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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF RIO RICO UTILITIES, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: WS-02676A-12-0196

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT AND RATE DESIGN)

January 28, 2013

EXHIBIT
A-3

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of the applicant, Rio Rico Utilities, Inc. ("RRUI" or the "Company").

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE INSTANT CASE?

A. Yes, my direct testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

A. I will provide rebuttal testimony in response to the direct filings by Staff and RUCO. More specifically, this first volume of my rebuttal testimony relates to rate base, income statement and rate design for RRUI. In a second, separate volume of my rebuttal testimony, I will present an update to the Company's requested cost of capital as well as provide responses to Staff and RUCO on the cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

II. SUMMARY OF RRUI'S REBUTTAL POSITION

Q. WHAT ARE THE REVENUE INCREASES FOR THE WATER AND WASTEWATER DIVISIONS THAT THE COMPANY IS PROPOSING IN THIS REBUTTAL TESTIMONY?

A. For the water division, the Company proposes a total revenue requirement of $3,360,360, which constitutes an increase in revenues of $581,865, or 20.94% over

adjusted test year revenues. For the wastewater division, RRUI proposes a total revenue requirement of $1,605,670, which constitutes an increase in revenues of $235,540, or 17.19% over adjusted test year revenues.

Q. HOW DO THESE COMPARE WITH THE COMPANY'S DIRECT FILING?

A. They are both lower. In the direct filing for the water division, the Company requested a total revenue requirement of $3,458,917, which required an increase in revenues of $604,079, or 21.16%. In the direct filing for the wastewater division, the Company requested a total revenue requirement of $1,754,195, which required an increase in revenues of $393,612, or 28.93%.

Q. WHAT'S DIFFERENT?

A. RRUI has adopted a number of rate base and revenue/expense adjustments recommended by Staff and/or RUCO, as well as proposed a number of adjustments of its own based on known and measurable changes to the test year.

For the water division, the net result of these adjustments is: (1) the Company's proposed operating expenses have decreased by $74,475, from $2,478,906 in the direct filing to $2,404,430; and a net increase of $100,501 in rate base from the direct filing of $7,629,607 to $7,730,108.

For the wastewater division, the net result of these adjustments is: (1) the Company's proposed operating expenses have decreased by $78,810, from $1,146,763 in the direct filing to $1,067,953; and (2) a net increase of $135,180 in rate base from the direct filing of $4,600,012 to $4,735,192.

In addition, the Company has reduced its recommended cost of equity from 10.7% in its direct filing to 10.3% in its rebuttal filing. The Company is recommending a 9.38% rate of return on FVRB based on the Company weighted average cost of capital which reflects the Company's proposed capital structure of

20 percent debt and 80 percent equity. I discuss the Company proposed return on equity, cost of debt, and capital structure in my cost of capital testimony.

Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY, STAFF, AND RUCO AT THIS STAGE OF THE PROCEEDING?

A. For the water division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	$3,458,917	$ 604,079	21.16%
Staff	$3,199,993	$ 345,155	12.09%
RUCO	$2,987,529	$ 90,894	3.14%
Company Rebuttal	$3,360,360	$ 581,865	20.94%

For the wastewater division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	$1,754,195	$ 393,612	28.93%
Staff	$1,535,236	$ 141,635	10.16%
RUCO	$1,405,272	$ 3,060	0.22%
Company Rebuttal	$1,605,670	$ 235,540	17.19%

III. RATE BASE

A. Water Division Rate Base.

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WATER DIVISION?

A. Yes, for the water division the rate bases proposed by the parties proposing a rate base in the case, the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Direct	$ 7,629,607	$ 7,629,607
Staff	$ 7,665,342	$ 7,665,342
RUCO	$ 7,681,547	$ 7,681,547
Company Rebuttal	$ 7,730,108	$ 7,730,108

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE FOR THE WATER DIVISION?

A. Yes. The Company's rebuttal rate base adjustments to the water division's OCRB are detailed on rebuttal schedules B-2, pages 3 through 6. Rebuttal Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

1. Plant-in-service (PIS).

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO PLANT-IN-SERVICE FOR THE WATER DIVISION, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page 2, consists of six adjustments labeled as "A", "B", "C", "D", "E", and "F" on Rebuttal Schedule B-2, page 3.

Adjustment A reflects a reclassification of PIS totaling $15,362 from the water division to the wastewater division. This adjustment reflects the adoption of Staff's recommendation.[1] RUCO proposes a similar adjustment.[2]

Adjustment B reflects the removal of $121,438 from PIS. This adjustment reflects the adoption of Staff's recommendation.[3] RUCO does not propose a similar adjustment.

Adjustment C reflects the removal of affiliate profit recorded in 2012 totaling $1,708 from PIS. This adjustment reflects the adoption of Staff's recommendation.[4] RUCO proposes a similar adjustment.[5]

Adjustment D reflects the retirement of PIS totaling $9,757. This adjustment reflects the adoption of Staff's recommendation.[6] RUCO does not propose a similar adjustment.

Adjustment E reflects the retirement of PIS totaling $1,542,649. The Company is proposing retirements for the plant accounts 311 – Pumping Equipment and account 347 – Miscellaneous Equipment. This adjustment is made in response to the positions advanced by Staff and RUCO and adjusts the accumulated depreciation (A/D) balance to recognize retirements in the past.

Q. WHY IS ADJUSTMENT E NECESSARY?

A. Because the Company depreciated some plant that actually should have been retired. This resulted in an overstated A/D balance. Staff is similarly adjusting the A/D balance for overstatement.[7] Rather than recognize retirements as the

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[1] *See* Direct Testimony of Mary J. Rimback ("Rimback Dt.") at 13.
[2] *See* Direct Testimony of Timothy J. Coley ("Coley Dt.") at 4.
[3] Rimback Dt. at 13.
[4] *Id.* at 14.
[5] Coley Dt. at 5.
[6] Rimback Dt. at 18.
[7] *Id.* at 16.

Company proposes, the Staff approach excludes fully depreciated plant in the annual depreciation expense computations for the intervening years between the end of the last year and the end of the current test year for two specific plant accounts, account 311 – Pumping Equipment and account 347 – Miscellaneous Equipment.[8] Staff accomplishes this by using a vintage year group method of computing depreciation for these two plant accounts. A vintage year group that is fully depreciated is excluded from the annual depreciation computation. Both the Company approach and the Staff approach result in corrections (reductions) to the A/D balance because the computed depreciation expense in the intervening years between the last test year and the current test year is less under both approaches.[9] But, RRUI proposes a different methodology to implement the corrections. RRUI proposes an approach that not only corrects the A/D balance but also corrects the PIS balance.

Q. PLEASE EXPLAIN HOW THE COMPANY IDENTIFIED THE AMOUNTS TO RETIRE FOR EACH OF THESE TWO PLANT ACCOUNTS?

A. I examined the plant schedules from the two prior rate cases and have identified plant amounts from 1994 through 2003 that should be retired based upon the useful lives of these two accounts. For example, account 311 – Pumping Equipment has an average expected life of 8 years. As an example, plant added on or before 2003 should have been retired by 2012. Account 347 – Miscellaneous equipment has an expected life of 10 years. Similar to above, plant added on or before 2002 should have been retired by 2012. After identifying the net additions (additions less retirements) to each of these accounts between 1994 through 2003, I phased in the

[8] *Id.*
[9] *Id.*

retirements in the intervening years between the last test year-end[10] and the current test year-end (February 29, 2012). For example, for pumping equipment, I assumed the plant added before 2000 was retired in 2009, the plant added in 2001 was retired in 2010, the plant added in 2002 was retired in 2011, and the plant added in 2003 was retired in 2012. As an example, as shown on Rebuttal Schedule B-2, Page 3.5, Line No. 13 reflects an adjustment of $1,469,722 and this amount is shown as a retirement on Rebuttal Schedule B-2, Page 3.7, Line No. 11 in the retirements column. I similarly phased in the retirements for miscellaneous equipment. For both plant accounts, I netted the retirement amount against any recorded retirements for the years 2009 through 2012 to avoid "double counting" retirements. The details of the retirement amounts for each year and by plant account are shown in Rebuttal Schedule B-2, page 3.5. These retirements are also reflected in my reconstruction of the plant and A/D balances as shown on Rebuttal Schedule B-2, pages 3.7 to 3.10.

Q. ARE YOU AWARE OF A SIMILAR APPROACH BEING USED BEFORE?

A. Yes. In the recent *Bella Vista Water Company* ("BVWC") rate case after BVWC filed its initial filing, Staff proposed plant retirements because the plant balances and accumulated depreciation were overstated from the failure by the Company to record retirements.[11] The Company agreed with the need to record retirements and proffered its own retirement amounts, which Staff accepted and the Commission ultimately adopted.[12] In that case, both the plant and accumulated depreciation balances were corrected for overstatements by recognition of retirements just as the

[10] Decision No. 72059 (January 6, 2011) was based on a test-year ended December 31, 2008.

[11] *See* Direct Testimony of Crystal S. Brown ("Brown Dt.") at 16 in Docket No. W-02465A-09-0411 *et al.*

[12] *See* Decision No. 72251 (April 7, 2011) at 12.

Company proposes in this case. BVWC is an affiliate of RRUI under the Liberty Utilities umbrella and I discuss that case in additional detail below.

Q. ARE YOU SAYING YOU HAVE HAD TO FIX THEIR MISTAKE TWICE?

A. No, this is not a mistake by the utility. It was an omission that isn't surprising given the complexity of plant accounting. That's why I tried to take the simplest approach possible – one that worked before to the satisfaction of the Commission.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY PROPOSED WATER DIVISION PLANT ADJUSTMENTS.

A. Adjustment F reflects the reconciliation of the PIS to the reconstruction of PIS shown on Rebuttal Schedule B-2, pages 3.7 through 3.10. As shown, there are no differences between the reconstructed balance and the adjusted balances shown on Rebuttal Schedule B-2, page 2; which means I have accounted for all of the Company's proposed PIS adjustments in the plant reconstruction.

2. <u>Accumulated Depreciation (A/D).</u>

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO ACCUMULATED DEPRECIATION FOR THE WATER DIVISION, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of six adjustments labeled as "A", "B", "C", "D", "E", "F" and "G" on Rebuttal Schedule B-2, page 4.

Adjustment A reflects the removal of A/D related to the reclassification of PIS in rebuttal adjustment 1-A discussed above. The Company proposes a

decrease in A/D of $1,415. This adjustment reflects the adoption of Staff's recommendation.[13]

Adjustment B reflects the removal of $337 of A/D related to the removal of PIS in adjustment 1-B discussed above. This adjustment reflects the adoption of Staff's recommendation.[14]

Adjustment C reflects the removal of A/D for the affiliate profit removed from PIS in adjustment 1-C discussed previously. This adjustment reflects the Company computation of the related A/D that totals $6. This is lower than the Staff proposed amount of $34.[15] The Company believes that Staff's recommended amount is overstated as it reflects 1 year of depreciation (half-year convention) and should only reflect 2 months of depreciation (half-year convention).

Adjustment D reflects the removal of $9,757 of A/D for the retirement of PIS in adjustment 1-D discussed previously. This adjustment reflects the adoption of Staff's recommendation.[16]

Adjustment E reflects the removal of $1,542,659 of A/D for the retirement of PIS discussed in adjustment 1-E discussed previously.

Adjustment F reflects the adjustment required to reconcile A/D to the reconstructed balance.

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[13] *See* Rimback Dt. at 13.
[14] *Id.* at 13.
[15] *Id.* at 14.
[16] *Id.* at 18.

Q. WHY IS THERE A DIFFERENCE BETWEEN THE WATER DIVISION ADJUSTED A/D BALANCE AND THE RECONSTRUCTED A/D BALANCE?

A. The difference of $471,430 is comprised of $469,676 for account 311 – Pumping Equipment and $9,755 for account 347 – Miscellaneous Equipment. The reconstructed balance of A/D takes into account the proposed plant retirements I discussed as part of the water division proposed PIS adjustment 1-E. This reduction in A/D is similar to Staff's proposed $290,873 reduction in A/D based upon Staff's fully depreciated plant approach.[17]

Q. HAS RUCO PROPOSED AN APPROACH THAT DEALS WITH FULLY DEPRECIATED PLANT?

A. Yes. RUCO recommends a reduction in the A/D balance of $114,014 for the water division.[18]

Q. WHAT DEPRECIATION METHOD DOES STAFF EMPLOY WHEN RECONSTRUCTING THE WATER DIVISION'S A/D BALANCE?

A. In the Staff approach, Staff employs a vintage year group method for computing depreciation for these two plant accounts. Staff does not use the vintage year method for other water plant accounts; it just singled out two accounts for a different depreciation method than the rest.

Q. WHAT DEPRECIATION METHOD DOES RUCO EMPLOY WHEN RECONSTRUCTING THE WATER DIVISION'S A/D BALANCE?

A. I am not quite sure. There are definitely elements of the asset group method in there but this method is not consistently followed. For example, RUCO appears to determine the dollar amount in each asset group that is fully depreciated based

[17] *Id.* at 16.

[18] Coley Dt. at 15.

simply on the net book value. This is inconsistent with both the asset group method and the vintage year method Staff employs and should be rejected.

Q. IS MR. COLEY RIGHT THAT AN ASSET CAN BE FULLY DEPRECIATED IN ONE YEAR?

A. No. It is true that the cost of an addition can equal the depreciation expense for that year, but this does not render the asset group method unacceptable. Let me explain by example. Assume that an asset group has a $100 gross balance (which includes amounts for assets that should have been retired), and A/D balance of $100, a current year addition of $5, and a depreciation rate of 10% (10 year useful life). Under the asset group methodology, the depreciation expense would be the lessor of the computed depreciation on $105 ($100 plus $5) or the remaining net book value, whichever is less. In this example, the computed depreciation would be $10.50 ($105 times 10%). Since $10.50 is greater than the net book value of $5 ($105 minus $100), the depreciation expense would be $5; which happens to be the amount of the current year's addition. But this does not mean that the asset itself was fully depreciated. As I just explained a bit above, under the asset group method, we do not track assets individually and the asset group would again be fully depreciated when the $5 of depreciation is recorded ($105 minus $100 minus $5 equals 0). I will explain the asset group in more detail shortly in my testimony.

In this example, if the depreciation rate accurately reflected the average life of the underlying assets, then the $100 gross balance should have been eliminated through retirements, and the gross balance of the asset group would only have been $5. So, the depreciation expense would only have been $0.50 ($5 times 10%) if the retirements had been recorded and not $5. This is an example of a distortion (overstatement) in A/D than can occur under the asset group method.

Other distortions can be caused by depreciation rates that do not accurately reflect the average life of the asset group. For example, if the average life of an asset group is assumed to be 10 years (10% depreciation rate), but the actual average life turned out to be 5 years (20% depreciation rate), then the asset group would not be fully depreciated at the time of retirement. Assuming an asset costs $100, the A/D balance after 5 years would be $45 ($100 times 4.5 years[19] times 10%). Under the NARUC Uniform System of Accounts, when a retirement is recorded, the cost is removed from both the plant balance and the A/D balance regardless of how much depreciation was recorded.[20] The USOA accounting instructions assume an asset is fully depreciated when retired. Under this example, the A/D balance would be a negative $55 after the retirement was recorded ($45 minus $100). The net book value would be a negative $55 also.

Q. DOES IT MATTER WHICH DEPRECIATION METHODOLOGY IS EMPLOYED?

A. No. If the useful lives of the asset groups do not actually match the average lives of the groups assumed in the depreciation rates, then distortions can occur regardless of the methodology employed.

Q. WHAT DEPRECIATION METHOD DOES THE COMPANY EMPLOY?

A. The Company employs the asset group method for all of its assets, including the two plant accounts in question.

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[19] Half-year convention.

[20] Accounting Instruction 27.B(2), *Uniform System of Accounts for Class A Water Utilities*, National Association of Regulatory Commissioners, 1996.

Q. HOW DOES THE VINTAGE YEAR GROUP DEPRECIATION METHOD COMPARE TO THE ASSET GROUP DEPRECIATION METHOD?

A. Under the vintage year group method, an asset group (e.g. pumping equipment, transmissions and distribution mains, well and springs) may consist of one or more vintage year groups. There is no attempt made to keep track of the depreciation reserve of individual assets within the vintage year group. Depreciation reserve for assets added to an asset group in a particular year (vintage year) is tracked separately from other vintage year groups within that asset group. When the vintage year group is fully depreciated then depreciation ceases. For example, the pumping equipment account (account 311) may consist of assets added in 1998, 1999 and 2000. If the depreciation rate is 12.5 percent (8 year life), then the pumping equipment added in 1998 would be fully depreciated by the end of 2008. Similarly, pumping equipment added in 1999 would be fully depreciated by 2009, and so on.

Under the asset group depreciation method, there is no attempt to track the depreciation reserve by vintage year group or individually. It is only when the asset group is fully depreciated that the depreciation ceases.

Q. DO THE TWO METHODS PROVIDE FOR THE SAME RESULTS OVER TIME?

A. Yes, as long as retirements are recorded and the average service life used to depreciate the plant matches the actual service life experienced. This is illustrated in **Exhibit TJB-RB1**. As shown, under either method, at year 2010, net plant is zero.

Q. DO YOU SEE ANY PRACTICAL PROBLEMS IF RRUI WERE TO USE THE VINTAGE YEAR GROUP METHOD FOR SOME OR ALL OF ITS PLANT ACCOUNTS?

A. Yes. First, it is not very practical or efficient to use different depreciation methods for plant accounting. In the instant case, Staff uses the vintage year group method on just two of the Company's plant accounts (Accounts 311 and 371), while RUCO's method is hodgepodge. There should be consistency across all accounts, absent good reason.

Second, all of the Liberty Utilities owned water/sewer utilities employ the asset group method of plant accounting for all assets. In fact, the group method was employed and was unopposed by Staff in recent cases for the other utilities owned and operated by Liberty Utilities such as Black Mountain Sewer Corporation,[21] Gold Canyon Sewer Company,[22] Litchfield Park Service Company,[23] and Rio Rico Utilities.[24] It would be impractical for its utilities to use different methods of computing depreciation. Finally, the group method is the most administratively efficient method.

Q. YOU MENTIONED THE RECENT BVWC RATE CASE EARLIER. WHAT HAPPENED THERE?

A. In the *Bella Vista Water Company* rate case,[25] Staff rejected the asset group method and recommended the specific asset method instead. The Commission rejected Staff's proposal.[26] In the instant case, Staff does not appear to be recommending

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[21] *Black Mountain Sewer Corporation*, Docket Nos. SW-02361A-05-0657 and SW-02361A-08-0609.
[22] *Gold Canyon Sewer Company*, Docket Nos. SW-02519A-00-0638 and SW-02519A-06-0015.
[23] *Litchfield Park Service Company*, Docket No. SW-01428A-09-0103, *et al.*
[24] *Rio Rico Utilities, Inc.*, Docket No. W-02676A-09-0257.
[25] *Bella Vista Water Company*, Docket No. W-02465A-09-0411, *et al.*
[26] Decision No. 72251 at 15 – 16.

the Company be required to use a vintage year group method. Instead, Staff used that method to serve as a basis correcting the overstatement in accumulated depreciation. But, unlike the BVWC rate case, the PIS balance is not corrected under the Staff approach.

Q. DOESN'T LIBERTY HAVE A POLICY FOR RECOGNIZING AND RECORDING RETIREMENTS FOR ITS UTILITIES?

A. Yes. Attached hereto as **Exhibit TJB-RB2** is a copy of the policy. The policy was implemented in 2010 and the Company has followed this policy since and recorded retirements as it has replaced plant.

Q. THEN HOW IS IT THAT THE COMPANY IS NOW RECOGNIZING THAT THERE SHOULD BE RETIREMENTS FOR THE PUMPING EQUIPMENT ACCOUNT?

A. This policy was not implemented until 2010 since which time the Company has followed this policy and has been recording retirements. Evidence of RRUI following this policy is found in the instant case where the Company proposed retirements on its B-2 plant schedules. But, some of the very old plant items for which the Company lacks sufficient detail to identify and which may have been taken out of service under the prior ownership (pre 2005) or in the intervening years between RRUI acquisition and the implementation of the policy in 2010 were simply missed. The Company's retirement proposal is intended to rectify the failure to record retirements prior to its ownership.

Q. IS THE GROUP DEPRECIATION METHOD AN ACCEPTED METHOD IN REGULATORY UTILITY ACCOUNTING?

A. Yes. The group method is a commonly used and accepted method in regulatory utility accounting. In fact, it is has been used by Staff in many rate cases. As

stated in *Accounting for Public Utilities* published by Matthew Bender and Company:[27]

> The group concept has been an integral part of utility depreciation accounting practice for many years. Though the concept is applicable to non-regulated entities, it is not often applied. Non-regulated entities tend to depreciate individual property units independently. Under the group concept, no attempt is made to keep track of the depreciation reserve applicable to individual items of property. This does not imply loss of control, but rather is a practical approach for utilities because they possess millions of items of property.

Q. HOW DOES MATTHEW BENDER DESCRIBE THE GROUP METHOD FOR DEPRECIATION?

A. The group concept is explained by Deloitte & Touche in *Accounting for Public Utilities* as follows:[28]

> Under the group concept each depreciable property group has some "average" life. For accounting purposes, every item in the group is assumed to half the life of the group and to be fully depreciated at the time of retirement. The average is the result of a calculation, and there is no assurance that any of the property items in the group is average.
>
> The use of the term "average useful life" in the measurement of the mortality characteristics of utility property carries with it the concept of retirement dispersion (variation around the average service life). If every item was average, thereby having exactly the same life, there would be no dispersion. The concept of dispersion recognizes that nearly have of the items in a group last to an age less than the average service life, a few last to an age equal to the average, and the rest last longer than the average...
>
> ...[U]nder the group concept, normal retirements are considered fully depreciated no matter what their age. The

[27] Deloitte & Touche LLP, *et al. Accounting for Public Utilities*. Lexis-Nexis (Matthew Bender & Co.) 2009, Sec. 6.04 ("Deloitte & Touche").

[28] Deloitte & Touche, *supra*.

> capital cost is removed from investment and the same amount is removed from the depreciation reserve...

Q. WHAT DOES DELOITTE & TOUCHE SAY WITH RESPECT TO THE METHOD STAFF EMPLOYS FOR COMPUTING DEPRECIATION IN THE INSTANT CASE?

A. Keeping in mind, as I explained above, Staff employs a vintage year group method in its re-computation of A/D and in annualizing depreciation expense, Deloitte & Touche states:[29]

> Some regulators suggest that the reserve be recorded by vintage when equal life group rates are used. These suggestions are the result of confusion caused by the use of the "group" in both the utility accounting concept and in the name given to rate calculation procedures. Under the group concept, mortality characteristics apply to the total group, not to the specific components of the group. Therefore suggestions for recording the reserve by vintage are inconsistent with the group concept. ***This would be precise, but not accurate.*** (emphasis added)

3. <u>Contributions-in-aid of Construction (CIAC).</u>

Q. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO CONTRIBUTIONS-IN-AID OF CONSTRUCTION.

A. In rebuttal B-2 adjustment 3, as shown on Schedule B-2, page 2, the Company reduces accumulated amortization of CIAC by $178,509. The amount recognizes the changes to the annually computed composite amortization rates in the intervening years since the last test year resulting from the Company's proposed plant retirements.

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[29] *Id.*

Q. DID STAFF AND/OR RUCO ALSO PROPOSE AN INCREASE TO THE WATER DIVISION'S ACCUMULATED AMORTIZATION BALANCE?

A. Staff proposes an increase to accumulated amortization of $104,741 that reflects Staff's application of its annually computed composite rates to gross CIAC in the intervening years. Staff's annually computed composite rates recognize Staff's proposals to retire plant and to recognize fully depreciated plant.[30] RUCO does not propose any changes to the accumulated amortization balance.

4. <u>Accumulated Deferred Income Taxes (ADIT).</u>

Q. HAS THE COMPANY PROPOSED A REBUTTAL ADJUSTMENT TO DEFERRED INCOME TAXES FOR THE WATER DIVISION?

A. Yes. In rebuttal B-2 adjustment 4, as shown on Schedule B-2, page 2, the Company proposes to increase ADIT by $57,322. This adjustment recognizes the Company's rebuttal proposed PIS, A/D, AIAC, and CIAC balances.

Q. DID STAFF AND RUCO PROPOSE ADJUSTMENTS TO DEFERRED INCOME TAXES FOR THE WATER DIVISION?

A. Yes. Both Staff and RUCO propose increase to ADIT based upon their respective recommended PIS, A/D, AIAC and CIAC balances.[31] The methodology does not appear to be in dispute.

Q. PLEASE RESPOND TO RUCO'S ASSERTION THAT THE INCOME TAX RATES USED IN THE ADIT COMPUTATION SHOULD BE THE SAME AS IN THE COMPUTATION OF THE GROSS REVENUE CONVERSION FACTOR.

A. There is no material difference between the effective income tax rates shown in the Company's ADIT computation and the effective income tax rates computed in the

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[30] Rimback Dt. at 17.

[31] *Id.* at 15; Coley Dt. at 25 – 26.

gross revenue conversion factor. The effective federal tax rate on Rebuttal Schedule B-2, page 6.0 is 31.6 percent and the effective federal income tax rate on Rebuttal Schedule C-3 page 2, line 16 is 31.6308 percent or 31.6 percent rounded. The difference in the computed ADIT balance due to the rounding is very small and immaterial.

B. Wastewater Division Rate Base.

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WASTEWATER DIVISION?

A. Yes, for the wastewater division the rate bases proposed by the parties proposing a rate base in the case, the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Direct	$ 4,600,012	$ 4,600,012
Staff	$ 4,694,175	$ 4,694,175
RUCO	$ 4,663,510	$ 4,663,510
Company Rebuttal	$ 4,735,192	$ 4,735,192

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE FOR THE WASTEWATER DIVISION.

A. The Company's rebuttal rate base adjustments to the water division's OCRB are detailed on rebuttal schedules B-2, pages 3 through 6. Rebuttal Schedule B-2, page 1 and 2, summarizes the Company's proposed adjustments and the rebuttal OCRB.

1. Plant-in-Service (PIS).

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO PLANT-IN-SERVICE FOR THE WASTEWATER

DIVISION, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page 2, consists of six adjustments labeled as "A", "B", "C", "D", "E", and "F" on Rebuttal Schedule B-2, page 3.

Adjustment A reflects a reclassification of PIS totaling $15,362 to the wastewater division from the water division. This adjustment reflects the adoption of Staff's recommendation.[32] RUCO proposes a similar adjustment.[33]

Adjustment B reflects the reclassification of wastewater treatment plant costs related to the Nogales WWTP in the amount of $1,008,000. Under the Company's proposal, $315,000 is reclassified from account 361 – Collection Sewers Gravity to Nogales WWTP and $693,000 is reclassified from 380 – Treatment and Disposal Equipment to Nogales WWTP. The net impact of this adjustment on PIS is zero. In a similar adjustment, RUCO proposes to reclassify $1,008,000 from plant account 380 – Treatment and Disposal Equipment to the Nogales WWTP.[34]

Q. WHY ARE THE COSTS COMING FROM TWO DIFFERENT ACCOUNTS?

A. After reviewing the historical plant additions for account 380 – Treatment and Disposal Equipment and the payment history to the City of Nogales,[35] the Company determined that only $693,000 of the $1,008,000 related to the Nogales WWTP was previously recorded in account 380 – Treatment and Disposal

[32] Rimback Dt. at 19.
[33] Coley Dt. at 4.
[34] *Id.* at 5.
[35] *See* Company Response to RUCO Data Request 5.7.

Equipment. The balance of $315,000 was recorded in plant account 361 – Collection Sewers Gravity.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE ACCUMULATED DEPRECIATION ADJUSTMENTS FOR THE WASTEWATER DIVISION.

A. Adjustment C reflects the reclassification of wastewater treatment plant costs related to the Nogales WWTP in the amount of $153,642. Staff proposes a similar adjustment.[36] RUCO does not propose a similar adjustment.

Adjustment D reflects the retirement of PIS totaling $6,866. This adjustment reflects the adoption of Staff's recommendation.[37] RUCO does not propose a similar adjustment.

Adjustment E reflects the removal of affiliate profit recorded in 2012 totaling $415 from PIS. This adjustment reflects the adoption of Staff's recommendation.[38] RUCO proposes a similar adjustment.[39]

Adjustment F reflects the retirement of PIS totaling $1,593,905. The Company is proposing retirements for the plant account 371 – Pumping. I discussed the reasons for this adjustment in detail above for the water division. I do not think that discussion needs to be repeated for the wastewater division. The dispute between the Company and the other parties is the same, only the numbers differ. The details of the retirement amounts for each year and by wastewater plant account are shown in Rebuttal Schedule B-2, page 3.6. These retirements are also

[36] Rimback Dt. at 19.
[37] *Id.* at 20.
[38] *Id.* at 22.
[39] Coley Dt. at 6.

reflected in my reconstruction of the plant and A/D balances as shown on Rebuttal Schedule B-2, pages 3.8 to 3.11.

Adjustment G reflects the reconciliation of the PIS to the reconstruction of PIS shown on Rebuttal Schedule B-2, pages 3.8 through 3.10. As shown, there are no differences between the reconstructed balance and the adjusted balances shown on Rebuttal Schedule B-2, page 2; which means I have accounted for all of the Company's proposed PIS adjustments in the wastewater plant reconstruction.

2. <u>Accumulated Depreciation (A/D).</u>

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO ACCUMULATED DEPRECIATION FOR THE WASTEWATER DIVISION, AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of six adjustments labeled as "A", "B", "C", "D", "E", "F", "G", and "H" on Rebuttal Schedule B-2, page 4.

Adjustment A reflects the removal of A/D related to the reclassification of PIS from the water division to the wastewater division in rebuttal adjustment 1-A discussed above. The Company proposes an increase in A/D of $1,415. This adjustment reflects the adoption of Staff's recommendation.[40]

Adjustment B reflects the reclassification of A/D related to the reclassification of Nogales WWTP related PIS in adjustment 1-B discussed above. Like the Company, RUCO proposes a reclassification of A/D. However, RUCO's reclassification only involves the 380 account and the Nogales WWTP account, whereas the Company's reclassification involves the 380 account, the 361 account,

[40] Rimback Dt. at 13.

and the Nogales WWTP account. RUCO also proposes to reclassify $632,352 of A/D[41] while the Company proposes to reclassify $544,590. The difference stems from the depreciation rate differences in the accounts involved in each of the parties' reclassification.

Adjustment D reflects the reclassification of $12,032 of A/D related to the reclassification of Nogales WWTP related PIS in adjustment 1-C discussed above. Staff proposes a reclassification of $11,181.

Adjustment C reflects the removal of A/D related to affiliate profit removed from PIS in adjustment 1-C discussed previously. This adjustment reflects the Company computation of the related A/D that totals $6. This is lower than the Staff proposed amount of $34.[42] The Company believes the Staff recommended amount is overstated as it reflects 1 year of depreciation (half-year convention) and should only reflect 2 months of depreciation (half-year convention).

Adjustment D reflects the A/D related to the retirement of PIS in adjustment 1-D discussed previously. This adjustment reflects the adoption of Staff's recommendation.[43]

Adjustment E reflects the A/D for retirement of PIS discussed in adjustment 1-E discussed previously.

Adjustment F reflects the adjustment to reconcile A/D to the reconstructed balance.

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[41] Coley Dt. at 5.
[42] Rimback Dt. at 8.
[43] *Id.* at 21.

Q. IS THERE A DIFFERENCE BETWEEN THE WASTEWATER DIVISION ADJUSTED A/D BALANCE AND THE RECONSTRUCTED A/D BALANCE? IF SO, WHY?

A. The total difference is $178,614. This is comprised of a difference of $147,178 for account 371 – Pumping Equipment. The reconstructed balance of A/D takes into account the retirements assumed in the Company's proposed plant retirement approach discussed above. This reduction in A/D is similar to Staff's proposed $157,686 reduction in A/D based upon Staff's fully depreciated plant approach to reconstructing the A/D balance.[44] The remaining difference of $33,435 is an adjustment to fix the A/D balance for account 380 – Treatment and Disposal Equipment and account 380 – Other Plant and Miscellaneous Equipment.

By way of further explanation, after adopting Staff and RUCO's reclassification of plant costs from account 380 – Pumping Equipment, this account has a higher A/D balance than the PIS balance. A $30,368 downward adjustment to the A/D balance for account 380 is required to set the A/D balance equal to the PIS balance. A $3,049 downward adjustment to A/D for account 389 is required to set the A/D balance equal to the PIS balance. A similar adjustment is proposed by Staff for account 389.[45]

Q. HAS RUCO PROPOSED AN ADJUSTMENT TO THE WASTEWATER DIVISION'S A/D BALANCE?

A. Yes, and RUCO recommends a reduction in the A/D balance of $78,260 for the wastewater division.[46]

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[44] *Id.* at 23.
[45] *Id.* at 20.
[46] Coley Dt. at 15.

Q. AND ALL OF YOUR EARLIER COMMENTS REGARDING DEPRECIATION METHOD EMPLOYED BY THE COMPANY, STAFF, AND RUCO ALSO APPLY HERE?

A. Yes. *See* pages 11 through 18.

3. <u>Contributions-in-aid of Construction (CIAC).</u>

Q. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO THE WASTEWATER DIVISION'S CONTRIBUTIONS-IN-AID OF CONSTRUCTION.

A. In rebuttal B-2 adjustment 3, as shown on Rebuttal Schedule B-2, page 2, the Company reduces accumulated amortization of CIAC by $18,837. The amount recognizes the changes to the annually computed composite amortization rates in the intervening years since the last test year resulting from the Company's proposed rebuttal plant retirements.

Q. DID STAFF AND/OR RUCO ALSO PROPOSE AN INCREASE TO THE WASTEWATER DIVISION'S ACCUMULATED AMORTIZATION BALANCE?

A. Yes. Staff proposes an increase to accumulated amortization by $69,228.[47] The $69,228 reflects Staff's application of its annually computed composite rates to gross CIAC in the intervening years. Staff's annually computed composite rates recognize Staff's proposals to retire plant and to recognize fully depreciated plant.[48] RUCO does not propose any changes to the accumulated amortization balance.

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[47] Rimback Dt. at 24.

[48] *Id.*

4. **Accumulated Deferred Income Taxes (ADIT).**

Q. HAS THE COMPANY PROPOSED A REBUTTAL ADJUSTMENT TO DEFERRED INCOME TAXES FOR THE WASTEWATER DIVISION?

A. Yes. In rebuttal B-2 adjustment 4, as shown on Schedule B-2, page 2, the Company proposes to increase the ADIT balance by $39,025. This adjustment recognizes the Company's rebuttal proposed PIS, A/D, AIAC, and CIAC balances.

Q. DID STAFF AND RUCO PROPOSE A REBUTTAL ADJUSTMENT TO DEFERRED INCOME TAXES FOR THE WATER DIVISION?

A. Yes. Both Staff and RUCO propose an increase to ADIT based upon their respective recommended PIS, A/D, AIAC and CIAC balances. Staff proposes to increase the ADIT balance for the wastewater division by 13,752.[49]

Q. ARE THERE ANY OTHER RATE BASE ISSUES BETWEEN THE PARTIES FOR THE WASTEWATER DIVISION?

A. No.

IV. INCOME STATEMENT

A. Water Division Revenue and Expenses.

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WATER DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. The Company rebuttal adjustments for the water division are detailed on Rebuttal Schedule C-2, pages 1-16. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, page 1-2.

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[49] *Id.* at 21.

Rebuttal adjustment 1 reduces depreciation expense. The rebuttal proposed depreciation expense is lower than the direct filing by $109,788. The reduction is primarily due to the impacts of the Company's proposed rebuttal adjustments to plant-in-service as discussed above.

Q. DO STAFF AND RUCO RECOMMEND LOWER DEPRECIATION EXPENSE FOR THE WATER DIVISION?

A. Yes. Staff recommends a reduction to depreciation expense of $107,176.[50] RUCO recommends a reduction to depreciation expense of $198,500.[51]

Q. PLEASE CONTINUE.

A. Rebuttal adjustment number 2 increases property tax expense and reflects the rebuttal proposed revenues. Staff, RUCO, and the Company are in agreement on the method of computing property taxes. This method utilizes the ADOR formula and inputs two years of adjusted revenues plus one year of proposed revenues. I computed the property taxes based on the Company's proposed revenues, and then used the property tax rate and assessment ratio that was used in the direct filing.

Q. ARE THE PARTIES USING THE SAME TAX RATE?

A. No. The Company proposes an effective property tax rate of 13.6827 percent whereas RUCO proposes an effective property tax rate of 13.4835 percent.[52] RUCO asserts that I computed the effective property tax rate incorrectly by not using the correct full cash value in my computation. However, I have reviewed my work papers and found no such error. The Company and Staff employ the same effective property tax rate.

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[50] *Id.* at 26.
[51] Coley Dt. at 35.
[52] RUCO Schedule TJC-13.

Q. ANY OTHER DIFFERENCES?

A. RUCO uses slightly different net book values for transportation equipment than does the Company. The net book value for transportation equipment the Company utilizes is $20,364 whereas RUCO uses a net book balance of $21,167. However, RUCO's net book value for transportation equipment is incorrect and this is due to an error in RUCO's computation of depreciation expense for the two months of 2012. This error understates the 2012 A/D balance and ultimately the net book value (gross plant less accumulated depreciation).

Q. HOW DID YOU DISCOVER THIS ERROR?

A. According to RUCO's work papers, RUCO computes depreciation expense of $3,906 for the two months of 2012. However, the correct depreciation expense using the group method is $4,709 computed as follows:

2011 Plant Balance	$140,369 times 20% times 2/12 = $4,678.96
2012 Additions	$1,819 times 20% times 0.5 times 2/12 = $30.32

Total = $4,709.28 (or $4,709 rounded)

I should note that even assuming a vintage year group method, the result would be the same. That said, according to RUCO's work papers, both the Company and Staff agree as to the 2011 plant balance of $140,369 and the 2012 additions of $1,809. We also agree that the gross plant balance for February 2012 is $142,188 and the 2011 A/D balance $117,115. When the correct depreciation expense of $4,709 is added to the 2011 A/D balance of $117,115, the February 2012 balance is $121,824. However, because of the error in the depreciation expense, RUCO shows an A/D balance of $121,021 ($117,115 plus $3,906). The correct net book value is $20,364 ($142,188 minus $121,824) and not $21,167 ($142,188 minus $121,021). There are also other depreciation expense computational errors for 2012 of a similar nature on other plant accounts in RUCO's work papers.

Q. **THANK YOU. PLEASE CONTINUE.**

A. Rebuttal adjustment number 3 reduces revenues by $77,275 reflecting the Company's proposed declining usage adjustment. The declining usage adjustment is based upon the average decline in usage from 2008 through 2012 by the Company's largest customer class; the 5/8 x 3/4 inch residential customers. This decline has been caused by the inverted tier rate design and resulting conservation. After computing the average rate of decline in each usage block, these rates are then applied to the gallons sold in the test year for each usage block to determine the expected decline in gallons on a going forward basis. The current commodity rates are then applied to the expected decline in gallons to derive an annual expected revenue decline on a going forward basis. The expected decline in revenues is the multiplied by 1.5. A factor of 1.5 was chosen as it is the midpoint of 3 years; the expected period of time between the time new rates are adopted in the instant case and new rates are adopted in a subsequent rate case. I would also note it is approximately the period of time between the time the current rates were adopted and the new rates in the instant case will be adopted. Still, the Company believes the declining usage adjustment is conservative. As I will discuss later (at page 52), the Company revenues from this customer class have eroded by over $218,000 from 2008 to 2012.

Rebuttal adjustment number 4 increases revenues by $1,203 due to a change in the Company's revenue annualization. The additional revenues take into account estimated annualized billings for Morning Star Ranch ("MSR"); a 6 inch metered bulk water customer for which revenues were not annualized in the direct filing.

Q. WERE THE REVENUES FROM THIS CUSTOMER ANNUALIZED IN THE DIRECT FILING?

A. No. At that time there wasn't enough information to reasonably estimate the usage and revenues for this customer on a going forward basis. MSR began purchasing water in November of 2012 and continued to purchase water in decreasing amounts through the end of the test year. Further, MSR purchased water from the Company because of problems with their own wells and it was unclear if or when MSR would no longer need water from the Company.

Q. WHAT HAS HAPPENED SINCE THE FILING?

A. MSR has continued to purchase water monthly at various levels and continues even today. While the Company does not know if MSR will continue as a customer on a long-term basis, we now have a full 12 months of usage data upon which a more realistic estimate of the level of revenues the Company may realize on a going forward basis, assuming MSR continues as a customer. Using the most recent 12 months of usage data, the Company estimates that annual revenues will be $30,828 at present rates. This can be found on Rebuttal Schedule C-2, page 5.19. During the test year, the Company's revenues included $29,625 from MSR.[53] The additional revenues the Company may realize on a going forward basis, as reflected in the Company proposed revenue annnualization adjustment, is therefore $1,203 ($30,928 less $29,625).

[53] Rebuttal Schedule H-1, page 1.

Q. DOES RUCO PROPOSE A WATER DIVISION REVENUE ANNUALIZATION ADJUSTMENT FOR MORNING STAR RANCH?

A. Yes. However, RUCO proposes to increase revenues by $20,898.[54] This considerably overstates any reasonable estimate of the level of revenues the Company may realize on a going forward basis.

Q. WHY IS RUCO'S WATER DIVISION REVENUE ANNUALIZATION OVERSTATED?

A. Primarily because RUCO assumes that the test year water sales for November 2011 and December 2011 will be repeated. But this is an insufficient sample. The usage data for November 2012 and December 2012 shows the usage was far less and at more realistic levels. As I stated earlier, the problem with annualizing revenues in the initial filing was the lack of a reasonable understanding of the going forward usage by MSR. It is now clear that the usages during the test year were far greater than what can be expected in the future.

Q. ARE THERE ANY OTHER ISSUES SURROUNDING THE MORNING STAR RANCH ANNUALIZATION?

A. Yes. RUCO has increased test year revenues by another $20,898 as a revenue accrual correction for the water division.[55] There is no basis for this adjustment. The revenue accrual correction adjustment the Company proposed in its initial filing is only impacted by a change in the bill count revenues before the revenue annualization. A failure to capture the billings and revenues from a customer in the bill counts will impact the revenue accrual adjustment. But a change in the revenue annualization will not. Let me explain.

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[54] Coley Dt. at 41.

[55] *Id.* at 43.

The Company did not fail to bill and record revenues for MSR during the test year. As shown on both the Company's Direct Schedule H-1, page 1 and the Rebuttal Schedule H-1, page 1, the 6 inch bulk revenue is the same at $29,625. The total bill count revenues before the revenue annualization also remains the same at $2,830,180. The revenue accrual correction of $10,308 as shown in the revenue reconciliation at the bottom of both the Direct Schedule H-1, page 3 and Rebuttal Schedule H-1, page 3, also remains the same.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S WATER DIVISION REBUTTAL ADJUSTMENTS TO REVENUES AND EXPENSES.

A. Rebuttal adjustment 5 reflects the Company's adoption of Staff's adjustment to water testing expense.[56] RUCO does not propose a similar adjustment.

Rebuttal adjustment 6 increases purchased power expense for an anticipated increase in Tucson Electric Power ("TEP") increase in rates. TEP recently filed for an increase in its rates and is requesting an overall increase of approximately 4.6 percent. The Company is basing its proposed purchased power adjustment on TEP's overall increase. This is a conservative estimate of the increase in electric power rates to the Company. In my experience residential customers rates are typically increased less than the overall requested increase and all other customers, including public utilities, experience higher increases than the overall requested increase. As such, 4.6 percent is conservative and likely understates the increase in rates to the Company when the TEP rate case is decided.

Rebuttal adjustment 7 reflects the adoption of the Staff proposed adjustment to Management Services – Corporate for capital taxes.[57]

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[56] Rimback Dt. at 25.

[57] *Id.*

Rebuttal adjustment 8 reduces miscellaneous expense by $1,804 and reflects the adoption of RUCO's recommendation to remove certain miscellaneous expenses.[58]

Rebuttal adjustment 9 increases Salaries and Wages by $31,891 for revised employee benefits. The proposed employee benefit costs reflect a recently adopted benefit arrangement for the Company's employees. Please see the rebuttal testimony of Mr. Greg Sorensen for details on this adjustment.

Rebuttal Adjustments 10-13 are intentionally left blank.

Rebuttal Adjustment 14 reflects the changes to interest expense resulting from the interest synchronization with the Company's rebuttal proposed rate base. Interest synchronization also reflects the Company's proposed capital structure and cost of debt.

Rebuttal Adjustment 15 reflects the changes to income taxes at the Company's rebuttal proposed revenues and expenses.

Q. HOW HAVE YOU ADDRESSED RUCO'S COMPLAINTS ABOUT THE TAX RATES EMPLOYED IN THE INITIAL FILING?

A. RUCO claims the effective tax rates computed in the Company's initial filing were incorrect and/or misstated, particularly for the wastewater division.[59] However, I employed the same methodology used in the prior rate case for allocating income taxes between the water division and the wastewater division. This methodology computed income taxes on a combined basis rather than each division on a stand-alone basis. The total income taxes were then allocated to each division. The allocation of income taxes under this approach resulted in different effective tax rates for each division. The wastewater division's effective tax rate was higher

[58] Coley Dt. at 44 – 45.

[59] *Id.* at 56.

than the water division's effective tax rate based on this allocation methodology, but the overall effective tax rate was still only 34 percent. While I disagree with RUCO's assessment, I have revised the income tax computation methodology to treat each division on a stand-alone basis.

Q. HAS STAFF TREATED EACH DIVISION ON A STAND-ALONE BASIS FOR COMPUTING INCOME TAXES AND THE EFFECTIVE TAX RATES?

A. Yes. All of the parties are in agreement on the income tax methodology.

1. Water Division Remaining Revenue and Expense Issues.

Q. PLEASE IDENTIFY ANY REMAINING ISSUES IN DISPUTE WITH RUCO AND/OR STAFF.

a. Rate Case Expense.

A. All of the parties agree on the total rate case expense of $350,000 for both divisions; $262,500 for the water division and $87,500 for the wastewater division. Both the Company and Staff agree on a 3 year recovery period and annual rate case expense of $87,500 and $29,167 for the water division and the wastewater division respectively. However, RUCO proposes a 4 year recovery period.[60] RUCO asserts a 4 year period is more reflective of the time between rate cases for RRUI but offers no explanation why a 4 year period is more reflective than a 3 year period. RUCO clearly missed the fact that it will be less than 3 years between the time new rates were granted in the prior case and the time new rates are expected to be

[60] Coley Dt. at 37.

granted in the instant case.[61] A 3 year recovery period was found reasonable and appropriate in that case and there is no basis to change it in this case.[62]

b. Staff and RUCO APUC Allocation Adjustments.

Q. DOES THE COMPANY AGREE WITH STAFF ON THIS ISSUE?

A. The Company does not agree with the Staff proposed adjustment to Management Services – Corporate for allocated Algonquin Power and Utility Corp. (APUC) costs. Staff asserts the Company did not provide all the support for its requested corporate cost allocation to the water division of $133,975.[63] The Company respectfully disagrees. The Company provided over 1,500 pages of documents and lead schedules supporting the $133,975.[64] Staff appears to be confusing the $133,975 test year allocated cost, which includes not only an APUC component of $93,335 but other corporate cost allocations (Liberty Utilities Company Canada ("LUCC") and central office costs based in Liberty's Avondale office, not directly charged to RRUI) as well. Staff accepts the $93,335 APUC cost allocation (exclusive of capital taxes of $2,557) and appears to assume this is the only cost component for the corporate costs. Staff then simply took the difference between the $133,975 and the $93,335 plus the corporate taxes of $2,557 (net adjustment $38,083[65]) as its recommended adjustment. Hopefully, once Staff realizes the APUC cost allocation was only one component of the $133,975, Staff will revisit its analysis.

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[61] Decision No. 72059 was approved on January 6, 2011 and the anticipated decision in the instant case is expected on or before July 2013, assuming the rate case proceeds according to the 365 day time clock, which is approximately 2 years and 7 months from the date of the last decision.

[62] Decision No. 72059 at 24.

[63] Rimback Dt. at 27.

[64] *See* Company responses to Staff Data Requests MJR 2.2, MJR 2.3, MJR 2.9, and MJR 2.10. *See also* Company response to RUCO Data Request 3.7.

[65] *See* Staff Schedule RJM-W-18.

Q. DID STAFF REQUEST ANY INVOICE COPIES OR OTHER ACCOUNTING DETAIL AS PART OF ITS AUDIT OF CORPORATE COSTS?

A. Yes. As part of Staff Data Request MJR 3.10, dated September 28, 2012, Staff requested accounting support for 19 separate transactions to verify the costs RRUI requested.

Q. WAS RRUI ABLE TO PROVIDE SUPPORT FOR THOSE 19 TRANSACTIONS?

A. Yes. RRUI promptly provided accounting detail and invoice backup to all 19 transactions in an expeditious fashion.

Q. DID STAFF CONTACT THE COMPANY AND EXPRESS ANY CONCERN REGARDING THE TRANSACTION DETAIL FOUND IN THE INVOICES?

A. Not that I am aware.

Q. THANK YOU. IN TERMS OF OTHER SUPPORT, WHAT DID THE COMPANY PROVIDE STAFF?

A. Included in the 1,500 pages of documentation was a file labeled "MJR 2.3 and MJR 2.10 – (Corporate Cost Detail)." Included in this file was the financial data that matched that $412,723 and $191,738 that was reflected in the water and wastewater division on the Company's C-1 Schedules. The 1,500 pages was almost three times greater than the original application of approximately 550 pages.

Q. DID COMMISSION STAFF OR RUCO EVER EXPRESS DISAGREEMENT OVER THE SUPPORT THAT MATCHED THE $412,723 OR $191,738 THAT WAS REFLECTED ON THE C-1 SCHEDULES?

A. No.

Q. DID STAFF DISALLOW ANY APUC COSTS OTHER THAN THE CAPITAL TAXES OF $2,557 INCLUDED IN THE APUC COMPONENT OF THE CORPORATE COST ALLOCATION?

A. No.

Q. DID STAFF HAVE ANY ISSUES WITH THE COST ALLOCATION METHODOLOGY EMPLOYED FOR RRUI?

A. No. The Company has worked with Staff over the past few years to insure that the cost allocation methodology is fair and reasonable, and complied with the NARUC cost allocation guidelines. I would have been surprised if Staff had voiced any significant concerns over the methodology given the efforts by the Company to work with Staff.

Q. PLEASE DISCUSS RUCO'S ADJUSTMENT TO THE APUC COST ALLOCATION.

A. RUCO recommends disallowance of some of the APUC allocated costs for several reasons. I will address each of these reasons individually. First, RUCO cites to the prior decision that allowed certain costs and disallowed others.[66] Accordingly, RUCO recommends disallowing escrow, trustee fees and shareholder communication fees, among others. The Company respectfully disagrees with the disallowance of these costs. These costs are for necessary activities to allow RRUI to have access to capital markets for capital projects and operations. In today's market place, the importance of ready access to capital can't be understated. Many stand-alone Arizona utilities simply do not have the steady access to capital that is available to RRUI. The importance of this is seen in the number of Arizona utility companies that come to the Commission in financial distress. Further, RRUI

[66] Coley Dt. at 52.

receives benefits by having strategic direction, corporate governance and financial controls. This definitely benefits RRUI's long term health for a fraction of the price. Many small privately run utilities may not have all of these costs, but history has demonstrated that without these strategic corporate administrative costs and costs associated with raising capital, the long term well-being of the utility is compromised.

Second, RUCO acknowledges that its allocated costs are lower than the amounts allowed by the Commission in RRUI's last rate case.[67] However, it believes the amounts allowed by the Commission in the prior rate case were "excessive" and the current requested amount, while lower, is still too high.[68] I will not criticize RUCO for its opinion, but the Commission found the amounts it allowed in the last rate case as reasonable based upon the facts and circumstances in that rate case. But, the facts and circumstances of the instant case are different. For example, the Company is operating under a new cost allocation methodology which neither Staff nor RUCO have expressed significant concerns over.[69] In the prior case, there were substantial concerns over the allocation methodology including potential subsidization by ratepayers for costs of non-regulated entities. The bottom line is that an assessment of the reasonableness of the costs, regardless of whether the costs are higher or lower than the previous rate case, should not be made based upon no more than an analyst's belief that they are too high. The reasonableness should be based upon whether or not the costs are prudent and necessary for the provision of service.

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[67] *Id.* at 52.
[68] *Id.*
[69] RUCO does express concerns over achievement and incentive pay.

Q. WHAT ABOUT THE SHARING WITH SHAREHOLDERS ARGUMENT?

A. RUCO believes a portion of the allocated costs should be borne by shareholders and unregulated utilities. This comment is interesting because the current cost allocation methodology does result in a fair and reasonable sharing of costs between shareholders, other Liberty owned utilities, as well as non-regulated entities owned by APUC. In fact, a number of costs were removed from the corporate allocated costs including wages, benefits, and travel, to insure the allocated costs were appropriate and reasonable.[70] I would note the recorded test year corporate allocated costs were reduced from approximately $413,000 to approximately $134,000 for the water division, and from approximately $192,000 to approximately $59,000 for the wastewater division – reductions of $279,000 and $133,000, respectively.

In sum, customers of RRUI receive significant benefits from the cost allocation model, including lower costs incurred for services that are essential and necessary to the provision of high quality water and wastewater utility service.

c. <u>RUCO's Liberty Water Adjustment.</u>

Q. PLEASE DISCUSS RUCO'S ADJUSTMENT TO MANAGEMENT SERVICE – LIBERTY WATER.

A. The Company does not agree with RUCO proposed adjustment to Management Services – Liberty Water for cost related to employee incentives.[71] Mr. Sorensen addresses the reasonableness of including these costs in the Liberty Water allocation and in the operating expenses of RRUI.[72]

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[70] *See* Company responses to Staff data requests MJR 2.3 and 2.10.

[71] Coley Dt. at 45.

[72] *See* Rebuttal Testimony of Greg Sorensen.

B. <u>Wastewater Division Revenue and Expenses.</u>

Q. **WOULD YOU PLEASE DISCUSS THE COMPANY'S WASTEWATER DIVISION PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE *ACCEPTED FROM* STAFF AND/OR RUCO?**

A. The Company rebuttal adjustments for the Wastewater Division are detailed on Rebuttal Schedule C-2, pages 1-16. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, page 1-2.

Rebuttal adjustment 1 decreases depreciation expense. Depreciation expense is slightly higher primarily due to the impacts of the Company proposed rebuttal adjustments to plant-in-service. The rebuttal proposed depreciation expense is lower than the direct filing by $155,665. The reduction is primarily due to the impacts of the Company's proposed rebuttal adjustments to plant-in-service.

Q. **DO STAFF AND RUCO RECOMMEND LOWER DEPRECIATION EXPENSE FOR THE WASTEWATER DIVISION?**

A. Yes. Staff recommends a reduction to depreciation expense of $135,855.[73] RUCO recommends a reduction to depreciation expense of $150,435.[74]

Q. **PLEASE CONTINUE.**

A. Rebuttal adjustment number 2 increases property tax expense and reflects the rebuttal proposed revenues. As stated, Staff, RUCO, and the Company are in agreement on the method of computing property taxes. As also stated, the Company and RUCO employ different effective property tax rates. My earlier comments regarding the property tax computation also apply to the wastewater division.

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[73] Rimback Dt. at 31.

[74] Coley Dt. at 35.

Rebuttal adjustment number 3 reduces revenues by $32,715 reflecting the Company proposed declining usage adjustment. The declining usage adjustment is based upon the average decline in usage from 2008 through 2012 by the Company's commercial customer classes as these customers' wastewater rates are dependent on water usage, similar to the water customers; therefore, the Company will see revenue erosion. After computing the average rate of decline in each usage block these rates are then applied to the gallons sold in the test year for each usage block to determine the expected decline in gallons on a going forward basis. The current wastewater commodity rate(s) are then applied to the expected decline in gallons to derive an annual expected revenue decline on a going forward basis. The expected decline in revenues is the multiplied by 1.5. A factor of 1.5 was chosen as it is the midpoint of 3 years; the expected period of time between the time new rates are adopted in the instant case and new rates are adopted in a subsequent rate case. I would also note it is approximately the period of time between the time the current rates were adopted and the new rates in the instant case will be adopted. Again, the Company believes the declining usage adjustment is conservative. The Company revenues from the commercial customer classes have eroded by over 120,000 from 2008 to 2012.

Rebuttal adjustment number 4 increases revenues by $17,150 and reflects the Company's updated revenue annualization. The Company has updated its revenue annualization for two reasons. First, since the initial filing the Company found that its bill counts did not reflect all the usage that should have been billed to one of its 6 inch metered customer. In fact, the original bill count only showed billings for the first 4 months of the test year and billings for the last 8 months of the test year. Consequently, in the initial revenue annualization, which adjusts the revenues to the year-end number of customers, it was assumed that the Company

no longer had a 6 inch commercial customer and thus the revenues for this customer through its initial revenue annualization. The revenue annualization adjustment for this customer in the initial filing was ($12,213).[75]

After correcting the bill counts for the test year, there are now 12 billings for the 6 inch commercial customer. The revenue annualization adjustment for this customer is increased to zero, an increase to the revenue annualization adjustment of $12,213. Second, after discovering the billing errors associated with the 6 inch commercial customer, the Company analyzed its other customers to make sure there were no other missing bills. That analysis showed there were other missing bills for a few other commercial customers – one 5/8 x 3/4 inch commercial customer, one 1 inch commercial customer, one 2 inch commercial customer, and one 3 inch commercial customer.

In similar fashion, the initial revenue annualizations for these customers changed as a result of including these 4 customers in the bill counts. The net impact of the change in revenue annualizations for these customers is an increase of $4,937 over the initial revenue annualization adjustment. Together, the correction of the billings for the one 6 inch commercial customer and the 4 other commercial customers constitute a total increase to the revenue annualization is $17,150 ($12,213 plus $4,937) greater the revenue annualization proposed in the initial filing.

Q. DOES RUCO PROPOSE A SIMILAR REVENUE ANNUALIZATION ADJUSTMENT FOR THE WASTEWATER DIVISION?

A. Yes, however, RUCO's adjustment is $16,518 ($12,213 plus $4,305) rather the $17,150.[76] RUCO has correctly determined the revenue annualization impact for

[75] *See* Direct Schedule H-1, page 2.

[76] Coley Dt. at 42.

the 6 inch commercial customer of $12,213,[77] but has understated the revenue annualization impact for the other 4 commercial customers of $4,305.[78]

Q. OKAY. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S WASTEWATER DIVISION REBUTTAL ADJUSTMENTS TO REVENUES AND EXPENSES.

A. Rebuttal adjustment 5 increases revenues by $25,110 for the missing bills discussed above for adjustment 4. This additional adjustment is necessary to reconcile the test year revenues to the corrected bill counts.

Q. WHY IS IT NECESSARY?

A. First, for the 6 inch commercial customer discussed previously, the correction to the test year revenues totals $20,805. In the initial filing, the Company included revenues, before the revenue annualization, of $12,213.[79] After correcting the bill counts, the revenues for this customer are $33,018, a difference of $20,805 ($33,018 minus $12,213).[80] Second, the change in test year revenues for the other 4 commercial customers discussed previously totaled $4,305. In the initial filing, the Company included revenues, before the revenue annualization, of $45,467, $54,994, $93,658, and $4,304 for the 5/8 x 3/4 inch commercial customer class, 1 inch commercial customer class, 2 inch commercial customer class, and 3 inch commercial customer class, respectively.[81] The total revenues for these 4 customer classes are $198,423. After correcting the bill counts, the revenues for these 4 customer classes are $46,018, $56,409, 94,925, and $5,376, respectively.[82] The

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[77] *Id.*
[78] *Id.*
[79] *See* Direct Schedule H-1, page 1.
[80] *See* Rebuttal Schedule H-1, page 1.
[81] *See* Direct Schedule H-1, page 1.
[82] *See* Rebuttal Schedule H-1, page 1.

total corrected revenues for these 4 customers are $202,728, a difference of $4,305. Combined, the total increase in revenues is $25,110 ($20,805 plus $4,305).

Q. DOES RUCO PROPOSE A SIMILAR ADJUSTMENT FOR THE MISSING BILL COUNTS?

A. Yes.[83] RUCO's revenue accrual correction adjustment is the same as the Company's at $25,110.[84]

Q. PLEASE CONTINUE.

A. Rebuttal adjustment 6 increases purchased power expense for an anticipated increase in TEP increase in rates. TEP recently filed for an increase in its rates and is requesting an overall increase of approximately 4.6 percent. The Company is basing its proposed purchased power adjustment on the expected TEP overall increase. This is a conservative estimate for the increase in electric power rates to the Company. In my experience residential customers rates are typically increased less than the overall requested increase and all other customers experience higher increases than the overall requested increase. So, 4.6 percent is conservative and likely understates the increase in rates to the Company when the TEP rate case is decided.

Rebuttal adjustment 7 reflects the adoption of the Staff proposed adjustment to Management Services – Corporate for capital taxes.[85]

Rebuttal Adjustment 8 is intentionally left blank.

Rebuttal adjustment 9 reflects the reclassification of $165,896 of Management Services – Other expense to Purchased Wastewater Treatment

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[83] Coley Dt. at 43.
[84] *Id.*
[85] Rimback Dt. at 31.

expense. The net impact of this adjustment on operating expenses is zero. This adjustment reflects the adoption of the Staff proposed reclassification.[86]

Q. DOES RUCO PROPOSE A SIMILAR RECLASSIFICATION OF EXPENSE?

A. Yes, except RUCO first reduces the purchased wastewater treatment related expenses by $56,897 and then reclassifies the remainder of $108,999 from Management Services – Other expense to Purchased Wastewater Treatment expense.[87]

Q. WHY DOES THE COMPANY DISAGREE WITH RUCO'S PROPOSAL TO REDUCE PURCHASED WASTEWATER TREATMENT RELATED COSTS?

A. Because RUCO's recommended expense level is not based on complete, known and measurable data. While RUCO is correct that the actual post test year expense payments have been lower than the test year levels, this is not a complete and accurate picture. This is because the City of Nogales has not yet trued-up the new charge to their actual expenses. When it does, the temporary lower amount the Company is currently paying will eventually be trued-up with the updated analysis. Depending on the outcome, the Company could receive one large bill to reconcile the past payments with the City's current costs. Thereafter, going forward the Company will be billed monthly based on the updated cost analysis, which may be more or less than what was billed during the test year. At this point we simply do not know what the updated cost analysis from the City will show and it is premature to recommend any changes to the recorded test year purchased

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[86] *Id.* at 32.

[87] Coley at 49 – 50.

wastewater treatment costs. In fact, until the City is done, the only known and measurable cost for wastewater treatment from the City is the test year cost.

Q. WHAT HAS THE COMPANY DONE TO OBTAIN THE UPDATED NUMBERS?

A. Mr. Sorensen informs me that the Company has been hounding the City for the updated numbers since the day we got RUCO's direct filing and he has now asked legal counsel to try.

Q. WILL THE COMPANY REVISE ITS PURCHASED WASTEWATER TREATMENT EXPENSE IF IT GETS A FINAL NUMBER FROM THE CITY OF NOGALES?

A. Yes. The Company seeks only the costs that it expects to incur. At this stage of the proceeding the going-forward costs are simply unknown.

Q. PLEASE CONTINUE.

A. Rebuttal adjustment 10 increases Salaries and Wages by $11,811 for revised employee benefit costs. The proposed employee benefit costs reflect a recently adopted benefit arrangement for the Company's employees. I have discussed this in detail above, and Mr. Sorensen provides further discussion in his rebuttal testimony.

Rebuttal adjustments 11-13 are intentionally left blank.

Rebuttal Adjustment 14 reflects the changes to interest expense resulting from the interest synchronization with the Company's rebuttal proposed rate base. Interest synchronization also reflects Company's proposed capital structure and cost of debt.

Rebuttal Adjustment 15 reflects the changes to income taxes at the Company's rebuttal proposed revenues and expenses.

1. **Remaining Revenue and Expense Issues.**

Q. **PLEASE IDENTIFY ANY REMAINING ISSUES IN DISPUTE WITH RUCO AND/OR STAFF.**

A. I have discussed the issues with respect to rate case expense and corporate cost allocations previously on pages 34 through 39. My discussion on these issues applies equally to the wastewater division; only the amounts in dispute are different for the wastewater division.

V. RATE DESIGN

A. Water Division.

Q. **WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES FOR WATER SERVICE?**

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" meters	$16.96
3/4" Meters	$25.44
1" Meters	$42.40
1 1/2" Meters	$84.80
2" Meters	$135.68
3" Meters	$271.36
4" Meters	$424.00
6" Meters	$848.00
8" Meters	$1,356.80
10" Meters	$1,950.40
12" Meters	$3,646.40
Fire Lines up to 8 Inch	Per Rule
Fire Lines 10 Inch	Per Rule

Fire Lines 12 Inch		Per Rule
COMMODITY RATES		
5/8" X ¾" Meters	to 3,000	$ 1.81
	3,001 to 9,000	$ 3.01
	Over 9,000	$ 3.66
¾" Meters	1 to 6,000	$ 3.01
	Over 6,000	$ 3.66
1" Meters	1 to 22,500	$ 3.01
	Over 22,500	$ 3.66
1 ½" Meters	1 to 45,000	$ 3.01
	Over 45,000	$ 3.66
2" Meters	1 to 72,000	$ 3.01
	Over 72,000	$ 3.66
3" Meters	1 to 144,000	$ 3.01
	Over 144,000	$ 3.66
4" Meters	1 to 225,000	$ 3.01
	Over 225,000	$ 3.66
6" Meters	1 to 450,000	$ 3.01
	Over 450,000	$ 3.66
8" Meters	1 to 720,000	$ 3.01
	Over 720,000	$ 3.66
10" Meters	1 to 1,035,000	$ 3.01
	Over 1,035,000	$ 3.66
12" Meters	1 to 1,935,000	$ 3.01
	Over 1,935,000	$ 3.66

Q. WHAT IS THE AVERAGE MONTHLY BILL FOR THE 5/8 X 3/4 INCH METERED CUSTOMERS UNDER PRESENT RATES?

A. As shown on Rebuttal Schedule H-2, page 1, the average monthly bill under present rates for a 5/8 x 3/4 inch residential customer using an average 7,794 gallons is $29.75.

Q. WHAT WILL BE THE AVERAGE 5/8 X 3/4 INCH RESIDENTIAL CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8 x 3/4 inch residential customer using an average 7,794 gallons is $36.82 – a $7.07 increase over the present monthly bill or a 23.77 percent increase.

Q. HAVE YOU MADE ANY CHANGES TO THE RATE DESIGN FROM THE DIRECT FILING?

A. Yes. The Company is proposing a single tier rate design for the 6 inch bulk meter (Morning Star Ranch or MSR). The 6 inch bulk customer will still be charged a monthly minimum. The Company is proposing the same basic design for all other customer classes it proposed in its initial filing although the rates have changed to reflect the Company's proposed rebuttal revenue requirement.

Q. WHY IS THE COMPANY NOW PROPOSING A SINGLE TIER RATE DESIGN FOR THE 6 INCH BULK WATER CUSTOMER?

A. Two reasons. First, we are now able to assume that the 6 inch bulk water customer (MSR) is going to be a long term customer. This water is being delivered to residences within the Morning Star Ranch development. A two tier structure doesn't make much sense as MSR will always exceed both the current and proposed 2nd block break-over point. Second, RUCO points out MSR water deliveries are covered by an agreement which sets the commodity rate charged at

the level the Commission approves for the 3rd block rate.[88] A single tier is all that is needed for this customer.

Q. PLEASE COMMENT ON THE PROPOSED RATE DESIGN OF STAFF AND RUCO.

A. Like the Company, Staff is proposing an inverted three tier design for the 5/8 metered customers and an inverted two tier design for the 3/4 inch and larger metered customers.[89] Staff's break-over points also increase with meter size. The first tier commodity rate for 1 inch and larger metered customers is the same as the second tier of the 5/8 inch metered customers. The second tier of the 3/4 inch and larger metered customers is the same as the third tier of the 5/8 inch metered customers.[90] Staff is not currently proposing a single tier rate design for the 6 inch bulk customer.

RUCO is proposing an inverted three tier design for the 5/8 metered customers and an inverted two tier design for the 3/4 inch and larger metered customers.[91] RUCO's break-over points also increase with meter size. The first tier commodity rate for 1 inch and larger metered customers is the same as the second tier of the 5/8 inch metered customers. The second tier of the 3/4 inch and larger metered customers is the same as the third tier of the 5/8 inch metered customers.[92] RUCO is currently proposing a single tier rate design for the 6 inch bulk customer.[93]

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[88] Direct Testimony of Timothy J. Coley – Rate Design ("Coley Rate Design Dt.") at 5.
[89] *See* Staff Surrebuttal Schedule MJR-W-1.
[90] *Id.*
[91] *Id.*
[92] *See* RUCO Schedule TJC RD-2.
[93] Coley Rate Design Dt. at 5.

Q. DO YOU HAVE ANY CONCERNS WITH STAFF'S PROPOSED RATE DESIGN?

A. Only a couple. That's because the Staff's rate design is a more balanced rate design than it recommended in the prior rate case. Staff's rate design provides a greater amount of revenue recovery from the monthly minimums which moves the rate design more towards balancing water conservation with revenue stability. In fact, both the Company's rate design and Staff's rate design provide more than 40 percent of the revenue recovery from the monthly minimums. The Company's rate design provides a bit more than Staff's rate design at 43.3 percent versus 41.3 percent, but I welcome Staff's efforts to move in the right direction and provide more balance to the rate design.

Having said that, my first concern is that Staff's rates do not produce the Staff proposed revenue requirement. The Staff proposed rates produce about $19,000 less revenue than Staff proposes. Second, Staff proposes to lower the first tier commodity rate from $1.59 to $1.50, a 6 percent reduction.[94] I am compelled to continue to testify that reducing the commodity rate sends the wrong conservation signal to customers – that water is cheaper. Reducing the first tier commodity rate also means that more revenues have to be recovered from the higher priced commodity rates. This increases revenue risk, the risk of not recovering the authorized revenue requirement.

Q. WHERE DOES THIS VOLATILITY COME FROM?

A. Commodity rate revenues under an inverted tier rate design are inherently volatile. The revenue volatility is due to the fact that an increasing block rate anticipates recovering greater proportions of revenues at higher levels of consumption. When

[94] *See Staff Schedule MJR-W-1.*

more revenues are expected to be recovered at the higher priced commodity rates and conservation takes place, a greater amount of revenues are lost.

Q. HAVE YOU PREPARED AN ANALYSIS THAT SHOWS THE AVERAGE ANNUAL REVENUE LOSS BY USAGE BLOCK SINCE THE LAST RATE CASE?

A. Yes. I have prepared an analysis of the revenue erosion that has taken place since the last rate case and have attached it as Rebuttal Schedule **TJB-RB3**, page 1. As shown, the reduction in gallons sold since 2008 for the 5/8 x 3/4 inch residential customers (the largest customer class) was in the 3rd block which also happens to be the highest priced commodity rate. Based on the 4 year average of reduction of gallons sold in the 3rd block, the Company revenues are eroding by $64,344 annually. The growth that occurred on the system and the increase in gallons sold in the 1st and 2nd tier blocks from customer growth actually provided some additional revenues. On average the Company gained annual revenues from the 1st block of $1,723 and $10,587 from the 2nd block. However, because of the reduction that occurred in the 3rd block, the net average annual revenue loss was nearly $55,000 and cumulatively over $218,000 since the last rate case.

The reduction in gallons sold in the 3rd block over the past several years makes sense. When water conservation takes place, it typically occurs at the higher usage levels where customers tend to have the greatest amount of discretionary water use. I would expect the 3rd block gallons sold to decline under conservation oriented rates. As you will note, the greatest amount of revenue erosion occurred in 2011 and 2012 after the current rates from the last decision were implemented.

Q. WILL THE COMPANY PROPOSED RATE DESIGN CONTINUE TO ENCOURAGE CONSERVATION?

A. Yes. *Just as important, it will provide a bit more revenue stability than the Staff* rate design. I continue to have concerns regarding the additional revenue erosion that will take place on a going forward basis regardless of whether the Staff or the Company's rate design is adopted.

Q. WHAT CONCERNS DO YOU HAVE WITH RUCO'S PROPOSED RATE DESIGN?

A. My greatest concern is that the RUCO design continues to recover revenues from the monthly minimums that are too similar to the Company's current rate design and far below the level the Company proposes. RUCO's rate design recovers less than 36 percent of the overall revenue requirement from the monthly minimums. As such, the RUCO rate design provides less revenue stability than the Company's rate design. On the other hand, RUCO does increase the 1st tier commodity rate unlike Staff. RUCO's proposal makes more sense than Staff's proposal to reduce the 1st tier commodity rate.

B. <u>Wastewater Division.</u>

Q. WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES FOR WASTEWATER SERVICE?

A. *The Company's proposed rates are:*

MONTHLY SERVICE CHARGES	
5/8" x 3/4" meters	$54.12
3/4" Meters	$62.37
1" Meters	$76.24
1 1/2" Meters	$112.57
2" Meters	$156.14

3" Meter	$272.02
4" Meters	$403.19
6" Meter	$776.18
8" Meters	$1,113.98
10" Meters	$1,669.28
12" Meters	$2,373.83
COMMODITY RATES	
Commercial and Multi-tenant only	
0 to 7,000 gallons	$0.00
Over 7,000 gallons	$5.12

Q. WHAT WILL BE THE 5/8 X 3/4 INCH RESIDENTIAL CUSTOMER MONTHLY BILL UNDER THE PRESENT RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under present rates for a 5/8 x 3/4 inch residential customer is $45.88.

Q. WHAT WILL BE THE AVERAGE 5/8 INCH RESIDENTIAL CUSTOMER MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Wastewater Schedule H-2, page 1, the monthly bill under proposed rates for a 5/8 inch residential customer is $54.12 – an $8.24 increase from the present monthly bill or a 17.95 percent increase.

Q. PLEASE COMMENT ON THE PROPOSED RATE DESIGNS OF STAFF AND RUCO.

A. All of the parties recommend similar rate designs for the wastewater division. Further, all of the parties spread their respective recommended revenue increases evenly across all classes.

Q. DO YOU HAVE ANY CONCERNS WITH THE STAFF AND/OR RUCO RATE DESIGNS?

A. Yes. The Staff proposed rates do not produce Staff's recommended revenue requirement. The Staff rates produce approximately $34,000 less revenues than its proposed revenue requirement.

Q. HAVE REVENUES ERODED FOR THE WASTEWATER DIVISION FROM THE RATE DESIGN SIMILAR TO THE WATER DIVISION?

A. Yes. The commercial wastewater rates are tied to the water usage. Water usage reductions by these customers affect the wastewater revenue recovery. From 2008 through 2012 the Company's revenues have declined by over $120,000.[95]

C. <u>Miscellaneous Charges.</u>

Q. IS THERE ANY DISAGREEMENT BETWEEN THE COMPANY AND STAFF ON THE COMPANY'S PROPOSED METER AND SERVICE LINE INSTALLATION CHARGES?

A. No. The Company and Staff are in agreement.

Q. IS THERE ANY DISAGREEMENT BETWEEN THE COMPANY AND STAFF ON THE COMPANY'S PROPOSED MISCELLANEOUS CHARGES?

A. Yes. While the Company agrees with the Staff proposal to eliminate the Establishment (after hours) and Reconnection (after hours) charges, it believes the $40 Service Call per hour/after hour charge, which would apply to establishment and reconnection services after hours, should be also eliminated and a Service Charge – after hours of a flat $50 should be added. It is not administratively efficient for the Company to track after hour time for every service it performs

[95] *See* **Exhibit TJB-RB3**, page 2.

after hours, particularly for services such as establishments and reconnections. The Company believes the proposed $50 flat charge for all services performed after hours makes the most sense.

Q. HAS THIS APPROACH BEEN ADOPTED IN OTHER RATE CASES?

A. Yes. This approach has been adopted in the recent rate cases for Pima Utility Company (Decision No. 73573, November 21, 2012), Goodman Water Company (Decision No. 72897, February 21, 2012), and Doney Park Water (Decision No. 72746, January 20, 2012). In the pending Avra Valley Cooperative rate case (Docket No. W-02126A-11-0480), Staff is proposing a similar approach.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

Rio Rico Utilities, Inc. dba Liberty Utilities
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT, RATE DESIGN)

JANUARY 28, 2013

EXHIBIT TJB-RB1

Individual Asset vs. Vintage Year Group Method vs. Asset Group Depreciation Method

Individual Asset Method
Depreciation Rate 10%

Year	Cost		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1998	$ 100	Asset A	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ -	$ -
1999	$ 100	Asset B		$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ -
2000	$ 100	Asset C			$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Retirement 1998													$ (100)		
Retirement 1999														$ (100)	
Retirement 2000															$ (100)
Total Plant			$ 100	$ 200	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 200	$ 100	$ -
Annual Depreciation															
1998			$ 5	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 5		
1999				$ 5	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 5	
2000					$ 5	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 5
Total Annual Depreciation			$ 5	$ 15	$ 25	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 25	$ 15	$ 5

Vintage Year Method
Depreciation Rate 10%

Year	Cost	Group	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1998	$ 100	1998	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ -	$ -
1999	$ 100	1999		$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ -
2000	$ 100	2000			$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Retirement 1998													$ (100)		
Retirement 1999														$ (100)	
Retirement 2000															$ (100)
Total Plant			$ 100	$ 200	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 200	$ 100	$ -
Annual Depreciation															
1998			$ 5	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 5		
1999				$ 5	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 5	
2000					$ 5	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 5
Total Annual Depreciation			$ 5	$ 15	$ 25	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 25	$ 15	$ 5
Total Plant			$ 100	$ 200	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 200	$ 100	$ -
Depreciation Reserve															
1998			$ 5	$ 15	$ 25	$ 35	$ 45	$ 55	$ 65	$ 75	$ 85	$ 95	$ -	$ -	$ -
1999			$ -	$ 5	$ 15	$ 25	$ 35	$ 45	$ 55	$ 65	$ 75	$ 85	$ 95	$ -	$ -
2000			$ -	$ -	$ 5	$ 15	$ 25	$ 35	$ 45	$ 55	$ 65	$ 75	$ 85	$ 95	$ -
Total Depreciation Reserve (A/D)			$ 5	$ 20	$ 45	$ 75	$ 105	$ 135	$ 165	$ 195	$ 225	$ 255	$ 180	$ 95	$ -
Net Plant			$ 95	$ 180	$ 255	$ 225	$ 195	$ 165	$ 135	$ 105	$ 75	$ 45	$ 20	$ 5	$ -

Asset Group method
Depreciation Rate 10%

Year	Cost	Group													
1998	$ 100	A	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ -	$ -
1999	$ 100	A		$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ -
2000	$ 100	A			$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Retirement 1998													$ (100)		
Retirement 1999														$ (100)	
Retirement 2000															$ (100)
Total Plant			$ 100	$ 200	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 200	$ 100	$ -
Annual Depreciation			$ 5	$ 15	$ 25	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 25	$ 15	$ 5
Gross Plant			$ 100	$ 200	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300	$ 200	$ 100	$ -
Total Depreciation Reserve (A/D)			$ 5	$ 20	$ 45	$ 75	$ 105	$ 135	$ 165	$ 195	$ 225	$ 255	$ 180	$ 95	$ -
Net Plant			$ 95	$ 180	$ 255	$ 225	$ 195	$ 165	$ 135	$ 105	$ 75	$ 45	$ 20	$ 5	$ -

Rio Rico Utilities, Inc. dba Liberty Utilities
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT, RATE DESIGN)

JANUARY 28, 2013

EXHIBIT TJB-RB2

Original	Jun 28, 2010	Document Created	Peter Eichler

Description

From time to time, assets are removed or replaced prior to the end of their useful life. This policy governs the accounting treatment of asset retirements and how they are to be recorded on the utility books.

Regulatory References

NARUC Uniform System of Accounts, pages 31-33

Other References

Handy-Whitman Index

Procedure

A new line item has been added to the FWO form which requires the identification of assets. At the time of initiating a project, the following section must now be completed on the form:

WILL THERE BE ASSETS GREATER THAN $5,000 THAT ARE CURRENTLY IN SERVICE REMOVED AS A RESULT OF THIS PROJECT? IF YES, PLEASE DETAIL THE SPECIFIC ASSETS THAT WILL BE REMOVED:

1. Original Cost of Plant to be removed (if known):
2. What is the replacement cost of the plant being removed (if original cost not known)?
3. Original Work Order of Plant to be removed (if known):
4. Is the Plant being removed reusable?
5. What is the year of original installation of the plant being removed?

Accounting Entry required:

The recording of asset retirements will occur in tracking accounts for statistical purposes, as they occur. The following entry shall occur. The amount of the entry shall be book cost.

Dr. Accumulated Depreciation – Retired Plant
  Cr. Retired Fixed Assets

In addition, depreciation expense on retired fixed assets should be tracked as well through the following entry, which shall occur from the time of retirement, until the end of the useful life of the asset:

Dr. Depreciation expense - retired plant
  Cr. Depreciation expense – retired plant

At the end of every calendar year, a manual adjusting entry must occur to depreciation expense in the amount of the total debits or total credits in the "Depreciation Expense – retired plant" account. The entry shall be:

Dr. Accumulated Depreciation – plant
  Cr. Depreciation Expense

Salvage Value, Removal Costs, and other items in the course of retirement

Any other costs incurred or recovered (via salvage value) in the course of retirement shall be charged or credited against the accumulated depreciation account, consistent with instructions found in section 27(2) of the NARUC Uniform System of Accounts, page 32.

Book Cost:

The book cost of any plant item retired should be determined by referring to the original invoice. If an item cannot be easily distinguished on an invoice, an estimate may be used of original book cost by using an estimate of the replacement value (requires an up to date quote) and adjusting for inflation to the original installation date by using the inflation data in the Handy-Whitman index (2009 version attached for reference).

The Handy Whitman index provides an inflation adjusted value with a base year of 1973. For example, as seen on page W-5-8 line 9, an item located within a utility that is part of the Plateau region with a value of $100 in 1973 would have a value of $501 on January 1, 2009. Similarly, if an item were to have a current day replacement cost of $100, the book value would be deemed to be $19.96 (calculated as $100/(501/100)) for retirement purposes.

Please note that utilities located in Arizona are deemed to be part of the "Plateau region" while utilities in Texas are deemed to be part of the "South West region".

Rio Rico Utilities, Inc. dba Liberty Utilities
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT, RATE DESIGN)

JANUARY 28, 2013

EXHIBIT TJB-RB3

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Declining Usage/ Revenue Erosion Analysis - Residential 5/8x3/4 Inch

	Year					
Gallons Sold by Usage Block (In 1,000's)	**2008**	**2009**	**2010**	**2011**	**2012**	
Bock 1 (<=3,000 gallons)	27,743	26,361	28,943	36,766	31,920	
Block 2 (3,001 to 9,000 gallons)	214,462	206,202	214,340	232,483	228,638	
Block 3 (>9,000 gallons)	341,864	362,922	336,672	295,738	266,147	
Year-Over-Year Increase(decrease)(In 1,000's)						
Bock 1 (<=3,000 gallons)		(1,382)	2,582	7,823	(4,846)	
Block 2 (3,001 to 9,000 gallons)		(8,260)	8,138	18,143	(3,845)	
Block 3 (>9,000 gallons)		21,058	(26,250)	(40,934)	(29,591)	
Year-Over-Year Percentage Increase(decrease)						Average
Bock 1 (<=3,000 gallons)		-4.98%	9.79%	27.03%	-13.18%	4.67%
Block 2 (3,001 to 9,000 gallons)		-3.85%	3.95%	8.46%	-1.65%	1.73%
Block 3 (>9,000 gallons)		6.16%	-7.23%	-12.16%	-10.01%	-5.81%

Year-over-Year Revenue Increase (decrease)

	2008-2010 Commodity Charge	2011-2012 Commodity Charge	**2009** Dollar (Incr.(Decr.)	**2010** Dollar (Incr.(Decr.)	**2011** Dollar (Incr.(Decr.)	**2012** Dollar (Incr.(Decr.)	Average
	$ 1.44	$ 1.59	$ (1,990)	$ 3,718	$ 12,439	$ (7,705)	$ 1,615
	$ 1.70	$ 2.92	$ (14,042)	$ 13,835	$ 52,978	$ (11,227)	10,386
	$ 1.90	$ 3.64	$ 40,010	$ (49,875)	$ (149,001)	$ (107,710)	(66,644)
Annual			$ 23,978	$ (32,322)	$ (83,585)	$ (126,642)	(54,643)
Cumulative			$ 23,978	$ (8,344)	$ (91,929)	$ (218,572)	

Decision 72059
January 6, 2011

Estimate of future annual revenue ersosion

	TY Gallons Sold (in 1,000's)	Avg Incr./Decr.	Estimate Incr.(decr) (in 1,000's)	Present Commodity Charge	Estimate of Annual Dollar (Incr.(Decr.)
Bock 1 (<=3,000 gallons)	29,020	4.67%	1,354	$ 1.59	$ 2,153
Block 2 (3,001 to 9,000 gallons)	217,396	1.73%	3,753	$ 2.92	$ 10,959
Block 3 (>9,000 gallons)	305,631	-5.81%	(17,755)	$ 3.64	$ (64,629)
Totals	552,047		(12,648)		**$ (51,517)**

Rio Rico Utilities, Inc. - Wastewater Division
Declining Usage/ Revenue Erosion Analysis - Commercial Customers

	Year					
Gallons Sold by Usage Block (in 1,000's)	**2008**	**2009**	**2010**	**2011**	**2012**	
Block 1 (<=7,000 gallons)	2,059	1,925	1,702	1,691	1,875	
Block 2 (>7,000 gallons)	68,107	58,474	52,932	47,756	45,545	
Year-Over-Year Increase(decrease)(in 1,000's)						
Block 1 (<=7,000 gallons)		(134)	(222)	(11)	184	
Block 2 (>7,000 gallons)		(9,633)	(5,542)	(5,176)	(2,211)	
Year-Over-Year Percentage Increase(decrease)						Average
Block 1 (<=7,000 gallons)		-6.53%	-11.56%	-0.63%	10.87%	-1.96%
Block 2 (>7,000 gallons)		-14.14%	-9.48%	-9.78%	-4.63%	-9.51%

Year-over-Year Revenue Increase (decrease)

	2008-2010 Commodity Charge	2011-2012 Commodity Charge	**2009** Dollar (Incr.(Decr.)	**2010** Dollar (Incr.(Decr.)	**2011** Dollar (Incr.(Decr.)	**2012** Dollar (Incr.(Decr.)	Average
	$ 5.71	$ 4.79	$ (55,005)	$ (31,643)	$ (24,792)	$ (10,593)	(30,508)
Annual			$ (55,005)	$ (31,643)	$ (24,792)	$ (10,593)	(30,508)
Cumulative			$ (55,005)	$ (86,648)	$ (111,440)	$ (122,033)	

Decision 72059
January 6, 2011

Estimate of future annual revenue ersosion

	TY Gallons Sold (in 1,000's)	Avg Incr./Decr.	Estimate Incr.(decr) (in 1,000's)	Present Commodity Charge	Estimate of Annual Dollar (Incr.(Decr.)
Block 1 (<=7,000 gallons)	1,680	-1.96%	(33)	$ -	$ -
Block 2 (>7,000 gallons)	49,119	-9.51%	(4,670)	$ 4.67	$ (21,809)
Totals	50,799		(4,703)		$ (21,809)

Rio Rico Utilities dba Liberty Utilities –Water Division
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)

January 28, 2013

SCHEDULES

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 7,730,108
2		
3	Adjusted Operating Income	374,335
4		
5	Current Rate of Return	4.84%
6		
7	Required Operating Income	$ 725,084
8		
9	Required Rate of Return on Fair Value Rate Base	9.38%
10		
11	Operating Income Deficiency	$ 350,749
12		
13	Gross Revenue Conversion Factor	1.6589
14		
15	Increase in Gross Revenue	
16	Requirement	$ 581,865
17		
18	Adjusted Test Year Revenues	$ 2,778,766
19	Increase in Gross Revenue Revenue Requirement	$ 581,865
20	Proposed Revenue Requirement	$ 3,360,630
21	% Increase	20.94%
22		

23	Customer		Present	Proposed	Dollar	Percent
24	Classification		Rates	Rates	Increase	Increase
25	5/8X3/4 Inch	Residential	$ 2,239,712	$ 2,727,658	$ 487,946	21.79%
26	5/8X3/4 Inch	Residential (Low Income)	29,750	36,531	6,780	22.79%
27	3/4 Inch	Residential	4,032	5,334	1,303	32.31%
28	1 Inch	Residential	25,847	32,124	6,277	24.29%
29	1 Inch	Residential (Low Income)	359	478	119	33.14%
30	1 1/2 Inch	Residential	5,642	6,671	1,029	18.23%
31	2 Inch	Residential	5,482	7,365	1,883	34.35%
32	5/8X3/4 Inch	Commercial	36,891	43,310	6,419	17.40%
33	1 Inch	Commercial	45,719	54,239	8,520	18.64%
34	1 1/2 Inch	Commercial	16,434	19,734	3,300	20.08%
35	2 Inch	Commercial	110,064	135,439	25,375	23.05%
36	3 Inch	Commercial	113,938	126,904	12,966	11.38%
37	4 Inch	Commercial	83,492	90,182	6,689	8.01%
38	6 Inch	Commercial	25,623	27,606	1,983	7.74%
39	5/8X3/4 Inch	Industrial	4,727	6,043	1,316	27.83%
40	2 Inch	Industrial	47,436	50,918	3,482	7.34%
41	5/8X3/4 Inch	Multi-family	3,072	3,671	599	19.49%
42	1 1/2 Inch	Multi-family	1,071	1,442	371	34.70%
43	6 Inch	Bulk	29,625	31,334	1,709	5.77%
44		Fire Lines up to 8 Inch	1,263	1,950	688	54.46%
45	Revenue Annualization		(17,028)	(14,617)	2,411	-14.16%
46	Declining Usage Adjustment		(77,275)	(77,275)	-	0.00%
47	Subtotal		$ 2,735,877	$ 3,317,042	$ 581,165	21.24%
48						
49	Other Water Revenues		42,889	42,889	-	0.00%
50	Reconciling Amount		-	699	699	0.00%
51	Rounding				1	0.00%
52	Total of Water Revenues		$ 2,778,766	$ 3,360,630	$ 581,865	20.94%
53						

54 SUPPORTING SCHEDULES:
55 B-1
56 C-1
57 C-3
58 H-1

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 34,455,296	$ 34,455,296
3	Less: Accumulated Depreciation	13,756,125	13,756,125
4			
5	Net Utility Plant in Service	$ 20,699,171	$ 20,699,171
6			
7	Less:		
8	Advances in Aid of Construction	660,955	660,955
9			
10	Contributions in Aid of Construction	20,179,119	20,179,119
11			
12	Accumulated Amortization of CIAC	(8,617,752)	(8,617,752)
13			
14	Customer Meter Deposits	284,024	284,024
15	Deferred Income Taxes & Credits	462,717	462,717
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 7,730,108	$ 7,730,108
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45			
46			
47			
48			
49			
50			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 36,146,219	(1,690,924)	$ 34,455,296
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	15,784,381	(2,028,256)	13,756,125
7				
8				
9	Net Utility Plant			
10	in Service	$ 20,361,839		$ 20,699,171
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	660,955	-	660,955
15				
16	Contributions in Aid of			
17	Construction - Gross	20,179,119	-	20,179,119
18				
19	Accumulated Amortization of CIAC	(8,797,261)	179,509	(8,617,752)
20				
21	Customer Meter Deposits	284,024		284,024
22	Accumulated Deferred Income Tax	405,395	57,322	462,717
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 7,629,607		$ 7,730,108
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47				
48				
49				
50				

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 ADIT	5	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 36,146,219	(1,690,924)					$ 34,455,296
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	15,784,381		(2,028,256)				13,756,125
7								
8								
9	Net Utility Plant							
10	in Service	$ 20,361,839	$ (1,690,924)	$ 2,028,256	$ -	$ -	$ -	$ 20,699,171
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	660,955						660,955
15								
16	Contributions in Aid of							
17	Construction (CIAC)	20,179,119			-			20,179,119
18								
19	Accumulated Amort of CIAC	(8,797,261)			179,509			(8,617,752)
20								
21	Customer Meter Deposits	284,024						284,024
22	Accumulated Deferred Income Taxes	405,395				57,322		462,717
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						
29	Materials and Supplies	-						
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 7,629,607	$ (1,690,924)	$ 2,028,256	$ (179,509)	$ (57,322)	$ -	$ 7,730,108
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38								
39								
40								

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Original Cost	A Reclassification to WW Plant	B WW Portion of Allocated Building Costs	C Affiliate Profit	D Plant Retirement	E Plant Retirements	F Adjustments to Reconcile to Plant Reconstruction	Rebuttal Adjusted Original Cost
1						Adjustments				
6	301	Organization Cost	5,785						-	5,785
7	302	Franchise Cost	417						-	417
8	303	Land and Land Rights	44,194						-	44,194
9	304	Structures and Improvements	3,432,930		(121,438)	(35)			-	3,311,457
10	305	Collecting and Impounding Res.	-						-	-
11	306	Lake River and Other Intakes	-						-	-
12	307	Wells and Springs	562,944			(7)			-	562,937
13	308	Infiltration Galleries and Tunnels	-						-	-
14	309	Supply Mains	279,157						-	279,157
15	310	Power Generation Equipment	219,360						-	219,360
16	311	Electric Pumping Equipment	3,147,011			(303)	(9,757)	(1,534,958)	-	1,601,993
17	320	Water Treatment Equipment	369,100	(5,658)					-	363,442
18	320.1	Water Treatment Plant	-						-	-
19	320.2	Chemical Solution Feeders	-						-	-
20	330	Dist. Reservoirs & Standpipe	759,861						-	759,861
21	330.1	Storage tanks	-						-	-
22	330.2	Pressure Tanks	-						-	-
23	331	Trans. and Dist. Mains	22,339,256			(1,363)			-	22,337,893
24	333	Services	2,768,122						-	2,768,122
25	334	Meters	1,010,366						-	1,010,366
26	335	Hydrants	572,321						-	572,321
27	336	Backflow Prevention Devices	15,855	(9,704)					-	6,151
28	339	Other Plant and Misc. Equip.	123,778						-	123,778
29	340	Office Furniture and Fixtures	29,265						-	29,265
30	340.1	Computers and Software	76,919						-	76,919
31	341	Transportation Equipment	142,188						-	142,188
32	342	Stores Equipment	-						-	-
33	343	Tools and Work Equipment	18,203						-	18,203
34	344	Laboratory Equipment	3,061						-	3,061
35	345	Power Operated Equipment	-						-	-
36	346	Communications Equipment	212,996						-	212,996
37	347	Miscellaneous Equipment	13,128					(7,701)	0	5,427
38	348	Other Tangible Plant	-						-	-
39		Plant Held for Future Use	-						-	-
40		TOTALS	$ 36,146,219	$ (15,362)	$ (121,438)	$ (1,708)	$ (9,757)	$ (1,542,659)	$ 0	$ 34,455,296
41										
42		Plant-in-Service per Books								$ 36,146,219
43										
44		Increase (decrease) in Plant-in-Service								$ (1,690,924)
45										
46		Adjustment to Plant-in-Service								$ (1,690,924)
47										
48		SUPPORTING SCHEDULES								
49		B-2, pages 3.1 through 3.6								

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.				
1	Reclassification of plant to Wastewater Division			
2				
3				
4	Acct.		Recorded	
5	No.	Description	Year	Adjustment
6	320	Water Treatment Equipment	2009	$ (5,658)
7	336	Backflow Prevention Devices	2010	(7,210)
8	336	Backflow Prevention Devices	2011	(2,494)
9		Total		$ (15,362)
10				
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43	SUPPORTING SCHEDULE			
44	Staff Schedule MJR-W5			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Line No.

1 Remove Portion of Building Costs Allocated to Wastewater Division

Acct. No.	Description	Recorded Year	Adjustment
304	Structures and Improvements	2012	$ (121,438)
	Total		$ (121,438)

SUPPORTING SCHEDULE
Staff Schedule MJR-W6
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.				
1	Remove Affiliate Profit			
2				
3				
4	Acct.		Recorded	
5	No.	Description	Year	Adjustment
6	304	Structures and Improvements	2012	$ (35)
7	307	Wells and Springs	2012	(7)
8	311	Electric Pumping Equipment	2012	(303)
9	331	Trans. and Dist. Mains	2012	(1,363)
10				
11				
12		Total		$ (1,708)
13				
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43	SUPPORTING SCHEDULE			
44	Staff Schedule MJR-W7			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

Line No.				
1	Plant Retirement			
2				
3				
4	Acct.		Retirement	
5	No.	Description	Year	Adjustment
6	311	Electric Pumping Equipment	2012	$ (9,757)
7				
8				
9				
10				
11				
12		Total		$ (9,757)
13				
14				
15				
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43	SUPPORTING SCHEDULE			
44	Staff Schedule MJR-W12			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Bourassa

Line No.						
1	Plant Retirements					
2						
3						
4	Acct.			Retirement		
5	No.	Description	Description	Year		Adjustment
6	311	Electric Pumping Equipment	1994 Net Plant Adds	2009	$ (867,182)	
7	311	Electric Pumping Equipment	1995 Net Plant Adds	2009	(38,257)	
8	311	Electric Pumping Equipment	1996 Net Plant Adds	2009	(34,827)	
9	311	Electric Pumping Equipment	1997 Net Plant Adds	2009	(12,234)	
10	311	Electric Pumping Equipment	1998 Net Plant Adds	2009	(18,044)	
11	311	Electric Pumping Equipment	1999 Net Plant Adds	2009	(422,696)	
12	311	Electric Pumping Equipment	2000 Net Plant Adds	2009	(78,483)	
13			Subtotal			$ (1,469,722)
14						
15	311	Electric Pumping Equipment	2001 Net Plant Adds	2010		(22,907)
16	311	Electric Pumping Equipment	2002 Net Plant Adds	2011		(11,830)
17	311	Electric Pumping Equipment	2003 Net Plant Adds	2012	$ (151,098)	
18	311	Electric Pumping Equipment	Less: Retirement See Adjustment 1-D	2012	9,757	
19	311	Electric Pumping Equipment	Less: Retirements recorded in 2012	2012	110,842	
20						$ (30,499)
21						
22		Total				$ (1,534,958)
23						
24						
25	Acct.			Retirement		
26	No.	Description	Description	Year		Adjustment
27	347	Miscellaneous Equipment	1994 Net Plant Adds	2009	$ (481)	
28	347	Miscellaneous Equipment	1995 Net Plant Adds	2009	(4,164)	
29	347	Miscellaneous Equipment	1996 Net Plant Adds	2009	(1,218)	
30	347	Miscellaneous Equipment	1997 Net Plant Adds	2009	(1,838)	
31	347	Miscellaneous Equipment	1998 Net Plant Adds	2009	-	
32	347	Miscellaneous Equipment	1999 Net Plant Adds	2009	-	
33	347	Miscellaneous Equipment	2000 Net Plant Adds	2009	-	
34			Subtotal			$ (7,701)
35						
36	347	Miscellaneous Equipment	2001 Net Plant Adds	2009		-
37	347	Miscellaneous Equipment	2002 Net Plant Adds	2010		-
38						
39						$ -
40						
41		Total				$ (7,701)
42						
43	SUPPORTING SCHEDULE					
44	Testimony					
45						

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rebuttal Schedule B-2
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Witness: Bourassa

Line No.							
1	Reconciliation of Plant to Plant Reconstruction						
2			Direct		Rebuttal		
3			Adjusted		Adjusted	Plant	
4	Acct.		Orginal	B-2	Orginal	Per	
5	No.	Description	Cost	Adjustments	Cost	Reconstruction	Difference
6	301	Organization Cost	5,785	-	5,785	5,785	-
7	302	Franchise Cost	417	-	417	417	-
8	303	Land and Land Rights	44,194	-	44,194	44,194	-
9	304	Structures and Improvements	3,432,930	(121,473)	3,311,457	3,311,457	-
10	305	Collecting and Impounding Res.	-	-	-	-	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	562,944	(7)	562,937	562,937	-
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	279,157	-	279,157	279,157	-
15	310	Power Generation Equipment	219,360	-	219,360	219,360	-
16	311	Electric Pumping Equipment	3,147,011	(1,545,018)	1,601,993	1,601,993	-
17	320	Water Treatment Equipment	369,100	(5,658)	363,442	363,442	-
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	759,861	-	759,861	759,861	-
21	330.1	Storage tanks	-	-	-	-	-
22	330.2	Pressure Tanks	-	-	-	-	-
23	331	Trans. and Dist. Mains	22,339,256	(1,363)	22,337,893	22,337,893	-
24	333	Services	2,768,122	-	2,768,122	2,768,122	-
25	334	Meters	1,010,366	-	1,010,366	1,010,366	-
26	335	Hydrants	572,321	-	572,321	572,321	-
27	336	Backflow Prevention Devices	15,855	(9,704)	6,151	6,151	-
28	339	Other Plant and Misc. Equip.	123,778	-	123,778	123,778	-
29	340	Office Furniture and Fixtures	29,265	-	29,265	29,265	-
30	340.1	Computers and Software	76,919	-	76,919	76,919	-
31	341	Transportation Equipment	142,188	-	142,188	142,188	-
32	342	Stores Equipment	-	-	-	-	-
33	343	Tools and Work Equipment	18,203	-	18,203	18,203	-
34	344	Laboratory Equipment	3,061	-	3,061	3,061	-
35	345	Power Operated Equipment	-	-	-	-	-
36	346	Communications Equipment	212,996	-	212,996	212,996	-
37	347	Miscellaneous Equipment	13,128	(7,701)	5,427	5,427	0
38	348	Other Tangible Plant	-	-	-	-	-
39		Plant Held for Future Use					-
40		TOTALS	$ 36,146,219	$ (1,690,924)	$ 34,455,295	$ 34,455,296	$ 0
41							
42							
43	SUPPORTING SCHEDULE						
44	B-2, pages 3.1 through 3.5						
45	B-2, pages 3.7 through 3.10						

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision 72059: Plant at 12/31/2006	Per Decision 72059: Accum. Deprec. At 12/31/2006	2008: Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	5,785	-	-	-		-	-		-		-	5,785	-
2	302	Franchise Cost	0.00%	417	-	-	-		-	-		-		-	417	-
3	303	Land and Land Rights	0.00%	44,194	-	-	-		-	-		-		-	44,194	-
4	304	Structures & Improvements	3.33%	2,732,833	306,347	16,449	-		16,449	-		-		91,277	2,749,282	397,624
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-		-	-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-		-	-		-		-	-	-
7	307	Wells & Springs	3.33%	563,511	160,123	(1,518)	-		(1,518)	-		-		18,740	561,993	178,863
8	308	Infiltration Galleries	6.67%	-	-	-	-		-	-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	278,153	29,151	-	-		-	-		-		5,583	278,153	31,735
10	310	Power Generation Equipment	5.00%	197,120	69,734	10,000	-		10,000	-		-		10,106	207,120	79,840
11	311	Pumping Equipment	12.50%	2,501,970	1,882,899	224,575	-		224,575	-	1,469,722	1,469,722		246,175	1,346,824	659,452
12	320	Water Treatment Equipment	3.33%	372,970	144,799	(3,869)	-	(5,658)	(9,527)	-		-		12,261	363,442	157,060
13	320.1	Water Treatment Plants	3.33%	-	-	-	-		-	-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-		-	-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	758,861	138,279	-	-		-	-		-		16,869	759,861	155,148
16	330.1	Storage Tanks	2.22%	-	-	-	-		-	-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-		-	-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	22,069,150	8,163,798	40,046	-		40,046	-		-		442,183	22,129,197	8,605,981
19	333	Services	3.33%	2,209,274	805,063	123,799	-		123,799	4,394		4,394		75,567	2,328,679	877,126
20	334	Meters	8.33%	956,505	319,834	1,871	-		1,871	5,402		5,402		79,538	953,075	393,820
21	335	Hydrants	2.00%	568,577	148,744	-	-		-	-		-		11,372	568,577	160,115
22	336	Backflow Prevention Devices	6.67%	3,848	385	-	-		-	-		-		257	3,848	642
23	339	Other Plant & Misc Equipment	6.67%	121,843	4,647	-	-		-	-		-		8,127	121,843	12,774
24	340	Office Furniture & Equipment	6.67%	22,966	17,954	-			-	-		-		1,533	22,966	19,487
25	340.1	Computers & Software	20.00%	76,919	76,919	-	-		-	-		-		-	76,919	76,919
26	341	Transportation Equipment	20.00%	219,945	25,112	(78,957)	-		(78,957)	-		-		35,893	139,988	61,005
27	342	Stores Equipment	4.00%	-	-	-	-		-	-		-		-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	15,035	9,301	-	-		-	-		-		752	15,035	10,053
29	344	Laboratory Equipment	10.00%	3,061	2,893	-	-		-	-		-		168	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-		-	-		-		-	-	-
31	346	Communication Equipment	10.00%	218,040	113,464	-	-		-	-		-		21,804	218,040	135,268
32	347	Miscellaneous Equipment	10.00%	7,701	6,641	480	-		480	-	7,701	7,701		408	480	(651)
33	348	Other Tangible Plant	4.00%	-	-	-	-		-	-		-		-	-	-
34		Plant Held for Future Use							-	-		-		-	-	-
35									-			-		-	-	-
36		TOTALS		34,059,801	12,423,937	332,877	-	(5,658)	327,219	9,796	1,477,423	1,487,219	-	1,078,804	32,899,800	12,015,321

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-		-		-	5,785	-
2	302	Franchise Cost	0.00%	-	-	-	-	-		-		-	417	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-		-		-	44,194	-
4	304	Structures & Improvements	3.33%	2,367	-	-	2,367	-		-		91,591	2,751,849	489,214
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-		-		-	-	-
7	307	Wells & Springs	3.33%	897	-	-	897	-		-		18,729	562,890	197,592
8	308	Infiltration Galleries	6.67%	-	-	-	-	-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-		-		5,583	279,153	37,218
10	310	Power Generation Equipment	5.00%	10,472	-	-	10,472	-		-		10,818	217,592	90,458
11	311	Pumping Equipment	12.50%	23,210	-	-	23,210	-	22,907	22,907		168,372	1,347,127	804,817
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-		-		12,103	363,442	189,163
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-		-		16,809	759,861	172,017
16	330.1	Storage Tanks	2.22%	-	-	-	-	-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	20,635	-	-	20,635	-		-		442,790	22,149,832	9,048,771
19	333	Services	3.33%	251,427	-	-	251,427	84,388		84,388		80,326	2,485,718	873,064
20	334	Meters	6.33%	12,184	-	-	12,184	4,967		4,967		79,892	900,292	468,546
21	335	Hydrants	2.00%	-	-	-	-	-		-		11,372	568,677	171,487
22	336	Backflow Prevention Devices	6.67%	9,513	-	-	9,513	-		-		574	13,361	1,216
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-		-		6,127	121,843	20,901
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-		-		1,533	22,986	21,820
25	340.1	Computers & Software	20.00%	-	-	-	-	-		-		-	76,919	76,919
26	341	Transportation Equipment	20.00%	381	-	-	381	-		-		28,036	140,388	89,041
27	342	Stores Equipment	4.00%	-	-	-	-	-		-		-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-		-		752	15,035	10,805
29	344	Laboratory Equipment	10.00%	-	-	-	-	-		-		-	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-	-		-		-	-	-
31	346	Communication Equipment	10.00%	3,230	-	-	3,230	-		-		21,988	321,270	157,233
32	347	Miscellaneous Equipment	10.00%	4,947	-	-	4,947	-		-		295	5,427	(356)
33	348	Other Tangible Plant	4.00%	-	-	-	-	-		-		-	-	-
34		Plant Held for Future Use					-			-		-	-	-
35														
36		TOTALS		339,262	-	-	339,262	89,355	22,907	112,262	-	999,326	33,126,601	12,902,386

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-		-		-	5,785	-
2	302	Franchise Cost	0.00%	-	-	-	-	-		-		-	417	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-		-		-	44,194	-
4	304	Structures & Improvements	3.33%	41,525	-	-	41,525	-		-		92,321	2,793,174	581,536
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-		-		-	-	-
7	307	Wells & Springs	3.33%	632	-	-	632	-		-		18,755	563,522	216,347
8	308	Infiltration Galleries	6.67%	-	-	-	-	-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-		-		5,563	279,153	42,901
10	310	Power Generation Equipment	5.00%	1,023	-	-	1,023	-		-		10,905	218,616	101,363
11	311	Pumping Equipment	12.50%	67,261	-	-	67,261	-	11,830	11,830		171,855	1,402,558	964,943
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-		-		12,109	363,442	181,265
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-		-		16,869	758,861	186,886
16	330.1	Storage Tanks	2.22%	-	-	-	-	-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	76,932	-	-	76,932	-		-		443,766	22,226,784	9,492,537
19	333	Services	3.33%	307,904	-	-	307,904	105,260		105,260		86,461	2,896,362	854,285
20	334	Meters	8.33%	61,930	-	-	61,930	27,767		27,767		81,415	994,455	522,193
21	335	Hydrants	2.00%	3,684	-	-	3,684	-		-		11,408	572,251	182,895
22	336	Backflow Prevention Devices	6.67%	2,494	-	-	2,494	-		-		974	15,855	2,190
23	339	Other Plant & Misc Equipment	6.67%	3,443	-	-	3,443	-		-		8,242	125,286	29,142
24	340	Office Furniture & Equipment	6.67%	554	-	-	554	-		-		1,552	23,540	22,572
25	340.1	Computers & Software	20.00%	-	-	-	-	-		-		-	76,919	76,919
26	341	Transportation Equipment	20.00%	-	-	-	-	-		-		28,074	140,369	117,115
27	342	Stores Equipment	4.00%	-	-	-	-	-		-		-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	2,437	-	-	2,437	-		-		813	17,472	11,618
29	344	Laboratory Equipment	10.00%	-	-	-	-	-		-		-	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-	-		-		-	-	-
31	346	Communication Equipment	10.00%	381	-	-	381	33,249		33,249		20,484	188,402	144,458
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-		-		543	5,427	197
33	348	Other Tangible Plant	4.00%	-	-	-	-	-		-		-	-	-
34		Plant Held for Future Use					-			-		-	-	-
35														
36		TOTALS		570,201	-	-	570,201	166,276	11,830	178,105	-	1,012,143	33,518,897	13,736,423

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.10
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012 (2 months through 2/29) Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Retirement Adjustments	Adjusted Plant Retirements	Plant Only Adjustments	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-			-			-	5,785	-
2	302	Franchise Cost	0.00%	-	-	-	-	-			-			-	417	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-			-			-	44,194	-
4	304	Structures & Improvements	3.33%	639,756	(121,438)	(35)	518,283	-			-			16,940	3,311,457	588,476
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-			-			-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-			-			-	-	-
7	307	Wells & Springs	3.33%	3,794	(4,372)	(7)	(585)	-			-		(461)	3,126	562,937	219,012
8	308	Infiltration Galleries	6.67%	-	-	-	-	-			-			-	-	-
9	309	Raw Water Supply Mains	2.00%	4	-	-	4	-			-			931	279,157	43,831
10	310	Power Generation Equipment	5.00%	745	-	-	745	-			-			1,825	219,360	103,188
11	311	Pumping Equipment	12.50%	351,006	(170)	(303)	350,533	110,842	9,757	30,499	151,096		(67)	31,297	1,601,993	645,075
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-			-			2,017	363,442	183,282
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-			-			-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-			-			2,811	759,861	191,697
16	330.1	Storage Tanks	2.22%	-	-	-	-	-			-			-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-			-			-	-	-
18	331	Transmission & Distribution Mains	2.00%	118,060	(5,568)	(1,363)	111,129	-			-		(353)	74,274	22,337,993	9,566,450
19	333	Services	3.33%	69,760	-	-	69,760	-			-			15,168	2,768,122	869,455
20	334	Meters	6.33%	15,911	-	-	15,911	-			-			13,917	1,010,386	536,110
21	335	Hydrants	2.00%	60	-	-	60	-			-			1,906	572,321	184,863
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-			-	(9,704)	(912)	178	6,151	1,454
23	339	Other Plant & Misc Equipment	6.67%	8,878	(8,386)	-	(1,508)	-			-	-	(1,771)	1,384	123,778	28,756
24	348	Office Furniture & Equipment	6.67%	5,725	-	-	5,725	-			-	-		294	29,265	22,865
25	340.1	Computers & Software	20.00%	-	-	-	-	-			-	-		-	78,919	78,919
26	341	Transportation Equipment	20.00%	1,819	-	-	1,819	-			-			4,709	142,188	121,824
27	342	Stores Equipment	4.00%	-	-	-	-	-			-			-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	731	-	-	731	-			-			149	16,203	11,766
29	344	Laboratory Equipment	10.00%	-	-	-	-	-			-			-	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-	-			-			-	-	-
31	346	Communication Equipment	10.00%	24,594	-	-	24,594	-			-			3,345	212,996	147,813
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-			-			90	5,427	278
33	348	Other Tangible Plant	4.00%	-	-	-	-	-			-			-	-	-
34		Plant Held for Future Use												-	-	-
35														-	-	-
36		TOTALS		1,236,843	(139,934)	(1,706)	1,097,201	110,842	9,757	30,499	151,096	(9,704)	(3,564)	174,364	24,455,296	13,756,125

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Direct Adjusted Accum. Depr.	A Reclassification to WW Plant	B WW Portion of Allocated Building Costs	C Affiliate Profit	Adjustments D Plant Retirement	E Plant Retirements	F Direct Adjusted Affiliate Profit	G Adjustments to Reconcile to A/D Reconstruction	Rebuttal Adjusted Accum. Depr.
1											
2											
3											
4											
5											
6	301	Organization Cost	-							-	-
7	302	Franchise Cost	-							-	-
8	303	Land and Land Rights	-							-	-
9	304	Structures and Improvements	598,813		(337)	(0)				0	598,476
10	305	Collecting and Impounding Res.	-							-	-
11	306	Lake River and Other Intakes	-							-	-
12	307	Wells and Springs	219,473			(0)			(461)	0	219,012
13	308	Infiltration Galleries and Tunnels	-							-	-
14	309	Supply Mains	43,831							-	43,831
15	310	Power Generation Equipment	103,188							-	103,188
16	311	Electric Pumping Equipment	2,859,238			(3)	(9,757)	(1,542,659)	(67)	(461,676)	845,075
17	320	Water Treatment Equipment	183,785	(502)						-	183,262
18	320.1	Water Treatment Plant	-							-	-
19	320.2	Chemical Solution Feeders	-							-	-
20	330	Dist. Reservoirs & Standpipe	191,697							-	191,697
21	330.1	Storage tanks	-							-	-
22	330.2	Pressure Tanks	-							-	-
23	331	Trans. and Dist. Mains	9,566,814			(2)			(353)	(0)	9,566,459
24	333	Services	869,455							-	869,455
25	334	Meters	536,110							-	536,110
26	335	Hydrants	184,803							-	184,803
27	336	Backflow Prevention Devices	2,366	(912)						0	1,454
28	339	Other Plant and Misc. Equip.	30,527						(1,771)	0	28,756
29	340	Office Furniture and Fixtures	22,865							-	22,865
30	340.1	Computers and Software	76,919							-	76,919
31	341	Transportation Equipment	121,824							-	121,824
32	342	Stores Equipment	-							-	-
33	343	Tools and Work Equipment	11,766							-	11,766
34	344	Laboratory Equipment	3,061							-	3,061
35	345	Power Operated Equipment	-							-	-
36	346	Communications Equipment	147,813							-	147,813
37	347	Miscellaneous Equipment	10,032							(9,755)	278
38	348	Other Tangible Plant	-							-	-
39			-							-	-
40		TOTALS	$ 15,784,381	$ (1,415)	$ (337)	$ (6)	$ (9,757)	$ (1,542,659)	$ (2,652)	$ (471,430)	$ 13,756,125
41											
42		Accumulated Depreciation per Books									$ 15,784,381
43											
44		Increase (decrease) in Accumulated Depreciation									$ (2,028,256)
45											
46		Adjustment to Accumulated Depreciation									$ (2,028,256)
47											
48		SUPPORTING SCHEDULES									
49		B-2, pages 4.1 through 4.6									
50											

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.

1 Reclassification of plant to Wastewater Division

	Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment
6	320	Water Treatment Equipment	3.33%	2009	2.67	$ (5,658)	$ (502)
7	336	Backflow Prevention Devices	6.67%	2010	1.67	(7,210)	(802)
8	336	Backflow Prevention Devices	6.67%	2011	0.67	(2,494)	(111)
9		Total					$ (1,415)

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.1
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line No.

1 Remove Portion of Building Costs Allocated to Wastewater Division

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Adjustment	Accumulated Depreciation Adjustment
304	Structures and Improvements	3.33%	2012	0.083333	$ (121,473)	$ (337)
	Total					$ (337)

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.2
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Remove Affiliate Profit

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Profit Adjustment	Accumulated Depreciation Adjustment
304	Structures and Improvements	3.33%	2012	0.083333	$ (35)	$ (0)
307	Wells and Springs	3.33%	2012	0.083333	(7)	(0)
311	Electric Pumping Equipment	12.50%	2012	0.083333	(303)	(3)
331	Trans. and Dist. Mains	2.00%	2012	0.083333	(1,363)	(2)
	Total					$ (6)

SUPPORTING SCHEDULE
B-2 Schedule 3.3
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - D

Exhibit
Rebuttal Schedule B-2
Page 4.4
Witness: Bourassa

Line No.

1 Plant Retirement

Acct. No.	Description	Plant Retirement Adjustment	Accumulated Depreciation Adjustment
311	Electric Pumping Equipment	$ (9,757)	$ (9,757)
	Total		$ (9,757)

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.4
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

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Rebuttal Schedule B-2
Page 4.5
Witness: Bourassa

Line No.				
1	Plant Retirements			
2				
3			Plant	Accumulated
4	Acct.		Retirement	Depreciation
5	No.	Description	Adjustment	Adjustment
6	311	Electric Pumping Equipment	$ (1,534,958)	$ (1,534,958)
7	347	Miscellaneous Equipment	(7,701)	(7,701)
8				
9				
10				
11		Total		$ (1,542,659)
12				
13				
14				
15				
16				
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42				
43	SUPPORTING SCHEDULE			
44	B-2 Schedule 3.4			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

Exhibit
Rebuttal Schedule B-2
Page 4.6
Witness: Bourassa

Line No.

1 A/D Related to 2009-2011 Affiliate Profit Removed from Plant in Direct Filing

Acct. No.	Description	Depr Rate	Years thru EOTY	Direct Filing Plant Adjustment	Accumulated Depreciation Adjustment
307	Wells and Springs	3.33%	3.166667	$ (4,372)	$ (461)
311	Electric Pumping Equipment	12.50%	3.166667	(170)	(67)
331	Trans. and Dist. Mains	2.00%	3.166667	(5,568)	(353)
339	Other Plant and Misc. Equip.	6.67%	3.166667	(8,386)	(1,771)
	Total				$ (2,652)

SUPPORTING SCHEDULE
B-2 Schedule 3.4
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - G

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Rebuttal Schedule B-2
Page 4.7
Witness: Bourassa

Line No.

1 Accumulated Depreciation (A/D)

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	B-2 Adjustments	Rebuttal Adjusted Orginal Cost	A/D Per Reconstruction	Accumulated Depreciation Adjustment
6	301	Organization Cost	-	-	-	-	-
7	302	Franchise Cost	-	-	-	-	-
8	303	Land and Land Rights	-	-	-	-	-
9	304	Structures and Improvements	598,813	(337)	598,476	598,476	0
10	305	Collecting and Impounding Res.	-	-	-	-	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	219,473	(461)	219,012	219,012	0
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	43,831	-	43,831	43,831	-
15	310	Power Generation Equipment	103,188	-	103,188	103,188	-
16	311	Electric Pumping Equipment	2,859,238	(1,552,488)	1,306,751	845,075	(461,676)
17	320	Water Treatment Equipment	183,785	(502)	183,282	183,282	-
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	191,697	-	191,697	191,697	-
21	330.1	Storage tanks	-	-	-	-	-
22	330.2	Pressure Tanks	-	-	-	-	-
23	331	Trans. and Dist. Mains	9,566,814	(355)	9,566,459	9,566,459	(0)
24	333	Services	869,455	-	869,455	869,455	-
25	334	Meters	536,110	-	536,110	536,110	-
26	335	Hydrants	184,803	-	184,803	184,803	-
27	336	Backflow Prevention Devices	2,366	(912)	1,454	1,454	0
28	339	Other Plant and Misc. Equip.	30,527	(1,771)	28,756	28,756	0
29	340	Office Furniture and Fixtures	22,865	-	22,865	22,865	-
30	340.1	Computers and Software	76,919	-	76,919	76,919	-
31	341	Transportation Equipment	121,824	-	121,824	121,824	-
32	342	Stores Equipment	-	-	-	-	-
33	343	Tools and Work Equipment	11,766	-	11,766	11,766	-
34	344	Laboratory Equipment	3,061	-	3,061	3,061	-
35	345	Power Operated Equipment	-	-	-	-	-
36	346	Communications Equipment	147,813	-	147,813	147,813	-
37	347	Miscellaneous Equipment	10,032	-	10,032	278	(9,755)
38	348	Other Tangible Plant	-	-	-	-	-
39		Plant Held for Future Use	-				-
40		TOTALS	$ 15,784,381	$ (1,556,826)	$ 14,227,555	$ 13,756,125	$ (471,430)

41
42
43 SUPPORTING SCHEDULE
44 B-2, pages 4.1 through 4.6
45 B-2, pages 3.7 through 3.10

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5.0
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 12/29/2012 per Rebuttal	$ 20,179,119	$ 8,617,752
6			
7	Adjusted balance per Direct at 02/29/2012	$ 20,179,119	$ 8,797,261
8			
9	Increase (decrease)	$ -	$ (179,509)
10			
11			
12	Adjustment to CIAC/AA CIAC	$ -	$ 179,509
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1		
22			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Contributions-in-aid of Construction (CIAC)

Exhibit
Rebuttal Schedule B-2
Page 5.1
Witness: Bourassa

Line No.			2009		2010		2011		2012	
1		Balance		Balance		Balance		Balance		Balance
2		12/31/2008	Additions	12/31/2009	Additions	12/31/2010	Additions	12/31/2011	Additions	2/29/2012
3										
4										
5	CIAC	20,140,197	38,922	20,179,119		20,179,119		20,179,119		20,179,119
6										
7	Amortization Decision No. 72059	6,628,197								
8	Amortization Rate			3.29%		3.03%		3.03%		0.51%
9	Amortization			664,194		611,143		611,712		102,506
10	Accumulated Amortization			7,292,391		7,903,534		8,515,246		8,617,752
11										
12	Net CIAC	13,512,000	38,922	12,886,728	-	12,275,585	-	11,663,873	-	11,561,368
13										
14										

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 6.0
Witness: Bourassa

Deferred Income Tax as of February 29, 2012

Line No.			Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
6		Plant-in-Service	$ 47,110,663 [1]								
7		Accum. Deprec.	(18,414,563) [1]								
8		CIAC	(14,891,228) [1]								
9	Fed.	Fixed Assets	$ 13,804,872	$ 10,765,875 [2]	100.0%	$ (3,038,998)	31.60%		-		(960,323)
10											
11	State	Fixed Assets	$ 13,804,872	$ 13,593,838 [2]	100.0%	$ (211,034)	6.97%		-		(14,705)
12											
13	Fed &Stu	AIAC		593,411 [4]	100.0%	$ 593,411 [4]	38.57%		$ 228,867		
14											
15											
16								$ -	$ 228,867	$ -	$ (975,028)
17		Net Asset (Liability)						$ (746,161)			
18											
19		Allocation Factor - WW-Division (based on rate base before ADIT)						0.6201			
20											
21		Net Asset (Liability) WW Division						$ (462,717)			
22											
23		DIT Asset (Liability) per Direct						$ (405,395)			
24											
25		Adjustment to DIT						$ 57,322			
26											
27											
28											
29											
30											
31											
32		Footnotes - See page 2									
33											
34											
35											
36											
37											
38											
39											
40											

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 6.1
Witness: Bourassa

Line No.						
1	[1] **Per Rebuttal Adjusted Balances**					
2	[2] **Computation of Net Tax Value February 29, 2012**					
3	Based on 2011 Tax Depreciation report (December 31, 2011)					
4	Unadjusted Cost at December 31, 2011 per federal and state tax depr. report	$ 28,328,799			$ 28,328,799	
5	Reconciling items not on tax report:					
6	KPMG CIAC related adjustments per KPMG tax basis adjustment	(3,942,541)			(3,942,541)	
7	Plant Adds 1/1/2012 to 2/28/2012	2,918,334			2,918,334	
8	Land costs not on tax, on books	51,739			51,739	
9	2011 Reconciling Difference Book vs. Tax (timing) (see work papers)	(120,225)			(120,225)	
	Rebuttal Proposed Retirements - Water Division	(1,552,416)			(1,552,416)	
10	Rebuttal Proposed Retirements - WW Division	(1,600,771)			(1,600,771)	
11	Net Unadjusted Cost tax Basis at Feberuary 29, 2012			$ 24,082,920		$ 24,082,920
12						
13	Reductions					
14	Basis Reduction 2011 and Prior Years per federal and state tax depr. report	$ (3,066,507)			$	
15	KPMG CIAC related adjustments per KPMG tax basis adjustment	1,192,828			1,192,828	
16	Accumulated Depreciation 2011 and prior per federal and state tax depr. report	(14,334,167)			(14,640,446)	
17	2012 Tax Depreciation on 2011 and prior plant (2 months of 2012) per federal and state tax depr. report	(163,663)			(184,923)	
18	2012 Bonus Depreciation estimate (2 months of 2012) per federal and state tax depr. report	(90,811)				
19	2012 Tax Depreciation on plant adds 1/1/2012 to 2/28/2012 (2 months of 2012) per federal and state tax depr. report	(7,912)			(9,728)	
20	Rebuttal Proposed Retirements - Water Division	1,552,416			1,552,416	
21	Rebuttal Proposed Retirements - WW Division	1,600,771			1,600,771	
22	Net Reductions through February 2012			(13,317,045)		(10,489,082)
23	Net tax value of plant-in-service at February 29, 2012			$ 10,765,875		$ 13,593,838
24						
25	[3] **CIAC (including impact of change to probability of realization)**					
26						
27	Gross CIAC per Rebuttal Adjusted Balances		$ 25,331,792			
28	CIAC reductions/additions					
29	A.A per Rebuttal Adjusted Balances	$ (11,108,889)				
30						
31			(11,108,889)			
32	Net CIAC before unrealized AIAC			$ 14,222,903		
33						
34	Unrealized AIAC Component					
35	Adjusted Net AIAC (see footnote 5 below)		$ 954,749			
36	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%			
37				$ 668,325		
38	Total realizable CIAC			$ 14,891,228		
39						
40	[4] **AIAC (including impact of change in probability of realization)**					
41	AIAC per adjusted book balances		$ 954,749			
42	AIAC reductions/additions					
43	Net AIAC before unrealized portion			$ 954,749		
44	Less: Unrealized AIAC (from Note 3, above)			$ (668,325)		
45	Net realizable AIAC			$ 286,425		
46	Meter and Service Line Installation Charges per Rebuttal Adjusted Balances			306,987		
47	Total AIAC			$ 593,411		
48						

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	155,372
3	Pumping Power (1/24 of Pumping Power)		16,186
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	171,558
10			
11			
12	**Working Capital Requested**	$	-
13			
14			
15			
16			
17			Adjusted Test Year
18	Total Operating Expense	$	2,404,430
19	Less:		
20	Income Tax	$	179,923
21	Property Tax		151,638
22	Depreciation		441,434
23	Purchased Water		-
24	Pumping Power		388,461
25	Allowable Expenses	$	1,242,974
26	1/8 of allowable expenses	$	155,372
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 2,811,949	$ (76,072)	$ 2,735,877	$ 581,865	$ 3,317,741
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	42,889	-	42,889		42,889
5		$ 2,854,838	$ (76,072)	$ 2,778,766	$ 581,865	$ 3,360,630
6	**Operating Expenses**					
7	Salaries and Wages	$ 426,012	32,891	$ 458,903		$ 458,903
8	Purchased Water	-	-	-		-
9	Purchased Power	371,378	17,083	388,461		388,461
10	Fuel For Power Production	-	-	-		-
11	Chemicals	3,884	-	3,884		3,884
12	Materials and Supplies	27,517	-	27,517		27,517
13	Management Services - US Liberty Water	257,367	-	257,367		257,367
14	Management Services - Corporate	133,975	(2,557)	131,418		131,418
15	Management Services - Other	15,903	-	15,903		15,903
16	Outside Services - Accounting	167	-	167		167
17	Outside Services - Engineering	-	-	-		-
18	Outside Services- Other	14,205	-	14,205		14,205
19	Outside Services- Legal	4,690	-	4,690		4,690
20	Water Testing	28,231	(4,410)	23,821		23,821
21	Rents - Building	-	-	-		-
22	Rents - Equipment	3,208	-	3,208		3,208
23	Transportation Expenses	89,305	-	89,305		89,305
24	Insurance - General Liability	34,100	-	34,100		34,100
25	Insurance - Vehicle	7,733	-	7,733		7,733
26	Reg. Comm. Exp. - Other	-	-	-		-
27	Reg. Comm. Exp. - Rate Case	87,500	-	87,500		87,500
28	Miscellaneous Expense	85,057	(1,804)	83,253		83,253
29	Bad Debt Expense	-	-	-		-
30	Depreciation and Amortization Expense	551,222	(109,788)	441,434		441,434
31	Taxes Other Than Income	-	-	-		-
32	Property Taxes	155,805	(4,167)	151,638	10,623	162,261
33	Income Tax	181,647	(1,724)	179,923	220,493	400,416
34			-	-		-
35	**Total Operating Expenses**	$ 2,478,906	$ (74,475)	$ 2,404,430	$ 231,116	$ 2,635,546
36	**Operating Income**	$ 375,933	$ (1,597)	$ 374,335	$ 350,749	$ 725,084
37	**Other Income (Expense)**					
38	Interest Income	(0)	-	(0)		(0)
39	Other Income	-	-	-		-
40	Interest Expense	(86,978)	(1,146)	(88,123)		(88,123)
41	Other Expense	-	-	-		-
42		-	-	-		-
43	**Total Other Income (Expense)**	$ (86,978)	$ (1,146)	$ (88,123)	$ -	$ (88,123)
44	**Net Profit (Loss)**	$ 288,955	$ (2,743)	$ 286,212	$ 350,749	$ 636,961
45						
46	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
47	C-1, page 2				A-1	

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Adjusted Results	1 Depreciation	2 Property Taxes	3 Declining Usage Adjustment	4 Revenue Annualization	5 Staff's Water Testing	6 Rate Incease TEP	7 APUC Allocated Capital Taxes	8 Miscellaneous Expense
1	**Revenues**									
2	Metered Water Revenues	$ 2,811,949			$ (77,275)	$ 1,203				
3	Unmetered Water Revenues	-								
4	Other Water Revenues	42,889								
5		$ 2,854,838	$ -	$ -	$ (77,275)	$ 1,203	$ -	$ -		$ -
6	**Operating Expenses**									
7	Salaries and Wages	$ 426,012								
8	Purchased Water	-								
9	Purchased Power	371,378								
10	Fuel For Power Production	-						17,083		
11	Chemicals	3,884								
12	Materials and Supplies	27,517								
13	Management Services - US Liberty Water	257,367								
14	Management Services - Corporate	133,975								
15	Management Services - Other	15,903							(2,557)	
16	Outside Services - Accounting	167								
17	Outside Services - Engineering	-								
18	Outside Services- Other	14,205								
19	Outside Services- Legal	4,690								
20	Water Testing	28,231					(4,410)			
21	Rents - Building	-								
22	Rents - Equipment	3,208								
23	Transportation Expenses	89,305								
24	Insurance - General Liability	34,100								
25	Insurance - Vehicle	7,733								
26	Reg. Comm. Exp. - Other	-								
27	Reg. Comm. Exp. - Rate Case	87,500								
28	Miscellaneous Expense	85,057								
29	Bad Debt Expense	-								(1,804)
30	Depreciation and Amortization Expense	551,222	(109,788)							
31	Taxes Other Than Income	-								
32	Property Taxes	155,805		(4,167)						
33	Income Tax	181,647								
34										
35	**Total Operating Expenses**	$ 2,478,906	$ (109,788)	$ (4,167)	$ -	$ -	$ (4,410)	$ 17,083	$ (2,557)	$ (1,804)
36	**Operating Income**	$ 375,933	$ 109,788	$ 4,167	$ (77,275)	$ 1,203	$ 4,410	$ (17,083)	$ 2,557	$ 1,804
37	**Other Income (Expense)**									
38	Interest Income	(0)								
39	Other Income	-								
40	Interest Expense	(86,978)								
41	Other Expense	-								
42										
43	**Total Other Income (Expense)**	$ (86,978)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
44	**Net Profit (Loss)**	$ 288,955	$ 109,788	$ 4,167	$ (77,275)	$ 1,203	$ 4,410	$ (17,083)	$ 2,557	$ 1,804
45										
46	SUPPORTING SCHEDULES:									
47	C-2, pages 1-16									
48										

Rio Rico Utilities, Inc. dba Liberty Utilities - Water I
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		9 Employee Benefits	10 Intentionally Left Blank	11 Intentionally Left Blank	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Interest Synchronization	15 Income Taxes	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	Revenues										
2	Metered Water Revenues								$ 2,735,877	$ 581,865	$ 3,317,741
3	Unmetered Water Revenues								-		-
4	Other Water Revenues								42,889		42,889
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,778,766	$ 581,865	$ 3,360,630
6	Operating Expenses										
7	Salaries and Wages	32,891							$ 456,903		$ 458,903
8	Purchased Water								-		-
9	Purchased Power								388,461		388,461
10	Fuel For Power Production								-		-
11	Chemicals								3,884		3,884
12	Materials and Supplies								27,517		27,517
13	Management Services - US Liberty Water								257,367		257,367
14	Management Services - Corporate								131,418		131,418
15	Management Services - Other								15,903		15,903
16	Outside Services - Accounting								167		167
17	Outside Services - Engineering								-		-
18	Outside Services- Other								14,205		14,205
19	Outside Services- Legal								4,690		4,690
20	Water Testing								23,821		23,821
21	Rents - Building								-		-
22	Rents - Equipment								3,208		3,208
23	Transportation Expenses								89,305		89,305
24	Insurance - General Liability								34,100		34,100
25	Insurance - Vehicle								7,733		7,733
26	Reg. Comm. Exp. - Other								-		-
27	Reg. Comm. Exp. - Rate Case								87,500		87,500
28	Miscellaneous Expense								83,253		83,253
29	Bad Debt Expense								-		-
30	Depreciation and Amortization Expense								441,434		441,434
31	Taxes Other Than Income								-		-
32	Property Taxes								151,638	10,623	162,261
33	Income Tax							(1,724)	179,923	220,493	400,416
34											
35	Total Operating Expenses	$ 32,891	$ -	$ -	$ -	$ -	$ -	$ (1,724)	$ 2,404,430	$ 231,116	$ 2,635,546
36	Operating Income	$ (32,891)	$ -	$ -	$ -	$ -	$ -	$ 1,724	$ 374,335	$ 350,749	$ 725,084
37	Other Income (Expense)										
38	Interest Income								-		-
39	Other Income								(0)		(0)
40	Interest Expense						(1,146)		-		-
41	Other Expense								(88,123)		(88,123)
42									-		-
43	Total Other Income (Expense)	$ -	$ -	$ -	$ -	$ -	$ (1,146)	$ -	$ (88,123)	$ -	$ (88,123)
44	Net Profit (Loss)	$ (32,891)	$ -	$ -	$ -	$ -	$ (1,146)	$ 1,724	$ 286,212	$ 350,749	$ 636,961
45											
46	SUPPORTING SCHEDULES:										
47	C-2, pages 1-16										
48											

RECAP SCHEDULES:
C-1, page 1

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
		Depreciation	Property Taxes	Declining Usage Adjustment	Revenue Annualization	Staff's Water Testing	Rate Increase TEP	
4	Revenues				1,203	(4,410)		(3,207)
6	Expenses	(109,788)	(4,167)	(77,275)			17,083	(174,146)
8	Operating							
9	Income	109,788	4,167	77,275	1,203	(4,410)	(17,083)	170,939
11	Interest							
12	Expense							-
13	Other							
14	Income /							-
15	Expense							
17	Net Income	109,788	4,167	77,275	1,203	(4,410)	(17,083)	170,939

Line No.		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		APUC Allocated Capital Taxes	Miscellaneous Expense	Employee Benefits	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							(3,207)
27	Expenses	(2,557)	(1,804)	32,891	-	-	-	(145,616)
29	Operating							
30	Income	2,557	1,804	(32,891)	-	-	-	142,409
32	Interest							
33	Expense	-						-
34	Other							
35	Income /							-
36	Expense							
38	Net Income	2,557	1,804	(32,891)	-	-	-	142,409

Line No.		Adjustments to Revenues and Expenses						
		13	14	15	16	17	18	Total
		Intentionally Left Blank	Interest Synchronization	Income Taxes				
46	Revenues							(3,207)
48	Expenses			(1,724)				(147,340)
50	Operating							
51	Income	-	-	1,724	-	-	-	144,133
53	Interest							
54	Expense	-	(1,146)					(1,146)
55	Other							
56	Income /							-
57	Expense							
59	Net Income	-	(1,146)	1,724	-	-	-	142,987

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-Depr or Fully Depreciated	Depreciable Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	301	Organization Cost	5,785	(5,785)	-	0.00%	-
6	302	Franchise Cost	417	(417)	-	0.00%	-
7	303	Land and Land Rights	44,194	(44,194)	-	0.00%	-
8	304	Structures and Improvements	3,311,457		3,311,457	3.33%	110,272
9	305	Collecting and Impounding Res.	-		-	2.50%	-
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	562,937		562,937	3.33%	18,746
12	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
13	309	Supply Mains	279,157		279,157	2.00%	5,583
14	310	Power Generation Equipment	219,360		219,360	5.00%	10,968
15	311	Electric Pumping Equipment	1,601,993		1,601,993	12.50%	200,249
16	320	Water Treatment Equipment	363,442		363,442	3.33%	12,103
17	320.1	Water Treatment Plant	-		-	3.33%	-
18	320.2	Chemical Solution Feeders	-		-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	759,861		759,861	2.22%	16,869
20	330.1	Storage tanks	-		-	2.22%	-
21	330.2	Pressure Tanks	-		-	5.00%	-
22	331	Trans. and Dist. Mains	22,337,893		22,337,893	2.00%	446,758
23	333	Services	2,768,122		2,768,122	3.33%	92,178
24	334	Meters	1,010,366		1,010,366	8.33%	84,163
25	335	Hydrants	572,321		572,321	2.00%	11,446
26	336	Backflow Prevention Devices	6,151		6,151	6.67%	410
27	339	Other Plant and Misc. Equip.	123,778		123,778	6.67%	8,256
28	340	Office Furniture and Fixtures	29,265		29,265	6.67%	1,952
29	340.1	Computers and Software	76,919	(76,919)	-	20.00%	-
30	341	Transportation Equipment	142,188		142,188	20.00%	28,438
31	342	Stores Equipment	-		-	4.00%	-
32	343	Tools and Work Equipment	18,203		18,203	5.00%	910
33	344	Laboratory Equipment	3,061	(3,061)	-	10.00%	-
34	345	Power Operated Equipment	-		-	5.00%	-
35	346	Communications Equipment	212,996		212,996	10.00%	21,300
36	347	Miscellaneous Equipment	5,427		5,427	10.00%	543
37	348	Other Tangible Plant	-		-	10.00%	-
38		TOTALS	$ 34,455,296	$ (130,376)	$ 34,324,919		$ 1,071,144
39							
40					Gross CIAC	Amort. Rate	
41		Less: Amortization of Contributions			$ 20,179,119	3.1206%	$ (629,710)
42		Total Depreciation Expense					$ 441,434
43							
44		Adjusted Test Year Depreciation Expense					551,222
45							
46		Increase (decrease) in Depreciation Expense					(109,788)
47							
48		Adjustment to Revenues and/or Expenses					$ (109,788)
49							
50		SUPPORTING SCHEDULE					
51		B-2, page 3					

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 2,778,766	$ 2,778,766
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	5,557,532	5,557,532
4	Company Recommended Revenue	2,778,766	3,360,630
5	Subtotal (Line 4 + Line 5)	8,336,298	8,918,162
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,778,766	2,972,721
8	Department of Revenue Mutiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	5,557,532	5,945,441
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	20,364	20,364
12	Full Cash Value (Line 9 + Line 10 - Line 11)	5,537,168	5,925,078
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	1,107,434	1,185,016
15	Composite Property Tax Rate - Obtained from ADOR	13.6927%	13.6927%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 151,638	$ 162,261
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 151,638	
19	Test Year Property Taxes	$ 155,805	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	$ (4,167)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 162,261
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 151,638
24	Increase in Property Tax Due to Increase in Revenue Requirement		$ 10,623
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 10,623
27	Increase in Revenue Requirement		$ 581,865
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.82570%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Declining Usage Adjustment

Line No.			
1			
2	Declining Usage Adjustment	$	(77,275)
3			
4	Increase (decrease) in Water Testing Expense		(77,275)
5			
6	Adjustment to Revenues	$	(77,275)
7			
8			
9	Adjustment to Revenue and/or Expense		(77,275)
10			
11	Reference		
12	Testimony		
13			
14			
15			
16			
17			
18			
19			
20			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line No.			
1			
2			
3			
4	Revenue Annualization per Rebuttal	$	(17,028)
5	Revenue Annualization per Direct		(18,231)
6	Increase (decrease) in Revenue Annualization		1,203
7			
8	Total Revenue from Annualization	$	1,203
9			
10			
11	Adjustment to Revenue and/or Expense	$	1,203
12			
13	SUPPORTING SCHEDULES		
14	C-2 pages 5.1 to 5.20		
15	H-1		
16	Testimony		
17			
18			
19			
20			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
5/8x3/4 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	5,875	5,875	5,875	5,875	5,875	5,875	5,875
2	Actual Customers	5,960	5,935	5,934	5,932	5,444	6,308	5,891
3	Increase in Number of Customers/Bills	(85)	(60)	(59)	(57)	431	(433)	(16)
4	Average Revenue / Present Rates	$ 27.34	$ 31.40	$ 30.65	$ 36.41	$ 37.30	$ 29.90	$ 31.39
5	Revenue Annualization / Present Rates	$ (2,324)	$ (1,884)	$ (1,809)	$ (2,075)	$ 16,075	$ (12,948)	$ (502)
6								
7	Increase in Number of Customers	(85)	(60)	(59)	(57)	431	(433)	(16)
8	Average Revenue / Proposed Rates	$ 34.33	$ 38.53	$ 37.75	$ 43.61	$ 44.50	$ 36.98	$ 38.51
9	Revenue Annualization / Proposed Rates	$ (2,918)	$ (2,312)	$ (2,227)	$ (2,486)	$ 19,179	$ (16,012)	$ (616)
10	Additional Gallons to be Produced	(592,262)	(501,665)	(478,135)	(562,178)	4,355,760	(3,397,760)	(133,701)
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	5,875	5,875	5,875	5,875	5,875		
16	Actual Customers	5,895	5,874	5,880	5,900	5,875		
17	Increase in Number of Customers/Bills	(20)	1	(5)	(25)	-		(328)
18	Average Revenue / Present Rates	$ 29.56	$ 29.11	$ 25.41	$ 25.56	$ 24.82		
19	Revenue Annualization / Present Rates	$ (591)	$ 29	$ (127)	$ (639)	$ -		$ (6,796)
20								
21	Increase in Number of Customers	(20)	1	(5)	(25)	-		
22	Average Revenue / Proposed Rates	$ 36.63	$ 36.16	$ 32.34	$ 32.51	$ 31.74		
23	Revenue Annualization / Proposed Rates	$ (591)	$ 29	$ (127)	$ (639)	$ -		$ (9,063)
24	Additional Gallons to be Produced	(154,589)	7,576	(31,533)	(159,017)	-		(1,647,503)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
5/8x3/4 Inch Residential (Low Income)
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.2
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	139	139	139	139	139	139	139
2	Actual Customers	-	54	65	79	62	127	112
3	Increase in Number of Customers/Bills	139	85	74	60	77	12	27
4	Average Revenue / Present Rates	$ 9.33	$ 24.46	$ 25.03	$ 30.28	$ 30.38	$ 27.03	$ 27.10
5	Revenue Annualization / Present Rates	$ 1,297	$ 2,079	$ 1,853	$ 1,817	$ 2,339	$ 324	$ 732
6								
7	Increase in Number of Customers	139	85	74	60	77	12	27
8	Average Revenue / Proposed Rates	$ 14.42	$ 30.45	$ 31.04	$ 36.39	$ 36.49	$ 33.09	$ 33.17
9	Revenue Annualization / Proposed Rates	$ 2,004	$ 2,588	$ 2,297	$ 2,183	$ 2,810	$ 397	$ 896
10	Additional Gallons to be Produced	-	634,352	569,231	578,734	745,161	101,953	230,223
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	139	139	139	139	139		
16	Actual Customers	117	126	132	135	139		
17	Increase in Number of Customers/Bills	22	13	7	4	-		520
18	Average Revenue / Present Rates	$ 24.19	$ 25.86	$ 21.25	$ 23.00	$ 21.64		
19	Revenue Annualization / Present Rates	$ 532	$ 336	$ 149	$ 92	$ -		$ 11,550
20								
21	Increase in Number of Customers	22	13	7	4	-		
22	Average Revenue / Proposed Rates	$ 30.16	$ 31.88	$ 27.13	$ 28.94	$ 27.54		
23	Revenue Annualization / Proposed Rates	$ 532	$ 336	$ 149	$ 92	$ -		$ 14,559
24	Additional Gallons to be Produced	161,709	104,310	43,167	27,496	-		3,196,336

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
3/4 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	10	10	10	10	10	10	10
2	Actual Customers	12	11	12	12	13	11	11
3	Increase in Number of Customers/Bills	(2)	(1)	(2)	(2)	(3)	(1)	(1)
4	Average Revenue / Present Rates	$ 23.77	$ 28.68	$ 27.18	$ 31.80	$ 29.50	$ 30.01	$ 30.27
5	Revenue Annualization / Present Rates	$ (48)	$ (29)	$ (54)	$ (64)	$ (88)	$ (30)	$ (30)
6								
7	Increase in Number of Customers	(2)	(1)	(2)	(2)	(3)	(1)	(1)
8	Average Revenue / Proposed Rates	$ 32.97	$ 38.03	$ 36.48	$ 41.73	$ 38.87	$ 39.48	$ 39.82
9	Revenue Annualization / Proposed Rates	$ (66)	$ (38)	$ (73)	$ (83)	$ (117)	$ (39)	$ (40)
10	Additional Gallons to be Produced	(5,000)	(4,182)	(7,333)	(10,500)	(13,385)	(4,636)	(4,727)
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	10	10	10	10	10		
16	Actual Customers	10	11	11	12	10		
17	Increase in Number of Customers/Bills	-	(1)	(1)	(2)	-		(16)
18	Average Revenue / Present Rates	$ 29.32	$ 30.54	$ 29.48	$ 28.88	$ 29.90		
19	Revenue Annualization / Present Rates	$ -	$ (31)	$ (29)	$ (58)	$ -		$ (461)
20								
21	Increase in Number of Customers	-	(1)	(1)	(2)	-		
22	Average Revenue / Proposed Rates	$ 38.68	$ 40.15	$ 38.85	$ 38.23	$ 39.35		
23	Revenue Annualization / Proposed Rates	$ -	$ (31)	$ (29)	$ (58)	$ -		$ (612)
24	Additional Gallons to be Produced	-	(4,818)	(4,455)	(8,500)	-		(67,536)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
1 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.4
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	35	35	35	35	35	35	35
2	Actual Customers	38	37	36	36	35	34	35
3	Increase in Number of Customers/Bills	(3)	(2)	(1)	(1)	-	1	-
4	Average Revenue / Present Rates	$ 37.44	$ 60.83	$ 64.44	$ 65.57	$ 73.33	$ 58.37	$ 61.24
5	Revenue Annualization / Present Rates	$ (112)	$ (122)	$ (64)	$ (66)	$ -	$ 58	$ -
6								
7	Increase in Number of Customers	(3)	(2)	(1)	(1)	-	1	-
8	Average Revenue / Proposed Rates	$ 52.70	$ 76.81	$ 80.53	$ 81.70	$ 89.27	$ 74.27	$ 77.23
9	Revenue Annualization / Proposed Rates	$ (158)	$ (154)	$ (81)	$ (82)	$ -	$ 74	$ -
10	Additional Gallons to be Produced	(10,263)	(22,865)	(12,667)	(13,056)	-	10,588	-
11								
12								
13		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
14								
15	Year End Number of Customers	35	35	35	35	35		
16	Actual Customers	35	35	35	33	35		
17	Increase in Number of Customers/Bills	-	-	-	2	-		(4)
18	Average Revenue / Present Rates	$ 61.74	$ 62.66	$ 53.06	$ 57.36	$ 50.14		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ 115	$ -		$ (191)
20								
21	Increase in Number of Customers	-	-	-	2	-		
22	Average Revenue / Proposed Rates	$ 77.75	$ 78.69	$ 68.80	$ 73.23	$ 65.79		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ 115	$ -		$ (253)
24	Additional Gallons to be Produced	-	-	-	20,485	-		(27,777)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
1 Inch Residential (Low Income)
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.5
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	-	-	-	1	1	1	1
3	Increase in Number of Customers/Bills	1	1	1	-	-	-	-
4	Average Revenue / Present Rates	$ 23.33	$ 23.33	$ 23.33	$ 38.22	$ 33.26	$ 40.71	$ 43.19
5	Revenue Annualization / Present Rates	$ 23	$ 23	$ 23	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	1	1	1	-	-	-	-
8	Average Revenue / Proposed Rates	$ 36.04	$ 36.04	$ 36.04	$ 51.39	$ 46.27	$ 53.95	$ 56.51
9	Revenue Annualization / Proposed Rates	$ 36	$ 36	$ 36	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
13								
14								
15	Year End Number of Customers	1	1	1	1	1		
16	Actual Customers	1	1	1	1	1		
17	Increase in Number of Customers/Bills	-	-	-	-	-		3
18	Average Revenue / Present Rates	$ 40.71	$ 40.71	$ 40.71	$ 40.71	$ 40.71		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ 70
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 53.95	$ 53.95	$ 53.95	$ 53.95	$ 53.95		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ 108
24	Additional Gallons to be Produced	-	-	-	-	-		-

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
1 1/2 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.6
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	4	4	4	4	4	4	4
2	Actual Customers	3	3	3	3	3	3	3
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	1
4	Average Revenue / Present Rates	$ 135.14	$ 161.83	$ 144.85	$ 130.29	$ 124.22	$ 118.15	$ 156.98
5	Revenue Annualization / Present Rates	$ 135	$ 162	$ 145	$ 130	$ 124	$ 118	$ 157
6								
7	Increase in Number of Customers	1	1	1	1	1	1	1
8	Average Revenue / Proposed Rates	$ 163.06	$ 185.13	$ 171.09	$ 159.05	$ 154.03	$ 149.01	$ 181.12
9	Revenue Annualization / Proposed Rates	$ 163	$ 185	$ 171	$ 159	$ 154	$ 149	$ 181
10	Additional Gallons to be Produced	26,000	33,333	28,667	24,667	23,000	21,333	32,000
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	4	4	4	4	4	
16	Actual Customers	3	3	4	4	4	
17	Increase in Number of Customers/Bills	1	1	-	-	-	9
18	Average Revenue / Present Rates	$ 126.65	$ 120.58	$ 157.89	$ 138.05	$ 174.27	
19	Revenue Annualization / Present Rates	$ 127	$ 121	$ -	$ -	$ -	$ 1,219
20							
21	Increase in Number of Customers	1	1	-	-	-	
22	Average Revenue / Proposed Rates	$ 156.04	$ 151.02	$ 181.87	$ 163.81	$ 195.42	
23	Revenue Annualization / Proposed Rates	$ 127	$ 121	$ -	$ -	$ -	$ 1,470
24	Additional Gallons to be Produced	23,667	22,000	-	-	-	234,667

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
2 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.7
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	5	3	3	3	3	3	3
3	Increase in Number of Customers/Bills	(2)	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 129.89	$ 159.87	$ 145.27	$ 151.11	$ 151.11	$ 179.33	$ 164.73
5	Revenue Annualization / Present Rates	$ (260)	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	(2)	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 179.02	$ 209.93	$ 194.88	$ 200.90	$ 200.90	$ 229.99	$ 214.94
9	Revenue Annualization / Proposed Rates	$ (358)	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	(28,800)	-	-	-	-	-	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	3	3	3	3	3		
16	Actual Customers	3	3	3	3	3		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(2)
18	Average Revenue / Present Rates	$ 146.24	$ 139.43	$ 125.80	$ 120.93	$ 126.77		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (260)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 195.88	$ 188.86	$ 174.81	$ 169.79	$ 175.81		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (358)
24	Additional Gallons to be Produced	-	-	-	-	-		(28,800)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
5/8 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.8
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	83	83	83	83	83	83	83
2	Actual Customers	79	78	79	79	47	111	80
3	Increase in Number of Customers/Bills	4	5	4	4	36	(28)	3
4	Average Revenue / Present Rates	$ 29.06	$ 28.25	$ 27.73	$ 34.97	$ 46.20	$ 34.32	$ 37.00
5	Revenue Annualization / Present Rates	$ 116	$ 141	$ 111	$ 140	$ 1,663	$ (961)	$ 111
6								
7	Increase in Number of Customers	4	5	4	4	36	(28)	3
8	Average Revenue / Proposed Rates	$ 36.11	$ 35.28	$ 34.73	$ 42.16	$ 53.45	$ 41.51	$ 44.20
9	Revenue Annualization / Proposed Rates	$ 144	$ 176	$ 139	$ 169	$ 1,924	$ (1,162)	$ 133
10	Additional Gallons to be Produced	30,228	36,410	28,405	37,873	451,915	(269,072)	30,075
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	83	83	83	83	83		
16	Actual Customers	80	81	81	83	83		
17	Increase in Number of Customers/Bills	3	2	2	-	-		35
18	Average Revenue / Present Rates	$ 37.91	$ 32.12	$ 41.13	$ 29.12	$ 31.44		
19	Revenue Annualization / Present Rates	$ 114	$ 64	$ 82	$ -	$ -		$ 1,582
20								
21	Increase in Number of Customers	3	2	2	-	-		
22	Average Revenue / Proposed Rates	$ 45.12	$ 39.26	$ 48.36	$ 36.17	$ 38.56		
23	Revenue Annualization / Proposed Rates	$ 114	$ 64	$ 82	$ -	$ -		$ 1,834
24	Additional Gallons to be Produced	30,825	17,210	22,321	-	-		425,190

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
1 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.9
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	49	49	49	49	49	49	49
2	Actual Customers	50	47	47	47	43	55	49
3	Increase in Number of Customers/Bills	(1)	2	2	2	6	(6)	-
4	Average Revenue / Present Rates	$ 68.10	$ 73.34	$ 80.31	$ 119.96	$ 84.79	$ 95.21	$ 62.91
5	Revenue Annualization / Present Rates	$ (68)	$ 147	$ 161	$ 240	$ 509	$ (571)	$ -
6								
7	Increase in Number of Customers	(1)	2	2	2	6	(6)	-
8	Average Revenue / Proposed Rates	$ 84.30	$ 89.28	$ 95.04	$ 131.66	$ 98.75	$ 107.36	$ 78.95
9	Revenue Annualization / Proposed Rates	$ (84)	$ 179	$ 190	$ 263	$ 593	$ (644)	$ -
10	Additional Gallons to be Produced	(13,920)	31,149	34,979	56,766	112,326	(129,491)	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	49	49	49	49	49	
16	Actual Customers	49	49	49	49	49	
17	Increase in Number of Customers/Bills	-	-	-	-	-	
18	Average Revenue / Present Rates	$ 62.25	$ 65.89	$ 60.17	$ 60.76	$ 61.24	5
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 417
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 78.27	$ 82.02	$ 76.12	$ 76.74	$ 77.23	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 496
24	Additional Gallons to be Produced	-	-	-	-	-	91,808

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
1 1/2 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.10
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	10	10	10	10	10	10	10
2	Actual Customers	10	10	10	10	8	12	10
3	Increase in Number of Customers/Bills	-	-	-	-	2	(2)	-
4	Average Revenue / Present Rates	$ 130.77	$ 130.04	$ 129.32	$ 164.62	$ 160.17	$ 199.75	$ 122.40
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ 320	$ (400)	$ -
6								
7	Increase in Number of Customers	-	-	-	-	2	(2)	-
8	Average Revenue / Proposed Rates	$ 159.45	$ 158.85	$ 158.24	$ 187.44	$ 183.75	$ 216.49	$ 152.53
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ 368	$ (433)	$ -
10	Additional Gallons to be Produced	-	-	-	-	65,750	(87,500)	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	10	10	10	10	10		
16	Actual Customers	10	10	10	10	10		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 97.24	$ 107.75	$ 104.54	$ 116.94	$ 96.66		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (79)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 128.45	$ 139.28	$ 135.97	$ 148.01	$ 127.84		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (65)
24	Additional Gallons to be Produced	-	-	-	-	-		(21,750)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
2 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Final Schedule C-2
Page 5.11
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	43	43	43	43	43	43	43
2	Actual Customers	43	44	44	43	42	44	43
3	Increase in Number of Customers/Bills	-	(1)	(1)	-	1	(1)	-
4	Average Revenue / Present Rates	$ 200.16	$ 219.44	$ 210.28	$ 226.37	$ 202.76	$ 193.82	$ 248.58
5	Revenue Annualization / Present Rates	$ -	$ (219)	$ (210)	$ -	$ 203	$ (194)	$ -
6								
7	Increase in Number of Customers	-	(1)	(1)	-	1	(1)	-
8	Average Revenue / Proposed Rates	$ 251.46	$ 271.34	$ 261.89	$ 278.48	$ 254.15	$ 244.93	$ 301.37
9	Revenue Annualization / Proposed Rates	$ -	$ (271)	$ (262)	$ -	$ 254	$ (245)	$ -
10	Additional Gallons to be Produced	-	(45,068)	(41,932)	-	39,357	(36,295)	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	43	43	43	43	43	
16	Actual Customers	43	43	44	44	43	
17	Increase in Number of Customers/Bills	-	-	(1)	(1)	-	(4)
18	Average Revenue / Present Rates	$ 189.29	$ 194.93	$ 177.10	$ 181.27	$ 186.58	
19	Revenue Annualization / Present Rates	$ -	$ -	$ (177)	$ (181)	$ -	$ (779)
20							
21	Increase in Number of Customers	-	-	(1)	(1)	-	
22	Average Revenue / Proposed Rates	$ 240.26	$ 246.07	$ 227.69	$ 231.99	$ 237.46	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ (177)	$ (181)	$ -	$ (984)
24	Additional Gallons to be Produced	-	-	(30,568)	(31,998)	-	(146,505)

vision

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Commercial

Exhibit
Schedule H-4
Page 12
Witness: Bourassa
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 175.68	$ 271.36	$ 95.68	54.46%
1,000	178.60	274.37	95.77	53.62%
2,000	181.52	277.38	95.86	52.81%
3,000	184.44	280.39	95.95	52.02%
4,000	187.36	283.40	96.04	51.26%
5,000	190.28	286.41	96.13	50.52%
6,000	193.20	289.42	96.22	49.80%
7,000	196.12	292.43	96.31	49.11%
8,000	199.04	295.44	96.40	48.43%
9,000	201.96	298.45	96.49	47.78%
10,000	204.88	301.46	96.58	47.14%
12,000	210.72	307.48	96.76	45.92%
14,000	216.56	313.50	96.94	44.76%
16,000	222.40	319.52	97.12	43.67%
18,000	228.24	325.54	97.30	42.63%
20,000	234.08	331.56	97.48	41.64%
25,000	248.68	346.61	97.93	39.38%
30,000	263.28	361.66	98.38	37.37%
35,000	277.88	376.71	98.83	35.57%
40,000	292.48	391.76	99.28	33.94%
45,000	307.08	406.81	99.73	32.48%
50,000	321.68	421.86	100.18	31.14%
60,000	353.04	451.96	98.92	28.02%
70,000	389.44	482.06	92.62	23.78%
80,000	425.84	512.16	86.32	20.27%
90,000	462.24	542.26	80.02	17.31%
100,000	498.64	572.36	73.72	14.78%
Average Usage				
173,138	$ 764.86	$ 811.44	$ 46.58	6.09%
Median Usage				
24,000	$ 245.76	$ 343.60	$ 97.84	39.81%

$ 110,905.00

Present Rates:			
Monthly Minimum:		$	175.68
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	57,000	$	2.92
Over	57,000	$	3.64
Proposed Rates:			
Monthly Minimum:		$	271.36
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	144,000	$	3.01
Over	144,000	$	3.66

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
4 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.13
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	6	6	6	6	6	6	6
2	Actual Customers	6	6	6	6	4	8	6
3	Increase in Number of Customers/Bills	-	-	-	-	2	(2)	-
4	Average Revenue / Present Rates	$ 1,171.97	$ 1,339.41	$ 1,154.99	$ 1,508.07	$ 871.37	$ 1,532.03	$ 1,119.19
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ 1,743	$ (3,064)	$ -
6								
7	Increase in Number of Customers	-	-	-	-	2	(2)	-
8	Average Revenue / Proposed Rates	$ 1,221.42	$ 1,389.78	$ 1,204.34	$ 1,559.36	$ 951.50	$ 1,583.46	$ 1,168.35
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ 1,903	$ (3,167)	$ -
10	Additional Gallons to be Produced	-	-	-	-	350,500	(713,500)	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	6	6	6	6	6		
16	Actual Customers	6	6	6	6	6		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 1,110.70	$ 1,078.55	$ 785.53	$ 956.61	$ 1,022.73		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (1,321)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 1,159.81	$ 1,127.48	$ 880.52	$ 1,021.99	$ 1,076.67		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (1,264)
24	Additional Gallons to be Produced	-	-	-	-	-		(363,000)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
6 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Final Schedule C-2
Page 5.14
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 2,006.00	$ 1,547.36	$ 549.00	$ 5,292.92	$ 2,999.72	$ 2,766.76	$ 820.56
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 2,127.25	$ 1,747.99	$ 848.00	$ 5,415.98	$ 3,110.18	$ 2,875.94	$ 1,127.93
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	1	1	1	1	1		
16	Actual Customers	1	1	1	1	1		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 1,605.60	$ 2,202.56	$ 2,006.00	$ 1,620.16	$ 2,206.20		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ -
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 1,796.15	$ 2,308.64	$ 2,127.25	$ 1,808.19	$ 2,312.30		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ -
24	Additional Gallons to be Produced	-	-	-	-	-		-

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
5/8 Inch Multi-Family
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.15
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	7	7	7	7	7	7	7
2	Actual Customers	6	8	8	8	5	9	7
3	Increase in Number of Customers/Bills	1	(1)	(1)	(1)	2	(2)	-
4	Average Revenue / Present Rates	$ 32.30	$ 31.81	$ 32.18	$ 31.08	$ 44.19	$ 30.35	$ 31.60
5	Revenue Annualization / Present Rates	$ 32	$ (32)	$ (32)	$ (31)	$ 88	$ (61)	$ -
6								
7	Increase in Number of Customers	1	(1)	(1)	(1)	2	(2)	-
8	Average Revenue / Proposed Rates	$ 39.45	$ 38.95	$ 39.32	$ 38.19	$ 51.43	$ 37.44	$ 38.73
9	Revenue Annualization / Proposed Rates	$ 39	$ (39)	$ (39)	$ (38)	$ 103	$ (75)	$ -
10	Additional Gallons to be Produced	8,667	(8,500)	(8,625)	(8,250)	24,000	(16,000)	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	7	7	7	7	7		
16	Actual Customers	7	7	7	7	7		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(2)
18	Average Revenue / Present Rates	$ 29.52	$ 26.60	$ 26.60	$ 32.44	$ 64.99		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (35)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 36.58	$ 33.57	$ 33.57	$ 39.59	$ 72.34		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (49)
24	Additional Gallons to be Produced	-	-	-	-	-		(8,708)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
1 1/2 Inch Multi-Family
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.16
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 78.26	$ 78.26	$ 78.26	$ 78.26	$ 101.62	$ 110.38	$ 98.70
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 108.88	$ 108.88	$ 108.88	$ 108.88	$ 132.96	$ 141.99	$ 129.95
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 89.94	$ 98.70	$ 87.02	$ 87.02	$ 84.10	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 120.92	$ 129.95	$ 117.91	$ 117.91	$ 114.90	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
5/8 Inch Industrial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.17
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	17	17	17	17	17	17	17
2	Actual Customers	17	17	17	17	13	21	17
3	Increase in Number of Customers/Bills	-	-	-	-	4	(4)	-
4	Average Revenue / Present Rates	$ 26.74	$ 14.53	$ 15.75	$ 21.42	$ 24.51	$ 17.42	$ 19.70
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ 98	$ (70)	$ -
6								
7	Increase in Number of Customers	-	-	-	-	4	(4)	-
8	Average Revenue / Proposed Rates	$ 33.72	$ 21.01	$ 22.39	$ 28.23	$ 31.42	$ 24.11	$ 26.46
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ 126	$ (96)	$ -
10	Additional Gallons to be Produced	-	-	-	-	24,000	(14,286)	-
11								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
12							
13							
14							
15	Year End Number of Customers	17	17	17	17	17	
16	Actual Customers	17	17	17	17	17	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 19.36	$ 21.93	$ 23.31	$ 18.67	$ 18.15	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 28
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 26.11	$ 28.76	$ 30.18	$ 25.40	$ 24.87	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 29
24	Additional Gallons to be Produced	-	-	-	-	-	9,714

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
2 Inch Industrial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Final Schedule C-2
Page 5.18
Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	4	4	4	4	4	4	4
2	Actual Customers	7	7	7	7	6	8	7
3	Increase in Number of Customers/Bills	(3)	(3)	(3)	(3)	(2)	(4)	(3)
4	Average Revenue / Present Rates	$ 360.36	$ 818.48	$ 538.20	$ 731.12	$ 183.23	$ 969.09	$ 526.24
5	Revenue Annualization / Present Rates	$ (1,081)	$ (2,455)	$ (1,615)	$ (2,193)	$ (366)	$ (3,876)	$ (1,579)
6								
7	Increase in Number of Customers	(3)	(3)	(3)	(3)	(2)	(4)	(3)
8	Average Revenue / Proposed Rates	$ 404.16	$ 864.80	$ 582.98	$ 776.96	$ 234.01	$ 1,016.23	$ 570.95
9	Revenue Annualization / Proposed Rates	$ (1,212)	$ (2,594)	$ (1,749)	$ (2,331)	$ (468)	$ (4,065)	$ (1,713)
10	Additional Gallons to be Produced	(258,429)	(638,000)	(405,000)	(564,000)	(65,333)	(1,013,500)	(395,143)
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	4	4	4	4	4		
16	Actual Customers	5	4	4	4	4		
17	Increase in Number of Customers/Bills	(1)	-	-	-	-		(22)
18	Average Revenue / Present Rates	$ 751.50	$ 855.79	$ 530.01	$ 570.96	$ 1,189.76		
19	Revenue Annualization / Present Rates	$ (752)	$ -	$ -	$ -	$ -		$ (13,917)
20								
21	Increase in Number of Customers	(1)	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 797.46	$ 902.32	$ 574.75	$ 615.92	$ 1,238.12		
23	Revenue Annualization / Proposed Rates	$ (752)	$ -	$ -	$ -	$ -		$ (14,930)
24	Additional Gallons to be Produced	(193,600)	-	-	-	-		(3,531,005)

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
6 Inch Bulk
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.19
Witness: Bourassa

Line No.	Month	Gallons Sold	Present Rates	Proposed Rates
1				
2	Jan. 2012	541,000	2,428.24	2,828.06
3	Feb.	404,000	1,929.56	2,326.64
4	March	462,000	2,140.68	2,538.92
5	April	275,000	1,460.00	1,854.50
6	May	578,000	2,562.92	2,963.48
7	June	709,000	3,039.76	3,442.94
8	July	1,017,000	4,160.88	4,570.22
9	August	554,000	2,475.56	2,875.84
10	Sept.	465,000	2,151.60	2,549.90
11	Oct.	616,000	2,701.24	3,102.56
12	Nov.	642,000	2,795.88	3,197.72
13	Dec. 2012	693,000	2,981.52	3,384.38
14				
15	2012 Total Usage	6,956,000	30,827.84	35,634.96
16				
17	Average Monthly Usage	579,667		
18				
19			Present Rates	Proposed Rates
20	Anticipated Revenues based on 2012 average usage		$ 30,828	$ 35,635
21				
22	Revenues per Direct		29,625	
23				
24	Revenues at Proposed Rates			31,334
25				
26	Increase (decrease) in revenues		$ 1,203	$ 4,301
27				
28				

ision

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Bill Comparison Present and Proposed Rates
Meter Size: Fire Lines Up to 8 Inch

Exhibit
Schedule H-4
Page 20
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.49	$ 8.48	$ 2.99	54.46%
1,000	5.49	8.48	2.99	54.46%
2,000	5.49	8.48	2.99	54.46%
3,000	5.49	8.48	2.99	54.46%
4,000	5.49	8.48	2.99	54.46%
5,000	5.49	8.48	2.99	54.46%
6,000	5.49	8.48	2.99	54.46%
7,000	5.49	8.48	2.99	54.46%
8,000	5.49	8.48	2.99	54.46%
9,000	5.49	8.48	2.99	54.46%
10,000	5.49	8.48	2.99	54.46%
12,000	5.49	8.48	2.99	54.46%
14,000	5.49	8.48	2.99	54.46%
16,000	5.49	8.48	2.99	54.46%
18,000	5.49	8.48	2.99	54.46%
20,000	5.49	8.48	2.99	54.46%
25,000	5.49	8.48	2.99	54.46%
30,000	5.49	8.48	2.99	54.46%
35,000	5.49	8.48	2.99	54.46%
40,000	5.49	8.48	2.99	54.46%
45,000	5.49	8.48	2.99	54.46%
50,000	5.49	8.48	2.99	54.46%
60,000	5.49	8.48	2.99	54.46%
70,000	5.49	8.48	2.99	54.46%
80,000	5.49	8.48	2.99	54.46%
90,000	5.49	8.48	2.99	54.46%
100,000	5.49	8.48	2.99	54.46%
Average Usage -	$ 5.49	$ 8.48	$ 2.99	54.46%
Median Usage -	$ 5.49	$ 8.48	$ 2.99	54.46%

Present Rates:
Monthly Minimum: $ 5.49

Proposed Rates:
Monthly Minimum: $ 8.48

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Water Testing

Line No.			
1			
2	Water Testing Expense per Rebuttal	$	23,821
3	Water Testing Expense per Direct		28,231
4	Increase (decrease) in Water Testing Expense		(4,410)
5			
6	Adjustment to Revenues	$	(4,410)
7			
8			
9	Adjustment to Revenue and/or Expense		(4,410)
10			
11	Reference		
12	Staff Schedule MJR-W15		
13			
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Purchased Power - TEP Rate Increase

Line No.		
1		
2	Test Year Adjusted Purchased Power Expense	$ 371,378
3	Aniticipated TEP rate increase (as %)	4.60%
4	Increase in Purchased Power Expense	17,083
5		
6	Adjustment to Purchased Power Expense	$ 17,083
7		
8		
9	Adjustment to Revenue and/or Expense	17,083
10		
11	Reference	
12	Testimony	
13	Work papers	
14		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

APUC Allocated Capital Taxes

Line No.		
1		
2	APUC Allocated Capital Taxes	$ (2,557)
3		
4		
5		
6	Adjustment to Management Services -Corporate	$ (2,557)
7		
8		
9	Adjustment to Revenue and/or Expense	(2,557)
10		
11	Reference	
12	Staff Schedule MJR-W16	
13	Testimony	
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Miscellaneous Expense

Line No.			
1			
2	RUCO proposed reduction to Miscellaneous Expense	$	(1,804)
3			
4			
5			
6	Adjustment to Miscellaneous Expense	$	(1,804)
7			
8			
9	Adjustment to Revenue and/or Expense		(1,804)
10			
11	Reference		
12	Staff Schedule TJC-21		
13	Testimony		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Employee Benefits

Line No.			
1			
2	Allocated portion of new employee benefit costs	$	32,891
3			
4			
5			
6	Adjustment to Salaries and Wages expense	$	32,891
7			
8			
9	Adjustment to Revenue and/or Expense		32,891
10			
11	Reference		
12	Testimony		
13	Workpapers		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rebuttal Schedule C-2
Page 11
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Rebuttal Schedule C-2
Page 12
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Rebuttal Schedule C-2
Page 13
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Rebuttal Schedule C-2
Page 14
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Rebuttal Schedule C-2
Page 15
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 7,730,108	
5	Weighted Cost of Debt	1.14%	
6	Interest Expense		$ 88,123
7			
8	Test Year Interest Expense		$ 86,978
9			
10	Increase (decrease) in Interest Expense		1,146
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ (1,146)
15			
16			
17	Weighted Cost of Debt Computation		
18			Weighted
19		Percent	Cost	Cost
20	Debt	20.00%	5.70%	1.14%
21	Equity	80.00%	10.30%	8.24%
22	Total	100.00%		9.38%
23				
24				
25				
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29				
30				

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Rebuttal Schedule C-2
Page 16
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Computed Income Tax	$ 179,923	$ 400,416
5	Test Year Income tax Expense	-	179,923
6	Adjustment to Income Tax Expense	$ 179,923	$ 220,493
7			
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13	SUPPORTING SCHEDULE		
14	C-3, page 2		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	38.599%
2		
3	Property Taxes	1.121%
4		
5		
6	Total Tax Percentage	39.720%
7		
8	Operating Income % = 100% - Tax Percentage	60.280%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.6589
15		
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25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012

Exhibit
Rebuttal Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
	Calculation of Gross Revenue Conversion Factor:						
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)	39.7199%					
5	Subtotal (L3 - L4)	60.2801%					
6	Revenue Conversion Factor (L1 / L5)	1.658527					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	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%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (L55 Col F)	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%				
	Calculation of Effective Property Tax Factor:						
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	1.8257%					
22	Effective Property Tax Factor (L20*L21)		1.1210%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.7199%			
24	Required Operating Income	$ 725,084					
25	Adjusted Test Year Operating Income (Loss)	$ 374,335					
26	Required Increase in Operating Income (L24 - L25)		$ 350,749				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 402,418					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ 179,923					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 220,493				
30	Recommended Revenue Requirement	$ 3,369,630					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 162,261					
36	Property Tax on Test Year Revenue	$ 151,638					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 10,623				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 581,865				

		(A)	(B)	(C)	(D)	(E)	(F)
		Test Year			Company Recommended		
		Total Company	Sewer	Water	Total	Sewer	Water
	Calculation of Income Tax:						
39	Revenue	$ 4,146,898	$ 1,370,130	$ 2,776,768	$ 4,996,301	$ 1,606,678	$ 3,389,630
40	Operating Expenses Excluding Income Taxes	3,136,438	911,928	2,224,507	3,151,359	919,228	2,235,131
41	Synchronized Interest (L47)	142,104	53,981	88,123	142,104	53,981	88,123
42	Arizona Taxable Income (L39 - L40 - L41)	$ 870,356	$ 404,220	$ 466,136	$ 1,672,838	$ 633,461	$ 1,037,377
43	Arizona State Effective Income Tax Rate (see work papers)		6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	$ 60,646	$ 28,166	$ 32,480	$ 116,583	$ 44,279	$ 72,304
45	Federal Taxable Income (L42- L44)	$ 809,709	$ 376,054	$ 433,655	$ 1,556,275	$ 591,183	$ 965,092
46							
47	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 15,000	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
48	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ 12,500	$ 6,250	$ 6,250	$ 6,250	$ 6,250	$ 6,250
49	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 17,000	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500
50	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 183,300	$ 91,650	$ 91,650	$ 91,650	$ 91,650	$ 91,650
51	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 47,501	$ 13,958	$ 33,543	$ 418,233	$ 87,182	$ 214,251
52							
53	Total Federal Income Tax	$ 275,301	$ 127,858	$ 147,443	$ 529,133	$ 201,082	$ 328,151
54	Combined Federal and State Income Tax (L44 + L42)	$ 336,847	$ 156,025	$ 179,923	$ 645,697	$ 245,281	$ 400,416
55	COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45]				34.0000%		
56	WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45]					34.0000%	
57	WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45]						34.0000%

	Calculation of Interest Synchronization:	Sewer	Water
58	Rate Base	$ 4,735,192	$ 7,730,108
59	Weighted Average Cost of Debt	1.1400%	1.1400%
60	Synchronized Interest (L59 X L60)	$ 53,981	$ 88,123

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
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Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8X3/4 Inch	Residential	$ 2,239,712	$ 2,727,658	$ 487,946	21.79%	79.14%	80.01%
2	5/8X3/4 Inch	Residential (Low Income)	29,750	36,531	$ 6,780	22.79%	1.05%	1.07%
3	3/4 Inch	Residential	4,032	5,334	1,303	32.31%	0.14%	0.16%
4	1 Inch	Residential	25,847	32,124	6,277	24.29%	0.91%	0.94%
	1 Inch	Residential (Low Income)	359	478	119	33.14%	0.01%	0.01%
5	1 1/2 Inch	Residential	5,642	6,671	1,029	18.23%	0.20%	0.20%
6	2 Inch	Residential	5,482	7,365	1,883	34.35%	0.19%	0.22%
7								
8		Subtotal	2,310,824	2,816,161	505,337	21.87%	81.65%	82.61%
9								
10	5/8X3/4 Inch	Commercial	$ 36,891	$ 43,310	$ 6,419	17.40%	1.30%	1.27%
11	1 Inch	Commercial	45,719	54,239	8,520	18.64%	1.62%	1.59%
12	1 1/2 Inch	Commercial	16,434	19,734	3,300	20.08%	0.58%	0.58%
13	2 Inch	Commercial	110,064	135,439	25,375	23.05%	3.89%	3.97%
14	3 Inch	Commercial	113,938	126,904	12,966	11.38%	4.03%	3.72%
15	4 Inch	Commercial	83,492	90,182	6,689	8.01%	2.95%	2.65%
16	6 Inch	Commercial	25,623	27,606	1,983	7.74%	0.91%	0.81%
17								
18		Subtotal	$ 432,162	$ 497,414	$ 65,253	15.10%	15.27%	14.59%
19								
20	5/8X3/4 Inch	Industrial	$ 4,727	$ 6,043	$ 1,316	27.83%	0.17%	0.18%
21	2 Inch	Industrial	47,436	50,918	3,482	7.34%	1.68%	1.49%
22			$ 52,164	$ 56,961	4,798	9.20%	1.84%	1.67%
23								
24	5/8X3/4 Inch	Multi-family	$ 3,072	$ 3,671	599	19.49%	0.11%	0.11%
25	1 1/2 Inch	Multi-family	1,071	1,442	371	34.70%	0.04%	0.04%
26								
27		Subtotal	$ 4,143	$ 5,113	970	23.42%	0.15%	0.15%
28								
29	6 Inch	Bulk	29,625	31,334	1,709	5.77%	1.05%	0.92%
30		Fire Lines up to 8 Inch	1,263	1,950	688	54.46%	0.04%	0.06%
31								
32								
33	Total Revenues Before Annualization		$ 2,830,180	$ 3,408,934	$ 578,754	20.45%	100.00%	100.00%
34								

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

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Revenue Annualization

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (in 1,000's)	
1	5/8X3/4 Inch	Residential	$ (6,796)	$ (9,063)	(2,268)	0.00%	(328)	(1,648)	C-2, pg 5.1
2	5/8X3/4 Inch	Residential (Low Income)	$ 11,550	$ 14,559	3,009	26.05%	520	3,196	C-2, pg 5.2
3	3/4 Inch	Residential	(461)	(612)	(151)	0.00%	(16)	(68)	C-2, pg. 5.3
4	1 Inch	Residential	(191)	(253)	(62)	0.00%	(4)	(28)	C-2, pg. 5.4
5	1 Inch	Residential (Low Income)	70	108	38	54.46%	3	-	C-2, pg. 5.5
6	1 1/2 Inch	Residential	1,219	1,470	251	20.58%	9	235	C-2, pg. 5.6
7	2 Inch	Residential	(260)	(358)	(98)	0.00%	(2)	(29)	C-2, pg. 5.7
8									
9		Subtotal	$ 5,132	$ 5,850	718	14.00%	182	1,659	
10									
11	5/8X3/4 Inch	Commercial	$ 1,582	$ 1,834	252	15.92%	35	425	C-2, pg. 5.8
12	1 Inch	Commercial	417	496	79	19.04%	5	92	C-2, pg. 5.9
13	1 1/2 Inch	Commercial	(79)	(65)	14	0.00%	-	(22)	C-2, pg. 5.10
14	2 Inch	Commercial	(779)	(984)	(205)	0.00%	(4)	(147)	C-2, pg. 5.11
15	3 Inch	Commercial	(9,576)	(10,327)	(751)	0.00%	(13)	(2,150)	C-2, pg. 5.12
16	4 Inch	Commercial	(1,321)	(1,264)	57	0.00%	-	(363)	C-2, pg. 5.13
17	6 Inch	Commercial	-	-	-	0.00%	-	-	C-2, pg. 5.14
18					-				
19		Subtotal	$ (9,757)	$ (10,310)	(553)	5.67%	23	(2,164)	
20									
21	5/8X3/4 Inch	Industrial	$ 28	$ 29	1	3.08%	-	10	C-2, pg. 5.15
22	2 Inch	Industrial	(13,917)	(14,930)	(1,012)	0.00%	(22)	(3,531)	C-2, pg. 5.16
23			$ (13,889)	$ (14,901)	$ (1,012)	7.28%	(22)	(3,521)	
24									
25	5/8X3/4 Inch	Multi-family	$ (35)	$ (49)	(14)	0.00%	(2)	(9)	C-2, pg. 5.17
26	1 1/2 Inch	Multi-family	-	-	-	0.00%	-	-	C-2, pg. 5.18
27									
28		Subtotal	$ (35)	$ (49)	(14)	39.74%	(2)	(9)	
29									
30	6 Inch	Bulk	1,203	$ 4,301	3,098	257.61%	-	-	C-2, pg. 5.19
31		Fire Lines up to 8 Inch	318	492	173	54.46%	58	-	C-2, pg. 5.20
32									
33									
34									
35	Total Revenue Annualization		$ (17,028)	$ (14,617)	$ (687)	0.00%	239	(4,035)	
36									

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
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Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Subtotal Metered Revenues	$ 2,830,180	$ 3,408,934	$ 578,754	20.45%	100.00%	100.00%
2	Declining Usage Adjustment	(77,275)	(77,275)	-	0.00%	-	-
3	Subtotal Revenue Annualization	(17,028)	(14,617)	2,411	-14.16%	-0.60%	-0.43%
4	Total Metered Revenues	$ 2,735,877	$ 3,317,042	$ 581,165	21.24%		
5							
6	Misc. Revenues	$ 42,889	$ 42,889	-	0.00%	1.52%	1.26%
7	Reconciling Amount	-	699	699	0.00%	0.00%	0.02%
8	Total Water Revenues	$ 2,778,766	$ 3,360,630	$ 581,864	20.94%	0.00%	0.00%
9							
10							
11	Revenue Reconciliation						
12							
13	Revenue per bill count before revenue annualization		$ 2,873,069				
14	Revenue per GL (metered water revenues)	$ 2,862,761					
15	Adjustments Rev. Accrual Correction	10,308					
16	Adjusted Revenue per GL (metered water revenues)		2,873,069				
17	Difference		$ 0				
18	Difference %		0.00%				
19	Tolerance %		0.50%				
20	Tolerance Amount + or -		$ 14,365				
21							
22	Acceptable?		YES				
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Customer Summary

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Rebuttal Schedule H-2
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Line No.	Meter Size	Class	(a) Average Number of Customers at 2/29/2012	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	5,902	7,794	$ 29.75	$ 36.82	7.07	23.77%
2	5/8X3/4 Inch	Residential (Low Income)	96	7,658	24.95	30.95	6.00	24.05%
3	3/4 Inch	Residential	11	4,316	29.07	38.43	9.36	32.19%
4	1 Inch	Residential	35	10,705	58.71	74.62	15.91	27.11%
5	1 Inch	Residential (Low Income)	1	6,667	39.88	53.10	13.22	33.14%
6	1 1/2 Inch	Residential	3	27,821	141.77	168.54	26.77	18.89%
7	2 Inch	Residential	3	19,316	144.24	193.82	49.58	34.37%
8		Subtotal	6,052					
9								
10	5/8X3/4 Inch	Commercial	80	8,995	$ 33.25	$ 40.43	7.18	21.59%
11	1 Inch	Commercial	49	15,566	73.31	89.25	15.94	21.75%
12	1 1/2 Inch	Commercial	10	24,508	129.71	158.57	28.86	22.25%
13	2 Inch	Commercial	43	39,263	202.49	253.86	51.37	25.37%
14	3 Inch	Commercial	12	173,138	764.86	811.44	46.58	6.09%
15	4 Inch	Commercial	6	253,431	1,155.95	1,205.31	49.36	4.27%
16	6 Inch	Commercial	1	457,917	2,125.82	2,231.48	105.66	4.97%
17		Subtotal	201					
18								
19	5/8X3/4 Inch	Industrial	17	4,422	$ 19.90	$ 26.67	6.77	34.01%
20	2 Inch	Industrial	6	167,329	655.88	701.30	45.43	6.93%
21		Subtotal	23					
22								
23	5/8X3/4 Inch	Multi-family	7	9,058	$ 33.48	$ 40.66	7.18	21.45%
24	1 1/2 Inch	Multi-family	1	11,750	89.21	120.17	30.96	34.70%
25		Subtotal	8					
26								
27	6 Inch	Bulk	0	1,908,591	7,406.27	7,833.44	427.17	5.77%
28		Fire Lines up to 8 Inch	19	-	$ 5.49	$ 8.48	2.99	54.46%
29								
30								
31		Total	6,303					
32								

33 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

34

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Customer Summary

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Line No.	Meter Size. Class		(a) Average Number of Customers at 2/29/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	5,902	6,000	$ 24.51	$ 31.42	6.91	28.19%
2	5/8X3/4 Inch	Residential (Low Income)	96	-	23.32	29.27	5.95	25.52%
3	3/4 Inch	Residential	11	4,000	28.15	37.48	9.33	33.14%
4	1 Inch	Residential	35	6,000	44.97	60.46	15.49	34.45%
5	1 Inch	Residential (Low Income)	1	-	40.71	53.95	13.24	32.53%
6	1 1/2 Inch	Residential	3	20,000	113.30	145.00	31.70	27.98%
7	2 Inch	Residential	3	14,000	128.72	177.82	49.10	38.14%
8		Subtotal	6,052					
9								
10	5/8X3/4 Inch	Commercial	80	3,000	$ 15.75	$ 22.39	6.64	42.16%
11	1 Inch	Commercial	49	7,000	47.89	63.47	15.58	32.53%
12	1 1/2 Inch	Commercial	10	9,000	81.18	111.89	30.71	37.83%
13	2 Inch	Commercial	43	20,500	147.70	197.39	49.69	33.64%
14	3 Inch	Commercial	12	24,000	245.76	343.60	97.84	39.81%
15	4 Inch	Commercial	6	192,000	932.34	1,001.92	69.58	7.46%
16	6 Inch	Commercial	1	425,000	2,006.00	2,127.25	121.25	6.04%
17		Subtotal	201					
18								
19	5/8X3/4 Inch	Industrial	17	4,353	$ 10.98	$ 16.96	5.98	54.46%
20	2 Inch	Industrial	6	32,667	140.40	189.86	49.46	35.23%
21		Subtotal	23					
22								
23	5/8X3/4 Inch	Multi-family	7	8,000	$ 30.35	$ 37.44	7.09	23.36%
24	1 1/2 Inch	Multi-family	1	11,000	87.02	117.91	30.89	35.50%
25		Subtotal	8					
26								
27	6 Inch	Bulk	0	945,000	3,898.80	4,306.70	407.90	10.46%
28		Fire Lines up to 8 Inch	19	-	$ 5.49	$ 8.48	2.99	54.46%
29								
30								
31		Total	6,303					
32								

33 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Present and Proposed Rates

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Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 10.98	$ 16.96	$ 5.98	54.46%
2	3/4 Inch	16.47	25.44	8.97	54.46%
3	1 Inch	27.45	42.40	14.95	54.46%
4	1 1/2 Inch	54.90	84.80	29.90	54.46%
5	2 Inch	87.84	135.68	47.84	54.46%
6	3 Inch	175.68	271.36	95.68	54.46%
7	4 Inch	274.50	424.00	149.50	54.46%
8	6 Inch	549.00	848.00	299.00	54.46%
9	8 Inch	878.40	1,356.80	478.40	54.46%
10	10 Inch	1,262.70	1,950.40	687.70	54.46%
11	12 Inch	2,360.70	3,646.40	1,285.70	54.46%
12					
13	Low Income Tariff - A 15% discount is available to qualified residential customers meeting the low income qualifications. Participation is limited to a maximum 2,200 customers.				
14					
15	Fire Lines 8 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
16	Fire Lines 10 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
17	Fire Lines 12 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
18					
19	* 1% of Monthly Minimum for a Comparable Size Meter Commection, but not lessthan $5.00 per month. The Service Charge for Fire Sprinklers is only applicable for				
20	service lines separate and distinct from the primary water service line.				
21					
22	Gallons In Minimum (All Classes)	-	-		
23					
24			(Per 1,000 gallons)		
25	Commodity Rates		Present	Proposed	
26	(All Classes)	Block	Rate	Rate	
27					
28	5/8 Inch	0 gallons to 3,000 gallons	$ 1.59	$ 1.81	
29		3,001 gallons to 9,000 gallons	$ 2.92	$ 3.01	
30		over 9,000 gallons	$ 3.64	$ 3.66	
31					
32					
33	3/4 Inch Meter	0 gallons to 6,000 gallons	$ 2.92		
34		over 6,000 gallons	$ 3.64		
35					
36	3/4 Inch Meter	0 gallons to 4,500 gallons		$ 3.01	
37		over 4,500 gallons		$ 3.66	
38					
39	* Per Rule - A.A.C. R-14-2-408.B				
40	NT = No Tariff				

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Present and Proposed Rates

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Line No.		Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2	**Commodity Rates**			
3	**(All Classes)**			
4	1 Inch Meter	0 gallons to 15,000 gallons	$ 2.92	$ -
5		over 15,000 gallons	$ 3.64	$ -
6				
7	1 Inch Meter	0 gallons to 22,500 gallons	[redacted]	$ 3.01
8		over 22,500 gallons	[redacted]	$ 3.66
9				
10	1.5 Inch Meter	0 gallons to 20,000 gallons	$ 2.92	[redacted]
11		over 20,000 gallons	$ 3.64	[redacted]
12				
13	1.5 Inch Meter	0 gallons to 45,000 gallons	[redacted]	$ 3.01
14		over 45,000 gallons	[redacted]	$ 3.66
15				
16	2 Inch Meter	0 gallons to 57,000 gallons	$ 2.92	[redacted]
17		over 57,000 gallons	$ 3.64	[redacted]
18				
19	2 Inch Meter	0 gallons to72,000 gallons	[redacted]	$ 3.01
20		over 72,000 gallons	[redacted]	$ 3.66
21				
22	3 Inch Meter	0 gallons to 57,000 gallons	$ 2.92	[redacted]
23		over 57,000 gallons	$ 3.64	[redacted]
24				
25	3 Inch Meter	0 gallons to 144,000 gallons	[redacted]	$ 3.01
26		over 144,000 gallons	[redacted]	$ 3.66
27				
28	4 Inch Meter	0 gallons to 57,000 gallons	$ 2.92	[redacted]
29		over 57,000 gallons	$ 3.64	[redacted]
30				
31	4 Inch Meter	0 gallons to 225,000 gallons	[redacted]	$ 3.01
32		over 225,000 gallons	[redacted]	$ 3.66
33				
34	6 Inch Meter	0 gallons to 125,000 gallons	$ 2.92	[redacted]
35		over 125,000 gallons	$ 3.64	[redacted]
36				
37	6 Inch Meter	0 gallons to 450,000 gallons	[redacted]	$ 3.01
38		over 450,000 gallons	[redacted]	$ 3.66

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Present and Proposed Rates

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Line No.				
1				
2	**Commodity Rates**			
3	**(All Classes)**			
4	8 Inch Meter	0 gallons to 125,000 gallons	$ 2.92	[redacted]
5		over 125,000 gallons	$ 3.64	[redacted]
6				
7	8 Inch Meter	0 gallons to 720,000 gallons	[redacted]	$ 3.01
8		over 720,000 gallons	[redacted]	$ 3.66
9				
10	10 Inch Meter	0 gallons to 125,000 gallons	$ 2.92	[redacted]
11		over 125,000 gallons	$ 3.64	[redacted]
12				
13	10 Inch Meter	0 gallons to 1,035,000 gallons	[redacted]	$ 3.01
14		over 1,035,000 gallons	[redacted]	$ 3.66
15				
16	12 Inch Meter	0 gallons to 125,000 gallons	$ 2.92	[redacted]
17		over 125,000 gallons	$ 3.64	[redacted]
18				
19	12 Inch Meter	0 gallons to 1,935,000 gallons	[redacted]	$ 3.01
20		over 1,935,000 gallons	[redacted]	$ 3.66
21				
22				
23	6 Inch Bulk	All gallons	[redacted]	$ 3.66
24				
25	NT = No Tariff			
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Changes in Representative Rate Schedules
Test Year Ended February 29, 2012

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Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 15.00	$ 15.00
2	Establishment (After Hours)	$ 25.00	NT
3	Reconnection (Delinquent)	$ 15.00	$ 15.00
4	Reconnection (Delinquent) - After Hours	$ 25.00	NT
5	Meter test (If Correct)	$ 15.00	$ 15.00
6	Deposit	*	*
7	Deposit Interest	**	**
8	Reestablishment (within 12 months)	***	***
9	NSF Check	$ 15.00	$ 15.00
10	Meter Reread (if Correct)	$ 20.00	$ 20.00
11	Late Payment Penalty	1.5% per month	1.5% per month
12	Deferred Payment (R-01-2-409.G)	1.5% per month	1.5% per month
13	Moving meter at customer request (R-14-2-405.B)	at Cost	at Cost
14	Service Calls - Per Hour/After Hours(a)	$ 40.00	NT
15	Service Charge - After Hours(a)		$ 40.00
16			
17			
18			
19			
20			

21 * Per Commission Rule A.A.C. R-14-2-403(B)
22 ** Per Commission Rule A.A.C. R-14-2-403(B)
23 *** Per Commission Rule A.A.C. R14-2-403(D) - Months off the system times the monthly minimum.
24
25 (a) No charge for service calls during normal working hours.
26
27 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
28 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
29 TAX. PER COMMISSION RULE 14-2-409D(5).
30
31
32
33
34

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Meter and Service Line Charges

Exhibit
Rebuttal Schedule H-3
Page 5
Witness: Bourassa

Refundable Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install-ation Charge	Total Proposed Charge
9	5/8 x 3/4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10	3/4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
11	1 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
12	1 1/2 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
13	2 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
14	3 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
15	4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
16	6 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
17	8 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
18	10 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
19	12 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Rio Rico Utilities dba Liberty Utilities –Wastewater Division
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)

January 28, 2013

SCHEDULES

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 4,735,192
2		
3	Adjusted Operating Income	302,177
4		
5	Current Rate of Return	6.38%
6		
7	Required Operating Income	$ 444,161
8		
9	Required Rate of Return on Fair Value Rate Base	9.38%
10		
11	Operating Income Deficiency	$ 141,984
12		
13	Gross Revenue Conversion Factor	1.6589
14		
15	Increase in Gross Revenue	
16	Requirement	$ 235,540
17		
18	Adjusted Test Year Revenues	$ 1,370,130
19	Increase in Gross Revenue Revenue Requirement	$ 235,540
20	Proposed Revenue Requirement	$ 1,605,670
21	% Increase	17.19%
22		

23	Customer		Present	Proposed	Dollar	Percent
24	Classification		Rates	Rates	Increase	Increase
25	5/8X3/4 Inch	Residential	$ 1,001,239	$ 1,180,962	$ 179,722	17.95%
26	5/8X3/4 Inch	Residential (Low Income)	26,948	31,785	4,837	17.95%
27	3/4 Inch	Residential	5,182	6,112	930	17.95%
28	1 Inch	Residential	7,304	8,615	1,311	17.95%
29	1 Inch	Residential (Low Income)	494	583	89	17.95%
30	1 1/2 Inch	Residential	-	-	-	0.00%
31	2 Inch	Residential	132	156	24	17.95%
32	5/8X3/4 Inch	Commercial	46,018	53,041	7,023	15.26%
33	1 Inch	Commercial	56,409	64,530	8,121	14.40%
34	1 1/2 Inch	Commercial	17,712	20,091	2,379	13.43%
35	2 Inch	Commercial	94,925	107,703	12,778	13.46%
36	3 Inch	Commercial	5,376	6,202	826	15.36%
37	4 Inch	Commercial	89,951	100,030	10,079	11.20%
38	6 Inch	Commercial	33,018	36,863	3,846	11.65%
39	5/8X3/4 Inch	Multi-tenant	4,780	5,524	743	15.55%
40	1 1/2 Inch	Multi-tenant	1,411	1,643	231	16.39%
41					-	0.00%
42	Revenue Annualization		11,943	13,924	1,981	16.59%
43	Declining Usage Adjustment		(32,713)	(32,713)	-	0.00%
44	**Subtotal**		$ 1,370,130	$ 1,605,052	$ 234,922	17.15%
45						
46	Other Water Revenues		-	-	-	0.00%
47	Reconciling Amount		-	618	618	0.00%
48	Rounding					0.00%
49	**Total of Water Revenues**		$ 1,370,130	$ 1,605,670	$ 235,540	17.19%
50						
51						
52	SUPPORTING SCHEDULES:					
53	B-1					
54	C-1					
55	C-3					
56	H-1					

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 12,655,367	$ 12,655,367
3	Less: Accumulated Depreciation	4,658,438	4,658,438
4			
5	Net Utility Plant in Service	$ 7,996,929	$ 7,996,929
6			
7	Less:		
8	Advances in Aid of Construction	293,794	293,794
9			
10	Contributions in Aid of Construction	5,152,673	5,152,673
11			
12	Accumulated Amortization of CIAC	(2,491,137)	(2,491,137)
13			
14	Customer Meter Deposits	22,963	22,963
15	Deferred Income Taxes & Credits	283,444	283,444
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 4,735,192	$ 4,735,192
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45			
46			
47			
48			
49			
50			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 14,241,191	(1,585,824)	$ 12,655,367
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	6,437,304	(1,778,866)	4,658,438
7				
8				
9	Net Utility Plant			
10	in Service	$ 7,803,886		$ 7,996,929
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	293,794	-	293,794
15				
16	Contributions in Aid of			
17	Construction - Gross	5,152,673	-	5,152,673
18				
19	Accumulated Amortization of CIAC	(2,509,975)	18,837	(2,491,137)
20				
21	Customer Meter Deposits	22,963		22,963
22	Accumulated Deferred Income Tax	244,419	39,025	283,444
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 4,600,012		$ 4,735,192
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47				
48				
49				
50				

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 AIAC	5 ADIT	Rebuttal Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 14,241,191	(1,585,824)					$ 12,655,367
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	6,437,304		(1,778,866)				4,658,438
7								
8								
9	Net Utility Plant							
10	in Service	$ 7,803,886	$ (1,585,824)	$ 1,778,866	$ -	$ -	$ -	$ 7,996,929
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	293,794				-		293,794
15								
16	Contributions in Aid of							
17	Construction (CIAC)	5,152,673			-			5,152,673
18								
19	Accumulated Amort of CIAC	(2,509,975)			18,837			(2,491,137)
20								
21	Customer Meter Deposits	22,963						22,963
22	Accumulated Deferred Income Taxes	244,419					39,025	283,444
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						-
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 4,600,012	$ (1,585,824)	$ 1,778,866	$ (18,837)	$ -	$ (39,025)	$ 4,735,192
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38								
39								
40								

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Original Cost	Adjustments A Plant Reclassification from Water Division	B Nogales WWTP Plant Reclassification	C Nogales WWTP Plant Reclassification	D Plant Retirement	E Affiliate Profit	F Plant Retirements	Rebuttal Adjusted Original Cost
6	351	Organization	5,785							5,785
7	352	Franchise	417							417
8	353	Land	7,545							7,545
9	354	Structures & Improvements	150,294							150,294
10	355	Power Generation	-							-
11	360	Collection Sewer Forced	636,023							636,023
12	361	Collection Sewers Gravity	5,991,654		(315,000)			(415)		5,676,239
13	362	Special Collecting Structures	-							-
14	363	Customer Services	1,204,113							1,204,113
15	364	Flow Measuring Devices	66,339							66,339
16	366	Reuse Services	-							-
17	367	Reuse Meters And Installation	-							-
18	370	Receiving Wells	867,120							867,120
19	371	Pumping Equipment	1,712,940				(6,866)		(1,593,905)	112,170
20	374	Reuse Distribution Reservoirs	-							-
21	375	Reuse Trans. and Dist. System	-							-
22	380	Treatment & Disposal Equipment	1,128,675		(693,000)	(153,642)				282,033
23	381	Plant Sewers	13,690							13,690
24	382	Outfall Sewer Lines	-							-
25	389	Other Sewer Plant & Equipment	64,928							64,928
26	390	Office Furniture & Equipment	116,937							116,937
27	390.1	Computers and Software	4,025							4,025
28	391	Transportation Equipment	117							117
29	392	Stores Equipment	-							-
30	393	Tools, Shop And Garage Equip	5,139							5,139
31	394	Laboratory Equip	-							-
32	396	Communication Equip	5,936							5,936
33	398	Other Tangible Plant	3,913							3,913
34		Nogales WWTP	2,255,600	15,362	1,008,000	153,642				3,432,604
35			-							-
36			-							-
37			-							-
38			-							-
39		Plant Held for Future Use	-							-
40		TOTALS	$ 14,241,191	$ 15,362	$ -	$ -	$ (6,866)	$ (415)	$ (1,593,905)	$ 12,655,367
41										
42	Plant-in-Service per Direct									$ 14,241,191
43										
44	Increase (decrease) in Plant-in-Service									$ (1,585,824)
45										
46	Adjustment to Plant-in-Service									$ (1,585,824)
47										
48	SUPPORTING SCHEDULES									
49	B-2, pages 3.1 through 3.6									
50										

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 -A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.

1 Reclassification of plant from Water Division

Line	To WW Acct. No.	Description	From Water Acct. No.	Water Description	Recorded Year	Adjustment
6	380	Nogales WWTP	320	Water Treatment Equipment	2009	$ 5,658
7	380	Nogales WWTP	336	Backflow Prevention Devices	2010	7,210
8	380	Nogales WWTP	336	Backflow Prevention Devices	2011	2,494
9		Total				$ 15,362

43 SUPPORTING SCHEDULE
44 Staff Schedule MJR-W5
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Line No.

1 Reclassification of plant costs related to Nogales plant

Acct. No.	Description	Recorded Year	Adjustment	
380	Treatment & Disposal Equipment	1997	$ (338,000)	
380	Treatment & Disposal Equipment	1998	(355,000)	
				$ (693,000)
361	Collection Sewers Gravity	2005		(315,000)
	Total			$ (1,008,000)
	Nogales WWTP			$ 1,008,000

SUPPORTING SCHEDULE
RUCO Schedule TJC-7(a)
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.

1 Reclassification of plant costs related to Nogales plant

Line No.	Acct. No.	Description	Recorded Year	Adjustment
6	380	Treatment & Disposal Equipment	2008 and Prior	$ (34,237)
7	380	Treatment & Disposal Equipment	2009	$ (17,798)
8	380	Treatment & Disposal Equipment	2010	$ (609)
9	380	Treatment & Disposal Equipment	2011	$ (99,784)
10	380	Treatment & Disposal Equipment	2012	(1,214)
11		Total		$ (153,642)
15		Total		
19		Nogales WWTP		$ 153,642

46 SUPPORTING SCHEDULE
47 Staff Schedule MJR-WW5
48 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

Line No.				
1	Plant Retirement			
2				
3				
4	Acct.		Recorded	
5	No.	Description	Year	Adjustment
6	371	Pumping Equipment	2009	$ (6,866)
7				
8				
9		Total		$ (6,866)
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
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42				
43	SUPPORTING SCHEDULE			
44	Staff Schedule MJR-W7			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Bourassa

Line No.

1 Remove 2012 Affiliate Profit

Acct. No.	Description	Recorded Year	Adjustment
371	Pumping Equipment	2012	$ (415)
	Total		$ (415)

43 SUPPORTING SCHEDULE
44 Staff Schedule MJR-W9
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Bourassa

Line No.

1 Plant Retirements

Acct. No.	Description	Description	Retirement Year		Adjustment
371	Pumping Equipment	1994 Net Plant Adds	2009	$ (265,342)	
371	Pumping Equipment	1995 Net Plant Adds	2009	-	
371	Pumping Equipment	1996 Net Plant Adds	2009	(31,512)	
371	Pumping Equipment	1997 Net Plant Adds	2009	(383,702)	
371	Pumping Equipment	1998 Net Plant Adds	2009	(15,616)	
371	Pumping Equipment	1999 Net Plant Adds	2009	-	
371	Pumping Equipment	2000 Net Plant Adds	2009	(2,895)	
		Subtotal			$ (699,067)
371	Pumping Equipment	2001 Net Plant Adds	2010		(29,911)
371	Pumping Equipment	2002 Net Plant Adds	2011		(864,926)
371	Pumping Equipment	2003 Net Plant Adds	2012		-
	Total				$ (1,593,905)

Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - G

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Line No. 1 Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	B-2 Adjustments	Rebuttal Adjusted Orginal Cost	Plant Per Reconstruction	Difference
6	351	Organization	5,785	-	5,785	5,785	-
7	352	Franchise	417	-	417	417	-
8	353	Land	7,545	-	7,545	7,545	-
9	354	Structures & Improvements	150,294	-	150,294	150,294	-
10	355	Power Generation	-	-	-	-	-
11	360	Collection Sewer Forced	636,023	-	636,023	636,023	-
12	361	Collection Sewers Gravity	5,991,654	(315,415)	5,676,239	5,676,239	-
13	362	Special Collecting Structures	-	-	-	-	-
14	363	Customer Services	1,204,113	-	1,204,113	1,204,113	-
15	364	Flow Measuring Devices	66,339	-	66,339	66,339	-
16	366	Reuse Services	-	-	-	-	-
17	367	Reuse Meters And Installation	-	-	-	-	-
18	370	Receiving Wells	867,120	-	867,120	867,120	-
19	371	Pumping Equipment	1,712,940	(1,600,770)	112,170	112,170	-
20	374	Reuse Distribution Reservoirs	-	-	-	-	-
21	375	Reuse Trans. and Dist. System	-	-	-	-	-
22	380	Treatment & Disposal Equipment	1,128,675	(846,642)	282,033	282,033	-
23	381	Plant Sewers	13,690	-	13,690	13,690	-
24	382	Outfall Sewer Lines	-	-	-	-	-
25	389	Other Sewer Plant & Equipment	64,928	-	64,928	64,928	-
26	390	Office Furniture & Equipment	116,937	-	116,937	116,937	-
27	390.1	*Computers and Software*	4,025	-	4,025	4,025	-
28	391	Transportation Equipment	117	-	117	117	-
29	392	Stores Equipment	-	-	-	-	-
30	393	Tools, Shop And Garage Equip	5,139	-	5,139	5,139	-
31	394	Laboratory Equip	-	-	-	-	-
32	396	Communication Equip	5,936	-	5,936	5,936	-
33	398	Other Tangible Plant	3,913	-	3,913	3,913	-
34	380	Nogales WWTP	2,255,600	1,177,004	3,432,604	3,432,604	-
40		TOTALS	$ 14,241,191	$ (1,585,823)	$ 12,655,368	$ 12,655,368	$ -

43 SUPPORTING SCHEDULE
44 B-2, pages 3.1 through 3.5
45 B-2, pages 3.8 through 3.11

Rio Rico Utilities dba Liberty Utilities - Wastewater Div
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Bourassa

				Per Decision 72059		2009											
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant at 12/31/2008	Accum. Deprec. At 12/31/2008	Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	5,785	-	-	-	-	-	-		-	-	-	5,785	-
2	352	Franchise	0.00%	417	-	-	-	-	-	-		-	-	-	417	-
3	353	Land	0.00%	7,545	-	-	-	-	-	-		-	-	-	7,545	-
4	354	Structures & Improvements	3.33%	28,548	27,203	294	-	-	294	-		-	-	956	28,842	28,159
5	355	Power Generation	5.00%	-	-	-	-	-	-	-		-	-	-	-	-
6	360	Collection Sewer Forced	2.00%	636,023	(38,371)	-	-	-	-	-		-	-	12,720	636,023	(25,651)
7	361	Collection Sewers Gravity	2.00%	5,945,962	2,213,553	130,091	-	-	130,091	-		-	-	120,220	6,076,053	2,333,773
8	362	Special Collecting Structures	2.00%		-	-	-	-	-	-		-	-	-	-	-
9	363	Customer Services	2.00%	1,145,530	595,856	7,994	-	-	7,994	245		245	-	22,988	1,153,279	618,599
10	364	Flow Measuring Devices	10.00%	55,988	31,043	8,964	-	-	8,964	-		-	-	6,047	64,952	37,090
11	366	Reuse Services	2.00%		-	-	-	-	-	-		-	-	-	-	-
12	367	Reuse Meters And Installation	8.33%		-	-	-	-	-	-		-	-	-	-	-
13	370	Receiving Wells	3.33%	867,120	238,710	-	-	-	-	-		-	-	28,875	867,120	267,585
14	371	Pumping Equipment	12.50%	1,504,181	1,232,681	112	-	-	112		699,067	699,067	-	144,338	805,225	677,952
15	374	Reuse Distribution Reservoirs	2.50%		-	-	-	-	-	-		-	-	-	-	-
16	375	Reuse Trans. and Dist. System	2.50%		-	-	-	-	-	-		-	-	-	-	-
17	380	Treatment & Disposal Equipment	5.00%	1,006,848	665,783	14,462	-	-	14,462	-		-	-	50,704	1,021,310	716,486
18	381	Plant Sewers	5.00%		-	-	-	-	-	-		-	-	-	-	-
19	382	Outfall Sewer Lines	3.33%		-	-	-	-	-	-		-	-	-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	68,869	65,244	-	-	-	-	-		-	-	3,625	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	110,454	8,021	-	-	-	-	-		-	-	7,367	110,454	15,388
22	390	Computers and Software	20.00%	4,025	4,025	-	-	-	-	-		-	-	-	4,025	4,025
23	391	Transportation Equipment	20.00%		-	-	-	-	-	-		-	-	-	-	-
24	392	Stores Equipment	4.00%		-	-	-	-	-	-		-	-	-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	4,897	4,156	-	-	-	-	-		-	-	245	4,897	4,401
26	394	Laboratory Equip	10.00%		-	-	-	-	-	-		-	-	-	-	-
27	396	Communication Equip	10.00%	5,936	5,936	-	-	-	-	-		-	-	-	5,936	5,936
28	398	Other Tangible Plant	10.00%	3,913	2,815	-	-	-	-	-		-	-	391	3,913	3,206
29		Nogales WWTP	4.72%	427,000	53,375	-	-	-	-	-		-	-	20,154	427,000	73,529
30					-				-			-		-	-	-
31					-				-			-		-	-	-
32					-				-			-		-	-	-
33					-				-			-		-	-	-
34		Plant Held for Future Use							-			-		-	-	-
35																
36		TOTALS		11,829,042	5,110,028	161,917	-	-	161,917	245	699,067	699,312	-	418,631	11,291,647	4,829,348

Rio Rico Utilities dba Liberty Utilities - Wastewater Div
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Net Plant	2010 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	5,785	-	-	-			-		-	5,785	-
2	352	Franchise	0.00%	417	-	-	-			-		-	417	-
3	353	Land	0.00%	7,545	-	-	-			-		-	7,545	-
4	354	Structures & Improvements	3.33%	683	-	-	-			-		683	28,842	28,842
5	355	Power Generation	5.00%	-	-	-	-			-		-	-	-
6	360	Collection Sewer Forced	2.00%	661,674	-	-	-			-		12,720	636,023	(12,930)
7	361	Collection Sewers Gravity	2.00%	3,742,280	108	-	108			-		121,522	6,076,161	2,455,296
8	362	Special Collecting Structures	2.00%	-	-	-	-			-		-	-	-
9	363	Customer Services	2.00%	534,680	36,522	-	36,522			-		23,431	1,189,801	642,030
10	364	Flow Measuring Devices	10.00%	27,863	-	-	-			-		6,495	64,952	43,585
11	366	Reuse Services	2.00%	-	-	-	-			-		-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-			-		-	-	-
13	370	Receiving Wells	3.33%	599,535	-	-	-			-		28,875	867,120	296,460
14	371	Pumping Equipment	12.50%	127,274	84,064	-	84,064		29,911	29,911		104,038	859,378	752,079
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-			-		-	-	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-			-		-	-	-
17	380	Treatment & Disposal Equipment	5.00%	304,824	609	-	609			-		51,061	1,021,920	767,567
18	381	Plant Sewers	5.00%	-	-	-	-			-		-	-	-
19	382	Outfall Sewer Lines	3.33%	-	-	-	-			-		-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-			-		-	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	95,066	-	-	-			-		7,367	110,454	22,755
22	390	Computers and Software	20.00%	-	-	-	-			-		-	4,025	4,025
23	391	Transportation Equipment	20.00%	-	-	-	-			-		-	-	-
24	392	Stores Equipment	4.00%	-	-	-	-			-		-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	496	-	-	-			-		245	4,897	4,646
26	394	Laboratory Equip	10.00%	-	-	-	-			-		-	-	-
27	396	Communication Equip	10.00%	-	-	-	-			-		-	5,936	5,936
28	398	Other Tangible Plant	10.00%	707	-	-	-			-		391	3,913	3,597
29		Nogales WWTP	4.72%	353,471	-	-	-			-		20,154	427,000	93,684
30				-			-			-		-	-	-
31				-			-			-		-	-	-
32				-			-			-		-	-	-
33				-			-			-		-	-	-
34		Plant Held for Future Use		-			-			-		-	-	-
35														
36		TOTALS		6,462,299	121,303	-	121,303	-	29,911	29,911	-	377,003	11,383,039	5,176,440

Rio Rico Utilities dba Liberty Utilities - Wastewater Div
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
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Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-			-		-	5,785	-
2	352	Franchise	0.00%	-	-	-			-		-	417	-
3	353	Land	0.00%	-	-	-			-		-	7,545	-
4	354	Structures & Improvements	3.33%	-	-	-			-		-	28,842	28,842
5	355	Power Generation	5.00%	-	-	-			-		-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-			-		12,720	636,023	(210)
7	361	Collection Sewers Gravity	2.00%	652	-	652			-		121,530	6,076,813	2,576,825
8	362	Special Collecting Structures	2.00%	-	-	-			-		-	-	-
9	363	Customer Services	2.00%	7,319	-	7,319			-		23,869	1,197,120	665,899
10	364	Flow Measuring Devices	10.00%	-	-	-			-		6,495	64,952	50,080
11	366	Reuse Services	2.00%	-	-	-			-		-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-			-		-	-	-
13	370	Receiving Wells	3.33%	-	-	-			-		28,875	867,120	325,335
14	371	Pumping Equipment	12.50%	94,151	-	94,151		864,926	864,926		59,249	88,603	(53,598)
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-			-		-	-	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-			-		-	-	-
17	380	Treatment & Disposal Equipment	5.00%	99,979	-	99,979	3,400		3,400		53,510	1,118,499	817,678
18	381	Plant Sewers	5.00%	-	-	-			-		-	-	-
19	382	Outfall Sewer Lines	3.33%	-	-	-			-		-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	-	-	-			-		-	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	-	-	-			-		7,367	110,454	30,122
22	390	Computers and Software	20.00%	-	-	-			-		-	4,025	4,025
23	391	Transportation Equipment	20.00%	67	-	67			-		7	67	7
24	392	Stores Equipment	4.00%	-	-	-			-		-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	139	-	139			-		248	5,036	4,894
26	394	Laboratory Equip	10.00%	-	-	-			-		-	-	-
27	396	Communication Equip	10.00%	-	-	-			-		-	5,936	5,936
28	398	Other Tangible Plant	10.00%	-	-	-			-		-	3,913	3,597
29		Nogales WWTP	4.72%	-	-	-			-		20,154	427,000	113,838
30						-			-		-	-	-
31						-			-		-	-	-
32						-			-		-	-	-
33						-			-		-	-	-
34		Plant Held for Future Use				-			-		-	-	-
35													
36		TOTALS		202,307	-	202,307	3,400	864,926	868,326	-	334,026	10,717,020	4,642,140

Rio Rico Utilities dba Liberty Utilities - Wastewater Div
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.11
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012 (2 months through 2/29) Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Plant Adjustment Only	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-	-			-			-	5,785	-
2	352	Franchise	0.00%	-	-	-	-			-			-	417	-
3	353	Land	0.00%	-	-	-	-			-			-	7,545	-
4	354	Structures & Improvements	3.33%	14	121,438	-	121,452			-			497	150,294	29,339
5	355	Power Generation	5.00%	-	-	-	-			-			-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-	-			-			2,120	636,023	1,910
7	361	Collection Sewers Gravity	2.00%	(85,159)	-	(415)	(85,574)			-	(315,000)	(42,000)	20,113	5,676,239	2,554,939
8	362	Special Collecting Structures	2.00%	-	-	-	-			-			-	-	-
9	363	Customer Services	2.00%	7,009	(16)	-	6,993			-		(1)	4,002	1,204,113	669,900
10	364	Flow Measuring Devices	10.00%	1,387	-	-	1,387			-			1,094	66,339	51,174
11	366	Reuse Services	2.00%	-	-	-	-			-			-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-			-			-	-	-
13	370	Receiving Wells	3.33%	-	-	-	-			-			4,813	867,120	330,148
14	371	Pumping Equipment	12.50%	30,433	-	-	30,433	6,866		6,866			2,091	112,170	(58,373)
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-			-			-	-	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-			-			-	-	-
17	380	Treatment & Disposal Equipment	5.00%	10,176	-	-	10,176			-	(846,642)	(535,645)	-	282,033	282,033
18	381	Plant Sewers	5.00%	13,690	-	-	13,690			-			57	13,690	57
19	382	Outfall Sewer Lines	3.33%	-	-	-	-			-			-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	260	(4,221)	-	(3,941)			-		(3,941)	-	64,928	64,928
21	390	Office Furniture & Equipment	6.67%	6,483	-	-	6,483			-			1,284	116,937	31,386
22	390	Computers and Software	20.00%	-	-	-	-			-			-	4,025	4,025
23	391	Transportation Equipment	20.00%	50	-	-	50			-			3	117	10
24	392	Stores Equipment	4.00%	-	-	-	-			-			-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	103	-	-	103			-			42	5,139	4,937
26	394	Laboratory Equip	10.00%	-	-	-	-			-			-	-	-
27	396	Communication Equip	10.00%	-	-	-	-			-			-	5,936	5,936
28	398	Other Tangible Plant	10.00%	-	-	-	-			-			65	3,913	3,662
29		Nogales WWTP	4.72%	1,828,600	-	-	1,828,600			-	1,177,004	558,037	10,552	3,432,604	682,427
30							-			-			-	-	-
31							-			-			-	-	-
32							-			-			-	-	-
33							-			-			-	-	-
34		Plant Held for Future Use					-			-			-	-	-
35															
36		TOTALS		1,813,066	117,201	(415)	1,929,852	6,866	-	6,866	15,362	(23,550)	46,714	12,655,368	4,658,438

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Direct Adjusted Accum. Depr.	A Plant Reclassification from Water Division	B Nogales WWTP Plant Reclassification	C Nogales WWTP Plant Reclassification	Adjustments D Plant Retirement	E 2012 Affiliate Profit	F Prior Case Affiliate Profit	G Plant Retirements	H Adjustments to Reconcile to A/D Reconstruction	Rebuttal Adjusted Accum. Depr.
6	351	Organization	-								-	-
7	352	Franchise	-								-	-
8	353	Land	-								-	-
9	354	Structures & Improvements	29,339								-	29,339
10	355	Power Generation	-								-	-
11	360	Collection Sewer Forced	1,910								-	1,910
12	361	Collection Sewers Gravity	2,596,939		(42,000)						(0)	2,554,939
13	362	Special Collecting Structures	-								-	-
14	363	Customer Services	669,901						(1)		0	669,900
15	364	Flow Measuring Devices	51,174								-	51,174
16	366	Reuse Services	-								-	-
17	367	Reuse Meters And Installation	-								-	-
18	370	Receiving Wells	330,148								-	330,148
19	371	Pumping Equipment	1,687,580				(6,866)	(4)		(1,593,905)	(145,178)	(58,373)
20	374	Reuse Distribution Reservoirs	-								-	-
21	375	Reuse Trans. and Dist. System	-								-	-
22	380	Treatment & Disposal Equipment	827,041		(502,590)	(12,032)					(30,386)	282,033
23	381	Plant Sewers	57								-	57
24	382	Outfall Sewer Lines	-								-	-
25	389	Other Sewer Plant & Equipment	68,869						(892)		(3,049)	64,928
26	390	Office Furniture & Equipment	31,386								-	31,386
27	390.1	Computers and Software	4,025								-	4,025
28	391	Transportation Equipment	10								-	10
29	392	Stores Equipment	-								-	-
30	393	Tools, Shop And Garage Equip	4,937								-	4,937
31	394	Laboratory Equip	-								-	-
32	396	Communication Equip	5,936								-	5,936
33	398	Other Tangible Plant	3,662								-	3,662
34	380	Nogales WWTP	124,390	1,415	544,590	12,032					0	682,427
35			-									-
36			-									-
37												-
38												-
39		Plant Held for Future Use										-
40		TOTALS	$ 6,437,304	$ 1,415	$ -	$ -	$ (6,866)	$ (4)	$ (893)	$ (1,593,905)	$ (178,614)	$ 4,658,438
41												
42	Accumulated Depreciation per Books											$ 6,437,304
43												
44	Increase (decrease) in Accumulated Depreciation											$ (1,778,866)
45												
46	Adjustment to Accumulated Depreciation											$ (1,778,866)
47												
48	SUPPORTING SCHEDULES											
49	B-2, pages 4.1											
50												

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.

1 Reclassification of plant from Water Division

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment
	Nogales WWTP	3.33%	2009	2.67	$ 5,658	$ 502
	Nogales WWTP	6.67%	2010	1.67	7,210	802
	Nogales WWTP	6.67%	2011	0.67	2,494	111
	Total				$ 15,362	$ 1,415

SUPPORTING SCHEDULE
B-2 Schedule 3.1
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

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Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line No.

1 Reclassification of Treatment and Disposal Equip. A/D to Nogales WWTP A/D

4 Depreciation recorded through Oct 2004

Acct. No.	Description	Depr Rate	Recorded Year	Years thru Oct 2004 (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment	
380	Treatment and Disposal Equipment	5.26%	1997	7.25	$ (338,000)	$ (128,896)	
380	Treatment and Disposal Equipment	5.26%	1998	6.25	(355,000)	(116,706)	
	Subtotal						$ (245,603)

18 Depreciation recorded Oct 2004 through Feb. 2012

Acct. No.	Description	Depr Rate	Recorded Year	Years thru 2008 (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment	
380	Treatment and Disposal Equipment	5.00%	1997	7.42	$ (338,000)	$ (125,342)	
380	Treatment and Disposal Equipment	5.00%	1998	7.42	(355,000)	(131,646)	
361	Collection Sewers Gravity	2.00%	2005	6.67	(315,000)	(42,000)	
	Subtotal						$ (298,988)
	Total						$ (544,590)

35 Reclassification Totals by Account

380	Treatment and Disposal Equipment	$ (502,590)
361	Collection Sewers Gravity	(42,000)
	Nogales WWTP	544,590
	Total	$ -

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.2
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Reclassification of Treatment and Disposal Equip. A/D to Nogales WWTP A/D

Acct. No.	Description	Depr Rate	Recorded Year	Years (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment	
380	Treatment and Disposal Equipment	5.00%	2008 and Prior	3.67	$ (34,237)	$ (6,277)	
380	Treatment and Disposal Equipment	5.00%	2009	2.67	$ (17,798)	(2,373)	
380	Treatment and Disposal Equipment	5.00%	2010	1.67	$ (609)	(51)	
380	Treatment and Disposal Equipment	5.00%	2011	0.67	$ (99,784)	(3,326)	
380	Treatment and Disposal Equipment	5.00%	2012	0.08	$ (1,214)	(5)	
	Total						(12,032)

Reclassification Totals by Account

380	Treatment and Disposal Equipment	$ (12,032)
	Nogales WWTP	12,032
	Total	$ -

SUPPORTING SCHEDULE
B-2 Schedule 3.3
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 -D

Exhibit
Rebuttal Schedule B-2
Page 4.4
Witness: Bourassa

Line No.				
1	Plant Retirement			
2				
3			Plant Retirement Adjustment	Accumulated Depreciation Adjustment
4	Acct.			
5	No.	Description		
6	371	Pumping Equipment	$ (6,866)	$ (6,866)
7				
8				-
9		Total		$ (6,866)
10				
11				
12				
13				
14				
15				
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43	SUPPORTING SCHEDULE			
44	B-2 Schedule 3.4			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Exhibit
Rebuttal Schedule B-2
Page 4.5
Witness: Bourassa

Line No.

1 Remove 2012 Affiliate Profit

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Adjustment	Accumulated Depreciation Adjustment
371	Pumping Equipment	12.50%	2012	0.083333	$ (415)	$ (4)
						-
	Total					$ (4)

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.5
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

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Witness: Bourassa

Line No.

1 A/D Related to 2009-2011 Affiliate Profit Removed from Plant in Direct Filing

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Direct Filing Plant Adjustment	Accumulated Depreciation Adjustment
363	Customer Services	2.00%	2008	3.166667	$ (16)	$ (1)
389	Other Sewer Plant & Equipment	6.67%	2008	3.166667	(4,221)	(892)
	Total					$ (893)

SUPPORTING SCHEDULE
B-2 Schedule 3.5
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - G

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Witness: Bourassa

Line No.				
1	Plant Retirements			
2				
3			Plant Retirement Adjustment	Accumulated Depreciation Adjustment
4	Acct.			
5	No.	Description		
6	371	Electric Pumping Equipment	$ (1,593,905)	$ (1,593,905)
7				
8				
9				
10				
11		Total		$ (1,593,905)
12				
13				
14				
15				
16				
17				
18				
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42				
43	SUPPORTING SCHEDULE			
44	B-2 Schedule 3.6			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - H

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Rebuttal Schedule B-2
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Witness: Bourassa

Line No.

1 Accumulated Depreciation (A/D)

Acct. No.	Description	Direct Adjusted Orginal Cost	B-2 Adjustments	Rebuttal Adjusted Orginal Cost	A/D Per Reconstruction	Accumulated Depreciation Adjustment
351	Organization	-	-	-	-	-
352	Franchise	-	-	-	-	-
353	Land	-	-	-	-	-
354	Structures & Improvements	29,339	-	29,339	29,339	-
355	Power Generation	-	-	-	-	-
360	Collection Sewer Forced	1,910	-	1,910	1,910	-
361	Collection Sewers Gravity	2,596,939	(42,000)	2,554,939	2,554,939	(0)
362	Special Collecting Structures	-	-	-	-	-
363	Customer Services	669,901	(1)	669,900	669,900	0
364	Flow Measuring Devices	51,174	-	51,174	51,174	-
366	Reuse Services	-	-	-	-	-
367	Reuse Meters And Installation	-	-	-	-	-
370	Receiving Wells	330,148	-	330,148	330,148	-
371	Pumping Equipment	1,687,580	(1,600,775)	86,805	(58,373)	(145,178)
374	Reuse Distribution Reservoirs	-	-	-	-	-
375	Reuse Trans. and Dist. System	-	-	-	-	-
380	Treatment & Disposal Equipment	827,041	(514,622)	312,419	282,033	(30,386)
381	Plant Sewers	57	-	57	57	-
382	Outfall Sewer Lines	-	-	-	-	-
389	Other Sewer Plant & Equipment	68,869	(892)	67,977	64,928	(3,049)
390	Office Furniture & Equipment	31,386	-	31,386	31,386	-
390.1	Computers and Software	4,025	-	4,025	4,025	-
391	Transportation Equipment	10	-	10	10	-
392	Stores Equipment	-	-	-	-	-
393	Tools, Shop And Garage Equip	4,937	-	4,937	4,937	-
394	Laboratory Equip	-	-	-	-	-
396	Communication Equip	5,936	-	5,936	5,936	-
398	Other Tangible Plant	3,662	-	3,662	3,662	-
	Nogales WWTP	124,390	558,037	682,427	682,427	0
	TOTALS	$ 6,437,304	$ (1,600,253)	$ 4,837,052	$ 4,658,438	$ (178,614)

SUPPORTING SCHEDULE
B-2, pages 4.1 through 4.5
B-2, pages 3.8 through 3.11

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 02/29/2012 per Rebuttal	$ 5,152,673	$ 2,491,137
6			
7	Adjusted balance at 02/29/2012	$ 5,152,673	$ 2,509,975
8			
9	Increase (decrease)	$ -	$ (18,837)
10			
11			
12	Adjustment to CIAC/AA CIAC	$ -	$ 18,837
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	B-2, page 5.1		
21			
22			
23			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Contributions-in-aid of Construction (CIAC)

Exhibit
Rebuttal Schedule B-2
Page 5.1
Witness: Bourassa

Line No.			2009		2010		2011		2012	
		Balance 12/31/2008	Additions	Balance 12/31/2009	Additions	Balance 12/31/2010	Additions	Balance 12/31/2011	Additions	Balance 2/29/2012
1										
2										
3										
4										
5	CIAC	5,137,673	17,934	5,155,607	(7,934)	5,147,673	5,000	5,152,673		5,152,673
6										
7	Amortization Decision No. 58743	1,944,057								
8	Amortization Rate			3.74%		3.35%		3.15%		0.38%
9	Amortization			192,721		172,328		162,438		19,594
10	Accumulated Amortization			2,136,778		2,309,106		2,471,544		2,491,137
11										
12	Net CIAC	3,193,616	17,934	3,018,828	(7,934)	2,838,567	5,000	2,681,129	-	2,661,536
13										
14										

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 6.0
Witness: Bourassa

Deferred Income Tax as of February 29, 2012

Line No.			Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
1											
2											
3											
4											
5											
6		Plant-in-Service	$ 47,110,663 [1]								
7		Accum. Deprec.	(18,414,563) [1]								
8		CIAC	(14,891,228) [3]								
9	Fed.	Fixed Assets	$ 13,804,872	$ 10,765,875 [2]	100.0%	$ (3,038,998)	31.60%		-		(960,323)
10											
11	State	Fixed Assets	$ 13,804,872	$ 13,593,838 [2]	100.0%	$ (211,034)	6.97%		-		(14,705)
12											
13	Fed &State	AIAC		593,411 [4]	100.0%	$ 593,411 [4]	38.57%		$ 228,867		
14								$ -	$ 228,867	$ -	$ (975,028)
15											
16											
17		Net Asset (Liability)						$ (746,161)			
18											
19		Allocation Factor - WW-Division (based on rate base before ADIT)						0.3799			
20											
21		Net Asset (Liability) WW Division						$ (283,444)			
22											
23		DIT Asset (Liability) per Direct						$ (244,419)			
24											
25		Adjustment to DIT						$ 39,025			
26											
27											
28											
29											
30											
31											
32		Footnotes - See page 2									
33											
34											
35											
36											
37											
38											
39											
40											

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 6.1
Witness: Bourassa

Line No.							
1	[1] **Per Rebuttal Adjusted Balances**						
2	[2] **Computation of Net Tax Value February 29, 2012**						
3	Based on 2011 Tax Depreciation report (December 31, 2011)						
4	Unadjusted Cost at December 31, 2011 per federal and state tax depr. report	$ 28,328,799			$ 28,328,799		
5	Reconciling Items not on tax report:						
6	KPMG CIAC related adjustments per KPMG tax basis adjustment	(3,942,541)			(3,942,541)		
7	Plant Adds 1/1/2012 to 2/28/2012	2,918,334			2,918,334		
8	Land costs not on tax, on books	51,739			51,739		
9	2011 Reconciling Difference Book vs. Tax (timing) (see work papers)	(120,225)			(120,225)		
10	Rebuttal Proposed Retirements - Water Division	(1,552,416)			(1,552,416)		
11	Rebuttal Proposed Retirements - WW Division	(1,600,771)			(1,600,771)		
12	Net Unadjusted Cost tax Basis at Feberuary 29, 2012			$ 24,082,920			$ 24,082,920
13							
14	Reductions						
15	Basis Reduction 2011 and Prior Years per federal and state tax depr. report	$ (3,066,507)			$ -		
16	KPMG CIAC related adjustments per KPMG tax basis adjustment	1,192,828			1,192,828		
17	Accumulated Depreciation 2011 and prior per federal and state tax depr. report	(14,334,167)			(14,640,446)		
18	2012 Tax Depreciation on 2011 and prior plant (2 months of 2012) per federal and state tax depr. report	(163,663)			(184,923)		
19	2012 Bonus Depreciation estimate (2 months of 2012) per federal and state tax depr. report	(90,811)					
20	2012 Tax Depreciation on plant adds 1/1/2012 to 2/28/2012 (2 months of 2012) per federal and state tax depr. report	(7,912)			(9,728)		
21	Rebuttal Proposed Retirements - Water Division	1,552,416			1,552,416		
22	Rebuttal Proposed Retirements - WW Division	1,600,771			1,600,771		
23	Net Reductions through February 2012			(13,317,045)			(10,489,082)
24	Net tax value of plant-in-service at February 29. 2012			$ 10,765,875			$ 13,593,838
25							
26	[3] **CIAC (including impact of change to probability of realization)**						
27							
28	Gross CIAC per Rebuttal Adjusted Balances		$ 25,331,792				
29	CIAC reductions/addtions						
30	A.A per Rebuttal Adjusted Balances	$ (11,108,889)					
31							
32			(11,108,889)				
33	Net CIAC before unrealized AIAC			$ 14,222,903			
34							
35	Unrealized AIAC Component						
36	Adjusted Net AIAC (see footnote 5 below)		$ 954,749				
37	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%				
38				$ 668,325			
39	Total realizable CIAC			$ 14,891,228			
40							
41	[4] **AIAC (including impact of change in probability of realization)**						
42	AIAC per adjusted book balances		$ 954,749				
43	AIAC reductions/additions						
44	Net AIAC before unrealized portion			$ 954,749			
45	Less: Unrealized AIAC (from Note 3, above)			$ (668,325)			
46	Net realizable AIAC			$ 286,425			
47	Meter and Service Line Installation Charges per Rebuttal Adjusted Balances			306,987			
48	Total AIAC			$ 593,411			
49							

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Divisior Exhibit
Test Year Ended February 29, 2012 Schedule B-5
Computation of Working Capital Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	71,101
3	Pumping Power (1/24 of Pumping Power)		2,671
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	73,773
10			
11			
12	**Working Capital Requested**	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	1,067,953
19	Less:		
20	Income Tax	$	156,025
21	Property Tax		75,043
22	Depreciation		203,964
23	Purchased Water		-
24	Pumping Power		64,109
25	Allowable Expenses	$	568,811
26	1/8 of allowable expenses	$	71,101
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	C-1	B-1	
31			
32			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 1,360,583	$ 9,546	$ 1,370,130	$ 235,540	$ 1,605,670
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	-	-	-		-
5		$ 1,360,583	$ 9,546	$ 1,370,130	$ 235,540	$ 1,605,670
6	**Operating Expenses**					
7	Salaries and Wages	$ 131,547	11,811	$ 143,358		$ 143,358
8	Purchased Wastewater Treatment	-	165,896	165,896		165,896
9	Sludge Removal Expense	-	-	-		-
10	Purchased Power	61,290	2,819	64,109		64,109
11	Fuel for Power Production	-	-	-		-
12	Chemicals	4,907	-	4,907		4,907
13	Materials and Supplies	4,473	-	4,473		4,473
14	Management Services - US Liberty Water	83,038	-	83,038		83,038
15	Management Services - Corporate	59,292	(836)	58,456		58,456
16	Management Services - Other	172,270	(165,896)	6,374		6,374
17	Contracted Services - Engineering	-	-	-		-
18	Contractual Services- Testing	330	-	330		330
19	Contractual Services - Other	638	-	638		638
20	Contractual Services - Legal	585	-	585		585
21	Equipment Rental	400	-	400		400
22	Rents - Building	-	-	-		-
23	Transportation Expenses	18,066	-	18,066		18,066
24	Insurance - General Liability	11,302	-	11,302		11,302
25	Insurance - Vehicle	2,516	-	2,516		2,516
26	Regulatory Commission Expense	-	-	-		-
27	Reg.Comm. Exp. - Rate Case	29,167	-	29,167		29,167
28	Miscellaneous Expense	16,111	-	16,111		16,111
29	Bad Debt Expense	23,194	-	23,194		23,194
30	Depreciation Expense	359,629	(155,665)	203,964		203,964
31	Taxes Other Than Income	-	-	-		-
32	Property Taxes	74,520	523	75,043	4,300	79,344
33	Income Tax	93,487	62,538	156,025	89,257	245,281
34			-	-		-
35	**Total Operating Expenses**	$ 1,146,763	$ (78,810)	$ 1,067,953	$ 93,557	$ 1,161,510
36	**Operating Income**	$ 213,820	$ 88,357	$ 302,177	$ 141,984	$ 444,161
37	**Other Income (Expense)**					
38	Interest Income	-	-	-		-
39	Other income	-	-	-		-
40	Interest Expense	(52,427)	(1,554)	(53,981)		(53,981)
41	Other Expense	-	-	-		-
42		-	-	-		-
43	**Total Other Income (Expense)**	$ (52,427)	$ (1,554)	$ (53,981)	$ -	$ (53,981)
44	**Net Profit (Loss)**	$ 161,393	$ 86,802	$ 248,196	$ 141,984	$ 390,179
45						
46	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
47	C-1, page 2				A-1	
48						
49						

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Adjusted Results	1 Depreciation	2 Property Taxes	3 Declining Usage Adjustment	4 Revenue Annualization	5 Revenue Accrual Fix	6 TEP Rate Increase	7 Staff's APUC Cap. Tax Adj.	8 Intentionally Left Blank
1	**Revenues**									
2	Metered Water Revenues	$ 1,360,583			$ (32,713)	17,150	$ 25,110			
3	Unmetered Water Revenues	-								
4	Other Water Revenues	-								
5		$ 1,360,583	$ -	$ -	$ (32,713)	$ 17,150	$ 25,110	$ -	$ -	$ -
6	**Operating Expenses**									
7	Salaries and Wages	$ 131,547								
8	Purchased Wastewater Treatment	-								
9	Sludge Removal Expense	-								
10	Purchased Power	61,290						2,819		
11	Fuel for Power Production	-								
12	Chemicals	4,907								
13	Materials and Supplies	4,473								
14	Management Services - US Liberty Water	83,038								
15	Management Services - Corporate	59,292							(836)	-
16	Management Services - Other	172,270								
17	Contracted Services - Engineering	-								
18	Contractual Services- Testing	330								
19	Contractual Services - Other	638								
20	Contractual Services - Legal	585								
21	Equipment Rental	400								
22	Rents - Building	-								
23	Transportation Expenses	18,066								
24	Insurance - General Liability	11,302								
25	Insurance - Vehicle	2,516								
26	Regulatory Commission Expense	-								
27	Reg.Comm. Exp. - Rate Case	29,167								
28	Miscellaneous Expense	16,111								
29	Bad Debt Expense	23,194								
30	Depreciation Expense	359,629	(155,665)							
31	Taxes Other Than Income	-								
32	Property Taxes	74,520		523						
33	Income Tax	93,487								
34										
35	**Total Operating Expenses**	$ 1,146,763	$ (155,665)	$ 523	$ -	$ -	$ -	$ 2,819	$ (836)	$ -
36	**Operating Income**	$ 213,820	$ 155,665	$ (523)	$ (32,713)	$ 17,150	$ 25,110	$ (2,819)	$ 836	$ -
37	**Other Income (Expense)**									
38	Interest Income	-								
39	Other income	-								
40	Interest Expense	(52,427)								
41	Other Expense	-								
42		-								
43	**Total Other Income (Expense)**	$ (52,427)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
44	**Net Profit (Loss)**	$ 161,393	$ 155,665	$ (523)	$ (32,713)	$ 17,150	$ 25,110	$ (2,819)	$ 836	$ -
45										
46	SUPPORTING SCHEDULES:									
47	C-2, pages 1-16									
48										

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewa
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		9 Staff's Expense Relcass	10 Employee Benefits	11 Employee Benefits	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Interest Synchronization	15 Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**								$ 1,370,130	$ 235,540	$ 1,605,670
2	Metered Water Revenues								-		-
3	Unmetered Water Revenues								-		-
4	Other Water Revenues								-		-
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,370,130	$ 235,540	$ 1,605,670
6	**Operating Expenses**										
7	Salaries and Wages		11,811						$ 143,358		$ 143,358
8	Purchased Wastewater Treatment	165,896							165,896		165,896
9	Sludge Removal Expense								-		-
10	Purchased Power								64,109		64,109
11	Fuel for Power Production								-		-
12	Chemicals								4,907		4,907
13	Materials and Supplies								4,473		4,473
14	Management Services - US Liberty Water								83,038		83,038
15	Management Services - Corporate								58,456		58,456
16	Management Services - Other	(165,896)							6,374		6,374
17	Contracted Services - Engineering								-		-
18	Contractual Services- Testing								330		330
19	Contractual Services - Other								638		638
20	Contractual Services - Legal								585		585
21	Equipment Rental								400		400
22	Rents - Building								-		-
23	Transportation Expenses								18,066		18,066
24	Insurance - General Liability								11,302		11,302
25	Insurance - Vehicle								2,516		2,516
26	Regulatory Commission Expense								-		-
27	Reg.Comm. Exp. - Rate Case								29,167		29,167
28	Miscellaneous Expense								16,111		16,111
29	Bad Debt Expense								23,194		23,194
30	Depreciation Expense								203,964		203,964
31	Taxes Other Than Income								-		-
32	Property Taxes								75,043	4,300	79,344
33	Income Tax							62,538	156,025	89,257	245,281
34											
35	**Total Operating Expenses**	$ -	$ 11,811	$ -	$ -	$ -	$ -	$ 62,538	$ 1,067,953	$ 93,557	$ 1,161,510
36	**Operating Income**	$ -	$ (11,811)	$ -	$ -	$ -	$ -	$ (62,538)	$ 302,177	$ 141,984	$ 444,161
37	**Other Income (Expense)**										
38	Interest Income								-		-
39	Other Income								-		-
40	Interest Expense						(1,554)		(53,981)		(53,981)
41	Other Expense								-		-
42									-		-
43	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ (1,554)	$ -	$ (53,981)	$ -	$ (53,981)
44	**Net Profit (Loss)**	$ -	$ (11,811)	$ -	$ -	$ -	$ (1,554)	$ (62,538)	$ 248,196	$ 141,984	$ 390,179
45											
46	SUPPORTING SCHEDULES:	SUPPORTING SCHEDULES:								RECAP SCHEDULES:	
47	C-2, pages 1-16	C-2, pages 1-16								C-1, page 1	
48											

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
		Depreciation	Property Taxes	Declining Usage Adjustment	Revenue Annualization	Revenue Accrual Fix	TEP Rate Increase	
4	Revenues			(32,713)	17,150	25,110		9,546
6	Expenses	(155,665)	523				2,819	(152,323)
8	Operating							
9	Income	155,665	(523)	(32,713)	17,150	25,110	(2,819)	161,869
11	Interest							
12	Expense							-
13	Other							
14	Income /							-
15	Expense							
17	Net Income	155,665	(523)	(32,713)	17,150	25,110	(2,819)	161,869

Line No.		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		Staff's APUC Cap. Tax Adj.	Intentionally Left Blank	Staff's Expense Reicass	Employee Benefits	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							9,546
27	Expenses	(836)	-	-	11,811	-	-	(141,348)
29	Operating							
30	Income	836	-	-	(11,811)	-	-	150,894
32	Interest							
33	Expense	-						-
34	Other							
35	Income /							-
36	Expense							
38	Net Income	836	-	-	(11,811)	-	-	150,894

Line No.		Adjustments to Revenues and Expenses						
		13	14	15	16	17	18	Total
		Intentionally Left Blank	Interest Syncrhonization	Income Taxes				
46	Revenues							9,546
48	Expenses			62,538				(78,810)
50	Operating							
51	Income	-	-	(62,538)	-	-	-	88,357
53	Interest							
54	Expense	-	(1,554)					(1,554)
55	Other							
56	Income /							-
57	Expense							
59	Net Income	-	(1,554)	(62,538)	-	-	-	86,802

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-Depr or Fully Depreciated	Depreciable Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	351	Organization	5,785	(5,785)	-	0.00%	-
6	352	Franchise	417	(417)	-	0.00%	-
7	353	Land	7,545	(7,545)	-	0.00%	-
8	354	Structures & Improvements	150,294		150,294	3.33%	5,005
9	355	Power Generation	-		-	5.00%	-
10	360	Collection Sewer Forced	636,023		636,023	2.00%	12,720
11	361	Collection Sewers Gravity	5,676,239		5,676,239	2.00%	113,525
12	362	Special Collecting Structures	-		-	2.00%	-
13	363	Customer Services	1,204,113		1,204,113	2.00%	24,082
14	364	Flow Measuring Devices	66,339		66,339	10.00%	6,634
15	366	Reuse Services	-		-	2.00%	-
16	367	Reuse Meters And Installation	-		-	8.33%	-
17	370	Receiving Wells	867,120		867,120	3.33%	28,875
18	371	Pumping Equipment	112,170		112,170	12.50%	14,021
19	374	Reuse Distribution Reservoirs	-		-	2.50%	-
20	375	Reuse Trans. and Dist. System	-		-	2.50%	-
21	380	Treatment & Disposal Equipment	282,033	(282,033)	-	5.00%	-
22	381	Plant Sewers	13,690		13,690	5.00%	685
23	382	Outfall Sewer Lines	-		-	3.33%	-
24	389	Other Sewer Plant & Equipment	64,928	(64,928)	-	6.67%	-
25	390	Office Furniture & Equipment	116,937		116,937	6.67%	7,800
26	390.1	Computers and Software	4,025	(4,025)	-	20.00%	-
27	391	Transportation Equipment	117		117	20.00%	23
28	392	Stores Equipment	-		-	4.00%	-
29	393	Tools, Shop And Garage Equip	5,139		5,139	5.00%	257
30	394	Laboratory Equip	-		-	10.00%	-
31	396	Communication Equip	5,936	(5,936)	-	10.00%	-
32	398	Other Tangible Plant	3,913		3,913	10.00%	391
33		Nogales WWTP	3,432,604		3,432,604	4.00%	137,304
34			-				-
35			-				-
36			-				-
37			-				-
38		TOTALS	$ 12,655,367	$ (370,669)	$ 12,284,699		$ 351,323
39							
40					Gross CIAC	Amort. Rate	
41		Less: Amortization of Contributions			$ 5,152,673	2.8598%	$ (147,358)
42		Total Depreciation Expense					$ 203,964
43							
44		Adjusted Test Year Depreciation Expense					359,629
45							
46		Increase (decrease) in Depreciation Expense					(155,665)
47							
48		Adjustment to Revenues and/or Expenses					$ (155,665)
49							
50		SUPPORTING SCHEDULE					
51		B-2, page 3 and 4					

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 1,370,130	$ 1,370,130
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,740,259	2,740,259
4	Company Recommended Revenue	1,370,130	1,605,670
5	Subtotal (Line 4 + Line 5)	4,110,389	4,345,930
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,370,130	1,448,643
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,740,259	2,897,286
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,740,259	2,897,286
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	548,052	579,457
15	Composite Property Tax Rate - Obtained from ADOR	13.6927%	13.6927%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 75,043	$ 79,344
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 75,043	
19	Test Year Property Taxes	$ 74,520	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	$ 523	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 79,344
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 75,043
24	Increase in Property Tax Due to Increase in Revenue Requirement		$ 4,300
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 4,300
27	Increase in Revenue Requirement		$ 235,540
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.82570%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Declining Usage Adjustment

Line No.			
1			
2	Declining Usage Adjustment	$	(32,713)
3			
4			
5			
6			
7	Total Revenue Reduction	$	(32,713)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(32,713)
11			
12	SUPPORTING SCHEDULES		
13	Testimony		
14			
15			
16			
17			
18			
19			
20			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line No.			
1			
2			
3	Revenue Annualization Per Rebuttal	$	11,943
4	Revenue Annualization Per Direct		(5,207)
5	Increase (decrease) in Revneue Annualization		17,150
6			
7			
8	Total Revenue from Annualization	$	17,150
9			
10			
11	Adjustment to Revenue and/or Expense	$	17,150
12			
13	SUPPORTING SCHEDULES		
14	C-2 pages 5.1 to 5.16		
15	H-1		
16			
17			
18			
19			
20			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
5/8 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1,805	1,805	1,805	1,805	1,805	1,805	1,805
2	Actual Customers	1,876	1,837	1,831	1,823	1,378	2,236	1,810
3	Increase in Number of Customers/Bills	(71)	(32)	(26)	(18)	427	(431)	(5)
4	Average Revenue / Present Rates	$ 45.88	$ 45.88	$ 45.88	$ 45.88	$ 45.88	$ 45.88	$ 45.88
5	Revenue Annualization / Present Rates	$ (3,257)	$ (1,468)	$ (1,193)	$ (826)	$ 19,591	$ (19,774)	$ (229)
6								
7	Increase in Number of Customers	(71)	(32)	(26)	(18)	427	(431)	(5)
8	Average Revenue / Proposed Rates	$ 54.12	$ 54.12	$ 54.12	$ 54.12	$ 54.12	$ 54.12	$ 54.12
9	Revenue Annualization / Proposed Rates	$ (3,842)	$ (1,732)	$ (1,407)	$ (974)	$ 23,107	$ (23,324)	$ (271)
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								

12		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
13							
14							
15	Year End Number of Customers	1,805	1,805	1,805	1,805	1,805	
16	Actual Customers	1,816	1,797	1,805	1,809	1,805	
17	Increase in Number of Customers/Bills	(11)	8	-	(4)	-	(163)
18	Average Revenue / Present Rates	$ 45.88	$ 45.88	$ 45.88	$ 45.88	$ 45.88	
19	Revenue Annualization / Present Rates	$ (505)	$ 367	$ -	$ (184)	$ -	$ (7,478)
20							
21	Increase in Number of Customers	(11)	8	-	(4)	-	
22	Average Revenue / Proposed Rates	$ 54.12	$ 54.12	$ 54.12	$ 54.12	$ 54.12	
23	Revenue Annualization / Proposed Rates	$ (505)	$ 367	$ -	$ (184)	$ -	$ (8,821)
24	Additional Gallons to be Produced	-	-	-	-	-	-

Exhibit
Schedule C-2
Page 5.2
Witness: Bourassa

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
5/8 Inch Residential (Low Income)
Customers to Year End Levels
Test Year Ended February 29, 2012

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	83	83	83	83	83	83	83
2	Actual Customers	-	36	40	49	33	82	67
3	Increase in Number of Customers/Bills	83	47	43	34	50	1	16
4	Average Revenue / Present Rates	$ 39.00	$ 39.00	$ 39.00	$ 39.00	$ 39.00	$ 39.00	$ 39.00
5	Revenue Annualization / Present Rates	$ 3,237	$ 1,833	$ 1,677	$ 1,326	$ 1,950	$ 39	$ 624
6								
7	Increase in Number of Customers	83	47	43	34	50	1	16
8	Average Revenue / Proposed Rates	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00
9	Revenue Annualization / Proposed Rates	$ 3,818	$ 2,162	$ 1,978	$ 1,564	$ 2,300	$ 46	$ 736
10	Additional Gallons to be Produced	-	-	-	-	-	-	-

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
11							
12							
13							
14							
15	Year End Number of Customers	83	83	83	83	83	
16	Actual Customers	69	74	78	80	83	305
17	Increase in Number of Customers/Bills	14	9	5	3	-	
18	Average Revenue / Present Rates	$ 39.00	$ 39.00	$ 39.00	$ 39.00	$ 39.00	
19	Revenue Annualization / Present Rates	$ 546	$ 351	$ 195	$ 117	$ -	$ 11,894
20							
21	Increase in Number of Customers	14	9	5	3	-	
22	Average Revenue / Proposed Rates	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00	
23	Revenue Annualization / Proposed Rates	$ 546	$ 351	$ 195	$ 117	$ -	$ 14,029
24	Additional Gallons to be Produced	-	-	-	-	-	-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
3/4 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	8	8	8	8	8	8	8
2	Actual Customers	8	8	8	9	10	8	8
3	Increase in Number of Customers/Bills	-	-	-	(1)	(2)	-	-
4	Average Revenue / Present Rates	$ 52.88	$ 52.88	$ 52.88	$ 52.88	$ 52.88	$ 52.88	$ 52.88
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ (53)	$ (106)	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	(1)	(2)	-	-
8	Average Revenue / Proposed Rates	$ 62.37	$ 62.37	$ 62.37	$ 62.37	$ 62.37	$ 62.37	$ 62.37
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ (62)	$ (125)	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								
15	Year End Number of Customers	8	8	8	8	8		
16	Actual Customers	7	8	8	8	8		
17	Increase in Number of Customers/Bills	1	-	-	-	-		(2)
18	Average Revenue / Present Rates	$ 52.88	$ 52.88	$ 52.88	$ 52.88	$ 52.88		
19	Revenue Annualization / Present Rates	$ 53	$ -	$ -	$ -	$ -		$ (106)
20								
21	Increase in Number of Customers	1	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 62.37	$ 62.37	$ 62.37	$ 62.37	$ 62.37		
23	Revenue Annualization / Proposed Rates	$ 53	$ -	$ -	$ -	$ -		$ (125)
24	Additional Gallons to be Produced	-	-	-	-	-		-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
1 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.4
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	9	9	9	9	9	9	9
2	Actual Customers	12	10	10	10	9	9	9
3	Increase in Number of Customers/Bills	(3)	(1)	(1)	(1)	-	-	-
4	Average Revenue / Present Rates	$ 64.64	$ 64.64	$ 64.64	$ 64.64	$ 64.64	$ 64.64	$ 64.64
5	Revenue Annualization / Present Rates	$ (194)	$ (65)	$ (65)	$ (65)	$ -	$ -	$ -
6								
7	Increase in Number of Customers	(3)	(1)	(1)	(1)	-	-	-
8	Average Revenue / Proposed Rates	$ 76.24	$ 76.24	$ 76.24	$ 76.24	$ 76.24	$ 76.24	$ 76.24
9	Revenue Annualization / Proposed Rates	$ (229)	$ (76)	$ (76)	$ (76)	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	9	9	9	9	9		
16	Actual Customers	9	9	9	8	9		
17	Increase in Number of Customers/Bills	-	-	-	1	-		(5)
18	Average Revenue / Present Rates	$ 64.64	$ 64.64	$ 64.64	$ 64.64	$ 64.64		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ 65	$ -		$ (323)
20								
21	Increase in Number of Customers	-	-	-	1	-		
22	Average Revenue / Proposed Rates	$ 76.24	$ 76.24	$ 76.24	$ 76.24	$ 76.24		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ 65	$ -		$ (381)
24	Additional Gallons to be Produced	-	-	-	-	-		-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
1 Inch Residential (Low Income)
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.5
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	-	-	-	1	1	1	1
3	Increase in Number of Customers/Bills	1	1	1	-	-	-	-
4	Average Revenue / Present Rates	$ 54.94	$ 54.94	$ 54.94	$ 54.94	$ 54.94	$ 54.94	$ 54.94
5	Revenue Annualization / Present Rates	$ 55	$ 55	$ 55	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	1	1	1	-	-	-	-
8	Average Revenue / Proposed Rates	$ 64.81	$ 64.81	$ 64.81	$ 64.81	$ 64.81	$ 64.81	$ 64.81
9	Revenue Annualization / Proposed Rates	$ 65	$ 65	$ 65	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	3
18	Average Revenue / Present Rates	$ 54.94	$ 54.94	$ 54.94	$ 54.94	$ 54.94	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 165
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 64.81	$ 64.81	$ 64.81	$ 64.81	$ 64.81	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 194
24	Additional Gallons to be Produced	-	-	-	-	-	-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
1 1/2 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.6
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 95.44	$ 95.44	$ 95.44	$ 95.44	$ 95.44	$ 95.44	$ 95.44
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 112.57	$ 112.57	$ 112.57	$ 112.57	$ 112.57	$ 112.57	$ 112.57
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 95.44	$ 95.44	$ 95.44	$ 95.44	$ 95.44	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 112.57	$ 112.57	$ 112.57	$ 112.57	$ 112.57	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
2 Inch Residential
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.7
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	1	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	(1)	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 132.38	$ 132.38	$ 132.38	$ 132.38	$ 132.38	$ 132.38	$ 132.38
5	Revenue Annualization / Present Rates	$ (132)	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	(1)	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 156.14	$ 156.14	$ 156.14	$ 156.14	$ 156.14	$ 156.14	$ 156.14
9	Revenue Annualization / Proposed Rates	$ (156)	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	-	-	-	-	-	
16	Actual Customers	-	-	-	-	-	
17	Increase in Number of Customers/Bills	-	-	-	-	-	(1)
18	Average Revenue / Present Rates	$ 132.38	$ 132.38	$ 132.38	$ 132.38	$ 132.38	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ (132)
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 156.14	$ 156.14	$ 156.14	$ 156.14	$ 156.14	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ (156)
24	Additional Gallons to be Produced	-	-	-	-	-	-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
5/8 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.8
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	60	60	60	60	60	60	60
2	Actual Customers	55	54	55	55	27	83	56
3	Increase in Number of Customers/Bills	5	6	5	5	33	(23)	4
4	Average Revenue / Present Rates	$ 51.43	$ 49.49	$ 45.95	$ 58.11	$ 64.56	$ 58.47	$ 54.46
5	Revenue Annualization / Present Rates	$ 271	$ 308	$ 251	$ 291	$ 2,130	$ (1,366)	$ 209
6								
7	Increase in Number of Customers	5	6	5	5	33	(23)	4
8	Average Revenue / Proposed Rates	$ 60.20	$ 58.08	$ 54.19	$ 67.53	$ 74.61	$ 67.93	$ 63.53
9	Revenue Annualization / Proposed Rates	$ 317	$ 362	$ 296	$ 338	$ 2,462	$ (1,587)	$ 243
10	Additional Gallons to be Produced	43,150	48,431	38,372	48,091	363,000	(226,600)	33,847
11								
12								
13								Total
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Year
15	Year End Number of Customers	60	60	60	60	60		
16	Actual Customers	57	57	57	61	60		
17	Increase in Number of Customers/Bills	3	3	3	(1)	-		44
18	Average Revenue / Present Rates	$ 58.33	$ 46.24	$ 46.52	$ 45.88	$ 48.53		
19	Revenue Annualization / Present Rates	$ 175	$ 142	$ 138	$ (33)	$ -		$ 2,515
20								
21	Increase in Number of Customers	3	3	3	(1)	-		
22	Average Revenue / Proposed Rates	$ 67.78	$ 54.51	$ 54.82	$ 54.12	$ 57.02		
23	Revenue Annualization / Proposed Rates	$ 175	$ 142	$ 138	$ (33)	$ -		$ 2,925
24	Additional Gallons to be Produced	29,000	21,728	21,196	(5,000)	-		415,216

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
1 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.9
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	43	43	43	43	43	43	43
2	Actual Customers	42	39	40	40	39	45	42
3	Increase in Number of Customers/Bills	1	4	3	3	4	(2)	1
4	Average Revenue / Present Rates	$ 102.44	$ 114.33	$ 105.79	$ 170.18	$ 127.53	$ 89.55	$ 86.32
5	Revenue Annualization / Present Rates	$ 69	$ 420	$ 328	$ 454	$ 519	$ (209)	$ 58
6								
7	Increase in Number of Customers	1	4	3	3	4	(2)	1
8	Average Revenue / Proposed Rates	$ 117.71	$ 130.76	$ 121.39	$ 192.02	$ 145.23	$ 103.57	$ 100.03
9	Revenue Annualization / Proposed Rates	$ 79	$ 480	$ 376	$ 513	$ 591	$ (241)	$ 67
10	Additional Gallons to be Produced	10,114	64,743	49,018	79,032	83,298	(28,737)	7,801
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Oct-11	Nov-11	Dec-11	Jan-12	Feb-12		
15	Year End Number of Customers	43	43	43	43	43		
16	Actual Customers	42	42	42	42	43		
17	Increase in Number of Customers/Bills	1	1	1	1	-		15
18	Average Revenue / Present Rates	$ 88.66	$ 92.55	$ 90.10	$ 90.99	$ 89.92		
19	Revenue Annualization / Present Rates	$ 59	$ 62	$ 60	$ 61	$ -		$ 1,882
20								
21	Increase in Number of Customers	1	1	1	1	-		
22	Average Revenue / Proposed Rates	$ 102.59	$ 106.86	$ 104.18	$ 105.15	$ 103.97		
23	Revenue Annualization / Proposed Rates	$ 59	$ 62	$ 60	$ 61	$ -		$ 2,145
24	Additional Gallons to be Produced	8,136	8,694	8,343	8,471	-		298,912

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
1 1/2 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.10
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	7	7	7	7	7	7	7
2	Actual Customers	7	7	7	7	6	8	7
3	Increase in Number of Customers/Bills	-	-	-	-	1	(1)	-
4	Average Revenue / Present Rates	$ 208.19	$ 204.85	$ 206.19	$ 267.56	$ 267.45	$ 241.96	$ 200.85
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ 267	$ (242)	$ -
6								
7	Increase in Number of Customers	-	-	-	-	1	(1)	-
8	Average Revenue / Proposed Rates	$ 236.26	$ 232.60	$ 234.06	$ 301.39	$ 301.27	$ 273.31	$ 228.20
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ 301	$ (273)	$ -
10	Additional Gallons to be Produced	-	-	-	-	43,833	(38,375)	-
11								

12		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
13							
14							
15	Year End Number of Customers	7	7	7	7	7	
16	Actual Customers	7	7	7	7	7	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 152.15	$ 175.50	$ 168.16	$ 195.51	$ 151.48	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ 25
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 174.78	$ 200.39	$ 192.34	$ 222.35	$ 174.05	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ 28
24	Additional Gallons to be Produced	-	-	-	-	-	5,458

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
2 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.11
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	28	28	28	28	28	28	28
2	Actual Customers	26	27	27	27	26	28	27
3	Increase in Number of Customers/Bills	2	1	1	1	2	-	1
4	Average Revenue / Present Rates	$ 330.59	$ 302.58	$ 308.28	$ 313.30	$ 279.13	$ 281.49	$ 287.87
5	Revenue Annualization / Present Rates	$ 694	$ 303	$ 308	$ 313	$ 558	$ -	$ 288
6								
7	Increase in Number of Customers	2	1	1	1	2	-	1
8	Average Revenue / Proposed Rates	$ 373.58	$ 342.85	$ 349.11	$ 354.61	$ 317.12	$ 319.71	$ 326.72
9	Revenue Annualization / Proposed Rates	$ 785	$ 343	$ 349	$ 355	$ 634	$ -	$ 327
10	Additional Gallons to be Produced	103,832	43,444	44,667	45,741	76,846	-	40,296
11								
12								
13		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
14								
15	Year End Number of Customers	28	28	28	28	28		
16	Actual Customers	27	28	28	28	28		
17	Increase in Number of Customers/Bills	1	-	-	-	-		9
18	Average Revenue / Present Rates	$ 267.46	$ 256.64	$ 254.63	$ 266.31	$ 286.99		
19	Revenue Annualization / Present Rates	$ 267	$ -	$ -	$ -	$ -		$ 2,732
20								
21	Increase in Number of Customers	1	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 304.33	$ 292.45	$ 290.25	$ 303.06	$ 325.75		
23	Revenue Annualization / Proposed Rates	$ 267	$ -	$ -	$ -	$ -		$ 3,096
24	Additional Gallons to be Produced	35,926	-	-	-	-		390,753

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
3 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.12
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	2	2	2	2	2	2	2
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	1
4	Average Revenue / Present Rates	$ 230.62	$ 235.29	$ 239.96	$ 310.01	$ 338.03	$ 305.34	$ 464.12
5	Revenue Annualization / Present Rates	$ 231	$ 235	$ 240	$ 310	$ 338	$ 305	$ 464
6								
7	Increase in Number of Customers	1	1	1	1	1	1	1
8	Average Revenue / Proposed Rates	$ 272.02	$ 277.14	$ 282.26	$ 359.11	$ 389.85	$ 353.98	$ 528.17
9	Revenue Annualization / Proposed Rates	$ 272	$ 277	$ 282	$ 359	$ 390	$ 354	$ 528
10	Additional Gallons to be Produced	-	8,000	9,000	24,000	30,000	23,000	57,000
11								
12								
13		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
14								
15	Year End Number of Customers	2	2	2	2	2		
16	Actual Customers	1	2	2	2	2		
17	Increase in Number of Customers/Bills	1	-	-	-	-		8
18	Average Revenue / Present Rates	$ 529.50	$ 503.82	$ 286.66	$ 291.33	$ 279.66		
19	Revenue Annualization / Present Rates	$ 530	$ -	$ -	$ -	$ -		$ 2,653
20								
21	Increase in Number of Customers	1	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 599.89	$ 571.71	$ 333.49	$ 338.62	$ 325.81		
23	Revenue Annualization / Proposed Rates	$ 530	$ -	$ -	$ -	$ -		$ 3,062
24	Additional Gallons to be Produced	71,000	-	-	-	-		222,000

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
4 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.13
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	4	4	4	4	4	4	4
2	Actual Customers	4	4	4	4	2	6	4
3	Increase in Number of Customers/Bills	-	-	-	-	2	(2)	-
4	Average Revenue / Present Rates	$ 1,523.34	$ 1,877.09	$ 1,685.62	$ 2,353.43	$ 1,434.61	$ 2,353.04	$ 1,807.04
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ 2,869	$ (4,706)	$ -
6								
7	Increase in Number of Customers	-	-	-	-	2	(2)	-
8	Average Revenue / Proposed Rates	$ 1,699.30	$ 2,087.37	$ 1,877.33	$ 2,609.92	$ 1,601.97	$ 2,609.49	$ 2,010.53
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ 3,204	$ (5,219)	$ -
10	Additional Gallons to be Produced	-	-	-	-	482,000	(875,333)	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	4	4	4	4	4	
16	Actual Customers	4	4	4	4	4	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 1,786.03	$ 1,725.32	$ 1,233.80	$ 1,499.99	$ 2,749.22	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ (1,837)
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 1,987.47	$ 1,920.87	$ 1,381.68	$ 1,673.69	$ 3,044.09	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ (2,015)
24	Additional Gallons to be Produced	-	-	-	-	-	(393,333)

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
6 Inch Commercial
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.14
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 2,601.64	$ 2,013.22	$ 649.58	$ 6,818.65	$ 3,876.55	$ 3,544.98	$ 1,004.50
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 2,907.59	$ 2,262.09	$ 766.18	$ 7,533.65	$ 4,306.17	$ 3,942.43	$ 1,155.53
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 2,087.94	$ 2,853.82	$ 2,601.64	$ 2,106.62	$ 2,858.49	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 2,344.06	$ 3,184.23	$ 2,907.59	$ 2,364.55	$ 3,189.35	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
5/8 Inch Multi-Tenant
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.15
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	6	6	6	6	6	6	6
2	Actual Customers	5	7	7	7	4	8	6
3	Increase in Number of Customers/Bills	1	(1)	(1)	(1)	2	(2)	-
4	Average Revenue / Present Rates	$ 56.94	$ 56.61	$ 55.22	$ 51.88	$ 77.40	$ 51.72	$ 56.00
5	Revenue Annualization / Present Rates	$ 44	$ (32)	$ (55)	$ (52)	$ 155	$ (103)	$ -
6								
7	Increase in Number of Customers	1	(1)	(1)	(1)	2	(2)	-
8	Average Revenue / Proposed Rates	$ 66.25	$ 65.88	$ 64.36	$ 60.70	$ 88.70	$ 60.52	$ 65.22
9	Revenue Annualization / Proposed Rates	$ 51	$ (38)	$ (64)	$ (61)	$ 177	$ (121)	$ -
10	Additional Gallons to be Produced	7,214	(5,299)	(9,000)	(8,286)	27,500	(16,500)	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	6	6	6	6	6		
16	Actual Customers	6	6	6	6	6		
17	Increase in Number of Customers/Bills	-	(0)	-	-	-		(2)
18	Average Revenue / Present Rates	$ 49.77	$ 45.88	$ 45.88	$ 55.22	$ 105.03		
19	Revenue Annualization / Present Rates	$ -	$ (3)	$ -	$ -	$ -		$ (47)
20								
21	Increase in Number of Customers	-	(0)	-	-	-		
22	Average Revenue / Proposed Rates	$ 58.38	$ 54.12	$ 54.12	$ 64.36	$ 119.01		
23	Revenue Annualization / Proposed Rates	$ -	$ (3)	$ -	$ -	$ -		$ (58)
24	Additional Gallons to be Produced	-	(416)	-	-	-		(4,787)

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
1 1/2 Inch Multi-Tenant
Customers to Year End Levels
Test Year Ended February 29, 2012

Exhibit
Schedule C-2
Page 5.16
Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 100.11	$ 100.11	$ 100.11	$ 100.11	$ 137.47	$ 151.48	$ 132.80
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 117.69	$ 117.69	$ 117.69	$ 117.69	$ 158.68	$ 174.05	$ 153.56
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	*Additional Gallons to be Produced*	-	-	-	-	-	-	-
11								
12								
13								
14		Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
15	Year End Number of Customers	1	1	1	1	1		
16	Actual Customers	1	1	1	1	1		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 118.79	$ 132.80	$ 114.12	$ 114.12	$ 109.45		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ -
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 138.19	$ 153.56	$ 133.06	$ 133.06	$ 127.94		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ -
24	*Additional Gallons to be Produced*	-	-	-	-	-		-

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Revenue Accrual

Line No.			
1			
2	Correct Revenue Accrual Adjustment per Rebuttal	$	66,999
3	Correct Revenue Accrual Adjustment per Direct		41,889
4	Increase (decrease) in Revenue Accrual Correction	$	25,110
5			
6	Adjustment to Revenues	$	25,110
7			
8			
9	Adjustment to Revenue and/or Expense		25,110
10			
11	Reference		
12	Testimony		
13	Work papers		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Purchased Power - TEP Rate Increase

Line No.			
1			
2	Test Year Adjusted Purchased Power Expense	$	61,290
3	Aniticipated TEP rate increase (as %)		4.60%
4	Increase in Purchased Power Expense		2,819
5			
6	Adjustment to Purchased Power Expense	$	2,819
7			
8			
9	Adjustment to Revenue and/or Expense		2,819
10			
11	Reference		
12	Testimony		
13	Work papers		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

APUC Allocated Capital Taxes

Line No.		
1		
2	APUC Allocated Capital Taxes	(836)
3		
4		
5		
6	Adjustment to Management Services -Corporate	$ (836)
7		
8		
9	Adjustment to Revenue and/or Expense	(836)
10		
11	Reference	
12	Staff Schedule MJR-W16	
13		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Reclassification of Expenses

Line No.			
1			
2	Management Services - Other	$	(165,896)
3	Purchased Wastwater Treatment		165,896
4			
5			
6	Net Adjustment	$	-
7			
8			
9	Adjustment to Revenue and/or Expense		-
10			
11	Reference		
12	Testimony		
13	Work papers		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rebuttal Schedule C-2
Page 11
Witness: Bourassa

Employee Benefits

Line No.			
1			
2	Allocated portion of new employee benefit costs	$	11,811
3			
4			
5			
6	Adjustment to Salaries and Wages expense	$	11,811
7			
8			
9	Adjustment to Revenue and/or Expense		11,811
10			
11	Reference		
12	Testimony		
13	Workpapers		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Rebuttal Schedule C-2
Page 12
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Rebuttal Schedule C-2
Page 13
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division

Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Rebuttal Schedule C-2
Page 15
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 4,735,192	
5	Weighted Cost of Debt	1.14%	
6	Interest Expense		$ 53,981
7			
8	Test Year Interest Expense		$ 52,427
9			
10	Increase (decrease) in Interest Expense		1,554
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ (1,554)
15			
16			
17	Weighted Cost of Debt Computation		
18	Pro forma Capital Structure		Weighted
19		Percent	Cost	Cost
20	Debt	20.00%	5.70%	1.14%
21	Equity	80.00%	10.30%	8.24%
22	Total	100.00%		9.38%
23				
24				
25				
26				
27				
28				
29				
30				

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Rebuttal Schedule C-2
Page 16
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Computed Income Tax	$ 156,025	$ 245,281
5	Test Year Income tax Expense	-	156,025
6	Adjustment to Income Tax Expense	$ 156,025	$ 89,257
7			
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13	SUPPORTING SCHEDULE		
14	C-3, page 2		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	38.599%
2		
3	Property Taxes	1.121%
4		
5		
6	Total Tax Percentage	39.720%
7		
8	Operating Income % = 100% - Tax Percentage	60.280%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.6589
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012

Exhibit
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Page 2
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GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
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)	39.7199%					
5	Subtotal (L3 - L4)	60.2801%					
6	Revenue Conversion Factor (L1 / L5)	1.658922					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	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%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (L55, Col E)	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%				
	Calculation of Effective Property Tax Factor						
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	1.8257%					
22	Effective Property Tax Factor (L20*L21)		1.1210%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.7199%			
24	Required Operating Income	$ 444,161					
25	AdjustedTest Year Operating Income (Loss)	$ 302,177					
26	Required Increase in Operating Income (L24 - L25)		$ 141,984				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	$ 245,281					
28	Income Taxes on Test Year Revenue (Col. (B), L54)	$ 156,025					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 89,257				
30	Recommended Revenue Requirement	$ 1,605,670					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 79,344					
36	Property Tax on Test Year Revenue	$ 75,043					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 4,300				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 235,541				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
	Calculation of Income Tax:	Total Company	Sewer	Water	Total Company	Sewer	Water
39	Revenue	$ 4,148,896	$ 1,370,130	$ 2,778,766	$ 4,966,301	$ 1,605,670	$ 3,360,630
40	Operating Expenses Excluding Income Taxes	$ 3,136,438	$ 911,928	$ 2,224,507	$ 3,151,359	$ 916,229	$ 2,235,131
41	Synchronized Interest (L47)	$ 142,104	$ 53,981	$ 88,123	$ 142,104	$ 53,981	$ 88,123
42	Arizona Taxable Income (L39 - L40 - L41)	$ 870,355	$ 404,220	$ 466,135	$ 1,672,838	$ 635,461	$ 1,037,377
43	Arizona State Effective Income Tax Rate (see work papers)		6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	$ 60,646	$ 28,166	$ 32,480	$ 116,563	$ 44,279	$ 72,284
45	Federal Taxable Income (L42- L44)	$ 809,709	$ 376,054	$ 433,655	$ 1,556,275	$ 591,183	$ 965,092
46							
47	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 15,000	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
48	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ 12,500	$ 6,250	$ 6,250	$ 6,250	$ 6,250	$ 6,250
49	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 17,000	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500
50	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 183,300	$ 91,650	$ 91,650	$ 91,650	$ 91,650	$ 91,650
51	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 47,501	$ 13,958	$ 33,543	$ 415,233	$ 87,102	$ 214,231
52							
53	Total Federal Income Tax	$ 275,301	$ 127,858	$ 147,443	$ 529,133	$ 201,002	$ 326,131
54	Combined Federal and State Income Tax (L35 + L42)	$ 335,947	$ 156,025	$ 179,923	$ 645,697	$ 245,281	$ 400,416

55	COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45]	34.0000%		
56	WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45]		34.0000%	
57	WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45]			34.0000%

	Calculation of Interest Synchronization:	Sewer	Water
58	Rate Base	$ 4,735,192	$ 7,730,108
59	Weighted Average Cost of Debt	1.1400%	1.1400%
60	Synchronized Interest (L45 X L46)	$ 53,981	$ 88,123

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present WW Revenues	Percent of Proposed WW Revenues
1	5/8X3/4 Inch	Residential	$ 1,001,239	$ 1,180,962	$ 179,722	17.95%	71.98%	72.73%
2	5/8X3/4 Inch	Residential (Low Income)	26,948	31,785	4,837	17.95%	1.94%	1.96%
3	3/4 Inch	Residential	5,182	6,112	930	17.95%	0.37%	0.38%
4	1 Inch	Residential	7,304	8,615	1,311	17.95%	0.53%	0.53%
5	1 Inch	Residential (Low Income)	494	583	89	17.95%	0.04%	0.04%
6	1 1/2 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
7	2 Inch	Residential	132	156	24	17.95%	0.01%	0.01%
8								
9		Subtotal	1,041,300	1,228,214	186,913	17.95%	74.87%	75.64%
10								
11	5/8X3/4 Inch	Commercial	$ 46,018	$ 53,041	$ 7,023	15.26%	3.31%	3.27%
12	1 Inch	Commercial	56,409	64,530	8,121	14.40%	4.06%	3.97%
13	1 1/2 Inch	Commercial	17,712	20,091	2,379	13.43%	1.27%	1.24%
14	2 Inch	Commercial	94,925	107,703	12,778	13.46%	6.82%	6.63%
15	3 Inch	Commercial	5,376	6,202	826	15.36%	0.39%	0.38%
16	4 Inch	Commercial	89,951	100,030	10,079	11.20%	6.47%	6.16%
17	6 Inch	Commercial	33,018	36,863	3,846	11.65%	2.37%	2.27%
18								
19		Subtotal	$ 343,408	$ 388,461	$ 45,053	13.12%	24.69%	23.92%
20								
21								
22	5/8X3/4 Inch	Multi-tenant	$ 4,780	$ 5,524	743	15.55%	0.34%	0.34%
23	1 1/2 Inch	Multi-tenant	1,411	1,643	231	16.39%	0.10%	0.10%
24								
25		Subtotal	6,192	7,166	975	15.74%	0.45%	0.44%
26								
27								
28								
29								
30	Total Revenues Before Annualization		$ 1,390,900	$ 1,623,841	$ 232,941	16.75%	100.00%	100.00%
31								

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 2
Witness: Bourassa

Revenue Annualization

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons (In 1,000's)	
1	5/8X3/4 Inch	Residential	$ (7,478)	$ (8,821)	(1,342)	0.00%	(163)	-	C-2, pg 5.1
2	5/8X3/4 Inch	Residential (Low Income)	$ 11,894	$ 14,029	2,135	17.95%	305	-	C-2, pg. 5.2
3	3/4 Inch	Residential	(106)	(125)	(19)	0.00%	(2)	-	C-2, pg. 5.3
4	1 Inch	Residential	(323)	(381)	(58)	0.00%	(5)	-	C-2, pg. 5.4
5	1 Inch	Residential (Low Income)	165	194	30	17.95%	3	-	C-2, pg. 5.5
6	1 1/2 Inch	Residential	-	-	-	0.00%	-	-	C-2, pg. 5.6
7	2 Inch	Residential	(132)	(156)	(24)	0.00%	(1)	-	C-2, pg. 5.7
8									
9		Subtotal	$ 4,019	$ 4,741	721	17.95%	137	-	
10									
11	5/8X3/4 Inch	Commercial	$ 2,515	$ 2,925	410	16.28%	44	415	C-2, pg. 5.8
12	1 Inch	Commercial	1,882	2,145	264	14.01%	15	299	C-2, pg. 5.9
13	1 1/2 Inch	Commercial	25	28	2	9.70%	-	5	C-2, pg. 5.10
14	2 Inch	Commercial	2,732	3,096	364	13.34%	9	391	C-2, pg. 5.11
15	3 Inch	Commercial	2,653	3,062	410	15.44%	8	222	C-2, pg. 5.12
16	4 Inch	Commercial	(1,837)	(2,015)	(178)	0.00%	-	(393)	C-2, pg. 5.13
17	6 Inch	Commercial	-	-	-	0.00%	-	-	C-2, pg. 5.14
18					-				
19		Subtotal	$ 7,971	$ 9,242	2,714	34.05%	76	939	
20									
21									
22	5/8X3/4 Inch	Multi-tenant	$ (47)	$ (58)	(12)	0.00%	(2)	(5)	C-2, pg. 5.15
23	1 1/2 Inch	Multi-tenant	-	-	-	0.00%	-	-	C-2, pg. 5.16
24									
25		Subtotal	$ (47)	$ (58)	(12)	24.71%	(2)	(5)	
26									
27									
28									
29									
30									
31	Total Revenue Annualization		$ 11,943	$ 13,924	$ 3,424	28.67%	211	934	
32									

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present WW Revenues	Percent of Proposed WW Revenues
1	Subtotal Revenues	$ 1,390,900	$ 1,623,841	$ 232,941	16.75%	100.00%	100.00%
2	Declining Usage Adjustment	(32,713)	(32,713)	-	0.00%	-	-
3	Subtotal Revenue Annualization	11,943	13,924	1,981.25	16.59%	0.86%	0.86%
4	Total Revenues	$ 1,370,130	$ 1,605,052	$ 234,922	17.15%		
5							
6	Misc. Revenues	$ -	$ -	-	0.00%	0.00%	0.00%
7	Reconciling Amount to GL	-	618	618	0.00%	0.00%	0.04%
8	Total Water Revenues	$ 1,370,130	$ 1,605,670	$ 235,540	17.19%	0.00%	0.00%
9							
10							
11	Revenue Reconciliation						
12							
13	Revenue per bill count before revenue annualization		$ 1,390,900				
14	Revenue per GL (metered water revenues)	$ 1,323,901					
15	Adjustments Rev. Accrual Correction	66,999					
16	Adjusted Revenue per GL (metered water revenues)		1,390,900				
17	Difference		$ 0				
18	Difference %		0.00%				
19	Tolerance %		0.50%				
20	Tolerance Amount + or -		$ 6,955				
21							
22	Acceptable?		YES				
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 2/29/2012	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	1,819	-	$ 45.88	$ 54.12	8.24	17.95%
2	5/8X3/4 Inch	Residential (Low Income)	58	-	39.00	46.00	7.00	17.95%
3	3/4 Inch	Residential	8	-	52.88	62.37	9.49	17.95%
4	1 Inch	Residential	9	-	64.64	76.24	11.60	17.95%
5	1 Inch	Residential (Low Income)	1	-	54.94	64.81	9.86	17.95%
6	1 1/2 Inch	Residential	-	-	95.44	112.57	17.13	17.95%
7	2 Inch	Residential	0	-	132.38	156.14	23.76	17.95%
8		Subtotal	1,895					
9								
10	5/8X3/4 Inch	Commercial	56	8,296	$ 51.93	$ 60.76	8.82	16.99%
11	1 Inch	Commercial	41	15,305	103.43	118.79	15.37	14.86%
12	1 1/2 Inch	Commercial	7	30,036	203.02	230.58	27.57	13.58%
13	2 Inch	Commercial	27	39,870	285.88	324.54	38.65	13.52%
14	3 Inch	Commercial	1	29,125	333.94	385.36	51.42	15.40%
15	4 Inch	Commercial	4	335,083	1,873.98	2,083.96	209.98	11.20%
16	6 Inch	Commercial	0	488,571	2,898.52	3,233.27	334.75	11.55%
17		Subtotal	138					
18								
19	5/8X3/4 Inch	Multi-tenant	6	9,614	$ 58.09	$ 67.51	9.42	16.22%
20	1 1/2 Inch	Multi-tenant	1	11,750	117.62	136.91	19.28	16.39%
21		Subtotal	7					
22								
23								
24								
25								
26		Total	2,039					
27								
28	(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.							
29								

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 2/29/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	1,819	-	$ 45.88	$ 54.12	8.24	17.95%
2	5/8X3/4 Inch	Residential (Low Income)	58	-	39.00	46.00	7.00	17.95%
3	3/4 Inch	Residential	8	-	52.88	62.37	9.49	17.95%
4	1 Inch	Residential	9	-	64.64	76.24	11.60	17.95%
5	1 Inch	Residential (Low Income)	1	-	54.94	64.81	9.86	17.95%
6	1 1/2 Inch	Residential	-	-	95.44	112.57	17.13	17.95%
7	2 Inch	Residential	0	-	132.38	156.14	23.76	17.95%
8		Subtotal	1,895					
9								
10	5/8X3/4 Inch	Commercial	56	4,000	$ 45.88	$ 54.12	8.24	17.95%
11	1 Inch	Commercial	41	8,000	69.31	81.37	12.06	17.39%
12	1 1/2 Inch	Commercial	7	5,000	95.44	112.57	17.13	17.95%
13	2 Inch	Commercial	27	20,000	193.09	222.74	29.65	15.36%
14	3 Inch	Commercial	1	26,500	321.69	371.91	50.23	15.61%
15	4 Inch	Commercial	4	375,000	2,060.39	2,288.45	228.06	11.07%
16	6 Inch	Commercial	0	199,500	1,548.56	1,752.36	203.80	13.16%
17		Subtotal	138					
18								
19	5/8X3/4 Inch	Multi-tenant	6	9,000	$ 55.22	$ 64.36	9.14	16.55%
20	1 1/2 Inch	Multi-tenant	1	11,000	114.12	133.06	18.94	16.60%
21		Subtotal	7					
22								
23								
24								
25								
26		Total	2,039					
27								

28 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
29

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Minimum Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 45.88	$ 54.12	$ 8.24	17.95%
2	3/4 Inch	52.88	62.37	9.49	17.95%
3	1 Inch	64.64	76.24	11.60	17.95%
4	1 1/2 Inch	95.44	112.57	17.13	17.95%
5	2 Inch	132.38	156.14	23.76	17.95%
6	3 Inch	230.62	272.02	41.40	17.95%
7	4 Inch	341.83	403.19	61.36	17.95%
8	6 Inch	649.58	766.18	116.60	17.95%
9	8 Inch	944.45	1,113.98	169.53	17.95%
10	10 Inch	1,415.24	1,669.28	254.04	17.95%
11	12 Inch	2,012.57	2,373.83	361.26	17.95%
12					
13					
14					
15					
16					
17					
18					
19					
20			(Per 1,000 gallons)		
21	**Commodity Rates**		Present	Proposed	
22	**(Commercial and Multi-tenant Only)**	Block	Rate	Rate	
23					
24	All Meter Sizes	0 gallons to 7,000 gallons	$ -	$ -	
25		over 7,000 gallons	$ 4.67	$ 5.12	
26					
27					
28					
29					
30					
31					
32					
33	Low Income Tariff - A 15% discount is available to qualified residential customers meeting the low income qualifications.				
34	Participation is limited to a maximum 725 customers.				
35					
36					
37	NT = No Tariff				
38					

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Changes in Representative Rate Schedules
Test Year Ended February 29, 2012

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Rebuttal Schedule H-3
Page 2
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 15.00	$ 15.00
2	Establishment (After Hours)	$ 25.00	NT
3	Reconnection (Delinquent)	$ 15.00	$ 15.00
4	Reconnection (Delinquent) - After Hours	$ 25.00	NT
5	Deposit	*	*
6	Deposit Interest	**	**
7	Reestablishment (within 12 months)	***	***
8	NSF Check	$ 15.00	$ 15.00
9	Late Payment Penalty	1.5% per month	1.5% per month
10	Deferred Payment	1.5% per month	1.5% per month
11	Service Calls - Per Hour/After Hours(a)	$ 40.00	NT
12	Service Charge - after hours	NT	$ 50.00
13			
14			
15			

16 * Per Commission Rule A.A.C. R-14-2-603(B)
17 ** Per Commission Rule A.A.C. R-14-2-603(B)
18 *** Per Commission Rule A.A.C. R14-2-603(D) - Months off the system times the monthly minimum.
19
20 (a) No charge for service calls during normal working hours.
21
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE 14-2-608D(5).
25
26
27
28
29
30
31
32
33
34

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Meter and Service Line Charges

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Bourassa

Line No.			
1			
2	**Service Line Installation Charges**		
3			
4			
5			
6			
7		Present	Proposed
8	Service Line Size	Charge	Charge
9	4 Inch	At Cost	At Cost
10	6 Inch	At Cost	At Cost
11	8 Inch	At Cost	At Cost
12	10 Inch	At Cost	At Cost
13	12 Inch	At Cost	At Cost
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32	N/T = No Tariff		
33			
34			
35			
36			
37			
38			
39			
40			

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Attorneys for Rio Rico Utilities, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF RIO RICO UTILITIES, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: WS-02676A-12-0196

REBUTTAL DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

January 28, 2013

EXHIBIT
A-4
ADMITTED

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7887996.1/080191.0012

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of the applicant, Rio Rico Utilities, Inc. ("RRUI" or the "Company").

Q. DID YOU ALSO PREPARE REBUTTAL TESTIMONY ON THOSE ISSUES IN THIS DOCKET?

A. Yes, my rebuttal testimony on rate base, income statement, revenue requirement and rate design is being filed in a separate volume at the same time as this testimony. In this volume, I present my cost of capital rebuttal testimony. Also attached are two exhibits, which are discussed below.

II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

A. Summary of Company's Rebuttal Recommendation

Q. WHAT IS THE SCOPE OF THIS VOLUME OF YOUR REBUTTAL TESTIMONY?

A. I will provide updates of my cost of capital analysis and recommended rate of return using more recent financial data. I also will provide rebuttal as appropriate to the direct testimony of Staff witness John Cassidy and RUCO witness William Rigsby.

Q. HOW HAS THE INDICATED RETURN ON EQUITY CHANGED SINCE THE DIRECT FILING WAS MADE LAST AUGUST?

A. The cost of equity has decreased somewhat since I prepared my cost of equity analysis in April 2012. The table below summarizes the results of my updated analysis using those models:

Method	Low	High	Midpoint
Range DCF Constant Growth Estimates	9.0%	10.2%	9.6%
Range of CAPM Estimates	8.2%	13.9%	11.0%
Average of DCF and CAPM midpoint estimates	8.6%	12.1%	10.3%
Financial Risk Adjustment	-0.8%	-0.8%	-0.8%
Specific Company Risk Premium	0.8%	0.8%	0.8%
Indicated Cost of Equity	**8.6%**	**12.2%**	**10.3%**

The schedules containing my updated cost of capital analysis are attached to this rebuttal testimony.

My 10.3 percent ROE recommendation balances my judgment about the degree of financial and business risk associated with an investment in RRUI as well as consideration of the current economic environment.

Q. HAVE YOU UPDATED YOUR COST OF EQUITY ESTIMATE FOR RRUI USING DUFF & PHELPS RISK PREMIUM STUDY DATA?

A. Yes as shown in **Rebuttal Exhibit TJB-COC-RB1**. I have included cost of equity estimates for the water sample companies. These estimates have been adjusted for leverage (financial risk) differences between the companies in the size portfolios contained in the study and the water sample companies and RRUI. Further, like

the Build-up Method cost of equity estimate using the *Morningstar* data, the cost of equity estimates includes a water industry risk premium adjustment.[1] I have also used the most recent recommendations for the market risk premium from *Duff & Phelps* for use with their data. Based on various measures of size the results are as follows:[2]

Stock Symbol	Company	Cost of Equity
AWR	American States Water Co.	10.01%
WTR	Aqua America	8.32%
CWT	California Water Services Group	10.81%
CTWS	Connecticut Water Services	12.21%
MSEX	Middlesex Water Company	11.61%
SJW	SJW Corp.	11.88%
	Average	10.80%
	RRUI	14.30%

Q. HOW DO THE DUFF & PHELPS COST OF EQUITY ESTIMATES COMPARE TO YOUR DCF AND CAPM RESULTS?

A. The results of my DCF and CAPM analyses for the publicly traded water companies compare favorably to the build-up method using the *Duff & Phelps* study data. The mid-point of my DCF and CAPM results is 10.3 percent, which is approximately the midpoint of the ranges of estimates produced by the build-up method using the *Duff &Phelps* study data which range from 8.32 percent to 12.21

[1] Note that the risk premium for the water utility industry is negative indicating that water utilities are less risky than the market as a whole.

[2] *See* **Exhibit TJB-COC-RB1**, Table 6.

percent with a midpoint of 10.27 percent. Second, and more importantly, my recommended ROE of 10.3 for RRUI is well below the mid-point of the range of estimates for RRUI using both build-up methods (one using the *Morningstar* data[3] and the other using the *Duff & Phelps* study data) which range from 10.8 percent to 14.3 percent with a mid-point of 12.6 percent. Accordingly, I find my recommendation of a 10.3 percent ROE appropriately conservative.

Q. DO THE COST OF EQUITY ESTIMATES BASED ON DUFF & PHELPS TAKE INTO CONSIDERATION THE DIFFERENCES IN LEVERAGE BETWEEN THE PUBLICLY TRADED SAMPLE WATER UTILITIES AND RRUI?

A. Yes.

Q. HAVE YOU ACCOUNTED FOR THE FACT THAT THE WATER UTILITY INDUSTRY IS LESS RISKY THAN THE MARKET?

A. Yes. Based on the industry data, each of above estimates based on the *Duff & Phelps* risk premium study is adjusted downward for the water utility industry risk based upon the water industry risk premium found in *Morningstar*.[4] As shown in Table 5 of **Exhibit TJB-COC-RB1**, the appropriate downward industry risk premium adjustment is approximately 403 basis points.[5]

Q. WHAT WAS THE ASSUMED HISTORICAL MARKET RISK PREMIUM USED IN THE DUFF & PHELPS STUDY AND YOUR ESTIMATED COST OF EQUITY?

A. The *Duff & Phelps* study uses a historical market risk premium of 4.3 percent. I used a current market risk premium estimate of 5.5 percent for my calculations.

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[3] *See* Direct Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC Dt.") at 44 – 45.

[4] Morningstar. *Ibbotson SBBI 2012 Valuation Yearbook*. Table 3-5.

[5] A downward market risk premium indicates the water utility industry is less risky than the market on average. This is consistent with water utility beta's being less than 1.0.

The 5.5 percent is based on the current recommendations of the authors of the *Duff & Phelps* study for use with the study data.[6] In contrast, the long-horizon equity risk premia as determined by *Morningstar* is 6.6 percent.[7]

Q. ARE THE COST OF EQUITY ESTIMATES LOWER THAN THOSE YOU ESTIMATED IN YOUR DIRECT TESTIMONY?

A. Yes. This is primarily due to a reduction in the risk free rate[8] from 2.85 percent in my direct testimony to 2.65 percent.

Q. THANK YOU. PLEASE SUMMARIZE YOUR RECOMMENDED REBUTTAL COST OF CAPITAL COMPONENTS.

A. The Company's recommended capital structure consists of 20 percent debt and 80 percent common equity as shown on Rebuttal Schedule D-1. Based on my updated cost of capital analysis, I am recommending a cost of equity of 10.3 percent. Based on my 10.3 percent recommended cost of equity and a 20 percent debt and an 80 percent equity capital structure, the Company's weighted average cost of capital ("WACC") is 9.38 percent, as shown on Rebuttal Schedule D-1.

Q. HOW HAVE ECONOMIC CONDITIONS CHANGED SINCE YOU PREPARED YOUR COST OF CAPITAL ANALYSIS IN APRIL 2012?

A. During the past eight months, both the economy and the financial markets have improved and the stock market has moved significantly upwards. The Dow Jones Industrial Average has risen from around 13,000 in April 2012 to just around 13,600 at the time of this rebuttal filing. The S&P 500 index has moved from around 1,350 in April 2012 to over 1,500 in at the time of this filing. The unemployment rate has also dropped from 8.2 percent to 7.8 percent. Interest rates

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[6] *Duff & Phelps*, January 15, 2012.

[7] Morningstar. *Ibbotson SBBI 2011 Valuation Yearbook*, Table A-1.

[8] 20 Year U.S. Treasury bonds.

continue to be at historical lows as the Federal Reserve has continued its efforts to keep interest rates low in order to spur a sluggish economy.

The economy (real GDP) grew by an annualized rate of 1.8 percent in the fourth quarter of 2012 compared to 3.1 percent in the third quarter of 2012.[9] The outlook for 2013 is for very modest growth in the range of 1.5 percent to 2.7 percent.[10] On the other hand, economists continue to express concerns over the federal deficits and the high federal debt as well as the drag on economic growth from increased taxes and the uncertainty regarding additional taxes. The Eurozone is mired in a recession along with its lingering debt crisis. These circumstances all continue to be risks to future economic growth in the U.S.[11]

Q. HOW HAS THE ANALYSTS' OUTLOOK FOR THE WATER UTILITY INDUSTRY CHANGED SINCE YOU PREPARED YOUR COST OF CAPITAL ANALYSIS IN APRIL 2012?

A. It hasn't changed much. Despite the concerns in other areas, *Value Line* continues to espouse the view that the water utility industry is facing ever higher operating costs that are likely to continue to outpace revenues. *Value Line* also continues to identify concerns over infrastructure costs to replace aging infrastructures while at the same time most in this group are strapped for cash. Increased borrowing or issuing additional shares to meet capital requirements are eating away at profits and diluting shareholder gains.[12] Thus, the long-term outlook for water utility stocks remains subdued and *Value Line* continues to advise investors to look elsewhere from better income producing vehicles, particularly the Electric Utility Industry.[13]

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[9] *Blue Chip Financial Forecast*, January 2013.
[10] *Blue Chip Financial Forecasts*, January 2013.
[11] *Id.*
[12] *Value Line*, January 18, 2013.
[13] *Id.*

B. **Summary of the Staff and RUCO recommendations**

Q. **PLEASE SUMMARIZE THE RESPECTIVE RECOMMENDATIONS OF STAFF AND RUCO FOR THE RATE OF RETURN ON FAIR VALUE RATE BASE.**

A. Staff is recommending a capital structure consisting of 0 percent debt and 100 percent equity.[14] Staff determined a cost of equity of 8.4 percent based on the average cost of equity produced by its DCF and CAPM models, a financial risk adjustment and an economic assessment adjustment.[15] Staff uses a sample of six publicly traded water utilities, the same as those I used in my analysis. Staff did not consider firm size or firm-specific risks in its analysis. Based on its capital structure recommendation, Staff determined the WACC for RRUI to be 8.4 percent.[16]

RUCO also did not consider firm-size or firm-specific risks for RRUI. RUCO determined its recommended cost of equity of 9.0 percent based on the results of its DCF and CAPM methods.[17] RUCO uses a sample of six publicly traded water utilities. The five utilities are the same as five of the six water utilities I used. RUCO also uses nine gas distribution utilities in its analysis. RUCO joins RRUI in recommending a hypothetical capital structure of 20 percent debt and 80 percent equity and uses a hypothetical cost of debt of 4.13 percent.[18] The 4.13 percent cost of debt is the unadjusted test year effective cost of debt. Based on its

[14] Direct Testimony of John Cassidy ("Cassidy Dt.") at 8.
[15] *Id.* at 36.
[16] *Id.*
[17] *See* Direct Testimony of William A. Rigsby Dt. ("Rigsby Dt.") at 5.
[18] *Id.* at 6.

20 percent debt and 80 percent equity capital structure, RUCO determined the WACC for RRUI to be 8.03 percent.[19]

Q. HAS THE COMPANY'S PROPOSED CAPITAL STRUCTURE CHANGED?

A. No. The Company continues to recommends a 20 percent debt and an 80 percent equity capital structure consistent with its representation to RUCO and the Commission that it would add this debt to RRUI's capital structure. The Company also continues to propose a 5.7 percent cost of debt. Based on the Company's recommended cost of debt and equity and its proposed capital structure, the Company's proposed WACC is 9.38 percent.[20]

Q. PLEASE COMPARE THE PARTIES' RESPECTIVE COST OF EQUITY ESTIMATES AND RECOMMENDATIONS.

A. The respective parties' cost of equity recommendations are summarized below:

Party	DCF	CAPM	Average	Recommended
RRUI	9.6%	11.0%	10.7%	10.3%
Staff	8.8%	8.8%	8.8%	8.4%
RUCO	8.37%	6.16%	7.26%	9.0%

C. Comments on the Cost of Equity Results and Recommendations of Staff and RUCO

Q. HOW DO THE PARTIES' RECOMMENDATIONS COMPARE TO OTHER FORECASTS OF COMMON EQUITY RETURNS AND CURRENTLY AUTHORIZED RETURNS?

A. *Value Line*, a reputable publication used by the Company, Staff, and RUCO cost of capital witnesses, publishes forecasts of returns on common equity for larger

[19] *Id.*

[20] *See* Rebuttal Schedule D-1.

publicly traded companies – both water and natural gas. These water utilities are included in my sample group and in both RUCO's and Staff's sample groups. *Value Line* (January 18, 2013) projects the following returns on equity for those water utilities:

American States Water (AWR)	12.0%
Aqua America (WTR)	12.5%
California Water (CWT)	10.5%
Connecticut Water (CTWS)	10.5%
Middlesex Water (MSEX)	9.0%
SJW Corp. (SJW)	7.0%
Average	10.3%

RUCO also uses a sample group of nine natural gas distribution companies. *Value Line* (December 7, 2012) projects the following returns on equity for those gas utilities:

AGL Resources, Inc. (GAS)	11.5%
Atmos Energy Corp. (ATO)	8.0%
Laclede Group (LG)	10.0%
New Jersey Resources (NJR)	14.0%
Northwest Gas Co. (NWN)	11.5%
Piedmont Natural Gas Co. (PNY)	12.5%
South Jersey Industries, Inc. (SJI)	16.0%
Southwest Gas (SWX)	10.5%
WGL Holdings, Inc. (SJW)	9.5%
Average	11.5%

Furthermore, the currently authorized ROE's for the sample water utility companies as reported by AUS Utility Reports (January 2013) average 10.03 percent. They are as follows:

American States Water (WTR)	9.99%
Aqua America (WTR)	10.33%
California Water (CWT)	9.99%
Connecticut Water (CTWS)	9.75%
Middlesex Water (MSEX)	10.15%
SJW Corp. (SJW)	9.99%
Average	10.03%

The currently authorized ROE's for the sample natural gas distribution companies as reported by AUS (January 2013) average 10.29 percent. They are as follows:

AGL Resources, Inc. (GAS)	10.17%
Atmos Energy Corp. (ATO)	11.71%
Laclede Group (LG)	NM
New Jersey Resources (NJR)	10.30%
Northwest Gas Co. (NWN)	9.50%
Piedmont Natural Gas Co. (PNY)	10.40%
South Jersey Industries, Inc. (SJI)	10.30%
Southwest Gas (SWX)	10.12%
WGL Holdings, Inc. (SJW)	9.85%
Average	10.29%

Q. WHAT IS THE RELEVANCE OF ALL THESE RETURNS YOU JUST WENT THROUGH, MR. BOURASSA?

A. Because RRUI has no market data of its own, we use these other companies as proxies. In this case, comparison to these proxies readily illustrates that Staff's and RUCO's recommended returns are (1) 100 to 190 basis points lower than the average of the currently authorized returns and (2) 130 to 310 basis points the average of the 3-5 year expected returns of the publicly traded utilities each party uses to estimate the cost of equity for RRUI.

Q. HOW DO THE PARTIES' RECOMMENDATIONS COMPARE TO THE DUFF & PHELPS RISK PREMIUM STUDY DATA?

A. The build-up method cost of equity estimate using the *Duff & Phelps* study data is 10.8 percent. This is 240 basis points higher than Staff's recommendation of 8.4 percent, 180 basis points higher than RUCO's recommendation of 9.0 percent, and 50 basis point higher than my recommendation of 10.3 percent.

Q. WHAT ABOUT SIZE-BASED METRICS LIKE NET PLANT AND TOTAL REVENUES, DO THOSE FACTOR IN UNDER THE BUILD-UP METHOD?

A. Not directly, however, these metrics confirm the results. Below is a table using the two common metrics of size as reported by AUS Utility Reports (January 2013) compared with the results of my cost of equity analysis based on the *Duff & Phelps* study.

Water Utility	Net Plant ($ millions)	Size Rank by Plant	Revenue ($ millions)	Size Rank by Rev.	*Duff & Phelps* COE	Lowest to Highest COE
American States Water (WTR)	$ 912.0	3	$ 419.3	3	10.01%	2
Aqua America (WTR)	$3,863.4	1	$ 755.7	1	8.32%	1
California Water (CWT)	$1,443.1	2	$ 541.5	2	10.81%	3
Connecticut Water (CTWS)	$ 422.6	6	$ 79.8	6	12.21%	6
Middlesex Water (MSEX)	$ 433.3	5	$ 106.6	5	11.61%	4
SJW Corp. (SJW)	$ 870.5	4	$ 261.4	4	11.88%	5
Average	$1,229.2		$ 344.0		10.80%	
RRUI (at February 29, 2012)	$ 28.2		$ 4.2		14.30%	

What this illustrates is that, despite the fact that neither net plant nor revenues were considered as measures of size using the build-up method, the cost of equity results show that as the size of the utility increases so does the cost of equity. This is as expected and is consistent with the empirical financial data found in *Morningstar*.

The average net plant for the publicly traded water utilities is over 47 times that of RRUI and the average total revenues are over 87 times. There is a significant size difference and one would expect the cost of equity estimate for RRUI to be much higher, and it is. Moreover, most of these utilities operate in jurisdictions such as California and Pennsylvania that use projected or partially projected test years, and authorize surcharges and other cost recovery mechanisms that allow the recovery of increases in costs outside a general rate case. Therefore, it is again confirmed that these large publicly traded utilities are less risky than RRUI. In the real world, RRUI has a cost of equity that is higher than the large publicly traded utilities.

Q. PLEASE SUMMARIZE THE RECOMMENDED RETURNS OF THE PARTIES, EXPECTED BOOK RETURNS, AUTHORIZED RETURNS, AND RETURNS BASED ON THE DUFF & PHELPS STUDY.

A. The following table summarizes the equity returns recommended by each of the parties with the foregoing expected book returns, authorized returns, and returns based upon size (*Duff & Phelps*) for the publicly traded utilities:

	Cost of Equity
Staff recommendation	8.40%
RUCO recommendation	9.00%
RRUI recommendation	10.30%
Mid-point of DCF and CAPM (Water Utilities)	10.30%
Expected Book Returns (Water Utilities)	10.30%
Authorized Returns (Water Utilities)	10.03%
Expected Book Returns (Gas Utilities)	11.50%
Authorized Returns (Gas Utilities)	10.30%
Duff & Phelps (Water Utilities)	10.80%

The foregoing data provide clear evidence that the Staff and RUCO recommendations for RRUI are simply too low. At the end of the day, when all the expert and lawyer wrangling over inputs and assumptions is done, the results should still pass the simple, common-sense "smell test" and the Staff and the RUCO recommendations don't pass that test.

Mr. Rigsby's DCF and CAPM results produce an indicated cost of equity of just 7.26 percent.[21] He then recommends a 9.0 percent ROE, a tacit acknowledgment that the results of his models are unreasonably low. Similarly, Mr. Cassidy's DCF and CAPM results produce a 7.8 percent ROE (after adjusting for financial risk and before its recommended economic assessment adjustment). Mr. Cassidy then adds a mysterious and previously unheard of economic assessment adjustment to achieve his 8.4 ROE. Again, perhaps this is

[21] *See* RUCO Schedule WAR-1, page 2 of 2.

Mr. Cassidy's acknowledgment that the results of his models are unreasonably low. Neither Mr. Cassidy's nor Mr. Rigsby's recommendations pass the "smell test" when compared to the projected and authorized returns for the sample publicly traded utility companies.

Q. PLEASE COMMENT ON STAFF'S FINANCIAL RISK ADJUSTMENT.

A. Staff recommends a 100 basis point reduction in the cost of equity to reflect the lower financial risk of RRUI's 100 percent equity capital structure.[22] For one thing, Staff's financial risk adjustment is overstated. Based upon the correct use of the Hamada approach, Staff's financial risk adjustment should be no more than 60 basis points. Simply correcting this error, Staff's ROE should be 8.8 percent not 8.4 percent.

Q. WHY DO YOU BELIEVE STAFF'S FINANCIAL RISK ADJUSTMENT IS OVERSTATED?

A. Staff's financial risk adjustment is overstated for two reasons. First, the beta used in the Hamada formula Staff employs is the average beta of Staff's sample publicly traded water utilities. RRUI is a riskier investment than any of the sample utilities. Consequently, it would have a higher beta than the average of the sample group. This error overstates the adjustment. Second, Staff's financial risk adjustment is overstated because Staff uses book values rather than conceptually correct market values for debt and equity in calculating the risk adjustment using the Hamada formula. Professor Hamada developed his equation using market values, <u>not</u> recorded book costs.[23] This is logical given that the Hamada formula is an extension of the CAPM, which is a <u>market-based model</u> that does not consider

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[23] "Effects of the Firm's Capital Structure on Systematic Risk of Common Stock," *Journal of Finance*, Vol. 27 No. 2 (May 1972) 435 – 453.

book or accounting data. The critical component, beta, is an estimate of a security's risk based on its volatility relative to the market as a whole. Therefore, it would make no sense to un-lever and re-lever the sample group's average beta to account for the effect of financial leverage using book equity, as Staff has done in this case. Furthermore, numerous authorities state that market values must be used in estimating the effect of leverage on a security's risk.[24] This error also overstates the adjustment.

Q. IS THE HAMADA METHOD FOR DETERMINING A FINANCIAL ADJUSTMENT NEW, MR. BOURASSA?

A. Hardly. For several years now it has been the method Staff has been recommending and the Commission has been adopting for determining a financial risk adjustment. Up or down. The problem is the Hamada is a market-based model and Staff is using book values. It is conceptually wrong.

Q. THANK YOU. TURNING NOW TO MR. CASSIDY'S CRITICISMS OF YOU FOR CONSIDERING THE DIFFERENCES IN RISK DUE TO THE SIZE OF RRUI COMPARED TO THE PUBLICLY TRADED SAMPLE UTILITIES. PLEASE COMMENT.

A. Mr. Cassidy does not dispute that smaller companies are more risky than larger companies. Staff simply opines the Commission has not allowed a risk premium for size in the past.[25]

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[24] *See, e.g.,* Roger A. Morin, *New Regulatory Finance* 223-24 (Public Utility Reports, Inc. 2006) ("Morin"); Richard A. Brealey, Stewart C. Myers and Franklin Allen, *Principles of Corporate Finance* 516-20 (McGraw Hill/Irwin 8th ed. 2006); Tim Koller, Marc Goedhart and David Wessels, *Valuation: Measuring and Managing the Value of Companies* 312-13 (John Wiley & Sons, Inc. 4th ed. 2005); Shannon, P. Pratt, *Cost of Capital – Estimations and Applications* 83-85 (John Wiley & Sons 2nd ed. 2002).

[25] Cassidy Dt. at 46.

Frankly, it is so astonishing that the process in Arizona has, heretofore, ignored what the rest of the financial world knows – that size matters – I simply cannot avoid discussing it without me having to question my own integrity as a cost of capital expert.

Q. OKAY, WHY DOES SIZE MATTER IN THE ANALYSIS OF A UTILITY'S COST OF CAPITAL?

A. There are many reasons why smaller utilities are more risky than larger utilities. I have discussed these reasons extensively in my direct testimony and will not repeat that testimony here.[26] The simple fact is that a rational investor is not going to view an equity investment in RRUI as having the same risk as the purchase of publicly traded stock in a substantially larger utility such as Aqua America, American States Water or California Water Service. That does not mean we can't use the sample companies as proxies, it means we can't ignore the plethora of evidence that firm size does matter. If the differences in risk between small utilities like RRUI and the large, publicly traded water utilities used to estimate the cost of equity are ignored, RRUI's equity cost will be understated and unreasonable.

Q. IS FIRM SIZE A UNIQUE RISK?

A. No. The firm size is a systematic risk factor.[27] We know that based on empirical financial data that the firm size phenomenon is real. Moreover, we know that the capital asset pricing model is incomplete and does not fully account for the higher returns on small company stocks. In other words, the higher risks associated with smaller firms is not fully accounted for by beta.

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[26] Bourassa COC Dt. at 15 – 21, 41 – 43.

[27] Shannon P. Pratt and Roger J. Grabowski. *Cost of Capital: Applications and Examples, Fourth Edition.* John Wiley and Sons, 2010. p. 56.

With respect to the relationship between firm size and return, *Morningstar* states:[28]

> One of the most remarkable discoveries of modern finance is that of a relationship between firm size and return. The relationship cuts across the entire size spectrum but is most evident among smaller companies which have higher returns than larger ones. Many studies have looked at the effect of firm size and return...

With respect to the CAPM, *Morningstar* states:[29]

> The firm size phenomenon is remarkable in several ways. First, the greater risk of small stocks does not, in the context of the capital asset pricing model (CAPM), fully account for their higher returns over the long term. In the CAPM only systematic, or beta risk, is rewarded; small company stocks have had returns in excess of those implied by their betas.

Q. BUT DOESN'T MR. RIGSBY ALSO CRITICIZE YOU FOR CONSIDERING THE DIFFERENCES IN RISK DUE TO THE SIZE?

A. Yes. Mr. Rigsby's argument is that an investment in RRUI faces the same types of risks as an investment in the publicly traded utilities in other respective sample groups.[30] RUCO does not claim the risks are of the same magnitude, but rather they both have the same types of risk. The market data from *Duff & Phelps, Morningstar*, and others, however, demonstrate the magnitude of market risk with respect to firm size is in fact different and it's the magnitude that matters.

Q. HOW DO YOU RESPOND TO RUCO'S ARGUMENT THAT RRUI'S PARENT IS A LARGE PUBLICLY TRADED ENTITY THAT HAS ACCESS TO THE CAPITAL MARKETS?

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[28] Morningstar, *Ibbotson SBBI 2011 Valuation Yearbook,* at 83.
[29] *Id.* at 87.
[30] Rigsby Dt. at 69.

A. When assessing the risks of any investment, it is the investment not the investor that is analyzed. I agree with RUCO that RRUI does have access to the capital markets through its parent and that access should be a consideration in assessing the risk of an investment in RRUI. In this sense, both RUCO and I would agree that the impact on investment risk from access to the capital markets is similar in the same way the publicly traded utilities in each of our sample groups have access the capital markets. I have considered the access to the capital markets in the size risk premium I recommend for RRUI. The indicated small company risk premium I recommend is 80 basis points; which is below the range indicated by my size premium study of 100 to 367 basis points and lower than the size premium of 487 basis points indicated by the results using the *Duff & Phelps* risk premium study data.[31]

Q. PLEASE COMMENT ON STAFF'S ECONOMIC RISK ASSESSMENT.

A. I can't, at least not in any meaningful way. Staff does not explain the basis for this adjustment in its testimony.[32] When pressed, Staff could offer nothing more than that it is based on Mr. Cassidy's judgment.[33] There is no analysis, study or authoritative reference upon which Mr. Cassidy's judgment rests for me to consider. Of course, I agree with Staff that the current economic environment supports increased ROE's. I have just never seen an adjustment of this type from Staff or anyone else. When economic conditions were far worse a few years ago, Staff never advanced an economic assessment adjustment. I am left a bit perplexed by the whole thing, but my skepticism, and the fact that the Economic Assessment Adjustment ("EAA") has popped into existence out of nowhere, lead me to

[31] *See* Rebuttal Table D-4.16 and Table 2 of Rebuttal Exhibit TJB-COC-RB1.
[32] Cassidy Dt. at 36.
[33] *See* Staff response to RRUI data request 2.6.

conclude that it was Staff's band-aid to cover up an unreasonably low ROE. Recall that without the goofy EAA, Staff's ROE would be only 7.8 percent.

Q. THANK YOU. PLEASE COMMENT ON STAFF'S RECOMMENDATION OF A 100 PERCENT EQUITY CAPITAL STRUCTURE FOR RRUI.

A. Staff has recommended a 100 percent equity capital structure based on the fact that RRUI currently has no actual debt in its capital structure. This is ironic given that Staff agreed to a hypothetical capital structure in RRUI's last rate case when there was no actual debt.

Q. BUT MR. BOURASSA, ISN'T THIS ALL LIBERTY'S FAULT FOR NOT FOLLOWING THROUGH AND INFUSING 20 PERCENT DEBT INTO ITS CAPITAL STRUCTURE.

A. No. They did. As has been proven time and time again, including the last rate case for RRUI and for its affiliate, hypothetical debt works in this instance and is virtually indiscernible from actual debt in the ratemaking process. So, Liberty does its borrowing at the parent level and infuses the debt down to RRUI in hypothetical form for ratemaking. RRUI has honored its commitment and the ratepayers have the benefit of the debt.

Q. PLEASE RESPOND TO MR. RIGSBY'S RECOMMENDATION FOR RRUI'S COST OF DEBT.

A. Mr. Rigsby's cost of debt recommendation is based upon the current yield on a Baa/BBB rated utility bond.[34] Liberty Utilities' current bond rating is BBB- which is a grade below S&P's BBB rating. So that's the first flaw in Mr. Rigsby's debt cost. Mr. Rigsby further assumes that RRUI could borrow money at 4.13 percent. But the 5.7 percent cost of debt used with our 80-20 equity to debt capital structure

[34] Rigsby Dt. at 56.

was based on RRUI's parent's cost of debt. That's the rate RRUI, a subsidiary of Liberty, can borrow at, not the 4.13 percent that popped into existence for RUCO's purposes.

Q. WHAT SUPPORT DO YOU HAVE FOR YOUR COST OF DEBT?

A. Attached as **Exhibit TJB-COC-RB2** is an announcement for Liberty Utilities describing its current credit facility (issued in 2010). The credit facility has an interest rate of 5.6 percent. With the financing costs included, the effective interest rate is 5.7 percent, the interest rate the Company is proposing.

Q. ON PAGE 38 AND 39 OF HIS TESTIMONY MR. CASSIDY CRITICIZES YOU FOR RELYING EXCLUSIVELY ON ANALYSTS' FORECASTS OF GROWTH. IS THIS TRUE?

A. No. I rely on both historical growth rates and forecasts of growth. I just give more weight to the analysts' forecasts of growth. It is important to note that Mr. Cassidy disagrees with the additional weight I give the analysts' forecasts, but he is not saying these forecasts have no merit, nor did I rely solely on analysts' forecasts of growth. The dispute between Mr. Cassidy and me comes down to something between 50 percent and my "greater" emphasis. In my direct testimony I explained why a weight greater than 50 percent should be given to analysts' estimates.[35]

Q. DID YOU MISSTATE HOW MANY SOURCES YOU USED TO OBTAIN ESTIMATES OF EPS GROWTH IN YOUR DIRECT?

A. Yes. Ultimately I used three rather than four. I mentioned *Morningstar* as a fourth source in my direct testimony.[36] I tried to obtain EPS growth estimates from *Morningstar* but was unable to find estimates. They may be available under the premium subscription service, but I am not a premium member and therefore do

[35] Bourassa COC Dt. at 31.

[36] *Id.* at 30.

not know. In any case, had I listed *Morningstar* all of the estimates would have been blank as I found none. Right or wrong I eliminated the *Morningstar* column from the direct Schedule D-4.6 which then only showed three sources. As a note, I currently cannot find EPS estimates from *Zacks*. Again, it may be available under the premium subscription service, but I am not a member at this time.

Q. THANK YOU. ARE ANALYSTS' FORECASTS OF GROWTH "OVERLY OPTIMISTIC"?

A. Not according to the gurus Gordon, Gordon and Gould[37] who found that analysts' estimates are the best proxies for DCF growth when estimating the cost of equity using the DCF. But the level of accuracy of analysts' forecasts is an after-the-fact evaluation with little relevance to the issues at hand here. Dr. Morin states:

> Because of the dominance of institutional investors and their influence on individual investors, analysts' forecasts of long-run growth rates provide a sound basis for estimating required returns. Financial analysts exert a strong influence on the expectations of many investors who do not possess the resources to make their own forecasts, that is, they are a cause of g. ***The accuracy of these forecasts in the sense of whether they turn out to be correct is not at issue here, as long as they reflect widely held expectations.*** As long as the forecasts are typical and/or influential in that they are consistent with current stock price levels, they are relevant. The use of analysts' forecasts in the DCF model is sometimes denounced on the grounds that it is difficult to forecast earnings and dividends for only one year, let alone for longer time periods. ***This objection is unfounded, however, because it is present in investor expectations that are being priced; it is the consensus forecast that is embedded in price and therefore in required return, and not the future as it will turn out to be.*** (emphasis added)[38]

What really matters is that analysts' forecasts strongly influence investors and hence the market prices they are willing to pay for stocks. Analysts' growth

[37] *Id.* at 30 – 31.

[38] Roger A. Morin. *New Regulatory Finance* (2006) 298.

rates influence the prices investors will pay for stocks and thus impact the dividend yields. The dividend yields change until the sum of the dividend yield plus the growth rate equals investors' perceived cost of equity. Had the growth forecasts been lower – as Mr. Cassidy suggests they should be – the stock prices would be lower and dividend yields would be higher, but there would not necessarily be any difference in the ultimate estimate of the cost of equity.

Q. HAS MR. CASSIDY OFFERED ANY EVIDENCE THAT INVESTORS DO NOT RELY ON ANALYST ESTIMATES?

A. No. Nor does he offer any evidence of the extent investors rely on historical growth or on analyst estimates of future growth. Mr. Cassidy offers no quantitative or conceptual argument to rebut the conclusions of Gordon, Gordon, and Gould,[39] and offers no evidence that any of the measures of past growth he has used – historical EPS, historical DPS, historical sustainable growth – provide a better forecast of future growth for utilities than analysts' estimates of growth.

The bottom line – Mr. Cassidy is using Staff's inputs into the DCF model mechanically without considering the reasons for using those inputs. And Staff's inputs have long been skewed to give less weight to the best estimate of future growth in an effort to keep down the cost of equity.

Q. ON PAGE 45 OF HIS TESTIMONY, MR. CASSIDY ALSO CRITICIZES YOU FOR USING A FORECASTED INTEREST RATE FOR THE RISK-FREE RATE IN YOUR CAPM. PLEASE RESPOND.

A. I use both a current interest rate as well as forecasted interest rates on 30 year U.S. Treasury Bonds as a proxy to my risk-free rate. Like analysts' forecasts of growth, I believe investors rely on this information. If investors did not rely on this

[39] *See* Bourassa COC Dt. at 31.

information *Value Line*, *Blue Chip* and others would not provide this information. Mr. Cassidy provides no evidence that investors do not rely on this information. This is just another disagreement between Mr. Cassidy and me regarding the inputs to the models he was plugged into when he became Staff's latest cost of capital model operator.

Q. MR. RIGSBY ALSO STATES THE YOU SELECTIVELY IGNORE ESTIMATES OF DPS GROWTH IN YOUR GROWTH RATE ESTIMATE. PLEASE RESPOND.

A. I explained in detail why I do not use forecasts of the dividend growth in my direct testimony.[40] I have always followed this approach, not because it depresses the growth rate but because of the limited information available on dividend growth. There is only one source (*Value Line*) that provides projected DPS growth estimates. The wide availability of earnings growth estimates compared to dividend growth estimates indicates a greater reliance by investors on earnings rather than dividends for their investment decisions. It turns out that studies indicate that earning per share ("EPS") growth, and in particular analysts' estimates of EPS growth, is the best measure of growth and DPS growth was the <u>least</u> preferable measure of growth.[41] So, it boils down to a difference of opinion on the use of estimates of DPS growth rather than a purposeful intention to depress the growth rate and ultimately the indicated cost of equity produced by my DCF model.

I could similarly accuse Mr. Rigsby of intentionally depressing his growth rates by the method he employs to estimate the EPS growth. Mr. Rigsby's method

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[40] *Id.* at 31.

[41] David A. Gordon, Myron J. Gordon and Lawrence I. Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989), 50 – 55.

of estimating his growth rates is subjective and cannot be verified or replicated, in contrast to the methods I use. In his DCF model, Mr. Rigsby relies on projected sustainable growth in order to estimate the dividend growth rate. The difference, however, is that the key inputs necessary to estimate the internal or retention growth rate are not disclosed by Mr. Rigsby.

Q. WHAT ARE THOSE INPUTS?

A. Internal or retention growth is the expected growth in dividends due to the retention of earnings. Retention growth is dependent on the percentage of earnings retained (the retention ratio) and the expected return on common equity that is applied to the retained earnings. Thus, the internal growth rate formula is:

Retention growth rate = br

Where: b = the retention ratio (1-dividend payout ratio)

r = the expected return on common equity

The problem with Mr. Rigsby's implementation of this formula is that he does not disclose the retention ratio or the expected return on common equity used to calculate the retention growth rate. As a result, it is impossible to verify the accuracy of his calculation of internal growth (br).

Mr. Rigsby lists various sources of data,[42] and he also attaches various materials to his direct testimony. But there is no explanation of how any of these materials were actually used. This approach effectively allows Mr. Rigsby to simply select a growth rate that falls somewhere within a broad range and cannot be verified.

[42] Rigsby Dt. at 23 – 24.

Q. ON PAGE 66 OF HIS TESTIMONY, MR. RIGSBY ALSO CRITICIZES YOUR CURRENT MARKET RISK PREMIUM APPROACH. PLEASE COMMENT.

A. Like Staff, I use a current market risk premium CAPM approach.[43] This approach is similar to the Staff current market risk premium CAPM approach.[44] The Commission has adopted Staff recommended ROE's in the past based upon Staff's cost of capital analyses, which included a current market risk premium CAPM approach. One of the main differences between my approach and the Staff approach lies in the fact that I use a recent three month average of the estimate of the market risk premium rather than a spot market risk premium as Staff does. My approach produces a less volatile result.

Q. DO YOU HAVE ANY FURTHER COMMENTS?

A. Just that as I testified above, when all the numbers and models and financial theory are set aside, Staff's and RUCO's recommendations are far too low to pass the smell test and should be rejected.

Q. WELL MR. BOURASSA, YOU ADMIT THAT THE COMMISSION HAS IGNORED YOUR RECOMMENDATIONS BEFORE, DON'T YOU? WHY SHOULD THIS TIME BE DIFFERENT?

A. I can only ask that each Commission reviews every rate case on its own merits, or "case-by-case" as RUCO and Staff both like to say. And I have made more changes to my approach on cost of capital than I can possibly recall in response to many of my arguments being rejected. I have recognized a lot of realities of ratemaking and tried to find a reasonable balance with financial theory and financial reality. I am not going to stop asking the Commission to do a better job

[43] Bourassa COC Dt. at 36 – 37.

[44] Cassidy Dt. at 30 – 31.

of balancing ratemaking and finance or the interests of shareholders and ratepayers. Respectfully, being at the bottom for returns is neither a badge of honor I want my state to wear nor good for the long term health of the citizenry.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY ON COST OF CAPITAL?

A. Yes, although my silence on any of the issues, matters or findings addressed in the testimony of Staff and/or RUCO does not constitute my acceptance of their positions on such issues, matters or findings.

Rio Rico Utilities, Inc. dba Liberty Utilities
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF CAPITAL)

JANUARY 28, 2013

EXHIBIT TJB-COC-RB1

Rio Rico Utilities, Inc. dba Liberty Utilities
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
Based on *Duff and Phelps* Risk Premium Study Data

TABLE 1

	Company	Symbol	Measures of size (Millions) MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income	Total Assets[2]	5 Yr Avg. EBITDA[3]
1.	American States	AWR	$ 954	$ 408	$ 1,295	$ 32	$ 1,192	$ 120
2.	Aqua America	WTR	$ 3,732	$ 1,251	$ 5,128	$ 113	$ 4,072	$ 407
3.	California Water	CWT	$ 801	$ 450	$ 1,282	$ 37	$ 1,692	$ 128
4.	Connecticut Water	CTWS	$ 263	$ 119	$ 399	$ 10	$ 425	$ 23
5.	Middlesex	MSEX	$ 303	$ 177	$ 435	$ 12	$ 489	$ 38
6.	SJW Corp.	SJW	$ 482	$ 264	$ 826	$ 20	$ 935	$ 87
	Rio Rico Utilities, Inc. dba Liberty Utilities		NA	$ 11.0	NA	$ 0.1	$ 29.7	$ 1.9

[1] From Zacks Investment Research data
[2] From Zacks Investment Research. From E-1 for subject utility.
[3] Net Income. From Zacks Investment Research and Company ACC reports

Net Income Data

Company	Symbol	2011	2010	2009	2008	2007	Average
American States	AWR	$ 45.9	$ 33.2	$ 29.5	$ 22.0	$ 28.0	$ 31.7
Aqua America	WTR	$ 143.1	$ 124.0	$ 104.4	$ 97.9	$ 95.0	$ 112.9
California Water	CWT	$ 37.7	$ 37.7	$ 40.6	$ 39.8	$ 31.2	$ 37.4
Connecticut Water	CTWS	$ 11.3	$ 9.8	$ 10.2	$ 9.4	$ 8.8	$ 9.9
Middlesex	MSEX	$ 13.4	$ 14.3	$ 10.0	$ 12.2	$ 11.8	$ 12.4
SJW Corp.	SJW	$ 20.9	$ 24.4	$ 15.2	$ 21.5	$ 19.3	$ 20.2
Rio Rico Utilities, Inc. dba Liberty Utilities		$ (2.8)	$ 0.8	$ 0.8	$ 0.6	$ 1.0	$ 0.1

Net Income data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

[4] Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports.

EBITDA Data

Company	Symbol	2011	2010	2009	2008	2007	Average
American States	AWR	$ 133.3	$ 134.4	$ 122.6	$ 105.9	$ 102.8	$ 119.8
Aqua America	WTR	$ 397.8	$ 473.2	$ 415.2	$ 384.7	$ 364.5	$ 407.1
California Water	CWT	$ 143.3	$ 155.7	$ 125.5	$ 122.1	$ 95.6	$ 128.4
Connecticut Water	CTWS	$ 24.2	$ 22.5	$ 20.3	$ 21.1	$ 27.9	$ 23.2
Middlesex	MSEX	$ 34.6	$ 43.3	$ 34.6	$ 38.6	$ 36.6	$ 37.6
SJW Corp.	SJW	$ 87.1	$ 75.4	$ 93.5	$ 99.7	$ 77.7	$ 86.7
Rio Rico Utilities, Inc. dba Liberty Utilities		$ 1.4	$ 4.0	$ 1.9	$ 0.8	$ 1.2	$ 1.9

EBITDA data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance
EBITDA data for subject utility from E-1 and/or ACC reports

Rio Rico Utilities, Inc. dba Liberty Utilities
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
Based on *Duff and Phelps* Risk Premium Study Data

TABLE 2

MRP_{m+s} Estimates Using Duff & Phelps Study (Unlevered)
Assumes 100% Equity and 0% debt
Data Smoothing with Regression Analysis
Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevent Metric)

$RPun_{relevered} = RP_{levered} - W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = *unlevered portfolio beta*
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{levered}$ = *levered realized risk premium*

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	18.475%	15.380%	18.661%	13.224%	17.273%	14.736%
X Coefficient(s)	-3.239%	-2.561%	-3.201%	-2.616%	-2.812%	-2.723%

MRP_{m+s} (unlevered)

	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	8.82%	8.70%	8.70%	9.30%	8.62%	9.08%	8.87%
2.	Aqua America	WTR	6.91%	7.45%	6.79%	7.85%	7.12%	7.63%	7.29%
3.	California Water	CWT	9.07%	8.59%	8.71%	9.11%	8.19%	8.99%	8.78%
4.	Connecticut Water	CTWS	10.63%	10.07%	10.34%	10.62%	9.88%	11.02%	10.43%
5.	Middlesex	MSEX	10.44%	9.62%	10.22%	10.37%	9.71%	10.45%	10.13%
6.	SJW Corp.	SJW	9.79%	9.18%	9.32%	9.81%	8.92%	9.46%	9.41%
	Average (unlevered)		9.28%	8.93%	9.01%	9.51%	8.74%	9.44%	9.15%
	Rio Rico Utilities, Inc. dba Liberty Utilities		NA	12.71%	NA	16.23%	13.13%	14.01%	14.02%

Indicated size premium 4.87%

Rio Rico Utilities, Inc. dba Liberty Utilities
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
Based on *Duff and Phelps* Risk Premium Study Data

Unlevered Portfilio Beta
(from 2012 Duff & Phelps RP Study - Table C)

TABLE 3

	Company	Symbol	Unlevered Portfolio Beta (β_u)						
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	Average
1.	American States	AWR	0.95	0.96	0.98	0.94	0.94	0.97	0.96
2.	Aqua America	WTR	0.87	0.86	0.81	0.88	0.83	0.84	0.85
3.	California Water	CWT	0.98	0.95	0.95	0.94	0.92	0.97	0.95
4.	Connecticut Water	CTWS	0.96	1.00	0.97	0.97	0.99	1.03	0.99
5.	Middlesex	MSEX	0.96	0.98	0.97	0.97	0.99	0.99	0.98
6.	SJW Corp.	SJW	0.95	0.97	0.97	0.96	0.97	0.95	0.96
	Average		0.95	0.95	0.94	0.94	0.94	0.96	0.95
	Rio Rico Utilities, Inc. dba Liberty Utilities		0.95	0.98	1.00	1.01	1.05	1.03	1.00

Rio Rico Utilities, Inc. dba Liberty Utilities
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
Based on *Duff and Phelps* Risk Premium Study Data

TABLE 4

MRP Estimates Using Duff & Phelps Study (Relevered)
Relevered Realized Risk Premium

$RP_{relevered} = RP_{unlevered} + W_d/W_e*(\beta_u-\beta_d)*RP_{market}$

Where β_u = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{unlevered}$ = unlevered realized risk premium from Table 2

RP_{market} = general equity risk premium for the market since 1963 (4.4%)

			MRP_{m+s} (Relevered)							
	Company	Symbol	W_d/W_e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	35.7%	10.13%	10.01%	10.05%	10.59%	9.91%	10.41%	10.18%
2.	Aqua America	WTR	37.4%	8.14%	8.67%	7.93%	9.11%	8.30%	8.82%	8.49%
3.	California Water	CWT	60.1%	11.35%	10.78%	10.91%	11.28%	10.32%	11.24%	10.98%
4.	Connecticut Water	CTWS	51.4%	12.53%	12.05%	12.26%	12.54%	11.85%	13.07%	12.38%
5.	Middlesex	MSEX	43.7%	12.05%	11.28%	11.85%	12.00%	11.38%	12.12%	11.78%
6.	SJW Corp.	SJW	71.4%	12.39%	11.85%	11.99%	12.45%	11.59%	12.07%	12.06%
	Average MRP (Relevered)		49.93%	11.10%	10.77%	10.83%	11.33%	10.56%	11.29%	10.98%
	Rio Rico Utilities, Inc. dba Liberty Utilities		11.67%	NA	13.15%	NA	16.68%	13.61%	14.47%	14.48%

Rio Rico Utilities, Inc. dba Liberty Utilities
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
Based on *Duff and Phelps* Risk Premium Study Data

Equity Risk Premium Adjustment and Other meterics used in Build-up Method **TABLE 5**

[1] Estimate of Current Market Risk Premium (RP_{market})	**5.50%**	<<<< Current Duff and Phelps recommendation
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2011)[1]	4.30%	
[3] Equity Risk Premium Adjustment ([1] - [2])	1.20%	
[4] Average MRP (relevered) for publicly traded water companies (from Table 4)	10.98%	
[5] MRP (relevered) for publicly traded water companies (RP_{m+s}) ([3] + [4])	12.18%	
[6] Equity Risk Premium Adjustment ([3])	1.20%	
[7] Average MRP (relevered) for subject utility company (from Table 4)	14.48%	
[8] MRP (relevered) for subject utility company (RP_{m+s}) ([6] + [7])	15.68%	
[9] Industry Risk Premium (From *Ibbotson* for SIC 494 Water Supply Industry Table 3-5)	-4.83%	
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.6%[1])	0.8333	
[11] Adjusted Industry Risk Premium (R_i) ([9] x [10])	-4.03%	
[12] Risk Free Rate (R_f)[2]	2.65%	

[1] From Duff and Phelps Risk Premium Report 2012.
[2] Yield on 20 Yr U.S. Treasury January 11, 2013 (Federal Reserve)

Rio Rico Utilities, Inc. dba Liberty Utilities
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
Based on *Duff and Phelps* Risk Premium Study Data

Cost of Equity (COE) Estimate using Build-up Method

TABLE 6

$E(R_i) = R_f + RP_{m+s} + RP_i + RP_u$

Where:

- $E(R_i)$ = Expected (indicated) rate of return
- R_f = Risk-free rate of return. See Table 5.
- RP_{m+s} = Market risk premium including size premium. See Table 4.
- RP_i = Industry risk premium (adjusted) See Table 5.
- RP_u = Company-specific risk premium

	Sample Publicly Traded Water Utilities	Rio Rico Utilities, Inc. dba Liberty Utilities
R_f =	2.65%	2.65%
RP_{m+s} =	See Table 4	See Table 4
RP_i =	-4.03%	-4.03%
RP_u =	0.00%	0.00%

			Indicated COE $E(R_i)$						
	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	9.95%	9.84%	9.87%	10.41%	9.74%	10.24%	10.01%
2.	Aqua America	WTR	7.97%	8.49%	7.75%	8.93%	8.12%	8.64%	8.32%
3.	California Water	CWT	11.17%	10.61%	10.73%	11.11%	10.14%	11.07%	10.81%
4.	Connecticut Water	CTWS	12.36%	11.88%	12.08%	12.37%	11.67%	12.90%	12.21%
5.	Middlesex	MSEX	11.88%	11.10%	11.67%	11.83%	11.21%	11.94%	11.61%
6.	SJW Corp.	SJW	12.22%	11.67%	11.82%	12.27%	11.41%	11.89%	11.88%
	Average COE estimate		10.92%	10.60%	10.66%	11.15%	10.38%	11.11%	10.80%
	Rio Rico Utilities, Inc. dba Liberty Utilities		NA	12.98%	NA	16.51%	13.43%	14.30%	14.30%

Rio Rico Utilities, Inc. dba Liberty Utilities
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF CAPITAL)

JANUARY 28, 2013

EXHIBIT TJB-COC-RB2

Algonquin Power & Utilities Corp. Announces Liberty Water Co. Private Placement Debt Financing

OAKVILLE, Ontario - December 13th, 2010 Algonquin Power & Utilities Corp. ("APUC") (TSX: AQN) today announced a $50 million private placement debt financing commitment for its subsidiary, Liberty Water Co. ("Liberty Water"). The notes are senior unsecured with a ten year final, 8.8 year average life maturity and will bear interest at 5.6%. Liberty Water will apply proceeds from the notes to repay intercompany debt to APUC. APUC intends to utilize such proceeds to reduce outstanding indebtedness under its banking syndicate credit facility. UBS Securities LLC acted as lead bookrunner on the transaction.

"The private placement debt financing demonstrates our continuing ability to arrange attractive debt for our regulated utilities businesses", commented Ian Robertson, Chief Executive Officer. "The completion of this financing introduces longer-term debt and an increase in US dollar denominated debt, consistent with our re-financing strategy to seek a capital structure aligned with our North American power and utilities businesses."

About Algonquin Power & Utilities Corp.
Through its distinct operating subsidiaries, APUC owns and operates a diversified portfolio of approximately $1 billion of clean renewable electric generation and sustainable utility distribution businesses in North America. Liberty Water Co., APUC's water utility subsidiary, provides regulated utility services to more than 70,000 customers with a portfolio of 19 water distribution and wastewater treatment utility systems. Pursuant to previously announced agreements, APUC, through its electric utility Liberty Energy Utilities Co., is committed to acquiring the California based regulated utility assets of NV Energy, as well as Granite State Electric Company, a New Hampshire electric distribution company, and EnergyNorth Natural Gas Inc., a regulated natural gas distribution utility, which utilities in total serve over 173,000 customers. Algonquin Power Co., APUC's electric generation subsidiary, includes 45 renewable energy facilities and 14 thermal energy facilities representing more than 480 MW of installed capacity. APUC and its operating subsidiaries deliver continuing growth through an expanding pipeline of greenfield and expansion renewable power and clean energy projects, organic growth within its regulated utilities and the pursuit of accretive acquisition opportunities. APUC's common shares and convertible debentures are traded on the Toronto Stock Exchange under the symbols AQN, AQN.DB, AQN.DB.A and AQN.DB.B. Visit Algonquin Power & Utilities Corp. on the web at www.AlgonquinPowerandUtilities.com.

Caution Regarding Forward-Looking Information
Certain statements included in this news release contain information that is forward-looking within the meaning of certain securities laws, including information and statements regarding prospective results of operations, financial position or cash flows. These statements are based on factors or assumptions that were applied in drawing a conclusion or making a forecast or projection, including assumptions based on historical trends, current conditions and expected future developments. Since forward-looking statements relate to future events and conditions, by their very nature they require making assumptions and involve inherent risks and uncertainties. APUC cautions that although it is believed that the assumptions are reasonable in the

circumstances, these risks and uncertainties give rise to the possibility that actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors include those set out in the management's discussion and analysis section of APUC's 2009 annual report and 2010 third quarter report, and APUC's Annual Information Form dated March 31, 2010. Given these risks, undue reliance should not be placed on these forward-looking statements, which apply only as of their dates. Other than as specifically required by law, APUC undertakes no obligation to update any forward-looking statements or information to reflect new information, subsequent or otherwise.

Rio Rico Utilities, Inc. dba Liberty Utilities
Docket No. WS-02676A-12-0196

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF CAPITAL)

JANUARY 28, 2013

SCHEDULES

Rio Rico Utilities, Inc. dba Liberty Utilities
Test Year Ended February 29, 2012
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

Porforma Capital Structure

Line No.	Item of Capital	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	20.00%	5.70%	1.14%
2				
3	Stockholder's Equity	80.00%	10.30%	8.24%
4				
5	Totals	100.00%		9.38%
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22	SUPPORTING SCHEDULES:			
23	D-1			
24	D-3			
25	D-4			
26	Testimony			
27				
28				
29				
30				

RECAP SCHEDULES:
A-1

Rio Rico Utilities, Inc. dba Liberty Utilities
Test Year Ended February 29, 2012
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

		End of Test Year				End of Projected Year			
Line No.	Description of Debt	Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1									
2			-	0.000%	0.000%		-	0.000%	0.000%
3			-	0.000%	0.000%		-	0.000%	0.000%
4			-	0.000%	0.000%		-	0.000%	0.000%
5			-	0.000%	0.000%		-	0.000%	0.000%
6			-	0.000%	0.000%		-	0.000%	0.000%
7			-	0.000%	0.000%		-	0.000%	0.000%
8			-	0.000%	0.000%		-	0.000%	0.000%
9			-	0.000%	0.000%		-	0.000%	0.000%
10			-	0.000%	0.000%		-	0.000%	0.000%
11									
12									
13	Totals	$ -	-		0.000%	$ -	-		0.000%
14									
15									
16	Supporting Schdules:								
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									

Rio Rico Utilities, Inc. dba Liberty Utilities
Test Year Ended February 29, 2012
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
22				D-1			
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

Rio Rico Utilities, Inc. dba Liberty Utilities
Test Year Ended February 29, 2012
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.30% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	D-4.1 to D-4.16	D-1
19		
20		

Rio Rico Utilities, Inc. dba Liberty Utilities
Summary of Results

Exhibit
Rebuttal Schedule D-4.1

Line No.	Method	Low	High	Midpoint
1				
2				
3				
4	Method	Low	High	Midpoint
5				
6	Range DCF Constant Growth Estimates[1]	9.0%	10.2%	9.6%
7				
8	Range of CAPM Estimates[2]	8.2%	13.9%	11.0%
9				
10				
11				
12	Average of midpoint estimates	8.6%	12.1%	10.3%
13				
14				
15	Financial Risk Adjustment[3]	-0.8%	-0.8%	-0.8%
16				
17	Small Company Risk Premium[4]	0.8%	0.8%	0.8%
18				
19	Indicated Cost of Equity	8.6%	12.1%	10.3%
20				
21				
22				
23	Recommended Cost of Equity			10.3%
24				
25				
26				
27	[1] See Schedule D-4-8			
28	[2] See Schedule D-4.12			
29	[3] See Schedule D-4.13, Testimony			
30	[4] See Schedule D-4.16, Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rebuttal Schedule D-4.2

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE
4	1. American States	68%	$ 449.7	$ 912.0	A+	A2	9.99
5	2. Aqua America	96%	$ 755.7	$ 3,863.4	AA-	NR	10.33
6	3. California Water	100%	$ 541.5	$ 1,443.1	AA-	NR	9.99
7	4. Connecticut Water	100%	$ 79.8	$ 422.6	A	NR	9.75
8	5. Middlesex	89%	$ 106.6	$ 433.3	A	NR	10.15
9	6. SJW Corp.	96%	$ 261.4	$ 870.5	A	NR	9.99
11	Average	92%	$ 365.8	$ 1,324.2			10.03
13	Rio Rico Utilities, Inc. dba Liberty Utilities (Adjusted as of February 29, 2012)	68%	$ 4.2	$ 28.2	NR	NR	

[1]AUS Utility Reports (January 2013).

Rio Rico Utilities, Inc. dba Liberty Utilities
Capital Structures

Exhibit
Rebuttal Schedule D-4.3

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	American States	45.5%	54.5%	26.3%	73.7%
2	Aqua America	52.7%	47.3%	27.2%	72.8%
3	California Water	51.7%	48.3%	37.6%	62.4%
4	Connecticut Water	53.2%	46.8%	33.9%	66.1%
5	Middlesex	42.8%	57.2%	30.4%	69.6%
6	SJW Corp.	56.6%	43.4%	41.6%	58.4%
7					
8	Average	50.4%	49.6%	32.8%	67.2%
9					
10	Rio Rico Utilities, Inc. dba Liberty Utilities (Proforma)	20.0%	80.0%	N/A	N/A

[1] Value Line Analyzer Data (January 18, 2013)
[2] Adjusted Per Schedule D-1

Rio Rico Utilities, Inc. dba Liberty Utilities
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.4

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	5.86%	5.00%	11.50%	2.50%	6.21%	6.93%	6.57%
9	2. Aqua America	0.38%	7.00%	4.50%	8.00%	4.97%	7.39%	6.18%
10	3. California Water	NMF	5.50%	6.50%	1.00%	4.33%	5.33%	4.83%
11	4. Connecticut Water	3.43%	3.00%	1.50%	1.50%	2.36%	7.10%	4.73%
12	5. Middlesex	7.10%	5.50%	4.50%	1.50%	4.65%	4.85%	4.75%
13	6. SJW Corp.	NMF	6.50%	NMF	5.50%	6.00%	11.00%	8.50%
16	GROUP AVERAGE	4.19%	5.42%	5.70%	3.33%	4.75%	7.10%	5.93%
17	GROUP MEDIAN	4.64%	5.50%	4.50%	2.00%	4.81%	7.02%	5.51%

[1] Average of changes in annual stock prices ending on December 31 through 2011. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, January 18, 2013
[3] See Schedule D-4.6.

Rio Rico Utilities, Inc. dba Liberty Utilities
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.5

Line No.		[1]	[2]	[3]	[4]	[5]	[6]	[7]
		Ten-year historical average annual changes						
	Company	Price[1]	Book Value[2]	EPS[2]	DPS[2]	Average Col 1-4	Average Future Growth[3]	Average of Future and Historical Growth Col 5-6
	1. American States	6.51%	5.00%	4.50%	2.00%	4.50%	6.93%	5.72%
	2. Aqua America	7.63%	9.00%	6.50%	7.50%	7.66%	7.39%	7.52%
	3. California Water	3.95%	4.50%	3.00%	1.00%	3.11%	5.33%	4.22%
	4. Connecticut Water	5.00%	4.00%	1.00%	1.50%	2.87%	7.10%	4.99%
	5. Middlesex	5.84%	4.50%	2.50%	2.00%	3.71%	4.85%	4.28%
	6. SJW Corp.	2.69%	6.00%	2.00%	5.00%	3.92%	11.00%	7.46%
	GROUP AVERAGE	5.27%	5.50%	3.25%	3.17%	4.30%	7.10%	5.70%
	GROUP MEDIAN	5.42%	4.75%	2.75%	2.00%	3.82%	7.02%	5.35%

[1] Average of changes in annual stock prices ending December 31, 2011. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, January 18, 2013.
[3] See Schedule D-4.6.

Rio Rico Utilities, Inc. dba Liberty Utilities
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rebuttal Schedule D-4.6

Line No.		[1]	[2]	[3]	[4]
1					
2					
3					
4		ESTIMATES OF EARNINGS GROWTH			Average
5				Value	Growth (G)
6	Company	Reuters[1]	Yahoo[1]	Line[1]	(Cols 1-3)[2]
7	1. American States	11.30%	4.00%	5.50%	6.93%
8	2. Aqua America	7.87%	7.30%	7.00%	7.39%
9	3. California Water	5.00%	5.00%	6.00%	5.33%
10	4. Connecticut Water	8.00%	6.10%	7.50%	7.10%
11	5. Middlesex	neg	2.70%	7.00%	4.85%
12	6. SJW Corp.		14.00%	8.00%	11.00%
13					
14					
15	GROUP AVERAGE	8.04%	6.52%	6.83%	7.10%
16	GROUP MEDIAN				7.02%
17					
18					
19	[1] Data as of January 18, 2013				
20	[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.				
21					
22					
23					
24					
25					
26					
27					
28					

Rio Rico Utilities, Inc. dba Liberty Utilities
Current Dividend Yields for Water Utility Sample Group

Exhibit
Rebuttal Schedule D-4.7

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1	1. American States	$ 50.75	$ 1.10	2.17%	3.20%
2	2. Aqua America	$ 26.87	$ 0.63	2.34%	2.85%
3	3. California Water	$ 19.16	$ 0.62	3.24%	3.36%
4	4. Connecticut Water	$ 29.94	$ 0.94	3.14%	3.62%
5	5. Middlesex	$ 19.28	$ 0.73	3.79%	4.02%
6	6. SJW Corp.	$ 25.90	$ 0.69	2.66%	2.94%
7					
8	Average			2.89%	3.33%
9	Median			2.90%	3.28%

[1] Value Line Analyzer Data. Stock prices as of January 18, 2013.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Rio Rico Utilities, Inc. dba Liberty Utilities
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rebuttal Schedule D-4.8

Line No.		[1] Average Spot Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]	[3] Growth (g)		[4] Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	2.89%	3.06%	5.93%	3	9.0%
10	DCF - Future Growth	2.89%	3.09%	7.10%	4	10.2%
13	Average	2.89%	3.08%	6.51%		9.6%

[1] Spot Dividend Yield = D_0/P_0. See Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Schedule D-4.4, column 7
[4] Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Rio Rico Utilities, Inc. dba Liberty Utilities
Market Betas

Exhibit
Rebuttal Schedule D-4.9

Line No.	Company	Beta (β)[1]
1		
2	1. American States	0.70
3	2. Aqua America	0.60
4	3. California Water	0.65
5	4. Connecticut Water	0.75
6	5. Middlesex	0.70
7	6. SJW Corp.	0.85
8		
9	Average	**0.71**
10		
11		
12		
13	[1] Value Line Investment Analyzer data (January 18, 2013)	
14	Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15	in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16	(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17	derived from a regression analysis of the relationship between weekly percent-age changes in the	
18	price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19	the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20	The Betas are adjusted for their long-term tendency to converge toward 1.00.	

Rio Rico Utilities, Inc. dba Liberty Utilities
Forecasts of Long-Term Interest Rates
2012-14

Exhibit
Rebuttal Schedule D-4.10

Line No.	Description	Actual Jan-13	2013	2014	Average
1					
2					
3					
4					
5					
6	Blue Chip Consensus Forecasts[1]	3.05%	3.1%	3.6%	3.3%
7					
8	Value Line[2]	3.05%	3.6%	4.5%	3.7%
9					
10	Average				3.5%
11					
12					
13					
14					
15	[1] December 2012 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury				
16	[2] Value Line Quarterly forecast, dated November 23, 2012, Long-term Treasury				
17					
18					
19					
20					
21					
22					
23					
24					

Rio Rico Utilities, Inc. dba Liberty Utilities
Computation of Current Market Risk Premium

Exhibit
Rebuttal Schedule D-4.11

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Jan 2011	2.34%	2.60%	+	11.10%	=	13.70%	-	4.52%	=	9.18%
5	Feb	2.41%	2.73%	+	13.16%	=	15.89%	-	4.65%	=	11.24%
6	Mar	2.35%	2.64%	+	12.33%	=	14.97%	-	4.51%	=	10.46%
7	April	1.83%	2.02%	+	10.30%	=	12.32%	-	4.50%	=	7.82%
8	May	1.95%	2.18%	+	11.76%	=	13.94%	-	4.29%	=	9.65%
9	June	1.97%	2.21%	+	12.11%	=	14.32%	-	4.23%	=	10.09%
10	July	2.23%	2.58%	+	15.51%	=	18.09%	-	4.27%	=	13.82%
11	Aug	2.73%	3.24%	+	18.51%	=	21.75%	-	3.65%	=	18.10%
12	Sept	2.88%	3.47%	+	20.40%	=	23.87%	-	3.18%	=	20.69%
13	Oct	2.60%	3.03%	+	16.35%	=	19.38%	-	3.13%	=	16.25%
14	Nov	2.75%	3.24%	+	17.89%	=	21.13%	-	3.02%	=	18.11%
15	Dec 2011	2.70%	3.17%	+	17.41%	=	20.58%	-	2.98%	=	17.60%
16	Jan 2012	2.61%	2.98%	+	14.18%	=	17.16%	-	3.03%	=	14.13%
17	Feb	2.60%	2.99%	+	15.01%	=	18.00%	-	3.11%	=	14.89%
18	Mar	2.36%	2.65%	+	12.33%	=	14.98%	-	3.28%	=	11.70%
19	April	2.62%	3.02%	+	15.22%	=	18.24%	-	3.18%	=	15.06%
20	May	2.86%	3.38%	+	18.12%	=	21.50%	-	2.93%	=	18.57%
21	June	2.73%	3.18%	+	16.59%	=	19.77%		2.70%	=	17.07%
22	July	2.79%	3.29%	+	18.10%	=	21.39%		2.59%	=	18.80%
23	Aug	2.73%	3.17%	+	16.23%	=	19.40%		2.77%	=	16.63%
24	Sept	2.67%	3.07%	+	14.95%	=	18.02%		2.88%	=	15.14%
25	Oct	2.71%	3.14%	+	15.81%	=	18.95%		2.90%	=	16.05%
26	Nov	2.74%	3.15%	+	14.88%	=	18.03%		2.80%	=	15.23%
27	Dec 2012	2.62%	2.95%	+	12.63%	=	15.58%		2.88%	=	12.70%
28											
29											
30	Recommended	2.69%	3.08%	+	14.44%	=	17.52%	-	2.86%	=	14.66%
31											
32	Short-term Trends										
33	Recent Twelve Months Avg	2.67%	3.08%	+	15.34%	=	18.42%	-	2.92%	=	15.50%
34	Recent Nine Months Avg	2.72%	3.15%	+	15.84%	=	18.99%	-	2.85%	=	16.14%
35	Recent Six Months Avg	2.71%	3.13%	+	15.43%	=	18.56%	-	2.80%	=	15.76%
36	Recent Three Months Avg	2.69%	3.08%	+	14.44%	=	17.52%	-	2.86%	=	14.66%
37											
38											

39 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

40 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).

41 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

42 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.

43

Rio Rico Utilities, Inc. dba Liberty Utilities
Capital Asset Pricing Model (CAPM)

Exhibit
Rebuttal Schedule D-4.12

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	3.5%	+	0.71	x	6.6%	[4]	=	8.2%
4									
5	Current Market Risk Premium CAPM	3.5%	+	0.71	x	14.7%	[5]	=	13.9%
6									
7	Average								11.0%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Schedule D-4.10.								
13	[2] Value Line Investment Analyzer data. See Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2012 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2011.								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.								
17									
18									
19									
20									

Rio Rico Utilities, Inc. dba Liberty Utilities
Financial Risk Computation

Exhibit
Rebuttal Schedule D-4.13

Line No.											
1	**CAPM**										
2		**Rf**		+	**β**		x	**(Rp)**			**k**
3	Historical Market Risk Premium	3.5%	1	+	0.71	2	x	6.6%	3	=	8.2%
4	Current Market Risk Premium	3.5%	1	+	0.71	2	x	14.7%	4	=	13.9%
5											
6	Average										11.1%
7											
8											
9	**CAPM Relevered Beta**										
10		**Rf**		+	**β**		x	**(Rp)**			**k**
11	Historical Market Risk Premium	3.5%	1	+	0.64	5	x	6.6%	3	=	7.7%
12	Current Market Risk Premium	3.5%	1	+	0.64	5	x	14.7%	4	=	12.9%
13											
14	Average										10.3%
15											
16	Financial Risk Adjustment										**-0.8%**
17											
18											
19	[1] Forecast of long-term treasury yields. See Schedule D-4.10										
20	[2] Value Line Investment Analyzer data. See Schedule D-4.9										
21	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2012 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2011										
22	[4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks										
23	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11										
24	[5] Relevered bata found on Schedule D-4.15										
25											

Rio Rico Utilities, Inc. dba Liberty Utilities
Financial Risk Computation
Unlevered Beta

Exhibit
Rebuttal Schedule D-4.14

Line No.		Company	VL Beta β_l [1]	Raw Beta Raw β_l [2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]	Unlevered Raw Beta β_u [5]
5	1.	American States	0.70	0.55	43.2%	26.3%	73.7%	0.46
6	2.	Aqua America	0.60	0.40	39.2%	27.2%	72.8%	0.33
7	3.	California Water	0.65	0.48	39.5%	37.6%	62.4%	0.35
8	4.	Connecticut Water	0.75	0.63	41.3%	33.9%	66.1%	0.48
9	5.	Middlesex	0.70	0.55	32.1%	30.4%	69.6%	0.42
10	6.	SJW Corp.	0.85	0.78	38.8%	41.6%	58.4%	0.54
13		Sample Water Utilitie:	0.71	0.57	39.0%	32.8%	67.2%	0.44

[1] Value Line Investment Analyzer data. See Schedule D-4.13
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2011.
[4] See Schedule D-4.3
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Rio Rico Utilities, Inc. dba Liberty Utilities
Financial Risk Computation
Relevered Beta

Exhibit
Rebuttal Schedule D-4.15

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
1							
2							
3							
4							
5	Rio Rico Utilities, Inc. dba Libe	0.44	10.4%	89.6%	38.61%	0.47	0.64
6							
7							
8							
9							
10							
11							
12							

13 [1] Unlevered Beta from Schedule D-4.14.

14 [2] Proforma Capital Structure of Company

	BV (in Thousands)		MV (in Thousands)	MV %
15				
16				
17 Long-term Debt	$ 20	1.00	$ 20	10.40%
18 Preferred Stock	$ -	1.00	-	0.0%
19 Common Stock	$ 80	2.14	(a) 171	89.6%
20 Total Capital	$ 100		$ 191	100.0%

21

22 (a) Current market-to-book ratio of sample water utilities. See work papers.

23

24 [3] Current Tax rate based on test year ending 12/31/2011. See Schedule D-1.

25

26

Rio Rico Utilities, Inc. dba Liberty Utilities
Size Premium[1]

Exhibit
Rebuttal Schedule D-4.16

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.12	1.14%	
8	Low-Cap Companies[3]	1.23	1.88%	
10	Micro-Cap Companies[4]	1.36	3.89%	
12	Decile 10[5]	1.41	6.10%	3.67%

		Risk Premium for Small Water Utilities
20	Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-8 of Morningstar, *Ibbotson SBBI 2012 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,621 million and $6,896 million.
[3] Low-Cap companies includes companies with market capitalization between $423 million and $1,620 million.
[4] Micro-Cap companies includes companies with market capitalization less than $422 million.
[5] Decile 10 includes companies with market capitalization between $1.0 million and $206 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the inidicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 954	Low-Cap	1.88%	4.22%	0.1666667	0.70%
2.	Aqua America	$ 3,732	Mid-Cap	1.14%	4.96%	0.1666667	0.83%
3.	California Water	$ 801	Low-Cap	1.88%	4.22%	0.1666667	0.70%
4.	Connecticut Water	$ 263	Micro-Cap	3.89%	2.21%	0.1666667	0.37%
5.	Middlesex	$ 303	Micro-Cap	3.89%	2.21%	0.1666667	0.37%
6.	SJW Corp.	$ 482	Low-Cap	1.88%	4.22%	0.1666667	0.70%
	Weighted Size Premium for Small Companies						3.67%

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF RIO RICO UTILITIES, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: WS-02676A-12-0196

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

March 8, 2013

EXHIBIT
A-5
ADMITTED

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of the applicant, Rio Rico Utilities, Inc. ("RRUI" or the "Company").

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THE INSTANT CASE?

A. Yes, my direct testimony was submitted in support of the initial application in this docket. There were two volumes at each stage, one addressing rate base, income statement and rate design, and the other addressing cost of capital. Each of those testimonies included my associated schedules.

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A. To respond to the surrebuttal filings by Staff and RUCO. More specifically, this volume of my rejoinder testimony relates to rate base, income statement and rate design for RRUI. In a separate volume of testimony I will provide responses to Staff and RUCO on the cost of capital and rate of return applied to the fair value rate base and the determination of operating income.

II. SUMMARY OF RRUI'S REJOINDER POSITION

Q. WHAT REVENUE INCREASES FOR THE WATER AND WASTEWATER DIVISIONS IS THE COMPANY PROPOSING IN THIS REJOINDER TESTIMONY?

A. For the water division, the Company proposes a total revenue requirement of $3,432,784, which constitutes an increase in revenues of $644,939, or 23.13 percent over adjusted test year revenues. For the wastewater division, RRUI

proposes a total revenue requirement of $1,649,662, which constitutes an increase in revenues of $279,532, or 20.40 percent over adjusted test year revenues.

Q. HOW DO THESE FIGURES COMPARE WITH THE COMPANY'S REBUTTAL FILING?

A. They are higher. In the rebuttal filing for the water division, the Company requested a total revenue requirement of $3,360,630, which required an increase in revenues of $581,865 or 20.94 percent. In the rebuttal filing for the wastewater division, the Company requested a total revenue requirement of $1,605,670, which required an increase in revenues of $325,540, or 17.19 percent. One reason for this change is the Company's acceptance of Staff's and RUCO's capital structure, an issue I discuss in the other volume of my rejoinder testimony.[1]

Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY, STAFF, AND RUCO AT THIS STAGE OF THE PROCEEDING?

A. For the water division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Rebuttal	$3,360,630	$ 581,865	20.94%
Staff-Surrebuttal	$3,122,698	$ 257,875	9.00%
RUCO-Surrebuttal	$3,071,393	$ 206,273	8.25%
Company-Rejoinder	$3,432,784	$ 644,939	23.13%

[1] Rejoinder Testimony of Thomas J. Bourassa – Cost of Capital at 2.

For the wastewater division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Rebuttal	$1,605,670	$ 235,540	17.19%
Staff-Surrebuttal	$1,522,877	$ 120,034	8.56%
RUCO-Surrebuttal	$1,467,898	$ 65,054	4.64%
Company-Rejoinder	$1,649,662	$ 279,532	20.40%

III. RATE BASE

A. Rate Bases

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WATER DIVISION?

A. For the water division the rate bases proposed by the parties proposing a rate base in the case, the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Rebuttal	$ 7,730,108	$ 7,730,108
Staff-Surrebuttal	$ 7,665,342	$ 7,665,342
RUCO-Surrebuttal	$ 7,592,850	$ 7,592,850
Company-Rejoinder	$ 7,730,108	$ 7,730,108

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE FOR THE WATER DIVISION?

A. The Company's rejoinder rate base adjustments to the water division's OCRB are detailed on Rejoinder Schedule B-2, pages 3 through 6. Rejoinder Schedule B-2, pages 1 and 2, summarize the Company's proposed adjustments and the rejoinder OCRB. The Company is not proposing any additional changes to rate base from its rebuttal filing. The adjustments proposed in the Company's rejoinder filing are the

same as in the Company's rebuttal filing. Explanation of the rate base adjustments appear in my rebuttal testimony.[2]

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WASTEWATER DIVISION?

A. Yes, for the wastewater division the rate bases proposed by the parties proposing a rate base in the case, the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Rebuttal	$ 4,735,192	$ 4,735,192
Staff-Surrebuttal	$ 4,694,175	$ 4,694,175
RUCO-Surrebuttal	$ 4,677,834	$ 4,667,834
Company-Rejoinder	$ 4,735,192	$ 4,735,192

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE FOR THE WASTEWATER DIVISION?

A. The Company's rejoinder rate base adjustments to the wastewater division's OCRB are detailed on Rejoinder Schedule B-2, pages 3 through 7. Rejoinder Schedule B-2, pages 1 and 2, summarize the Company's proposed adjustments and the rejoinder OCRB. The Company is not proposing any additional changes to rate base from its rebuttal filing. The adjustments proposed in the Company's rejoinder filing are the same as in the Company's rebuttal filing. Explanation of the rate base adjustments appear in my rebuttal testimony.[3]

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[2] Rebuttal Testimony of Thomas J. Bourassa – Rate Base, Income Statement and Rate Design ("Bourassa Rb.") at 5 – 20.

[3] *Id.* at 20 – 27.

B. Plant-in-Service, Accumulated Depreciation and Retirements

Q. PLEASE DISCUSS THE COMPANY'S REMAINING ISSUES WITH STAFF AND/OR RUCO WITH RESPECT TO RATE BASE?

A. There is only one issue. It involves plant retirements, and it is the same issue for both divisions, only with different numbers. For the water division, the Company is recommending a PIS balance of $34,455,296 whereas Staff and RUCO recommend a PIS balance of $35,997,952, a difference of $1,542,656. The Company's recommended PIS balance is lower because it proposes to retire pumping equipment totaling $1,534,958 and miscellaneous equipment totaling $7,701 whereas Staff and RUCO do not. I discussed the basis for the retirements in my rebuttal testimony.[4]

The Company is also recommending accumulated depreciation ("A/D"), net contributions-in-aid of construction ("CIAC") and accumulated deferred income taxes ("ADIT") balances of $13,756,125, $11,561,368 and $462,717, respectively. These adjusted balances conform to the Company's proposed plant retirement approach. Staff is recommending A/D, net CIAC, and ADIT balances of $15,479,453, $11,486,599, and $421,579, respectively. Staff's adjusted balances conform to Staff's fully depreciated plant approach. RUCO is recommending A/D, net CIAC, and ADIT balances of $15,658,852, $11,381,858, and $419,415, respectively. RUCO's adjusted balances conform to RUCO's fully depreciated plant approach.

Q. WHAT ABOUT THE WASTEWATER DIVISION??

A. The Company is recommending a PIS balance of $12,655,367 whereas Staff and RUCO recommend a PIS balance of $14,249,271, a difference of $1,593,904.

[4] *See id.* at 6 – 8.

The Company's recommended PIS balance is lower because it proposes to retire pumping equipment totaling $1,593,904 whereas Staff's and RUCO's do not. I have discussed the basis for the retirements in my rebuttal testimony.[5]

For the wastewater division, the Company is also recommending A/D, net CIAC and ADIT balances of $4,658,438, $2,661,536 and $283,444, respectively. These adjusted balances conform to the Company's proposed plant retirement approach. Staff is recommending A/D, net CIAC, and ADIT balances of $6,286,242, $2,711,926, and $258,171, respectively. Staff's adjusted balances conform to Staff's fully depreciated plant approach. RUCO is recommending A/D, net CIAC, and ADIT balances of $6,353,587, $2,642,698, and $258,395, respectively. RUCO's adjusted balances conform to RUCO's fully depreciated plant approach.

Q. SO RRUI, STAFF AND RUCO EACH HAVE A DIFFERENT APPROACH TO DEALING WITH OVERSTATEMENTS IN THE BALANCES FOR PLANT AND ACCUMULATED DEPRECIATION AND HOW MUCH ANNUAL DEPRECIATION EXPENSE IS INCLUDED IN THE REVENUE REQUIREMENT?

A. Yes, and it all originates with the need to retire certain plant.

Q. WHY DOES STAFF DISAGREE WITH THE COMPANY'S PLANT RETIREMENT PROPOSAL?

A. I am not entirely sure. Staff complains that the corrections to the accumulated depreciation balances are large.[6] That does not explain why the Company's retirement proposal is not a reasonable remedy to address the Company's failure to record retirements. It is not unusual for a utility, Staff or RUCO to propose

[5] *Id.* at 22 – 23.

[6] *See* Surrebuttal Testimony of Mary J. Rimback ("Rimback Sb.") at 5.

adjustments to the A/D balances related to retirements in a rate case. In some cases, the adjustments can be significant. For example, in the recent Pima Utility Company ("Pima") rate case, Pima proposed an A/D adjustment of nearly ($570,000) and nearly ($1.3) million related to retirements it failed to record by the end of the year for its water division and wastewater division, respectively.[7] Further, Pima proposed additional A/D adjustments of nearly ($590,000) and over $1.4 million to true-up its recorded book A/D balance to the reconstructed A/D balance.

Q. WERE YOU A WITNESS IN THAT CASE?

A. Yes. So I can testify with firsthand knowledge that Staff did not disagree with Pima's approach, nor did Staff complain about the magnitude of the adjustments. Ultimately, the Commission adopted Pima's proposed retirements and related A/D impacts.[8] The only difference between the instant case and that one is Pima proposed its retirement related adjustments in its initial filing and RRUI proposed its retirement related adjustments in its rebuttal filing. The remedy to correct the overstated PIS and A/D balances by recognizing retirements is exactly the same. In the Bella Vista Water Company ("Bella Vista") rate case, which I discussed in my rebuttal testimony, the remedy was also the same, and Bella Vista made its proposal in its rebuttal filing. In that case Staff accepted the remedy and the Commission adopted it.[9] So, the bottom line is, Staff is being inconsistent.

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[7] *See* Docket Nos. W-02199A-11-0329 and SW-02199A-11-0330 (consolidated).
[8] *See* Decision 73573 (November 21, 2012).
[9] Bourassa Rb. at 7.

Q. WHAT IMPACT DO THE PROPOSED PIS AND A/D ADJUSTMENTS RELATED TO THE COMPANY'S RETIREMENTS APPROACH HAVE ON RATE BASE?

A. The net impact on rate base is very small, about $65,000 for the water division. The actual recording of retirements reduces PIS by $1,542,659 and reduces A/D by $1,542,659. This part has zero impact as is true of all retirements. There is an impact as the result of not depreciating the retired plant in the intervening years since the end of the last rate case. For the water division, there is $471,430 less A/D from depreciation, which has a positive impact on rate base. When considering the impact on the net balance of CIAC as well as accumulated deferred income taxes or ADITs, the net overall increase in rate base is just under $65,000.

Again, the same conforming adjustments flow out of Staff's adjustments – Staff's A/D balance is also reduced because fully depreciated plant is not depreciated in the intervening years since the end of the last rate case. For the water division, Staff computed $290,873 less A/D from depreciation; which also has a positive impact on rate base.[10]

Q. IS THIS DISPUTE OVER RETIRED PLANT THE ONLY DIFFERENCE BETWEEN STAFF AND THE COMPANY?

A. Yes. The Company proposes a rate base of $7,730,108 while Staff proposes a rate base of $7,665,342, a difference of less than $65,000. This is less than 1 percent of Staff's or the Company's recommended rate bases. This is a relatively small difference when viewed in the proper context.

[10] *Id.* at 11.

Q. WHAT ABOUT THE WASTEWATER DIVISION?

A. The difference is even smaller. The Company proposes a rate base of $4,735,192 for the wastewater division while Staff proposes a rate base of $4,694,175, a difference of about $41,000.

Q. MR. BOURASSA, WHY IS THERE SUCH A SIGNIFICANT DISPUTE OVER $106,000 OF RATE BASE?

A. Because the Staff approach, as well as the RUCO approach, fails to resolve the issue and we will face it again in future rate cases.

Q. PLEASE EXPLAIN.

A. The PIS and A/D balance are currently overstated because they include amounts for assets that are no longer in service (not used and useful). The underlying utility assets owned by the Company, e.g. mains, meters, hydrants, etc., drive depreciation expense. If the goal is to fix depreciation expense on a going forward basis, then the assets driving the depreciation expense must be addressed. The Company's approach retires assets that are no longer in service so that the remaining assets in service are the only drivers of depreciation expense. The Staff and RUCO approach do not address the assets and will create this same issue in every rate case going forward. Adopting the Company's approach solves the short-term problem, too much depreciation expense, and the long-term problem of what assets are in rate base. That's what happened in the Bella Vista rate case.

Q. IS THE COMPANY RETIRING PLANT WHEN IT BECOMES FULLY DEPRECIATED IRRESPECTIVE OF WHETHER THE PLANT REMAINS IN SERVICE?

A. Not my knowledge.[11] Again, following the remedy in the Bella Vista rate case, RRUI identified the plant amounts to retire by an analysis of past additions to the pumping equipment and miscellaneous equipment account and the expected useful lives of the underlying plant in these two accounts.[12] This approach was necessitated because the Company lacks sufficient detail to identify specific plant added by its prior owners that is no longer used and useful. Staff accepted the lack of sufficient plant detail from pre-Liberty days in the Bella Vista rate case as the reason for using an approach different than actually identifying specific plant equipment to retire.[13] As Staff argued in the Bella Vista rate case, if one assumes the useful lives embedded in the depreciation rates are reflective of the useful lives of the underlying plant, then it is reasonable to assume plant additions older than the expected useful life reflect plant that is no longer used and useful.[14]

Q. WHAT ABOUT STAFF'S COMPLAINT THAT THE COMPANY'S PROPOSAL TO RETIRE PLANT BASED ON ITS ACCUMULATED DEPRECIATION STATUS IS AT VARIANCE WITH THE NARUC UNIFORM SYSTEM OF ACCOUNTS?

A. The Company's proposal to retire plant is <u>not</u> based on its accumulated depreciation status so the complaint by Ms. Rimback is unfounded. The proposal is based upon plant that is no longer used and useful, just as it was in the Bella Vista rate case.

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[11] *See* Rimback Sb. at 7.

[12] Bourassa Rb. at 8.

[13] *See* Direct Testimony of Crystal S. Brown (Docket No. W-02465A-09-0411, *et al.*) at 16.

[14] *Id.*

Q. WHAT ARE THE SIMILARITIES AND DIFFERENCES BETWEEN BELLA VISTA AND RRUI?

A. Below is a table comparing the circumstance and/or action taken to address the overstatements in the PIS and A/D balances as well as the going-forward depreciation expense levels between the Bella Vista rate case and this rate case.

Circumstance/Action	**Bella Vista**	**RRUI**
*Utility Plant Related	Yes	Yes
*Previously a Developer Owned Utility	Yes	Yes
*PIS and A/D balances appear too high relative to net book value which causes depreciation expense to be too high	Yes	Yes
*Plant detail unavailable from prior owner to identify specific plant to retire	Yes	Yes
*Estimate retirements using an appropriate method	Yes	Yes
*Plant retirements resolve PIS balance, A/D balance, and depreciation expense issues	Yes	Yes
*Staff Recommendation	Retire plant and correct PIS and A/D balances	Don't retire plant
*Total of PIS retirements adopted and/or recommended by company	$1,333,228	Water $1,542,659 Wastewater $1,593,905

Remember, in the Bella Vista rate case Staff's recommendation to retire plant was premised upon overstatements of the PIS and A/D balance as well and the related overstatement of depreciation expense caused by not used and useful plant in the PIS balance.[15] Staff also recognized that an alternative method to

[15] *See id.* at 15 – 17.

estimate the plant retirement amounts was necessary to the lack of sufficient documentation from the prior owners.[16]

Q. NOTWITHSTANDING STAFF'S AFOREMENTIONED CONCERNS, IS THE COMPANY'S METHODOLOGY TO ESTIMATE THE RETIREMENT AMOUNTS REASONABLE?

A. Yes. I have explained that methodology in my rebuttal testimony. The methodology is similar to the methodology Staff proposed in the Bella Vista rate case.

Q. HOW MUCH PLANT DID STAFF SEEK TO RETIRE IN THE BELLA VISTA RATE CASE?

A. Staff recommended $1,333,228 in retirements as shown on Surrebuttal Schedule CSB-7.[17] This was the same amount proposed by Bella Vista.[18] By comparison, the Company is proposing $1,542,659 in retirements for the water division.[19]

Q. WHAT WAS THE NET IMPACT ON THE A/D BALANCE IN THE BELLA VISTA RATE CASE?

A. The A/D balance was reduced by $290,690. By comparison, the Company is proposing a $471,430 reduction in the A/D balance for the water division.[20]

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[16] *Id.*

[17] *See* Surrebuttal Testimony of Crystal Brown (Docket No. W-02465A-09-0411, et al.) at Schedule CSB-7.

[18] *See* Rejoinder Testimony of Thomas J. Bourassa (Docket No. W-02465A-09-0411, et al.) at Consolidated Rejoinder Schedule B-2, page 3.5.

[19] See Water Division Rejoinder Schedule B-2, page 3.

[20] See Water Division Rejoinder Schedule B-2, page 4.

Q. DOES STAFF ATTEMPT TO DISTINGUISH THIS CASE FROM THE BELLA VISTA CASE?

A. Yes, Ms. Rimback testifies that the issue of whether to retire plant that remains in service was not an issue in the Bella Vista case.[21] I agree. In my view it is not an issue in the instant case either.

Q. THEN WHY ALL THE CRITICISM BY STAFF?

A. Candidly, Staff is making this issue far more complicated that it needs to be. For example, on page 9 or her testimony, Ms. Rimback quotes a statement at the beginning of the Company's retirement policy where it states:

> *From time to time, assets are removed or replaced prior to the end of their useful life. This policy governs the accounting treatment of asset retirements and how they are to be recorded on the utility books.*

She then asserts the policy is unclear because it says nothing about plant that is still in service after the end of its expected life. The policy is a "retirement" policy. As such, it specifically refers to plant removed and/or replaced. If the plant is neither removed and/or replaced then it is not retired.

Similarly, Ms. Rimback claims that the accounting entries are unclear.[22] The accounting entries listed in the retirement policy conform to the USoA. Ultimately, the book cost of an asset reduces the plant account and accumulated depreciation in conformance with USoA accounting instruction 27(B)2. I do not know why Ms. Rimback finds this unclear.

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[21] Rimback Sb. at 8.

[22] *Id.* at 9 – 10.

Q. THEN YOU LIKELY DISAGREE WITH STAFF'S RECOMMENDATION THAT THE COMMISSION DIRECT RRUI TO REVISE ITS RETIREMENT POLICY AND TO PROVIDE TRAINING TO EMPLOYEES AND OVERSIGHT OF ITS RELATED PRACTICES?

A. Yes, strongly, as I also disagree with Ms. Rimback's claim that sanctions and fines might be warranted.[23] This is a serious overreach. The issue is really quite simple – despite the adoption of a retirement policy, the Company missed some plant items that should have been retired with all conforming adjustments before the application was filed. The Company is doing the best it can with the predecessor's records. As soon as the fact that plant no longer in service was in rate base was pointed out, the Company turned to the same remedy just used in the Bella Vista case without complaint. Ms. Rimback did not work on the Bella Vista case, in fact she was not even on Staff when that case was decided. Perhaps in her inexperience she is not aware that oversights are often corrected along the way in rate cases, and the point is to get it right so we can set the rates.

Q. PLEASE COMMENT ON RUCO'S SURREBUTTAL TESTIMONY REGARDING THIS ISSUE.

A. RUCO has not offered any additional testimony on this subject so my rebuttal testimony is still responsive to RUCO's position.[24]

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[23] *Id.* at 11.

[24] Bourassa Rb. at 11 – 13.

IV. INCOME STATEMENT

A. Water Division Revenue and Expenses

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WATER DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.

A. The Company adjustments for the water division are detailed on Rejoinder Schedule C-2, pages 1 through 16. The rejoinder income statement with adjustments is summarized on Rejoinder Schedule C-1, pages 1 and 2. The Company is proposing two changes to revenues and/or expenses from its rebuttal filing. The first change is an adoption of RUCO's recommended revenue annualization for Morning Star Ranch ("MSR").[25] The second change reflects a revision to adjusted test year income taxes as a result of the adoption of a 100 percent capital structure with no interest expense deduction from interest synchronization.[26] All other adjustments proposed in the Company's rejoinder filing remain the same as in its rebuttal filing. Explanations of the revenue and/or expense adjustments appear in my rebuttal testimony.[27]

1. Response to Staff Surrebuttal Testimony

Q. PLEASE DISCUSS THE COMPANY'S REMAINING ISSUES WITH STAFF CONCERNING THE WATER DIVISION'S REVENUES AND/OR EXPENSES.

A. There are several revenue and/or expense issues remaining between the Company and Staff. They include: 1) declining usage adjustment; 2) the MSR revenue

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[25] See Water Division Rejoinder Schedule C-2, adjustment number 4.
[26] See Water Division Rejoinder Schedule C-2, adjustment number 15.
[27] Bourassa Rb. at 28 – 34.

annualization, 3) corporate allocation; and 4) employee benefits. With the exception of the MSR revenue annualization, these issues also impact the wastewater division. The third issue—employee benefits—are addressed by Mr. Sorensen in his rejoinder.[28]

The differences in depreciation expense result from the differences between the two parties' proposed PIS balances, not a disagreement over the depreciation rates or application of the depreciation calculation. The differences between the Staff and RRUI with respect to property tax and income tax expense are a function of the differences between the parties' adjusted test year revenues and proposed revenue requirements, not differences in computation or methodology.

a. <u>Declining Usage Adjustment</u>

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND STAFF CONCERNING THE COMPANY PROPOSED DECLINING USAGE ADJUSTMENT.

A. Staff recommends denial of the Company's proposed declining usage adjustment because it believes customers have already made adjustments to their lifestyles to use more water efficiently and therefore will not further reduce their consumption.[29] In other words, future consumption levels are not known and measurable. This is disturbing. Staff has recommended and the Commission has regularly adopted normalized expenses in the past. Normalized expenses are expense levels that are determined by using historical averages, which are then presumed to be the level of the expense on a going forward basis. Normalized expenses are no more and no less known and measurable than a declining usage adjustment based on an analysis of historical consumption. In fact, in many

[28] Rejoinder Testimony of Greg Sorensen ("Sorensen Rj.") at 4 – 8.
[29] Rimback Sb. at 13.

respects the Company's proposed declining usage adjustment is superior to expense normalization.

I have argued unsuccessfully in the past that expense normalizations should consider other factors rather than simply taking the average of 3 or 4 historical years and stopping there. The Company's declining usage adjustment is based upon an analysis of the last four years, which takes into consideration not only customer growth, but varying conditions including weather and previous changes in rates. Just as important, the Company's declining usage adjustment is extremely conservative. Increased consumption in each usage block from customer growth offsets reductions in consumption that have occurred each year. In other words, the true reductions in consumption would be much higher but for customer growth.

Q. WHAT ABOUT STAFF'S CLAIM THAT THEY JUST DO NOT HAVE ENOUGH TIME TO REVIEW THE PROPOSED ADJUSTMENT?

A. I think it is unfortunate. We have long heard about Staff's strained resources and we sympathize. But, the Company filed its rebuttal testimony on January 28, 2013. The hearing date is scheduled for March 26, 2013, giving Staff nearly 2 months to complete its evaluation. Instead, Staff just ignored it and didn't even try to conduct an evaluation. Finally, we started the discussion of declining usage in Mr. Sorensen's Direct Testimony.[30] RRUI continues to experience significant revenue erosion to the tune of approximately 8 percent of total revenues which are lost to customers conserving water.

[30] Direct Testimony of Greg Sorensen at 6 – 7.

Q. HOW DOES THIS DECLINING USAGE IMPACT RRUI'S ABILITY TO EARN ITS AUTHORIZED RATE OF RETURN?

A. It is almost impossible. One of the key aspects in having the opportunity to earn an authorized rate of return is collecting all of the revenue authorized by the Commission. As illustrated in Mr. Sorensen's testimony,[31] RRUI was authorized to collect revenues of $4.598M in the last rate case, yet RRUI only collected $4.211M because RRUI did not sell as much water. So, even if RRUI had expense levels that matched the levels authorized by the Commission it wouldn't have earned its authorized rate of return.

By way of further example –

	Commission Authorized	Actual Results
Revenue	$10.00	$9.00
Expenses	$8.50	$8.50
Profit	$1.50	$0.50
Return Percent	15%	5.5%

As illustrated in the table, even if the Company controls costs and does everything in its control, the declining usage of customers impacts the company's bottom line profit and therefore cannot earn its authorized rate of return.

[31] *Id.* at 6.

b. **MSR Revenue Annualization**

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND STAFF WITH RESPECT TO THE MSR REVENUE ANNUALIZATION.

A. Staff recommends a revenue annualization adjustment for MSR totaling $9.985.[32] The Company has adopted RUCO's MSR revenue annualization adjustment totaling $10,282, which is $267 higher than Staff's recommendation. The Company believes the RUCO MSR revenue annualization is computationally correct and the $10,282 adjustment should be adopted.

c. **Corporate Allocation**

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN RRUI AND STAFF WITH RESPECT TO THE COMPANY'S PROPOSED CORPORATE ALLOCATION.

A. Staff continues to recommend a reduction to Management Services – Corporate expense.[33] Staff's recommendation apparently rests on Staff's inability to understand the underlying support for the Company's recommended costs.[34] Frankly, I am perplexed as to why Ms. Rimback believes the Company did not provide direct support for all of its corporate costs.[35] I have personally examined the corporate cost support information and was readily able to find the underlying transaction detail for all allocated corporate costs. As an auditor, having identified the transactions, I could then make specific inquiries to the Company and request copies of invoices for back-up.

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[32] *See* Surrebuttal Testimony of Timothy J. Coley ("Coley Sb.") at 20.

[33] Rimback Sb. at 15.

[34] *Id.*

[35] *See id.* (referring to the Company's information as an "indirect representation" of costs).

Q. DID MS. RIMBACK DO THAT?

A. Well, it appears she was able to at least identify the transactions because she did request copies of invoices for support of certain transactions. The Company provided responses to Ms. Rimback's requests on October 4, 2012 and November 7, 2012.[36] I am unsure about what she did once she received this information, but again, I found no difficulty in identifying the underlying transactions supporting the entire amounts, $133,975 and $59,292, the Company seeks to include in operating expense for the water division and wastewater division, respectively.

Q. WHAT OTHER INFORMATION DID THE COMPANY PROVIDE STAFF TO SUPPORT THE CORPORATE COSTS?

A. On September 10, 2012 the Company first provided Staff and the other parties information supporting the corporate costs.[37] Then there were the two additional data requests I previously mentioned. On January 4, 2013, in response to comments by Staff and to assist Staff in its audit, the Company also provided Ms. Rimback a reconciliation of the corporate costs to the C-1 schedules (income statements for water and wastewater), including the back-up transaction detail in an Excel workbook. This information contained the same transaction detail provided back in September, except that the Company also included a reconciliation of the corporate costs to the amounts appearing on the Company's C-1 schedules with links to the transaction detail. On January 25, 2013 the Company provided the same information to Mr. Armstrong. The schedules provided are a direct representation of the corporate costs the Company seeks to include in operating expenses. As such, I find Ms. Rimback's reason for denying some of the corporate

[36] *See* Company response to Staff data requests MJR 3.3, MJR 3.6, MJR 3.10, and MJR 4.4.

[37] *See* Company response to Staff data requests MJR 2.3 and MJR 2.10.

costs to be unfounded and believe the Commission should reject Staff's recommendation as a result.

Q. DID RUCO COMPLAIN THAT THE SUPPORTING INFORMATION THE COMPANY PROVIDED WAS INADEQUATE IN SOME WAY?

A. Not to my knowledge.

d. Additional Comments

Q. HAS STAFF ACCEPTED THE COMPANY'S PROPOSED PURCHASED POWER ADJUSTMENT?

A. Yes, provisionally.[38] The Company agrees with Staff that when the final outcome for the UNSE rate increase is known the Company can update its purchased power adjustment.

2. Response to RUCO Surrebuttal Testimony

Q. PLEASE DISCUSS THE COMPANY'S REMAINING ISSUES WITH RUCO WITH RESPECT TO REVENUES AND/OR EXPENSES.

A. There are several revenue and/or expense issues remaining between the Company and RUCO. They include: 1) property tax expense; 2) rate case expense amortization period; 3) declining usage adjustment; 4) purchased power; 5) achievement and incentive pay; and 6) corporate allocation. Each of these issues impacts both divisions. Mr. Sorenson responds to RUCO's surrebuttal testimony on the fifth issue – achievement and incentive pay.[39]

As with Staff, the difference with respect to depreciation expense is a function of the differences between the parties proposed PIS balances. Also, the difference on income tax expense is a function of the parties' adjusted test year revenues and proposed revenue requirements.

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[38] Rimback Sb. at 14.

[39] Sorensen Rj. at 1 – 3.

a. **Property Taxes**

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND RUCO WITH RESPECT TO THE PROPERTY TAXES.

A. RUCO proposes somewhat lower property tax rates and uses different net book values on transportation equipment than the Company. So, this dispute is not a function of the differences between the parties' adjusted test year revenues and proposed revenue requirements or the result of a disagreement over the application of the modified ADOR property tax calculation.

Q. PLEASE EXPLAIN THE DISPUTE.

A. With respect to the property tax rates, the Company used the full cash value assessed at 20 percent in computing the property tax rates. Mr. Coley uses an assessed value that does not represent 20 percent of the full cash value.

For the specific example Mr. Coley refers to in his surrebuttal testimony,[40] the full cash value on the property tax statement is $3,530,100. I have included the property tax statement as **Exhibit TJB-RB-RJ1**. Using an assessment ratio of 20 percent, the full cash value is $706,020, matching the property tax statement. The property tax statement also shows another assessed value of $727,390, which is not 20 percent of the full cash value. The $727,390 appears to include (and double count) the assessed value on land totaling $21,370 ($706,020 plus $21,290 equals $727,390). However, the full cash value of $3,350,100 includes the full cash value of land and the assessed value of $706,220 includes the assessed value of land. The property tax statement's second assessed value figure appears to double count the assessed value of land.

[40] Coley Sb. at 5.

I cannot explain why the statement shows the two different assessed values in this way, but all utility operating property should be assessed at 20 percent. There should not be a double counting of the assessed value of land. Consequently, I believe I used the correct full cash value and assessed value in computing my property tax rate.

Q. WHAT ABOUT THE NET BOOK VALUE OF TRANSPORTATION EQUIPMENT?

A. At this stage of the proceeding, both Staff and the Company agree on the net book value of transportation equipment. Implied by this mutual agreement is that both Staff and the Company determined the same PIS and A/D balances for transportation equipment balance in their respective reconstructions. RUCO's reconstructed A/D is different than that of both the Company and Staff, and therefore RUCO has a different net book value. RUCO denies there are any errors in its computations and claims the difference is the result of different depreciation methods used by RUCO compared to the Company.[41] However, the fact that the depreciation method RUCO uses to reconstruct the A/D balance is one that I have never seen and/or is not in conformance with any acceptable depreciation method translates to an error in my book..[42]

b. <u>Rate Case Expense Amortization</u>

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND RUCO WITH RESPECT TO RATE CASE EXPENSE.

A. RUCO and the Company are in agreement on total rate case expense. However, RUCO continues to recommend a 4-year recovery period in contrast the Company's recommend 3-year recovery period. RUCO has not offered any

[41] *Id.* at 17.

[42] Bourassa Rb. at 11 – 13.

additional support for its recommendation, nor has it responded to the Company's rebuttal testimony on rate case expense.[43]

Q. WHY DOES RUCO ARGUE FOR FOUR YEARS?

A. Mr. Coley provided a work paper that showed how he arrived at a four-year amortization period.[44] But Mr. Coley makes one fundamentally wrong assumption that distorts his entire analysis. Specifically, he assumes that RRUI's two prior rate cases under prior owners are valid data points to calculate an amortization period. However, Decisions 59547 (March 13, 1996) and 67279 (October 5, 2004) predate Liberty Utilities, which has already brought RRUI in for rate cases every three years, consistent with its general corporate policy.[45] Finally, even if Mr. Coley's analysis was somehow correct, this completely contradicts RUCO's rate case expense amortization period from the last RRUI rate case in which Liberty Utilities owned the Company: "RUCO recommends amortizing this [rate case expense] amount over three years ..."[46]

c. Declining Usage Adjustment

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND RUCO CONCERNING THE COMPANY'S PROPOSED DECLINING USAGE.

A. RUCO rejects the Company's proposed declining usage adjustment because it has rejected such adjustments in recent cases involving Arizona Water Company.[47] Mr. Coley does not refute the analysis demonstrating that RRUI has had and

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[43] *Id.* at 35 – 36.

[44] Mr. Coley's work paper, attached as **Exhibit TJB-RB-RJ2**, is shown with his original analysis and my revised analysis.

[45] Bourassa Rb. at 35 – 36.

[46] Decision 72059 (January 6, 2011) at 24:1-2.

[47] Coley Sb. at 40.

continues to face declining usage. So, despite RUCO's selective support of normalization adjustments, it would appear RUCO has a specifically policy of opposing declining usage adjustments. But RUCO's policy cannot hide or remedy declining consumption that has eroded RRUI's revenues by over $218,000. That's revenues the Company lost through no fault of its own and will never get back and will continue forcing RRUI to not have an opportunity to earn its authorized rate of return.

d. Corporate Allocation

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND RUCO WITH RESPECT TO THE CORPORATE ALLOCATION.

A. RUCO has not changed its position regarding its corporate cost adjustment and continues to rely on its direct testimony to support its position. I have responded to RUCO's direct testimony in my rebuttal testimony and have nothing more to add here.[48]

e. Purchased Power

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND RUCO WITH RESPECT TO PURCHASED POWER.

A. RUCO rejects the Company's purchased power adjustment calling it "highly speculative".[49] However, the increase UNS Electric ("UNSE") will be granted will not be zero. As a side note, the Company recognizes it referred to TEP as the power provider. The Company stands corrected. That said, if the purchased power adjustment is denied in this case, this increase in power costs, approved by this

[48] Bourassa Rb. at 38 – 40.

[49] Coley Sb. at 41.

Commission, will contribute to the erosion of RRUI's earnings making it unlikely RRUI will earn its authorized rate of return.

There is a solution to address RUCO's concern. The solution is a purchased power adjuster mechanism. But, of course, RUCO has rejected any and all attempts by water and wastewater utilities to obtain adjuster mechanisms, so this seems to be another matter of policy for RUCO.

f. Additional Comments

Q. HAS RUCO ACCEPTED THE COMPANY'S PROPOSED EMPLOYEE BENEFITS ADJUSTMENT?

A. Yes, provisionally.[50] RUCO is still verifying the additional expense.[51]

B. Wastewater Division Revenue and Expenses.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WASTEWATER DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.

A. The Company adjustments for the water division are detailed on Rejoinder Schedule C-2, pages 1 through 16. The rejoinder income statement with adjustments is summarized on Rejoinder Schedule C-1, pages 1 and 2. The Company is proposing one change to revenues and/or expenses from its rebuttal filing. Specifically, this change reflects a revision to adjusted test year income taxes as a result of the adoption of a 100 percent capital structure with no interest expense deduction from interest synchronization.[52] All other adjustments proposed in the Company's rejoinder filing are the same as in the rebuttal filing.

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[50] *Id.* at 24.

[51] *Id.*

[52] See Wastewater Division Rejoinder Schedule C-2, adjustment number 15.

Explanations of the revenue and/or expense adjustments appear in my rebuttal testimony.[53]

1. Response to Staff Surrebuttal Testimony

Q. PLEASE DISCUSS THE COMPANY'S REMAINING ISSUES WITH STAFF WITH RESPECT TO THE WASTEWATER DIVISION'S REVENUES AND/OR EXPENSES.

A. The issues remaining in dispute between the Company and Staff with respect to the wastewater division income statement include: 1) declining usage adjustment; 2) corporate allocation; and 3) employee benefits. As with the water division, the difference between the parties with respect to depreciation expense is a function of the differences between the parties' proposed PIS balances, and the differences in property and income taxes, is a function of the differences between the parties' adjusted test year revenues and proposed revenue requirements.

I have discussed the issues with respect to the areas of disagreement with Staff on the declining usage adjustment, MSR revenue annualization, corporate allocation, and employee benefits. My discussion on these issues applies equally to the wastewater division only the amounts in dispute are different.

2. Response to RUCO Surrebuttal Testimony

Q. PLEASE DISCUSS THE COMPANY'S REMAINING ISSUES WITH RUCO WITH RESPECT TO THE WASTEWATER DIVISION'S REVENUES AND/OR EXPENSES.

A. There are several remaining revenue and/or expense issues between the Company and RUCO. They include: 1) property tax expense; 2) purchased power, 3) rate case expense; 4) declining usage adjustment; 5) achievement and incentive pay;

[53] Bourassa Rb. at 41 – 48.

6) corporate allocation; and, 7) Nogales WW treatment expense. Only the last issue is limited to the wastewater division. Also, again, Mr. Sorensen will address achievement and incentive pay in his rejoinder.[54]

Like water, the difference between the Company and RUCO with respect to depreciation expense is a function of the differences between the parties' proposed PIS balances, and the difference between the parties with respect to income tax expense is a function of the parties' adjusted test year revenues and proposed revenue requirements.

I have discussed the issues with respect to the areas of disagreement with RUCO on property tax expense, rate case expense, the declining usage adjustment, corporate costs, and purchased power.[55] My discussion on these issues applies equally to the wastewater division, only the amounts in disputes are different for the wastewater division.

a. <u>Nogales WW Treatment Expense</u>

Q. PLEASE COMMENT ON THE DISAGREEMENT BETWEEN THE COMPANY AND RUCO WITH RESPECT THE NOGALES WASTEWATER TREATMENT EXPENSE.

A. RUCO agrees with the Company that once the contractual amount for the City of Nogales is clarified the amounts included in the test year for wastewater treatment should be trued up.[56] However, for now, RUCO continues to recommend an amount that is no more than an estimate of the going forward expense and the Company continues to recommend the test year actual amount.

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[54] Sorensen Rj. at 1 – 3.
[55] See pages 22 – 26, *supra*.
[56] Coley Sb. at 26.

Q. WHAT IS THE STATUS OF A FINAL COST ESTIMATE FROM THE CITY OF NOGALES?

A. The most recent information from the City of Nogales was received on or about February 21, 2013. In their correspondence to the Company, the City indicated it still does not have the necessary information to provide a reconciliation of the RRUI account.[57] Until they do, we simply do not have a known and measurable amount.

Q. MR. BOURASSA, IF THE COMMISSION APPROVES OF RUCO'S ADJUSTMENT FOR THE NIWWTP MONTHLY EXPENSE, WILL RRUI BE HARMED?

A. Yes. RRUI risks having a higher expense level than what is granted in the test year due to the City's inability to give the Company an exact cost.

Q. HOW SHOULD THE COMMISSION ADDRESS THIS?

A. If the Commission insists on making an adjustment for the expense, it should authorize a regulatory asset and liability through an Accounting Order that authorizes RRUI to defer any incremental expense above or below the test year level authorized in rates so that it may recover the difference in a future rate case. An appropriate Accounting Order might state: "IT IS FURTHER ORDERED that the Company is authorized to defer on its balance sheet as a regulatory asset or liability any incremental expense above or below test year levels authorized in this rate case related to the NIWWTP monthly wastewater treatment expense. In its next general rate case the Company shall propose an amortization period for recovery or refunding of the regulatory asset or liability."

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[57] See **Exhibit TJB –RB-RJ3**.

V. RATE DESIGN

A. Water Division

Q. WHAT ARE THE COMPANY'S REJOINDER PROPOSED RATES FOR WATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" meters	$17.35
3/4" Meters	$26.03
1" Meters	$43.38
1 1/2" Meters	$86.75
2" Meters	$138.80
3" Meters	$277.60
4" Meters	$433.75
6" Meters	$867.50
8" Meters	$1,388.00
10" Meters	$1,995.25
12" Meters	$3,730.25
Fire Lines up to 8 Inch	Per Rule
Fire Lines 10 Inch	Per Rule
Fire Lines 12 Inch	Per Rule

COMMODITY RATES

5/8" X ¾" Meters	1 to 3,000	$ 1.85
	3,001 to 9,000	$ 3.05
	Over 9,000	$ 3.70
¾" Meters	1 to 6,000	$ 3.05
	Over 6,000	$ 3.70

1" Meters	1 to 22,500	$ 3.05
	Over 22,500	$ 3.70
1 ½" Meters	1 to 45,000	$ 3.05
	Over 45,000	$ 3.70
2" Meters	1 to 72,000	$ 3.05
	Over 72,000	$ 3.70
3" Meters	1 to 144,000	$ 3.05
	Over 144,000	$ 3.70
4" Meters	1 to 225,000	$ 3.05
	Over 225,000	$ 3.70
6" Meters	1 to 450,000	$ 3.05
	Over 450,000	$ 3.70
8" Meters	1 to 720,000	$ 3.05
	Over 720,000	$ 3.70
10" Meters	1 to 1,035,000	$ 3.05
	Over 1,035,000	$ 3.70
12" Meters	1 to 1,935,000	$ 3.05
	Over 1,935,000	$ 3.70

Q. WHAT IS THE AVERAGE MONTHLY BILL FOR THE 5/8 X 3/4 INCH METERED CUSTOMERS UNDER PRESENT RATES?

A. As shown on Rejoinder Schedule H-2, page 1, the average monthly bill under present rates for a 5/8 x 3/4 inch residential customer using an average 7,794 gallons is $29.75.

Q. WHAT WILL BE THE AVERAGE 5/8 X 3/4 INCH RESIDENTIAL CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Rejoinder Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8 x 3/4 inch residential customer using an average 7,794 gallons is $37.52 – a $7.77 increase over the present monthly bill or a 26.13 percent increase.

Q. HAVE YOU MADE ANY CHANGES TO THE BASIC RATE DESIGN FROM THE REBUTTAL FILING?

A. No.

1. <u>Response to Staff and RUCO Surrebuttal Testimony</u>

Q. DO STAFF'S WATER RATES NOW PRODUCE STAFF'S RECOMMENDED REVENUE REQUIREMENT?

A. Yes.

Q. PLEASE RESPOND TO MS. RIMBACK'S SURREBUTTAL TESTIMONY AT PAGE 17 STATING THAT STAFF REJECTS THE COMPANY'S ($18,231) REVENUE ANNUALIZATION?

A. I am confused for a few reasons. First, Staff's adjusted test year revenues do not reflect Staff's rejection of the Company's revenue annualization. It would stand to reason that if Staff rejected the Company's revenue annualization, it would be reflected in Staff's income statement schedule. Second, Ms. Rimback relies on her rejection of the Company's revenue annualization as an excuse as to why her proposed rates in her direct testimony did not generate the Staff recommended revenue requirement. However, shorting the revenues through rates is not a proper way to account for a rejection of a position of another party. It is non-transparent and, frankly, misleading and under-handed. Third, Ms. Rimback states that the Company's customer base is seasonal which renders the Company revenue

annualization unacceptable.[58] But, even if RRUI's customer base were seasonal, which notion Ms. Rimback does not support in any way, it would not render the Company revenue annualization unacceptable.

Q. WHY NOT?

A. Because the Company's revenue annualization takes into consideration seasonal (monthly) variances in water usage by using the average use for each month of the test year in the annualization. If a customer is not home during certain months of the year and does not use any water, their absence will be reflected in the average month usages for those months. That's why we call it an "annualization" not a "monthalization".

Q. HAS STAFF REJECTED YOUR REVENUE ANNUALIZATION AS FLAWED DUE TO SEASONALITY IN OTHER CASES?

A. Occasionally, but once explained the issue is typically resolved. Perhaps Ms. Rimback lacks an understanding of an annualization. Again, she has only been with the Staff since last June. But I have proposed the same type of revenue annualization in many Arizona water rate cases, and those revenue annualizations have been accepted by Staff and adopted by the Commission for years.

B. <u>Wastewater Division</u>

Q. WHAT ARE THE COMPANY'S REJOINDER PROPOSED RATES FOR WASTEWATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES	
5/8" x 3/4" meters	$55.65
3/4" Meters	$64.14

[58] Rimback Sb. at 17.

1" Meters	$78.41
1 1/2" Meters	$115.77
2" Meters	$160.58
3" Meter	$279.74
4" Meters	$414.64
6" Meter	$787.94
8" Meters	$1,145.62
10" Meters	$1,711.69
12" Meters	$2,441.25
COMMODITY RATES	
Commercial and Multi-tenant only	
0 to 7,000 gallons	$0.00
Over 7,000 gallons	$5.21

Q. WHAT WILL BE THE 5/8 X 3/4 INCH RESIDENTIAL CUSTOMER MONTHLY BILL UNDER THE PRESENT RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under present rates for a 5/8 x 3/4 inch residential customer is $45.88.

Q. WHAT WILL BE THE AVERAGE 5/8 INCH RESIDENTIAL CUSTOMER MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Wastewater Schedule H-2, page 1, the monthly bill under proposed rates for a 5/8 inch residential customer is $55.65 – a $9.77 increase from the present monthly bill or a 21.30 percent increase.

1. **Response to Staff and RUCO Surrebuttal Testimony**

Q. DO STAFF'S WASTEWATER RATES NOW PRODUCE STAFF'S RECOMMENDED REVENUE REQUIREMENT?

A. No. The Staff rates produce approximately $16,000 less revenues than its proposed revenue requirement.

C. Miscellaneous Charges

Q. IS THERE ANY DISAGREEMENT BETWEEN THE COMPANY AND STAFF ON THE COMPANY'S PROPOSED METER AND SERVICE LINE INSTALLATION CHARGES?

A. No. The Company and Staff are in agreement.

Q. IS THERE ANY DISAGREEMENT BETWEEN THE COMPANY AND STAFF ON THE COMPANY'S PROPOSED MISCELLANEOUS CHARGES?

A. No.

Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes.

RIO RICO UTILITIES, INC. DBA LIBERTY UTILITIES

REJOINDER TESTIMONY OF THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

MARCH 8, 2013

EXHIBIT TB-RB-RJ1

2011 PROPERTY TAX NOTICE

Santa Cruz County

ARIZONA

PARCEL #	AREA CODE	PRIMARY TAX RATE PER $100 ASSESSED VALUE	SECONDARY TAX RATE PER $100 ASSESSED VALUE	IRRIGATION DISTRICT $ PER ACRE
938-03-502 2	3502	8.8867	5.1819	0.0000

ASSESSMENT	VALUE BY CLASS	RATIO %	ASSESSED VALUE	EXEMPTION	TAX RATE	TAX
LIMITED VALUE REPORT, ETC	106,848	20.0	21,370		8.8867	1,899.09
LIMITED PERSONAL PROPERTY	3,530,100	20.0	706,020		8.8867	62,741.88
LIMITED TOTALS	3,636,948		727,390			64,640.97
FULL CASH LAND		6.0	21,370		5.1819	993.32
FULL CASH BUILDINGS, ETC		6.0				0.0
FULL CASH PERSONAL PROPERTY	3,530,100	20.0	706,020		4.6726	32,718.23
FULL CASH TOTALS	3,530,100		727,390			33,708.55

2011 TAX SUMMARY	
PRIMARY PROPERTY TAX	64,640.97
LESS STATE AID TO EDUCATION	0.00
NET PRIMARY PROPERTY TAX	64,640.97
SECONDARY PROPERTY TAX	33,708.55
SPECIAL DISTRICT TAX	0.00
TOTAL TAX DUE	98,349.52

43093

SITUS ADDRESS:

LEGAL DESCRIPTION:

JURISDICTION	2010 TAXES	2011 TAXES
02000 SANTA CRUZ COUNTY	20,798.18	20,523.31
02001 STATE SCHOOL TAX EQUALIZATION	2,627.14	3,097.95
07035 SANTA CRUZ SD #35	49,429.86	48,771.50
08150 SCC COMMUNITY COLLEGE	515.26	508.45
11203 RIO RICO FD	22,058.68	24,236.63
11900 FIRE DISTRICT ASSISTANCE FUND	737.13	727.39
15001 SANTA CRUZ COUNTY FCD	126.62	120.59
30099 JTED	368.57	363.70
TOTALS:	96,661.44	98,349.52

8134.2.0000 20.2410.0000

This is the only notice you will receive.

Caesar Ramirez
Santa Cruz County Treasurer
PO Box 1150
Nogales, AZ 85628

THIS IS A CALENDAR YEAR TAX NOTICE

RECEIVED
OCT 03 2011
BY:

938-03-502 2
110926 12 R C1041 00035

RIO RICO UTILITIES INC
SHAWN BUNDY/SENIOR ACCOUNTANT
12725 W. INDIAN SCHOOL RD., SUITE D-101
AVONDALE, AZ 853230000

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

PLEASE INCLUDE YOUR PARCEL NUMBER ON YOUR CHECK.

PAYMENT INSTRUCTIONS

To pay the 1st half installment and tax notices under $100 send the 1st half coupon with your payment postmarked no later than Nov. 1, 2011. To pay the 2nd half installment, send the 2nd half coupon with your payment postmarked no later than May 1, 2012. To pay taxes for the full year if the entire amount billed per notice exceeds $100, send the 1st half coupon with your payment postmarked no later than Jan. 3 2012, and no interest will be charged for the current year.

Make your check payable to and mail to:

Caesar Ramirez
Santa Cruz County Treasurer
PO Box 1150
Nogales, AZ 85628

RIO RICO UTILITIES, INC. DBA LIBERTY UTILITIES

REJOINDER TESTIMONY OF THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

MARCH 8, 2013

EXHIBIT TB-RB-RJ2

Rio Rico Utilities, Inc. dba Liberty Utilities
Docket No. WS-02676A-12-0196

Rate Case Expense Analysis

ORIGINAL Analysis		Days	Years
Test Year			
Decision No. 59547	3/13/1996		
Test Year	12/31/2002		
Decision No. 67279	10/5/2004	3128	8.57
Test Year	12/31/2008		
Decision No. 72059	1/6/2011	2284	6.26
Test Year	2/29/2012		
Decision No. ?????	9/1/2013	969	2.65
			17.48
			3
		Average (yrs)	5.83

REVISED Analysis		Days	Years
RRUI Acquired			
	12/31/2005		XXXX [1]
Test Year	12/31/2008		
Decision No. 72059	1/6/2011	1096	3.00
Test Year	2/29/2012		
Decision No. ?????	9/1/2013	1155	3.16
			6.17
			2
		Average (yrs)	3.08

[1] - Liberty Utilities did not own Rio Rico Utilities, Inc. during Decision No. 59547 or 67279.

RIO RICO UTILITIES, INC. DBA LIBERTY UTILITIES

REJOINDER TESTIMONY OF THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

MARCH 8, 2013

EXHIBIT TB-RB-RJ3

CITY OF NOGALES

OFFICE OF THE CITY ATTORNEY

February 21, 2013

Kristin Paiva
Fennemore Craig, P.C.
3003 N. Central Avenue, Suite 2600
Phoenix, AZ 85012

RECEIVED K. PAIVA
FEB 25 2013
ACTION_____

Dear Kristin:

This is a follow-up to your letter of February 12, 2013 to Spencer Smith, and my letter of May 10, 2012. I am enclosing the documents that the City of Nogales has received so far this year from IBWC regarding operational costs at the Nogales International Wastewater Treatment Plant, as well as a summary showing Rio Rico's payments. Please note that we have not yet received a quarterly report from IBWC for the last quarter of the federal fiscal year, ending October, 2012, nor the annual report. We usually receive these reports in December, and due to the delay we have inquired of IBWC regarding these reports but as yet have not received a response. As soon as we receive these reports, we will forward you copies and will reconcile Rio Rico's account as outlined in my earlier letter.

Please do not hesitate to contact me if you have further questions.

Sincerely yours,

Michael J. Massee
Deputy City Attorney

Encl.

cc: Michelle Wood, RUCO
Charlene LaPlante, Santa Cruz County Attorney's Office

777 NORTH GRAND AVENUE · NOGALES, ARIZONA 85621 · (520) 287-6571 · FAX (520) 285-5628 · T.D.D. (520) 287-5477

RIO RICO UTILITIES, INC. DBA LIBERTY UTILITIES

REJOINDER TESTIMONY OF THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

MARCH 8, 2013

WATER DIVISION SCHEDULES

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 7,730,108
2		
3	Adjusted Operating Income	345,590
4		
5	Current Rate of Return	4.47%
6		
7	Required Operating Income	$ 734,360
8		
9	Required Rate of Return on Fair Value Rate Base	9.50%
10		
11	Operating Income Deficiency	$ 388,770
12		
13	Gross Revenue Conversion Factor	1.6589
14		
15	Increase in Gross Revenue	
16	Requirement	$ 644,939
17		
18	Adjusted Test Year Revenues	$ 2,787,845
19	Increase in Gross Revenue Revenue Requirement	$ 644,939
20	Proposed Revenue Requirement	$ 3,432,784
21	% Increase	23.13%
22		

23	**Customer**		**Present**	**Proposed**	**Dollar**	**Percent**
24	**Classification**		**Rates**	**Rates**	**Increase**	**Increase**
25	5/8X3/4 Inch	Residential	$ 2,239,712	$ 2,777,363	$ 537,651	24.01%
26	5/8X3/4 Inch	Residential (Low Income)	29,750	37,210	7,460	25.07%
27	3/4 Inch	Residential	4,032	5,437	1,406	34.86%
28	1 Inch	Residential	25,847	32,719	6,872	26.59%
29	1 Inch	Residential (Low Income)	359	487	128	35.79%
30	1 1/2 Inch	Residential	5,642	6,790	1,148	20.35%
31	2 Inch	Residential	5,482	7,513	2,031	37.05%
32	5/8X3/4 Inch	Commercial	36,891	44,031	7,140	19.35%
33	1 Inch	Commercial	45,719	55,170	9,452	20.67%
34	1 1/2 Inch	Commercial	16,434	20,086	3,652	22.22%
35	2 Inch	Commercial	110,064	137,878	27,814	25.27%
36	3 Inch	Commercial	113,938	128,813	14,875	13.06%
37	4 Inch	Commercial	83,492	91,613	8,121	9.73%
38	6 Inch	Commercial	25,623	28,060	2,437	9.51%
39	5/8X3/4 Inch	Industrial	4,727	6,159	1,431	30.27%
40	2 Inch	Industrial	47,436	51,605	4,169	8.79%
41	5/8X3/4 Inch	Multi-family	3,072	3,736	663	21.59%
42	1 1/2 Inch	Multi-family	1,071	1,471	401	37.41%
43	6 Inch	Bulk	29,625	40,039	10,414	35.15%
44		Fire Lines up to 8 Inch	1,263	1,995	733	58.01%
45	Revenue Annualization		(7,949)	(8,905)	(956)	12.03%
46	Declining Usage Adjustment		(77,275)	(77,275)	-	0.00%
47	**Subtotal**		$ 2,744,956	$ 3,391,997	$ 647,040	23.57%
48						
49	Other Water Revenues		42,889	42,889	-	0.00%
50	Reconciling Amount		-	(2,102)	(2,102)	0.00%
51	Rounding				1	0.00%
52	**Total of Water Revenues**		$ 2,787,845	$ 3,432,784	$ 644,939	23.13%
53						

54 SUPPORTING SCHEDULES:
55 B-1
56 C-1
57 C-3
58 H-1

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Summary of Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 34,455,296	$ 34,455,296
3	Less: Accumulated Depreciation	13,756,125	13,756,125
4			
5	Net Utility Plant in Service	$ 20,699,171	$ 20,699,171
6			
7	Less:		
8	Advances in Aid of Construction	660,955	660,955
9			
10	Contributions in Aid of Construction	20,179,119	20,179,119
11			
12	Accumulated Amortization of CIAC	(8,617,752)	(8,617,752)
13			
14	Customer Meter Deposits	284,024	284,024
15	Deferred Income Taxes & Credits	462,717	462,717
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 7,730,108	$ 7,730,108
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45			
46			
47			
48			
49			
50			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 36,146,219	(1,690,924)	$ 34,455,296
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	15,784,381	(2,028,256)	13,756,125
7				
8				
9	Net Utility Plant			
10	in Service	$ 20,361,839		$ 20,699,171
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	660,955	-	660,955
15				
16	Contributions in Aid of			
17	Construction - Gross	20,179,119	-	20,179,119
18				
19	Accumulated Amortization of CIAC	(8,797,261)	179,509	(8,617,752)
20				
21	Customer Meter Deposits	284,024		284,024
22	Accumulated Deferred Income Tax	405,395	57,322	462,717
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 7,629,607		$ 7,730,108
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47				
48				
49				
50				

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 ADIT	5	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 36,146,219	(1,690,924)					$ 34,455,296
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	15,784,381		(2,028,256)				13,756,125
7								
8								
9	Net Utility Plant							
10	in Service	$ 20,361,839	$ (1,690,924)	$ 2,028,256	$ -	$ -	$ -	$ 20,699,171
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	660,955						660,955
15								
16	Contributions in Aid of							
17	Construction (CIAC)	20,179,119			-			20,179,119
18								
19	Accumulated Amort of CIAC	(8,797,261)			179,509			(8,617,752)
20								
21	Customer Meter Deposits	284,024						284,024
22	Accumulated Deferred Income Taxes	405,395				57,322		462,717
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						
29	Materials and Supplies	-						
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 7,629,607	$ (1,690,924)	$ 2,028,256	$ (179,509)	$ (57,322)	$ -	$ 7,730,108
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38								
39								
40								

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Original Cost	A Reclassification to WW Plant	B WW Portion of Allocated Building Costs	C Affiliate Profit	D Plant Retirement	E Plant Retirements	F Adjustments to Reconcile to Plant Reconstruction	Rebuttal Adjusted Original Cost
				Adjustments						
6	301	Organization Cost	5,785						-	5,785
7	302	Franchise Cost	417						-	417
8	303	Land and Land Rights	44,194						-	44,194
9	304	Structures and Improvements	3,432,930		(121,438)	(35)			-	3,311,457
10	305	Collecting and Impounding Res.	-						-	-
11	306	Lake River and Other Intakes	-						-	-
12	307	Wells and Springs	562,944			(7)			-	562,937
13	308	Infiltration Galleries and Tunnels	-						-	-
14	309	Supply Mains	279,157						-	279,157
15	310	Power Generation Equipment	219,360						-	219,360
16	311	Electric Pumping Equipment	3,147,011			(303)	(9,757)	(1,534,958)	-	1,601,993
17	320	Water Treatment Equipment	369,100	(5,658)					-	363,442
18	320.1	Water Treatment Plant	-						-	-
19	320.2	Chemical Solution Feeders	-						-	-
20	330	Dist. Reservoirs & Standpipe	759,861						-	759,861
21	330.1	Storage tanks	-						-	-
22	330.2	Pressure Tanks	-						-	-
23	331	Trans. and Dist. Mains	22,339,256			(1,363)			-	22,337,893
24	333	Services	2,768,122						-	2,768,122
25	334	Meters	1,010,366						-	1,010,366
26	335	Hydrants	572,321						-	572,321
27	336	Backflow Prevention Devices	15,855	(9,704)					-	6,151
28	339	Other Plant and Misc. Equip.	123,778						-	123,778
29	340	Office Furniture and Fixtures	29,265						-	29,265
30	340.1	Computers and Software	76,919						-	76,919
31	341	Transportation Equipment	142,188						-	142,188
32	342	Stores Equipment	-						-	-
33	343	Tools and Work Equipment	18,203						-	18,203
34	344	Laboratory Equipment	3,061						-	3,061
35	345	Power Operated Equipment	-						-	-
36	346	Communications Equipment	212,996						-	212,996
37	347	Miscellaneous Equipment	13,128					(7,701)	0	5,427
38	348	Other Tangible Plant	-						-	-
39		Plant Held for Future Use	-						-	-
40		TOTALS	$ 36,146,219	$ (15,362)	$ (121,438)	$ (1,708)	$ (9,757)	$ (1,542,659)	$ 0	$ 34,455,296
41										
42		Plant-in-Service per Books								$ 36,146,219
43										
44		Increase (decrease) in Plant-in-Service								$ (1,690,924)
45										
46		Adjustment to Plant-in-Service								$ (1,690,924)
47										
48		SUPPORTING SCHEDULES								
49		B-2, pages 3.1 through 3.6								

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rejoinder Schedule B-2
Page 3.1
Witness: Bourassa

Line No.

1 Reclassification of plant to Wastewater Division

Acct. No.	Description	Recorded Year	Adjustment
320	Water Treatment Equipment	2009	$ (5,658)
336	Backflow Prevention Devices	2010	(7,210)
336	Backflow Prevention Devices	2011	(2,494)
	Total		$ (15,362)

SUPPORTING SCHEDULE
Staff Schedule MJR-W5
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rejoinder Schedule B-2
Page 3.2
Witness: Bourassa

Line No.

1 Remove Portion of Building Costs Allocated to Wastewater Division

Acct. No.	Description	Recorded Year	Adjustment
304	Structures and Improvements	2012	$ (121,438)
	Total		$ (121,438)

SUPPORTING SCHEDULE
Staff Schedule MJR-W6
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rejoinder Schedule B-2
Page 3.3
Witness: Bourassa

Line No.

1 Remove Affilate Profit

Acct. No.	Description	Recorded Year	Adjustment
304	Structures and Improvements	2012	$ (35)
307	Wells and Springs	2012	(7)
311	Electric Pumping Equipment	2012	(303)
331	Trans. and Dist. Mains	2012	(1,363)
	Total		$ (1,708)

SUPPORTING SCHEDULE
Staff Schedule MJR-W7
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Bourassa

Line No.				
1	Plant Retirement			
2				
3				
4	Acct.		Retirement	
5	No.	Description	Year	Adjustment
6	311	Electric Pumping Equipment	2012	$ (9,757)
7				
8				
9				
10				
11				
12		Total		$ (9,757)
13				
14				
15				
16				
17				
18				
19				
20				
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25				
26				
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42				
43	SUPPORTING SCHEDULE			
44	Staff Schedule MJR-W12			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Bourassa

Line No.						
1	Plant Retirements					
2						
3						
4	Acct.			Retirement		
5	No.	Description	Description	Year		Adjustment
6	311	Electric Pumping Equipment	1994 Net Plant Adds	2009	$ (867,182)	
7	311	Electric Pumping Equipment	1995 Net Plant Adds	2009	(36,257)	
8	311	Electric Pumping Equipment	1996 Net Plant Adds	2009	(34,827)	
9	311	Electric Pumping Equipment	1997 Net Plant Adds	2009	(12,234)	
10	311	Electric Pumping Equipment	1998 Net Plant Adds	2009	(18,044)	
11	311	Electric Pumping Equipment	1999 Net Plant Adds	2009	(422,696)	
12	311	Electric Pumping Equipment	2000 Net Plant Adds	2009	(78,483)	
13			*Subtotal*			$ (1,469,722)
14						
15	311	Electric Pumping Equipment	2001 Net Plant Adds	2010		(22,907)
16	311	Electric Pumping Equipment	2002 Net Plant Adds	2011		(11,830)
17	311	Electric Pumping Equipment	2003 Net Plant Adds	2012	$ (151,098)	
18	311	Electric Pumping Equipment	Less: Retirement See Adjustment 1-D	2012	9,757	
19	311	Electric Pumping Equipment	Less: Retirements recorded in 2012	2012	110,842	
20						$ (30,499)
21						
22		Total				$ (1,534,958)
23						
24						
25	Acct.			Retirement		
26	No.	Description	Description	Year		Adjustment
27	347	Miscellaneous Equipment	1994 Net Plant Adds	2009	$ (481)	
28	347	Miscellaneous Equipment	1995 Net Plant Adds	2009	(4,164)	
29	347	Miscellaneous Equipment	1996 Net Plant Adds	2009	(1,218)	
30	347	Miscellaneous Equipment	1997 Net Plant Adds	2009	(1,838)	
31	347	Miscellaneous Equipment	1998 Net Plant Adds	2009	-	
32	347	Miscellaneous Equipment	1999 Net Plant Adds	2009	-	
33	347	Miscellaneous Equipment	2000 Net Plant Adds	2009	-	
34			Subtotal			$ (7,701)
35						
36	347	Miscellaneous Equipment	2001 Net Plant Adds	2009		-
37	347	Miscellaneous Equipment	2002 Net Plant Adds	2010		-
38						
39						$ -
40						
41		Total				$ (7,701)
42						
43	SUPPORTING SCHEDULE					
44	Testimony					
45						

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rejoinder Schedule B-2
Page 3.6
Witness: Bourassa

Line No. 1 Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	B-2 Adjustments	Rebuttal Adjusted Orginal Cost	Plant Per Reconstruction	Difference
6	301	Organization Cost	5,785	-	5,785	5,785	-
7	302	Franchise Cost	417	-	417	417	-
8	303	Land and Land Rights	44,194	-	44,194	44,194	-
9	304	Structures and Improvements	3,432,930	(121,473)	3,311,457	3,311,457	-
10	305	Collecting and Impounding Res.	-	-	-	-	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	562,944	(7)	562,937	562,937	-
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	279,157	-	279,157	279,157	-
15	310	Power Generation Equipment	219,360	-	219,360	219,360	-
16	311	Electric Pumping Equipment	3,147,011	(1,545,018)	1,601,993	1,601,993	-
17	320	Water Treatment Equipment	369,100	(5,658)	363,442	363,442	-
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	759,861	-	759,861	759,861	-
21	330.1	Storage tanks	-	-	-	-	-
22	330.2	Pressure Tanks	-	-	-	-	-
23	331	Trans. and Dist. Mains	22,339,256	(1,363)	22,337,893	22,337,893	-
24	333	Services	2,768,122	-	2,768,122	2,768,122	-
25	334	Meters	1,010,366	-	1,010,366	1,010,366	-
26	335	Hydrants	572,321	-	572,321	572,321	-
27	336	Backflow Prevention Devices	15,855	(9,704)	6,151	6,151	-
28	339	Other Plant and Misc. Equip.	123,778	-	123,778	123,778	-
29	340	Office Furniture and Fixtures	29,265	-	29,265	29,265	-
30	340.1	Computers and Software	76,919	-	76,919	76,919	-
31	341	Transportation Equipment	142,188	-	142,188	142,188	-
32	342	Stores Equipment	-	-	-	-	-
33	343	Tools and Work Equipment	18,203	-	18,203	18,203	-
34	344	Laboratory Equipment	3,061	-	3,061	3,061	-
35	345	Power Operated Equipment	-	-	-	-	-
36	346	Communications Equipment	212,996	-	212,996	212,996	-
37	347	Miscellaneous Equipment	13,128	(7,701)	5,427	5,427	0
38	348	Other Tangible Plant	-	-	-	-	-
39		Plant Held for Future Use					-
40		TOTALS	$ 36,146,219	$ (1,690,924)	$ 34,455,295	$ 34,455,296	$ 0

43 SUPPORTING SCHEDULE
44 B-2, pages 3.1 through 3.5
45 B-2, pages 3.7 through 3.10

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Bourassa

				Per Decision 72059		2009										
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant at 12/31/2008	Accum. Deprec. At 12/31/2008	Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	5,785	-	-	-		-	-		-		-	5,785	-
2	302	Franchise Cost	0.00%	417	-	-	-		-	-		-		-	417	-
3	303	Land and Land Rights	0.00%	44,194	-	-	-		-	-		-		-	44,194	-
4	304	Structures & Improvements	3.33%	2,732,833	306,347	16,449	-		16,449	-		-		91,277	2,749,282	397,624
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-		-	-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-		-	-		-		-	-	-
7	307	Wells & Springs	3.33%	563,511	160,123	(1,518)	-		(1,518)	-		-		18,740	561,993	178,863
8	308	Infiltration Galleries	6.67%	-	-	-	-		-	-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	279,153	26,151	-	-		-	-		-		5,583	279,153	31,735
10	310	Power Generation Equipment	5.00%	197,120	69,734	10,000	-		10,000	-		-		10,106	207,120	79,840
11	311	Pumping Equipment	12.50%	2,591,970	1,882,999	224,575	-		224,575	-	1,469,722	1,469,722		246,175	1,346,824	659,452
12	320	Water Treatment Equipment	3.33%	372,970	144,799	(3,869)	-	(5,658)	(9,527)	-		-		12,261	363,442	157,060
13	320.1	Water Treatment Plants	3.33%	-	-	-	-		-	-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-		-	-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	759,861	138,279	-	-		-	-		-		16,869	759,861	155,148
16	330.1	Storage Tanks	2.22%	-	-	-	-		-	-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-		-	-		-		-	-	-
18	331	*Transmission & Distribution Mains*	2.00%	22,089,150	8,163,798	40,046	-		40,046	-		-		442,183	22,129,197	8,605,981
19	333	Services	3.33%	2,209,274	805,963	123,799	-		123,799	4,394		4,394		75,557	2,328,679	877,126
20	334	Meters	8.33%	956,605	319,684	1,871	-		1,871	5,402		5,402		79,538	953,075	393,820
21	335	Hydrants	2.00%	568,577	148,744	-	-		-	-		-		11,372	568,577	160,115
22	336	Backflow Prevention Devices	6.67%	3,848	385	-	-		-	-		-		257	3,848	642
23	339	Other Plant & Misc Equipment	6.67%	121,843	4,647	-	-		-	-		-		8,127	121,843	12,774
24	340	Office Furniture & Equipment	6.67%	22,986	17,954	-			-	-		-		1,533	22,986	19,487
25	340.1	Computers & Software	20.00%	76,919	76,919	-	-		-	-		-		-	76,919	76,919
26	341	Transportation Equipment	20.00%	218,945	25,112	(78,957)	-		(78,957)	-		-		35,893	139,988	61,005
27	342	Stores Equipment	4.00%	-	-	-	-		-	-		-		-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	15,035	9,301	-	-		-	-		-		752	15,035	10,053
29	344	Laboratory Equipment	10.00%	3,061	2,893	-	-		-	-		-		168	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-		-	-		-		-	-	-
31	346	Communication Equipment	10.00%	218,040	113,464	-	-		-	-		-		21,804	218,040	135,268
32	347	Miscellaneous Equipment	10.00%	7,701	6,641	480	-		480	-	7,701	7,701		409	480	(651)
33	348	Other Tangible Plant	4.00%	-	-	-	-		-	-		-		-	-	-
34		Plant Held for Future Use							-			-		-	-	-
35																
36		TOTALS		34,059,801	12,423,937	332,877	-	(5,658)	327,219	9,796	1,477,423	1,487,219	-	1,078,604	32,899,800	12,015,321

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.8
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-		-		-	5,785	-
2	302	Franchise Cost	0.00%	-	-	-	-	-		-		-	417	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-		-		-	44,194	-
4	304	Structures & Improvements	3.33%	2,367	-	-	2,367	-		-		91,591	2,751,649	489,214
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-		-		-	-	-
7	307	Wells & Springs	3.33%	897	-	-	897	-		-		18,729	562,890	197,592
8	308	Infiltration Galleries	6.67%	-	-	-	-	-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-		-		5,583	279,153	37,318
10	310	Power Generation Equipment	5.00%	10,472	-	-	10,472	-		-		10,618	217,592	90,458
11	311	Pumping Equipment	12.50%	23,210	-	-	23,210	-	22,907	22,907		168,372	1,347,127	804,917
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-		-		12,103	363,442	169,163
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-		-		16,869	759,861	172,017
16	330.1	Storage Tanks	2.22%	-	-	-	-	-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	20,635	-	-	20,635	-		-		442,790	22,149,832	9,048,771
19	333	Services	3.33%	251,427	-	-	251,427	84,388		84,388		80,326	2,495,718	873,064
20	334	Meters	8.33%	12,184	-	-	12,184	4,967		4,967		79,692	960,292	468,545
21	335	Hydrants	2.00%	-	-	-	-	-		-		11,372	568,577	171,487
22	336	Backflow Prevention Devices	6.67%	9,513	-	-	9,513	-		-		574	13,361	1,216
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-		-		8,127	121,843	20,901
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-		-		1,533	22,986	21,020
25	340.1	Computers & Software	20.00%	-	-	-	-	-		-		-	76,919	76,919
26	341	Transportation Equipment	20.00%	381	-	-	381	-		-		28,036	140,369	89,041
27	342	Stores Equipment	4.00%	-	-	-	-	-		-		-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-		-		752	15,035	10,805
29	344	Laboratory Equipment	10.00%	-	-	-	-	-		-		-	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-	-		-		-	-	-
31	346	Communication Equipment	10.00%	3,230	-	-	3,230	-		-		21,966	221,270	157,233
32	347	Miscellaneous Equipment	10.00%	4,947	-	-	4,947	-		-		295	5,427	(356)
33	348	Other Tangible Plant	4.00%	-	-	-	-	-		-		-	-	-
34		Plant Held for Future Use					-			-		-	-	-
35														
36		TOTALS		339,262	-	-	339,262	89,355	22,907	112,262	-	999,326	33,126,801	12,902,386

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.9
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-		-		-	5,785	-
2	302	Franchise Cost	0.00%	-	-	-	-	-		-		-	417	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-		-		-	44,194	-
4	304	Structures & Improvements	3.33%	41,525	-	-	41,525	-		-		92,321	2,793,174	581,536
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-		-		-	-	-
7	307	Wells & Springs	3.33%	632	-	-	632	-		-		18,755	563,522	216,347
8	308	Infiltration Galleries	6.67%	-	-	-	-	-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-		-		5,583	279,153	42,901
10	310	Power Generation Equipment	5.00%	1,023	-	-	1,023	-		-		10,905	218,615	101,363
11	311	Pumping Equipment	12.50%	67,261	-	-	67,261	-	11,830	11,830		171,855	1,402,558	964,943
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-		-		12,103	363,442	181,265
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-		-		16,869	759,861	188,886
16	330.1	Storage Tanks	2.22%	-	-	-	-	-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	76,932	-	-	76,932	-		-		443,766	22,226,764	9,492,537
19	333	Services	3.33%	307,904	-	-	307,904	105,260		105,260		86,481	2,698,362	854,285
20	334	Meters	8.33%	61,930	-	-	61,930	27,767		27,767		81,415	994,455	522,193
21	335	Hydrants	2.00%	3,684	-	-	3,684	-		-		11,408	572,261	182,895
22	336	Backflow Prevention Devices	6.67%	2,494	-	-	2,494	-		-		974	15,855	2,190
23	339	Other Plant & Misc Equipment	6.67%	3,443	-	-	3,443	-		-		8,242	125,286	29,142
24	340	Office Furniture & Equipment	6.67%	554	-	-	554	-		-		1,552	23,540	22,572
25	340.1	Computers & Software	20.00%	-	-	-	-	-		-		-	76,919	76,919
26	341	Transportation Equipment	20.00%	-	-	-	-	-		-		28,074	140,369	117,115
27	342	Stores Equipment	4.00%	-	-	-	-	-		-		-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	2,437	-	-	2,437	-		-		813	17,472	11,618
29	344	Laboratory Equipment	10.00%	-	-	-	-	-		-		-	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-	-		-		-	-	-
31	346	Communication Equipment	10.00%	381	-	-	381	33,249		33,249		20,484	188,402	144,468
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-		-		543	5,427	187
33	348	Other Tangible Plant	4.00%	-	-	-	-	-		-		-	-	-
34		Plant Held for Future Use					-			-		-	-	-
35														
36		TOTALS		570,201	-	-	570,201	166,276	11,830	178,105	-	1,012,143	33,518,897	13,736,423

Rio Rico Utilities dba Liberty Utilities - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
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Witness: Bourassa

				2012 (2 months through 2/29)												
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Retirement Adjustments	Adjusted Plant Retirements	Plant Only Adjustments	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-			-			-	5,785	-
2	302	Franchise Cost	0.00%	-	-	-	-	-			-			-	417	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-			-			-	44,194	-
4	304	Structures & Improvements	3.33%	639,756	(121,438)	(35)	518,283	-			-			16,940	3,311,457	598,476
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-			-			-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-			-			-	-	-
7	307	Wells & Springs	3.33%	3,794	(4,372)	(7)	(585)	-			-		(461)	3,126	562,937	219,012
8	308	Infiltration Galleries	6.67%	-	-	-	-	-			-	-		-	-	-
9	309	Raw Water Supply Mains	2.00%	4	-	-	4	-			-	-		931	279,157	43,831
10	310	Power Generation Equipment	5.00%	745	-	-	745	-			-	-		1,825	219,360	103,188
11	311	Pumping Equipment	12.50%	351,006	(170)	(303)	350,533	110,842	9,757	30,499	151,098		(67)	31,297	1,601,993	845,075
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-			-	-		2,017	363,442	183,282
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-			-	-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-			-	-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-			-	-		2,811	759,861	191,697
16	330.1	Storage Tanks	2.22%	-	-	-	-	-			-	-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-			-	-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	118,060	(5,568)	(1,363)	111,129	-			-	-	(353)	74,274	22,337,893	9,566,459
19	333	Services	3.33%	69,760	-	-	69,760	-			-	-		15,169	2,768,122	869,455
20	334	Meters	8.33%	15,911	-	-	15,911	-			-	-		13,917	1,010,366	536,110
21	335	Hydrants	2.00%	60	-	-	60	-			-	-		1,908	572,321	184,803
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-			-	(9,704)	(912)	176	6,151	1,454
23	339	Other Plant & Misc Equipment	6.67%	6,878	(8,386)	-	(1,508)	-			-	-	(1,771)	1,384	123,778	28,756
24	340	Office Furniture & Equipment	6.67%	5,725	-	-	5,725	-			-	-		294	29,265	22,865
25	340.1	Computers & Software	20.00%	-	-	-	-	-			-	-		-	76,919	76,919
26	341	Transportation Equipment	20.00%	1,819	-	-	1,819	-			-			4,709	142,188	121,824
27	342	Stores Equipment	4.00%	-	-	-	-	-			-			-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	731	-	-	731	-			-			149	18,203	11,766
29	344	Laboratory Equipment	10.00%	-	-	-	-	-			-			-	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-	-			-			-	-	-
31	346	Communication Equipment	10.00%	24,594	-	-	24,594	-			-			3,345	212,996	147,813
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-			-			90	5,427	278
33	348	Other Tangible Plant	4.00%	-	-	-	-	-			-			-	-	-
34		Plant Held for Future Use					-				-			-	-	-
35																
36		TOTALS		1,238,843	(139,934)	(1,708)	1,097,201	110,842	9,757	30,499	151,098	(9,704)	(3,564)	174,364	34,455,296	13,756,125

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Direct Adjusted Accum. Depr.	A Reclassification to WW Plant	B WW Portion of Allocated Building Costs	C Affiliate Profit	Adjustments D Plant Retirement	E Plant Retirements	F Direct Adjusted Affilate Profit	G Adjustments to Reconcile to A/D Reconstruction	Rebuttal Adjusted Accum. Depr.
6	301	Organization Cost	-							-	-
7	302	Franchise Cost	-							-	-
8	303	Land and Land Rights	-							-	-
9	304	Structures and Improvements	598,813		(337)	(0)				0	598,476
10	305	Collecting and Impounding Res.	-							-	-
11	306	Lake River and Other Intakes	-							-	-
12	307	Wells and Springs	219,473			(0)			(461)	0	219,012
13	308	Infiltration Galleries and Tunnels	-							-	-
14	309	Supply Mains	43,831							-	43,831
15	310	Power Generation Equipment	103,188							-	103,188
16	311	Electric Pumping Equipment	2,859,238			(3)	(9,757)	(1,542,659)	(67)	(461,676)	845,075
17	320	Water Treatment Equipment	183,785	(502)						-	183,282
18	320.1	Water Treatment Plant	-							-	-
19	320.2	Chemical Solution Feeders	-							-	-
20	330	Dist. Reservoirs & Standpipe	191,697							-	191,697
21	330.1	Storage tanks	-							-	-
22	330.2	Pressure Tanks	-							-	-
23	331	Trans. and Dist. Mains	9,566,814			(2)			(353)	(0)	9,566,459
24	333	Services	869,455							-	869,455
25	334	Meters	536,110							-	536,110
26	335	Hydrants	184,803							-	184,803
27	336	Backflow Prevention Devices	2,366	(912)						0	1,454
28	339	Other Plant and Misc. Equip.	30,527						(1,771)	0	28,756
29	340	Office Furniture and Fixtures	22,865							-	22,865
30	340.1	Computers and Software	76,919							-	76,919
31	341	Transportation Equipment	121,824							-	121,824
32	342	Stores Equipment	-							-	-
33	343	Tools and Work Equipment	11,766							-	11,766
34	344	Laboratory Equipment	3,061							-	3,061
35	345	Power Operated Equipment	-							-	-
36	346	Communications Equipment	147,813							-	147,813
37	347	Miscellaneous Equipment	10,032							(9,755)	278
38	348	Other Tangible Plant	-							-	-
39			-								-
40		TOTALS	$ 15,784,381	$ (1,415)	$ (337)	$ (6)	$ (9,757)	$ (1,542,659)	$ (2,652)	$ (471,430)	$ 13,756,125

42 Accumulated Depreciation per Books	$ 15,784,381
44 Increase (decrease) in Accumulated Depreciation	$ (2,028,256)
46 Adjustment to Accumulated Depreciation	$ (2,028,256)

48 SUPPORTING SCHEDULES
49 *B-2, pages 4.1 throiugh 4.6*
50

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rejoinder Schedule B-2
Page 4.1
Witness: Bourassa

Line No.

1 Reclassification of plant to Wastewater Division

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment
320	Water Treatment Equipment	3.33%	2009	2.67	$ (5,658)	$ (502)
336	Backflow Prevention Devices	6.67%	2010	1.67	(7,210)	(802)
336	Backflow Prevention Devices	6.67%	2011	0.67	(2,494)	(111)
	Total					$ (1,415)

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.1
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rejoinder Schedule B-2
Page 4.2
Witness: Bourassa

Line No.

1 Remove Portion of Building Costs Allocated to Wastewater Division

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Adjustment	Accumulated Depreciation Adjustment
304	Structures and Improvements	3.33%	2012	0.083333	$ (121,473)	$ (337)
	Total					$ (337)

SUPPORTING SCHEDULE
B-2 Schedule 3.2
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rejoinder Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Remove Affilate Profit

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Profit Adjustment	Accumulated Depreciation Adjustment
304	Structures and Improvements	3.33%	2012	0.083333	$ (35)	$ (0)
307	Wells and Springs	3.33%	2012	0.083333	(7)	(0)
311	Electric Pumping Equipment	12.50%	2012	0.083333	(303)	(3)
331	Trans. and Dist. Mains	2.00%	2012	0.083333	(1,363)	(2)
	Total					$ (6)

SUPPORTING SCHEDULE
B-2 Schedule 3.3
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - D

Exhibit
Rejoinder Schedule B-2
Page 4.4
Witness: Bourassa

Line No.	Acct. No.	Description	Plant Retirement Adjustment	Accumulated Depreciation Adjustment
1	Plant Retirement			
6	311	Electric Pumping Equipment	$ (9,757)	$ (9,757)
12		*Total*		$ (9,757)

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.4
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Exhibit
Rejoinder Schedule B-2
Page 4.5
Witness: Bourassa

Line No.				
1	Plant Retirements			
2				
3			Plant Retirement Adjustment	Accumulated Depreciation Adjustment
4	Acct. No.	Description		
5				
6	311	Electric Pumping Equipment	$ (1,534,958)	$ (1,534,958)
7	347	Miscellaneous Equipment	(7,701)	(7,701)
8				
9				
10				
11		Total		$ (1,542,659)
12				
13				
14				
15				
16				
17				
18				
19				
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41				
42				
43	SUPPORTING SCHEDULE			
44	B-2 Schedule 3.4			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

Exhibit
Rejoinder Schedule B-2
Page 4.6
Witness: Bourassa

Line No.

1 A/D Related to 2009-2011 Affiliate Profit Removed from Plant in Direct Filing

Acct. No.	Description	Depr Rate	Years thru EOTY	Direct Filing Plant Adjustment	Accumulated Depreciation Adjustment
307	Wells and Springs	3.33%	3.166667	$ (4,372)	$ (461)
311	Electric Pumping Equipment	12.50%	3.166667	(170)	(67)
331	Trans. and Dist. Mains	2.00%	3.166667	(5,568)	(353)
339	Other Plant and Misc. Equip.	6.67%	3.166667	(8,386)	(1,771)
	Total				$ (2,652)

SUPPORTING SCHEDULE
B-2 Schedule 3.4
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - G

Exhibit
Rejoinder Schedule B-2
Page 4.7
Witness: Bourassa

Line No.

1 Accumulated Depreciation (A/D)

Acct. No.	Description	Direct Adjusted Orginal Cost	B-2 Adjustments	Rebuttal Adjusted Orginal Cost	A/D Per Reconstruction	Accumulated Depreciation Adjustment
301	Organization Cost	-	-	-	-	-
302	Franchise Cost	-	-	-	-	-
303	Land and Land Rights	-	-	-	-	-
304	Structures and Improvements	598,813	(337)	598,476	598,476	0
305	Collecting and Impounding Res.	-	-	-	-	-
306	Lake River and Other Intakes	-	-	-	-	-
307	Wells and Springs	219,473	(461)	219,012	219,012	0
308	Infiltration Galleries and Tunnels	-	-	-	-	-
309	Supply Mains	43,831	-	43,831	43,831	-
310	Power Generation Equipment	103,188	-	103,188	103,188	-
311	Electric Pumping Equipment	2,859,238	(1,552,486)	1,306,751	845,075	(461,676)
320	Water Treatment Equipment	183,785	(502)	183,282	183,282	-
320.1	Water Treatment Plant	-	-	-	-	-
320.2	Chemical Solution Feeders	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	191,697	-	191,697	191,697	-
330.1	Storage tanks	-	-	-	-	-
330.2	Pressure Tanks	-	-	-	-	-
331	Trans. and Dist. Mains	9,566,814	(355)	9,566,459	9,566,459	(0)
333	Services	869,455	-	869,455	869,455	-
334	Meters	536,110	-	536,110	536,110	-
335	Hydrants	184,803	-	184,803	184,803	-
336	Backflow Prevention Devices	2,366	(912)	1,454	1,454	0
339	Other Plant and Misc. Equip.	30,527	(1,771)	28,756	28,756	0
340	Office Furniture and Fixtures	22,865	-	22,865	22,865	-
340.1	Computers and Software	76,919	-	76,919	76,919	-
341	Transportation Equipment	121,824	-	121,824	121,824	-
342	Stores Equipment	-	-	-	-	-
343	Tools and Work Equipment	11,766	-	11,766	11,766	-
344	Laboratory Equipment	3,061	-	3,061	3,061	-
345	Power Operated Equipment	-	-	-	-	-
346	Communications Equipment	147,813	-	147,813	147,813	-
347	Miscellaneous Equipment	10,032	-	10,032	278	(9,755)
348	Other Tangible Plant	-	-	-	-	-
	Plant Held for Future Use	-				-
	TOTALS	$ 15,784,381	$ (1,556,826)	$ 14,227,555	$ 13,756,125	$ (471,430)

SUPPORTING SCHEDULE
B-2, pages 4.1 through 4.6
B-2, pages 3.7 through 3.10

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rejoinder Schedule B-2
Page 5.0
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 12/29/2012 per Rebuttal	$ 20,179,119	$ 8,617,752
6			
7	Adjusted balance per Direct at 02/29/2012	$ 20,179,119	$ 8,797,261
8			
9	Increase (decrease)	$ -	$ (179,509)
10			
11			
12	Adjustment to CIAC/AA CIAC	$ -	$ 179,509
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Contributions-in-aid of Construction (CIAC)

Exhibit
Rejoinder Schedule B-2
Page 5.1
Witness: Bourassa

Line No.			2009		2010		2011		2012	
1		Balance		Balance		Balance		Balance		Balance
2		12/31/2008	Additions	12/31/2009	Additions	12/31/2010	Additions	12/31/2011	Additions	2/29/2012
3										
4										
5	CIAC	20,140,197	38,922	20,179,119		20,179,119		20,179,119		20,179,119
6										
7	Amortization Decision No. 72059	6,628,197								
8	Amortization Rate			3.29%		3.03%		3.03%		0.51%
9	Amortization			664,194		611,143		611,712		102,506
10	Accumulated Amortization			7,292,391		7,903,534		8,515,246		8,617,752
11										
12	Net CIAC	13,512,000	38,922	12,886,728	-	12,275,585	-	11,663,873	-	11,561,368
13										
14										

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rejoinder Schedule B-2
Page 6.0
Witness: Bourassa

Line No.			Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
1		**Deferred Income Tax as of February 29, 2012**									
6		Plant-in-Service	$ 47,110,663 [1]								
7		Accum. Deprec.	(18,414,563) [1]								
8		CIAC	(14,891,228) [3]								
9	Fed.	Fixed Assets	$ 13,804,872	$ 10,765,875 [2]	100.0%	$ (3,038,998)	31.60%		-		(960,323)
11	State	Fixed Assets	$ 13,804,872	$ 13,593,838 [2]	100.0%	$ (211,034)	6.97%		-		(14,705)
13	Fed &Sta	AIAC		593,411 [4]	100.0%	$ 593,411 [4]	38.57%		$ 228,867		
15								$ -	$ 228,867	$ -	$ (975,028)
17		Net Asset (Liability)						$ (746,161)			
19		Allocation Factor - WW-Division (based on rate base before ADIT)						0.6201			
21		Net Asset (Liability) WW Division						$ (462,717)			
23		DIT Asset (Liability) per Direct						$ (405,395)			
25		Adjustment to DIT						$ 57,322			

32 Footnotes - See page 2

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rejoinder Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		FEDERAL			STATE		
1	[1] **Per Rebuttal Adjusted Balances**						
2	[2] **Computation of Net Tax Value February 29, 2012**						
3	Based on 2011 Tax Depreciation report (December 31, 2011)						
4	Unadjusted Cost at December 31, 2011 per federal and state tax depr. report	$ 28,328,799			$ 28,328,799		
5	Reconciling Items not on tax report:						
6	KPMG CIAC related adjustments per KPMG tax basis adjustment	(3,942,541)			(3,942,541)		
7	Plant Adds 1/1/2012 to 2/28/2012	2,918,334			2,918,334		
8	Land costs not on tax, on books	51,739			51,739		
9	2011 Reconciling Difference Book vs. Tax (timing) (see work papers)	(120,225)			(120,225)		
	Rebuttal Proposed Retirements - Water Division	(1,552,416)			(1,552,416)		
10	Rebuttal Proposed Retirements - WW Division	(1,600,771)			(1,600,771)		
11	Net Unadjusted Cost tax Basis at Feberuary 29, 2012			$ 24,082,920			$ 24,082,920
12							
13	Reductions						
14	Basis Reduction 2011 and Prior Years per federal and state tax depr. report	$ (3,066,507)			$ -		
15	KPMG CIAC related adjustments per KPMG tax basis adjustment	1,192,828			1,192,828		
16	Accumulated Depreciation 2011 and prior per federal and state tax depr. report	(14,334,167)			(14,640,446)		
17	2012 Tax Depreciation on 2011 and prior plant (2 months of 2012) per federal and state tax depr. report	(163,663)			(184,923)		
18	2012 Bonus Depreciation estimate (2 months of 2012) per federal and state tax depr. report	(90,811)					
19	2012 Tax Depreciation on plant adds 1/1/2012 to 2/28/2012 (2 months of 2012) per federal and state tax depr. report	(7,912)			(9,728)		
20	Rebuttal Proposed Retirements - Water Division	1,552,416			1,552,416		
21	Rebuttal Proposed Retirements - WW Division	1,600,771			1,600,771		
22	Net Reductions through February 2012			(13,317,045)			(10,489,082)
23	Net tax value of plant-in-service at February 29. 2012			$ 10,765,875			$ 13,593,838
24							
25	[3] **CIAC (including impact of change to probability of realization)**						
26							
27	Gross CIAC per Rebuttal Adjusted Balances		$ 25,331,792				
28	CIAC reductions/addtions						
29	A.A per Rebuttal Adjusted Balances	$ (11,108,889)					
30							
31			(11,108,889)				
32	Net CIAC before unrealized AIAC			$ 14,222,903			
33							
34	Unrealized AIAC Component						
35	Adjusted Net AIAC (see footnote 5 below)		$ 954,749				
36	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%				
37				$ 668,325			
38	Total realizable CIAC			$ 14,891,228			
39							
40	[4] **AIAC (including impact of change in probability of realization)**						
41	AIAC per adjusted book balances		$ 954,749				
42	AIAC reductions/additions						
43	Net AIAC before unrealized portion			$ 954,749			
44	Less: Unrealized AIAC (from Note 3, above)			$ (668,325)			
45	Net realizable AIAC			$ 286,425			
46	Meter and Service Line Installation Charges per Rebuttal Adjusted Balances			306,987			
47	Total AIAC			$ 593,411			
48							

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	155,372
3	Pumping Power (1/24 of Pumping Power)		16,186
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	171,558
10			
11			
12	**Working Capital Requested**	**$**	**-**
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	2,442,255
19	Less:		
20	Income Tax	$	217,250
21	Property Tax		152,135
22	Depreciation		441,434
23	Purchased Water		-
24	Pumping Power		388,461
25	Allowable Expenses	$	1,242,974
26	1/8 of allowable expenses	$	155,372
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 2,811,949	$ (66,993)	$ 2,744,956	$ 644,939	$ 3,389,895
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	42,889	-	42,889		42,889
5		$ 2,854,838	$ (66,993)	$ 2,787,845	$ 644,939	$ 3,432,784
6	**Operating Expenses**					
7	Salaries and Wages	$ 426,012	32,891	$ 458,903		$ 458,903
8	Purchased Water	-	-	-		-
9	Purchased Power	371,378	17,083	388,461		388,461
10	Fuel For Power Production	-	-	-		-
11	Chemicals	3,884	-	3,884		3,884
12	Materials and Supplies	27,517	-	27,517		27,517
13	Management Services - US Liberty Water	257,367	-	257,367		257,367
14	Management Services - Corporate	133,975	(2,557)	131,418		131,418
15	Management Services - Other	15,903	-	15,903		15,903
16	Outside Services - Accounting	167	-	167		167
17	Outside Services - Engineering	-	-	-		-
18	Outside Services- Other	14,205	-	14,205		14,205
19	Outside Services- Legal	4,690	-	4,690		4,690
20	Water Testing	28,231	(4,410)	23,821		23,821
21	Rents - Building	-	-	-		-
22	Rents - Equipment	3,208	-	3,208		3,208
23	Transportation Expenses	89,305	-	89,305		89,305
24	Insurance - General Liability	34,100	-	34,100		34,100
25	Insurance - Vehicle	7,733	-	7,733		7,733
26	Reg. Comm. Exp. - Other	-	-	-		-
27	Reg. Comm. Exp. - Rate Case	87,500	-	87,500		87,500
28	Miscellaneous Expense	85,057	(1,804)	83,253		83,253
29	Bad Debt Expense	-	-	-		-
30	Depreciation and Amortization Expense	551,222	(109,788)	441,434		441,434
31	Taxes Other Than Income	-	-	-		-
32	Property Taxes	155,805	(3,669)	152,135	11,775	163,910
33	Income Tax	181,647	35,603	217,250	244,394	461,644
34			-	-		-
35	**Total Operating Expenses**	$ 2,478,906	$ (36,651)	$ 2,442,255	$ 256,169	$ 2,698,424
36	**Operating Income**	$ 375,933	$ (30,342)	$ 345,590	$ 388,770	$ 734,360
37	**Other Income (Expense)**					
38	Interest Income	(0)	-	(0)		(0)
39	Other income	-	-	-		-
40	Interest Expense	(86,978)	86,978	-		-
41	Other Expense	-	-	-		-
42		-	-	-		-
43	**Total Other Income (Expense)**	$ (86,978)	$ 86,978	$ (0)	$ -	$ (0)
44	**Net Profit (Loss)**	$ 288,955	$ 56,635	$ 345,590	$ 388,770	$ 734,360
45						
46	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
47	C-1, page 2				A-1	

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Adjusted Results	1 Depreciation	2 Property Taxes	3 Declining Usage Adjustment	4 Revenue Annualization	5 Staff's Water Testing	6 Rate Incease UNSE	7 APUC Allocated Capital Taxes	8 Miscellaneous Expense
1	**Revenues**									
2	Metered Water Revenues	$ 2,811,949			$ (77,275)	$ 10,282				
3	Unmetered Water Revenues	-								
4	Other Water Revenues	42,889								
5		$ 2,854,838	$ -	$ -	$ (77,275)	$ 10,282	$ -	$ -		$ -
6	**Operating Expenses**									
7	Salaries and Wages	$ 426,012								
8	Purchased Water	-								
9	Purchased Power	371,378						17,083		
10	Fuel For Power Production	-								
11	Chemicals	3,884								
12	Materials and Supplies	27,517								
13	Management Services - US Liberty Water	257,367								
14	Management Services - Corporate	133,975							(2,557)	
15	Management Services - Other	15,903								
16	Outside Services - Accounting	167								
17	Outside Services - Engineering	-								
18	Outside Services- Other	14,205								
19	Outside Services- Legal	4,690								
20	Water Testing	28,231					(4,410)			
21	Rents - Building	-								
22	Rents - Equipment	3,208								
23	Transportation Expenses	89,305								
24	Insurance - General Liability	34,100								
25	Insurance - Vehicle	7,733								
26	Reg. Comm. Exp. - Other	-								
27	Reg. Comm. Exp. - Rate Case	87,500								
28	Miscellaneous Expense	85,057								(1,804)
29	Bad Debt Expense	-								
30	Depreciation and Amortization Expense	551,222	(109,788)							
31	Taxes Other Than Income	-								
32	Property Taxes	155,805		(3,669)						
33	Income Tax	181,647								
34										
35	**Total Operating Expenses**	$ 2,478,906	$ (109,788)	$ (3,669)	$ -	$ -	$ (4,410)	$ 17,083	$ (2,557)	$ (1,804)
36	**Operating Income**	$ 375,933	$ 109,788	$ 3,669	$ (77,275)	$ 10,282	$ 4,410	$ (17,083)	$ 2,557	$ 1,804
37	**Other Income (Expense)**									
38	*Interest Income*	(0)								
39	Other income	-								
40	Interest Expense	(86,978)								
41	Other Expense	-								
42		-								
43	**Total Other Income (Expense)**	$ (86,978)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
44	**Net Profit (Loss)**	$ 288,955	$ 109,788	$ 3,669	$ (77,275)	$ 10,282	$ 4,410	$ (17,083)	$ 2,557	$ 1,804
45										
46	SUPPORTING SCHEDULES:									
47	C-2, pages 1-16									
48										

Rio Rico Utilities, Inc. dba Liberty Utilities - Water I
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		9 Employee Benefits	10 Intentionally Left Blank	11 Intentionally Left Blank	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Interest Synchronization	15 Income Taxes	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**										
2	Metered Water Revenues								$ 2,744,956	$ 644,939	$ 3,389,895
3	Unmetered Water Revenues								-		-
4	Other Water Revenues								42,889		42,889
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,787,845	$ 644,939	$ 3,432,784
6	**Operating Expenses**										
7	Salaries and Wages	32,891							$ 458,903		$ 458,903
8	Purchased Water								-		-
9	Purchased Power								388,461		388,461
10	Fuel For Power Production								-		-
11	Chemicals								3,884		3,884
12	Materials and Supplies								27,517		27,517
13	Management Services - US Liberty Water								257,367		257,367
14	Management Services - Corporate								131,418		131,418
15	Management Services - Other								15,903		15,903
16	Outside Services - Accounting								167		167
17	Outside Services - Engineering								-		-
18	Outside Services- Other								14,205		14,205
19	Outside Services- Legal								4,690		4,690
20	Water Testing								23,821		23,821
21	Rents - Building								-		-
22	Rents - Equipment								3,208		3,208
23	Transportation Expenses								89,305		89,305
24	Insurance - General Liability								34,100		34,100
25	Insurance - Vehicle								7,733		7,733
26	Reg. Comm. Exp. - Other								-		-
27	Reg. Comm. Exp. - Rate Case								87,500		87,500
28	Miscellaneous Expense								83,253		83,253
29	Bad Debt Expense								-		-
30	Depreciation and Amortization Expense								441,434		441,434
31	Taxes Other Than Income								-		-
32	Property Taxes								152,135	11,775	163,910
33	Income Tax							35,603	217,250	244,394	461,644
34											
35	**Total Operating Expenses**	$ 32,891	$ -	$ -	$ -	$ -	$ -	$ 35,603	$ 2,442,255	$ 256,169	$ 2,698,424
36	**Operating Income**	$ (32,891)	$ -	$ -	$ -	$ -	$ -	$ (35,603)	$ 345,590	$ 388,770	$ 734,360
37	**Other Income (Expense)**										
38	Interest Income								(0)		(0)
39	Other income								-		-
40	Interest Expense						86,978		-		-
41	Other Expense								-		-
42									-		-
43	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ 86,978	$ -	$ (0)	$ -	$ (0)
44	**Net Profit (Loss)**	$ (32,891)	$ -	$ -	$ -	$ -	$ 86,978	$ (35,603)	$ 345,590	$ 388,770	$ 734,360
45											
46	SUPPORTING SCHEDULES:										
47	C-2, pages 1-16										
48											

RECAP SCHEDULES:
C-1, page 1

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
		Depreciation	Property Taxes	Declining Usage Adjustment	Revenue Annualization	Staff's Water Testing	Rate Incease UNSE	
4	Revenues				10,282	(4,410)		5,872
6	Expenses	(109,788)	(3,669)	(77,275)			17,083	(173,649)
9	Operating Income	109,788	3,669	77,275	10,282	(4,410)	(17,083)	179,521
12	Interest Expense							-
15	Other Income / Expense							-
17	Net Income	109,788	3,669	77,275	10,282	(4,410)	(17,083)	179,521

Line No.		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		APUC Allocated Capital Taxes	Miscellaneous Expense	Employee Benefits	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							5,872
27	Expenses	(2,557)	(1,804)	32,891	-	-	-	(145,119)
30	Operating Income	2,557	1,804	(32,891)	-	-	-	150,991
33	Interest Expense	-						-
36	Other Income / Expense							-
38	Net Income	2,557	1,804	(32,891)	-	-	-	150,991

Line No.		Adjustments to Revenues and Expenses						
		13	14	15	16	17	18	Total
		Intentionally Left Blank	Interest Synchronization	Income Taxes				
46	Revenues							5,872
48	Expenses			35,603				(109,516)
51	Operating Income	-	-	(35,603)	-	-	-	115,388
54	Interest Expense	-	86,978					86,978
57	Other Income / Expense							-
59	Net Income	-	86,978	(35,603)	-	-	-	202,365

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rejoinder Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-Depr or Fully Depreciated	Depreciable Adjusted Original Cost	Proposed Rates	Depreciation Expense
5	301	Organization Cost	5,785	(5,785)	-	0.00%	-
6	302	Franchise Cost	417	(417)	-	0.00%	-
7	303	Land and Land Rights	44,194	(44,194)	-	0.00%	-
8	304	Structures and Improvements	3,311,457		3,311,457	3.33%	110,272
9	305	Collecting and Impounding Res.	-		-	2.50%	-
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	562,937		562,937	3.33%	18,746
12	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
13	309	Supply Mains	279,157		279,157	2.00%	5,583
14	310	Power Generation Equipment	219,360		219,360	5.00%	10,968
15	311	Electric Pumping Equipment	1,601,993		1,601,993	12.50%	200,249
16	320	Water Treatment Equipment	363,442		363,442	3.33%	12,103
17	320.1	Water Treatment Plant	-		-	3.33%	-
18	320.2	Chemical Solution Feeders	-		-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	759,861		759,861	2.22%	16,869
20	330.1	Storage tanks	-		-	2.22%	-
21	330.2	Pressure Tanks	-		-	5.00%	-
22	331	Trans. and Dist. Mains	22,337,893		22,337,893	2.00%	446,758
23	333	Services	2,768,122		2,768,122	3.33%	92,178
24	334	Meters	1,010,366		1,010,366	8.33%	84,163
25	335	Hydrants	572,321		572,321	2.00%	11,446
26	336	Backflow Prevention Devices	6,151		6,151	6.67%	410
27	339	Other Plant and Misc. Equip.	123,778		123,778	6.67%	8,256
28	340	Office Furniture and Fixtures	29,265		29,265	6.67%	1,952
29	340.1	Computers and Software	76,919	(76,919)	-	20.00%	-
30	341	Transportation Equipment	142,188		142,188	20.00%	28,438
31	342	Stores Equipment	-		-	4.00%	-
32	343	Tools and Work Equipment	18,203		18,203	5.00%	910
33	344	Laboratory Equipment	3,061	(3,061)	-	10.00%	-
34	345	Power Operated Equipment	-		-	5.00%	-
35	346	Communications Equipment	212,996		212,996	10.00%	21,300
36	347	Miscellaneous Equipment	5,427		5,427	10.00%	543
37	348	Other Tangible Plant	-		-	10.00%	-
38		TOTALS	$ 34,455,296	$ (130,376)	$ 34,324,919		$ 1,071,144

	Gross CIAC	Amort. Rate	
41 Less: Amortization of Contributions	$ 20,179,119	3.1206%	$ (629,710)
42 Total Depreciation Expense			$ 441,434
44 Adjusted Test Year Depreciation Expense			551,222
46 Increase (decrease) in Depreciation Expense			(109,788)
48 Adjustment to Revenues and/or Expenses			$ (109,788)

50 SUPPORTING SCHEDULE
51 B-2, page 3

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rejoinder Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 2,787,845	$ 2,787,845
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	5,575,690	5,575,690
4	Company Recommended Revenue	2,787,845	3,432,784
5	Subtotal (Line 4 + Line 5)	8,363,535	9,008,474
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,787,845	3,002,825
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	5,575,690	6,005,649
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	20,364	20,364
12	Full Cash Value (Line 9 + Line 10 - Line 11)	5,555,326	5,985,285
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	1,111,065	1,197,057
15	Composite Property Tax Rate - Obtained from ADOR	13.6927%	13.6927%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 152,135	$ 163,910
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 152,135	
19	Test Year Property Taxes	$ 155,805	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (3,669)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 163,910
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 152,135
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 11,775**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 11,775
27	Increase in Revenue Requirement		$ 644,939
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.82570%
29			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Declining Usage Adjustment

Line No.			
1			
2	Declining Usage Adjustment	$	(77,275)
3			
4	Increase (decrease) in Water Testing Expense		(77,275)
5			
6	Adjustment to Revenues	$	(77,275)
7			
8			
9	Adjustment to Revenue and/or Expense		(77,275)
10			
11	Reference		
12	Testimony		
13			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line No.			
1			
2			
3			
4	MSR Revenue Annualization per RUCO	$	10,282
5			
6			
7			
8	Total Revenue from Annualization	$	10,282
9			
10			
11	Adjustment to Revenue and/or Expense	$	10,282
12			
13	SUPPORTING SCHEDULES		
14	Testimony		
15			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Water Testing

Line No.			
1			
2	Water Testing Expense per Rebuttal	$	23,821
3	Water Testing Expense per Direct		28,231
4	Increase (decrease) in Water Testing Expense		(4,410)
5			
6	Adjustment to Revenues	$	(4,410)
7			
8			
9	Adjustment to Revenue and/or Expense		(4,410)
10			
11	Reference		
12	Staff Schedule MJR-W15		
13			
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Purchased Power - UNSE Rate Increase

Line No.			
1			
2	Test Year Adjusted Purchased Power Expense	$	371,378
3	Aniticipated UNSE rate increase (as %)		4.60%
4	Increase in Purchased Power Expense		17,083
5			
6	Adjustment to Purchased Power Expense	$	17,083
7			
8			
9	Adjustment to Revenue and/or Expense		17,083
10			
11	Reference		
12	Testimony		
13	Work papers		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

APUC Allocated Capital Taxes

Line No.			
1			
2	APUC Allocated Capital Taxes	$	(2,557)
3			
4			
5			
6	Adjustment to Management Services -Corporate	$	(2,557)
7			
8			
9	Adjustment to Revenue and/or Expense		(2,557)
10			
11	Reference		
12	Staff Schedule MJR-W16		
13	Testimony		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rejoinder Schedule C-2
Page 9
Witness: Bourassa

Miscellaneous Expense

Line No.			
1			
2	RUCO proposed reduction to Miscellaneous Expense	$	(1,804)
3			
4			
5			
6	Adjustment to Miscellaneous Expense	$	(1,804)
7			
8			
9	Adjustment to Revenue and/or Expense		(1,804)
10			
11	Reference		
12	Staff Schedule TJC-21		
13	Testimony		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rejoinder Schedule C-2
Page 10
Witness: Bourassa

Employee Benefits

Line No.			
1			
2	Allocated portion of new employee benefit costs	$	32,891
3			
4			
5			
6	Adjustment to Salaries and Wages expense	$	32,891
7			
8			
9	Adjustment to Revenue and/or Expense		32,891
10			
11	Reference		
12	Testimony		
13	Workpapers		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rejoinder Schedule C-2
Page 11
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Rejoinder Schedule C-2
Page 12
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Rejoinder Schedule C-2
Page 13
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Rejoinder Schedule C-2
Page 14
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Rejoinder Schedule C-2
Page 15
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 7,730,108	
5	Weighted Cost of Debt	0.00%	
6	Interest Expense		$ -
7			
8	Test Year Interest Expense		$ 86,978
9			
10	Increase (decrease) in Interest Expense		(86,978)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 86,978
15			
16			
17	Weighted Cost of Debt Computation		
18			Weighted
19		Percent	Cost	Cost
20	Debt	0.00%	5.70%	0.00%
21	Equity	100.00%	9.50%	9.50%
22	Total	100.00%		9.50%
23				
24				
25				
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Rejoinder Schedule C-2
Page 16
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Computed Income Tax	$ 217,250	$ 461,644
5	Test Year Income tax Expense	-	217,250
6	Adjustment to Income Tax Expense	$ 217,250	$ 244,394
7			
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13	SUPPORTING SCHEDULE		
14	C-3, page 2		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	38.599%
2		
3	Property Taxes	1.121%
4		
5		
6	Total Tax Percentage	39.720%
7		
8	Operating Income % = 100% - Tax Percentage	60.280%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.6589
15		
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25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
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Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012

Exhibit
Rejoinder Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.7199%					
5	Subtotal (L3 - L4)	60.2801%					
6	**Revenue Conversion Factor (L1 / L5)**	1.658922					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	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%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (L55 Col F)	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%				
	Calculation of Effective Property Tax Factor						
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	1.8257%					
22	Effective Property Tax Factor (L20*L21)		1.1210%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.7199%			
24	Required Operating Income	$ 734,360					
25	AdjustedTest Year Operating Income (Loss)	$ 345,590					
26	Required Increase in Operating Income (L24 - L25)		$ 388,770				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 461,644					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ 217,250					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 244,394				
30	Recommended Revenue Requirement	$ 3,432,784					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 163,910					
36	Property Tax on Test Year Revenue	$ 152,135					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 11,775				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 644,939				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
	Calculation of Income Tax:	Total Company	Sewer	Water	Total	Sewer	Water
39	Revenue	$ 4,157,975	$ 1,370,130	$ 2,787,845	$ 5,082,446	$ 1,649,662	$ 3,432,784
40	Operating Expenses Excluding Income Taxes	3,136,933	911,928	2,225,005	3,153,811	917,032	2,236,779
41	Synchronized Interest (L47)	-	-	-	-	-	-
42	Arizona Taxable Income (L39 - L40 - L41)	$ 1,021,042	$ 458,201	$ 562,840	$ 1,928,636	$ 732,631	$ 1,196,005
43	Arizona State Effective Income Tax Rate (see work papers)		6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	$ 71,146	$ 31,927	$ 39,219	$ 134,387	$ 51,050	$ 83,338
45	Federal Taxable Income (L42- L44)	$ 949,896	$ 426,274	$ 523,622	$ 1,794,249	$ 681,582	$ 1,112,667
46							
47	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 15,000	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
48	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ 12,500	$ 6,250	$ 6,250	$ 6,250	$ 6,250	$ 6,250
49	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 17,000	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500
50	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 183,300	$ 91,650	$ 91,650	$ 91,650	$ 91,650	$ 91,650
51	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 95,165	$ 31,033	$ 64,131	$ 496,145	$ 117,838	$ 264,407
52							
53	Total Federal Income Tax	$ 322,965	$ 144,933	$ 178,031	$ 610,045	$ 231,738	$ 378,307
54	Combined Federal and State Income Tax (L35 + L42)	$ 394,111	$ 176,861	$ 217,250	$ 744,432	$ 282,788	$ 461,644

55	COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45]	34.0000%		
56	WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45]		34.0000%	
57	WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45]			34.0000%

	Calculation of Interest Synchronization:	Sewer	Water
58	Rate Base	$ 4,735,192	$ 7,730,108
59	Weighted Average Cost of Debt	0.0000%	0.0000%
60	Synchronized Interest (L59 X L60)	$ -	$ -

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8X3/4 Inch	Residential	$ 2,239,712	$ 2,777,363	$ 537,651	24.01%	79.14%	79.85%
2	5/8X3/4 Inch	Residential (Low Income)	29,750	37,210	$ 7,460	25.07%	1.05%	1.07%
3	3/4 Inch	Residential	4,032	5,437	1,406	34.86%	0.14%	0.16%
4	1 Inch	Residential	25,847	32,719	6,872	26.59%	0.91%	0.94%
	1 Inch	Residential (Low Income)	359	487	128	35.79%	0.01%	0.01%
5	1 1/2 Inch	Residential	5,642	6,790	1,148	20.35%	0.20%	0.20%
6	2 Inch	Residential	5,482	7,513	2,031	37.05%	0.19%	0.22%
7								
8		Subtotal	2,310,824	2,867,520	556,696	24.09%	81.65%	82.44%
9								
10	5/8X3/4 Inch	Commercial	$ 36,891	$ 44,031	$ 7,140	19.35%	1.30%	1.27%
11	1 Inch	Commercial	45,719	55,170	9,452	20.67%	1.62%	1.59%
12	1 1/2 Inch	Commercial	16,434	20,086	3,652	22.22%	0.58%	0.58%
13	2 Inch	Commercial	110,064	137,878	27,814	25.27%	3.89%	3.96%
14	3 Inch	Commercial	113,938	128,813	14,875	13.06%	4.03%	3.70%
15	4 Inch	Commercial	83,492	91,613	8,121	9.73%	2.95%	2.63%
16	6 Inch	Commercial	25,623	28,060	2,437	9.51%	0.91%	0.81%
17								
18		Subtotal	$ 432,162	$ 505,652	$ 73,490	17.01%	15.27%	14.54%
19								
20	5/8X3/4 Inch	Industrial	$ 4,727	$ 6,159	$ 1,431	30.27%	0.17%	0.18%
21	2 Inch	Industrial	47,436	51,605	4,169	8.79%	1.68%	1.48%
22			$ 52,164	$ 57,764	5,600	10.74%	1.84%	1.66%
23								
24	5/8X3/4 Inch	Multi-family	$ 3,072	$ 3,736	663	21.59%	0.11%	0.11%
25	1 1/2 Inch	Multi-family	1,071	1,471	401	37.41%	0.04%	0.04%
26								
27		Subtotal	$ 4,143	$ 5,207	1,064	25.68%	0.15%	0.15%
28								
29	6 Inch	Bulk	29,625	40,039	10,414	35.15%	1.05%	1.15%
30		Fire Lines up to 8 Inch	1,263	1,995	733	58.01%	0.04%	0.06%
31								
32								
33	Total Revenues Before Annualization		$ 2,830,180	$ 3,478,176	$ 647,996	22.90%	100.00%	100.00%
34								

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 2
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	
				Revenue Annualization					
1	5/8X3/4 Inch	Residential	$ (6,796)	$ (9,257)	(2,461)	0.00%	(328)	(1,648)	C-2, pg 5.1
2	5/8X3/4 Inch	Residential (Low Income)	$ 11,550	$ 14,840	3,290	28.48%	520	3,196	C-2, pg 5.2
3	3/4 Inch	Residential	(461)	(624)	(163)	0.00%	(16)	(68)	C-2, pg. 5.3
4	1 Inch	Residential	(191)	(258)	(67)	0.00%	(4)	(28)	C-2, pg. 5.4
5	1 Inch	Residential (Low Income)	70	111	41	58.01%	3	-	C-2, pg. 5.5
6	1 1/2 Inch	Residential	1,219	1,496	278	22.79%	9	235	C-2, pg. 5.6
7	2 Inch	Residential	(260)	(365)	(106)	0.00%	(2)	(29)	C-2, pg. 5.7
8									
9		Subtotal	$ 5,132	$ 5,942	811	15.80%	182	1,659	
10									
11	5/8X3/4 Inch	Commercial	$ 1,582	$ 1,864	283	17.86%	35	425	C-2, pg. 5.8
12	1 Inch	Commercial	417	505	88	21.09%	5	92	C-2, pg. 5.9
13	1 1/2 Inch	Commercial	(79)	(66)	13	0.00%	-	(22)	C-2, pg. 5.10
14	2 Inch	Commercial	(779)	(1,002)	(223)	0.00%	(4)	(147)	C-2, pg. 5.11
15	3 Inch	Commercial	(9,576)	(10,494)	(918)	0.00%	(13)	(2,150)	C-2, pg. 5.12
16	4 Inch	Commercial	(1,321)	(1,278)	43	0.00%	-	(363)	C-2, pg. 5.13
17	6 Inch	Commercial	-	-	-	0.00%	-	-	C-2, pg. 5.14
18					-				
19		Subtotal	$ (9,757)	$ (10,472)	(715)	7.33%	23	(2,164)	
20									
21	5/8X3/4 Inch	Industrial	$ 28	$ 30	1	4.45%	-	10	C-2, pg. 5.15
22	2 Inch	Industrial	(13,917)	(15,140)	(1,222)	0.00%	(22)	(3,531)	C-2, pg. 5.16
23			$ (13,889)	$ (15,110)	$ (1,221)	8.79%	(22)	(3,521)	
24									
25	5/8X3/4 Inch	Multi-family	$ (35)	$ (50)	(15)	0.00%	(2)	(9)	C-2, pg. 5.17
26	1 1/2 Inch	Multi-family	-	-	-	0.00%	-	-	C-2, pg. 5.18
27									
28		Subtotal	$ (35)	$ (50)	(15)	42.95%	(2)	(9)	
29									
30	6 Inch	Bulk	10,282	$ 10,282	-	0.00%	-	-	C-2, pg. 5.19
31		Fire Lines up to 8 Inch	318	503	185	58.01%	58	-	C-2, pg. 5.20
32									
33									
34									
35	Total Revenue Annualization		$ (7,949)	$ (8,905)	$ (956)	0.00%	239	(4,035)	
36									

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Subtotal Metered Revenues	$ 2,830,180	$ 3,478,176	$ 647,996	22.90%	100.00%	100.00%
2	Declining Usage Adjustment	(77,275)	(77,275)	-	0.00%	-	-
3	Subtotal Revenue Annualization	(7,949)	(8,905)	(956)	12.03%	-0.28%	-0.26%
4	Total Metered Revenues	$ 2,744,956	$ 3,391,997	$ 647,040	23.57%		
5							
6	Misc. Revenues	$ 42,889	$ 42,889	-	0.00%	1.52%	1.23%
7	Reconciling Amount	-	(2,102)	(2,102)	0.00%	0.00%	-0.06%
8	Total Water Revenues	$ 2,787,845	$ 3,432,784	$ 644,938	23.13%	0.00%	0.00%
9							
10							
11	Revenue Reconciliation						
12							
13	Revenue per bill count before revenue annualization		$ 2,873,069				
14	Revenue per GL (metered water revenues)	$ 2,862,761					
15	Adjustments Rev. Accrual Correction	10,308					
16	Adjusted Revenue per GL (metered water revenues)		2,873,069				
17	Difference		$ 0				
18	Difference %		0.00%				
19	Tolerance %		0.50%				
20	Tolerance Amount + or -		$ 14,365				
21							
22	Acceptable?		YES				
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Customer Summary

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 2/29/2012	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	5,902	7,794	$ 29.75	$ 37.52	7.77	26.13%
2	5/8X3/4 Inch	Residential (Low Income)	96	7,658	24.95	31.54	6.59	26.42%
3	3/4 Inch	Residential	11	4,316	29.07	39.19	10.12	34.80%
4	1 Inch	Residential	35	10,705	58.71	76.03	17.32	29.50%
5	1 Inch	Residential (Low Income)	1	6,667	39.88	54.15	14.27	35.79%
6	1 1/2 Inch	Residential	3	27,821	141.77	171.60	29.84	21.05%
7	2 Inch	Residential	3	19,316	144.24	197.71	53.47	37.07%
8		Subtotal	6,052					
9								
10	5/8X3/4 Inch	Commercial	80	8,995	$ 33.25	$ 41.18	7.93	23.84%
11	1 Inch	Commercial	49	15,566	73.31	90.85	17.54	23.93%
12	1 1/2 Inch	Commercial	10	24,508	129.71	161.50	31.79	24.51%
13	2 Inch	Commercial	43	39,263	202.49	258.55	56.06	27.69%
14	3 Inch	Commercial	12	173,138	764.86	824.61	59.75	7.81%
15	4 Inch	Commercial	6	253,431	1,155.95	1,225.19	69.25	5.99%
16	6 Inch	Commercial	1	457,917	2,125.82	2,269.29	143.48	6.75%
17		Subtotal	201					
18								
19	5/8X3/4 Inch	Industrial	17	4,422	$ 19.90	$ 27.24	7.33	36.86%
20	2 Inch	Industrial	6	167,329	655.88	711.12	55.24	8.42%
21		Subtotal	23					
22								
23	5/8X3/4 Inch	Multi-family	7	9,058	$ 33.48	$ 41.42	7.93	23.70%
24	1 1/2 Inch	Multi-family	1	11,750	89.21	122.59	33.38	37.41%
25		Subtotal	8					
26								
27	6 Inch	Bulk	0	1,908,591	7,406.27	10,009.65	2,603.38	35.15%
28		Fire Lines up to 8 Inch	19	-	$ 5.49	$ 8.68	3.19	58.01%
29								
30								
31		Total	6,303					
32								

33 *(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.*
34

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Customer Summary

Exhibit
Rejoinder Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 2/29/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	5,902	6,000	$ 24.51	$ 32.05	7.54	30.76%
2	5/8X3/4 Inch	Residential (Low Income)	96	-	23.32	29.84	6.52	27.96%
3	3/4 Inch	Residential	11	4,000	28.15	38.23	10.08	35.79%
4	1 Inch	Residential	35	6,000	44.97	61.68	16.71	37.15%
5	1 Inch	Residential (Low Income)	1	-	40.71	55.02	14.31	35.15%
6	1 1/2 Inch	Residential	3	20,000	113.30	147.75	34.45	30.41%
7	2 Inch	Residential	3	14,000	128.72	181.50	52.78	41.00%
8		Subtotal	6,052					
9								
10	5/8X3/4 Inch	Commercial	80	3,000	$ 15.75	$ 22.90	7.15	45.40%
11	1 Inch	Commercial	49	7,000	47.89	64.73	16.84	35.15%
12	1 1/2 Inch	Commercial	10	9,000	81.18	114.20	33.02	40.68%
13	2 Inch	Commercial	43	20,500	147.70	201.33	53.63	36.31%
14	3 Inch	Commercial	12	24,000	245.76	350.80	105.04	42.74%
15	4 Inch	Commercial	6	192,000	932.34	1,019.35	87.01	9.33%
16	6 Inch	Commercial	1	425,000	2,006.00	2,163.75	157.75	7.86%
17		Subtotal	201					
18								
19	5/8X3/4 Inch	Industrial	17	4,353	$ 10.98	$ 17.35	6.37	58.01%
20	2 Inch	Industrial	6	32,667	140.40	193.70	53.30	37.96%
21		Subtotal	23					
22								
23	5/8X3/4 Inch	Multi-family	7	8,000	$ 30.35	$ 38.15	7.80	25.70%
24	1 1/2 Inch	Multi-family	1	11,000	87.02	120.30	33.28	38.24%
25		Subtotal	8					
26								
27	6 Inch	Bulk	0	945,000	3,898.80	5,394.05	1,495.25	38.35%
28		Fire Lines up to 8 Inch	19	-	$ 5.49	$ 8.68	3.19	58.01%
29								
30								
31		Total	6,303					
32								

33 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
34

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 10.98	$ 17.35	$ 6.37	58.01%
2	3/4 Inch	16.47	26.03	9.56	58.01%
3	1 Inch	27.45	43.38	15.93	58.01%
4	1 1/2 Inch	54.90	86.75	31.85	58.01%
5	2 Inch	87.84	138.80	50.96	58.01%
6	3 Inch	175.68	277.60	101.92	58.01%
7	4 Inch	274.50	433.75	159.25	58.01%
8	6 Inch	549.00	867.50	318.50	58.01%
9	8 Inch	878.40	1,388.00	509.60	58.01%
10	10 Inch	1,262.70	1,995.25	732.55	58.01%
11	12 Inch	2,360.70	3,730.25	1,369.55	58.01%
12					
13	Low Income Tariff - A 15% discount is available to qualified residential customers meeting the low income qualifications. Participation is limited to a maximum 2,200 customers.				
14					
15	Fire Lines 8 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
16	Fire Lines 10 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
17	Fire Lines 12 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
18					
19	* 1% of Monthly Minimum for a Comparable Size Meter Commection, but not lessthan $5.00 per month. The Service Charge for Fire Sprinklers is only applicable for				
20	service lines separate and distinct from the primary water service line.				
21					
22	Gallons In Minimum (All Classes)	-	-		
23					
24			(Per 1,000 gallons)		
25	**Commodity Rates**		Present	Proposed	
26	**(All Classes)**	Block	Rate	Rate	
27					
28	5/8 Inch	0 gallons to 3,000 gallons	$ 1.59	$ 1.85	
29		3,001 gallons to 9,000 gallons	$ 2.92	$ 3.05	
30		over 9,000 gallons	$ 3.64	$ 3.70	
31					
32					
33	3/4 Inch Meter	0 gallons to 6,000 gallons	$ 2.92		
34		over 6,000 gallons	$ 3.64		
35					
36	3/4 Inch Meter	0 gallons to 4,500 gallons		$ 3.05	
37		over 4,500 gallons		$ 3.70	
38					
39	* Per Rule - A.A.C. R-14-2-408.B				
40	NT = No Tariff				

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Bourassa

Line No.			(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2	**Commodity Rates**			
3	**(All Classes)**	**Block**		
4	1 Inch Meter	0 gallons to 15,000 gallons	$ 2.92	$ -
5		over 15,000 gallons	$ 3.64	$ -
6				
7	1 Inch Meter	0 gallons to 22,500 gallons		$ 3.05
8		over 22,500 gallons		$ 3.70
9				
10	1.5 Inch Meter	0 gallons to 20,000 gallons	$ 2.92	
11		over 20,000 gallons	$ 3.64	
12				
13	1.5 Inch Meter	0 gallons to 45,000 gallons		$ 3.05
14		over 45,000 gallons		$ 3.70
15				
16	2 Inch Meter	0 gallons to 57,000 gallons	$ 2.92	
17		over 57,000 gallons	$ 3.64	
18				
19	2 Inch Meter	0 gallons to72,000 gallons		$ 3.05
20		over 72,000 gallons		$ 3.70
21				
22	3 Inch Meter	0 gallons to 57,000 gallons	$ 2.92	
23		over 57,000 gallons	$ 3.64	
24				
25	3 Inch Meter	0 gallons to 144,000 gallons		$ 3.05
26		over 144,000 gallons		$ 3.70
27				
28	4 Inch Meter	0 gallons to 57,000 gallons	$ 2.92	
29		over 57,000 gallons	$ 3.64	
30				
31	4 Inch Meter	0 gallons to 225,000 gallons		$ 3.05
32		over 225,000 gallons		$ 3.70
33				
34	6 Inch Meter	0 gallons to 125,000 gallons	$ 2.92	
35		over 125,000 gallons	$ 3.64	
36				
37	6 Inch Meter	0 gallons to 450,000 gallons		$ 3.05
38		over 450,000 gallons		$ 3.70

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Bourassa

Line No.						
1						
2	**Commodity Rates**					
3	**(All Classes)**					
4	8 Inch Meter	0 gallons to 125,000 gallons	$	2.92		
5		over 125,000 gallons	$	3.64		
6						
7	8 Inch Meter	0 gallons to 720,000 gallons			$	3.05
8		over 720,000 gallons			$	3.70
9						
10	10 Inch Meter	0 gallons to 125,000 gallons	$	2.92		
11		over 125,000 gallons	$	3.64		
12						
13	10 Inch Meter	0 gallons to 1,035,000 gallons			$	3.05
14		over 1,035,000 gallons			$	3.70
15						
16	12 Inch Meter	0 gallons to 125,000 gallons	$	2.92		
17		over 125,000 gallons	$	3.64		
18						
19	12 Inch Meter	0 gallons to 1,935,000 gallons			$	3.05
20		over 1,935,000 gallons			$	3.70
21						
22						
23	6 Inch Bulk	All gallons			$	3.70
24						
25	NT = No Tariff					
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Changes in Representative Rate Schedules
Test Year Ended February 29, 2012

Exhibit
Rejoinder Schedule H-3
Page 4
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 15.00	$ 15.00
2	Establishment (After Hours)	$ 25.00	NT
3	Reconnection (Delinquent)	$ 15.00	$ 15.00
4	Reconnection (Delinquent) - After Hours	$ 25.00	NT
5	Meter test (If Correct)	$ 15.00	$ 15.00
6	Deposit	*	*
7	Deposit Interest	**	**
8	Reestablishment (within 12 months)	***	***
9	NSF Check	$ 15.00	$ 15.00
10	Meter Reread (if Correct)	$ 20.00	$ 20.00
11	Late Payment Penalty	1.5% per month	1.5% per month
12	Deferred Payment (R-01-2-409.G)	1.5% per month	1.5% per month
13	Moving meter at customer request (R-14-2-405.B)	at Cost	at Cost
14	Service Calls - Per Hour/After Hours(a)	$ 40.00	NT
15	Service Charge - After Hours(a)		$ 40.00
16			
17			
18			
19			
20			

21 * Per Commission Rule A.A.C. R-14-2-403(B)
22 ** Per Commission Rule A.A.C. R-14-2-403(B)
23 *** Per Commission Rule A.A.C. R14-2-403(D) - Months off the system times the monthly minimum.
24
25 (a) No charge for service calls during normal working hours.
26
27 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
28 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
29 TAX. PER COMMISSION RULE 14-2-409D(5).
30
31
32
33
34

Rio Rico Utilities, Inc. dba Liberty Utilities - Water Division
Test Year Ended February 29, 2012
Meter and Service Line Charges

Exhibit
Rejoinder Schedule H-3
Page 5
Witness: Bourassa

Refundable Meter and Service Line Charges

Line No.		Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install-ation Charge	Total Proposed Charge
9	5/8 x 3/4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10	3/4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
11	1 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
12	1 1/2 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
13	2 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
14	3 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
15	4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
16	6 inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
17	8 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
18	10 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
19	12 Inch	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

RIO RICO UTILITIES, INC. DBA LIBERTY UTILITIES

REJOINDER TESTIMONY OF THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

MARCH 8, 2013

WASTEWATER DIVISION SCHEDULES

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line No.						
1	Fair Value Rate Base				$	4,735,192
2						
3	Adjusted Operating Income					281,341
4						
5	Current Rate of Return					5.94%
6						
7	Required Operating Income				$	449,843
8						
9	Required Rate of Return on Fair Value Rate Base					9.50%
10						
11	Operating Income Deficiency				$	168,502
12						
13	Gross Revenue Conversion Factor					1.6589
14						
15	Increase in Gross Revenue					
16	Requirement				$	279,532
17						
18	Adjusted Test Year Revenues				$	1,370,130
19	*Increase in Gross Revenue Revenue Requirement*				$	279,532
20	Proposed Revenue Requirement				$	1,649,662
21	% Increase					20.40%
22						
23	**Customer**		**Present**	**Proposed**	**Dollar**	**Percent**
24	**Classification**		**Rates**	**Rates**	**Increase**	**Increase**
25	5/8X3/4 Inch	Residential	$ 1,001,239	$ 1,214,503	$ 213,264	21.30%
26	5/8X3/4 Inch	Residential (Low Income)	26,948	32,687	5,740	21.30%
27	3/4 Inch	Residential	5,182	6,286	1,104	21.30%
28	1 Inch	Residential	7,304	8,860	1,556	21.30%
29	1 Inch	Residential (Low Income)	494	600	105	21.30%
30	1 1/2 Inch	Residential	-	-	-	0.00%
31	2 Inch	Residential	132	161	28	21.30%
32	5/8X3/4 Inch	Commercial	46,018	54,365	8,348	18.14%
33	1 Inch	Commercial	56,409	66,068	9,659	17.12%
34	1 1/2 Inch	Commercial	17,712	20,544	2,832	15.99%
35	2 Inch	Commercial	94,925	110,134	15,209	16.02%
36	3 Inch	Commercial	5,376	6,357	982	18.26%
37	4 Inch	Commercial	89,951	101,977	12,026	13.37%
38	6 Inch	Commercial	33,018	37,604	4,586	13.89%
39	5/8X3/4 Inch	Multi-tenant	4,780	5,664	883	18.48%
40	1 1/2 Inch	Multi-tenant	1,411	1,686	275	19.47%
41					-	0.00%
42	Revenue Annualization		11,943	14,296	2,353	19.70%
43	Declining Usage Adjustment		(32,713)	(32,713)	-	0.00%
44	**Subtotal**		$ 1,370,130	$ 1,649,079	$ 278,949	20.36%
45						
46	Other Water Revenues		-	-	-	0.00%
47	Reconciling Amount		-	583	583	0.00%
48	Rounding					0.00%
49	**Total of Water Revenues**		$ 1,370,130	$ 1,649,662	$ 279,532	20.40%
50						
51						
52	SUPPORTING SCHEDULES:					
53	B-1					
54	C-1					
55	C-3					
56	H-1					

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Summary of Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 12,655,367	$ 12,655,367
3	Less: Accumulated Depreciation	4,658,438	4,658,438
4			
5	Net Utility Plant in Service	$ 7,996,929	$ 7,996,929
6			
7	Less:		
8	Advances in Aid of Construction	293,794	293,794
9			
10	Contributions in Aid of Construction	5,152,673	5,152,673
11			
12	Accumulated Amortization of CIAC	(2,491,137)	(2,491,137)
13			
14	Customer Meter Deposits	22,963	22,963
15	Deferred Income Taxes & Credits	283,444	283,444
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 4,735,192	$ 4,735,192
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45			
46			
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48			
49			
50			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 14,241,191	(1,585,824)	$ 12,655,367
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	6,437,304	(1,778,866)	4,658,438
7				
8				
9	Net Utility Plant			
10	in Service	$ 7,803,886		$ 7,996,929
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	293,794	-	293,794
15				
16	Contributions in Aid of			
17	Construction - Gross	5,152,673	-	5,152,673
18				
19	Accumulated Amortization of CIAC	(2,509,975)	18,837	(2,491,137)
20				
21	Customer Meter Deposits	22,963		22,963
22	Accumulated Deferred Income Tax	244,419	39,025	283,444
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 4,600,012		$ 4,735,192
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47				
48				
49				
50				

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 AIAC	5 ADIT	Rebuttal Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 14,241,191	(1,585,824)					$ 12,655,367
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	6,437,304		(1,778,866)				4,658,438
7								
8								
9	Net Utility Plant							
10	in Service	$ 7,803,886	$ (1,585,824)	$ 1,778,866	$ -	$ -	$ -	$ 7,996,929
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	293,794				-		293,794
15								
16	Contributions in Aid of							
17	Construction (CIAC)	5,152,673			-			5,152,673
18								
19	Accumulated Amort of CIAC	(2,509,975)			18,837			(2,491,137)
20								
21	Customer Meter Deposits	22,963						22,963
22	Accumulated Deferred Income Taxes	244,419					39,025	283,444
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						-
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 4,600,012	$ (1,585,824)	$ 1,778,866	$ (18,837)	$ -	$ (39,025)	$ 4,735,192
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38								
39								
40								

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Original Cost	A Plant Reclassification from Water Division	B Nogales WWTP Plant Reclassification	C Nogales WWTP Plant Reclassification	D Plant Retirement	E Affiliate Profit	F Plant Retirements	Rebuttal Adjusted Original Cost
				Adjustments						
6	351	Organization	5,785							5,785
7	352	Franchise	417							417
8	353	Land	7,545							7,545
9	354	*Structures & Improvements*	150,294							150,294
10	355	Power Generation	-							-
11	360	Collection Sewer Forced	636,023							636,023
12	361	Collection Sewers Gravity	5,991,654		(315,000)			(415)		5,676,239
13	362	Special Collecting Structures	-							-
14	363	Customer Services	1,204,113							1,204,113
15	364	Flow Measuring Devices	66,339							66,339
16	366	Reuse Services	-							-
17	367	*Reuse Meters And Installation*	-							-
18	370	Receiving Wells	867,120							867,120
19	371	Pumping Equipment	1,712,940				(6,866)		(1,593,905)	112,170
20	374	Reuse Distribution Reservoirs	-							-
21	375	Reuse Trans. and Dist. System	-							-
22	380	Treatment & Disposal Equipment	1,128,675		(693,000)	(153,642)				282,033
23	381	Plant Sewers	13,690							13,690
24	382	Outfall Sewer Lines	-							-
25	389	*Other Sewer Plant & Equipment*	64,928							64,928
26	390	Office Furniture & Equipment	116,937							116,937
27	390.1	Computers and Software	4,025							4,025
28	391	Transportation Equipment	117							117
29	392	Stores Equipment	-							-
30	393	Tools, Shop And Garage Equip	5,139							5,139
31	394	Laboratory Equip	-							-
32	396	Communication Equip	5,936							5,936
33	398	*Other Tangible Plant*	3,913							3,913
34		Nogales WWTP	2,255,600	15,362	1,008,000	153,642				3,432,604
35			-							-
36			-							-
37			-							-
38			-							-
39		Plant Held for Future Use	-							-
40		TOTALS	$ 14,241,191	$ 15,362	$ -	$ -	$ (6,866)	$ (415)	$ (1,593,905)	$ 12,655,367
41										
42	Plant-in-Service per Direct									$ 14,241,191
43										
44	Increase (decrease) in Plant-in-Service									$ (1,585,824)
45										
46	Adjustment to Plant-in-Service									$ (1,585,824)
47										
48	SUPPORTING SCHEDULES									
49	*B-2, pages 3.1 through 3.6*									
50										

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 -A

Exhibit
Rejoinder Schedule B-2
Page 3.1
Witness: Bourassa

Line No.

1 Reclassification of plant from Water Division

Line No.	To WW Acct. No.	Description	From Water Acct. No.	Water Description	Recorded Year	Adjustment
6	380	Nogales WWTP	320	Water Treatment Equipment	2009	$ 5,658
7	380	Nogales WWTP	336	Backflow Prevention Devices	2010	7,210
8	380	Nogales WWTP	336	Backflow Prevention Devices	2011	2,494
9		Total				$ 15,362

43 SUPPORTING SCHEDULE
44 Staff Schedule MJR-W5
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rejoinder Schedule B-2
Page 3.2
Witness: Bourassa

Line No.

1 Reclassification of plant costs related to Nogales plant

Acct. No.	Description	Recorded Year	Adjustment	
380	Treatment & Disposal Equipment	1997	$ (338,000)	
380	Treatment & Disposal Equipment	1998	(355,000)	
				$ (693,000)
361	Collection Sewers Gravity	2005		(315,000)
	Total			$ (1,008,000)
	Nogales WWTP			$ 1,008,000

SUPPORTING SCHEDULE
RUCO Schedule TJC-7(a)
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rejoinder Schedule B-2
Page 3.3
Witness: Bourassa

Line No.

1 Reclassification of plant costs related to Nogales plant

Acct. No.	Description	Recorded Year	Adjustment
380	Treatment & Disposal Equipment	2008 and Prior	$ (34,237)
380	Treatment & Disposal Equipment	2009	$ (17,798)
380	Treatment & Disposal Equipment	2010	$ (609)
380	Treatment & Disposal Equipment	2011	$ (99,784)
380	Treatment & Disposal Equipment	2012	(1,214)
	Total		$ (153,642)
	Total		
	Nogales WWTP		$ 153,642

SUPPORTING SCHEDULE
Staff Schedule MJR-WW5
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Bourassa

Line No.				
1	*Plant Retirement*			
2				
3				
4	Acct.		Recorded	
5	No.	Description	Year	Adjustment
6	371	Pumping Equipment	2009	$ (6,866)
7				
8				
9		Total		$ (6,866)
10				
11				
12				
13				
14				
15				
16				
17				
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42				
43	SUPPORTING SCHEDULE			
44	Staff Schedule MJR-W7			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Bourassa

Line No.				
1	Remove 2012 Affiliate Profit			
2				
3				
4	Acct.		Recorded	
5	No.	Description	Year	Adjustment
6	371	Pumping Equipment	2012	$ (415)
7				
8				
9		Total		$ (415)
10				
11				
12				
13				
14				
15				
16				
17				
18				
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42				
43	SUPPORTING SCHEDULE			
44	Staff Schedule MJR-W9			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rejoinder Schedule B-2
Page 3.6
Witness: Bourassa

Line No.						
1	Plant Retirements					
2						
3						
4	Acct.			Retirement		
5	No.	Description	Description	Year		Adjustment
6	371	Pumping Equipment	1994 Net Plant Adds	2009	$ (265,342)	
7	371	Pumping Equipment	1995 Net Plant Adds	2009	-	
8	371	Pumping Equipment	1996 Net Plant Adds	2009	(31,512)	
9	371	Pumping Equipment	1997 Net Plant Adds	2009	(383,702)	
10	371	Pumping Equipment	1998 Net Plant Adds	2009	(15,616)	
11	371	Pumping Equipment	1999 Net Plant Adds	2009	-	
12	371	Pumping Equipment	2000 Net Plant Adds	2009	(2,895)	
13			Subtotal			$ (699,067)
14						
15	371	Pumping Equipment	2001 Net Plant Adds	2010		(29,911)
16	371	Pumping Equipment	2002 Net Plant Adds	2011		(864,926)
17	371	Pumping Equipment	2003 Net Plant Adds	2012		-
18						
19						
20						
21						
22		Total				$ (1,593,905)
23						
24						
25						
26						
27						
28						
29						
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41						
42						
43						
44	Testimony					
45						

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - G

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Bourassa

Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	B-2 Adjustments	Rebuttal Adjusted Orginal Cost	Plant Per Reconstruction	Difference
6	351	Organization	5,785	-	5,785	5,785	-
7	352	Franchise	417	-	417	417	-
8	353	Land	7,545	-	7,545	7,545	-
9	354	Structures & Improvements	150,294	-	150,294	150,294	-
10	355	Power Generation	-	-	-	-	-
11	360	Collection Sewer Forced	636,023	-	636,023	636,023	-
12	361	Collection Sewers Gravity	5,991,654	(315,415)	5,676,239	5,676,239	-
13	362	Special Collecting Structures	-	-	-	-	-
14	363	Customer Services	1,204,113	-	1,204,113	1,204,113	-
15	364	Flow Measuring Devices	66,339	-	66,339	66,339	-
16	366	Reuse Services	-	-	-	-	-
17	367	Reuse Meters And Installation	-	-	-	-	-
18	370	Receiving Wells	867,120	-	867,120	867,120	-
19	371	Pumping Equipment	1,712,940	(1,600,770)	112,170	112,170	-
20	374	Reuse Distribution Reservoirs	-	-	-	-	-
21	375	Reuse Trans. and Dist. System	-	-	-	-	-
22	380	Treatment & Disposal Equipment	1,128,675	(846,642)	282,033	282,033	-
23	381	Plant Sewers	13,690	-	13,690	13,690	-
24	382	Outfall Sewer Lines	-	-	-	-	-
25	389	Other Sewer Plant & Equipment	64,928	-	64,928	64,928	-
26	390	Office Furniture & Equipment	116,937	-	116,937	116,937	-
27	390.1	Computers and Software	4,025	-	4,025	4,025	-
28	391	Transportation Equipment	117	-	117	117	-
29	392	Stores Equipment	-	-	-	-	-
30	393	Tools, Shop And Garage Equip	5,139	-	5,139	5,139	-
31	394	Laboratory Equip	-	-	-	-	-
32	396	Communication Equip	5,936	-	5,936	5,936	-
33	398	Other Tangible Plant	3,913	-	3,913	3,913	-
34	380	Nogales WWTP	2,255,600	1,177,004	3,432,604	3,432,604	-
40		TOTALS	$ 14,241,191	$ (1,585,823)	$ 12,655,368	$ 12,655,368	$ -

43 SUPPORTING SCHEDULE
44 B-2, pages 3.1 through 3.5
45 B-2, pages 3.8 through 3.11

Rio Rico Utilities dba Liberty Utilities - WW Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.8
Witness: Bourassa

				Per Decision 72059		2009										
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant at 12/31/2008	Accum. Deprec. At 12/31/2008	Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	5,785	-	-	-	-	-	-		-	-	-	5,785	-
2	352	Franchise	0.00%	417	-	-	-	-	-	-		-	-	-	417	-
3	353	Land	0.00%	7,545	-	-	-	-	-	-		-	-	-	7,545	-
4	354	Structures & Improvements	3.33%	28,548	27,203	294	-	-	294	-		-	-	956	28,842	28,159
5	355	Power Generation	5.00%	-	-	-	-	-	-	-		-	-	-	-	-
6	360	Collection Sewer Forced	2.00%	636,023	(38,371)	-	-	-	-	-		-	-	12,720	636,023	(25,651)
7	361	Collection Sewers Gravity	2.00%	5,945,962	2,213,553	130,091	-	-	130,091	-		-	-	120,220	6,076,053	2,333,773
8	362	Special Collecting Structures	2.00%		-	-	-	-	-	-		-	-	-	-	-
9	363	Customer Services	2.00%	1,145,530	595,856	7,994	-	-	7,994	245		245	-	22,988	1,153,279	618,599
10	364	Flow Measuring Devices	10.00%	55,988	31,043	8,964	-	-	8,964	-		-	-	6,047	64,952	37,090
11	366	Reuse Services	2.00%		-	-	-	-	-	-		-	-	-	-	-
12	367	Reuse Meters And Installation	8.33%		-	-	-	-	-	-		-	-	-	-	-
13	370	Receiving Wells	3.33%	867,120	238,710	-	-	-	-	-		-	-	28,875	867,120	267,585
14	371	Pumping Equipment	12.50%	1,504,181	1,232,681	112	-	-	112		699,067	699,067	-	144,338	805,225	677,952
15	374	Reuse Distribution Reservoirs	2.50%		-	-	-	-	-	-		-	-	-	-	-
16	375	Reuse Trans. and Dist. System	2.50%		-	-	-	-	-	-		-	-	-	-	-
17	380	Treatment & Disposal Equipment	5.00%	1,006,848	665,783	14,462	-	-	14,462	-		-	-	50,704	1,021,310	716,486
18	381	Plant Sewers	5.00%		-	-	-	-	-	-		-	-	-	-	-
19	382	Outfall Sewer Lines	3.33%		-	-	-	-	-	-		-	-	-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	68,869	65,244	-	-	-	-	-		-	-	3,625	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	110,454	8,021	-	-	-	-	-		-	-	7,367	110,454	15,388
22	390.1	Computers and Software	20.00%	4,025	4,025	-	-	-	-	-		-	-	-	4,025	4,025
23	391	Transportation Equipment	20.00%		-	-	-	-	-	-		-	-	-	-	-
24	392	Stores Equipment	4.00%		-	-	-	-	-	-		-	-	-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	4,897	4,156	-	-	-	-	-		-	-	245	4,897	4,401
26	394	Laboratory Equip	10.00%		-	-	-	-	-	-		-	-	-	-	-
27	396	Communication Equip	10.00%	5,936	5,936	-	-	-	-	-		-	-	-	5,936	5,936
28	398	Other Tangible Plant	10.00%	3,913	2,815	-	-	-	-	-		-	-	391	3,913	3,206
29		Nogales WWTP	4.72%	427,000	53,375	-	-	-	-	-		-	-	20,154	427,000	73,529
30					-				-			-		-	-	-
31					-				-			-		-	-	-
32					-				-			-		-	-	-
33					-				-			-		-	-	-
34		Plant Held for Future Use							-			-		-	-	-
35																
36		TOTALS		11,829,042	5,110,028	161,917	-	-	161,917	245	699,067	699,312	-	418,631	11,291,647	4,829,348

Rio Rico Utilities dba Liberty Utilities - WW Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.9
Witness: Bourassa

				2010									
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-			-		-	5,785	-
2	352	Franchise	0.00%	-	-	-			-		-	417	-
3	353	Land	0.00%	-	-	-			-		-	7,545	-
4	354	Structures & Improvements	3.33%	-	-	-			-		683	28,842	28,842
5	355	Power Generation	5.00%	-	-	-			-		-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-			-		12,720	636,023	(12,930)
7	361	Collection Sewers Gravity	2.00%	108	-	108			-		121,522	6,076,161	2,455,296
8	362	Special Collecting Structures	2.00%	-	-	-			-		-	-	-
9	363	Customer Services	2.00%	36,522	-	36,522			-		23,431	1,189,801	642,030
10	364	Flow Measuring Devices	10.00%	-	-	-			-		6,495	64,952	43,585
11	366	Reuse Services	2.00%	-	-	-			-		-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-			-		-	-	-
13	370	Receiving Wells	3.33%	-	-	-			-		28,875	867,120	296,460
14	371	Pumping Equipment	12.50%	84,064	-	84,064		29,911	29,911		104,038	859,378	752,079
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-			-		-	-	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-			-		-	-	-
17	380	Treatment & Disposal Equipment	5.00%	609	-	609			-		51,081	1,021,920	767,567
18	381	Plant Sewers	5.00%	-	-	-			-		-	-	-
19	382	Outfall Sewer Lines	3.33%	-	-	-			-		-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	-	-	-			-		-	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	-	-	-			-		7,367	110,454	22,755
22	390.1	Computers and Software	20.00%	-	-	-			-		-	4,025	4,025
23	391	Transportation Equipment	20.00%	-	-	-			-		-	-	-
24	392	Stores Equipment	4.00%	-	-	-			-		-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	-	-	-			-		245	4,897	4,646
26	394	Laboratory Equip	10.00%	-	-	-			-		-	-	-
27	396	Communication Equip	10.00%	-	-	-			-		-	5,936	5,936
28	398	Other Tangible Plant	10.00%	-	-	-			-		391	3,913	3,597
29		Nogales WWTP	4.72%	-	-	-			-		20,154	427,000	93,684
30						-			-		-	-	-
31						-			-		-	-	-
32						-			-		-	-	-
33						-			-		-	-	-
34		Plant Held for Future Use				-			-		-	-	-
35													
36		TOTALS		121,303	-	121,303	-	29,911	29,911	-	377,003	11,383,039	5,176,440

Rio Rico Utilities dba Liberty Utilities - WW Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.10
Witness: Bourassa

				2011										
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-			-		-	5,785	-
2	352	Franchise	0.00%	-	-	-			-		-	417	-
3	353	Land	0.00%	-	-	-			-		-	7,545	-
4	354	Structures & Improvements	3.33%	-	-	-			-		-	28,842	28,842
5	355	Power Generation	5.00%	-	-	-			-		-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-			-		12,720	636,023	(210)
7	361	Collection Sewers Gravity	2.00%	652	-	652			-		121,530	6,076,813	2,576,825
8	362	Special Collecting Structures	2.00%	-	-	-			-		-	-	-
9	363	Customer Services	2.00%	7,319	-	7,319			-		23,869	1,197,120	665,899
10	364	Flow Measuring Devices	10.00%	-	-	-			-		6,495	64,952	50,080
11	366	Reuse Services	2.00%	-	-	-			-		-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-			-		-	-	-
13	370	Receiving Wells	3.33%	-	-	-			-		28,875	867,120	325,335
14	371	Pumping Equipment	12.50%	94,151	-	94,151		864,926	864,926		59,249	88,603	(53,598)
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-			-		-	-	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-			-		-	-	-
17	380	Treatment & Disposal Equipment	5.00%	99,979	-	99,979	3,400		3,400		53,510	1,118,499	817,678
18	381	Plant Sewers	5.00%	-	-	-			-		-	-	-
19	382	Outfall Sewer Lines	3.33%	-	-	-			-		-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	-	-	-			-		-	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	-	-	-			-		7,367	110,454	30,122
22	390.1	Computers and Software	20.00%	-	-	-			-		-	4,025	4,025
23	391	Transportation Equipment	20.00%	67	-	67			-		7	67	7
24	392	Stores Equipment	4.00%	-	-	-			-		-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	139	-	139			-		248	5,036	4,894
26	394	Laboratory Equip	10.00%	-	-	-			-		-	-	-
27	396	Communication Equip	10.00%	-	-	-			-		-	5,936	5,936
28	398	Other Tangible Plant	10.00%	-	-	-			-		-	3,913	3,597
29		Nogales WWTP	4.72%	-	-	-			-		20,154	427,000	113,838
30						-			-		-	-	-
31						-			-		-	-	-
32						-			-		-	-	-
33						-			-		-	-	-
34		Plant Held for Future Use				-			-		-	-	-
35													
36		TOTALS		202,307	-	202,307	3,400	864,926	868,326	-	334,026	10,717,020	4,642,140

Rio Rico Utilities dba Liberty Utilities - WW Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.11
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012 (2 months through 2/29) Plant Additions (Per Books)	Plant Adjustments	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Plant Adjustment Only	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-	-		-			-	5,785	-
2	352	Franchise	0.00%	-	-	-	-		-			-	417	-
3	353	Land	0.00%	-	-	-	-		-			-	7,545	-
4	354	Structures & Improvements	3.33%	14	121,438	-	121,452		-			497	150,294	29,339
5	355	Power Generation	5.00%	-	-	-	-		-			-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-	-		-			2,120	636,023	1,910
7	361	Collection Sewers Gravity	2.00%	(85,159)	-	(415)	(85,574)		-	(315,000)	(42,000)	20,113	5,676,239	2,554,939
8	362	Special Collecting Structures	2.00%	-	-	-	-		-			-	-	-
9	363	Customer Services	2.00%	7,009	(16)	-	6,993		-		(1)	4,002	1,204,113	669,900
10	364	Flow Measuring Devices	10.00%	1,387	-	-	1,387		-			1,094	66,339	51,174
11	366	Reuse Services	2.00%	-	-	-	-		-			-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-		-			-	-	-
13	370	Receiving Wells	3.33%	-	-	-	-		-			4,813	867,120	330,148
14	371	Pumping Equipment	12.50%	30,433	-	-	30,433	6,866	6,866			2,091	112,170	(58,373)
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-		-			-	-	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-		-			-	-	-
17	380	Treatment & Disposal Equipment	5.00%	10,176	-	-	10,176		-	(846,642)	(535,645)	-	282,033	282,033
18	381	Plant Sewers	5.00%	13,690	-	-	13,690		-			57	13,690	57
19	382	Outfall Sewer Lines	3.33%	-	-	-	-		-			-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	280	(4,221)	-	(3,941)		-		(3,941)	-	64,928	64,928
21	390	Office Furniture & Equipment	6.67%	6,483	-	-	6,483		-			1,264	116,937	31,386
22	390.1	Computers and Software	20.00%	-	-	-	-		-			-	4,025	4,025
23	391	Transportation Equipment	20.00%	50	-	-	50		-			3	117	10
24	392	Stores Equipment	4.00%	-	-	-	-		-			-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	103	-	-	103		-			42	5,139	4,937
26	394	Laboratory Equip	10.00%	-	-	-	-		-			-	-	-
27	396	Communication Equip	10.00%	-	-	-	-		-			-	5,936	5,936
28	398	Other Tangible Plant	10.00%	-	-	-	-		-			65	3,913	3,662
29		Nogales WWTP	4.72%	1,828,600	-	-	1,828,600		-	1,177,004	558,037	10,552	3,432,604	682,427
30							-		-			-	-	-
31							-		-			-	-	-
32							-		-			-	-	-
33							-		-			-	-	-
34		Plant Held for Future Use					-		-			-	-	-
35														
36		TOTALS		1,813,066	117,201	(415)	1,929,852	6,866	6,866	15,362	(23,550)	46,714	12,655,368	4,658,438

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Direct Adjusted Accum. Depr.	A Plant Reclassification from Water Division	B Nogales WWTP Plant Reclassification	C Nogales WWTP Plant Reclassification	Adjustments D Plant Retirement	E 2012 Affiliate Profit	F Prior Case Affiliate Profit	G Plant Retirements	H Adjustments to Reconcile to A/D Reconstruction	Rebuttal Adjusted Accum. Depr.
6	351	Organization	-								-	-
7	352	Franchise	-								-	-
8	353	Land	-								-	-
9	354	Structures & Improvements	29,339								-	29,339
10	355	Power Generation	-								-	-
11	360	Collection Sewer Forced	1,910								-	1,910
12	361	*Collection Sewers Gravity*	2,596,939		(42,000)						(0)	2,554,939
13	362	Special Collecting Structures	-								-	-
14	363	Customer Services	669,901						(1)		0	669,900
15	364	Flow Measuring Devices	51,174								-	51,174
16	366	Reuse Services	-								-	-
17	367	Reuse Meters And Installation	-								-	-
18	370	Receiving Wells	330,148								-	330,148
19	371	Pumping Equipment	1,687,580				(6,866)	(4)		(1,593,905)	(145,178)	(58,373)
20	374	*Reuse Distribution Reservoirs*	-								-	-
21	375	Reuse Trans. and Dist. System	-								-	-
22	380	Treatment & Disposal Equipment	827,041		(502,590)	(12,032)					(30,386)	282,033
23	381	Plant Sewers	57								-	57
24	382	Outfall Sewer Lines	-								-	-
25	389	Other Sewer Plant & Equipment	68,869						(892)		(3,049)	64,928
26	390	Office Furniture & Equipment	31,386								-	31,386
27	390.1	Computers and Software	4,025								-	4,025
28	391	*Transportation Equipment*	10								-	10
29	392	Stores Equipment	-								-	-
30	393	Tools, Shop And Garage Equip	4,937								-	4,937
31	394	Laboratory Equip	-								-	-
32	396	Communication Equip	5,936								-	5,936
33	398	Other Tangible Plant	3,662								-	3,662
34	380	Nogales WWTP	124,390	1,415	544,590	12,032					0	682,427
35			-									-
36			-									-
37												-
38												-
39		Plant Held for Future Use										-
40		TOTALS	$ 6,437,304	$ 1,415	$ -	$ -	$ (6,866)	$ (4)	$ (893)	$ (1,593,905)	$ (178,614)	$ 4,658,438
41												
42		Accumulated Depreciation per Books										$ 6,437,304
43												
44		Increase (decrease) in Accumulated Depreciation										$ (1,778,866)
45												
46		Adjustment to Accumulated Depreciation										$ (1,778,866)
47												
48		SUPPORTING SCHEDULES										
49		B-2, pages 4.1										
50												

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rejoinder Schedule B-2
Page 4.1
Witness: Bourassa

Line No.

1 Reclassification of plant from Water Division

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment
	Nogales WWTP	3.33%	2009	2.67	$ 5,658	$ 502
	Nogales WWTP	6.67%	2010	1.67	7,210	802
	Nogales WWTP	6.67%	2011	0.67	2,494	111
	Total				$ 15,362	$ 1,415

SUPPORTING SCHEDULE
B-2 Schedule 3.1
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rejoinder Schedule B-2
Page 4.2
Witness: Bourassa

Line No.

1 Reclassification of Treatment and Disposal Equip. A/D to Nogales WWTP A/D

4 Depreciation recorded through Oct 2004

Acct. No.	Description	Depr Rate	Recorded Year	Years thru Oct 2004 (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment	
380	Treatment and Disposal Equipment	5.26%	1997	7.25	$ (338,000)	$ (128,896)	
380	Treatment and Disposal Equipment	5.26%	1998	6.25	(355,000)	(116,706)	
	Subtotal						$ (245,603)

18 Depreciation recorded Oct 2004 through Feb. 2012

Acct. No.	Description	Depr Rate	Recorded Year	Years thru 2008 (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment	
380	Treatment and Disposal Equipment	5.00%	1997	7.42	$ (338,000)	$ (125,342)	
380	Treatment and Disposal Equipment	5.00%	1998	7.42	(355,000)	(131,646)	
361	Collection Sewers Gravity	2.00%	2005	6.67	(315,000)	(42,000)	
	Subtotal						$ (298,988)
	Total						$ (544,590)

35 Reclassification Totals by Account

380	Treatment and Disposal Equipment	$ (502,590)
361	Collection Sewers Gravity	(42,000)
	Nogales WWTP	544,590
	Total	$ -

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.2
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rejoinder Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Reclassification of Treatment and Disposal Equip. A/D to Nogales WWTP A/D

Acct. No.	Description	Depr Rate	Recorded Year	Years (Half-Year Conv.)	Plant Reclass Adjustment	Accumulated Depreciation Adjustment	
380	Treatment and Disposal Equipment	5.00%	2008 and Prior	3.67	$ (34,237)	$ (6,277)	
380	Treatment and Disposal Equipment	5.00%	2009	2.67	$ (17,798)	(2,373)	
380	Treatment and Disposal Equipment	5.00%	2010	1.67	$ (609)	(51)	
380	Treatment and Disposal Equipment	5.00%	2011	0.67	$ (99,784)	(3,326)	
380	Treatment and Disposal Equipment	5.00%	2012	0.08	$ (1,214)	(5)	
	Total						(12,032)

16 Reclassification Totals by Account

380	Treatment and Disposal Equipment	$ (12,032)
	Nogales WWTP	12,032
	Total	$ -

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.3
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 -D

Exhibit
Rejoinder Schedule B-2
Page 4.4
Witness: Bourassa

Line No.				
1	Plant Retirement			
2				
3			Plant	Accumulated
4	Acct.		Retirement	Depreciation
5	No.	Description	Adjustment	Adjustment
6	371	Pumping Equipment	$ (6,866)	$ (6,866)
7				
8				-
9		Total		$ (6,866)
10				
11				
12				
13				
14				
15				
16				
17				
18				
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42				
43	SUPPORTING SCHEDULE			
44	B-2 Schedule 3.4			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Exhibit
Rejoinder Schedule B-2
Page 4.5
Witness: Bourassa

Line No.

1 Remove 2012 Affiliate Profit

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Plant Adjustment	Accumulated Depreciation Adjustment
371	Pumping Equipment	12.50%	2012	0.083333	$ (415)	$ (4)
						-
	Total					$ (4)

43 SUPPORTING SCHEDULE
44 B-2 Schedule 3.5
45 Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

Exhibit
Rejoinder Schedule B-2
Page 4.6
Witness: Bourassa

Line No.

1 A/D Related to 2009-2011 Affiliate Profit Removed from Plant in Direct Filing

Acct. No.	Description	Depr Rate	Recorded Year	Years thru EOTY (Half-Year Conv.)	Direct Filing Plant Adjustment	Accumulated Depreciation Adjustment
363	Customer Services	2.00%	2008	3.166667	$ (16)	$ (1)
389	Other Sewer Plant & Equipment	6.67%	2008	3.166667	(4,221)	(892)
	Total					$ (893)

SUPPORTING SCHEDULE
B-2 Schedule 3.5
Testimony

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - G

Exhibit
Rejoinder Schedule B-2
Page 4.7
Witness: Bourassa

Line No.				
1	Plant Retirements			
2				
3			Plant	Accumulated
4	Acct.		Retirement	Depreciation
5	No.	Description	Adjustment	Adjustment
6	371	Electric Pumping Equipment	$ (1,593,905)	$ (1,593,905)
7				
8				
9				
10				
11		Total		$ (1,593,905)
12				
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42				
43	SUPPORTING SCHEDULE			
44	B-2 Schedule 3.6			
45	Testimony			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - H

Exhibit
Rejoinder Schedule B-2
Page 4.8
Witness: Bourassa

Line No.

1 Accumulated Depreciation (A/D)

Acct. No.	Description	Direct Adjusted Orginal Cost	B-2 Adjustments	Rebuttal Adjusted Orginal Cost	A/D Per Reconstruction	Accumulated Depreciation Adjustment
351	Organization	-	-	-	-	-
352	Franchise	-	-	-	-	-
353	Land	-	-	-	-	-
354	Structures & Improvements	29,339	-	29,339	29,339	-
355	Power Generation	-	-	-	-	-
360	Collection Sewer Forced	1,910	-	1,910	1,910	-
361	Collection Sewers Gravity	2,596,939	(42,000)	2,554,939	2,554,939	(0)
362	Special Collecting Structures	-	-	-	-	-
363	Customer Services	669,901	(1)	669,900	669,900	0
364	Flow Measuring Devices	51,174	-	51,174	51,174	-
366	Reuse Services	-	-	-	-	-
367	Reuse Meters And Installation	-	-	-	-	-
370	Receiving Wells	330,148	-	330,148	330,148	-
371	Pumping Equipment	1,687,580	(1,600,775)	86,805	(58,373)	(145,178)
374	Reuse Distribution Reservoirs	-	-	-	-	-
375	Reuse Trans. and Dist. System	-	-	-	-	-
380	Treatment & Disposal Equipment	827,041	(514,622)	312,419	282,033	(30,386)
381	Plant Sewers	57	-	57	57	-
382	Outfall Sewer Lines	-	-	-	-	-
389	Other Sewer Plant & Equipment	68,869	(892)	67,977	64,928	(3,049)
390	Office Furniture & Equipment	31,386	-	31,386	31,386	-
390.1	Computers and Software	4,025	-	4,025	4,025	-
391	Transportation Equipment	10	-	10	10	-
392	Stores Equipment	-	-	-	-	-
393	Tools, Shop And Garage Equip	4,937	-	4,937	4,937	-
394	Laboratory Equip	-	-	-	-	-
396	Communication Equip	5,936	-	5,936	5,936	-
398	Other Tangible Plant	3,662	-	3,662	3,662	-
	Nogales WWTP	124,390	558,037	682,427	682,427	0
	TOTALS	$ 6,437,304	$ (1,600,253)	$ 4,837,052	$ 4,658,438	$ (178,614)

SUPPORTING SCHEDULE
B-2, pages 4.1 through 4.5
B-2, pages 3.8 through 3.11

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rejoinder Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 02/29/2012 per Rebuttal	$ 5,152,673	$ 2,491,137
6			
7	Adjusted balance at 02/29/2012	$ 5,152,673	$ 2,509,975
8			
9	Increase (decrease)	$ -	$ (18,837)
10			
11			
12	Adjustment to CIAC/AA CIAC	$ -	$ 18,837
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	B-2, page 5.1		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Contributions-in-aid of Construction (CIAC)

Exhibit
Rejoinder Schedule B-2
Page 5.1
Witness: Bourassa

Line No.			2009		2010		2011		2012	
1		Balance 12/31/2008	Additions	Balance 12/31/2009	Additions	Balance 12/31/2010	Additions	Balance 12/31/2011	Additions	Balance 2/29/2012
2										
3										
4										
5	CIAC	5,137,673	17,934	5,155,607	(7,934)	5,147,673	5,000	5,152,673		5,152,673
6										
7	Amortization Decision No. 58743	1,944,057								
8	Amortization Rate			3.74%		3.35%		3.15%		0.38%
9	Amortization			192,721		172,328		162,438		19,594
10	Accumulated Amortization			2,136,778		2,309,106		2,471,544		2,491,137
11										
12	Net CIAC	3,193,616	17,934	3,018,828	(7,934)	2,838,567	5,000	2,681,129	-	2,661,536
13										
14										

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rejoinder Schedule B-2
Page 6.0
Witness: Bourassa

Line No.													
1		***Deferred Income Tax as of February 29, 2012***											
2													
3			**Water & Sewer**			**Probability**	**Deductible TD**						
4			**Adjusted**		**Water & Sewer**	**of Realization**	**(Taxable TD)**	**Effective**	**Future Tax Asset**		**Future Tax Liability**	
5			**Book Value**		**Tax Value**	**of Future Tax Benefit**	**Expected to be Realized**	**Tax Rate**	**Current**	**Non Current**	**Current**	**Non Current**
6		Plant-in-Service	$ 47,110,663 [1]									
7		Accum. Deprec.	(18,414,563) [1]									
8		CIAC	(14,891,228) [3]									
9	Fed.	Fixed Assets	$ 13,804,872	$	10,765,875 [2]	100.0%	$ (3,038,998)	31.60%		-		(960,323)
10												
11	State	Fixed Assets	$ 13,804,872	$	13,593,838 [2]	100.0%	$ (211,034)	6.97%		-		(14,705)
12												
13	Fed &State	AIAC			593,411 [4]	100.0%	$ 593,411 [4]	38.57%		$ 228,867		
14												
15									$ -	$ 228,867	$ -	$ (975,028)
16												
17		Net Asset (Liability)							$ (746,161)			
18												
19		*Allocation Factor - WW-Division (based on rate base before ADIT)*							0.3799			
20												
21		Net Asset (Liability) WW Division							$ (283,444)			
22												
23		DIT Asset (Liability) per Direct							$ (244,419)			
24												
25		Adjustment to DIT							$ 39,025			
26												
27												
28												
29												
30												
31												
32		Footnotes - See page 2										
33												
34												
35												
36												
37												
38												
39												
40												

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rejoinder Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		FEDERAL			STATE		
1	[1] **Per Rebuttal Adjusted Balances**						
2	[2] **Computation of Net Tax Value February 29, 2012**						
3	Based on 2011 Tax Depreciation report (December 31, 2011)						
4	Unadjusted Cost at December 31, 2011 per federal and state tax depr. report	$ 28,328,799			$ 28,328,799		
5	Reconciling Items not on tax report:						
6	KPMG CIAC related adjustments per KPMG tax basis adjustment	(3,942,541)			(3,942,541)		
7	Plant Adds 1/1/2012 to 2/28/2012	2,918,334			2,918,334		
8	Land costs not on tax, on books	51,739			51,739		
9	2011 Reconciling Difference Book vs. Tax (timing) (see work papers)	(120,225)			(120,225)		
10	Rebuttal Proposed Retirements - Water Division	(1,552,416)			(1,552,416)		
11	Rebuttal Proposed Retirements - WW Division	(1,600,771)			(1,600,771)		
12	Net Unadjusted Cost tax Basis at Feberuary 29, 2012			$ 24,082,920			$ 24,082,920
13							
14	Reductions						
15	Basis Reduction 2011 and Prior Years per federal and state tax depr. report	$ (3,066,507)			$ -		
16	KPMG CIAC related adjustments per KPMG tax basis adjustment	1,192,828			1,192,828		
17	Accumulated Depreciation 2011 and prior per federal and state tax depr. report	(14,334,167)			(14,640,446)		
18	2012 Tax Depreciation on 2011 and prior plant (2 months of 2012) per federal and state tax depr. report	(163,663)			(184,923)		
19	2012 Bonus Depreciation estimate (2 months of 2012) per federal and state tax depr. report	(90,811)					
20	2012 Tax Depreciation on plant adds 1/1/2012 to 2/28/2012 (2 months of 2012) per federal and state tax depr. report	(7,912)			(9,728)		
21	Rebuttal Proposed Retirements - Water Division	1,552,416			1,552,416		
22	Rebuttal Proposed Retirements - WW Division	1,600,771			1,600,771		
23	Net Reductions through February 2012			(13,317,045)			(10,489,082)
24	Net tax value of plant-in-service at February 29. 2012			$ 10,765,875			$ 13,593,838
25							
26	[3] **CIAC (including impact of change to probability of realization)**						
27							
28	Gross CIAC per Rebuttal Adjusted Balances		$ 25,331,792				
29	CIAC reductions/addtions						
30	A.A per Rebuttal Adjusted Balances	$ (11,108,889)					
31							
32			(11,108,889)				
33	Net CIAC before unrealized AIAC			$ 14,222,903			
34							
35	Unrealized AIAC Component						
36	Adjusted Net AIAC (see footnote 5 below)		$ 954,749				
37	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%				
38				$ 668,325			
39	Total realizable CIAC			$ 14,891,228			
40							
41	[4] **AIAC (including impact of change in probability of realization)**						
42	AIAC per adjusted book balances		$ 954,749				
43	AIAC reductions/additions						
44	Net AIAC before unrealized portion			$ 954,749			
45	Less: Unrealized AIAC (from Note 3, above)			$ (668,325)			
46	Net realizable AIAC			$ 286,425			
47	Meter and Service Line Installation Charges per Rebuttal Adjusted Balances			306,987			
48	Total AIAC			$ 593,411			
49							

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Divisior Exhibit
Test Year Ended February 29, 2012 Schedule B-5
Computation of Working Capital Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	71,101
3	Pumping Power (1/24 of Pumping Power)		2,671
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	73,773
10			
11			
12	**Working Capital Requested**	**$**	**-**
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	1,088,789
19	Less:		
20	Income Tax	$	176,861
21	Property Tax		75,043
22	Depreciation		203,964
23	Purchased Water		-
24	Pumping Power		64,109
25	Allowable Expenses	$	568,811
26	1/8 of allowable expenses	$	71,101
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	C-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Adjusted Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 1,360,583	$ 9,546	$ 1,370,130	$ 279,532	$ 1,649,662
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	-	-	-		-
5		$ 1,360,583	$ 9,546	$ 1,370,130	$ 279,532	$ 1,649,662
6	**Operating Expenses**					
7	Salaries and Wages	$ 131,547	11,811	$ 143,358		$ 143,358
8	Purchased Wastewater Treatment	-	165,896	165,896		165,896
9	Sludge Removal Expense	-	-	-		-
10	Purchased Power	61,290	2,819	64,109		64,109
11	Fuel for Power Production	-	-	-		-
12	Chemicals	4,907	-	4,907		4,907
13	Materials and Supplies	4,473	-	4,473		4,473
14	Management Services - US Liberty Water	83,038	-	83,038		83,038
15	Management Services - Corporate	59,292	(836)	58,456		58,456
16	Management Services - Other	172,270	(165,896)	6,374		6,374
17	Contracted Services - Engineering	-	-	-		-
18	Contractual Services- Testing	330	-	330		330
19	Contractual Services - Other	638	-	638		638
20	Contractual Services - Legal	585	-	585		585
21	Equipment Rental	400	-	400		400
22	Rents - Building	-	-	-		-
23	Transportation Expenses	18,066	-	18,066		18,066
24	Insurance - General Liability	11,302	-	11,302		11,302
25	Insurance - Vehicle	2,516	-	2,516		2,516
26	Regulatory Commission Expense	-	-	-		-
27	Reg.Comm. Exp. - Rate Case	29,167	-	29,167		29,167
28	Miscellaneous Expense	16,111	-	16,111		16,111
29	Bad Debt Expense	23,194	-	23,194		23,194
30	Depreciation Expense	359,629	(155,665)	203,964		203,964
31	Taxes Other Than Income	-	-	-		-
32	Property Taxes	74,520	523	75,043	5,103	80,147
33	Income Tax	93,487	83,374	176,861	105,927	282,788
34			-	-		-
35	**Total Operating Expenses**	$ 1,146,763	$ (57,974)	$ 1,088,789	$ 111,030	$ 1,199,819
36	**Operating Income**	$ 213,820	$ 67,521	$ 281,341	$ 168,502	$ 449,843
37	**Other Income (Expense)**					
38	Interest Income	-	-	-		-
39	Other income	-	-	-		-
40	Interest Expense	(52,427)	52,427	-		-
41	Other Expense	-	-	-		-
42		-	-	-		-
43	**Total Other Income (Expense)**	$ (52,427)	$ 52,427	$ -	$ -	$ -
44	**Net Profit (Loss)**	$ 161,393	$ 119,947	$ 281,341	$ 168,502	$ 449,843
45						
46	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
47	C-1, page 2				A-1	
48						
49						

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Adjusted Results	1 Depreciation	2 Property Taxes	3 Declining Usage Adjustment	4 Revenue Annualization	5 Revenue Accrual Fix	6 UNSE Rate Increase	7 Staff's APUC Cap. Tax Adj.	8 Intentionally Left Blank
1	**Revenues**									
2	Metered Water Revenues	$ 1,360,583			$ (32,713)	17,150	$ 25,110			
3	Unmetered Water Revenues	-								
4	Other Water Revenues	-								
5		$ 1,360,583	$ -	$ -	$ (32,713)	$ 17,150	$ 25,110	$ -	$ -	$ -
6	**Operating Expenses**									
7	Salaries and Wages	$ 131,547								
8	Purchased Wastewater Treatment	-								
9	Sludge Removal Expense	-								
10	Purchased Power	61,290						2,819		
11	Fuel for Power Production	-								
12	Chemicals	4,907								
13	Materials and Supplies	4,473								
14	Management Services - US Liberty Water	83,038								
15	Management Services - Corporate	59,292							(836)	-
16	Management Services - Other	172,270								
17	*Contracted Services - Engineering*	-								
18	Contractual Services- Testing	330								
19	Contractual Services - Other	638								
20	Contractual Services - Legal	585								
21	Equipment Rental	400								
22	Rents - Building	-								
23	Transportation Expenses	18,066								
24	Insurance - General Liability	11,302								
25	Insurance - Vehicle	2,516								
26	Regulatory Commission Expense	-								
27	Reg.Comm. Exp. - Rate Case	29,167								
28	Miscellaneous Expense	16,111								
29	Bad Debt Expense	23,194								
30	Depreciation Expense	359,629	(155,665)							
31	Taxes Other Than Income	-								
32	Property Taxes	74,520		523						
33	Income Tax	93,487								
34										
35	**Total Operating Expenses**	$ 1,146,763	$ (155,665)	$ 523	$ -	$ -	$ -	$ 2,819	$ (836)	$ -
36	**Operating Income**	$ 213,820	$ 155,665	$ (523)	$ (32,713)	$ 17,150	$ 25,110	$ (2,819)	$ 836	$ -
37	***Other Income (Expense)***									
38	Interest Income	-								
39	Other income	-								
40	Interest Expense	(52,427)								
41	Other Expense	-								
42		-								
43	**Total Other Income (Expense)**	$ (52,427)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
44	**Net Profit (Loss)**	$ 161,393	$ 155,665	$ (523)	$ (32,713)	$ 17,150	$ 25,110	$ (2,819)	$ 836	$ -
45										
46	SUPPORTING SCHEDULES:									
47	C-2, pages 1-16									
48										

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewa
Test Year Ended February 29, 2012
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		9 Staff's Expense Relcass	10 Employee Benefits	11 Employee Benefits	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Interest Synchronization	15 Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**										
2	Metered Water Revenues								$ 1,370,130	$ 279,532	$ 1,649,662
3	Unmetered Water Revenues								-		-
4	Other Water Revenues								-		-
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,370,130	$ 279,532	$ 1,649,662
6	**Operating Expenses**										
7	Salaries and Wages		11,811						$ 143,358		$ 143,358
8	Purchased Wastewater Treatment	165,896							165,896		165,896
9	Sludge Removal Expense								-		-
10	Purchased Power								64,109		64,109
11	Fuel for Power Production								-		-
12	Chemicals								4,907		4,907
13	Materials and Supplies								4,473		4,473
14	Management Services - US Liberty Water								83,038		83,038
15	Management Services - Corporate								58,456		58,456
16	Management Services - Other	(165,896)							6,374		6,374
17	*Contracted Services - Engineering*								-		-
18	Contractual Services- Testing								330		330
19	Contractual Services - Other								638		638
20	Contractual Services - Legal								585		585
21	Equipment Rental								400		400
22	Rents - Building								-		-
23	Transportation Expenses								18,066		18,066
24	Insurance - General Liability								11,302		11,302
25	Insurance - Vehicle								2,516		2,516
26	Regulatory Commission Expense								-		-
27	Reg.Comm. Exp. - Rate Case								29,167		29,167
28	Miscellaneous Expense								16,111		16,111
29	Bad Debt Expense								23,194		23,194
30	Depreciation Expense								203,964		203,964
31	Taxes Other Than Income								-		-
32	Property Taxes								75,043	5,103	80,147
33	Income Tax							83,374	176,861	105,927	282,788
34											
35	**Total Operating Expenses**	$ -	$ 11,811	$ -	$ -	$ -	$ -	$ 83,374	$ 1,088,789	$ 111,030	$ 1,199,819
36	**Operating Income**	$ -	$ (11,811)	$ -	$ -	$ -	$ -	$ (83,374)	$ 281,341	$ 168,502	$ 449,843
37	***Other Income (Expense)***										
38	Interest Income								-		-
39	Other income								-		-
40	Interest Expense						52,427		-		-
41	Other Expense								-		-
42									-		-
43	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ 52,427	$ -	$ -	$ -	$ -
44	**Net Profit (Loss)**	$ -	$ (11,811)	$ -	$ -	$ -	$ 52,427	$ (83,374)	$ 281,341	$ 168,502	$ 449,843
45											
46	SUPPORTING SCHEDULES:	SUPPORTING SCHEDULES:									RECAP SCHEDULES:
47	C-2, pages 1-16	C-2, pages 1-16									C-1, page 1
48											

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
		Depreciation	Property Taxes	Declining Usage Adjustment	Revenue Annualization	Revenue Accrual Fix	UNSE Rate Increase	
4	Revenues			(32,713)	17,150	25,110		9,546
6	Expenses	(155,665)	523				2,819	(152,323)
9	Operating Income	155,665	(523)	(32,713)	17,150	25,110	(2,819)	161,869
12	Interest Expense							-
15	Other Income / Expense							-
17	Net Income	155,665	(523)	(32,713)	17,150	25,110	(2,819)	161,869

Line No.		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		Staff's APUC Cap. Tax Adj.	Intentionally Left Blank	Staff's Expense Relcass	Employee Benefits	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							9,546
27	Expenses	(836)	-	-	11,811	-	-	(141,348)
30	Operating Income	836	-	-	(11,811)	-	-	150,894
33	Interest Expense	-						-
36	Other Income / Expense							-
38	Net Income	836	-	-	(11,811)	-	-	150,894

Line No.		Adjustments to Revenues and Expenses						
		13	14	15	16	17	18	Total
		Intentionally Left Blank	Interest Syncrhonization	Income Taxes				
46	Revenues							9,546
48	Expenses			83,374				(57,974)
51	Operating Income	-	-	(83,374)	-	-	-	67,521
54	Interest Expense	-	52,427					52,427
57	Other Income / Expense							-
59	Net Income	-	52,427	(83,374)	-	-	-	119,947

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rejoinder Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-Depr or Fullu Depreciated	Depreciable Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	351	Organization	5,785	(5,785)	-	0.00%	-
6	352	Franchise	417	(417)	-	0.00%	-
7	353	Land	7,545	(7,545)	-	0.00%	-
8	354	Structures & Improvements	150,294		150,294	3.33%	5,005
9	355	Power Generation	-		-	5.00%	-
10	360	Collection Sewer Forced	636,023		636,023	2.00%	12,720
11	361	Collection Sewers Gravity	5,676,239		5,676,239	2.00%	113,525
12	362	Special Collecting Structures	-		-	2.00%	-
13	363	Customer Services	1,204,113		1,204,113	2.00%	24,082
14	364	Flow Measuring Devices	66,339		66,339	10.00%	6,634
15	366	Reuse Services	-		-	2.00%	-
16	367	Reuse Meters And Installation	-		-	8.33%	-
17	370	Receiving Wells	867,120		867,120	3.33%	28,875
18	371	Pumping Equipment	112,170		112,170	12.50%	14,021
19	374	Reuse Distribution Reservoirs	-		-	2.50%	-
20	375	Reuse Trans. and Dist. System	-		-	2.50%	-
21	380	Treatment & Disposal Equipment	282,033	(282,033)	-	5.00%	-
22	381	Plant Sewers	13,690		13,690	5.00%	685
23	382	Outfall Sewer Lines	-		-	3.33%	-
24	389	Other Sewer Plant & Equipment	64,928	(64,928)	-	6.67%	-
25	390	Office Furniture & Equipment	116,937		116,937	6.67%	7,800
26	390.1	Computers and Software	4,025	(4,025)	-	20.00%	-
27	391	Transportation Equipment	117		117	20.00%	23
28	392	Stores Equipment	-		-	4.00%	-
29	393	Tools, Shop And Garage Equip	5,139		5,139	5.00%	257
30	394	Laboratory Equip	-		-	10.00%	-
31	396	Communication Equip	5,936	(5,936)	-	10.00%	-
32	398	Other Tangible Plant	3,913		3,913	10.00%	391
33		Nogales WWTP	3,432,604		3,432,604	4.00%	137,304
34			-				-
35			-				-
36			-				-
37			-				-
38		TOTALS	$ 12,655,367	$ (370,669)	$ 12,284,699		$ 351,323
39							
40					Gross CIAC	Amort. Rate	
41	Less: Amortization of Contributions				$ 5,152,673	2.8598%	$ (147,358)
42	Total Depreciation Expense						$ 203,964
43							
44	Adjusted Test Year Depreciation Expense						359,629
45							
46	Increase (decrease) in Depreciation Expense						(155,665)
47							
48	Adjustment to Revenues and/or Expenses						$ (155,665)
49							
50	SUPPORTING SCHEDULE						
51	B-2, page 3 and 4						

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rejoinder Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 1,370,130	$ 1,370,130
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,740,259	2,740,259
4	Company Recommended Revenue	1,370,130	1,649,662
5	Subtotal (Line 4 + Line 5)	4,110,389	4,389,922
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,370,130	1,463,307
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,740,259	2,926,614
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,740,259	2,926,614
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	548,052	585,323
15	Composite Property Tax Rate - Obtained from ADOR	13.6927%	13.6927%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 75,043	$ 80,147
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 75,043	
19	Test Year Property Taxes	$ 74,520	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ 523**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 80,147
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 75,043
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 5,103**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 5,103
27	Increase in Revenue Requirement		$ 279,532
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.82570%
29			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Declining Usage Adjustment

Line No.			
1			
2	Declining Usage Adjustment	$	(32,713)
3			
4			
5			
6			
7	Total Revenue Reduction	$	(32,713)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(32,713)
11			
12	SUPPORTING SCHEDULES		
13	Testimony		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line No.			
1			
2			
3	Revenue Annualization Per Rebuttal	$	11,943
4	Revenue Annualization Per Direct		(5,207)
5	Increase (decrease) in Revneue Annualization		17,150
6			
7			
8	Total Revenue from Annualization	$	17,150
9			
10			
11	Adjustment to Revenue and/or Expense	$	17,150
12			
13	SUPPORTING SCHEDULES		
14	C-2 pages 5.1 to 5.16		
15	H-1		
16			
17			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Revenue Accrual

Line No.			
1			
2	Correct Revenue Accrual Adjustment per Rebuttal	$	66,999
3	Correct Revenue Accrual Adjustment per Direct		41,889
4	Increase (decrease) in Revenue Accrual Correction	$	25,110
5			
6	Adjustment to Revenues	$	25,110
7			
8			
9	Adjustment to Revenue and/or Expense		25,110
10			
11	Reference		
12	Testimony		
13	Work papers		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Purchased Power - UNSE Rate Increase

Line No.			
1			
2	Test Year Adjusted Purchased Power Expense	$	61,290
3	Aniticipated UNSE rate increase (as %)		4.60%
4	Increase in Purchased Power Expense		2,819
5			
6	Adjustment to Purchased Power Expense	$	2,819
7			
8			
9	Adjustment to Revenue and/or Expense		2,819
10			
11	Reference		
12	Testimony		
13	Work papers		
14			
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23			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

APUC Allocated Capital Taxes

Line No.			
1			
2	APUC Allocated Capital Taxes		(836)
3			
4			
5			
6	Adjustment to Management Services -Corporate	$	(836)
7			
8			
9	Adjustment to Revenue and/or Expense		(836)
10			
11	Reference		
12	Staff Schedule MJR-W16		
13			
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rejoinder Schedule C-2
Page 9
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rejoinder Schedule C-2
Page 10
Witness: Bourassa

Reclassification of Expenses

Line No.			
1			
2	Management Services - Other	$	(165,896)
3	Purchased Wastwater Treatment		165,896
4			
5			
6	Net Adjustment	$	-
7			
8			
9	Adjustment to Revenue and/or Expense		-
10			
11	Reference		
12	Testimony		
13	Work papers		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rejoinder Schedule C-2
Page 11
Witness: Bourassa

Employee Benefits

Line No.			
1			
2	Allocated portion of new employee benefit costs	$	11,811
3			
4			
5			
6	Adjustment to Salaries and Wages expense	$	11,811
7			
8			
9	Adjustment to Revenue and/or Expense		11,811
10			
11	Reference		
12	Testimony		
13	Workpapers		
14			
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Rejoinder Schedule C-2
Page 12
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Rejoinder Schedule C-2
Page 13
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Rejoinder Schedule C-2
Page 14
Witness: Bourassa

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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division Exhibit
Test Year Ended February 29, 2012 — Rejoinder Schedule C-2
Adjustment to Revenues and Expenses — Page 15
Adjustment Number 14 — Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 4,735,192	
5	Weighted Cost of Debt	0.00%	
6	Interest Expense		$ -
7			
8	Test Year Interest Expense		$ 52,427
9			
10	Increase (decrease) in Interest Expense		(52,427)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 52,427
15			
16			
17	Weighted Cost of Debt Computation		
18	Pro forma Capital Structure		Weighted
19		Percent	Cost	Cost
20	Debt	0.00%	5.70%	0.00%
21	Equity	100.00%	9.50%	9.50%
22	Total	100.00%		9.50%
23				
24				
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Rejoinder Schedule C-2
Page 16
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Computed Income Tax	$ 176,861	$ 282,788
5	Test Year Income tax Expense	-	176,861
6	Adjustment to Income Tax Expense	$ 176,861	$ 105,927
7			
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13	SUPPORTING SCHEDULE		
14	C-3, page 2		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	38.599%
2		
3	Property Taxes	1.121%
4		
5		
6	Total Tax Percentage	39.720%
7		
8	Operating Income % = 100% - Tax Percentage	60.280%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.6589
15		
16		
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22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012

Exhibit
Rejoinder Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.7199%					
5	Subtotal (L3 - L4)	60.2801%					
6	**Revenue Conversion Factor (L1 / L5)**	1.658922					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	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%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (L55, Col E)	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%				
	Calculation of Effective Property Tax Factor						
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	1.8257%					
22	Effective Property Tax Factor (L20*L21)		1.1210%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.7199%			
24	Required Operating Income	$ 449,843					
25	AdjustedTest Year Operating Income (Loss)	$ 281,341					
26	Required Increase in Operating Income (L24 - L25)		$ 168,502				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	$ 282,788					
28	Income Taxes on Test Year Revenue (Col. (B), L54)	$ 176,861					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 105,927				
30	Recommended Revenue Requirement	$ 1,649,662					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 80,147					
36	Property Tax on Test Year Revenue	$ 75,043					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 5,103				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 279,533				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
	Calculation of Income Tax:	Total Company	Sewer	Water	Total Company	Sewer	Water
39	Revenue	$ 4,157,975	$ 1,370,130	$ 2,787,845	$ 5,082,446	$ 1,649,662	$ 3,432,784
40	Operating Expenses Excluding Income Taxes	$ 3,136,933	$ 911,928	$ 2,225,005	$ 3,153,811	$ 917,032	$ 2,236,779
41	Synchronized Interest (L47)	$ -	$ -	$ -	$ -	$ -	$ -
42	Arizona Taxable Income (L39 - L40 - L41)	$ 1,021,042	$ 458,201	$ 562,840	$ 1,928,636	$ 732,631	$ 1,196,005
43	Arizona State Effective Income Tax Rate (see work papers)		6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L42 x L43)	$ 71,146	$ 31,927	$ 39,219	$ 134,387	$ 51,050	$ 83,338
45	Federal Taxable Income (L42- L44)	$ 949,896	$ 426,274	$ 523,622	$ 1,794,249	$ 681,582	$ 1,112,667
46							
47	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 15,000	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
48	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ 12,500	$ 6,250	$ 6,250	$ 6,250	$ 6,250	$ 6,250
49	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 17,000	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500
50	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 183,300	$ 91,650	$ 91,650	$ 91,650	$ 91,650	$ 91,650
51	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 95,165	$ 31,033	$ 64,131	$ 496,145	$ 117,838	$ 264,407
52							
53	Total Federal Income Tax	$ 322,965	$ 144,933	$ 178,031	$ 610,045	$ 231,738	$ 378,307
54	Combined Federal and State Income Tax (L35 + L42)	$ 394,111	$ 176,861	$ 217,250	$ 744,432	$ 282,788	$ 461,644

55	COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45]	34.0000%		
56	WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45]		34.0000%	
57	WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45]			34.0000%

	Calculation of Interest Synchronization:	Sewer	Water
58	Rate Base	$ 4,735,192	$ 7,730,108
59	Weighted Average Cost of Debt	0.0000%	0.0000%
60	Synchronized Interest (L45 X L46)	$ -	$ -

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present WW Revenues	Percent of Proposed WW Revenues
1	5/8X3/4 Inch	Residential	$ 1,001,239	$ 1,214,503	$ 213,264	21.30%	71.98%	72.83%
2	5/8X3/4 Inch	Residential (Low Income)	26,948	32,687	5,740	21.30%	1.94%	1.96%
3	3/4 Inch	Residential	5,182	6,286	1,104	21.30%	0.37%	0.38%
4	1 Inch	Residential	7,304	8,860	1,556	21.30%	0.53%	0.53%
5	1 Inch	Residential (Low Income)	494	600	105	21.30%	0.04%	0.04%
6	1 1/2 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
7	2 Inch	Residential	132	161	28	21.30%	0.01%	0.01%
8								
9		Subtotal	1,041,300	1,263,097	221,797	21.30%	74.87%	75.75%
10								
11	5/8X3/4 Inch	Commercial	$ 46,018	$ 54,365	$ 8,348	18.14%	3.31%	3.26%
12	1 Inch	Commercial	56,409	66,068	9,659	17.12%	4.06%	3.96%
13	1 1/2 Inch	Commercial	17,712	20,544	2,832	15.99%	1.27%	1.23%
14	2 Inch	Commercial	94,925	110,134	15,209	16.02%	6.82%	6.60%
15	3 Inch	Commercial	5,376	6,357	982	18.26%	0.39%	0.38%
16	4 Inch	Commercial	89,951	101,977	12,026	13.37%	6.47%	6.12%
17	6 Inch	Commercial	33,018	37,604	4,586	13.89%	2.37%	2.26%
18								
19		Subtotal	$ 343,408	$ 397,049	$ 53,641	15.62%	24.69%	23.81%
20								
21								
22	5/8X3/4 Inch	Multi-tenant	$ 4,780	$ 5,664	883	18.48%	0.34%	0.34%
23	1 1/2 Inch	Multi-tenant	1,411	1,686	275	19.47%	0.10%	0.10%
24								
25		Subtotal	6,192	7,350	1,158	18.70%	0.45%	0.44%
26								
27								
28								
29								
30	Total Revenues Before Annualization		$ 1,390,900	$ 1,667,496	$ 276,596	19.89%	100.00%	100.00%
31								

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 2
Witness: Bourassa

Revenue Annualization

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons (In 1,000's)	
1	5/8X3/4 Inch	Residential	$ (7,478)	$ (9,071)	(1,593)	0.00%	(163)	-	C-2, pg 5.1
2	5/8X3/4 Inch	Residential (Low Income)	$ 11,894	$ 14,428	2,534	21.30%	305	-	C-2, pg. 5.2
3	3/4 Inch	Residential	(106)	(128)	(23)	0.00%	(2)	-	C-2, pg. 5.3
4	1 Inch	Residential	(323)	(392)	(69)	0.00%	(5)	-	C-2, pg. 5.4
5	1 Inch	Residential (Low Income)	165	200	35	21.30%	3	-	C-2, pg. 5.5
6	1 1/2 Inch	Residential	-	-	-	0.00%	-	-	C-2, pg. 5.6
7	2 Inch	Residential	(132)	(161)	(28)	0.00%	(1)	-	C-2, pg. 5.7
8									
9		Subtotal	$ 4,019	$ 4,876	856	21.30%	137	-	
10									
11	5/8X3/4 Inch	Commercial	$ 2,515	$ 3,002	486	19.34%	44	415	C-2, pg. 5.8
12	1 Inch	Commercial	1,882	2,195	314	16.67%	15	299	C-2, pg. 5.9
13	1 1/2 Inch	Commercial	25	28	3	11.60%	-	5	C-2, pg. 5.10
14	2 Inch	Commercial	2,732	3,166	434	15.88%	9	391	C-2, pg. 5.11
15	3 Inch	Commercial	2,653	3,140	487	18.35%	8	222	C-2, pg. 5.12
16	4 Inch	Commercial	(1,837)	(2,050)	(213)	0.00%	-	(393)	C-2, pg. 5.13
17	6 Inch	Commercial	-	-	-	0.00%	-	-	C-2, pg. 5.14
18					-				
19		Subtotal	$ 7,971	$ 9,481	3,223	40.43%	76	939	
20									
21									
22	5/8X3/4 Inch	Multi-tenant	$ (47)	$ (61)	(14)	0.00%	(2)	(5)	C-2, pg. 5.15
23	1 1/2 Inch	Multi-tenant	-	-	-	0.00%	-	-	C-2, pg. 5.16
24									
25		Subtotal	$ (47)	$ (61)	(14)	29.25%	(2)	(5)	
26									
27									
28									
29									
30									
31	Total Revenue Annualization		$ 11,943	$ 14,296	$ 4,065	34.04%	211	934	
32									

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 3
Witness: Bourassa

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present WW Revenues	Percent of Proposed WW Revenues
1	Subtotal Revenues	$ 1,390,900	$ 1,667,496	$ 276,596	19.89%	100.00%	100.00%
2	Declining Usage Adjustment	(32,713)	(32,713)	-	0.00%	-	-
3	Subtotal Revenue Annualization	11,943	14,296	2,352.78	19.70%	0.86%	0.86%
4	Total Revenues	$ 1,370,130	$ 1,649,079	$ 278,949	20.36%		
5							
6	Misc. Revenues	$ -	$ -	-	0.00%	0.00%	0.00%
7	Reconciling Amount to GL	-	583	583	0.00%	0.00%	0.03%
8	Total Water Revenues	$ 1,370,130	$ 1,649,662	$ 279,532	20.40%	0.00%	0.00%
9							
10							
11	Revenue Reconciliation						
12							
13	Revenue per bill count before revenue annualization		$ 1,390,900				
14	Revenue per GL (metered water revenues)	$ 1,323,901					
15	Adjustments Rev. Accrual Correction	66,999					
16	Adjusted Revenue per GL (metered water revenues)		1,390,900				
17	Difference		$ 0				
18	Difference %		0.00%				
19	Tolerance %		0.50%				
20	Tolerance Amount + or -		$ 6,955				
21							
22	Acceptable?		YES				
23							
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Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Customer Summary

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 2/29/2012	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	1,819	-	$ 45.88	$ 55.65	9.77	21.30%
2	5/8X3/4 Inch	Residential (Low Income)	58	-	39.00	47.30	8.31	21.30%
3	3/4 Inch	Residential	8	-	52.88	64.14	11.26	21.30%
4	1 Inch	Residential	9	-	64.64	78.41	13.77	21.30%
5	1 Inch	Residential (Low Income)	1	-	54.94	66.65	11.70	21.30%
6	1 1/2 Inch	Residential	-	-	95.44	115.77	20.33	21.30%
7	2 Inch	Residential	0	-	132.38	160.58	28.20	21.30%
8		Subtotal	1,895					
9								
10	5/8X3/4 Inch	Commercial	56	8,296	$ 51.93	$ 62.41	10.47	20.17%
11	1 Inch	Commercial	41	15,305	103.43	121.69	18.27	17.66%
12	1 1/2 Inch	Commercial	7	30,036	203.02	235.82	32.81	16.16%
13	2 Inch	Commercial	27	39,870	285.88	331.89	46.00	16.09%
14	3 Inch	Commercial	1	29,125	333.94	395.05	61.11	18.30%
15	4 Inch	Commercial	4	335,083	1,873.98	2,124.52	250.54	13.37%
16	6 Inch	Commercial	0	488,571	2,898.52	3,297.76	399.24	13.77%
17		Subtotal	138					
18								
19	5/8X3/4 Inch	Multi-tenant	6	9,614	$ 58.09	$ 69.28	11.19	19.26%
20	1 1/2 Inch	Multi-tenant	1	11,750	117.62	140.52	22.90	19.47%
21		Subtotal	7					
22								
23								
24								
25								
26		Total	2,039					
27								

28 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
29

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Customer Summary

Exhibit
Rejoinder Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size, Class		(a) Average Number of Customers at 2/29/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8X3/4 Inch	Residential	1,819	-	$ 45.88	$ 55.65	9.77	21.30%
2	5/8X3/4 Inch	Residential (Low Income)	58	-	39.00	47.30	8.31	21.30%
3	3/4 Inch	Residential	8	-	52.88	64.14	11.26	21.30%
4	1 Inch	Residential	9	-	64.64	78.41	13.77	21.30%
5	1 Inch	Residential (Low Income)	1	-	54.94	66.65	11.70	21.30%
6	1 1/2 Inch	Residential	-	-	95.44	115.77	20.33	21.30%
7	2 Inch	Residential	0	-	132.38	160.58	28.20	21.30%
8		Subtotal	1,895					
9								
10	5/8X3/4 Inch	Commercial	56	4,000	$ 45.88	$ 55.65	9.77	21.30%
11	1 Inch	Commercial	41	8,000	69.31	83.62	14.31	20.65%
12	1 1/2 Inch	Commercial	7	5,000	95.44	115.77	20.33	21.30%
13	2 Inch	Commercial	27	20,000	193.09	228.33	35.24	18.25%
14	3 Inch	Commercial	1	26,500	321.69	381.37	59.69	18.55%
15	4 Inch	Commercial	4	375,000	2,060.39	2,332.55	272.16	13.21%
16	6 Inch	Commercial	0	199,500	1,548.56	1,791.20	242.64	15.67%
17		Subtotal	138					
18								
19	5/8X3/4 Inch	Multi-tenant	6	9,000	$ 55.22	$ 66.08	10.86	19.66%
20	1 1/2 Inch	Multi-tenant	1	11,000	114.12	136.62	22.50	19.71%
21		Subtotal	7					
22								
23								
24								
25								
26		Total	2,039					
27								

28 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
29

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Bourassa

Line No.	Monthly Minimum Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 Inch	$ 45.88	$ 55.65	$ 9.77	21.30%
2	3/4 Inch	52.88	64.14	11.26	21.30%
3	1 Inch	64.64	78.41	13.77	21.30%
4	1 1/2 Inch	95.44	115.77	20.33	21.30%
5	2 Inch	132.38	160.58	28.20	21.30%
6	3 Inch	230.62	279.74	49.12	21.30%
7	4 Inch	341.83	414.64	72.81	21.30%
8	6 Inch	649.58	787.94	138.36	21.30%
9	8 Inch	944.45	1,145.62	201.17	21.30%
10	10 Inch	1,415.24	1,716.69	301.45	21.30%
11	12 Inch	2,012.57	2,441.25	428.68	21.30%

Line No.	Commodity Rates (Commercial and Multi-tenant Only)	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
24	All Meter Sizes	0 gallons to 7,000 gallons	$ -	$ -
25		over 7,000 gallons	$ 4.67	$ 5.21

33 Low Income Tariff - A 15% discount is available to qualified residential customers meeting the low income qualifications.
34 Participation is limited to a maximum 725 customers.

37 NT = No Tariff

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Changes in Representative Rate Schedules
Test Year Ended February 29, 2012

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 15.00	$ 15.00
2	Establishment (After Hours)	$ 25.00	NT
3	Reconnection (Delinquent)	$ 15.00	$ 15.00
4	Reconnection (Delinquent) - After Hours	$ 25.00	NT
5	Deposit	*	*
6	Deposit Interest	**	**
7	Reestablishment (within 12 months)	***	***
8	NSF Check	$ 15.00	$ 15.00
9	Late Payment Penalty	1.5% per month	1.5% per month
10	Deferred Payment	1.5% per month	1.5% per month
11	Service Calls - Per Hour/After Hours(a)	$ 40.00	NT
12	Service Charge - after hours	NT	$ 50.00
13			
14			
15			
16	* Per Commission Rule A.A.C. R-14-2-603(B)		
17	** Per Commission Rule A.A.C. R-14-2-603(B)		
18	*** Per Commission Rule A.A.C. R14-2-603(D) - Months off the system times the monthly minimum.		
19			
20	(a) No charge for service calls during normal working hours.		
21			
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE 14-2-608D(5).		
25			
26			
27			
28			
29			
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31			
32			
33			
34			

Rio Rico Utilities, Inc. dba Liberty Utilities - Wastewater Division
Test Year Ended February 29, 2012
Meter and Service Line Charges

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Bourassa

Line No.			
1			
2	**Service Line Installation Charges**		
3			
4			
5			
6			
7		Present	Proposed
8	Service Line Size	Charge	Charge
9	4 Inch	At Cost	At Cost
10	6 Inch	At Cost	At Cost
11	8 Inch	At Cost	At Cost
12	10 Inch	At Cost	At Cost
13	12 Inch	At Cost	At Cost
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32	N/T = No Tariff		
33			
34			
35			
36			
37			
38			
39			
40			