ORIGINAL

NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner

W-01303A-12-0427
SW-01303A-12-0427
W-02113A-12-0427

IN THE MATTER OF THE JOINT APPLICATION OF EPCOR WATER ARIZONA INC. AND CHAPARRAL CITY WATER COMPANY FOR APPROVAL OF AN ACCOUNTING ORDER TO DEFER POST-IN-SERVICE	DOCKET NO. W-01303A-12- DOCKET NO. SW-01303A-12- DOCKET NO. W-02113A-12-_ **APPLICATION FOR APPROVAL OF AN ACCOUNTING ORDER TO DEFER POST-IN-SERVICE AFUDC AND DEPRECIATION**

EPCOR Water Arizona Inc. ("EWAZ") and Chaparral City Water Company ("CCWC") (collectively, "Applicants") jointly request approval of an accounting order to defer post-in-service AFUDC and associated depreciation and amortization expense for up to twenty-four months starting July 1, 2012 for CCWC and the EWAZ water districts of Anthem, Havasu, Mohave, Paradise Valley, Sun City, Sun City West, and Tubac and for the wastewater districts of Mohave and Sun City Wastewater ("Rate Case Districts"), which are the districts that the Applicants intend to include in their next rate case filing.

For the remainder of the EWAZ districts not included in the next rate case filing (Agua Fria water district and Agua Fria, Anthem, and Sun City West wastewater districts), EWAZ also requests approval of an accounting order to defer post-in-service AFUDC and associated depreciation and amortization expense for twenty-four months starting on the first day of the test year for the rate case filings for these remaining districts.

EPCOR Water USA Inc. is the owner of both EWAZ and CCWC.

1) REQUEST FOR CCWC AND EWAC DISTRICTS IN NEXT RATE CASE

Applicants presently intend to file the next rate case for CCWC and the Rate Case Districts using the test year ended June 30, 2013 with a target filing date of fall 2013. If the accounting order is approved, recovery of the costs deferred during the 24-month deferral period would commence upon effectiveness of new rates for that June 30, 2013 test year rate case based on the deferral recovery method determined in that proceeding. The specific details of recovery of the deferrals in rates need not be determined as part of approval of an accounting order.

After a series of workshops, Commission Staff docketed on March 19, 2012, its compliance report in Docket No. W-00000C-06-0149 and recommended "[c]onsideration of authorizing utilities to record and defer depreciation and a cost of money using an AFUDC rate on qualified plant replacements for up to 24 months after the in-service date to mitigate the effects of regulatory lag." Attached as Exhibit 1 are relevant excerpts from Staff's recent compliance report. Applicants briefly discussed these excerpts with Commission Staff and confirmed that Commission Staff is anticipating filings such as this one from individual water companies based on its recommendation.

The Applicants' previous test years ending from completed rate cases for CCWC and the Rate Case Districts range from 2006 to June 2010 and, therefore, the negative effects of regulatory lag have occurred since then. This request, however, is only for the 24-month period recommended by Commission Staff and commencing on July 1, 2012. Applicants, therefore, have been carrying the cost of plant placed in-service since the end of each districts' respective previous test years - between two years and five and one-half years already depending on the district - before the start of the requested 24-month deferral period for which the negative effects of regulatory lag will continue.

The new plant additions during the 24-month deferral period include all capital projects such projects as wells, water mains, valves, laterals, meters and hydrants replacements, booster stations, and facilities equipment. Given that the purpose of the deferral is to mitigate the harmful effects of regulatory lag, there is no reason to exclude any new plant from the deferral.

In order to put this deferral request into perspective, the existing approved rate bases for the Rate Case Districts and CCWC, as well as the estimated net utility plant in-service additions are displayed below:

	Existing Rate Base	Estimated Net Plant Additions During 24-Month Period
Anthem Water	$57,248,934	$1,928,401
Havasu Water	$ 3,578,982	$1,445,874
Mohave Water	$11,418,252	$8,249,838
Paradise Valley Water	$37,076,955	$3,582,370
Sun City Water	$28,558,675	$2,227,368
Sun City West Water	$37,235,836	$2,176,162
Tubac Water	$ 1,420,999	$ 266,185
Mohave Wastewater	$ 647,473	$ 261,915
Sun City Wastewater	$15,488,742	$ 997,285
CCWC	$26,776,414	$4,890,579

The above net plant additions are provided for information purposes only. The deferral will rely on all actual plant additions during the 24-month period, which may be more or less than the estimated net plant additions above. Much more details on the above estimated net plant additions are provided in Exhibit 2 and, of course, more information is available from the Applicants in discovery.

In the deferral calculations, net plant additions are defined as actual utility plant in service each month minus the June 2012 balances at the district level and so forth for new contributions and new net advances.

In calculating the actual deferral of post in service AFUDC, Applicants would apply to net plant additions the existing Commission-approved AFUDC rates as follows:

	AFUDC Debt	AFUDC Equity
Anthem Water	3.00%	3.70%
Havasu Water	2.73%	4.37%
Mohave Water	2.73%	4.37%
Paradise Valley Water	3.21%	4.12%
Sun City Water	3.00%	3.70%
Sun City West Water	3.21%	4.12%
Tubac Water	3.21%	4.12%
Mohave Wastewater	3.21%	4.12%
Sun City Wastewater	3.00%	3.70%
CCWC	1.20%	7.52%

Amounts eligible for deferred depreciation and amortization will be determined by subtracting the actual June 2012 depreciation expense from the actual depreciation expense for each of the 24 months during the deferral period in each of the above districts. Deferred depreciation on utility plant in service additions will be slightly offset by deferred amortization on any new contributions in aid of construction. All depreciation and amortization calculations will use the existing Commission approved depreciation and amortization rates for each district.

Based on this method and the authorized rates, the Applicants estimate that by the end of the 24-month deferral period, the deferral for the Rate Case Districts will equal approximately $2.93 million. The $2.93 million deferral estimate is comprised of $2.068 million estimated post-in-service AFUDC deferral and $0.862 million estimated depreciation deferral.

In its Report, Staff indicated that qualified plant additions would need to pass the used and useful test in the next rate case. Therefore, the selection of the 24-month period is important and should align with the next rate case's procedural schedule. Applicants believe that it is preferable for the 24-month period to end on or about the expected date of the Commission Engineering team's field review. Assuming Applicants file their next rate case in fall 2013, the field review should occur in spring/summer 2014, which lines up reasonably well to the deferral period the Applicants propose. However, it would be unfortunate for the deferral to cease before its full 24-month period simply because additional plant is placed in service after Staff Engineering field visits are concluded. Therefore, if Staff believes that a slightly modified 24-month deferral period is preferable to the period proposed by the Applicant (*i.e.,* July 1, 2012 through June 30, 2014), the Applicants are amenable to such an alternative. Given that the test year selection for the Rate Case Districts is not etched in stone, the Applicants would also appreciate it if ordering language authorized deferral to start relative to the test year. For example, authorize the deferral to begin on day 1 of the test year or 60 days prior to day 1 and so forth.

A start date of July 1, 2012 - which is now a historical date - would not raise concerns of retroactive ratemaking. As noted by the Commission in Decision No. 72897 (Goodman Water Company): "Deferral of depreciation on utility plant that has never been recognized in rate base or rates, is not retroactive ratemaking (Page 21, lines 14-15). The same concept would also apply to the associated deferred AFUDC.

Each of the districts will earn less than its authorized return during the deferral period, and the deferral, if approved, will improve reported earnings from what they otherwise would be. However, even considering the deferral, the districts will still under earn their authorized return.

The Commission will know the earnings of each of these districts for the deferral period because the preferred start date of July 1, 2012 is also the start date of the test year for the next rate case. Detailed earnings information concerning the test year is provided in the Commission's schedules submitted in compliance with the Commission's standard filing requirements for a rate case. Again, if the Commission prefers, Applicants can accept the establishment of an earnings test for the 24-month period based on actual adjusted test year results such that the deferral would be reduced in the very unlikely event of needing to bring earnings down to authorized levels. The earnings test results would be provided at the district level and for CCWC.

If the accounting order is approved, the Applicants' accountants will record on Applicants accounting books the deferrals on the basis that the accounting order is a regulatory promise (but not a guarantee) that the deferred amounts will later be actually recovered in rates. Although Applicants and other reviewers understand that the specific recovery details will be determined in the next rate case (e.g., the length of the recovery period), the books will be relied upon as accurate and as including a regulatory promise that will keep the Applicants whole (or very close to whole) on a present value basis as regards the specific recovery of the deferral. Any subsequent Commission action that deviates or erodes the regulatory promise will cause an immediate write-off of the amount of the deferral impacted by any deviation or erosion.

If approved, the order would cause accounting entries such as the following on the Applicants' accounting records and books:

	Debit	Credit
1) 186XXX(1142) Regulatory Asset – Deferred Depreciation	$XX	
680XXX (5351) Depreciation Expense		$XX

Entry 1) defers the depreciation expense on projects completed and placed in service starting July 1, 2012 and after.

2) 186XXX (1142) Regulatory Asset – Deferred AFUDC (debt)	$YY	
850XXX (5400) AFUDC debt		$YY

Entry 2) defers the debt portion of AFUDC on projects completed and placed in service starting July 1, 2012 and after.

3) 186XXX (1142) Regulatory Asset – Deferred AFUDC (equity)	$ZZ	
705XXX (5400) AFUDC equity		$ZZ

On regulatory books only, entry 3) defers the equity return on projects completed and placed in service starting July 1, 2012 and after.

Therefore, the granting of this deferral request would eliminate - as Staff describes in its recommendation - the immediate drain on earnings that utilities such as EWAZ and CCWC experience when new utility plant is placed in service without immediate rate relief through entries such as those described above. Absent the deferral, when plant is placed in service, depreciation expense commences and immediately reduces income without new revenues to offset the expense. In addition to the reduction in income from the new depreciation expense, the AFUDC income computed while plant is under construction ceases when the plant is place in service. The effect of this is a dollar for dollar reduction in income to the utility driving down the return on equity.

The deferral envisioned in this request would provide for the future recovery of the new depreciation expense and the return on the plant investment effectively reducing the effect of regulatory lag. If the Commission grants this relief, it would provide a reasonable opportunity for the utility to recover the return of (depreciation expense) and return on (cost of capital) new plant investment.

Applicants note that this request does not overlap or compete with a distribution system infrastructure surcharge concept ("DSIC"), as that surcharge, if requested by Applicants and later approved in the next rate case, would only apply to plant placed in service for periods after new rates become effective in the next rate case. In other words, a DSIC, if approved would pertain to new plant additions <u>after</u> the conclusion of the 24-month deferral period. Also, any plant eligible for inclusion in DSIC in the future would obviously not be eligible for inclusion in any subsequent re-authorization of a 24-month deferral.

2) <u>REQUEST FOR EWAZ DISTRICTS NOT PART OF NEXT RATE CASE</u>

For the remaining EWAZ districts not included among the Rate Case Districts, EWAZ requests that the Commission include in its approval of an accounting order the remaining EWAZ districts. Such approval would allow for the same deferral of capital-related costs beginning on the first day of the test year for each of the remaining districts. While those test years have not yet been selected, providing approval of these districts in the accounting order now would save EWAZ and the Commission resources associated with an almost identical request in the future.

<u>CONCLUSION</u>

Applicants appreciate the opportunity the Commission Staff's compliance report has provided for mitigating the harmful effects of regulatory lag for at least <u>part of</u> the interim period between rate cases. The request herein is modest, in part, because it a) does <u>not</u> include a request to defer AFUDC and depreciation on plant placed in service from prior test year ending dates through June 30, 2012; b) does <u>not</u> increase rates until after the next rate case concludes; and c) it seeks an approval at this time only for a single 24-

month period for each of EWAZ's districts and CCWC, even though Staff's recommendation was not limited to just mitigating regulatory lag in the next rate case. For all of the reasons set forth in this filing, the Applicants respectfully request that the Commission approve both requests in this Application and issue an accounting order authorizing the Applicants to defer post-in-service AFUDC and associated depreciation and amortization expense

RESPECTFULLY SUBMITTED this 2nd day of October, 2012.

Thomas M. Broderick
Director, Rates
EPCOR Water Arizona Inc.
2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

ORIGINAL and thirteen (13) copies
of the foregoing filed
this 2nd day of October, 2012, with:

The Arizona Corporation Commission
Utilities Division – Docket Control
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Copy of the foregoing hand-delivered
this 2nd day of October, 2012, to:

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Sandy Murray

EXHIBIT 1

MEMORANDUM

RECEIVED

2012 MAR 19 P 2: 44

AZ CORP COMMISSION
DOCKET CONTROL

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: March 19, 2012

RE: STAFF REPORT FOR COMPLIANCE FILING IN THE MATTER OF THE APPLICATION OF GLOBAL WATER FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA. DOCKET NOS. SW-20445A-09-0077, W-02451A-09-0078, W-01732A-09-0079, W-20446A-09-0080, W-02450A-09-0081 AND W-01212A-09-0082

Attached is the Staff Report, pursuant to the compliance filing ordered in the above-named docket, resulting from the series of workshops held in Docket No. W-00000C-06-0149, Generic Evaluation of the Regulator Impacts from the Use of Non-Traditional Financing Arrangements by Water Utilities and Their Affiliates.[1]

Staff recommends:

1. Consideration of authorizing utilities to record and defer depreciation and a cost of money using an Allowance For Funds Used During Construction ("AFUDC") rate on qualified plant replacements[2] for up to 24 months[3] after the in-service date to mitigate the effects of regulatory lag.

2. Consideration of allowing acquisition premiums and/or a premium on the rate of return on a case by case basis and subject to certain conditions, in those cases where the impacts may be offset to some extent by the effects of operational improvements. If granted, acquisition premiums would be subject to review and re-justification in future proceedings.

3. Consideration of establishing a mechanism to recognize the effect of delays in the processing of rate cases when applicant is not culpable for those delays.

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[1] Staff will prepare separate reports to address distribution system improvement charge ("DSIC") and the treatment of income taxation for S corporations and limited liability companies.
[2] At a minimum qualified plant would need to be found used and useful during the 24-month period.
[3] Terminates before 24 months if rates become effective that include the qualified plant in rate base in the 24-month period.

Staff Analysis

Staff attended the workshops and has reviewed the filings of the various participants. In this filing Staff's comments are limited to its recommendations on:

1. Post-in-Service Allowance for Funds Used During Construction ("AFUDC") and Deferred Depreciation
2. Acquisition premiums and/or rate of return premiums.
3. A possible mechanism to capture the effects of untimely delays in the processing of a rate case.
4. Continued treatment of ICFAs per Decision No. 71878 pending results of an independent audit.

Post-in-Service AFUDC and Deferred Depreciation

At one of the workshops, participants expressed concern regarding the inability to earn an awarded Rate of Return ("ROR") due to the carrying costs incurred between the time when Construction Work in Progress ("CWIP") is transferred to Utility Plant in Service ("UPIS") and considered for recognition in rate bases. This occurs because the recording of AFUDC ceases when CWIP is transferred to UPIS.

Under present treatment, utilities record projects in the CWIP accounts and are allowed to record AFUDC on those balances using a rate that equals the utility's cost of capital. Upon transferring the cost of the completed project from CWIP to UPIS, the recording of AFUDC ceases and the utility begins depreciating the asset. During the interim period between the transfer from CWIP to UPIS and the date when the asset may be recognized in rate base, the utility bears the carrying costs of the asset which are unavoidable and unrecoverable under the present regulatory process. Once a project is completed, it is transferred to UPIS.

Staff recommends that some consideration be given to mitigating the effects of carrying costs of net plant additions between rate proceedings. Under optimal conditions, a utility would transfer plant to UPIS concurrently with filing a rate case which would require up to 12 months to process. In addition, Staff prefers 12 months of data after a Company has received new rates before it can file another rate case. Realistically, the utility will bear the carrying costs of the incremental net plant additions during the interim period which is at least 24 months. While the utility is technically not entitled to earn on that incremental plant absent a fair value determination, Staff recommends that some consideration be given to mitigate effects of associated carrying costs which could be significant. Staff recommends the deferral of post-in-service AFUDC for a period of up to 24 months to mitigate the effect of regulatory lag.

Staff also recognizes that a utility records depreciation expense from the date that the asset is placed into service. If this occurs during or prior to the end of the test year in a rate proceeding, the utility incurs depreciation expense but has no opportunity to recover it. Similar to the reason associated with regulatory lag discussed more fully above regarding post-in-service

AFUDC, Staff further recommends that depreciation expense be deferred for a period of up to 24 months to mitigate the effects of regulatory lag. (The precise entries to effect this would need to be determined.)

The deferral of AFUDC and depreciation would allow a Company to request recovery of both amounts, which it would not normally be allowed to do absent an approved deferral.

Acquisition Premiums

Some participants cite two instances when Staff recommended and the Commission approved an acquisition premium. In researching this issue, there are two cases to consider which may serve to clarify the record.

1. Paradise Valley Water Company ("PVWC")/Mummy Mountain Water Company ("Mummy Mountain") – In this proceeding, Docket Nos. W-01342A-98-0678 and W-01303A-98-0678, Decision No. 61307, the owners of Mummy Mountain sold their system for approximately $150,000 which included a $40,000 payment to the sellers, approximately $47,000 forgiveness of debt for the utility service owed by the seller to the buyer (PVWC), $32,000 of property taxes owed by the seller but to be paid by the buyer, and administrative costs of $20,000 associated with the sale. Unfortunately, the record is silent regarding the net book value of the assets transferred to PVWC, and Mummy Mountain's most recent rate case, Docket No. W-01342A-91-0224, Decision No. 57877, is too stale to provide reliable information regarding an appropriate valuation of the business. Staff is therefore unable to ascertain the existence, or lack thereof, of an acquisition premium associated with this transaction.
2. The sale of the "McClain systems" to Northern and Southern Sunrise Water Companies – Staff reviewed the record underlying Decision Nos. 68412 and 68826. Dated January 23, 2006, Decision No. 68412 was a rate case which approved a negative goodwill of $52,141 for substandard operating conditions of the McClain systems. Dated June 29, 2006, Decision No. 68826 approved the transfer of the "McClain systems" to Northern and Southern Sunrise Water Companies and approved acquisition *costs* of $300,000, including $100,000 for reorganization, bankruptcy and other costs, $100,000 for Commission related activities, and $100,000 for transition costs such as support for an interim operator, capitalized labor costs, etc.[2] Thus, Staff could not find any evidence of the Commission granting recovery of a true acquisition premium, although Staff also notes that it is aware of few requests by utilities to recover an acquisition premium.

While a policy of granting acquisition premiums has the theoretical potential to encourage healthy utilities to acquire non-viable utilities, it also has the undesirable effect of providing owners an incentive to underperform and become non-viable by design to place their utilities in a position to become a lucrative acquisition target. Thus, establishing a general policy

[2] Decision No 68826, Findings of Fact, paragraph 47.

EXHIBIT 2

EPCOR Water Arizona, Inc.
Estimated Net Plant Additions
Exhibit 2

District	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	TOTAL
Capital Spend												
Chaparral	$ 100,000	$ 247,778	$ 247,778	$ 247,778	$ 247,776	$ 221,945	$ 221,945	$ 221,945	$ 221,945	$ 221,945	$ 199,167	**$ 4,813,579**
Sun City Wastewater	37,596	58,900	44,183	37,596	44,925	68,974	34,098	46,606	29,855	93,074	41,574	**953,881**
Sun City Water	64,603	73,367	235,306	57,726	62,243	83,176	71,829	156,545	131,758	83,176	71,829	**2,217,271**
Sun City West Water	154,239	80,704	84,702	80,704	84,702	1,576	5,653	15,486	5,653	1,576	5,653	**2,217,587**
Anthem Water	62,114	223,133	36,483	33,363	33,363	17,809	55,434	70,317	48,591	19,128	17,809	**1,387,903**
Mohave Water	350,355	358,139	364,526	308,313	474,744	152,562	478,513	434,126	423,707	405,956	276,034	**8,532,876**
Mohave Wastewater	5,125	6,987	5,125	5,125	5,125	7,280	7,280	80,674	12,680	7,280	7,280	**391,244**
Paradise Valley Water	106,952	126,439	164,794	106,006	90,377	456,547	465,273	503,350	496,784	749,769	471,927	**6,204,677**
Havasu Water	256,896	276,151	240,237	242,076	235,576	40,538	39,253	174,108	193,736	95,972	43,788	**4,305,273**
Tubac Water	19,771	14,226	10,892	4,502	4,502	26,018	34,671	55,431	43,925	29,419	30,173	**502,785**
Capital Spend Total	**$ 1,157,650**	**$ 1,465,824**	**$ 1,434,024**	**$ 1,123,190**	**$ 1,283,332**	**$ 1,076,425**	**$ 1,413,951**	**$ 1,758,588**	**$ 1,608,634**	**$ 1,707,296**	**$ 1,165,235**	**$ 31,527,077**
Contributions / Advances / Refunds												
Chaparral	$ 77,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 77,000**
Sun City Wastewater	23,249	(117)	(117)	(117)	(117)	(120)	(120)	(120)	(120)	(120)	(120)	**43,403**
Sun City Water	27,584	(1,685)	(1,685)	(1,685)	(1,685)	(1,727)	(1,727)	(1,727)	(1,727)	(1,727)	(1,727)	**10,097**
Sun City West Water	1,894	(1,685)	(1,685)	(1,685)	(1,685)	(1,727)	(1,727)	(1,727)	(1,727)	(1,727)	(1,727)	**(41,425)**
Anthem Water	448,026	(27,614)	(27,614)	(27,614)	(27,614)	(10,622)	(10,622)	(10,622)	(10,622)	(10,622)	(10,622)	**540,498**
Mohave Water	30,519	(13,871)	(13,871)	(13,871)	(13,871)	(6,943)	(6,943)	(6,943)	(6,943)	(6,943)	(6,943)	**(283,038)**
Mohave Wastewater	11,483	(5,716)	(5,716)	(5,716)	(5,716)	(5,856)	(5,856)	(5,856)	(5,856)	(5,856)	(5,856)	**(129,329)**
Paradise Valley Water	419	(28,990)	(28,990)	(28,990)	(28,990)	(387,397)	(387,397)	(387,397)	(387,397)	(387,397)	(387,397)	**(2,622,307)**
Havasu Water	(206,262)	(229,833)	(229,833)	(229,833)	(229,833)	(18,627)	(18,627)	(18,627)	(18,627)	(18,627)	(18,627)	**(2,859,399)**
Tubac Water	5,421	(2,941)	(2,941)	(2,941)	(2,941)	(23,845)	(23,845)	(23,845)	(23,845)	(23,845)	(23,845)	**(236,600)**
CIAC / AIAC / Refund Total	**$ 419,331**	**$ (312,454)**	**$ (312,454)**	**$ (312,454)**	**$ (312,454)**	**$ (456,863)**	**$ (456,863)**	**$ (456,863)**	**$ (456,863)**	**$ (456,863)**	**$ (456,863)**	**$ (5,501,100)**
Net Capital Expenditure												
Chaparral	$ 177,000	$ 247,778	$ 247,778	$ 247,778	$ 247,776	$ 221,945	$ 221,945	$ 221,945	$ 221,945	$ 221,945	$ 199,167	**$ 4,890,579**
Sun City Wastewater	60,845	58,782	44,065	37,479	44,807	68,854	33,978	46,486	29,735	92,954	41,453	**997,285**
Sun City Water	92,187	71,682	233,621	56,041	60,558	81,449	70,103	154,819	130,032	81,449	70,103	**2,227,368**
Sun City West Water	156,132	79,019	83,016	79,019	83,016	(151)	3,927	13,759	3,927	(151)	3,927	**2,176,162**
Anthem Water	510,140	195,520	8,869	5,749	5,749	7,187	44,813	59,695	37,969	8,507	7,187	**1,928,401**
Mohave Water	380,874	344,268	350,655	294,442	460,872	145,619	471,570	427,183	416,764	399,014	269,091	**8,249,838**
Mohave Wastewater	16,608	1,271	(591)	(591)	(591)	1,424	1,424	74,818	6,824	1,424	1,424	**261,915**
Paradise Valley Water	107,370	97,448	135,803	77,016	61,386	69,150	77,876	115,953	109,387	362,372	84,530	**3,582,370**
Havasu Water	50,634	46,318	10,404	12,243	5,743	21,910	20,626	155,480	175,109	77,345	25,161	**1,445,874**
Tubac Water	25,191	11,285	7,950	1,561	1,561	2,174	10,827	31,586	20,080	5,575	6,329	**266,185**
Net Capital Expenditure Total	**$ 1,576,981**	**$ 1,153,370**	**$ 1,121,571**	**$ 810,736**	**$ 970,878**	**$ 619,562**	**$ 957,088**	**$ 1,301,725**	**$ 1,151,771**	**$ 1,250,433**	**$ 708,372**	**$ 26,025,977**

EPCOR Water Arizona, Inc.
Estimated Net Plant Additions
Exhibit 2

District	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Capital Spend													
Chaparral	$ 391,949	$ 219,511	$ 134,178	$ 113,736	$ 78,862	$ 108,450	$ 238,378	$ 238,378	$ 238,378	$ 238,378	$ 213,378	$ 100,000	$ 100,000
Sun City Wastewater	5,493	29,949	5,493	5,493	5,493	6,693	68,373	37,596	49,858	33,436	90,268	44,925	33,436
Sun City Water	49,060	51,363	166,743	132,130	49,060	67,060	73,367	62,243	144,952	120,754	73,367	62,243	73,367
Sun City West Water	244,977	275,548	247,752	158,318	85,969	93,817	80,704	84,702	94,341	84,702	80,704	84,702	80,704
Anthem Water	11,309	40,557	247,943	17,986	12,815	23,200	33,363	82,821	109,911	81,911	35,443	33,363	39,737
Mohave Water	359,400	310,702	319,279	318,725	250,335	273,792	171,430	506,459	462,805	435,775	439,165	307,589	350,446
Mohave Wastewater	16,800	13,640	9,006	4,160	-	60,000	5,125	5,125	77,080	6,987	5,125	5,125	33,110
Paradise Valley Water	156,092	93,849	135,915	154,728	230,843	317,657	162,074	170,628	213,512	211,462	330,636	182,114	106,952
Havasu Water	51,787	72,723	51,089	74,240	26,977	52,020	242,076	240,237	432,026	441,156	295,854	244,683	242,076
Tubac Water	4,550	7,800	68,780	14,030	5,200	33,900	4,502	10,892	34,656	20,330	7,837	8,942	7,837
Capital Spend Total	**$ 1,291,416**	**$ 1,115,641**	**$ 1,386,176**	**$ 993,545**	**$ 745,552**	**$ 1,036,588**	**$ 1,079,393**	**$ 1,439,081**	**$ 1,857,519**	**$ 1,674,891**	**$ 1,571,777**	**$ 1,073,684**	**$ 1,067,665**
Contributions / Advances / Refunds													
Chaparral	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sun City Wastewater	-	23,366	-	-	-	(1,200)	(117)	(117)	(117)	(117)	(117)	(117)	(117)
Sun City Water	-	29,411	-	-	-	(18,000)	(1,685)	(1,685)	(1,685)	(1,685)	(1,685)	(1,685)	(1,685)
Sun City West Water	-	3,579	-	-	-	(18,000)	(1,685)	(1,685)	(1,685)	(1,685)	(1,685)	(1,685)	(1,685)
Anthem Water	-	477,951	-	-	-	(18,000)	(27,614)	(27,614)	(27,614)	(27,614)	(27,614)	(27,614)	(27,614)
Mohave Water	(76,000)	33,685	-	(11,000)	(6,000)	(60,000)	(13,871)	(13,871)	(13,871)	(13,871)	(13,871)	(13,871)	(13,871)
Mohave Wastewater	-	17,199	-	-	-	(60,000)	(5,716)	(5,716)	(5,716)	(5,716)	(5,716)	(5,716)	(5,716)
Paradise Valley Water	-	29,552	-	-	-	(9,000)	(28,990)	(28,990)	(28,990)	(28,990)	(28,990)	(28,990)	(28,990)
Havasu Water	-	4,790	-	-	-	(18,000)	(229,833)	(229,833)	(229,833)	(229,833)	(229,833)	(229,833)	(229,833)
Tubac Water	-	8,402	(45,000)	-	-	(30,000)	(2,941)	(2,941)	(2,941)	(2,941)	(2,941)	(2,941)	(2,941)
CIAC / AIAC / Refund Total	**$ (76,000)**	**$ 627,935**	**$ (45,000)**	**$ (11,000)**	**$ (6,000)**	**$ (232,200)**	**$ (312,454)**	**$ (312,454)**	**$ (312,454)**	**$ (312,454)**	**$ (312,454)**	**$ (312,454)**	**$ (312,454)**
Net Capital Expenditure													
Chaparral	$ 391,949	$ 219,511	$ 134,178	$ 113,736	$ 78,862	$ 108,450	$ 238,378	$ 238,378	$ 238,378	$ 238,378	$ 213,378	$ 100,000	$ 100,000
Sun City Wastewater	5,493	53,315	5,493	5,493	5,493	5,493	68,256	37,479	49,741	33,319	90,150	44,807	33,319
Sun City Water	49,060	80,774	166,743	132,130	49,060	49,060	71,682	60,558	143,267	119,069	71,682	60,558	71,682
Sun City West Water	244,977	279,127	247,752	158,318	85,969	75,817	79,019	83,016	92,656	83,016	79,019	83,016	79,019
Anthem Water	11,309	518,508	247,943	17,986	12,815	5,200	5,749	55,208	82,298	54,298	7,830	5,749	12,123
Mohave Water	283,400	344,387	319,279	307,725	244,335	213,792	157,558	492,588	448,934	421,904	425,293	293,718	336,575
Mohave Wastewater	16,800	30,839	9,006	4,160	-	-	(591)	(591)	71,364	1,271	(591)	(591)	27,394
Paradise Valley Water	156,092	123,401	135,915	154,728	230,843	308,657	133,084	141,638	184,522	182,472	301,645	153,123	77,961
Havasu Water	51,787	77,513	51,089	74,240	26,977	34,020	12,243	10,404	202,193	211,323	66,021	14,850	12,243
Tubac Water	4,550	16,202	23,780	14,030	5,200	3,900	1,561	7,950	31,714	17,388	4,895	6,000	4,895
Net Capital Expenditure Total	**$ 1,215,416**	**$ 1,743,576**	**$ 1,341,176**	**$ 982,545**	**$ 739,552**	**$ 804,388**	**$ 766,940**	**$ 1,126,627**	**$ 1,545,066**	**$ 1,362,437**	**$ 1,259,323**	**$ 761,231**	**$ 755,211**