 Organization Cost	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0.00%	0	0	0	0	0	0	0	0
303 Land & Land Rights	322,875	0	0.00%	0	0	0	0	0	322,875	0	0
304 Structures & Improv	822,687	207,134	2.50%	27,430	0	20,910	0	20,910	850,117	228,044	228,044
307 Wells & Springs	864,013	304,933	2.70%	48,204	0	23,979	0	23,979	912,217	328,912	328,912
311 Electric Pumping Equip	1,667,296	991,154	10.00%	8,731	0	167,166	0	167,166	1,676,027	1,158,320	1,158,320
320 Water Treatment Equip	17,938	9,739	10.00%	1,952	0	1,891	0	1,891	19,890	11,630	11,630
330 Dist. Resvrs & Stndpipe	1,321,238	498,098	2.50%	138,243	0	34,759	0	34,759	1,459,481	532,857	532,857
331 Trans. & Distr. Mains	7,056,631	2,450,915	2.00%	1,663,434	0	157,767	0	157,767	8,720,065	2,608,682	2,608,682
333 Services	829,747	660,025	2.00%	(2,059)	0	16,574	0	16,574	827,688	676,599	676,599
334 Meters	903,840	758,362	10.00%	22,370	0	91,503	0	91,503	926,210	849,865	849,865
335 Hydrants	457,210	177,863	2.00%	17,739	0	9,322	0	9,322	474,949	187,185	187,185
339 Other Plant and Misc Equip	0	0	10.00%	0	0	0	0	0	0	0	0
340 Office Furniture & Fixt	100,023	86,329	6.67%	3,837	0	6,799	0	6,799	103,860	93,128	93,128
340.1 Computers and Software	161,264	29,062	6.67%	0	0	10,756	0	10,756	161,264	39,818	39,818
341 Transportation Equip	190,168	108,206	14.29%	(1,644)	0	27,058	0	27,058	188,524	135,264	135,264
343 Tools & Work Equip	121,859	80,790	11.76%	931	0	14,385	0	14,385	122,790	95,175	95,175
345 Power Operated Equip	0	0	10.00%	0	0	0	0	0	0	0	0
346 Communications Equip	38,740	20,080	10.00%	(3,023)	0	3,723	0	3,723	35,717	23,803	23,803
347 Miscellaneous Equip	100,766	51,170	6.25%	(380)	0	6,286	0	6,286	100,386	57,456	57,456
2000/2001 Totals	\$14,976,295	\$6,433,860		\$1,925,765	\$0	\$592,879	\$0	\$592,879	\$16,902,060	\$7,026,739	\$7,026,739

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2002 Additions Cost	2002 Adj. - Inadequate Support and Plant Retirements		2002		2002 Accumulated Depreciation	2002 Net Book Value
		Cost Removal	Depreciation	Fully Depreciated	2002 Total Cost		
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0
303 Land & Land Rights	0	0	0	0	322,875	0	322,875
304 Structures & Improv	0	523	523	0	849,594	248,767	600,827
307 Wells & Springs	0	571	571	0	911,646	352,963	558,683
311 Electric Pumping Equip	71,076	125,165	54,089	0	1,621,938	1,269,129	352,809
320 Water Treatment Equip	0	3,282	3,282	0	16,608	10,173	6,435
330 Dist. Resrvr & Strdpipe	0	3,346	3,346	0	1,456,135	565,956	890,179
331 Trans. & Distr. Mains	354,211	20,083	20,083	0	9,054,193	2,766,342	6,287,851
333 Services	42,378	2,039	2,039	0	868,027	691,518	176,510
334 Meters	29,053	15,525	15,525	0	939,738	927,637	12,101
335 Hydrants	43,354	971	971	0	517,332	196,136	321,196
339 Other Plant and Misc Equip	0	0	0	0	0	0	0
340 Office Furniture & Fixt	0	3,157	3,157	0	100,703	96,794	3,909
340.1 Computers and Software	0	0	0	0	161,264	50,575	110,689
341 Transportation Equip	4,844	1,644	1,644	0	191,724	160,788	30,936
343 Tools & Work Equip	0	266	266	0	122,524	109,334	13,190
345 Power Operated Equip	0	0	0	0	0	0	0
346 Communications Equip	0	3,023	3,023	0	32,694	24,200	8,494
347 Miscellaneous Equip	0	380	380	0	100,006	63,338	36,668
2002 Totals	\$544,916	\$179,975	\$108,899	\$0	\$17,267,001	\$7,533,651	\$9,733,350

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

2003 Additions Cost	2003 Adj. - Inadequate Support		Fully Depreciated	2003 Depr. Expense	2003 Total Cost	2003 Accumulated Depreciation	2003 Net Book Value
	Cost Removal	Depreciation					
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0
0	0	0	0	0	322,875	0	322,875
0	523	523	0	21,233	849,071	269,478	579,593
21,972	571	571	0	24,903	933,047	377,296	555,751
105,990	64,249	54,089	0	164,281	1,663,679	1,379,321	284,358
24,705	3,282	3,282	0	2,732	38,031	9,623	28,408
106	3,346	3,346	0	36,363	1,452,895	598,973	853,922
118,031	20,083	20,083	0	182,063	9,152,141	2,928,322	6,223,819
18,726	2,039	2,039	0	17,527	884,714	707,006	177,708
47,302	15,525	15,525	931,980	2,365	971,515	914,477	57,038
4,242	971	971	0	10,379	520,603	205,545	315,058
0	0	0	0	0	0	0	0
32,875	3,157	3,157	0	7,708	130,421	101,345	29,076
0	0	0	0	10,756	161,264	61,331	99,933
8,623	1,644	1,644	0	27,896	198,703	187,040	11,663
0	266	266	10,230	13,190	122,258	122,258	0
0	0	0	0	0	0	0	0
0	3,023	3,023	0	3,118	29,671	24,296	5,375
0	380	380	0	6,239	99,626	69,197	30,429
\$382,572	\$119,059	\$108,899	\$942,210	\$530,754	\$17,530,514	\$7,955,506	\$9,575,008

2003 Totals

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

2004 Additions Cost	2004 Adj. - Inadequate Support		Fully Depreciated	2004		2004 Total Cost	2004 Accumulated Depreciation	2004 Net Book Value
	Cost Removal	Depreciation		Depr. Expense	Depreciation			
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	322,875	0	322,875
15,322	523	523	0	0	21,412	863,870	290,367	573,503
99,307	571	571	0	0	26,525	1,031,783	403,250	628,533
97,537	54,089	54,089	0	0	168,540	1,707,127	1,493,773	213,354
0	3,282	3,282	0	0	3,639	34,749	9,980	24,769
1,500	3,346	3,346	0	0	36,299	1,451,049	631,926	819,123
459,511	20,083	20,083	0	0	187,437	9,591,569	3,095,676	6,495,893
100,089	25,786	2,039	0	0	18,437	959,017	723,404	235,613
112,553	15,525	15,525	924,217	0	9,581	1,068,543	908,533	160,010
55,861	971	971	0	0	10,961	575,493	215,535	359,958
0	0	0	0	0	0	0	0	0
31,854	3,157	3,157	0	0	9,656	159,118	107,844	51,274
0	0	0	0	0	10,756	161,264	72,087	89,177
77,639	1,644	1,644	0	0	33,825	274,698	219,221	55,477
0	266	266	122,123	0	0	121,992	121,992	(0)
0	0	0	0	0	0	0	0	0
8,868	3,023	3,023	0	0	3,259	35,516	24,532	10,984
0	380	380	0	0	6,215	99,246	75,032	24,215
2004 Totals	\$1,060,041	\$132,646	\$108,899	\$1,046,340	\$546,543	\$18,457,909	\$8,393,151	\$10,064,758

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2005 Additions		2005 Retirements		Fully Depreciated	2005		2005 Total Cost	2005 Accumulated Depreciation	2005 Net Book Value
	Cost		Cost	Depreciation		Depr. Expense				
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0	0	0
303 Land & Land Rights	0	0	0	0	0	0	0	0	0	322,875
304 Structures & Improv	1,500	523	523	523	0	0	21,609	864,847	311,452	553,395
307 Wells & Springs	0	571	571	571	0	0	27,850	1,031,212	430,529	600,683
311 Electric Pumping Equip	59,445	54,089	54,089	54,089	0	0	170,981	1,712,483	1,610,664	101,819
320 Water Treatment Equip	11,336	3,282	3,282	3,282	0	0	3,878	42,803	10,576	32,227
330 Dist. Resrvr & Stndpipe	0	3,346	3,346	3,346	0	0	36,234	1,447,703	664,815	782,888
331 Trans. & Distr. Mains	715,198	20,083	20,083	20,083	0	0	198,783	10,286,684	3,274,376	7,012,308
333 Services	118,712	2,039	2,039	2,039	0	0	20,347	1,075,690	741,712	333,978
334 Meters	151,792	15,525	15,525	15,525	916,454	0	22,022	1,204,810	915,030	289,780
335 Hydrants	67,646	971	971	971	0	0	12,177	642,168	226,740	415,428
339 Other Plant and Misc Equip	0	0	0	0	0	0	0	0	0	0
340 Office Furniture & Fixt	0	3,157	3,157	3,157	0	0	10,508	155,961	115,195	40,766
340.1 Computers and Software	0	0	0	0	0	0	10,756	161,264	82,844	78,420
341 Transportation Equip	0	1,644	1,644	1,644	0	0	39,137	273,054	256,714	16,340
343 Tools & Work Equip	0	266	266	266	121,857	0	0	121,726	121,726	(0)
345 Power Operated Equip	0	0	0	0	0	0	0	0	0	0
346 Communications Equip	64,857	3,023	3,023	3,023	0	0	6,643	97,350	28,152	69,198
347 Miscellaneous Equip	5,600	380	380	380	0	0	6,366	104,466	81,018	23,449
2005 Totals	\$1,196,086	\$108,899	\$108,899	\$108,899	\$1,038,311	\$587,291	\$19,545,096	\$8,871,543	\$10,673,553	

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2006 Additions		2006 Retirements		Fully Depreciated	2006 Depr. Expense	2006 Total Cost	2006 Accumulated Depreciation	2006 Net Book Value
	Cost		Cost	Depreciation					
301 Organization Cost	\$0		\$0		\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0		0		0	0	0	0	0
303 Land & Land Rights	0		0		0	0	322,875	0	322,875
304 Structures & Improv	0		523		0	21,615	864,324	332,544	531,780
307 Wells & Springs	0		571		0	27,835	1,030,641	457,793	572,848
311 Electric Pumping Equip	95,954		54,089		0	173,342	1,754,348	1,729,917	24,431
320 Water Treatment Equip	0		3,282		0	4,116	39,521	11,410	28,111
330 Dist. Resrvr & Stndpipe	(18,843)		3,346		0	35,915	1,425,514	697,384	728,130
331 Trans. & Distr. Mains	1,106,649		20,083		0	216,599	11,373,250	3,470,892	7,902,358
333 Services	181,795		2,039		0	23,311	1,255,446	762,985	492,461
334 Meters	109,008		15,525		908,691	34,286	1,298,293	933,791	364,502
335 Hydrants	116,306		971		0	13,997	757,503	239,766	517,737
339 Other Plant and Misc Equip	0		0		0	0	0	0	0
340 Office Furniture & Fixt	8,090		3,157		0	10,567	160,894	122,605	38,289
340.1 Computers and Software	0		0		0	10,756	161,264	93,600	67,664
341 Transportation Equip	0		1,644		157,882	16,341	271,410	271,410	(0)
343 Tools & Work Equip	0		266		121,593	0	121,460	121,460	(0)
345 Power Operated Equip	0		0		0	0	0	0	0
346 Communications Equip	148,115		3,023		0	16,990	242,442	42,119	200,323
347 Miscellaneous Equip	0		380		0	6,517	104,086	87,155	16,931
2006 Totals	\$1,747,074		\$108,899		\$1,188,166	\$612,187	\$21,183,271	\$9,374,831	\$11,808,440

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

2007 Additions	2007 Retirements		Fully Depreciated	2007		2007 Total Cost	2007 Accumulated Depreciation	2007 Net Book Value
	Cost	Depreciation		Depr. Expense	Total Cost			
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land & Land Rights	4,524	0	0	0	327,399	0	327,399	327,399
304 Structures & Improv	46,661	523	0	0	910,462	354,206	556,256	556,256
307 Wells & Springs	22,357	571	0	0	1,052,427	485,344	567,083	567,083
311 Electric Pumping Equip	149,458	54,089	63,140	173,889	1,849,717	1,849,717	0	0
320 Water Treatment Equip	12,503	3,282	0	4,413	48,742	12,541	36,201	36,201
330 Dist. Resrvr & Stndpipe	0	3,346	0	35,596	1,422,168	729,634	692,534	692,534
331 Trans. & Distr. Mains	0	451,420	0	222,951	10,921,830	3,242,423	7,679,407	7,679,407
333 Services	16,451	2,039	0	25,253	1,269,858	786,199	483,659	483,659
334 Meters	9,790	15,525	900,928	39,450	1,292,558	957,716	334,842	334,842
335 Hydrants	66,561	971	0	15,806	823,093	254,601	568,492	568,492
339 Other Plant and Misc Equip	362	0	0	18	362	18	344	344
340 Office Furniture & Fixt	7,438	3,157	0	10,874	165,175	130,322	34,853	34,853
340.1 Computers and Software	0	0	0	10,756	161,264	104,356	56,908	56,908
341 Transportation Equip	0	1,644	270,588	0	269,766	269,766	(0)	(0)
343 Tools & Work Equip	1,412	266	121,327	83	122,606	121,277	1,329	1,329
345 Power Operated Equip	35,160	0	0	1,758	35,160	1,758	33,402	33,402
346 Communications Equip	3,141	3,023	0	24,250	242,560	63,346	179,214	179,214
347 Miscellaneous Equip	0	380	0	6,494	103,706	93,268	10,438	10,438
2007 Totals	\$375,818	\$540,236	\$1,355,983	\$621,898	\$21,018,853	\$9,456,492	\$11,562,361	\$11,562,361

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2008 Additions Cost	2008 Retirements		Fully Depreciated	2008 Depr. Expense	2008 Total Cost	2008 Accumulated Depreciation	2008 Net Book Value
		Cost	Depreciation					
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0
303 Land & Land Rights	0	0	0	0	0	327,399	0	327,399
304 Structures & Improv	39,362	523	523	0	23,247	949,301	376,930	572,371
307 Wells & Springs	5,469	571	571	0	28,482	1,057,325	513,254	544,071
311 Electric Pumping Equip	110,982	54,089	1,822,673	0	5,549	1,906,610	1,801,177	105,433
320 Water Treatment Equip	5,764	3,282	3,282	0	4,998	51,224	14,258	36,967
330 Dist. Resrvr & Strndpipe	822,575	20,435	20,435	0	45,581	2,224,308	754,780	1,469,528
331 Trans. & Distr. Mains	779,446	20,083	20,083	0	226,030	11,681,193	3,448,370	8,232,823
333 Services	57,358	2,039	2,039	0	25,950	1,325,177	810,110	515,067
334 Meters	60,593	15,525	15,525	893,165	42,193	1,337,626	984,384	353,243
335 Hydrants	29,957	971	971	0	16,752	852,079	270,382	581,697
339 Other Plant and Misc Equip	69,189	0	0	0	3,496	69,551	3,514	66,037
340 Office Furniture & Fixt	9,033	3,157	3,157	0	11,213	171,051	138,378	32,673
340.1 Computers and Software	0	0	0	0	10,756	161,264	115,112	46,152
341 Transportation Equip	341	15,253	262,140	24	24	254,854	254,538	316
343 Tools & Work Equip	63	266	121,194	154	154	122,403	121,166	1,237
345 Power Operated Equip	(3,612)	0	0	0	3,335	31,548	5,093	26,455
346 Communications Equip	41,046	3,023	3,023	0	26,157	280,583	86,480	194,103
347 Miscellaneous Equip	2,805	380	380	0	6,557	106,131	99,446	6,685
2008 Totals	\$2,030,371	\$139,597	\$139,597	\$3,099,172	\$480,475	\$22,909,627	\$9,797,371	\$13,112,256

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2009 Additions (Adjustments)	2009 Retirements				January thru March 2009			2009 Accumulated Depreciation	2009 Net Book Value
		Cost	Depreciation	Fully Depreciated	2009 Depr. Expense	2009 Total Cost	2009 Depreciation			
								\$0		
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
302 Franchise Cost	0	0	0	0	0	0	0	0	0	
303 Land & Land Rights	0	0	0	0	0	0	0	0	327,399	
304 Structures & Improv	358,631	0	0	0	7,054	1,307,932	383,984	923,948	923,948	
307 Wells & Springs	70,286	0	0	0	7,374	1,127,611	520,628	606,983	606,983	
311 Electric Pumping Equip	56,472	0	0	1,048,281	22,164	1,963,082	1,823,341	139,741	139,741	
320 Water Treatment Equip	32,159	0	0	0	1,683	83,383	15,940	67,443	67,443	
330 Dist. Resrvr & Stndpipe	55,820	0	0	0	14,076	2,280,128	768,856	1,511,272	1,511,272	
331 Trans. & Distr. Mains	431,339	3,496	0	0	59,476	12,109,036	3,504,349	8,604,687	8,604,687	
333 Services	33,559	0	0	0	6,710	1,358,736	816,820	541,916	541,916	
334 Meters	20,554	0	0	705,342	16,064	1,358,180	1,000,448	357,732	357,732	
335 Hydrants	32,100	0	0	0	4,341	884,179	274,722	609,457	609,457	
339 Other Plant and Misc Equip	0	0	0	0	1,739	69,551	5,253	64,298	64,298	
340 Office Furniture & Fixt	6,622	0	0	0	2,907	177,673	141,286	36,387	36,387	
340.1 Computers and Software	(344)	0	0	0	2,686	160,920	117,799	43,121	43,121	
341 Transportation Equip	13,609	0	0	194,750	2,390	268,463	256,928	11,535	11,535	
343 Tools & Work Equip	44	0	0	70,707	1,521	122,447	122,686	(239)	(239)	
345 Power Operated Equip	0	0	0	0	789	31,548	5,882	25,666	25,666	
346 Communications Equip	130,902	0	0	7,666	8,459	411,485	94,939	316,546	316,546	
347 Miscellaneous Equip	1,177	0	0	0	1,667	107,308	101,113	6,195	6,195	
2009 Totals	\$1,242,930	\$3,496	\$3,496	\$2,026,746	\$161,100	\$24,149,061	\$9,954,974	\$14,194,087		

Plant Description ¹	12/31/1998	Retirements	Fully
	Plant Balances Per Bella Vista	Per Bella Vista Rebuttal Sch B-2, P. 4	Depreciated Plant
311 Electric Pumping Equip	\$ 1,480,991	(432,710)	1,048,281
320 Water Treatment Equip	\$ 17,938	(26,254)	0
334 Meters	\$ 829,546	(124,204)	705,342
341 Transportation Equip	\$ 221,510	(26,760)	194,750
343 Tools & Work Equip	\$ 72,839	(2,132)	70,707
346 Communications Equip	\$ 31,850	(24,184)	7,666
1998/1999 Totals	\$2,654,673	(\$636,244)	\$2,026,746

¹ Plant with useful lives of 10 years or less as indicated by Bella Vista's depreciation rate.

RATE BASE ADJUSTMENT NO. 5 - CUSTOMER DEPOSITS

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ -	\$ 175,850	\$ 175,850

References:

Column A: Company Schedule B-2

Column B: Testimony, CSB; Data Request Response CSB 1-15

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

Bella Vista Water Company
Docket No. W-02465A-09-0411
Test Year Ended March 31, 2009

Surrebuttal Schedule CSB-10

RATE BASE ADJUSTMENT NO. 6 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		PER COMPANY	ADJUSTMENT	PER STAFF
1	ADIT Net Asset/(Liability)	\$ 230,850	\$ (558,105)	\$ (327,255)
2				

References:

- Column A: Company Schedule B-2, page 5
- Column B: Testimony, CSB,
- Column C: Column [A] + Column [B]

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
<u>REVENUES:</u>						
1	Metered Water Sales	\$ 3,400,892	\$ -	\$ 3,400,892	\$ 166,411	\$ 3,567,303
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenues	125,141	-	125,141	-	125,141
4	Total Revenues	\$ 3,526,033	\$ -	\$ 3,526,033	\$ 166,411	\$ 3,692,444
5						
<u>EXPENSES:</u>						
7	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	708	-	708	-	708
9	Purchased Power	561,094	-	561,094	-	561,094
10	Fuel for Power Production	-	-	-	-	-
11	Chemicals	4,273	-	4,273	-	4,273
12	Materials & Supplies	36,932	-	36,932	-	36,932
13	Outside Services	4,605	-	4,605	-	4,605
14	Outside Services- Legal	35,245	-	35,245	-	35,245
15	Outside Services- Other	1,258,045	(201,014)	1,057,031	-	1,057,031
16	Water Testing	18,805	24,387	43,192	-	43,192
17	Equipment Rental	-	-	-	-	-
18	Rents	60,600	-	60,600	-	60,600
19	Transportation Expenses	78,117	(7,023)	71,094	-	71,094
20	Insurance - General Liability	38,930	-	38,930	-	38,930
21	Insurance - Health and Life	7,290	-	7,290	-	7,290
22	Reg. Comm. Exp.	9,017	-	9,017	-	9,017
23	Reg. Comm. Exp. - Rate Case	83,333	(45,867)	37,466	-	37,466
24	Miscellaneous Expense	65,966	(5,681)	60,285	-	60,285
25	Bad Debt Expense	9,526	-	9,526	-	9,526
26	Depreciation Expense	1,009,435	(298,433)	711,002	-	711,002
27	Taxes Other Than Income	-	-	-	-	-
28	Property Taxes	159,659	(13,735)	145,924	2,284	148,209
29	Income Taxes	(10,068)	206,948	196,880	63,351	260,231
31						
32	Total Operating Expenses	\$ 3,431,512	\$ (340,419)	\$ 3,091,093	\$ 65,635	\$ 3,156,729
33						
34	Operating Income (Loss)	\$ 94,521	\$ 340,419	\$ 434,940	\$ 100,776	\$ 535,716

References:

- Column (A): Company Schedule C-1, Page 2
- Column (B): Schedule CSB-12
- Column (C): Column (A) + Column (B)
- Column (D): Schedules CSB-1 and CSB-2
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1 Corporate Expense Allocation	(C) ADJ #2 Outside Services Other	(D) ADJ #3 Gen Office Alloc/ Affiliate Increase	(E) ADJ #4 Water Testing Expense	(F) ADJ #5 Transportation Expense	(G) ADJ #6 Rate Case Expense	(H) ADJ #7 Entertainment, Meals, & Contributions	(I) ADJ #8 Depreciation Expense	(J) ADJ #9 Property Taxes	(K) ADJ #10 Income Taxes	(L) STAFF ADJUSTED
		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	Ref. Sch CSB-22		
1	Metered Water Sales	\$ 3,400,892											\$ 3,400,892
2	Water Sales - Unmetered												125,141
3	Other Operating Revenues												3,526,033
4	Total Revenues	\$ 3,526,033	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 3,526,033
5													
6	OPERATING EXPENSES:												
7	Salaries and Wages	\$											\$
8	Purchased Water	708											708
9	Purchased Power	561,094											561,094
10	Fuel for Power Production												
11	Chemicals	4,273											4,273
12	Materials & Supplies	36,932											36,932
13	Outside Services	4,605											4,605
14	Outside Services- Legal	35,245											35,245
15	Outside Services- Other	1,258,045	(123,982)	(29,388)									1,057,031
16	Water Testing	18,805			24,387								43,192
17	Equipment Rental												
18	Rents	60,600											60,600
19	Transportation Expenses	78,117				(7,023)							71,094
20	Insurance - General Liability	38,930											38,930
21	Insurance - Health and Life	7,290											7,290
22	Reg. Comm. Exp.	9,017											9,017
23	Reg. Comm. Exp. - Rate Case	83,333											83,333
24	Miscellaneous Expense	65,966					(45,867)						20,100
25	Bad Debt Expense	9,526											9,526
26	Depreciation Expense	1,009,435							(298,433)				711,002
27	Taxes Other Than Income												
28	Property Taxes	159,659								(13,735)			145,924
29	Income Taxes	(10,068)										206,948	196,880
31													
32	Total Operating Expenses	\$ 3,431,512	\$ (123,982)	\$ (29,388)	\$ 24,387	\$ (7,023)	\$ (45,867)	\$ (5,681)	\$ (298,433)	\$ (13,735)	\$ 206,948	\$ 3,091,093	
33													
34	Operating Income (Loss)	\$ 94,521	\$ 123,982	\$ 29,388	\$ (24,387)	\$ 7,023	\$ 45,867	\$ 5,681	\$ 298,433	\$ 13,735	\$ (206,948)	\$ 434,940	

**OPERATING INCOME ADJUSTMENT NO. 1 - EXPENSE ALLOCATIONS
FROM UNREGULATED AFFILIATE**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Contractual Services - Other	\$ 1,130,931	\$ -	\$ 1,130,931
2	Corporate Expense Allocation	127,114	(123,982)	3,132
3	Total Contractual Services - Other	\$ 1,258,045	\$ (123,982)	\$ 1,134,063

[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
COSTS TO BE ALLOCATED TO BELLA VISTA							
Description	Amount (Per RUCO 3.01)	Unallowable Costs (Sch CSB-6, P2)	Direct Costs of Unregulated Affiliate(s)	Allowable Common Costs Allocated to All 70 Companies	Allocation ⁷ %	Costs to be Allocated to Bella Vista (Col I x Col J)	
12	Audit ¹	\$ 680,812	\$ -	\$ (612,730)	\$ 68,081	1.43%	\$ 972.59
13	Tax Services ²	\$ 469,804	\$ -	\$ (422,824)	\$ 46,980	1.43%	\$ 671.15
14	Legal-General ³	\$ 138,531	\$ -	\$ (124,678)	\$ 13,853	1.43%	\$ 197.90
15	Other Professional Services ⁴	\$ 452,202	\$ -	\$ (406,982)	\$ 45,220	1.43%	\$ 646.00
16	Management Fee	\$ 563,803	\$ -	\$ (563,803)	\$ -	1.43%	\$ -
17	Unit Holder Communications	\$ 145,658	\$ -	\$ (145,658)	\$ -	1.43%	\$ -
18	Trustee Fees	\$ 127,116	\$ -	\$ (127,116)	\$ -	1.43%	\$ -
19	Escrow and Transfer Fees	\$ 85,354	\$ -	\$ (85,354)	\$ -	1.43%	\$ -
20	Rent	\$ 273,965	\$ -	\$ (273,965)	\$ -	1.43%	\$ -
21	Licenses/Fees and Permits	\$ 14,565	\$ -	\$ (14,565)	\$ -	1.43%	\$ -
22	Office Expenses ⁵	\$ 555,759	\$ (123,829)	\$ (405,801)	\$ 26,129	1.43%	\$ 373.27
23	Depreciation Expense ⁶	\$ 189,797	\$ -	\$ (170,818)	\$ 18,980	1.43%	\$ 271.14
24		\$ 3,697,367	\$ (123,829)	\$ (3,354,294)	\$ 219,244		\$ 3,132.05

26 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 70 companies/interests.

29 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 70 companies/interests.

32 Foot Note 3: Legal, General - Staff reviewed the invoices and found that the very large majority of the cost (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.

35 Foot Note 4: Other Professional Services - Staff reviewed the invoices and found that the very large majority of the cost (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.

38 Foot Note 5: Office Expense - Staff reviewed the invoices and found that the very large majority of the cost (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.

41 Foot Note 6: 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 70 companies/interests.

44 Foot Note 7: Allocation Percentage - Calculated as follows: 1 / 70 companies = 1.43%. The 70 companies represents the average of the year-end 2007, 71 companies, and year-end 2008, 70 companies.

References:

- Column A: Company Schedule C-2
- Column B: Testimony, CSB, Company Data Request Responses CSB 1.26, CSB 1.27, RUCO 3.01
- Column C: Column [A] + Column [B]

LINE NO.	Category	Description of Unallowable Cost	Vendor	Invoice No.	Amount
1	Office Expenses	Furniture	Grand & Toy	612	\$12,530
2	Office Expenses	Furniture Installation	Grand & Toy	612	\$60,909
3	Office Expenses	Dell Server and Software	Dell		\$16,330
4	Office Expenses	Shelving	Stor-Tec Ltd.	JF-394	\$7,459
5	Office Expenses	Telephone System	Cableteck	10802	\$7,641
6	Office Expenses	Phones/Cabling/Network Install	Cableteck	11009820-0074	\$18,960
7		Total for Office Expenses			<u>\$123,829</u>
8					

OPERATING INCOME ADJUSTMENT NO. 2 - OUTSIDE SERVICES OTHER

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Outside Services - Other	\$ 1,228,657	\$ (47,644)	\$ 1,181,013
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				

		Outside Services Other	
	2008	\$ 1,133,369	Company Sch E-2
	2009	\$ 1,228,657	Company Sch E-2
		\$ 2,362,026	
	Divided by 2	2	
		\$ 1,181,013	

References:

- Column A: Company Schedule C-2
- Column B: Testimony, CSB; Company Data Request Responses to CSB 1-20, 1-21, & 1-26
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 3 - GENERAL OFFICE ALLOCATION / AFFILIATE INCREASE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Outside Services - Other	\$ 1,228,657	\$ -	\$ 1,228,657
2	Affiliate Increase	29,388	(29,388)	-
3	Total Outside Services - Other	\$ 1,258,045	\$ (29,388)	\$ 1,228,657
4				
5				
6				

References:

Column A: Company Schedule C-2

Column B: Testimony, CSB; Company Data Request Responses to CSB 1-20, 1-21, & 1-26

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

Bella Vista Water Company
Docket No. W-02465A-09-0411
Test Year Ended March 31, 2009

Surrebuttal Schedule CSB-16

OPERATING INCOME ADJUSTMENT NO. 4 - WATER TESTING EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water Testing Expense	18,805	\$24,387	\$43,192

References:

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

Bella Vista Water Company
Docket No. W-02465A-09-0411
Test Year Ended March 31, 2009

Surrebuttal Schedule CSB-17

OPERATING INCOME ADJUSTMENT NO. 5 - TRANSPORTATION EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Transportation Expense	78,117	\$ (7,023) \$	\$ 71,094

References:

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

OPERATING INCOME ADJUSTMENT NO. 6 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Rate Case Expense - Bella Vista	\$ 83,333	\$ (45,867)	\$ 37,466
2				
3				
4				

[D]	[E]	[F]	[G]	[H]	[I]
Company Name	Total Rate Case Expense Per Co.	Percent of Total Expense	Total Rate Case Exp From Line 19	Total Rate Case For Each Company Per Staff Col F x Col G	Normalized Rate Case Expense Col H / 3 Years
Bella Vista	\$250,000	55.56%	\$ 202,316	\$ 112,398	\$ 37,466
Northern Sunrise	\$75,000	16.67%	\$ 202,316	\$ 33,719	\$ 11,240
Southern Sunrise	\$125,000	27.78%	\$ 202,316	\$ 56,199	\$ 18,733
Total	\$450,000	100.00%		\$ 202,316	

15			Total Rate Case Exp.		
16			Average Cost	\$ 50,579	From Line 30
17			Multiplied by	4	Three Companies & 1 Consolidation
18			Total Rate Case Expense-Per Staff	\$ 202,316	

[J]	[K]	[L]	[M]
Company Name	Rate Case Exp Amount	No. of Companies, Systems, and Consolidations	Average Rate Case Expense Col K / Col L
Arizona-American Water Company ¹	\$ 456,275	7	\$ 65,182
Arizona Water Company ¹	\$ 500,000	17	\$ 29,412
Global Water Company ¹	\$ 400,000	7	\$ 57,143
		Total	\$ 151,737
		Divided by	3
		Average Cost	\$ 50,579

¹ See Below for Docket Numbers

Name	Docket Numbers
Arizona-American Water Company	W-01303A-08-0227
Arizona Water Company	W-01445A-08-0440
Global Water Company	SW-20445A-09-0077, et al

References:

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

OPERATING INCOME ADJUSTMENT NO. 7 - MEALS, ENTERTAINMENT, & CONTRIBUTIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Miscellaneous Expense	\$ 65,966	\$ (5,681)	\$ 60,285

Meals, Entertainment, & Contributions		
Meals and Entertainment	\$ 5,181	CSB 1-32
Contributions	\$ 500	CSB 1-32
	\$ 5,681	

References:

- Column A: Company Schedule C-1 & E-2
- Column B: Testimony, CSB; Data Request CSB 1-32
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 8 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE 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	303 Land and Land Rights	\$ 327,399	\$ (327,399)	\$ 654,798	0.00%	\$ -
2	304 Structures and Improvements	1,307,935	-	1,307,935	3.33%	43,554
3	306 Lake, River, and Other Intakes	-	-	-	2.50%	-
4	307 Wells and Springs	1,127,614	-	1,127,614	3.33%	37,550
5	309 Supply Mains	-	-	-	2.00%	-
6	310 Power Generation Equipment	-	-	-	5.00%	-
7	311 Pumping Equipment	1,963,085	1,048,281	914,804	12.50%	114,351
8	320 Water Treatment Equipment	83,385	-	83,385	3.33%	2,777
9	330 Distribution Reservoirs and Standpipes	2,280,128	-	2,280,128	2.22%	50,619
10	331 Transmission and Distribution Mains	12,109,036	-	12,109,036	2.00%	242,181
11	333 Services	1,358,732	-	1,358,732	3.33%	45,246
12	334 Meters and Meter Installations	1,358,176	705,342	652,834	8.33%	54,381
13	335 Hydrants	884,182	-	884,182	2.00%	17,684
14	336 Backflow Prevention Devices	-	-	-	6.67%	-
15	339 Other Plant and Miscellaneous Equipment	69,551	-	69,551	6.67%	4,639
16	340 Office Furniture and Equipment	177,328	-	177,328	6.67%	11,828
17	341 Transportation Equipment	268,484	194,750	73,715	20.00%	14,743
18	340.1 Computers and Software	161,264	-	161,264	20.00%	32,253
19	343 Tools, Shop, and Garage Equipment	122,443	70,707	51,736	5.00%	2,587
20	344 Laboratory Equipment	-	-	-	10.00%	-
21	345 Power Operated Equipment	31,548	-	31,548	5.00%	1,577
22	346 Communication Equipment	411,484	7,666	403,818	10.00%	40,382
23	347 Miscellaneous Equipment	107,306	-	107,306	10.00%	10,731
24	348 Other Tangible Equipment	-	-	-	10.00%	-
25	Total Plant	\$ 24,149,060	\$ 2,026,746	\$ 22,449,713		\$ 727,080

29	Composite Depreciation Rate (Depr Exp / Depreciable Plant):	3.24%
30	CIAC:	\$ 496,445
31	Amortization of CIAC (Line 32 x Line 33):	\$ 16,078
32		
33	Depreciation Expense Before Amortization of CIAC:	\$ 727,080
34	Less Amortization of CIAC:	\$ 16,078
35	Test Year Depreciation Expense - Staff:	\$ 711,002
36	Depreciation Expense - Company:	1,009,435
37	Staff's Total Adjustment:	\$ (298,433)

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]

OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 3,526,033	\$ 3,526,033
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	7,052,066	\$ 7,052,066
4	Staff Recommended Revenue, Per Schedule CSB-1	3,526,033	\$ 3,692,444
5	Subtotal (Line 4 + Line 5)	10,578,099	10,744,510
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,526,033	\$ 3,581,503
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	7,052,066	\$ 7,163,007
10	Plus: 10% of CWIP -	37,989	37,989
11	Less: Net Book Value of Licensed Vehicles	3,305	\$ 3,305
12	Full Cash Value (Line 9 + Line 10 - Line 11)	7,086,750	\$ 7,197,691
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	1,488,218	\$ 1,511,515
15	Composite Property Tax Rate	9.8053%	9.8053%
			\$ -
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 145,924	
17	Company Proposed Property Tax	159,659	
18	Staff Test Year Adjustment (Line 16-Line 17)	<u>\$ (13,735)</u>	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 148,209
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 145,924
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		<u>\$ 2,284</u>
22	Increase to Property Tax Expense		\$ 2,284
23	Increase in Revenue Requirement		166,411
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.372742%

OPERATING INCOME ADJUSTMENT NO. 10 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	(A)	(B)
	<u>Calculation of Income Tax:</u>		
		<u>Test Year</u>	
1	Revenue	\$ 3,526,033	
2	Less: Operating Expenses - Excluding Income Taxes	\$ 2,894,213	
3	Less: Synchronized Interest (L17)	\$ 121,754	
4	Arizona Taxable Income (L1- L2 - L3)	\$ 510,066	
5	Arizona State Income Tax Rate	6.968%	
6	Arizona Income Tax (L4 x L5)		\$ 35,541
7	Federal Taxable Income (L4 - L6)	\$ 474,525	
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%	\$ 91,650	
12	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 47,438	
13	Total Federal Income Tax		\$ 161,338
14	Combined Federal and State Income Tax (L6 + L13)		<u>\$ 196,880</u>
	<u>Calculation of Interest Synchronization:</u>		
15	Rate Base (Schedule CSB-13, Col. (C), Line 16)	\$ 6,087,677	
16	Weighted Average Cost of Debt	2.00%	
17	Synchronized Interest (L16 x L17)	<u>\$ 121,754</u>	
18		Income Tax - Per Staff \$ 196,880	
19		Income Tax - Per Company \$ (10,068)	
20		Staff Adjustment \$ 206,948	

REVENUE REQUIREMENT

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY ORIGINAL COST</u>	<u>[B] STAFF ORIGINAL COST</u>
1	Adjusted Rate Base	\$ 742,657	\$ 642,392
2	Adjusted Operating Income (Loss)	\$ (81,316)	\$ (43,631)
3	Current Rate of Return (L2 / L1)	-10.95%	-6.79%
4	Required Rate of Return	12.80%	8.80%
5	Required Operating Income (L4 * L1)	\$ 95,060	\$ 56,530
6	Operating Income Deficiency (L5 - L2)	\$ 176,376	\$ 100,162
7	Gross Revenue Conversion Factor	1.4516941	1.6545626
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$ 256,044	\$ 165,724
9	Adjusted Test Year Revenue	\$ 191,966	\$ 191,966
10	Proposed Annual Revenue (L8 + L9)	\$ 448,011	\$ 357,691
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	133.38%	86.33%

References:

Column [A]: Company Schedules A-1, C-1, C-3, & D-1
Column [B]: Staff Schedules CSB-2, CSB-3, & CSB-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.5611%			
5	Subtotal (L3 - L4)	60.4389%			
6	Revenue Conversion Factor (L1 / L5)	1.654563			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
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)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (CSB-18, Col B, L24)	1.5670%			
22	Effective Property Tax Factor (L20*L21)		0.9622%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.5611%	
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ 56,530			
25	Adjusted Test Year Operating Income (Loss) (Sch CSB-10, Col C, Line 34)	(43,631)			
26	Required Increase in Operating Income (L24 - L25)		\$ 100,162		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 35,537			
28	Income Taxes on Test Year Revenue (Col. [A], L52)	(27,428)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		62,965		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 357,691			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible 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-18, Col B, L19)	\$ 11,622			
36	Property Tax on Test Year Revenue (CSB-18, Col A, L16)	9,025			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		2,597		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$ 165,724		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule CSB-10, Col. [C], Line 4 & Sch. CSB-1, Col. [D] Line	Test Year \$ 191,966	Staff Recommended \$ 165,724	\$ 357,691	
40	Operating Expenses Excluding Income Taxes	\$ 263,026	\$ 2,597	\$ 265,623	
41	Synchronized Interest (L56)	\$ -		\$ -	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ (71,060)		\$ 92,067	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	\$ (4,951)		\$ 6,415	
45	Federal Taxable Income (L42 - L44)	\$ (66,108)		\$ 85,652	
46	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
47	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
48	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
49	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
50	Federal Tax on All Income (\$0 -\$10,000,000) @ 34%	\$ (22,477)		\$ 29,122	
51	Total Federal Income Tax	\$ (22,477)		\$ 29,122	
52	Combined Federal and State Income Tax (L44 + L51)	\$ (27,428)		\$ 35,537	
53	Applicable Federal Income Tax Rate [Col. [C], L51 - Col. [A], L51] / [Col. [C], L45 - Col. [A], L45]			34.0000%	
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule CSB-3, Col. (C), Line 14)	\$ 642,392			
55	Weighted Average Cost of Debt	0.0000%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST

LINE NO.	(A)	(B)	(C)	
	COMPANY AS FILED	STAFF ADJUSTMENTS ADJ NO.	STAFF AS ADJUSTED	
1	Plant in Service	\$ 815,886	\$ (29,377) 1, 2	\$ 786,509
2	Less: Accumulated Depreciation	42,738	(2,827) 3	39,911
3	Net Plant in Service	<u>\$ 773,148</u>	<u>\$ (26,550)</u>	<u>\$ 746,598</u>
<u>LESS:</u>				
4	Advances in Aid of Construction (AIAC)	\$ -	\$ -	\$ -
5	Service Line and Meter Advances	\$ 410	\$ -	\$ 410
6	Contributions in Aid of Construction (CIAC)	\$ 26,000	\$ -	\$ 26,000
7	Less: Accumulated Amortization	63	-	63
8	Net CIAC	<u>\$ 25,937</u>	<u>-</u>	<u>\$ 25,937</u>
9	Total Advances and Contributions	\$ 26,347	\$ -	\$ 26,347
10	Customer Deposits	\$ -	\$ 7,972 4	\$ 7,972
11	Accumulated Deferred Income Taxes	\$ 4,144	\$ 65,743 5	\$ 69,887
<u>ADD:</u>				
12	Working Capital	\$ -	\$ -	\$ -
13		\$ -	\$ -	\$ -
14	Total Rate Base	<u>\$ 742,657</u>	<u>\$ (100,265)</u>	<u>\$ 642,392</u>

References:

Column [A], Company Schedule B-1, Page 1
Column [B]: Schedule CSB-4
Column [C]: Column [A] + Column [B]

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	PLANT IN SERVICE	[A]	[B]	[C]	[D]	[E]	[F]	[G]
		COMPANY AS FILED	Adj No.1 Inadequately Supported Plant, AFUDC Ref: Sch CSB-5	ADJ No. 2 Regulatory Asset Ref: Sch CSB-6	ADJ No. 3 Accumulated Depreciation Ref: Sch CSB-7	ADJ No. 4 Customer Deposits Ref: Sch CSB-8	ADJ No. 5 ADIT Ref: Sch CSB-9	STAFF AS ADJUSTED
1	Acct. No. Plant Description							
2	301 Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	302 Franchise Cost	890	-	-	-	-	-	890
4	303 Land and Land Rights	23,926	-	-	-	-	-	23,926
5	304 Structures and Improvements	281,810	(1,142)	-	-	-	-	280,668
6	305 Collecting and Impounding Res.	51,378	-	-	-	-	-	51,378
7	307 Wells and Springs	34,064	-	-	-	-	-	34,064
8	309 Supply Mains	-	-	-	-	-	-	-
9	310 Power Generation Equipment	1,293	-	-	-	-	-	1,293
10	311 Electric Pumping Equipment	92,122	(1,103)	-	-	-	-	91,019
11	320 Water Treatment Equipment	-	-	-	-	-	-	-
12	330 Distribution Reservoirs & Standpipe	102,018	(6,349)	-	-	-	-	95,668
13	331 Transmission and Distribution Mains	36,763	-	-	-	-	-	36,763
14	333 Services	30,106	(350)	-	-	-	-	29,756
15	334 Meters	8,244	(4,795)	-	-	-	-	3,449
16	335 Hydrants	59,298	-	-	-	-	-	59,298
17	336 Backflow Prevention Devices	-	-	-	-	-	-	-
18	339 Other Plant and Miscellaneous Equipment	23,472	-	-	-	-	-	23,472
19	340 Office Furniture and Fixtures	-	-	-	-	-	-	-
20	340.1 Computers and Software	-	-	-	-	-	-	-
21	341 Transportation Equipment	-	-	-	-	-	-	-
22	343 Tools and Work Equipment	-	-	-	-	-	-	-
23	344 Laboratory Equipment	-	-	-	-	-	-	-
24	345 Power Operated Equipment	-	-	-	-	-	-	-
25	346 Communications Equipment	5,881	-	-	-	-	-	5,881
26	347 Miscellaneous Equipment	-	-	-	-	-	-	-
27	348 Other Tangible Plant	64,621	-	(15,636)	-	-	-	48,984
28	Rounding	-	-	-	-	-	-	-
29	Total Plant in Service	\$ 815,886	\$ (13,740)	\$ (15,636)	\$ -	\$ -	\$ -	\$ 786,509
30	Less: Accumulated Depreciation	\$ 42,738	-	-	\$ (2,827)	\$ -	\$ -	\$ 39,911
31	Net Plant in Service	\$ 773,148	\$ (13,740)	\$ (15,636)	\$ 2,827	\$ -	\$ -	\$ 746,598
32								
33	LESS:							
34	Advances in Aid of Construction (AIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35	Service Line and Meter Advances	\$ 410	-	-	-	-	-	\$ 410
37	Contributions in Aid of Construction (CIAC)	\$ 26,000	-	-	-	-	-	\$ 26,000
38	Less: Accumulated Amortization of CIAC	\$ 63	-	-	-	-	-	\$ 63
39	Net CIAC	\$ 25,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,937
40								
41	Total Advances and Net Contributions	\$ 26,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,347
42								
43	Customer Deposits	\$ -	-	-	-	7,972	-	\$ 7,972
44	Accumulated Deferred Taxes	\$ 4,144	-	-	-	-	65,743	\$ 69,887
45								
46	ADD:							
47	Working Capital Allowance	\$ -	-	-	-	-	-	\$ -
48		\$ -	-	-	-	-	-	\$ -
49	Total Rate Base	\$ 742,657	\$ (13,740)	\$ (15,636)	\$ 2,827	\$ (7,972)	\$ (65,743)	\$ 642,392

RATE BASE ADJUSTMENT NO. 1 - INADEQUATELY SUPPORTED PLANT, AFUDC

[A]

LINE NO.	Acct. No.	Account Description	STAFF'S ADJUSTMENT
1	304	Structures and Improvements	\$ (1,142)
2	311	Electric Pumping Equipment	\$ (1,103)
3	330	Dist. Reservoirs & Standpipe	\$ (6,349)
4	333	Services	\$ (350)
5	334	Meters	\$ (4,795)
6		Total	\$ (13,740)

References:

Column A: Company Schedule B-2, P.3 for Northern Sunrise

RATE BASE ADJUSTMENT NO. 2 - REGULATORY ASSET

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Other Tangible Plant - Regulatory Asset	\$ 64,621	\$ (15,636)	\$ 48,984

References:

Column A: Company Schedule B-2

Column B: Testimony, CSB; Data Request Response CSB 3-5 and CSB 10-3

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

RATE BASE ADJUSTMENT NO. 3 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ 42,738	\$ (2,827)	\$39,911

References:

- Column A: Company Schedule C-1
- Column B: Testimony, CSB; Data Request Response CSB 3-6
- Column C: Column [A] + Column [B]

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	Plant 31-Dec-06 Original Cost	31-Dec-06 Accumulated Depreciation	Depr. Rates Effective on 31-Dec-06 (Dec. No. 68412)	2007		2007		2007 Total Cost	2007 Accumulated Depreciation
				Additions	Retirements	Cost Removal	Depr. Expense		
301 Organization Cost	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0.00%	0	0	0	0	0	0
303 Land & Land Rights	23,926	0	0.00%	0	0	0	23,926	0	0
304 Structures & Improv	335	0	3.33%	0	0	0	335	11	11
305 Collecting & Impounding Res.	0	0	2.50%	46,603	0	0	46,603	583	583
307 Wells & Springs	0	0	3.33%	25,209	0	0	25,209	420	420
310 Power Generation Equip	0	0	5.00%	531	0	0	531	13	13
311 Electric Pumping Equip	24,594	0	12.50%	6,698	0	0	31,292	3,493	3,493
320 Water Treatment Equip	0	0	3.33%	0	0	0	0	0	0
330 Dist. Resrvr & Stndpipe	4,680	0	2.22%	0	0	0	4,680	104	104
331 Trans. & Distr. Mains	36,984	0	2.00%	0	0	0	36,984	740	740
333 Services	1,065	0	3.33%	9,381	0	0	10,446	192	192
334 Meters	0	0	8.33%	2,354	0	0	2,354	98	98
335 Hydrants	0	0	2.00%	57,373	0	0	57,373	574	574
339 Other Plant and Misc Equip	0	0	6.67%	9,370	0	0	9,370	312	312
340 Office Furniture & Fixt	0	0	6.67%	0	0	0	0	0	0
340.1 Computers and Software	0	0	20.00%	0	0	0	0	0	0
341 Transportation Equip	0	0	20.00%	0	0	0	0	0	0
343 Tools & Work Equip	0	0	5.00%	0	0	0	0	0	0
345 Power Operated Equip	0	0	5.00%	0	0	0	0	0	0
346 Communications Equip	0	0	10.00%	2,502	0	0	2,502	125	125
348 Other Tangible Equipment	0	0	10.00%	48,984	0	0	48,984	2,449	2,449
2006/2007 Totals	\$91,584	\$0		\$209,005	\$0	\$0	\$300,589	\$9,113	\$9,113

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2008 Additions		2008 Retirements		Fully Depreciated		2008		2008		2008 Net	
	Cost	Cost	Cost Removal	Depreciation	Depreciated	Depr. Expense	Total Cost	Depreciation	Total Cost	Depreciation	Book Value	2008 Net
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0	0	0	0	0
303 Land & Land Rights	0	0	0	0	0	0	23,926	0	23,926	0	23,926	23,926
304 Structures & Improv	229,294	0	0	0	0	0	229,629	3,840	229,629	3,840	225,789	225,789
305 Collecting & Impounding Res.	308	0	0	0	0	0	46,911	1,169	46,911	1,751	45,160	45,160
307 Wells & Springs	6,629	0	0	0	0	0	31,838	950	31,838	1,370	30,468	30,468
310 Power Generation Equip	763	0	0	0	0	0	1,294	46	1,294	59	1,235	1,235
311 Electric Pumping Equip	38,521	0	0	0	0	0	69,813	6,319	69,813	9,812	60,001	60,001
320 Water Treatment Equip	0	0	0	0	0	0	0	0	0	0	0	0
330 Dist. Resvrv & Stndpipe	90,679	0	0	0	0	0	95,359	1,110	95,359	1,214	94,145	94,145
331 Trans. & Distr. Mains	(221)	0	0	0	0	0	36,763	737	36,763	1,477	35,286	35,286
333 Services	10,637	0	0	0	0	0	21,083	525	21,083	717	20,366	20,366
334 Meters	1,095	0	0	0	0	0	3,449	242	3,449	340	3,109	3,109
335 Hydrants	1,925	0	0	0	0	0	59,298	1,167	59,298	1,740	57,558	57,558
339 Other Plant and Misc Equip	14,102	0	0	0	0	0	23,472	1,095	23,472	1,408	22,064	22,064
340 Office Furniture & Fixt	0	0	0	0	0	0	0	0	0	0	0	0
340.1 Computers and Software	0	0	0	0	0	0	0	0	0	0	0	0
341 Transportation Equip	0	0	0	0	0	0	0	0	0	0	0	0
343 Tools & Work Equip	0	0	0	0	0	0	0	0	0	0	0	0
345 Power Operated Equip	0	0	0	0	0	0	0	0	0	0	0	0
346 Communications Equip	3,379	0	0	0	0	0	5,881	419	5,881	544	5,337	5,337
348 Other Tangible Equipment	0	0	0	0	0	0	48,984	4,898	48,984	7,348	41,637	41,637
2008 Totals	\$397,111	\$0	\$0	\$0	\$0	\$0	\$697,700	\$22,506	\$697,700	\$31,620	\$666,080	\$666,080

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2009 Additions Costs	January through March 2009					2009 Net Book Value
		2009 Retirements		Fully Depreciated	2009 Depr. Expense	2009 Total Cost	
		2009 Removal	Depreciation				
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	890	0	0	0	890	0	890
303 Land & Land Rights	0	0	0	0	23,926	0	23,926
304 Structures & Improv	52,181	1,142	0	2,124	280,668	5,964	274,704
305 Collecting & Impounding Res.	4,466	0	0	307	51,377	2,059	49,318
307 Wells & Springs	2,226	0	0	274	34,064	1,644	32,420
310 Power Generation Equip	0	0	0	16	1,294	75	1,219
311 Electric Pumping Equip	22,309	1,103	0	2,513	91,019	12,325	78,694
320 Water Treatment Equip	0	0	0	0	0	0	0
330 Dist. Resrvr & Stndpipe	6,659	6,349	0	530	95,669	1,744	93,925
331 Trans. & Distr. Mains	0	0	0	184	36,763	1,661	35,102
333 Services	9,023	350	0	212	29,756	928	28,828
334 Meters	4,795	4,795	0	72	3,449	412	3,037
335 Hydrants	0	0	0	296	59,298	2,037	57,261
339 Other Plant and Misc Equip	0	0	0	391	23,472	1,799	21,673
340 Office Furniture & Fixt	0	0	0	0	0	0	0
340.1 Computers and Software	0	0	0	0	0	0	0
341 Transportation Equip	0	0	0	0	0	0	0
343 Tools & Work Equip	0	0	0	0	0	0	0
345 Power Operated Equip	0	0	0	0	0	0	0
346 Communications Equip	0	0	0	147	5,881	691	5,190
348 Other Tangible Equipment	0	0	0	1,225	48,984	8,572	40,412
2009 Totals	\$102,549	\$13,739	\$0	\$8,292	\$786,510	\$39,911	\$746,599

RATE BASE ADJUSTMENT NO. 4 - CUSTOMER DEPOSITS

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ -	\$ 7,972	\$ 7,972

References:

- Column A: Company Schedule B-2
- Column B: Testimony, CSB; Data Request Response CSB 3-8
- Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		PER COMPANY	ADJUSTMENT	PER STAFF
1	ADIT Net Asset/(Liability)	\$ 4,144	\$ 65,743	\$ 69,887

References:

- Column A: Company Schedule B-2, page 5
- Column B: Testimony, CSB,
- Column C: Column [A] + Column [B]

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
REVENUES:						
1	Metered Water Sales	\$ 188,672	\$ -	\$ 188,672	\$ 165,724	\$ 354,397
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenues	3,294	-	3,294	-	3,294
4	Total Revenues	\$ 191,966	\$ -	\$ 191,966	\$ 165,724	\$ 357,691
EXPENSES:						
7	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	-	-	-	-	-
9	Purchased Power	16,012	-	16,012	-	16,012
10	Fuel for Power Production	-	-	-	-	-
11	Chemicals	178	-	178	-	178
12	Materials & Supplies	5,094	-	5,094	-	5,094
13	Outside Services	-	-	-	-	-
14	Outside Services- Legal	1,302	-	1,302	-	1,302
15	Outside Services- Other	161,902	(25,774) 1,2,3	136,128	-	136,128
16	Water Testing	3,787	(219)	3,568	-	3,568
17	Equipment Rental	140	-	140	-	140
18	Rents	-	-	-	-	-
19	Transportation Expenses	21,524	(647)	20,877	-	20,877
20	Insurance - General Liability	9,692	-	9,692	-	9,692
21	Insurance - Health and Life	-	-	-	-	-
22	Reg. Comm. Exp.	587	-	587	-	587
23	Reg. Comm. Exp. - Rate Case	25,000	(13,760) 4	11,240	-	11,240
24	Miscellaneous Expense	11,726	(610) 5	11,116	-	11,116
25	Bad Debt Expense	3,306	-	3,306	-	3,306
26	Depreciation Expense	36,631	(1,869) 6	34,761	-	34,761
27	Taxes Other Than Income	-	-	-	-	-
28	Property Taxes	13,128	(4,104) 7	9,025	2,597	11,622
29	Income Taxes	(36,727)	9,298 8	(27,428)	62,965	35,537
31						
32	Total Operating Expenses	\$ 273,282	\$ (37,685)	\$ 235,598	\$ 65,562	\$ 301,160
33						
34	Operating Income (Loss)	\$ (81,316)	\$ 37,685	\$ (43,631)	\$ 100,162	\$ 56,530

References:

- Column (A): Company Schedule C-1, Page 2
- Column (B): Schedule CSB-10
- Column (C): Column (A) + Column (B)
- Column (D): Schedules CSB-1 and CSB-2
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ.#1 Corporate Expense Allocation	(C) ADJ.#2 Outside Services Other	(D) ADJ.#3 Gen Office Alloc/ Affiliate Increase	(E) ADJ.#4 Water Testing Expense	(F) ADJ.#5 Transportation Expense	(G) ADJ.#6 Rate Case Expense	(H) ADJ.#7 Meals, Entertainment, & Contributions	(I) ADJ.#8 Depreciation Expense	(J) ADJ.#9 Property Taxes	(K) ADJ.#10 Income Taxes	(L) STAFF ADJUSTED
		Ref. Sch CSB-12	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	Metered Water Revenues	\$ 188,672	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 188,672
2	Unmetered Water Revenues	3,294											3,294
3	Other Water Revenues												
4	Total Revenues	\$ 191,966	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 191,966
5	OPERATING EXPENSES:												
6	Salaries and Wages	\$											\$
7	Purchased Water	16,012											16,012
8	Fuel for Power Production	178											178
9	Chemicals	5,084											5,084
10	Materials & Supplies												
11	Outside Services	1,302											1,302
12	Outside Services- Legal	161,902											136,128
13	Outside Services- Other	3,787											3,568
14	Water Testing	140											140
15	Equipment Rental												
16	Rents - Building												
17	Transportation Expenses	21,524											20,877
18	Insurance - General Liability	9,692											9,692
19	Insurance - Health and Life												
20	Reg. Comm. Exp.	587											587
21	Reg. Comm. Exp. - Rate Case	25,000											11,240
22	Miscellaneous Expense	11,726											11,116
23	Bad Debt Expense	3,306											3,306
24	Depreciation Expense	36,631											34,761
25	Taxes Other Than Income	13,128											9,025
26	Property Taxes	(36,727)											(27,428)
27	Income Tax												
28													
29													
30													
31													
32													
33													
34													
	Total Operating Expenses	\$ 273,282	\$ (2,129)	\$ (21,332)	\$ (2,313)	\$ (219)	\$ (647)	\$ (13,760)	\$ (610)	\$ (1,869)	\$ (4,104)	\$ 9,298	\$ 235,598
	Operating Income (Loss)	\$ (81,316)	\$ 2,129	\$ 21,332	\$ 2,313	\$ 219	\$ 647	\$ 13,760	\$ 610	\$ 1,869	\$ 4,104	\$ (9,298)	\$ (43,031)

**OPERATING INCOME ADJUSTMENT NO. 1 - EXPENSE ALLOCATIONS
FROM UNREGULATED AFFILIATE**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Contractual Services - Other	\$ 156,641	\$ -	\$ 156,641
2	Corporate Expense Allocation	5,261	(2,129)	3,132
3	Total Contractual Services - Other	\$ 161,902	\$ (2,129)	\$ 159,773

[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
COSTS TO BE ALLOCATED TO NORTHERN SUNRISE							
Description	Amount (Per RUCO 3.01)	Unallowable Costs (Sch CSB-6, P2)	Direct Costs of Unregulated Affiliate(s)	Allowable Common Costs Allocated to All 70 Companies	Allocation ⁷ %	Costs to be Allocated to Northern (Col I x Col J)	
12	Audit ¹	\$ 680,812	\$ -	\$ (612,730)	\$ 68,081	1.43%	\$ 972.59
13	Tax Services ²	\$ 469,804	\$ -	\$ (422,824)	\$ 46,980	1.43%	\$ 671.15
14	Legal-General ³	\$ 138,531	\$ -	\$ (124,678)	\$ 13,853	1.43%	\$ 197.90
15	Other Professional Services ⁴	\$ 452,202	\$ -	\$ (406,982)	\$ 45,220	1.43%	\$ 646.00
16	Management Fee	\$ 563,803	\$ -	\$ (563,803)	\$ -	1.43%	\$ -
17	Unit Holder Communications	\$ 145,658	\$ -	\$ (145,658)	\$ -	1.43%	\$ -
18	Trustee Fees	\$ 127,116	\$ -	\$ (127,116)	\$ -	1.43%	\$ -
19	Escrow and Transfer Fees	\$ 85,354	\$ -	\$ (85,354)	\$ -	1.43%	\$ -
20	Rent	\$ 273,965	\$ -	\$ (273,965)	\$ -	1.43%	\$ -
21	Licenses/Fees and Permits	\$ 14,565	\$ -	\$ (14,565)	\$ -	1.43%	\$ -
22	Office Expenses ⁵	\$ 555,759	\$ (123,829)	\$ (405,801)	\$ 26,129	1.43%	\$ 373.27
23	Depreciation Expense ⁶	\$ 189,797	\$ -	\$ (170,818)	\$ 18,980	1.43%	\$ 271.14
24		\$ 3,697,367	\$ (123,829)	\$ (3,354,294)	\$ 219,244		\$ 3,132.05

26 Foot Note 1: Audit - As the parent company's lenders require the APIF to have annual financial audits, Staff assigned the
27 majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 70 companies/interests.
28

29 Foot Note 2: Tax Services - Given the tax complexity of the APIF's many holdings and transactions, Staff assigned the
30 majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 70 companies/interests.
31

32 Foot Note 3: Legal, General - Staff reviewed the invoices and found that the very large majority of the cost
33 (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.
34

35 Foot Note 4: Other Professional Services - Staff reviewed the invoices and found that the very large majority of the cost
36 (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.
37

38 Foot Note 5: Office Expense - Staff reviewed the invoices and found that the very large majority of the cost
39 (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.
40

41 Foot Note 6: Depreciation Expense - Given that most of APIF's plant costs benefit primarily APIF, Staff assigned the
42 majority of the cost (i.e., 90 percent) to APIF and the remaining 10 percent to its 70 companies/interests.
43

44 Foot Note 7: Allocation Percentage - Calculated as follows: 1 / 70 companies = 1.43%. The 70 companies represents
45 the average of the year-end 2007, 71 companies, and year-end 2008, 70 companies.

References:

- Column A: Company Schedule C-2
- Column B: Testimony, CSB, Company Data Request Responses CSB 1.26, RUCO 3.01
- Column C: Column [A] + Column [B]

LINE
NO.

1	Category	Description of Unallowable Cost	Vendor	Invoice No.	Amount
2	Office Expenses	Furniture	Grand & Toy	612	\$12,530
3	Office Expenses	Furniture Installation	Grand & Toy	612	\$60,909
4	Office Expenses	Dell Server and Software	Dell		\$16,330
5	Office Expenses	Shelving	Stor-Tec Ltd.	JF-394	\$7,459
6	Office Expenses	Telephone System	Cableteck	10802	\$7,641
7	Office Expenses	Phones/Cabling/Network Install	Cableteck	11009820-0074	\$18,960
8		Total for Office Expenses			<u>\$123,829</u>

OPERATING INCOME ADJUSTMENT NO. 2 - OUTSIDE SERVICES OTHER

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Outside Services - Other	\$ 159,589	\$ (21,332)	\$ 138,257
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				

		Outside Services Other	
	2008	\$ 116,925	Company Sch E-2
	2009	\$ 159,589	Company Sch E-2
		\$ 276,514	
	Divided by 2	2	
		\$ 138,257	

References:

- Column A: Company Schedule C-2
- Column B: Testimony, CSB; Company Data Request Responses to CSB 3-17
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 3 - GENERAL OFFICE ALLOCATION / AFFILIATE INCREASE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Outside Services - Other	\$ 159,589	\$ -	\$ 159,589
2	Affiliate Increase	2,313	(2,313)	-
3	Total Outside Services - Other	\$ 161,902	\$ (2,313)	\$ 159,589
4				
5				
6				

References:

- Column A: Company Schedule C-2
- Column B: Testimony, CSB; Company Data Request Responses to CSB 3-12 & 3-13
- Column C: Column [A] + Column [B]

Northern Sunrise Water Company
Docket No. W-02453A-09-0412
Test Year Ended March 31, 2009

Surrebuttal Schedule CSB-15

OPERATING INCOME ADJUSTMENT NO. 4 - WATER TESTING EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water Testing Expense	\$ 3,787	\$ (219)	\$3,568

References:

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

Northern Sunrise Water Company
Docket No. W-02453A-09-0412
Test Year Ended March 31, 2009

Surrebuttal Schedule CSB-16

OPERATING INCOME ADJUSTMENT NO. 5 - TRANSPORTATION EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Transportation Expense	\$ 21,524	\$ (647)	\$ 20,877

References:

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

OPERATING INCOME ADJUSTMENT NO. 6 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Rate Case Expense - Northern Sunrise	\$ 25,000	\$ (13,760)	\$ 11,240
2				
3				
4				

[D] Company Name	[E] Total Rate Case Expense Per Co.	[F] Percent of Total Expense	[G] Total Rate Case Exp Per Staff From Line 19	[H] Total Rate Case For Each Company Per Staff Col F x Col G	[I] Normalized Rate Case Expense Col H / 3 Years
Bella Vista	\$250,000	55.56%	\$ 202,316	\$ 112,398	\$ 37,466
Northern Sunrise	\$75,000	16.67%	\$ 202,316	\$ 33,719	\$ 11,240
Southern Sunrise	\$125,000	27.78%	\$ 202,316	\$ 56,199	\$ 18,733
Total	\$450,000	100.00%		\$ 202,316	

		Total Rate Case Exp.	
	Average Cost	\$ 50,579	From Line 30
	Multiplied by	4	Three Companies & 1 Consolidation
	Total Rate Case Expense-Per Staff	\$ 202,316	

[J] Company Name	[K] Rate Case Exp Amount	[L] No. of Companies, Systems, and Consolidations	[M] Average Rate Case Expense Col K / Col L
Arizona-American Water Company ¹	\$ 456,275	7	\$ 65,182
Arizona Water Company ¹	\$ 500,000	17	\$ 29,412
Global Water Company ¹	\$ 400,000	7	\$ 57,143
		Total	\$ 151,737
		Divided by	3
		Average Cost	\$ 50,579

¹ See Below for Docket Numbers

Name	Docket Numbers
Arizona-American Water Company	W-01303A-08-0227
Arizona Water Company	W-01445A-08-0440
Global Water Company	SW-20445A-09-0077, et al

References:

- Column A: Company Schedule C-1
- Column B: Testimony, CSB; CSB 3-28
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 7 - MEALS, ENTERTAINMENT, & CONTRIBUTIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Miscellaneous Expense	\$ 65,966	\$ (610)	\$ 65,356

Meals, and Entertainment,

\$ 610 CSB 3-20

References:

- Column A: Company Schedule C-1 & E-2
- Column B: Testimony, CSB; Data Request CSB 3-20
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 8 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE 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	302 Franchise Cost	\$ 890	\$ 890	\$ -	0.00%	\$ -
	303 Land and Land Rights	23,926	23,926	-	0.00%	-
2	304 Structures and Improvements	280,668	-	280,668	3.33%	9,346
3	305 Collecting and Impounding Res.	51,378	-	51,378	2.50%	1,284
4	307 Wells and Springs	34,064	-	34,064	3.33%	1,134
5	309 Supply Mains	-	-	-	2.00%	-
6	310 Power Generation Equipment	1,293	-	1,293	5.00%	65
7	311 Pumping Equipment	91,019	-	91,019	12.50%	11,377
8	320 Water Treatment Equipment	-	-	-	3.33%	-
9	330 Distribution Reservoirs and Standpipes	95,668	-	95,668	2.22%	2,124
10	331 Transmission and Distribution Mains	36,763	-	36,763	2.00%	735
11	333 Services	29,756	-	29,756	3.33%	991
12	334 Meters and Meter Installations	8,244	-	8,244	8.33%	687
13	335 Hydrants	59,298	-	59,298	2.00%	1,186
14	336 Backflow Prevention Devices	-	-	-	6.67%	-
15	339 Other Plant and Miscellaneous Equipment	23,472	-	23,472	6.67%	1,566
16	340 Office Furniture and Equipment	-	-	-	6.67%	-
17	341 Transportation Equipment	-	-	-	20.00%	-
18	343 Tools, Shop, and Garage Equipment	-	-	-	5.00%	-
19	344 Laboratory Equipment	-	-	-	10.00%	-
20	345 Power Operated Equipment	-	-	-	5.00%	-
21	346 Communication Equipment	5,881	-	5,881	10.00%	588
22	347 Miscellaneous Equipment	-	-	-	10.00%	-
23	348 Other Tangible Equipment	48,984	-	48,984	10.00%	4,898
24	Total Plant	\$ 791,305	\$ -	\$ 766,489		\$ 35,982

25						
29						
30						
31	Composite Depreciation Rate (Depr Exp / Depreciable Plant):	4.69%				
32	CIAC:	\$ 26,000				
33	Amortization of CIAC (Line 32 x Line 33):	\$ 1,221				
34						
	Depreciation Expense Before Amortization of CIAC:	\$ 35,982				
	Less Amortization of CIAC:	\$ 1,221				
	Test Year Depreciation Expense - Staff:	\$ 34,761				
	Depreciation Expense - Company:	36,631				
	Staff's Total Adjustment:	\$ (1,869)				

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]

OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 191,966	\$ 191,966
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	383,933	\$ 383,933
4	Staff Recommended Revenue, Per Schedule CSB-1	191,966	\$ 357,691
5	Subtotal (Line 4 + Line 5)	575,899	741,623
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	191,966	\$ 247,208
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	383,933	\$ 494,416
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	383,933	\$ 494,416
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	80,626	\$ 103,827
15	Property Tax Rate	11.1932%	11.1932%
			\$ -
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 9,025	
17	Company Proposed Property Tax	13,128	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (4,104)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 11,622
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 9,025
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 2,597
22	Increase to Property Tax Expense		\$ 2,597
23	Increase in Revenue Requirement		165,724
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.567048%

OPERATING INCOME ADJUSTMENT NO. 10 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	(A)	(B)
	<u>Calculation of Income Tax:</u>		
		<u>Test Year</u>	
1	Revenue	\$ 191,966	
2	Less: Operating Expenses - Excluding Income Taxes	\$ 263,026	
3	Less: Synchronized Interest (L17)	\$ -	
4	Arizona Taxable Income (L1- L2 - L3)	\$ (71,060)	
5	Arizona State Income Tax Rate	6.968%	
6	Arizona Income Tax (L4 x L5)		\$ (4,951)
7	Federal Taxable Income (L4 - L6)	\$ (66,108)	
8	Federal Tax on Income Bracket - Not Used	\$ -	
9	Federal Tax on Income Bracket - Not Used	\$ -	
10	Federal Tax on Income Bracket - Not Used	\$ -	
11	Federal Tax on Income Bracket - Not Used	\$ -	
12	Federal Tax on All Income (\$0 - \$10,000,000) @ 34%	\$ (22,477)	
13	Total Federal Income Tax		\$ (22,477)
14	Combined Federal and State Income Tax (L6 + L13)		<u>\$ (27,428)</u>
	<u>Calculation of Interest Synchronization:</u>		
15	Rate Base (Schedule CSB-13, Col. (C), Line 16)	\$ 642,392	
16	Weighted Average Cost of Debt	<u>0.00%</u>	
17	Synchronized Interest (L16 x L17)	<u>\$ -</u>	
18		Income Tax - Per Staff \$ (27,428)	
19		Income Tax - Per Company \$ (36,727)	
20		Staff Adjustment \$ 9,298	

REVENUE REQUIREMENT

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY ORIGINAL COST</u>	<u>[B] STAFF ORIGINAL COST</u>
1	Adjusted Rate Base	\$ 1,544,434	\$ 1,297,087
2	Adjusted Operating Income (Loss)	\$ 6,042	\$ 29,182
3	Current Rate of Return (L2 / L1)	0.39%	2.25%
4	Required Rate of Return	12.80%	8.80%
5	Required Operating Income (L4 * L1)	\$ 197,688	\$ 114,144
6	Operating Income Deficiency (L5 - L2)	\$ 191,645	\$ 84,962
7	Gross Revenue Conversion Factor	1.6127997	1.6535915
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$ 309,085	\$ 140,492
9	Adjusted Test Year Revenue	\$ 444,136	\$ 444,136
10	Proposed Annual Revenue (L8 + L9)	\$ 753,222	\$ 584,629
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	69.59%	31.63%

References:

Column [A]: Company Schedules A-1, C-1, C-3, & D-1

Column [B]: Staff Schedules CSB-2, CSB-3, & CSB-7

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.5256%			
5	Subtotal (L3 - L4)	60.4744%			
6	Revenue Conversion Factor (L1 / L5)	1.653591			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
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)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (CSB-18, Col B, L24)	1.5092%			
22	Effective Property Tax Factor (L20*L21)		0.9267%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.5256%	
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ 114,144			
25	Adjusted Test Year Operating Income (Loss) (Sch CSB-10, Col C, Line 34)	29,182			
26	Required Increase in Operating Income (L24 - L25)		\$ 84,962		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 71,755			
28	Income Taxes on Test Year Revenue (Col. [A], L52)	18,345			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		53,410		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 584,629			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible 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-18, Col B, L19)	\$ 22,350			
36	Property Tax on Test Year Revenue (CSB-18, Col A, L16)	20,230			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		2,120		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$ 140,492		
<u>Calculation of Income Tax:</u>					
		Test Year		Staff Recommended	
39	Revenue (Schedule CSB-10, Col. [C], Line 4 & Sch. CSB-1, Col. [D] Line	\$ 444,136	\$ 140,492	\$ 584,629	
40	Operating Expenses Excluding Income Taxes	\$ 396,610	\$ 2,120	\$ 398,730	
41	Synchronized Interest (L56)	\$ -		\$ -	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 47,526		\$ 185,898	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	\$ 3,312		\$ 12,953	
45	Federal Taxable Income (L42 - L44)	\$ 44,215		\$ 172,945	
46	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
47	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
48	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
49	Federal Tax on Income Bracket - Not Used	\$ -		\$ -	
50	Federal Tax on All Income (\$0-\$10,000,000) @ 34%	\$ 15,033		\$ 58,801	
51	Total Federal Income Tax	\$ 15,033		\$ 58,801	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 18,345		\$ 71,755	
53	Applicable Federal Income Tax Rate [Col. [C], L51 - Col. [A], L51] / [Col. [C], L45 - Col. [A], L45]			34.0000%	
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule CSB-3, Col. (C), Line 14)	\$ 1,297,087			
55	Weighted Average Cost of Debt	0.0000%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST

LINE NO.	(A)	(B)	ADJ NO.	(C)
	COMPANY AS FILED	STAFF ADJUSTMENTS		STAFF AS ADJUSTED
1	Plant in Service	\$ 1,724,610	1, 2	\$ 1,570,196
2	Less: Accumulated Depreciation	105,733	3	82,992
3	Net Plant in Service	<u>\$ 1,618,877</u>		<u>\$ 1,487,204</u>
<u>LESS:</u>				
4	Advances in Aid of Construction (AIAC)	\$ 2,870		\$ 2,870
5	Service Line and Meter Advances	\$ -		\$ -
6	Contributions in Aid of Construction (CIAC)	\$ 20,000		\$ 20,000
7	Less: Accumulated Amortization	15		15
8	Net CIAC	<u>\$ 19,985</u>		<u>\$ 19,985</u>
9	Total Advances and Contributions	\$ 22,855		\$ 22,855
10	Customer Deposits	\$ -	4	\$ 22,298
11	Accumulated Deferred Income Taxes	\$ 51,588	5	\$ 144,964
<u>ADD:</u>				
12	Working Capital	\$ -		\$ -
13		\$ -		\$ -
14	Total Rate Base	<u>\$ 1,544,434</u>		<u>\$ 1,297,087</u>

References:

Column [A], Company Schedule B-1, Page 1
Column [B]: Schedule CSB-4
Column [C]: Column [A] + Column [B]

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	Acct. No. Plant Description	[A]	[B]	[C]	[D]	[E]	[F]	[G]
		COMPANY AS FILED	Adi No.1 Inadequately Supported Plant, AFUDC & Other Ref: Sch CSB-5	ADJ No. 2 Regulatory Asset Ref: Sch CSB-6	ADJ No. 3 Accumulated Depreciation Ref: Sch CSB-7	ADJ No. 4 Customer Deposits Ref: Sch CSB-8	ADJ No. 5 ADIT Ref: Sch CSB-9	STAFF AS ADJUSTED
1	301 Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302 Franchise Cost	71	-	-	-	-	-	71
3	303 Land and Land Rights	336,686	-	-	-	-	-	336,686
4	304 Structures and Improvements	335,501	(9,334)	-	-	-	-	326,168
5	305 Collecting and Impounding Res.	-	-	-	-	-	-	-
6	307 Wells and Springs	133,969	(1,940)	-	-	-	-	132,029
7	309 Supply Mains	3,798	(542)	-	-	-	-	3,256
8	310 Power Generation Equipment	-	-	-	-	-	-	-
9	311 Electric Pumping Equipment	197,625	(5,558)	-	-	-	-	192,066
10	320 Water Treatment Equipment	-	-	-	-	-	-	-
11	330 Distribution Reservoirs & Standpipe	263,512	(1,591)	-	-	-	-	261,921
12	331 Transmission and Distribution Mains	85,865	(4,775)	-	-	-	-	81,090
13	333 Services	70,365	(138)	-	-	-	-	70,227
14	334 Meters	18,257	(1,549)	-	-	-	-	16,708
15	335 Hydrants	18,416	-	-	-	-	-	18,416
16	336 Backflow Prevention Devices	-	-	-	-	-	-	-
17	339 Other Plant and Miscellaneous Equipm	21,516	-	-	-	-	-	21,516
18	340 Office Furniture and Fixtures	-	-	-	-	-	-	-
19	340.1 Computers and Software	-	-	-	-	-	-	-
20	341 Transportation Equipment	-	-	-	-	-	-	-
21	343 Tools and Work Equipment	270	-	-	-	-	-	270
22	344 Laboratory Equipment	-	-	-	-	-	-	-
23	345 Power Operated Equipment	-	-	-	-	-	-	-
24	346 Communications Equipment	3,379	-	-	-	-	-	3,379
25	347 Miscellaneous Equipment	-	-	-	-	-	-	-
26	348 Other Tangible Plant	235,381	-	(128,987)	-	-	-	106,394
27	Rounding	-	-	-	-	-	-	-
28	Total Plant in Service	\$ 1,724,610	\$ (25,428)	\$ (128,987)	\$ -	\$ -	\$ -	\$ 1,570,196
29	Less: Accumulated Depreciation	\$ 105,733	\$ -	\$ -	\$ (22,741)	\$ -	\$ -	\$ 82,992
30	Net Plant in Service	\$ 1,618,877	\$ (25,428)	\$ (128,987)	\$ 22,741	\$ -	\$ -	\$ 1,487,204
31	LESS:							
32	Advances in Aid of Construction (AIAC)	\$ 2,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,870
33	Service Line and Meter Advances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Contributions in Aid of Construction (CIAC)	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
35	Less: Accumulated Amortization of CIAC	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15
36	Net CIAC	\$ 19,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,985
37	Total Advances and Net Contributions	\$ 22,855	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,855
38	Customer Deposits	\$ -	\$ -	\$ -	\$ -	22,298	\$ -	\$ 22,298
39	Accumulated Deferred Taxes	\$ 51,588	\$ -	\$ -	\$ -	\$ -	93,376	\$ 144,964
40	ADD:							
41	Working Capital Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	Total Rate Base	\$ 1,544,434	\$ (25,428)	\$ (128,987)	\$ 22,741	\$ (22,298)	\$ (93,376)	\$ 1,297,087

Southern Sunrise Water Company
Docket No. W-02454A-09-0413
Test Year Ended March 31, 2009

Surrebuttal Schedule CSB-5

RATE BASE ADJUSTMENT NO. 1 - INADEQUATELY SUPPORTED PLANT, AFUDC

Line No.	Acct. No. Account Description	STAFF'S ADJUSTMENT
1	304 Structures and Improvements	\$ (9,334)
2	307 Wells and Springs	\$ (1,940)
3	309 Supply Mains	\$ (542)
4	311 Electric Pumping Equipment	\$ (5,558)
5	330 Dist. Reservoirs & Standpipe	\$ (1,591)
6	331 Trans. and Dist. Mains	\$ (4,775)
7	333 Services	\$ (138)
8	334 Meters	\$ (1,549)
		<u>\$ (25,428)</u>

References:

Column A: Company Schedule B-2, P.3 for Southern Sunrise

RATE BASE ADJUSTMENT NO. 2 - REGULATORY ASSET

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Other Tangible Plant - Regulatory Asset	\$ 235,381	\$ (128,987)	\$ 106,394

References:

Column A: Company Schedule B-2

Column B: Testimony, CSB; Data Request Response CSB 3-5 and CSB 10-3

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

RATE BASE ADJUSTMENT NO. 3 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ 105,733	\$ (22,741)	\$82,992

References:

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

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	Plant 31-Dec-06 Original Cost	31-Dec-06 Accumulated Depreciation	Depr. Rates Effective on 31-Dec-06 (Dec. No. 68412)	2007		2007		2007 Total Cost	2007 Accumulated Depreciation
				Additions	Retirements	2007 Depr. Expense	2007 Cost		
301 Organization Cost	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0.00%	0	0	0	0	0	0
303 Land & Land Rights	336,686	0	0.00%	0	0	0	336,686	0	0
304 Structures & Improv	1,287	0	3.33%	0	0	43	1,287	43	43
305 Collecting & Impounding Res.	0	0	2.50%	0	0	0	0	0	0
307 Wells & Springs	26,825	0	3.33%	25,315	0	1,315	52,140	1,315	1,315
309 Supply Mains	0	0	2.00%	2,706	0	27	2,706	27	27
310 Power Generation Equip	0	0	5.00%	0	0	0	0	0	0
311 Electric Pumping Equip	42,847	0	12.50%	63,528	0	9,326	106,375	9,326	9,326
320 Water Treatment Equip	0	0	3.33%	0	0	0	0	0	0
330 Dist. Resrvr & Stndpipe	125,556	0	2.22%	2,079	0	2,810	127,635	2,810	2,810
331 Trans. & Distr. Mains	71,667	0	2.00%	3,263	0	1,466	74,930	1,466	1,466
333 Services	0	0	3.33%	22,618	0	377	22,618	377	377
334 Meters	0	0	8.33%	2,997	0	125	2,997	125	125
335 Hydrants	300	0	2.00%	4,701	0	53	5,001	53	53
339 Other Plant and Misc Equip	0	0	6.67%	9,370	0	312	9,370	312	312
340 Office Furniture & Fixt	0	0	6.67%	0	0	0	0	0	0
340.1 Computers and Software	0	0	20.00%	0	0	0	0	0	0
341 Transportation Equip	0	0	20.00%	0	0	0	0	0	0
343 Tools & Work Equip	0	0	5.00%	0	0	0	0	0	0
345 Power Operated Equip	0	0	5.00%	0	0	0	0	0	0
346 Communications Equip	0	0	10.00%	0	0	0	0	0	0
348 Other Tangible Equipment	0	0	10.00%	106,394	0	5,320	106,394	5,320	5,320
2006/2007 Totals	\$605,168	\$0		\$242,971	\$0	\$21,174	\$848,139	\$21,174	\$21,174

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2008 Additions Cost	2008 Retirements		Fully Depreciated	2008		2008 Total Cost	2008 Accumulated Depreciation	2008 Net Book Value
		Cost Removal	Depreciation		Depr. Expense	Depreciation			
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	0	0	0	0	0	0	0	0	0
303 Land & Land Rights	0	0	0	0	0	336,686	0	336,686	336,686
304 Structures & Improv	305,955	0	0	0	5,137	307,242	5,180	302,062	302,062
305 Collecting & Impounding Res.	0	0	0	0	0	0	0	0	0
307 Wells & Springs	75,969	0	0	0	3,001	128,109	4,316	123,793	123,793
309 Supply Mains	550	0	0	0	60	3,256	87	3,169	3,169
310 Power Generation Equip	0	0	0	0	0	0	0	0	0
311 Electric Pumping Equip	76,636	0	0	0	18,087	183,011	27,413	155,598	155,598
320 Water Treatment Equip	0	0	0	0	0	0	0	0	0
330 Dist. Resvrv & Sndpipe	130,916	0	0	0	4,287	258,551	7,097	251,454	251,454
331 Trans. & Distr. Mains	3,976	0	0	0	1,538	78,906	3,004	75,902	75,902
333 Services	35,148	0	0	0	1,338	57,766	1,715	56,051	56,051
334 Meters	12,866	0	0	0	786	15,863	910	14,953	14,953
335 Hydrants	13,415	0	0	0	234	18,416	287	18,129	18,129
339 Other Plant and Misc Equip	12,146	0	0	0	1,030	21,516	1,343	20,173	20,173
340 Office Furniture & Fixt	0	0	0	0	0	0	0	0	0
340.1 Computers and Software	0	0	0	0	0	0	0	0	0
341 Transportation Equip	0	0	0	0	0	0	0	0	0
343 Tools & Work Equip	125	0	0	0	3	125	3	122	122
345 Power Operated Equip	0	0	0	0	0	0	0	0	0
346 Communications Equip	3,379	0	0	0	169	3,379	169	3,210	3,210
348 Other Tangible Equipment	0	0	0	0	10,639	106,394	15,959	90,435	90,435
2008 Totals	\$671,081	\$0	\$0	\$0	\$46,309	\$1,519,220	\$67,483	\$1,451,737	\$1,451,737

19,044

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE

	2009 Additions		2009 Adj. - Inadequate Support		2009 Fully Depreciated		2009 Depreciation		2009 Total Cost		2009 Accumulated Depreciation		2009 Net Book Value	
	Adjustments	Adjustments	Cost Removal	Depreciation	Depreciated	Depr. Expense	Depr. Expense	Total Cost	Depreciation	Book Value				
301 Organization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
302 Franchise Cost	71	0	0	0	0	0	0	71	0	71	0	0	71	71
303 Land & Land Rights	0	0	0	0	0	0	0	336,686	0	336,686	0	0	336,686	336,686
304 Structures & Improv	28,259	0	9,334	0	0	2,637	0	326,167	7,816	318,351	0	0	318,351	318,351
305 Collecting & Impounding Res.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
307 Wells & Springs	5,858	0	1,940	0	0	1,083	0	132,027	5,399	126,628	0	0	126,628	126,628
309 Supply Mains	542	0	542	0	0	16	0	3,256	103	3,153	0	0	3,153	3,153
310 Power Generation Equip	0	0	0	0	0	0	0	0	0	0	0	0	0	0
311 Electric Pumping Equip	14,613	0	5,558	0	0	5,861	0	192,066	33,274	158,792	0	0	158,792	158,792
320 Water Treatment Equip	0	0	0	0	0	0	0	0	0	0	0	0	0	0
330 Dist. Resrvr & Stndpipe	4,961	0	1,591	0	0	1,444	0	261,921	8,541	253,380	0	0	253,380	253,380
331 Trans. & Distr. Mains	6,474	485	4,775	0	0	399	0	81,090	3,403	77,687	0	0	77,687	77,687
333 Services	12,598	0	138	0	0	533	0	70,226	2,248	67,978	0	0	67,978	67,978
334 Meters	2,395	0	1,549	0	0	339	0	16,709	1,250	15,460	0	0	15,460	15,460
335 Hydrants	0	0	0	0	0	92	0	18,416	379	18,037	0	0	18,037	18,037
339 Other Plant and Misc Equip	0	0	0	0	0	359	0	21,516	1,701	19,815	0	0	19,815	19,815
340 Office Furniture & Fixt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
340.1 Computers and Software	0	0	0	0	0	0	0	0	0	0	0	0	0	0
341 Transportation Equip	0	0	0	0	0	0	0	0	0	0	0	0	0	0
343 Tools & Work Equip	144	0	0	0	0	2	0	269	6	263	0	0	263	263
345 Power Operated Equip	0	0	0	0	0	0	0	0	0	0	0	0	0	0
346 Communications Equip	0	0	0	0	0	84	0	3,379	253	3,126	0	0	3,126	3,126
348 Other Tangible Equipment	0	0	0	0	0	2,660	0	106,394	18,619	87,775	0	0	87,775	87,775
2009 Totals	\$75,915	\$0	\$25,427	\$0	\$0	\$15,509	\$0	\$1,570,193	\$82,992	\$1,487,201	\$0	\$82,992	\$1,487,201	\$1,487,201

RATE BASE ADJUSTMENT NO. 4 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ -	\$ 22,298	\$ 22,298

References:

- Column A: Company Schedule B-2
- Column B: Testimony, CSB; Data Request Response CSB 4-8
- Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		PER COMPANY	ADJUSTMENT	PER STAFF
1	ADIT Net Asset/(Liability)	\$ 51,588	\$ 93,376	\$ 144,964
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				

References:

- Column A: Company Schedule B-2, page 5
- Column B: Testimony, CSB
- Column C: Column [A] + Column [B]

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR ADJ AS NO. ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
REVENUES:						
1	Metered Water Sales	\$ 433,457	\$ -	\$ 433,457	\$ 140,492	\$ 573,950
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenues	10,679	-	10,679	-	10,679
4	Total Revenues	\$ 444,136	\$ -	\$ 444,136	\$ 140,492	\$ 584,629
5						
EXPENSES:						
7	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	-	-	-	-	-
9	Purchased Power	32,354	-	32,354	-	32,354
10	Fuel for Power Production	-	-	-	-	-
11	Chemicals	1,265	-	1,265	-	1,265
12	Materials & Supplies	7,972	-	7,972	-	7,972
13	Outside Services	91	-	91	-	91
14	Outside Services- Legal	5,390	-	5,390	-	5,390
15	Outside Services- Other	179,427	6,448	185,876	-	185,876
16	Water Testing	5,592	(1,197)	4,395	-	4,395
17	Equipment Rental	-	-	-	-	-
18	Rents	-	-	-	-	-
19	Transportation Expenses	25,481	(1,033)	24,448	-	24,448
20	Insurance - General Liability	10,788	-	10,788	-	10,788
21	Insurance - Health and Life	-	-	-	-	-
22	Reg. Comm. Exp.	1,024	-	1,024	-	1,024
23	Reg. Comm. Exp. - Rate Case	41,667	(22,934)	18,733	-	18,733
24	Miscellaneous Expense	14,810	(773)	14,037	-	14,037
25	Bad Debt Expense	5,346	-	5,346	-	5,346
26	Depreciation Expense	76,419	(11,756)	64,663	-	64,663
27	Taxes Other Than Income	-	-	-	-	-
28	Property Taxes	26,765	(6,536)	20,230	2,120	22,350
29	Income Taxes	3,703	14,642	18,345	53,410	71,755
31		-	-	-	-	0
32	Total Operating Expenses	\$ 438,094	\$ (23,139)	\$ 414,955	\$ 55,530	\$ 470,485
33						
34	Operating Income (Loss)	\$ 6,042	\$ 23,139	\$ 29,182	\$ 84,962	\$ 114,144

References:

- Column (A): Company Schedule C-1, Page 2
- Column (B): Schedule CSB-8
- Column (C): Column (A) + Column (B)
- Column (D): Schedules CSB-1 and CSB-2
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ.#1 Corporate Expense Allocation	(C) ADJ.#2 Outside Services Other	(D) ADJ.#3 Gen Office Alloc/ Affiliate Increase	(E) ADJ.#4 Water Testing Expense	(F) ADJ.#5 Transportation Expense	(G) ADJ.#6 Rate Case Expense	(H) ADJ.#7 Meals, Entertainment, & Contributions	(I) ADJ.#8 Depreciation Expense	(J) ADJ.#9 Property Taxes	(K) ADJ.#10 Income Taxes	(L) STAFF ADJUSTED
		Ref. Sch CSB-12	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	Metered Water Revenues	\$ 433,457											\$ 433,457
3	Unmetered Water Revenues												10,679
4	Other Water Revenues												10,679
5	Total Revenues	\$ 444,136	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	444,136
6	OPERATING EXPENSES:												
7	Salaries and Wages	\$											\$
8	Purchased Water												32,354
9	Fuel for Power Production												1,265
10	Chemicals												7,972
11	Materials & Supplies												91
12	Outside Services												5,390
13	Outside Services- Legal												179,427
14	Outside Services- Other												5,592
15	Water Testing												(1,197)
16	Equipment Rental												
17	Rents - Building												
18	Transportation Expenses												25,481
19	Insurance - General Liability												10,788
20	Insurance - Health and Life												
21	Reg. Comm. Exp.												1,024
22	Reg. Comm. Exp. - Rate Case												41,667
23	Miscellaneous Expense												14,810
24	Bad Debt Expense												5,346
25	Depreciation Expense												76,419
26	Taxes Other Than Income												26,765
27	Property Taxes												3,703
28	Income Tax												
29													
30													
31													
32													
33													
34													
	Total Operating Expenses	\$ 438,094	\$ (10,258)	\$ 21,043	\$ (4,337)	\$ (1,197)	\$ (22,934)	\$ (773)	\$ (11,756)	\$ (6,536)	\$ 14,642	\$ (14,642)	\$ 414,955
	Operating Income (Loss)	\$ 6,042	\$ 10,258	\$ (21,043)	\$ 4,337	\$ 1,197	\$ 22,934	\$ 773	\$ 11,756	\$ 6,536	\$ (14,642)	\$ (14,642)	\$ 29,182

**OPERATING INCOME ADJUSTMENT NO. 1 - EXPENSE ALLOCATIONS
FROM UNREGULATED AFFILIATE**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Contractual Services - Other	\$ 166,037	\$ -	\$ 166,037
2	Corporate Expense Allocation	13,390	(10,258)	3,132
3	Total Contractual Services - Other	\$ 179,427	\$ (10,258)	\$ 169,169

LINE NO.	DESCRIPTION	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]
		Amount (Per RUCO 3.01)	Unallowable Costs (Sch CSB-6, P2)	Direct Costs of Unregulated Affiliate(s)	Allowable Common Costs Allocated to All 70 Companies	Allocation ⁷ %	Costs to be Allocated to Southern (Col I x Col J)		
COSTS TO BE ALLOCATED TO SOUTHERN SUNRISE									
12	Audit ¹	\$ 680,812	\$ -	\$ (612,730)	\$ 68,081	1.43%	\$ 972.59		
13	Tax Services ²	\$ 469,804	\$ -	\$ (422,824)	\$ 46,980	1.43%	\$ 671.15		
14	Legal-General ³	\$ 138,531	\$ -	\$ (124,678)	\$ 13,853	1.43%	\$ 197.90		
15	Other Professional Services ⁴	\$ 452,202	\$ -	\$ (406,982)	\$ 45,220	1.43%	\$ 646.00		
16	Management Fee	\$ 563,803	\$ -	\$ (563,803)	\$ -	1.43%	\$ -		
17	Unit Holder Communications	\$ 145,658	\$ -	\$ (145,658)	\$ -	1.43%	\$ -		
18	Trustee Fees	\$ 127,116	\$ -	\$ (127,116)	\$ -	1.43%	\$ -		
19	Escrow and Transfer Fees	\$ 85,354	\$ -	\$ (85,354)	\$ -	1.43%	\$ -		
20	Rent	\$ 273,965	\$ -	\$ (273,965)	\$ -	1.43%	\$ -		
21	Licenses/Fees and Permits	\$ 14,565	\$ -	\$ (14,565)	\$ -	1.43%	\$ -		
22	Office Expenses ⁵	\$ 555,759	\$ (123,829)	\$ (405,801)	\$ 26,129	1.43%	\$ 373.27		
23	Depreciation Expense ⁶	\$ 189,797	\$ -	\$ (170,818)	\$ 18,980	1.43%	\$ 271.14		
24		\$ 3,697,367	\$ (123,829)	\$ (3,354,294)	\$ 219,244		\$ 3,132.05		

26 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 70 companies/interests.

27

28

29 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 70 companies/interests.

30

31

32 Foot Note 3: Legal, General - Staff reviewed the invoices and found that the very large majority of the cost (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.

33

34

35 Foot Note 4: Other Professional Services - Staff reviewed the invoices and found that the very large majority of the cost (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.

36

37

38 Foot Note 5: Office Expense - Staff reviewed the invoices and found that the very large majority of the cost (i.e., 90 percent) was directly related to APIF and the remaining 10 percent to its 70 companies/interests.

39

40

41 Foot Note 6: 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 70 companies/interests.

42

43

44 Foot Note 7: Allocation Percentage - Calculated as follows: 1 / 70 companies = 1.43%. The 70 companies represents the average of the year-end 2007, 71 companies, and year-end 2008, 70 companies.

45

References:

- Column A: Company Schedule C-2
- Column B: Testimony, CSB, Company Data Request Responses CSB 1.26, RUCO 3.01
- Column C: Column [A] + Column [B]

**LINE
NO.**

1	Category	Description of Unallowable Cost	Vendor	Invoice No.	Amount
2	Office Expenses	Furniture	Grand & Toy	612	\$12,530
3	Office Expenses	Furniture Installation	Grand & Toy	612	\$60,909
4	Office Expenses	Dell Server and Software	Dell		\$16,330
5	Office Expenses	Shelving	Stor-Tec Ltd.	JF-394	\$7,459
6	Office Expenses	Telephone System	Cableteck	10802	\$7,641
7	Office Expenses	Phones/Cabling/Network Install	Cableteck	11009820-0074	\$18,960
8		Total for Office Expenses			<u>\$123,829</u>

OPERATING INCOME ADJUSTMENT NO. 2 - OUTSIDE SERVICES OTHER

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Outside Services - Other	\$ 179,427	\$ 21,043	\$ 200,471
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				

			Outside Services Other	
	2008	\$	225,851	Company Sch E-2
	2009	\$	175,090	Company Sch E-2
		\$	400,941	
	Divided by 2		2	
		\$	200,471	

References:

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

OPERATING INCOME ADJUSTMENT NO. 3 - GENERAL OFFICE ALLOCATION / AFFILIATE INCREASE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Outside Services - Other	\$ 175,090	\$ -	\$ 175,090
2	Affiliate Increase	4,337	(4,337)	-
3	Total Outside Services - Other	\$ 179,427	\$ (4,337)	\$ 175,090
4				
5				
6				

References:

Column A: Company Schedule C-2

Column B: Testimony, CSB

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

Southern Sunrise Water Company
Docket No. W-02454A-09-0413
Test Year Ended March 31, 2009

Surrebuttal Schedule CSB-15

OPERATING INCOME ADJUSTMENT NO. 4 - WATER TESTING EXPENSE

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water Testing Expense	\$ 5,592	\$ (1,197)	\$4,395

References:

- Column A: Company Schedule C-1 & E-2
- Column B: Testimony, CSB; Data Request CSB 4-20
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - TRANSPORTATION EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Transportation Expense	\$ 25,481	\$ (1,033)	\$ 24,448

References:

- Column A: Company Schedule C-1 & E-2
- Column B: Testimony, CSB; Data Request CSB 4-20
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 6 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Rate Case Expense - Southern Sunrise	\$ 41,667	\$ (22,934)	\$ 18,733
2				
3				
4				

[D] Company Name	[E] Total Rate Case Expense Per Co.	[F] Percent of Total Expense	[G] Total Rate Case Exp Per Staff From Line 19	[H] Total Rate Case For Each Company Per Staff Col F x Col G	[I] Normalized Rate Case Expense Col H / 3 Years
Bella Vista	\$250,000	55.56%	\$ 202,316	\$ 112,398	\$ 37,466
Northern Sunrise	\$75,000	16.67%	\$ 202,316	\$ 33,719	\$ 11,240
Southern Sunrise	\$125,000	27.78%	\$ 202,316	\$ 56,199	\$ 18,733
Total	\$450,000	100.00%		\$ 202,316	

			Total Rate Case Exp.	
	Average Cost	\$ 50,579	From Line 30	
	Multiplied by	4	Three Companies & 1 Consolidation	
	Total Rate Case Expense-Per Staff	\$ 202,316		

[J] Company Name	[K] Rate Case Exp Amount	[L] No. of Companies, Systems, and Consolidations	[M] Average Rate Case Expense Col K / Col L
Arizona-American Water Company ¹	\$ 456,275	7	\$ 65,182
Arizona Water Company ¹	\$ 500,000	17	\$ 29,412
Global Water Company ¹	\$ 400,000	7	\$ 57,143
		Total	\$ 151,737
		Divided by	3
		Average Cost	\$ 50,579

¹ See Below for Docket Numbers

Name	Docket Numbers
Arizona-American Water Company	W-01303A-08-0227
Arizona Water Company	W-01445A-08-0440
Global Water Company	SW-20445A-09-0077, et al

References:

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

OPERATING INCOME ADJUSTMENT NO. 7 - MEALS, ENTERTAINMENT, & CONTRIBUTIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Miscellaneous Expense	\$ 14,810	\$ (773)	\$ 14,037

Meals, and Entertainment,

\$ 773 CSB 4-20

References:

- Column A: Company Schedule C-1 & E-2
- Column B: Testimony, CSB; Data Request CSB 4-20
- Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 8 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
		PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301 Organization Cost	\$ -	\$ -	\$ -	0.00%	\$ -
2	302 Franchise Cost	71	71	-	0.00%	-
3	303 Land and Land Rights	336,686	-	336,686	0.00%	-
4	304 Structures and Improvements	326,168	-	326,168	3.33%	10,861
6	309 Supply Mains	3,256	-	3,256	2.00%	65
7	310 Power Generation Equipment	132,029	-	132,029	5.00%	6,601
8	311 Electric Pumping Equipment	192,066	-	192,066	12.50%	24,008
9	330 Distribution Reservoirs & Standpipe	261,921	-	261,921	2.22%	5,815
12	331 Transmission and Distribution Mains	81,090	-	81,090	2.00%	1,622
13	333 Services	70,227	-	70,227	3.33%	2,339
14	334 Meters	16,708	-	16,708	8.33%	1,392
15	335 Hydrants	18,416	-	18,416	2.00%	368
16	336 Backflow Prevention Devices	-	-	-	6.67%	-
17	339 Other Plant and Miscellaneous Equipment	21,516	-	21,516	6.67%	1,435
18	343 Tools and Work Equipment	270	-	270	5.00%	13
20	345 Power Operated Equipment	-	-	-	5.00%	-
21	346 Communications Equipment	3,379	-	3,379	10.00%	338
22	347 Miscellaneous Equipment	-	-	-	10.00%	-
23	348 Other Tangible Plant	106,394	-	106,394	10.00%	10,639
24	Total Plant	\$ 1,570,196	\$ -	\$ 1,570,125		\$ 65,497

25
29
30
31
32
33
34

Composite Depreciation Rate (Depr Exp / Depreciable Plant):	4.17%
CIAC: \$	20,000
Amortization of CIAC (Line 32 x Line 33): \$	834
Depreciation Expense Before Amortization of CIAC: \$	65,497
Less Amortization of CIAC: \$	834
Test Year Depreciation Expense - Staff: \$	64,663
Depreciation Expense - Company:	76,419
Staff's Total Adjustment: \$	(11,756)

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]

OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 444,136	\$ 444,136
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	888,272	\$ 888,272
4	Staff Recommended Revenue, Per Schedule CSB-1	444,136	\$ 584,629
5	Subtotal (Line 4 + Line 5)	1,332,409	1,472,901
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	444,136	\$ 490,967
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	888,272	\$ 981,934
10	Plus: 10% of CWIP -	5,318	5,318
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	893,590	\$ 987,252
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	187,654	\$ 207,323
15	Property Tax Rate	10.7803%	10.7803%
			\$ -
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 20,230	
17	Company Proposed Property Tax	26,765	
18	Staff Test Year Adjustment (Line 16-Line 17)	<u>\$ (6,536)</u>	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 22,350
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 20,230
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		<u>\$ 2,120</u>
22	Increase to Property Tax Expense		\$ 2,120
23	Increase in Revenue Requirement		140,492
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.509242%

OPERATING INCOME ADJUSTMENT NO. 10 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	(A)	(B)
	<u>Calculation of Income Tax:</u>		
		<u>Test Year</u>	
1	Revenue	\$ 444,136	
2	Less: Operating Expenses - Excluding Income Taxes	\$ 396,610	
3	Less: Synchronized Interest (L17)	\$ -	
4	Arizona Taxable Income (L1- L2 - L3)	\$ 47,526	
5	Arizona State Income Tax Rate	6.968%	
6	Arizona Income Tax (L4 x L5)		\$ 3,312
7	Federal Taxable Income (L4 - L6)	\$ 44,215	
8	Federal Tax on Income Bracket - Not Used	\$ -	
9	Federal Tax on Income Bracket - Not Used	\$ -	
10	Federal Tax on Income Bracket - Not Used	\$ -	
11	Federal Tax on Income Bracket - Not Used	\$ -	
12	Federal Tax on All Income (\$0-\$10,000,000) @ 34%	\$ 15,033	
13	Total Federal Income Tax		\$ 15,033
14	Combined Federal and State Income Tax (L6 + L13)		<u>\$ 18,345</u>
	<u>Calculation of Interest Synchronization:</u>		
15	Rate Base (Schedule CSB-13, Col. (C), Line 16)	\$ 1,297,087	
16	Weighted Average Cost of Debt	<u>0.00%</u>	
17	Synchronized Interest (L16 x L17)	<u>\$ -</u>	
18		Income Tax - Per Staff \$ 18,345	
19		Income Tax - Per Company \$ 3,703	
20		Staff Adjustment \$ 14,642	

REVENUE REQUIREMENT

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>Bella Vista</u>	<u>Northern Sunrise</u>	<u>Southern Sunrise</u>	<u>Consolidated</u>
1	Adjusted Rate Base	\$ 6,087,677	\$ 642,392	\$ 1,297,087	\$ 8,027,155
2	Adjusted Operating Income (Loss)	\$ 434,940	\$ (43,631)	\$ 29,182	\$ 438,561
3	Current Rate of Return (L2 / L1)	7.14%	-6.79%	2.25%	5.46%
4	Required Rate of Return	8.80%	8.80%	8.80%	8.80%
5	Required Operating Income (L4 * L1)	\$ 535,716	\$ 56,530	\$ 114,144	\$ 706,390
6	Operating Income Deficiency (L5 - L2)	\$ 100,776	\$ 100,162	\$ 84,962	\$ 267,829
7	Gross Revenue Conversion Factor	1.65130	1.65456	1.65359	1.65170
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$ 166,411	\$ 165,724	\$ 140,492	\$ 442,372
9	Adjusted Test Year Revenue	\$ 3,526,033	\$ 191,966	\$ 444,136	\$ 4,162,136
10	Proposed Annual Revenue (L8 + L9)	\$ 3,692,444	\$ 357,691	\$ 584,629	\$ 4,604,508
11	Required Increase/Decrease in Revenue (%) (L8/L9)	4.72%	86.33%	31.63%	10.63%
12	Number of Customers	7,500	349	789	8,638

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 Income Tax and Property Tax Rate (Line 23)	39.4562%			
5	Subtotal (L3 - L4)	60.5438%			
6	Revenue Conversion Factor (L1 / L5)	1.651696			
<i>Calculation of Uncollectible Factor:</i>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<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)	34.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%		
<i>Calculation of Effective Property Tax Factor</i>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	38.5989%			
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%			
21	Property Tax Factor (Schedule CSB-5)	1.3962%			
22	Effective Property Tax Factor (L20*L21)		0.8573%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.4562%	
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ 706,390			
25	Adjusted Test Year Operating Income (Loss) (Schedule CSB-4)	438,561			
26	Required Increase in Operating Income (L24 - L25)		\$ 267,829		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 338,092			
28	Income Taxes on Test Year Revenue (Col. [B], L52)	169,725			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		168,367		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 4,604,508			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible 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-5)	\$ 181,355			
36	Property Tax on Test Year Revenue (CSB-5)	175,178			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		6,177		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$ 442,372		

	Test Year	Staff Recommended	
39	Revenue (Schedule CSB-4, Col. [C], Line 5 & Sch. CSB-1, Col. [D] Line 10)	\$ 4,162,136	\$ 4,604,508
40	Operating Expenses Excluding Income Taxes	\$ 3,553,849	\$ 3,560,026
41	Synchronized Interest (L56)	\$ 168,570	\$ 168,570
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 439,716	\$ 875,911
43	Arizona State Income Tax Rate	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	\$ 30,639	\$ 61,034
45	Federal Taxable Income (L42 - L44)	\$ 409,077	\$ 814,878
46	Federal Tax on Income Bracket - Not Used	\$ -	\$ -
47	Federal Tax on Income Bracket - Not Used	\$ -	\$ -
48	Federal Tax on Income Bracket - Not Used	\$ -	\$ -
49	Federal Tax on Income Bracket - Not Used	\$ -	\$ -
50	Federal Tax on All Income (\$0 -\$10,000,000) @ 34%	\$ 139,086	\$ 277,058
51	Total Federal Income Tax	\$ 139,086	\$ 277,058
52	Combined Federal and State Income Tax (L44 + L51)	\$ 169,725	\$ 338,092

53 Applicable Federal Income Tax Rate [Col. [C], L51 - Col. [A], L51] / [Col. [C], L45 - Col. [A], L45] 34.0000%

Calculation of Interest Synchronization:

54	Rate Base (Schedule CSB-3, Col. (C), Line 14)	\$ 8,027,154
55	Weighted Average Cost of Debt	2.1000%
56	Synchronized Interest (L45 X L46)	\$ 168,570

RATE BASE

LINE NO.	Acct. No. - F Plant Description	Bella Vista	Northern Sunrise	Southern Sunrise	Total
1	301 Organization Cost	\$ -	\$ -	\$ -	-
2	302 Franchise Cost	-	890	71	961
3	303 Land and Land Rights	327,399	23,926	336,686	688,011
4	304 Structures and Improvements	1,307,935	280,668	326,168	1,914,771
5	305 Collecting and Impounding Res.	-	51,378	-	51,378
6	307 Wells and Springs	1,127,614	34,064	132,029	1,293,708
7	309 Supply Mains	-	-	3,256	3,256
8	310 Power Generation Equipment	-	1,293	-	1,293
9	311 Pumping Equipment	1,963,085	91,019	192,066	2,246,171
10	320 Water Treatment Equipment	83,385	-	-	83,385
11	330 Distribution Reservoirs and Standpipes	2,280,128	95,668	261,921	2,637,717
12	331 Transmission and Distribution Mains	12,109,036	36,763	81,090	12,226,889
13	333 Services	1,358,732	29,756	70,227	1,458,715
14	334 Meters and Meter Installations	1,358,176	3,449	16,708	1,378,333
15	335 Hydrants	884,182	59,298	18,416	961,896
16	336 Backflow Prevention Devices	-	-	-	-
17	339 Other Plant and Miscellaneous Equipment	69,551	23,472	21,516	114,539
18	340 Office Furniture and Equipment	177,328	-	-	177,328
19	340.1 Computers and Software	161,264	-	-	161,264
20	341 Transportation Equipment	268,464	-	-	268,464
21	343 Tools, Shop, and Garage Equipment	122,443	-	270	122,712
22	344 Laboratory Equipment	-	-	-	-
23	345 Power Operated Equipment	31,548	-	-	31,548
24	346 Communication Equipment	411,484	5,881	3,379	420,743
25	347 Miscellaneous Equipment	107,306	-	-	107,306
26	348 Other Tangible Equipment	-	48,984	106,394	155,378
27	Total Plant in Service - Actual	\$ 24,149,060	\$ 786,509	\$ 1,570,196	\$ 26,505,765
28	Less: Accumulated Depreciation	\$ 9,954,974	\$ 39,911	\$ 82,992	10,077,878
29	Net Plant in Service	\$ 14,194,085	\$ 746,598	\$ 1,487,204	\$ 16,427,887
30					
31	<u>LESS:</u>				
32	Advances in Aid of Construction (AIAC)	\$ 6,781,443	\$ -	\$ 2,870	\$ 6,784,313
33	Service Line and Meter Advances	\$ 556,325	\$ 410	\$ -	\$ 556,735
34					
35	Contributions in Aid of Construction (CIAC)	\$ 496,445	\$ 26,000	\$ 20,000	\$ 542,445
36	Less: Accumulated Amortization of CIAC	\$ 230,909	\$ 63	\$ 15	230,987
37	Net CIAC	265,536	25,937	19,985	311,458
38					
39	Total Advances and Net Contributions	\$ 7,603,304	\$ 26,347	\$ 22,855	\$ 7,652,506
40					
41	Customer Deposits	\$ 175,850	\$ 7,972	\$ 22,298	\$ 206,120
42	Accumulated Deferred Taxes	\$ 327,255	\$ 69,887	\$ 144,964	\$ 542,106
43					
44	<u>ADD:</u>				
45	Working Capital Allowance	\$ -	\$ -	\$ -	\$ -
46		\$ -	\$ -	\$ -	\$ -
47	Total Rate Base	\$ 6,087,676	\$ 642,392	\$ 1,297,087	\$ 8,027,154

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] Bella Vista Staff		[B] Northern Sunrise Staff		[C] Southern Sunrise Staff		[D] Consolidation Adjustments	[E] TOTAL STAFF TEST YEAR AS ADJUSTED	[F] STAFF PROPOSED CHANGES	[G] STAFF RECOMMENDED
		Test Year As Adjusted	Test Year As Adjusted	Test Year As Adjusted	Test Year As Adjusted	Test Year As Adjusted	Test Year As Adjusted				
REVENUES:											
1	Metered Water Sales	\$ 3,400,892	\$ 188,872	\$ 433,457	\$ -	\$ -	\$ -	\$ -	\$ 4,023,022	\$ 442,372	\$ 4,465,394
2	Unmetered Water Sales	-	-	-	-	-	-	-	-	-	-
3	Other Operating Revenues	125,141	3,294	10,679	-	-	-	-	139,114	-	139,114
4	Total Revenues	\$ 3,526,033	\$ 191,966	\$ 444,136	\$ -	\$ -	\$ -	\$ -	\$ 4,162,136	\$ 442,372	\$ 4,604,508
EXPENSES:											
7	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	708	-	-	-	-	-	708	708	-	708
9	Purchased Power	561,094	16,012	32,354	-	-	-	-	609,459	-	609,459
10	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
11	Chemicals	4,273	178	1,265	-	-	-	-	5,715	-	5,715
12	Materials & Supplies	36,932	5,094	7,972	-	-	-	-	49,998	-	49,998
13	Outside Services	4,605	-	91	-	-	-	-	4,696	-	4,696
14	Outside Services- Legal	35,245	1,302	5,390	-	-	-	-	41,937	-	41,937
15	Outside Services- Other	1,057,031	136,128	185,876	-	-	-	-	1,379,035	-	1,379,035
16	Water Testing	43,192	3,568	4,395	-	-	-	-	51,155	-	51,155
17	Equipment Rental	-	140	-	-	-	-	-	140	-	140
18	Rents	60,600	-	-	-	-	-	-	60,600	-	60,600
19	Transportation Expenses	71,094	20,877	24,448	-	-	-	-	116,419	-	116,419
20	Insurance - General Liability	38,930	9,692	10,788	-	-	-	-	59,410	-	59,410
21	Insurance - Health and Life	7,290	-	-	-	-	-	-	7,290	-	7,290
22	Reg. Comm. Exp.	9,017	587	1,024	-	-	-	-	10,628	-	10,628
23	Reg. Comm. Exp. - Rate Case	37,466	11,240	18,733	-	-	-	-	67,439	-	67,439
24	Miscellaneous Expense	60,285	11,116	14,037	-	-	-	-	85,438	-	85,438
25	Bad Debt Expense	9,526	3,306	5,346	-	-	-	-	18,178	-	18,178
26	Depreciation Expense	711,002	34,761	64,663	-	-	-	-	810,426	-	810,426
27	Taxes Other Than Income-Property Taxes	-	-	-	-	-	-	-	-	-	-
29	Taxes Other Than Income-Property Taxes	145,924	9,025	20,230	-	-	-	-	175,178	6,177	181,355
31	Income Taxes	196,980	(27,428)	18,345	(18,071)	1	(18,071)	1	169,725	168,367	338,092
32	Total Operating Expenses	\$ 3,091,093	\$ 235,598	\$ 414,955	\$ (18,071)	\$ (18,071)	\$ (18,071)	\$ (18,071)	\$ 3,723,575	\$ 174,543	\$ 3,898,118
33	Operating Income (Loss)	\$ 434,940	\$ (43,631)	\$ 29,182	\$ -	\$ -	\$ -	\$ -	\$ 438,561	\$ 267,829	\$ 706,390

Adj. No. 1 Consolidated Income Tax

Bella Vista Income Tax	\$ 196,880
Northern Sunrise Income Tax	(27,428)
Southern Sunrise Income Tax	18,345
Less: Consolidated Income Tax	\$ 187,796
	169,725 Sch CSB-2, Line 52
	18,071 Decrease in tax due to synchronized interest deduction

Adj. No. 2 Schedule CSB-5, Line 39
Adj. No. 3 Schedule CSB-2, Line 29

References:
Column (A): Schedule CSB-5 for Bella Vista
Column (B): Schedule CSB-5 for Northern Sunrise
Column (C): Schedule CSB-7 for Southern Sunrise
Column (D): Line 43; Schedule CSB-2, Line 42
Column (E): Col (A) + Col (B) + Col (C) + Col (D)
Column (F): Schedule CSB-1
Column (G): Col (E) + Col (F)

LINE NO.	Property Tax Calculation	Bella Vista	Northern	Southern	Total
1	Staff Adjusted Test Year Revenues	\$ 3,526,033	\$ 191,966	\$ 444,136	\$ 4,162,136
2	Weight Factor	2	2	2	2
3	Subtotal (Line 1 * Line 2)	7,052,066	383,933	888,272	8,324,271
4	Staff Recommended Revenue (Test Year), Per Schedule CSB-1	3,526,033	191,966	444,136	4,162,136
5	Subtotal (Line 4 + Line 5)	10,578,099	575,899	1,332,409	12,486,407
6	Number of Years	3	3	3	3
7	Three Year Average (Line 5 / Line 6)	3,526,033	191,966	444,136	4,162,136
8	Department of Revenue Mutilplier	2	2	2	2
9	Revenue Base Value (Line 7 * Line 8)	7,052,066	383,933	888,272	8,324,271
10	Plus: 10% of CWIP -	37,989	-	5,318	43,307
11	Less: Net Book Value of Licensed Vehicles	3,305	-	-	3,305
12	Full Cash Value (Line 9 + Line 10 - Line 11)	7,086,750	383,933	893,590	8,364,273
13	Assessment Ratio	21.0%	21.0%	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	1,488,218	80,626	187,654	1,756,497
15	Composite Property Tax Rate	9.8053%	11.1932%	10.7803%	9.9732%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 145,924	\$ 9,025	\$ 20,230	\$ 175,178
17	Company Proposed Property Tax	\$ -	\$ -	\$ -	\$ -
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ 145,924	\$ 9,025	\$ 20,230	\$ 175,178

	Bella Vista	Northern	Southern	Total	
19	Staff Adjusted Test Year Revenues	\$ 3,526,033	\$ 191,966	\$ 444,136	\$ 4,162,136
20	Weight Factor	2	2	2	2
21	Subtotal (Line 19 * Line 20)	7,052,066	383,933	888,272	8,324,271
22	Staff Recommended Revenue, Per Schedule CSB-1	\$ 3,692,444	\$ 357,691	\$ 584,629	\$ 4,604,508
23	Subtotal (Line 21 + Line 22)	10,744,510	741,623	1,472,901	12,928,779
24	Number of Years	3	3	3	3
25	Three Year Average (Line 23 / Line 24)	3,581,503	247,208	490,967	4,309,593
26	Department of Revenue Mutilplier	2	2	2	2
27	Revenue Base Value (Line 25 * Line 26)	7,163,007	494,416	981,934	8,619,186
28	Plus: 10% of CWIP -	37,989	-	5,318	43,307
29	Less: Net Book Value of Licensed Vehicles	3,305	-	-	3,305
30	Full Cash Value (Line 27 + Line 28 - Line 29)	7,197,691	494,416	987,252	8,659,188
31	Assessment Ratio	21.0%	21.0%	21.0%	21.0%
32	Assessment Value (Line 30 * Line 31)	1,511,515	103,827	207,323	1,818,429
33	Composite Property Tax Rate	9.8053%	11.1932%	10.7803%	9.9732%
34					
35					
36	Property Tax - Staff Recommended Rev (Line 34)	\$ 148,209	\$ 11,622	\$ 22,350	\$ 181,355
37	Staff Test Year Adjusted Property Tax Expense (Line 18)	\$ 145,924	\$ 9,025	\$ 20,230	\$ 175,178
38	Increase in Prop Tax Exp Due to Incr in Rev Requ (Line 36 - Line 37)	\$ 2,284	\$ 2,597	\$ 2,120	\$ 6,177
39	Increase to Property Tax Expense (Line 38)	\$ 2,284	\$ 2,597	\$ 2,120	\$ 6,177
40	Increase in Revenue Requirement (Line 22 - Line 19)	166,411	165,724	140,492	442,372
41	Increase to Property Tax per Dollar Increase in Rev (Line39/Line 40)	1.372742%	1.567048%	1.509242%	1.396244%

Monthly Minimum Charge

	Present	Company Proposed	Staff Recommended
<u>Meter Size (All Classes):</u>			
5/8 Inch x 3/4 Inch	\$ 15.00	\$ 18.46	\$ 13.50
3/4 Inch	22.70	29.07	19.00
1 Inch	28.10	36.92	29.00
1 1/2 Inch	34.50	69.23	58.00
2 Inch	42.25	118.14	90.00
3 Inch	121.90	147.68	185.60
4 Inch	173.00	184.60	290.00
6 Inch	950.00	830.70	580.00
8 Inch	1,295.00	1,329.12	928.00
<u>Fire Sprinklers</u>			
Fire Sprinklers - 4 Inch (See Note1 and Note 2)	5.00	15.00	N/A
Fire Sprinklers - 6 Inch (See Note1 and Note 2)	9.50	16.61	N/A
Fire Sprinklers - 8 Inch (See Note1 and Note 2)	12.95	26.58	N/A
Fire Sprinklers - 4 Inch (See Note1 and Note 3)	5.00	N/A	Note 3
Fire Sprinklers - 6 Inch (See Note1 and Note 3)	9.50	N/A	Note 3
Fire Sprinklers - 8 Inch (See Note1 and Note 3)	12.95	N/A	Note 3

Note 1 - Present Rates are 1% of monthly minimum for comparable sized meters, but not less than \$5.00 per month

Note 2 - Proposed rates are 2% of monthly minimum for comparable sized meters, but not less than \$15 per month.

Note 3 - Staff's recommended monthly charges are 2% of the monthly minimum for an equivalent sized meter or \$10, whichever is greater, for all meter sizes.

Commodity Charge - Per Thousand Gallons

<u>All Meter Sizes and Classes</u>			
0 gallons to 5,000 gallons	\$ 0.9700	N/A	N/A
5,001 gallons to 25,000 gallons	1.8900	N/A	N/A
Over 25,000 gallons	2.4100	N/A	N/A
<u>5/8" x 3/4" Meter and 3/4" Meter (Residential)</u>			
First 4,000 gallons	N/A	1.5300	\$ 0.9000
4,001 gallons to 10,000 gallons	N/A	2.2300	1.5000
Over 10,000 gallons	N/A	2.6300	2.3110
<u>5/8" x 3/4" Meter and 3/4" Meter (Commercial)</u>			
0 gallons to 4,000 gallons	N/A	1.4500	N/A
over 4,000 gallons	N/A	1.9000	N/A
First 10,000 gallons	N/A	N/A	1.5000
Over 10,000 gallons	N/A	N/A	2.3110
<u>1" Meter (All Classes Except Standpipe)</u>			
First 10,000 gallons	N/A	1.4500	1.5000
Over 10,000 gallons	N/A	1.9000	2.3110
<u>1.5" Meter (All Classes Except Standpipe)</u>			
0 gallons to 25,000 gallons	N/A	1.4500	N/A
over 25,000 gallons	N/A	1.9000	N/A
First 23,000 gallons	N/A	N/A	1.5000
Over 23,000 gallons	N/A	N/A	2.3110

Present	Company Proposed	Staff Recommended
---------	------------------	-------------------

Commodity Charge - Per Thousand Gallons Continued

2" Meter (All Classes Except Standpipe)

0 gallons to 50,000 gallons	N/A	1.4500	N/A
over 50,000 gallons	N/A	1.9000	N/A
First 40,000 gallons	N/A	N/A	1.5000
Over 40,000 gallons	N/A	N/A	2.3110

3" Meter (All Classes Except Standpipe)

0 gallons to 80,000 gallons	N/A	1.4500	N/A
over 80,000 gallons	N/A	1.9000	N/A
First 85,000 gallons	N/A	N/A	1.5000
Over 85,000 gallons	N/A	N/A	2.3110

4" Meter (All Classes Except Standpipe)

0 gallons to 175,000 gallons	N/A	1.4500	N/A
over 175,000 gallons	N/A	1.9000	N/A
First 140,000 gallons	N/A	N/A	1.5000
Over 140,000 gallons	N/A	N/A	2.3110

6" Meter (All Classes Except Standpipe)

0 gallons to 450,000 gallons	N/A	1.4500	N/A
over 450,000 gallons	N/A	1.9000	N/A
First 290,000 gallons	N/A	N/A	1.5000
Over 290,000 gallons	N/A	N/A	2.3110

8" Meter (All Classes Except Standpipe)

0 gallons to 720,000 gallons	N/A	1.4500	N/A
over 720,000 gallons	N/A	1.9000	N/A
First 470,000 gallons	N/A	N/A	1.5000
Over 470,000 gallons	N/A	N/A	2.3110

Standpipe (Hydrant/Bulk)
Per 1,000 gallons

No Tariff \$	2.63	2.3110
--------------	------	--------

Miscellaneous Charges

	Present	Company Proposed	Staff Recommended
Establishment (Regular Hours) per Rule R14-2-403D	30.00	30.00	30.00
Establishment (After Hours) per Rule R14-2-403D	\$ 45.00	\$ 45.00	\$ 45.00
Re-Establishment of Service per Rule R14-2-403D	[a]	[a]	[a]
Reconnection (Delinquent) per Rule R14-2-403D	\$ 30.00	\$ 30.00	\$ 30.00
Reconnection (After Hours) per Rule R14-2-403D	\$ 45.00	\$ 45.00	\$ 45.00
Meter Test (if correct) per Rule R14-2-408F	\$ 30.00	\$ 30.00	\$ 30.00
Meter Reread per Rule R14-2-408C (if correct)	\$ 15.00	\$ 15.00	\$ 15.00
NSF Check per Rule R14-2-409F	\$ 15.00	\$ 15.00	\$ 15.00
Deferred Payment, Per Month	1.50%	1.50%	1.50%
Late Charge	[b]	[b]	[b]
Service Calls - Per Hour/After Hours(e)	NT	\$ 40.00	N/A
Service Calls - Flat Rate / After Hours(e)	NT	N/A	\$ 40.00
Deposit Requirements	[c]	[c]	[c]
Moving Meter at Customer Request	Cost	Cost	Cost
Damage to Meter	Cost	Cost	[d]
Main Extension Tariff	Cost	Cost	[d]

NT = No Tariff

[a] Minimum charge times number of full months off the system. per Rule R14-2-403(D).

[b] Greater of \$5.00 or 1.5% of unpaid balance.

[c] Per ACC Rules R14-2-403(B) Residential - two times the average bill.

Commercial - two and one-half times the average bill.

[d] The charges are not reflected in Staff's rate design as provisions for these costs are in the Commission Rules.

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 14-2-409D(5).

Service and Meter Installation Charges

	Total Present Charge	Company Proposed Service Line Charge	Company Proposed Meter Installation Charge	Total Company Proposed Charge*
5/8 x 3/4 Inch	\$ 350	\$ 385.00	At Cost	At Cost
3/4 Inch	\$ 350	385.00	At Cost	At Cost
1 Inch	\$ 400	435.00	At Cost	At Cost
1 1/2 Inch	\$ 500	470.00	At Cost	At Cost
2 Inch / Turbine	NT	630.00	At Cost	At Cost
2 Inch / Compound	\$ 675	630.00	At Cost	At Cost
3 Inch / Turbine	NT	805.00	At Cost	At Cost
3 Inch / Compound	\$ 1,500	845.00	At Cost	At Cost
4 Inch / Turbine	NT	1,170.00	At Cost	At Cost
4 Inch / Compound	\$ 1,500	1,230.00	At Cost	At Cost
6 Inch / Turbine	NT	1,730.00	At Cost	At Cost
6 Inch / Compound	\$ 4,400	1,770.00	At Cost	At Cost
8 Inch & Larger	NT	At Cost	At Cost	At Cost

* Plus actual road crossing costs.
NT = No Tariff

5/8 x 3/4 Inch
3/4 Inch
1 Inch
1 1/2 Inch
2 Inch / Turbine
2 Inch / Compound
3 Inch / Turbine
3 Inch / Compound
4 Inch / Turbine
4 Inch / Compound
6 Inch / Turbine
6 Inch / Compound
8 Inch & Larger

	Total Present Charge	Staff Recommended Service Line Charge**	Staff Recommended Meter Installation Charge	Total Staff Recommended Charge
5/8 x 3/4 Inch	\$ 350	\$ 1,765	\$ 105	\$ 1,870
3/4 Inch	\$ 350	\$ 1,765	\$ 180	\$ 1,945
1 Inch	\$ 400	\$ 1,765	\$ 240	\$ 2,005
1 1/2 Inch	\$ 500	At Cost	At Cost	At Cost
2 Inch / Turbine	NT	At Cost	At Cost	At Cost
2 Inch / Compound	\$ 675	At Cost	At Cost	At Cost
3 Inch / Turbine	NT	At Cost	At Cost	At Cost
3 Inch / Compound	\$ 1,500	At Cost	At Cost	At Cost
4 Inch / Turbine	NT	At Cost	At Cost	At Cost
4 Inch / Compound	\$ 1,500	At Cost	At Cost	At Cost
6 Inch / Turbine	NT	At Cost	At Cost	At Cost
6 Inch / Compound	\$ 4,400	At Cost	At Cost	At Cost
8 Inch & Larger	NT	At Cost	At Cost	At Cost

NT = No Tariff
** To include the actual cost incurred when road crossing is required.

Off-site Facilities Hook-up Fee

5/8 x 3/4 Inch
 3/4 Inch
 1 Inch
 1 1/2 Inch
 2 Inch
 3 Inch
 4 Inch
 6 Inch or larger

Present	Company Proposed	Staff Recommended*
NT	\$ 1,600	\$ 1,600
NT	2,400	2,400
NT	4,000	4,000
NT	8,000	8,000
NT	12,800	12,800
NT	25,600	25,600
NT	40,000	40,000
NT	80,000	80,000

NT = No Tariff

* Staff does not recommend approval of the hook-up fee.

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Propose	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,612	\$ 22.90	\$ 30.40	\$ 7.51	32.79%
Median Usage	4,500	19.37	25.70	\$ 6.33	32.69%
Staff Recommended					
Average Usage	6,612	\$ 22.90	\$ 26.37	\$ 3.48	15.18%
Median Usage	4,500	19.37	21.49	\$ 2.13	10.98%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 15.00	\$ 18.46	23.07%	\$ 13.50	-10.00%
1,000	15.97	19.99	25.17%	14.40	-9.83%
2,000	16.94	21.52	27.04%	15.30	-9.68%
3,000	17.91	23.05	28.70%	16.20	-9.55%
4,000	18.88	24.58	30.19%	17.10	-9.43%
4,500	19.37	25.70	32.69%	21.49	10.98%
5,000	19.85	26.81	35.06%	22.65	14.09%
6,000	21.74	29.04	33.58%	24.96	14.80%
6,612	22.90	30.40	32.79%	26.37	15.18%
7,000	23.63	31.27	32.33%	27.27	15.40%
8,000	25.52	33.50	31.27%	29.58	15.91%
9,000	27.41	35.73	30.35%	31.89	16.35%
10,000	29.30	37.96	29.56%	34.20	16.73%
11,000	31.19	40.59	30.14%	36.51	17.07%
12,000	33.08	43.22	30.65%	38.82	17.36%
13,000	34.97	45.85	31.11%	41.13	17.63%
14,000	36.86	48.48	31.52%	43.45	17.87%
15,000	38.75	51.11	31.90%	45.76	18.08%
16,000	40.64	53.74	32.23%	48.07	18.28%
17,000	42.53	56.37	32.54%	50.38	18.45%
18,000	44.42	59.00	32.82%	52.69	18.62%
19,000	46.31	61.63	33.08%	55.00	18.77%
20,000	48.20	64.26	33.32%	57.31	18.90%
25,000	57.65	77.41	34.28%	68.87	19.46%
30,000	69.70	90.56	29.93%	80.42	15.38%
35,000	81.75	103.71	26.86%	91.98	12.51%
40,000	93.80	116.86	24.58%	103.53	10.38%
45,000	105.85	130.01	22.82%	115.09	8.73%
50,000	117.90	143.16	21.42%	126.64	7.41%
75,000	178.15	208.91	17.27%	184.42	3.52%
100,000	238.40	274.66	15.21%	242.19	1.59%

Monthly Minimum Charge

	Present	Company Proposed	Staff Recommended
<u>Meter Size (All Classes):</u>			
5/8 Inch x 3/4 Inch	\$ 31.00	\$ 75.39	\$ 44.00
3/4 Inch	46.50	113.09	66.00
1 Inch	77.50	188.48	110.00
1 1/2 Inch	155.00	376.95	220.00
2 Inch	248.00	603.12	352.00
3 Inch	496.00	1,206.24	704.00
4 Inch	775.00	1,884.75	1,100.00
6 Inch	930.00	3,769.50	2,200.00
8 Inch	1,550.00	6,031.20	3,520.00

Commodity Charge - Per Thousand Gallons

All Meter Sizes and Classes, Except Irrigation

0 gallons to 5,000 gallons	\$ 2.0000	N/A	N/A
5,001 gallons to 10,000 gallons	2.7500	N/A	N/A
Over 10,000 gallons	3.9000	N/A	N/A

All Meter Sizes - Irrigation

0 gallons to 45,000 gallons	2.7500	N/A	N/A
Over 45,000 gallons	3.9000	N/A	N/A

5/8 Inch x 3/4 Inch Meter and 3/4 Inch Meter - Residential

0 gallons to 4,000 gallons	N/A	4.8600	N/A
4,001 gallons to 10,000 gallons	N/A	5.8600	N/A
over 10,000 gallons	N/A	7.0100	N/A
0 gallons to 3,000 gallons	N/A	N/A	5.1000
3,001 gallons to 10,000 gallons	N/A	N/A	8.1000
Over 10,000 gallons	N/A	N/A	11.1000

5/8 Inch x 3/4 Inch Meter and 3/4 Inch Meter - Commercial, Irrigation

over 10,000 gallons	N/A	4.8600	N/A
	N/A	5.8600	N/A
0 gallons to 10,000 gallons	N/A	N/A	8.1000
Over 10,000 gallons	N/A	N/A	11.1000

1" Meter (All Classes, Except Standpipe)

0 gallons to 25,000 gallons	N/A	4.8600	N/A
over 25,000 gallons	N/A	5.8600	N/A
0 gallons to 22,000 gallons	N/A	N/A	8.1000
Over 22,000 gallons	N/A	N/A	11.1000

1.5" Meter (All Classes, Except Standpipe)

0 gallons to 50,000 gallons	N/A	4.8600	N/A
over 50,000 gallons	N/A	5.8600	N/A
0 gallons to 53,000 gallons	N/A	N/A	8.1000
Over 53,000 gallons	N/A	N/A	11.1000

2" Meter (All Classes, Except Standpipe/Construction)

0 gallons to 80,000 gallons	N/A	4.8600	N/A
over 80,000 gallons	N/A	5.8600	N/A
0 gallons to 92,000 gallons	N/A	N/A	8.1000
Over 92,000 gallons	N/A	N/A	11.1000

Commodity Charge - Per Thousand Gallons Continued

	Present	Company Proposed	Staff Recommended
<u>3" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 160,000 gallons	N/A	4.8600	N/A
over 160,000 gallons	N/A	5.8600	N/A
0 gallons to 197,000 gallons	N/A	N/A	8.1000
Over 197,000 gallons	N/A	N/A	11.1000
<u>4" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 250,000 gallons	N/A	4.8600	N/A
over 250,000 gallons	N/A	5.8600	N/A
0 gallons to 315,000 gallons	N/A	N/A	8.1000
Over 315,000 gallons	N/A	N/A	11.1000
<u>6" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 500,000 gallons	N/A	4.8600	N/A
over 500,000 gallons	N/A	5.8600	N/A
0 gallons to 645,000 gallons	N/A	N/A	8.1000
Over 645,000 gallons	N/A	N/A	11.1000
<u>8" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 800,000 gallons	N/A	4.8600	N/A
over 800,000 gallons	N/A	5.8600	N/A
0 gallons to 1,000,000 gallons	N/A	N/A	8.1000
Over 1,000,000 gallons	N/A	N/A	11.1000
Standpipe (Construction) Per 1,000 gallons	3.9000	5.8600	11.1000

Miscellaneous Charges

	Present	Company Proposed	Staff Recommended
Establishment (Regular Hours) per Rule R14-2-403.D	\$ 25.00	\$ 25.00	\$ 25.00
Establishment (After Hours) per Rule R14-2-403.D	\$ 35.00	\$ 35.00	\$ 35.00
Re-Establishment of Service per Rule R14-2-403.D	[a]	[a]	[a]
Reconnection (Delinquent) per Rule R14-2-403.D	\$ 35.00	\$ 35.00	\$ 35.00
Reconnection (After Hours) per Rule R14-2-403.D	NT	\$ 45.00	\$ 45.00
Meter Test (if correct) per Rule R14-2-408.F	NT	\$ 30.00	\$ 30.00
Meter Reread per Rule R14-2-408.C (if correct)	\$ 5.00	\$ 15.00	\$ 15.00
NSF Check per Rule R14-2-409.F	NT	\$ 15.00	\$ 15.00
Deferred Payment, Per Month per Rule R14-2-409.G	1.50%	1.50%	1.50%
Late Charge	1.50%	1.50%	1.50%
Service Calls - Per Hour/After Hours(e)	\$ 50.00	\$ 50.00	\$ 50.00
Deposit Requirements	[b]	[b]	[b]
Moving Meter at Customer Request	NT	Cost	Cost
Damage to Meter	NT	Cost	[c]
Main Extension Tariff	Cost	Cost	[c]

[a] Minimum charge times number of full months off the system. per Rule R14-2-403.D.

[b] Per ACC Rules R14-2-403.B Residential - two times the average bill.

Commercial - two and one-half times the average bill.

[c] The charges are not reflected in Staff's rate design as provisions for these costs are in the Commission Rules.

NT = No Tariff

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 14-2-409D(5).

Service Line and Meter Installation Charges

	Total Present Charge	Company Proposed Service Line Charge	Company Proposed Meter Installation Charge	Total Company Proposed Charge*
5/8 x 3/4 Inch	\$ 410.00	\$ 385.00	At Cost	At Cost
3/4 Inch	410.00	385.00	At Cost	At Cost
1 Inch	520.00	435.00	At Cost	At Cost
1 1/2 Inch	660.00	470.00	At Cost	At Cost
2 Inch / Turbine	1,155.00	630.00	At Cost	At Cost
2 Inch / Compound	1,720.00	630.00	At Cost	At Cost
3 Inch / Turbine	1,625.00	805.00	At Cost	At Cost
3 Inch / Compound	2,260.00	845.00	At Cost	At Cost
4 Inch / Turbine	2,500.00	1,170.00	At Cost	At Cost
4 Inch / Compound	3,200.00	1,230.00	At Cost	At Cost
6 Inch / Turbine	4,500.00	1,730.00	At Cost	At Cost
6 Inch / Compound	6,300.00	1,770.00	At Cost	At Cost
8 Inch & Larger	8,200.00	At Cost	At Cost	At Cost

* Plus actual road crossing costs.
NT = No Tariff

	Total Present Charge	Staff Recommended Service Line Charge**	Staff Recommended Meter Installation Charge	Total Staff Recommended Charge
5/8 x 3/4 Inch	\$ 410.00	\$1,765	\$105	\$1,870
3/4 Inch	410.00	\$1,765	\$180	\$1,945
1 Inch	520.00	\$1,765	\$240	\$2,005
1 1/2 Inch	660.00	At Cost	At Cost	At Cost
2 Inch / Turbine	1,155.00	At Cost	At Cost	At Cost
2 Inch / Compound	1,720.00	At Cost	At Cost	At Cost
3 Inch / Turbine	1,625.00	At Cost	At Cost	At Cost
3 Inch / Compound	2,260.00	At Cost	At Cost	At Cost
4 Inch / Turbine	2,500.00	At Cost	At Cost	At Cost
4 Inch / Compound	3,200.00	At Cost	At Cost	At Cost
6 Inch / Turbine	4,500.00	At Cost	At Cost	At Cost
6 Inch / Compound	6,300.00	At Cost	At Cost	At Cost
8 Inch & Larger	8,200.00	At Cost	At Cost	At Cost

NT = No Tariff
** To include the actual cost incurred when road crossing is required.

Off-site Facilities Hook-up Fee

5/8 x 3/4 Inch
3/4 Inch
1 Inch
1 1/2 Inch
2 Inch
3 Inch
4 Inch
6 Inch or larger

	Present	Company Proposed	Staff Recommended*
	NT	\$ 1,600	\$ 1,600
	NT	2,400	2,400
	NT	4,000	4,000
	NT	8,000	8,000
	NT	12,800	12,800
	NT	25,600	25,600
	NT	40,000	40,000
	NT	80,000	80,000

* Staff does not recommend approval of the hook-up fee.
NT = No Tariff

Typical Bill Analysis
 General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,755	\$ 43.08	\$ 105.11	\$ 62.04	144.02%
Median Usage	4,500	40.00	97.76	\$ 57.76	144.40%
Staff Recommended					
Average Usage	5,755	\$ 43.08	\$ 81.62	\$ 38.54	89.47%
Median Usage	4,500	40.00	71.45	\$ 31.45	78.63%

Present & Proposed Rates (Without Taxes)
 General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 31.00	\$ 75.39	143.19%	\$ 44.00	41.94%
1,000	33.00	80.25	143.18%	49.10	48.79%
2,000	35.00	85.11	143.17%	54.20	54.86%
3,000	37.00	89.97	143.16%	59.30	60.27%
4,000	39.00	94.83	143.15%	67.40	72.82%
4,500	40.00	97.76	144.40%	71.45	78.63%
5,000	41.00	100.69	145.59%	75.50	84.15%
5,755	43.08	105.11	144.02%	81.62	89.47%
6,000	43.75	106.55	143.54%	83.60	91.09%
7,000	46.50	112.41	141.74%	91.70	97.20%
8,000	49.25	118.27	140.14%	99.80	102.64%
9,000	52.00	124.13	138.71%	107.90	107.50%
10,000	54.75	129.99	137.42%	119.00	117.35%
11,000	58.65	137.00	133.59%	130.10	121.82%
12,000	62.55	144.01	130.23%	141.20	125.74%
13,000	66.45	151.02	127.27%	152.30	129.19%
14,000	70.35	158.03	124.63%	163.40	132.27%
15,000	74.25	165.04	122.28%	174.50	135.02%
16,000	78.15	172.05	120.15%	185.60	137.49%
17,000	82.05	179.06	118.23%	196.70	139.73%
18,000	85.95	186.07	116.49%	207.80	141.77%
19,000	89.85	193.08	114.89%	218.90	143.63%
20,000	93.75	200.09	113.43%	230.00	145.33%
25,000	113.25	235.14	107.63%	285.50	152.10%
30,000	132.75	270.19	103.53%	341.00	156.87%
35,000	152.25	305.24	100.49%	396.50	160.43%
40,000	171.75	340.29	98.13%	452.00	163.17%
45,000	191.25	375.34	96.26%	507.50	165.36%
50,000	210.75	410.39	94.73%	563.00	167.14%
75,000	308.25	585.64	89.99%	840.50	172.67%
100,000	405.75	760.89	87.53%	1,118.00	175.54%

Monthly Minimum Charge

	Present	Company Proposed	Staff Recommended
--	---------	------------------	-------------------

Meter Size (All Classes):

5/8 Inch x 3/4 Inch	\$ 31.00	\$ 54.37	\$ 30.00
3/4 Inch	46.50	81.56	45.00
1 Inch	77.50	135.93	75.00
1 1/2 Inch	155.00	271.85	150.00
2 Inch	248.00	434.96	240.00
3 Inch	496.00	869.92	480.00
4 Inch	775.00	1,359.25	750.00
6 Inch	930.00	2,718.50	1,500.00
8 Inch	1,550.00	4,349.60	2,400.00

Fire Sprinklers

* One percent of monthly minimum for comparable sized meters but not less than \$5.00 per month * * N/A

** Two percent of monthly minimum for equivalent sized meters but not less than \$10.00 per month whichever is greater for all meter sizes. * N/A **

Commodity Charge - Per Thousand Gallons

All Meter Sizes and Classes, Except Irrigation

0 gallons to 5,000 gallons	\$ 2.0000	N/A	N/A
5,001 gallons to 10,000 gallons	2.7500	N/A	N/A
Over 10,000 gallons	3.9000	N/A	N/A

All Meter Sizes - Irrigation

0 gallons to 45,000 gallons	2.7500	N/A	N/A
Over 45,000 gallons	3.9000	N/A	N/A

5/8 Inch x 3/4 Inch Meter and 3/4 Inch Meter - Residential

0 gallons to 4,000 gallons	N/A	\$ 3.5100	N/A
4,001 gallons to 10,000 gallons	N/A	4.2600	N/A
over 10,000 gallons	N/A	5.4100	N/A
0 to 3,000 gallons	N/A	N/A	\$ 4.0500
3,001 to 9,000 gallons	N/A	N/A	6.0500
Over 9,000 gallons	N/A	N/A	8.5050

5/8 Inch x 3/4 Inch Meter and 3/4 Inch Meter - Commercial, Irrigation

0 gallons to 10,000 gallons	N/A	3.5100	N/A
over 10,000 gallons	N/A	4.2600	N/A
0 to 9,000 gallons	N/A	N/A	6.0500
Over 9,000 gallons	N/A	N/A	8.5050

1" Meter (All Classes, Except Standpipe)

0 gallons to 15,000 gallons	N/A	3.5100	N/A
over 15,000 gallons	N/A	4.2600	N/A
0 to 16,000 gallons	N/A	N/A	6.0500
Over 16,000 gallons	N/A	N/A	8.5050

1.5" Meter (All Classes, Except Standpipe)

0 gallons to 25,000 gallons	N/A	3.5100	N/A
over 25,000 gallons	N/A	4.2600	N/A
0 to 35,000 gallons	N/A	N/A	6.0500
Over 35,000 gallons	N/A	N/A	8.5050

Commodity Charge - Per Thousand Gallons Continued

	Present	Company Proposed	Staff Recommended
<u>2" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 50,000 gallons	N/A	3.5100	N/A
over 50,000 gallons	N/A	4.2600	N/A
0 to 58,000 gallons	N/A	N/A	6.0500
Over 58,000 gallons	N/A	N/A	8.5050
<u>3" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 80,000 gallons	N/A	3.5100	N/A
over 80,000 gallons	N/A	4.2600	N/A
0 to 121,000 gallons	N/A	N/A	6.0500
Over 121,000 gallons	N/A	N/A	8.5050
<u>4" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 160,000 gallons	N/A	3.5100	N/A
over 160,000 gallons	N/A	4.2600	N/A
0 to 192,000 gallons	N/A	N/A	6.0500
Over 192,000 gallons	N/A	N/A	8.5050
<u>6" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 250,000 gallons	N/A	3.5100	N/A
over 250,000 gallons	N/A	4.2600	N/A
0 to 390,000 gallons	N/A	N/A	6.0500
Over 390,000 gallons	N/A	N/A	8.5050
<u>8" Meter (All Classes, Except Standpipe)</u>			
0 gallons to 500,000 gallons	N/A	3.5100	N/A
over 500,000 gallons	N/A	4.2600	N/A
0 to 625,000 gallons	N/A	N/A	6.0500
Over 625,000 gallons	N/A	N/A	8.5050
Standpipe			
Per 1,000 gallons	3.9000	4.2600	8.5000

Miscellaneous Charges

	Present	Company Proposed	Staff Recommended
Establishment (Regular Hours) per Rule R14-2-403.D	\$ 25.00	\$ 25.00	\$ 25.00
Establishment (After Hours) per Rule R14-2-403.D	\$ 35.00	\$ 35.00	\$ 35.00
Re-Establishment of Service per Rule R14-2-403.D	[a]	[a]	[a]
Reconnection (Delinquent) per Rule R14-2-403.D	\$ 35.00	\$ 35.00	\$ 35.00
Reconnection (After Hours) per Rule R14-2-403.D	NT	\$ 45.00	\$ 45.00
Meter Test (if correct) per Rule R14-2-408.F	NT	\$ 30.00	\$ 30.00
Meter Reread per Rule R14-2-408.C (if correct)	\$ 5.00	\$ 15.00	\$ 15.00
NSF Check per Rule R14-2-409.F	NT	\$ 15.00	NT
Deferred Payment, Per Month per Rule R14-2-409.G	1.50%	1.50%	1.50%
Late Charge	1.50%	1.50%	1.50%
Service Calls - Per Hour/After Hours(e)	\$ 50.00	\$ 50.00	\$ 50.00
Deposit Requirements	[b]	[b]	[b]
Moving Meter at Customer Request	NT	Cost	Cost
Damage to Meter	NT	Cost	[c]
Main Extension Tariff	Cost	Cost	[c]

[a] Minimum charge times number of full months off the system. per Rule R14-2-403.D.

[b] Per ACC Rules R14-2-403.B Residential - two times the average bill.

Commercial - two and one-half times the average bill.

[c] The charges are not reflected in Staff's rate design as provisions for these costs are in the Commission Rules.

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 14-2-409D(5).

Service and Meter Installation Charges

5/8 x 3/4 Inch
 3/4 Inch
 1 Inch
 1 1/2 Inch
 2 Inch / Turbine
 2 Inch / Compound
 3 Inch / Turbine
 3 Inch / Compound
 4 Inch / Turbine
 4 Inch / Compound
 6 Inch / Turbine
 6 Inch / Compound
 8 Inch & Larger

Total Present Charge	Company Proposed Service Line Charge	Company Proposed Meter Installation Charge	Total Company Proposed Charge*
\$ 410.00	At Cost	At Cost	At Cost
410.00	At Cost	At Cost	At Cost
520.00	At Cost	At Cost	At Cost
660.00	At Cost	At Cost	At Cost
1,155.00	At Cost	At Cost	At Cost
1,720.00	At Cost	At Cost	At Cost
1,625.00	At Cost	At Cost	At Cost
2,260.00	At Cost	At Cost	At Cost
2,500.00	At Cost	At Cost	At Cost
3,200.00	At Cost	At Cost	At Cost
4,500.00	At Cost	At Cost	At Cost
6,300.00	At Cost	At Cost	At Cost
8,200.00	At Cost	At Cost	At Cost

* Plus actual road crossing costs.

5/8 x 3/4 Inch
 3/4 Inch
 1 Inch
 1 1/2 Inch
 2 Inch / Turbine
 2 Inch / Compound
 3 Inch / Turbine
 3 Inch / Compound
 4 Inch / Turbine
 4 Inch / Compound
 6 Inch / Turbine
 6 Inch / Compound
 8 Inch & Larger

Total Present Charge	Staff Recommended Service Line Charge**	Staff Recommended Meter Installation Charge	Total Staff Recommended Charge
\$ 410.00	\$1,765	\$105	\$1,870
410.00	\$1,765	\$180	\$1,945
520.00	\$1,765	\$240	\$2,005
660.00	At Cost	At Cost	At Cost
1,155.00	At Cost	At Cost	At Cost
1,720.00	At Cost	At Cost	At Cost
1,625.00	At Cost	At Cost	At Cost
2,260.00	At Cost	At Cost	At Cost
2,500.00	At Cost	At Cost	At Cost
3,200.00	At Cost	At Cost	At Cost
4,500.00	At Cost	At Cost	At Cost
6,300.00	At Cost	At Cost	At Cost
8,200.00	At Cost	At Cost	At Cost

** To include the actual cost incurred when road crossing is required.

Off-site Facilities Hook-up Fee

5/8 x 3/4 Inch
 3/4 Inch
 1 Inch
 1 1/2 Inch
 2 Inch
 3 Inch
 4 Inch
 6 Inch or larger

Present	Company Proposed	Staff Recommended*
NT	\$ 1,600	\$ 1,600
NT	2,400	2,400
NT	4,000	4,000
NT	8,000	8,000
NT	12,800	12,800
NT	25,600	25,600
NT	40,000	40,000
NT	80,000	80,000

* Staff does not recommend approval of the hook-up fee.
 NT = No Tariff

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,581	\$ 42.60	\$ 75.15	\$ 32.55	76.41%
Median Usage	4,500	40.00	70.54	\$ 30.54	76.35%
Staff Recommended					
Average Usage	5,581	\$ 42.60	\$ 57.77	\$ 15.17	35.61%
Median Usage	4,500	40.00	51.23	\$ 11.23	28.06%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 31.00	\$ 54.37	75.39%	\$ 30.00	-3.23%
1,000	33.00	57.88	75.39%	34.05	3.18%
2,000	35.00	61.39	75.40%	38.10	8.86%
3,000	37.00	64.90	75.41%	42.15	13.92%
4,000	39.00	68.41	75.41%	48.20	23.59%
4,500	40.00	70.54	76.35%	51.23	28.06%
5,000	41.00	72.67	77.24%	54.25	32.32%
5,581	42.60	75.15	76.41%	57.77	35.61%
6,000	43.75	76.93	75.84%	60.30	37.83%
7,000	46.50	81.19	74.60%	66.35	42.69%
8,000	49.25	85.45	73.50%	72.40	47.01%
9,000	52.00	89.71	72.52%	78.45	50.87%
10,000	54.75	93.97	71.63%	86.96	58.82%
11,000	58.65	99.38	69.45%	95.46	62.76%
12,000	62.55	104.79	67.53%	103.97	66.21%
13,000	66.45	110.20	65.84%	112.47	69.26%
14,000	70.35	115.61	64.34%	120.98	71.96%
15,000	74.25	121.02	62.99%	129.48	74.38%
16,000	78.15	126.43	61.78%	137.99	76.56%
17,000	82.05	131.84	60.68%	146.49	78.54%
18,000	85.95	137.25	59.69%	155.00	80.33%
19,000	89.85	142.66	58.78%	163.50	81.97%
20,000	93.75	148.07	57.94%	172.01	83.47%
25,000	113.25	175.12	54.63%	214.53	89.43%
30,000	132.75	202.17	52.29%	257.06	93.64%
35,000	152.25	229.22	50.56%	299.58	96.77%
40,000	171.75	256.27	49.21%	342.11	99.19%
45,000	191.25	283.32	48.14%	384.63	101.11%
50,000	210.75	310.37	47.27%	427.16	102.68%
75,000	308.25	445.62	44.56%	639.78	107.55%
100,000	405.75	580.87	43.16%	852.41	110.08%

Monthly Minimum Charge

	Present	Company Proposed	Staff Recommended
Meter Size (All Classes):			
5/8 Inch x 3/4 Inch	No Tariff	\$ 17.92	\$ 13.50
3/4 Inch	No Tariff	32.26	18.00
1 Inch	No Tariff	42.56	30.00
1 1/2 Inch	No Tariff	71.68	62.00
2 Inch	No Tariff	129.02	100.00
3 Inch	No Tariff	143.36	200.00
4 Inch	No Tariff	179.20	312.00
6 Inch	No Tariff	985.60	625.00
8 Inch	No Tariff	1,576.96	1,000.00
Fire Sprinklers - 4 Inch (See Note1)	No Tariff	15.00	N/A
Fire Sprinklers - 6 Inch (See Note1)	No Tariff	19.71	N/A
Fire Sprinklers - 8 Inch (See Note1)	No Tariff	31.54	N/A
Fire Sprinklers - 4 Inch	No Tariff	N/A	Note 2
Fire Sprinklers - 6 Inch	No Tariff	N/A	Note 2
Fire Sprinklers - 8 Inch	No Tariff	N/A	Note 2

Note 1 - Proposed rates are 2% of monthly minimum for comparable sized meters, but not less than \$15 per month.

Note 2 - Staff recommended rates are 2% of the equivalent monthly meter size or \$10 whichever is greater for all meter sizes.

N/A - Non applicable

Commodity Charge - Per Thousand Gallons

5/8" x 3/4" Meter and 3/4" Meter (Residential)

First 4,000 gallons	No Tariff	1.9800	\$ 0.9000
4,001 gallons to 10,000 gallons	No Tariff	2.9800	2.0000
Over 10,000 gallons	No Tariff	3.8800	3.1820

5/8" x 3/4" Meter and 3/4" Meter (Commercial)

0 gallons to 4,000 gallons	No Tariff	1.7700	N/A
Over 4,000 gallons	No Tariff	2.7700	N/A

First 10,000 gallons	No Tariff	N/A	2.0000
Over 10,000 gallons	No Tariff	N/A	3.1820

1" Meter (All Classes Except Standpipe)

0 gallons to 10,000 gallons	No Tariff	1.7700	N/A
Over 10,000 gallons	No Tariff	2.7700	N/A

First 10,000 gallons	No Tariff	N/A	2.0000
Over 10,000 gallons	No Tariff	N/A	3.1820

1.5" Meter (All Classes Except Standpipe)

0 gallons to 25,000 gallons	No Tariff	1.7700	N/A
Over 25,000 gallons	No Tariff	2.7700	N/A

First 29,000 gallons	No Tariff	N/A	2.0000
Over 29,000 gallons	No Tariff	N/A	3.1820

N/A - Non applicable

Present	Company Proposed	Staff Recommended
---------	------------------	-------------------

Commodity Charge - Per Thousand Gallons Continued

2" Meter (All Classes Except Standpipe)

0 gallons to 50,000 gallons	No Tariff	1.7700	N/A
over 50,000 gallons	No Tariff	2.7700	N/A
First 50,000 gallons	No Tariff	N/A	2.0000
Over 50,000 gallons	No Tariff	N/A	3.1820

3" Meter (All Classes Except Standpipe)

0 gallons to 80,000 gallons	No Tariff	1.7700	N/A
over 80,000 gallons	No Tariff	2.7700	N/A
First 115,000 gallons	No Tariff	N/A	2.0000
Over 115,000 gallons	No Tariff	N/A	3.1820

4" Meter (All Classes Except Standpipe)

0 gallons to 350,000 gallons	No Tariff	1.7700	N/A
over 350,000 gallons	No Tariff	2.7700	N/A
First 188,000 gallons	No Tariff	N/A	2.0000
Over 188,000 gallons	No Tariff	N/A	3.1820

6" Meter (All Classes Except Standpipe)

0 gallons to 450,000 gallons	No Tariff	1.7700	N/A
over 450,000 gallons	No Tariff	2.7700	N/A
First 394,000 gallons	No Tariff	N/A	2.0000
Over 394,000 gallons	No Tariff	N/A	3.1820

8" Meter (All Classes Except Standpipe)

0 gallons to 720,000 gallons	No Tariff	1.7700	N/A
over 720,000 gallons	No Tariff	2.7700	N/A
First 642,000 gallons	No Tariff	N/A	2.0000
Over 642,000 gallons	No Tariff	N/A	3.1820

Standpipe (Hydrant/Bulk) Per 1,000 gallons	No Tariff	\$ 3.88	3.1820
---	-----------	---------	--------

N/A - Non applicable

	Present	Company Proposed	Staff Recommended
Miscellaneous Charges			
Establishment (Regular Hours) per Rule R14-2-403D	No Tariff	\$ 30.00	\$ 30.00
Establishment (After Hours) per Rule R14-2-403D	No Tariff	\$ 45.00	\$ 45.00
Re-Establishment of Service per Rule R14-2-403D	No Tariff	[a]	[a]
Reconnection (Delinquent) per Rule R14-2-403D	No Tariff	\$ 30.00	\$ 30.00
Reconnection (After Hours) per Rule R14-2-403D	No Tariff	\$ 45.00	\$ 45.00
Meter Test (if correct) per Rule R14-2-408F	No Tariff	\$ 30.00	\$ 30.00
Meter Reread per Rule R14-2-408C (if correct)	No Tariff	\$ 15.00	\$ 15.00
NSF Check per Rule R14-2-409F	No Tariff	\$ 15.00	\$ 15.00
Deferred Payment, Per Month	No Tariff	1.50%	1.50%
Late Charge	No Tariff	[b]	N/A
Late Charge	No Tariff	N/A	1.5% [d]
Service Calls - Per Hour/After Hours(e)	No Tariff	\$ 50.00	N/A
Service Calls - Flat Rate / After Hours(e)	No Tariff	N/A	\$ 50.00
Deposit Requirements	No Tariff	[c]	[c]
Moving Meter at Customer Request	No Tariff	Cost	Cost

[a] Minimum charge times number of full months off the system. per Rule R14-2-403(D).

[b] Greater of \$5.00 or 1.5% of unpaid balance.

[c] Per ACC Rules R14-2-403(B) Residential - two times the average bill.

Commercial - two and one-half times the average bill.

[d] 1.5% of unpaid balance.

[e] Commission Rules provide for recovery of damage to meter

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 14-2-409D(5).

Service and Meter Installation Charges

	Total Present Charge	Company Proposed Service Line Charge	Company Proposed Meter Installation Charge	Total Company Proposed Charge*
5/8 x 3/4 Inch	No Tariff	At Cost	At Cost	At Cost
3/4 Inch	No Tariff	At Cost	At Cost	At Cost
1 Inch	No Tariff	At Cost	At Cost	At Cost
1 1/2 Inch	No Tariff	At Cost	At Cost	At Cost
2 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
2 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
3 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
3 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
4 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
4 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
6 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
6 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
8 Inch & Larger	No Tariff	At Cost	At Cost	At Cost

* Plus actual road crossing costs.

	Total Present Charge	Staff Recommended Service Line Charge	Staff Recommended Meter Installation Charge	Total Staff Recommended Charge
5/8 x 3/4 Inch	No Tariff	\$1,765	\$105	\$1,870
3/4 Inch	No Tariff	\$1,765	\$180	\$1,945
1 Inch	No Tariff	\$1,765	\$240	\$2,005
1 1/2 Inch	No Tariff	At Cost	At Cost	At Cost
2 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
2 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
3 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
3 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
4 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
4 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
6 Inch / Turbine	No Tariff	At Cost	At Cost	At Cost
6 Inch / Compound	No Tariff	At Cost	At Cost	At Cost
8 Inch & Larger	No Tariff	At Cost	At Cost	At Cost

Off-site Facilities Hook-up Fee	Present	Company Proposed	Staff Recommended*
5/8 x 3/4 Inch	No Tariff	\$ 1,600	\$ 1,600
3/4 Inch	No Tariff	2,400	2,400
1 Inch	No Tariff	4,000	4,000
1 1/2 Inch	No Tariff	8,000	8,000
2 Inch	No Tariff	12,800	12,800
3 Inch	No Tariff	25,600	25,600
4 Inch	No Tariff	40,000	40,000
6 Inch or larger	No Tariff	80,000	80,000

* Staff does not recommend approval of the hook-up fee.

Typical Bill Analysis - Consolidation (Bella Vista)
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,612	\$ 22.90	\$ 33.62	\$ 10.73	46.85%
Median Usage	4,500	19.37	27.33	\$ 7.97	41.13%
Staff Recommended					
Average Usage	6,612	\$ 22.90	\$ 22.32	\$ (0.57)	-2.50%
Median Usage	4,500	19.37	18.10	\$ (1.27)	-6.53%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 15.00	\$ 17.92	19.47%	\$ 13.50	-10.00%
1,000	15.97	19.90	24.61%	14.40	-9.83%
2,000	16.94	21.88	29.16%	15.30	-9.68%
3,000	17.91	23.86	33.22%	16.20	-9.55%
4,000	18.88	25.84	36.86%	17.10	-9.43%
4,500	19.37	27.33	41.13%	18.10	-6.53%
5,000	19.85	28.82	45.19%	19.10	-3.78%
6,000	21.74	31.80	46.27%	21.10	-2.94%
6,612	22.90	33.62	46.85%	22.32	-2.50%
7,000	23.63	34.78	47.19%	23.10	-2.24%
8,000	25.52	37.76	47.96%	25.10	-1.65%
9,000	27.41	40.74	48.63%	27.10	-1.13%
10,000	29.30	43.72	49.22%	29.10	-0.68%
11,000	31.19	47.60	52.61%	32.28	3.50%
12,000	33.08	51.48	55.62%	35.46	7.21%
13,000	34.97	55.36	58.31%	38.65	10.51%
14,000	36.86	59.24	60.72%	41.83	13.48%
15,000	38.75	63.12	62.89%	45.01	16.15%
16,000	40.64	67.00	64.86%	48.19	18.58%
17,000	42.53	70.88	66.66%	51.37	20.79%
18,000	44.42	74.76	68.30%	54.56	22.82%
19,000	46.31	78.64	69.81%	57.74	24.68%
20,000	48.20	82.52	71.20%	60.92	26.39%
25,000	57.65	101.92	76.79%	76.83	33.27%
30,000	69.70	121.32	74.06%	92.74	33.06%
35,000	81.75	140.72	72.13%	108.65	32.91%
40,000	93.80	160.12	70.70%	124.56	32.79%
45,000	105.85	179.52	69.60%	140.47	32.71%
50,000	117.90	198.92	68.72%	156.38	32.64%
75,000	178.15	295.92	66.11%	235.93	32.43%
100,000	238.40	392.92	64.82%	315.48	32.33%

Typical Bill Analysis - Consolidation (Northern Sunrise)
General Service 5/8 x 3/4-Inch Meter

Company Proposer	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,755	\$ 43.08	\$ 31.07	\$ (12.01)	-27.87%
Median Usage	4,500	40.00	27.33	\$ (12.67)	-31.68%
Staff Recommended					
Average Usage	5,755	\$ 43.08	\$ 20.61	\$ (22.47)	-52.15%
Median Usage	4,500	40.00	18.10	\$ (21.90)	-54.75%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 31.00	\$ 17.92	-42.19%	\$ 13.50	-56.45%
1,000	33.00	19.90	-39.70%	14.40	-56.36%
2,000	35.00	21.88	-37.49%	15.30	-56.29%
3,000	37.00	23.86	-35.51%	16.20	-56.22%
4,000	39.00	25.84	-33.74%	17.10	-56.15%
4,500	40.00	27.33	-31.68%	18.10	-54.75%
5,000	41.00	28.82	-29.71%	19.10	-53.41%
5,755	43.08	31.07	-27.87%	20.61	-52.15%
6,000	43.75	31.80	-27.31%	21.10	-51.77%
7,000	46.50	34.78	-25.20%	23.10	-50.32%
8,000	49.25	37.76	-23.33%	25.10	-49.04%
9,000	52.00	40.74	-21.65%	27.10	-47.88%
10,000	54.75	43.72	-20.15%	29.10	-46.85%
11,000	58.65	47.60	-18.84%	32.28	-44.96%
12,000	62.55	51.48	-17.70%	35.46	-43.30%
13,000	66.45	55.36	-16.69%	38.65	-41.84%
14,000	70.35	59.24	-15.79%	41.83	-40.54%
15,000	74.25	63.12	-14.99%	45.01	-39.38%
16,000	78.15	67.00	-14.27%	48.19	-38.33%
17,000	82.05	70.88	-13.61%	51.37	-37.39%
18,000	85.95	74.76	-13.02%	54.56	-36.53%
19,000	89.85	78.64	-12.48%	57.74	-35.74%
20,000	93.75	82.52	-11.98%	60.92	-35.02%
25,000	113.25	101.92	-10.00%	76.83	-32.16%
30,000	132.75	121.32	-8.61%	92.74	-30.14%
35,000	152.25	140.72	-7.57%	108.65	-28.64%
40,000	171.75	160.12	-6.77%	124.56	-27.48%
45,000	191.25	179.52	-6.13%	140.47	-26.55%
50,000	210.75	198.92	-5.61%	156.38	-25.80%
75,000	308.25	295.92	-4.00%	235.93	-23.46%
100,000	405.75	392.92	-3.16%	315.48	-22.25%

Typical Bill Analysis - Consolidated (Southern Sunrise)
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,581	\$ 42.60	\$ 30.55	\$ (12.05)	-28.28%
Median Usage	4,500	40.00	27.33	\$ (12.67)	-31.68%
Staff Recommended					
Average Usage	5,581	\$ 42.60	\$ 20.26	\$ (22.34)	-52.43%
Median Usage	4,500	40.00	18.10	\$ (21.90)	-54.75%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 31.00	\$ 17.92	-42.19%	\$ 13.50	-56.45%
1,000	33.00	19.90	-39.70%	14.40	-56.36%
2,000	35.00	21.88	-37.49%	15.30	-56.29%
3,000	37.00	23.86	-35.51%	16.20	-56.22%
4,000	39.00	25.84	-33.74%	17.10	-56.15%
4,500	40.00	27.33	-31.68%	18.10	-54.75%
5,000	41.00	28.82	-29.71%	19.10	-53.41%
5,581	42.60	30.55	-28.28%	20.26	-52.43%
6,000	43.75	31.80	-27.31%	21.10	-51.77%
7,000	46.50	34.78	-25.20%	23.10	-50.32%
8,000	49.25	37.76	-23.33%	25.10	-49.04%
9,000	52.00	40.74	-21.65%	27.10	-47.88%
10,000	54.75	43.72	-20.15%	29.10	-46.85%
11,000	58.65	47.60	-18.84%	32.28	-44.96%
12,000	62.55	51.48	-17.70%	35.46	-43.30%
13,000	66.45	55.36	-16.69%	38.65	-41.84%
14,000	70.35	59.24	-15.79%	41.83	-40.54%
15,000	74.25	63.12	-14.99%	45.01	-39.38%
16,000	78.15	67.00	-14.27%	48.19	-38.33%
17,000	82.05	70.88	-13.61%	51.37	-37.39%
18,000	85.95	74.76	-13.02%	54.56	-36.53%
19,000	89.85	78.64	-12.48%	57.74	-35.74%
20,000	93.75	82.52	-11.98%	60.92	-35.02%
25,000	113.25	101.92	-10.00%	76.83	-32.16%
30,000	132.75	121.32	-8.61%	92.74	-30.14%
35,000	152.25	140.72	-7.57%	108.65	-28.64%
40,000	171.75	160.12	-6.77%	124.56	-27.48%
45,000	191.25	179.52	-6.13%	140.47	-26.55%
50,000	210.75	198.92	-5.61%	156.38	-25.80%
75,000	308.25	295.92	-4.00%	235.93	-23.46%
100,000	405.75	392.92	-3.16%	315.48	-22.25%

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
BELLA VISTA WATER CO., INC. AN ARIZONA)
CORPORATION, FOR A DETERMINATION OF THE)
FAIR VALUE OF ITS UTILITY PLANTS AND)
PROPERTY AND FOR INCREASES IN ITS WATER)
RATES AND CHARGES FOR UTILITY SERVICE)
BASED THEREON.)

DOCKET NO. W-02465A-09-0411

IN THE MATTER OF THE APPLICATION OF)
NORTHERN SUNRISE WATER COMPANY INC., AN)
ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF ITS)
UTILITY PLANTS AND PROPERTY AND FOR)
INCREASES IN ITS WATER RATES AND CHARGES)
FOR UTILITY SERVICE BASED THEREON.)

DOCKET NO. W-20453A-09-0412

IN THE MATTER OF THE APPLICATION OF)
SOUTHERN SUNRISE WATER COMPANY INC., AN)
ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF ITS)
UTILITY PLANTS AND PROPERTY AND FOR)
INCREASES IN ITS WATER RATES AND CHARGES)
FOR UTILITY SERVICE BASED THEREON.)

DOCKET NO. W-20454A-09-0413

IN THE MATTER OF BELLA VISTA WATER CO.,)	DOCKET NO. W-02465A-09-0414
INC., NORTHERN SUNRISE WATER COMPANY)	DOCKET NO. W-20453A-09-0414
INC., AND SOUTHERN SUNRISE WATER)	DOCKET NO. W-20454A-09-0414
COMPANY, INC.'S JOINT APPLICATION FOR)	
APPROVAL OF AUTHORITY TO CONSOLIDATE)	
OPERATIONS, AND FOR THE TRANSFER OF)	
UITLITY ASSETS TO BELLA VISTA WATER CO.,)	
INC., PURSUANT TO ARIZONA REVISED)	
<u>STATUTES 40-285.</u>)	

SURREBUTTAL

TESTIMONY

OF

PEDRO M. CHAVES

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 18, 2010

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. COST OF EQUITY AND OVERALL RATE OF RETURN	2
III. RESPONSE TO THE REBUTTAL TESTIMONY OF THE APPLICANTS' COST OF CAPITAL WITNESS	3
Mr. Bourassa's Rebuttal	3
IV. STAFF RECOMMENDATIONS.....	7

SURREBUTTAL SCHEDULES

Capital Structure and Weighted Cost of Capital.....	PMC-1
Final Cost of Equity Estimates for Sample Water Utilities	PMC-2
Average Capital Structure of Sample Water Utilities.....	PMC-3
Growth in Earnings & Dividends of Sample Water Utilities	PMC-4
Sustainable Growth for Sample Water Utilities.....	PMC-5
Selected Financial Data of Sample Water Utilities.....	PMC-6
Calculation of Expected Infinite Annual Growth in Dividends.....	PMC-7
Multi-Stage DCF Estimates	PMC-8
Applicants' Capitalization	PMC-9

EXECUTIVE SUMMARY
BELLA VISTA WATER COMPANY, INC.
NORTHERN SUNRISE WATER COMPANY, INC., AND
SOUTHERN SUNRISE WATER COMPANY
DOCKET NOS. W-02465A-09-0411, ET AL

The Surrebuttal testimony of Staff witness Pedro M. Chaves addresses the following issues:

Capital Structure – Staff recommends that the Commission adopt a capital structure for Bella Vista Water Company, Inc., Northern Sunrise Water Company, Inc., and Southern Sunrise Water Company, Inc., (collectively “Applicants”) for this proceeding consisting of 18.7 percent debt and 81.3 percent equity.

Cost of Equity – Staff recommends that the Commission adopt a 9.3 percent return on equity (“ROE”) for the Applicants. Staff’s estimated ROE for the Applicants is based on cost of equity estimates for the sample companies ranging from 9.5 percent for the discounted cash flow method (“DCF”) to 11.1 percent for the capital asset pricing model (“CAPM”). Staff’s ROE recommendation includes a 1.0 percent downward adjustment to reflect a lower financial risk in the Applicants’ capital structure compared to that of the sample companies.

Cost of Debt – Staff recommends that the Commission adopt a 6.3 percent cost of debt.

Overall Rate of Return – Staff recommends that the Commission adopt an overall rate of return (“ROR”) of 8.8 percent.

Response to the Rebuttal Testimony of Applicant’s witness Mr. Thomas J. Bourassa – The Commission should reject the Company-proposed 10.9 percent ROE for the following reasons:

Mr. Bourassa’s DCF estimates rely primarily on analysts’ forecasts.
Mr. Bourassa’s DCF constant-growth analysis does not include dividend growth.
Mr. Bourassa’s firm-specific risk adjustment is not consistent with modern financial theory.

1 **I. INTRODUCTION**

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

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

6
7 **Q. Are you the same Pedro M. Chaves who filed direct testimony in this case?**

8 A. Yes, I am.

9
10 **Q. What is the purpose of your surrebuttal testimony in this rate proceeding?**

11 A. The purpose of my surrebuttal testimony in this rate proceeding is to report on Staff’s
12 updated cost of capital analysis with its recommendations regarding Bella Vista Water
13 Company, Inc., Northern Sunrise Water Company, Inc., and Southern Sunrise Water
14 Company, Inc., (collectively “Applicants”) cost of capital and to respond to the cost of
15 capital portion of the rebuttal testimony of the Applicants’ witness Mr. Thomas J.
16 Bourassa (“Mr. Bourassa’s Rebuttal”).

17
18 **Q. Briefly summarize how Staff’s Surrebuttal Testimony on cost of capital is organized.**

19 A. Staff’s surrebuttal testimony on cost of capital is presented in four sections. Section I is
20 this introduction. Section II discusses Staff’s updated cost of capital analysis. Section III
21 presents Staff’s comments on Mr. Bourassa’s rebuttal testimony. Lastly, Section IV
22 presents Staff’s recommendations.

1 **II. COST OF EQUITY AND OVERALL RATE OF RETURN**

2 **Q. Did Staff update its analysis concerning the Applicant's cost of equity ("COE") since**
3 **it filed its Direct Testimony?**

4 A. Yes. Staff updated its analysis to include the most updated data available.

5
6 **Q. What is Staff's updated COE?**

7 A. Staff's updated COE is 9.3 percent.

8
9 **Q. What is Staff recommending for the Applicants' COE?**

10 A. Staff is recommending a COE of 9.3 percent derived from its updated cost of equity
11 estimated range from 9.5 percent to 11.1 percent with a downward financial risk
12 adjustment of 100 basis points, or 1.0 percent. In Staff's direct testimony, the COE was
13 9.8 percent including a 0.4 percent downward risk adjustment.

14
15 **Q. Did Staff update its analysis concerning the Applicants' overall rate of return**
16 **("ROR")?**

17 A. Yes.

18
19 **Q. What is Staff's updated overall ROR?**

20 A. Staff's updated overall ROR is 8.8 percent.

21
22 **Q. What is Staff recommending for the Applicants' overall rate of return?**

23 A. Staff is recommending an overall rate of return of 8.8 percent. Staff's recommendation is
24 based on a COE of 9.3 percent and a capital structure of 81.3 percent equity and 18.7
25 percent debt, as shown in Surrebuttal Schedule PMC-1. In Staff's direct testimony, the

1 COE was 8.6 percent and the capital structure consisted of 67.8 percent equity and 32.2
2 percent debt.

3
4 **Q. Why is Staff recommending a different capital structure for the Applicant?**

5 A. As indicated above, Staff updated its analysis to include the most updated data available.
6 This update included updating the capital structure as of March 31, 2010. Further, Staff
7 did not make any adjustments to equity as it had in its Direct Testimony since Staff's
8 Surrebuttal adjustments did not materially affect equity.¹ Due to this change in the capital
9 structure, the financial risk decreased resulting in a downward financial risk adjustment of
10 100 basis points for Surrebuttal Testimony vis-à-vis a downward financial risk adjustment
11 of 40 basis points in Direct Testimony.

12
13 **III. RESPONSE TO THE REBUTTAL TESTIMONY OF THE APPLICANTS' COST**
14 **OF CAPITAL WITNESS**

15 **Mr. Bourassa's Rebuttal**

16 **Q. Does Staff have any comment regarding Mr. Bourassa's assessment that "Staff's**
17 **financial risk adjustment is overstated because Staff uses book values rather than**
18 **conceptually correct market values for equity in calculating the risk adjustment**
19 **using the Hamada formula"²?**

20 A. Yes. Staff acknowledges that the Hamada methodology was developed using market
21 values of equity for estimating a financial risk adjustment. However, use of book values
22 to estimate a financial risk adjustment is prudent and reasonable in a regulatory
23 environment. In fact, the Commission has rejected the use of market-value capital
24 structures to determine rates of return.³ Further, the Commission has indicated that it

¹ See Direct Testimony Schedule PMC-9 and Surrebuttal Schedule PMC-9.

² Mr. Bourassa's Rebuttal, page 8, lines 8-10.

³ Commission Decision Nos. 69440, 68858 and 70209, dated May 1, 2007, July 28, 2007 and March 20, 2008, respectively.

1 would be inappropriate to authorize a return on equity to match a market value, when
2 market value differs from book value.⁴

3
4 **Q. Mr. Bourassa states that: “If Bella Vista Water Company (“BVWC”) had its own**
5 **beta, it would have a higher beta than the sample water utility companies.”⁵ Does**
6 **Staff have any comments on this statement?**

7 A. Yes. Mr. Bourassa bases his statement on the premises that the Applicants are smaller in
8 size and have more company-specific risk. As discussed below, the market does not
9 reward for unique risk as it can be diversified away. Therefore, there is no basis to the
10 assumption that the Applicants would have a higher beta other than Mr. Bourassa’s belief.

11
12 **Q. Mr. Bourassa further indicates that: “A higher beta for BVWC would result in a**
13 **much lower financial risk adjustment using the Hamada formula.”⁶ Does Staff have**
14 **any comments on this statement?**

15 A. Yes. Mr. Bourassa’s assertion is a misrepresentation of the purpose of the Hamada
16 formula. The purpose is to quantify differences in the cost of capital due to differences in
17 capital structures, not to account for differences in beta. Further, his claim is based on the
18 unfounded premise that the Applicants have a higher beta.

19
20 **Q. Does Staff have any comments regarding Mr. Bourassa’s statement that “Contrary**
21 **to Mr. Chaves’s assertions, the investment related to such factors as firm size and**
22 **Arizona’s regulatory environment are important to investors.”⁷?**

23 A. Yes. First, Staff clearly indicated that the existence of firm-specific risk (unique risk)
24 does not lead to the conclusion that a company with firm-specific risk has more total risk

⁴ Commission Decision No. 70372, dated June 13, 2008.

⁵ Mr. Bourassa’s Rebuttal, page 8, lines 14 - 15.

⁶ Mr. Bourassa’s Rebuttal, page 8, lines 23 - 24.

⁷ Mr. Bourassa’s Rebuttal, page 13, lines 11-13.

1 than others and that the market does not compensate investors for firm-specific risk
2 because that risk can be eliminated through diversification. In other words, firm size and
3 regulatory risks are firm-specific risks whether it is in Arizona or another state. Investors
4 cannot expect to be compensated for firm-specific risks as these can be diversified away.

5
6 Second, the unique regulatory environments of the sample companies and the Applicants
7 are firm-specific risks for which investors cannot expect compensation. Mr. Bourassa
8 does not demonstrate that Arizona is a less favorable regulatory environment from those
9 of the sample companies. Every regulatory jurisdiction has its own framework with its
10 own specific identifiable advantages and disadvantages; however, it is the overall effect
11 that is relevant. Nothing in Mr. Bourassa's testimony provides this overall perspective.
12 The fact that investors continue to acquire Arizona utilities and invest capital in Arizona
13 utilities debunks the notion that the regulatory environment in Arizona places utilities at
14 some disadvantage. The regulatory framework in Arizona has many attractive attributes
15 including but not limited to: use of fair value rate base, ability to seek accounting orders,
16 recognition of known and measurable changes, wide use of hook-up fees and regulatory
17 responsiveness to utility industry concerns (e.g., arsenic cost recovery mechanisms and
18 arsenic remedial surcharge mechanisms).

19
20 **Q. Can Staff cite any studies that address the effects of a utility's small size on its cost of**
21 **capital?**

22 **A.** Yes. This matter is the subject of a study by Annie Wong, which was published in the
23 *Journal of the Midwest Finance Association* in 1993. The study concluded that while a
24 firm size risk factor may be required for industrial firms, it is not required for utilities:

25
26 The objective of this study is to examine if the size effect exists in the utility
27 industry. After controlling for equity values, there is some weak evidence

1 that firm size is a missing factor from the CAPM for the industrial but not for
2 the utility stocks. This implies that although the size phenomenon has been
3 strongly documented for the industrials, the findings suggest that there is no
4 need to adjust for the firm size in utility rate regulations.⁸

5

6 **Q. Does Wong explain why size is not relevant in the utility industry?**

7 A. Yes. Wong explains that the main reasons are monopolistic power and the regulated
8 financial structure of utilities:

9

10 First, given firm size, utility stocks are consistently less risky than industrial
11 stocks. Second, industrial betas tend to decrease with firm size but utility
12 betas do not. These findings may be attributed to the fact that all public
13 utilities operate in an environment with regional monopolistic power and
14 regulated financial structure. As a result, the business and financial risks are
15 very similar among the utilities regardless of their sizes. Therefore, utility
16 betas would not necessarily be expected to be related to firm size.⁹

17

18 **Q. Does Staff have any additional comments to the Company's discussion regarding**
19 **risk due to small firm size?**

20 A. Yes. The Applicants are owned by Algonquin Water Resources of America, Inc.
21 ("AWRA") known as Liberty Water, Inc. AWRA is an indirect wholly owned subsidiary
22 of Algonquin Power Income Fund which is publicly traded on the Toronto Stock
23 Exchange. In October, 2009, Algonquin Power Income fund converted to a Corporation
24 known as Algonquin Power and Utility Corp. As subsidiaries of a publicly traded
25 company, The Applicants have access to capital markets through its corporate parent.

⁸ Wong, Annie. "Utility Stocks and the Size Effect: An Empirical Analysis." Journal of the Midwest Finance Association. 1993. Page 98.

⁹ Ibid.

1 **Q. Mr. Bourassa indicates that Staff's assertion that he relies exclusively on analyst**
2 **estimates is erroneous.¹⁰ Does Staff have a response to this assertion?**

3 **A. Yes. Mr. Bourassa does not rely exclusively on analyst estimates. Instead, Mr. Bourassa**
4 **relies on forecasted growth rates as his primary estimate of growth.**

5
6 **Q. Does your silence on any of the issues, matters or findings addressed in the testimony**
7 **of any of the witnesses for the Applicants constitute your acceptance of their**
8 **positions on such issues, matters or findings?**

9 **A. No. Staff limited its discussion to the specific issues outlined above. Staff's lack of**
10 **response to any issue in this proceeding should not be construed as agreement with the**
11 **Company's position in its rebuttal testimony; rather, where there is no response Staff**
12 **relies on its original Direct Testimony.**

13
14 **IV. STAFF RECOMMENDATIONS**

15 **Q. What are Staff's recommendations for the Applicants' cost of capital?**

16 **A. Staff makes the following recommendations for the Applicants' cost of capital:**

- 17 1. Staff recommends a capital structure of 18.7 percent debt and 81.3 percent equity.
18 2. Staff recommends a cost of debt of 6.3 percent.
19 3. Staff recommends a cost of equity of 9.3 percent.
20 4. Staff recommends an overall rate of return of 8.8 percent.

21
22 **Q. Does this conclude your testimony?**

23 **A. Yes, it does.**

¹⁰ Mr. Bourassa's Rebuttal, page 14, lines 11- 12.

Bella Vista Water Company, Inc., et al.
Capital Structure
And Weighted Average Cost of Capital
Staff Recommended and Company Proposed

[A] <u>Description</u>	[B] <u>Weight (%)</u>	[C] <u>Cost</u>	[D] <u>Weighted Cost</u>
Staff Recommended Structure			
Debt	18.7%	6.3%	1.2%
Common Equity	81.3%	9.3%	7.6%
Weighted Average Cost of Capital			8.8%
Company Proposed Structure			
Debt	22.6%	6.3%	1.4%
Common Equity	77.4%	10.9%	8.4%
Weighted Average Cost of Capital			9.9%

[D] : [B] x [C]
 Supporting Schedules: PMC-2 and PMC-3.

Bella Vista Water Company, Inc., et al.
Average Capital Structure of Sample Water Utilities

[A]	[B]	[C]	[D]
<u>Company</u>	<u>Debt</u>	<u>Common Equity</u>	<u>Total</u>
American States Water	46.8%	53.2%	100.0%
California Water	48.0%	52.0%	100.0%
Aqua America	56.6%	43.4%	100.0%
Connecticut Water	55.8%	44.2%	100.0%
Middlesex Water	53.3%	46.7%	100.0%
SJW Corp	<u>49.0%</u>	<u>51.0%</u>	<u>100.0%</u>
Average Sample Water Utilities	51.6%	48.4%	100.0%
Applicants Current Capital Structure ¹	18.7%	81.3%	100.0%

Source:

Sample Water Companies from Value Line

Supporting Schedule: PMC-9

¹ As of March 31, 2010.

Bella Vista Water Company, Inc., et al.
 Growth in Earnings and Dividends
 Sample Water Utilities

[A] Company	[B] Dividends Per Share 1999 to 2009 DPS ¹	[C] Dividends Per Share Projected DPS ¹	[D] Earnings Per Share 1999 to 2009 EPS ¹	[E] Earnings Per Share Projected EPS ¹
American States Water	1.6%	3.4%	3.1%	7.7%
California Water	0.7%	1.3%	2.5%	5.9%
Aqua America	6.6%	6.5%	6.2%	12.7%
Connecticut Water	1.3%	No Projection	1.5%	No Projection
Middlesex Water	1.7%	No Projection	-0.5%	No Projection
SJW Corp	5.1%	No Projection	-0.7%	No Projection
Average Sample Water Utilities	2.8%	3.7%	2.0%	8.8%

¹ Value Line

Bella Vista Water Company, Inc., et al.
Sustainable Growth
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]
<u>Company</u>	Retention Growth 2000 to 2009 <u>br</u>	Retention Growth Projected <u>br</u>	Stock Financing Growth <u>vs</u>	Sustainable Growth 2000 to 2009 <u>br + vs</u>	Sustainable Growth Projected <u>br + vs</u>
American States Water	3.0%	5.4%	1.9%	5.0%	7.3%
California Water	2.0%	5.9%	3.8%	5.8%	9.7%
Aqua America	4.6%	7.2%	3.7%	8.3%	11.0%
Connecticut Water	2.5%	No Projection	0.7%	3.2%	No Projection
Middlesex Water	1.2%	No Projection	3.0%	4.1%	No Projection
SJW Corp	<u>4.0%</u>	<u>No Projection</u>	<u>0.1%</u>	<u>4.1%</u>	<u>No Projection</u>
Average Sample Water Utilities	2.9%	6.2%	2.2%	5.1%	9.3%

[B]: Value Line
 [C]: Value Line
 [D]: Value Line and MSN Money
 [E]: [B]+[D]
 [F]: [C]+[D]

Bella Vista Water Company, Inc., et al.
 Selected Financial Data of Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Company	Symbol	Spot Price 6/2/2010	Book Value	Mkt To Book	Value Line Beta β	Raw Beta β_{raw}
American States Water	AWR	34.64	19.61	1.8	0.80	0.67
California Water	CWT	35.71	20.58	1.7	0.75	0.60
Aqua America	WTR	17.33	8.28	2.1	0.65	0.45
Connecticut Water	CTWS	21.49	12.80	1.7	0.80	0.67
Middlesex Water	MSEX	17.50	10.94	1.6	0.75	0.60
SJW Corp	SJW	24.55	14.73	1.7	0.95	0.90
Average				1.8	0.78	0.65

[C]: Msn Money

[D]: Value Line

[E]: [C] / [D]

[F]: Value Line

[G]: $(-0.35 + [F]) / 0.67$

Bella Vista Water Company, Inc., et al.
 Calculation of Expected Infinite Annual Growth in Dividends
 Sample Water Utilities

[A]	[B]
<u>Description</u>	<u>g</u>
DPS Growth - Historical ¹	2.8%
DPS Growth - Projected ¹	3.7%
EPS Growth - Historical ¹	2.0%
EPS Growth - Projected ¹	8.8%
Sustainable Growth - Historical ²	5.1%
<u>Sustainable Growth - Projected²</u>	<u>9.3%</u>
Average	5.3%

¹ Schedule PMC-4

² Schedule PMC-5

Bella Vista Water Company, Inc., et al.			
Capitalization			
		<u>Amount outstanding</u> <u>as of 3/31/2010</u>	<u>Percentage of</u> <u>Capital Structure</u>
Total Debt	\$	1,557,567	18.7%
Total Equity ¹	\$	6,751,367	81.3%
Total Capitalization	\$	8,308,933	100.0%

¹ Adjustments to Equity -

Note: Staff's recommended capital structure does not include the adjustments because they are immaterial.

Applicants Equity as of 3/31/2010	\$	6,751,367
Accumulated Depreciation Adjustment (a)	\$	1,873,781
CIAC Adjustment (Bella Vista Water Company (Consolidated) Schedule D-1)	\$	(27,772)
Accumulated Deferred Income Tax Adjustment (b)	\$	(645,055)
Plant Retirements (Surrebuttal Testimony of Crystal Brown for Bella Vista, Schedule CSB-4)	\$	(1,333,228)
Total Equity	\$	6,619,093
Immaterial Adjustments not recognized	\$	132,274
Staff's Recommended Equity	\$	6,751,367

(a) Accumulated Depreciation Adjustment

Bella Vista Water Company (Consolidated) Schedule D-1	\$	(106,253)
Surrebuttal Testimony of Crystal Brown for Bella Vista, Schedule CSB-4	\$	1,954,466
Surrebuttal Testimony of Crystal Brown for Northern Sunrise, Schedule CSB-4	\$	2,827
Surrebuttal Testimony of Crystal Brown for Southern Sunrise, Schedule CSB-4	\$	22,741
Total Accumulated Depreciation Adjustment	\$	1,873,781

(b) Accumulated Deferred Income Tax Adjustment

Bella Vista Water Company (Consolidated) Schedule D-1	\$	72,169
Surrebuttal Testimony of Crystal Brown for Bella Vista, Schedule CSB-4	\$	(558,105)
Surrebuttal Testimony of Crystal Brown for Northern Sunrise, Schedule CSB-4	\$	(65,743)
Surrebuttal Testimony of Crystal Brown for Southern Sunrise, Schedule CSB-4	\$	(93,376)
Total Accumulated Deferred Income Tax Adjustment	\$	(645,055)

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF)
BELLA VISTA WATER CO., INC. AN ARIZONA)
CORPORATION, FOR A DETERMINATION OF)
THE FAIR VALUE OF ITS UTILITY PLANTS)
AND PROPERTY AND FOR INCREASES IN ITS)
WATER RATES AND CHARGES FOR UTILITY)
SERVICE BASED THEREON.)

DOCKET NO. W-02465A-09-0411

IN THE MATTER OF THE APPLICATION OF)
NORTHERN SUNRISE WATER CO., INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF ITS)
UTILITY PLANTS AND PROPERTY AND FOR)
INCREASES IN ITS WATER RATES AND)
CHARGES FOR UTILITY SERVICE BASED)
THEREON.)

DOCKET NO. W-20453A-09-0412

IN THE MATTER OF THE APPLICATION OF)
SOUTHERN SUNRISE WATER CO., INC.,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE OF ITS)
UTILITY PLANTS AND PROPERTY AND FOR)
INCREASES IN ITS WATER RATES AND)
CHARGES FOR UTILITY SERVICE BASED)
THEREON.)

DOCKET NO. W-20454A-09-0413

IN THE MATTER OF THE JOINT APPLICATION) DOCKET NO. W-02465A-09-0414
OF BELLA VISTA WATER CO., INC.,) DOCKET NO. W-20453A-09-0414
NORTHERN SUNRISE WATER CO., INC.) DOCKET NO. W-20454A-09-0414
AND SOUTHERN SUNRISE WATER CO., INC.)
FOR APPROVAL OF AUTHORITY TO)
CONSOLIDATE OPERATIONS, AND FOR THE)
TRANSFER OF UTILITY ASSETS TO BELLA)
VISTA WATER CO., INC., PURSUANT TO)
ARIZONA REVISED STATUTES 40-285.)
_____)

SURREBUTTAL
TESTIMONY
OF
MARLIN SCOTT JR
UTILITIES ENGINEER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JUNE 18, 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
WATER TESTING EXPENSES.....	1
NON-ACCOUNT WATER.....	3
OFF-SITE HOOK-UP FEE TARIFF	4

ATTACHMENTS

WATER TESTING EXPENSE TABLES	A
OFF-SITE HOOK-UP FEE TARIFF'	B

**SURREBUTTAL SUMMARY
BELLA VISTA WATER CO., INC.
DOCKET NO. W-02465A-09-0411 ET AL**

CONCLUSION/RECOMMENDATIONS

- A. Staff recommends an adjusted annual water testing expense totaling to \$51,155 (\$43,192 for Bella Vista, \$3,568 for Northern Sunrise and \$4,395 for Southern Sunrise).
- B. At this time, Staff does not know the “true” water loss for the Companies because of the mismatch of the meter reading data. This is the reason why Staff recommends that the Companies monitor their water systems and prepare water loss reports for each water system.
- C. Staff recommends approval of the request for an Off-Site Hook-Up (“HUF”) Tariff for Bella Vista, which will coincide with Staff’s recommended approval for Northern Sunrise’s and Southern Sunrise’s HUF Tariff. Staff further recommends the approval of the fee starting at \$1,600 and the adoption of the revised tariff language contained in Attachment B – Off-Site Hook-Up Fee Tariff.

1 **INTRODUCTION**

2 **Q. Please state your name, place of employment and job title.**

3 A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation
4 Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix,
5 Arizona 85007. My job title is Utilities Engineer.

6
7 **Q. Are you the same Marlin Scott, Jr. who submitted direct testimony on behalf of the**
8 **Utilities Division?**

9 A. Yes.

10
11 **Q. What was the purpose of that testimony?**

12 A. My direct testimony provided the Utilities Division Staff's ("Staff") engineering
13 evaluation of Bella Vista Water Co., Inc., Northern Sunrise Water Co., Inc., and Southern
14 Sunrise Water Co., Inc., collectively known as Companies, for this proceeding.

15
16 **Q. What is the purpose of your surrebuttal testimony?**

17 A. My surrebuttal testimony provides Staff's response to the Companies' rebuttal testimony
18 on three issues; 1) water testing expenses, 2) non-account water, and 3) Off-Site Hook-Up
19 Fee Tariff.

20
21 **WATER TESTING EXPENSES**

22 **Q. Have you reviewed the rebuttal testimony of Greg Sorensen regarding the water**
23 **testing expenses?**

24 A. Yes.

1 **Q. First, with reference to the Bella Vista systems, do you need to make a correction to**
2 **your direct testimony?**

3 A. Yes. For Recommendation #3 on page 3 of 74 in Exhibit MSJ, the amount of \$3,920 is a
4 typo and should be corrected to \$18,805. However, in this surrebuttal testimony, Staff
5 recommends the \$18,805 amount be revised based on Mr. Sorensen's rebuttal testimony.

6
7 **Q. What was Mr. Sorensen's conclusion regarding the water testing expenses?**

8 A. In Staff's direct testimony, Staff accepted the Companies' annual water testing expenses
9 totaling to \$28,184 (\$18,805 for Bella Vista, \$3,787 for Northern Sunrise and \$5,592 for
10 Southern Sunrise). Mr. Sorensen acknowledged that the Companies' annual water testing
11 expenses totaling \$28,184 does not include all the expenses for the testing required. As a
12 result of this oversight, the Companies proposed annual water testing expenses totaling to
13 \$66,652 (\$58,527 for Bella Vista, \$4,357 for Northern Sunrise and \$3,767 for Southern
14 Sunrise).

15
16 **Q. Does Staff agree with Mr. Sorensen's conclusion that the annual water testing**
17 **expenses need to be adjusted?**

18 A. Yes. Using data from Staff's Data Request MSJ 6-2 and Companies' Data Request 1.6,
19 Staff and the Companies reviewed all the testing requirements and agreed to an adjustment
20 totaling to \$51,155 (\$43,192 for Bella Vista, \$3,568 for Northern Sunrise and \$4,395 for
21 Southern Sunrise). The adjusted water testing expense tables are attached to this
22 testimony as Attachment A – Water Testing Expense Tables.

1 **Q. What is Staff's recommendation regarding the adjusted annual water testing**
2 **expenses?**

3 A. As stated above, Staff recommends an adjusted annual water testing expense totaling to
4 \$51,155 (\$43,192 for Bella Vista, \$3,568 for Northern Sunrise and \$4,395 for Southern
5 Sunrise).

6
7 **NON-ACCOUNT WATER**

8 **Q. Have you reviewed the rebuttal testimony of Mr. Sorensen regarding the non-**
9 **account water?**

10 A. Yes.

11

12 **Q. What was Mr. Sorensen's conclusion regarding the non-account water?**

13 A. Although Mr. Sorensen stated that the Companies "do not object to most of Staff's
14 monitoring, reporting and other recommendations", Mr. Sorensen has a concern about
15 reading the customer meters at the same time as the production meters. Mr. Sorensen
16 stated that since the Companies have several thousand customers, all the meters cannot be
17 read in one day.

18

19 **Q. Does Staff agree with Mr. Sorensen's conclusion that all meters should be read in one**
20 **day?**

21 A. No.

22

23 **Q. What is Staff's recommendation regarding the read of meters?**

24 A. In Staff's direct testimony, Staff stated that "the Companies should coordinate when it
25 reads the production meters each month with customer monthly meter readings so that an
26 accurate accounting can be made." Staff reiterated this same testimony in response to the

1 Companies' Data Request 1.2, which states "The companies need to coordinate its meter
2 readings such that they can best know what the companies' water losses are on an annual
3 basis." Staff did not say that all meters should be read in one day.
4

5 **Q. Mr. Sorensen stated that the Companies have four billing cycles for Bella Vista and**
6 **two billing cycles each for Northern Sunrise and Southern Sunrise. Can all meters**
7 **be read in one day?**

8 A. All meters cannot be read on the same day. This is why Staff stated that the Companies
9 need to coordinate their meter readings. It is the responsibility of the Companies to
10 provide accurate accounting of the water pumped and sold to determine the amount of
11 water lost due to leaks and/or other uses.
12

13 **Q. According to Mr. Sorensen, the Companies' do not have significant water loss**
14 **problems. Do you agree?**

15 A. At this time, Staff does not know the "true" water loss for the Companies because of the
16 mismatch of the meter reading data. This is the reason why Staff recommends that the
17 Companies monitor their water systems and prepare water loss reports for each water
18 system.
19

20 **OFF-SITE HOOK-UP FEE TARIFF**

21 **Q. Have you reviewed the rebuttal testimony of Mr. Sorensen regarding the Off-Site**
22 **Hook-Up Fee ("HUF") Tariff?**

23 A. Yes.

1 **Q. What was Mr. Sorensen's concerns regarding the HUF Tariff?**

2 A. Mr. Sorensen had three concerns. First, Staff recommended denial of a HUF Tariff for
3 Bella Vista and recommended approval to increase the fee starting at \$1,600 to Northern
4 Sunrise's and Southern Sunrise's existing HUF Tariffs. Mr. Sorensen provided some
5 operational perspective comments related to system growth and demand on why a HUF
6 Tariff should be approval for Bella Vista.

7

8 Second, Mr. Sorensen shared his concern regarding the implementation of the HUF Tariff
9 for Northern Sunrise and Southern Sunrise and, if consolidated with Bella Vista, how will
10 the recommended approved HUF Tariff implementation for Northern Sunrise and
11 Southern Sunrise effect the recommended Tariff denial for Bella Vista.

12

13 Third, Mr. Sorensen has accepted some of Staff's language changes and has further
14 provided additional language and changes in the HUF Tariff.

15

16 **Q. What is Staff's response?**

17 A. First, regarding the HUF Tariff denial for Bella Vista, Staff has re-evaluated Bella Vista's
18 water system configuration, operation, and well production, and has concluded that a HUF
19 Tariff, starting at \$1,600, is reasonable.

20

21 Second, with regard to the implementation of the HUF Tariff, since Staff is now
22 recommending approval of the Bella Vista HUF Tariff, the implementation of the HUF
23 Tariff as a consolidated operation should not be a concern.

1 **Q. With regard to the third concern, what is Staff's response?**

2 A. Since HUF revenue is collected to assist in the construction of needed additional facilities
3 and not intended to, in all cases, cover the total cost of these facilities, Staff disagrees with
4 Mr. Sorensen's "true up" revision. The HUFs are not meant to pay for all facilities.

5

6 With regard to the CIAC treatment, I will defer this issue to the Staff Accounting witness.

7

8 Mr. Sorensen's change from the word "trust" to "bank" is acceptable to Staff.

9

10 **Q. What is Staff's recommendation regarding the HUF Tariff?**

11 A. Staff recommends approval of the request for a HUF Tariff for Bella Vista, which will
12 coincide with Staff's recommended approval for Northern Sunrise's and Southern
13 Sunrise's HUF Tariff. Staff further recommends the approval of the fee starting at \$1,600
14 and the adoption of the revised tariff language contained in Attachment B – Off-Site
15 Hook-Up Fee Tariff.

16

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

18 A. Yes.

**Attachment A –
Water Testing Expense Tables**

Bella Vista Water Company

Water Testing Expenses

Monitoring (Test per 3 years, unless noted.)	Method	Cost per Sample	Number of Samples	Cost per Monitoring	Total Cost	Annual Cost	South System		
							Number of Samples	Total Cost	Annual Cost
Total Coliform – monthly	9223	\$15	30	\$450	\$5,400	\$5,400	3	\$540	\$540
Inorganics	Various	\$170	15	\$2,550	\$2,550	\$850			
Radiochemical - per 4 yrs.									
Gross Alpha	900	\$85	15	\$1,275	\$1,275	\$319			
Radium 226 & Radium 228	903.1	\$150	15	\$2,250	\$2,250	\$563			
Phase II and V:									
Nitrate - annual	300	\$15	15	\$225	\$225	\$225			
Nitrite - per 9 yrs.	300	\$30	15	\$450	\$450	\$50			
Asbestos - per 9 yrs.	100	\$110	15	\$1,650	\$1,650	\$183			
Inorganics - Ba, CN, F	Various	\$60	15	\$900	\$900	\$300			
VOC's	524.2	\$175	15	\$2,625	\$2,625	\$875			
Pesticides/PCB's/Unreg./SOC's:									
EDB & DBCP	504.1	\$130	15	\$1,950	\$3,900	\$1,300			
Group 1 - alachlor, etc.	507	-	15	-	-	-			
Group 2 - aldrin, etc.	508	\$180	15	\$2,700	\$5,400	\$1,800			
Group 3 - 2,4 - D, etc.	515.1	\$180	15	\$2,700	\$5,400	\$1,800			
Group 4 - Benzo(a)pyrene, etc.	525.2	\$330	15	\$4,950	\$9,900	\$3,300			
Group 5 - aldicarb, etc.	531.1	\$180	15	\$2,700	\$5,400	\$1,800			
Glyphosate	547	\$190	15	\$2,850	\$5,700	\$1,900			
Endothall	548.1	\$215	15	\$3,225	\$6,450	\$2,150			
Diquat	549.1	\$190	15	\$2,850	\$5,700	\$1,900			
Dioxin	1613	\$495	15	\$7,425	\$14,850	\$4,950			
Lead & Copper	200	\$33	30	\$990	\$990	\$330	10	\$330	\$110
TTHM - City quarterly/South annually	502.2	\$109	7	\$762	\$3,049	\$3,049	10	\$1,089	\$1,089
HAA5s - City quarterly/South annually	552.2	\$155	7	\$1,085	\$4,340	\$4,340	10	\$1,550	\$1,550
Others - UCMR List #2 - per 7 yrs.	527								
	529	\$260	15	\$3,900	\$3,900	\$557			
MAP (South System)								\$1,962	\$1,962
TOTALS:					\$92,304	\$37,941		\$5,471	\$5,251

Bella Vista's Annual Cost:	\$43,192
-----------------------------------	-----------------

Northern Sunrise Water Company
Water Testing Expense

Monitoring	Cost per test	No. of test	Annual Cost
Total coliform – monthly			
Mustang/Crystal System	\$15	24	\$360
Sierra Sunset System		12	\$180
Coronado Estates System		12	\$180
MAP – IOCs, Radiochemicals, Nitrates, Nitrites, Asbestos, SOCs, & VOCs			
Mustang/Crystal System	MAP	MAP	\$566
Sierra Sunset System			\$317
Coronado Estates System			\$754
Lead & Copper – per 3 years			
Mustang/Crystal System	\$33	5	\$55
Sierra Sunset System		5	\$55
Coronado Estates System		10	\$110
D/DBP – TTHM – annually			
Mustang/Crystal System	\$109	1	\$109
Sierra Sunset System		1	\$109
Coronado Estates System		1	\$109
D/DBP – HAA5 – annually			
Mustang/Crystal System	\$155	1	\$155
Sierra Sunset System		1	\$155
Coronado Estates System		1	\$155
Others -Mustang			
Ethylbenzene * Xylenes - annually	\$200	1	\$200
Total:			\$3,568

Southern Sunrise Water Company
Water Testing Expense

Monitoring	Cost per test	No. of test	Annual Cost
Total coliform – monthly			
Cochise/Horseshoe Ranch System	\$15	24	\$360
Miracle Valley System		12	\$180
MAP – IOCs, Radiochemicals, Nitrates, Nitrites, Asbestos, SOCs, & VOCs	MAP	MAP	
Cochise/Horseshoe Ranch System			\$1,743
Miracle Valley System			\$900
Lead & Copper – per 3 years			
Cochise/Horseshoe Ranch System	\$33	10	\$110
Miracle Valley System		10	\$110
D/DBP – TTHM – annually			
Cochise/Horseshoe Ranch System	\$109	2	\$218
Miracle Valley System		1	\$109
D/DBP – HAA5 – annually			
Cochise/Horseshoe Ranch System	\$155	2	\$310
Miracle Valley System		1	\$155
Others -Miracle Valley			
di2ethylhexylphtalate - annually	\$200	1	\$200
Total:			\$4,395

**Attachment B –
Off-Site Hook-Up Fee Tariff**

**BELLA VISTA WATER COMPANY, INC.,
NORTHERN SUNRISE WATER COMPANY, INC.
&
SOUTHERN SUNRISE WATER COMPANY, INC.
WATER HOOK-UP FEE TARIFF**

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to **Bella Vista, Northern Sunrise and Southern Sunrise Water Companies** (“the Company”) pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement entered into established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company’s establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission’s (“Commission”) rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

“Applicant” means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

“Company” means **Bella Vista, Northern Sunrise and Southern Sunrise Water Companies**.

“Main Extension Agreement” means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities necessary to the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfers ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as “Water Facilities Agreement” or “Line Extension Agreement.”

“Off-site Facilities” means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

“Service Connection” means and includes all service connections for single-family residential, commercial, industrial or other uses, regardless of meter size.

III. Water Hook-up Fee

For each new service connection, the Company shall collect a Hook-Up Fee derived as follows:

OFF-SITE WATER HOOK-UP FEE TABLE		
METER SIZE	SIZE FACTOR	TOTAL FEE
5/8" x 3/4"	1	\$1,600
3/4"	1.5	\$2,400
1"	2.5	\$4,000
1-1/2"	5	\$8,000
2"	8	\$12,800
3"	16	\$25,600
4"	25	\$40,000
6" or larger	50	\$80,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge). ~~or commercial/industrial property although a supplemental assessment may apply to conform to the above table if the intended use of a parcel/property is subsequently altered from that originally intended when the first assessment was paid.~~

(B) Use of Off-Site Hook-up Fee: Off-site hook-up fees may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. ~~The Company shall not record amounts collected under this tariff as CIAC until such amounts have been expended for plant.~~

(C) Time of Payment:

- 1) For those requiring a Main Extension Agreement: In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the Hook-Up Fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

- 2) For those connecting to an existing main: In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.
- (D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.
- (E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.
- (F) Large Subdivision Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements.
- (G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company as Hook-Up Fees pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.
- (H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate unaffiliated third-party interest bearing bank trust account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.
- (I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the ~~trust~~ unaffiliated third-party interest bearing bank account shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2011, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and an itemization of all facilities that have been installed using the tariff funds during the 12 month period.