

ORIGINAL



0000144519

BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS**

BOB STUMP - Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

2013 APR 23 P 2:07

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
RIO RICO UTILITIES, INC. FOR A RATE  
INCREASE.

DOCKET NO. WS-02676A-12-0196

**STAFF'S NOTICE OF FILING  
FINAL SCHEDULES**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby submits this Notice of Filing Final Schedules in the above-referenced matter. Exhibit 1 to this Notice contains the final MJR-W, 1-25 Schedules for the Water Division, and Exhibit 2 to this Notice contains the final MJR-WW, 1-25 Schedules for the Wastewater Division.

RESPECTFULLY SUBMITTED this 23<sup>rd</sup> day of April, 2013.

Arizona Corporation Commission

DOCKETED

APR 23 2013

DOCKETED BY *DM*

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Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
(602) 542-3402

Original and thirteen (13) copies  
of the foregoing filed this  
23<sup>rd</sup> day of April, 2013 with:

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

...

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# **EXHIBIT 1**

Final Testimony of Mary J. Rimback

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 7,629,607	\$ 7,731,209
2	Adjusted Operating Income (Loss)	\$ 375,933	\$ 420,750
3	Current Rate of Return (L2 / L1)	4.93%	5.44%
4	Required Rate of Return	9.70%	8.20%
5	Required Operating Income (L4 * L1)	\$ 740,072	\$ 633,959
6	Operating Income Deficiency (L5 - L2)	\$ 364,139	\$ 213,209
7	Gross Revenue Conversion Factor	1.6589	1.6589
8	Required Revenue Increase (L7 * L6)	\$ 604,078	<b>\$ 353,697</b>
9	Adjusted Test Year Revenue	\$ 2,854,838	\$ 2,864,823
10	Proposed Annual Revenue	\$ 3,458,916	\$ 3,218,519
11	Required Increase in Revenue (%)	21.16%	12.35%

References:

Column (A): Company Schedule A-1

Column (B): Staff Schedules MJR-W3 and MJR-W12

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	39.7197%			
5	Subtotal (L3 - L4)	60.2803%			
6	Revenue Conversion Factor (L1 / L5)	1.658917			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 23)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L7 - L8)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 48)	34.0000%			
16	Effective Federal Income Tax Rate (L9 x L10)	31.6309%			
17	Combined Federal and State Income Tax Rate (L8 + L11)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L12)	38.5989%			
20	One Minus Combined Income Tax Rate (L13-L14)	61.4011%			
21	Property Tax Factor (MJR-W17, L27)	1.8254%			
22	Effective Property Tax Factor (L15*L16)		1.1208%		
23	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			39.7197%	
24	Required Operating Income (Schedule MJR-W1, Line 5)	\$ 633,959			
25	Adjusted Test Year Operating Income (Loss) (MJR-W13, L40)	420,750			
26	Required Increase in Operating Income (L19 - L20)		\$ 213,209		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 398,529			
28	Income Taxes on Test Year Revenue (Col. [C], L52)	264,498			
29	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		134,031		
30	Recommended Revenue Requirement (Schedule MJR-W1, Line 10)	\$ 3,218,519			
31	Uncollectible Rate	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L25*L26)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)				
35	Property Tax with Recommended Revenue (Schedule MJR-W18, L21)	\$ 162,808			
36	Property Tax on Test Year Revenue (Schedule MJR-W18, Line 17)	156,352			
37	Increase in Property Tax Due to Increase in Revenue (L30-31)		6,456		
38	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		\$ 353,697		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule MJR-W1, Col. [B], Line 9 & Sch. MJR-W1, Col. [B] Line 10)	\$ 2,864,823	\$ 353,697	\$ 3,218,519	
40	Operating Expenses Excluding Income Taxes	\$ 2,179,575		\$ 2,186,031	
41	Synchronized Interest (L57)	\$ -		\$ -	
42	Arizona Taxable Income (L34 - L35 - L36)	\$ 685,248		\$ 1,032,488	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L37 x L38)	\$ 47,748		\$ 71,944	
45	Federal Taxable Income (L37 - L39)	\$ 637,500		\$ 960,544	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650		\$ 91,650	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 102,850		\$ 212,685	
51	Total Federal Income Tax	\$ 216,750		\$ 326,585	
52	Combined Federal and State Income Tax (L39 + L46)	\$ 264,498		\$ 398,529	
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			34.0000%	
54	Synchronized Interest Calculation				
55	Rate Base			\$ 7,731,209	
56	Weighted Average Cost of Debt			0.00%	
57	Synchronized Interest			\$ -	

**RATE BASE - ORIGINAL COST PROPOSED**

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED	
1	Plant in Service	\$ 36,146,217	\$ (1,691,228)	\$ 34,454,989
2	Less: Accumulated Depreciation	15,784,381	(2,029,724)	13,754,657
3	Net Plant in Service	<u>\$ 20,361,836</u>	<u>\$ 338,496</u>	<u>\$ 20,700,332</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ 20,179,119	\$ -	\$ 20,179,119
5	Less: Accumulated Amortization	8,797,261	(179,509)	8,617,752
6	Net CIAC	<u>11,381,858</u>	<u>179,509</u>	<u>\$ 11,561,367</u>
7	Advances in Aid of Construction (AIAC)	660,955	-	660,955
8	Customer Deposits	284,024	60	284,084
9	Deferred Income Tax Credits	405,395	57,322	462,717
<u>ADD:</u>				
10	Working Capital Allowance	-	-	-
11	Deferred Regulatory Assets	-	-	-
12	<b>Original Cost Rate Base</b>	<u>\$ 7,629,604</u>	<u>\$ 101,605</u>	<u>\$ 7,731,209</u>

References:

Column [A]: Company Application Schedule B-1  
Column [B]: Testimony MJR  
Column [C]: Column [A] + Column [B]

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

1691228  
 1545019  
 7701  
 1552720  
 138508

LINE NO.	ACCT. NO.	PLANT/IN-SERVICE	DESCRIPTION	(A) COMPANY AS FILED	(B) Reclassification to Wastewater Plant	(C) Alloc Bldg to Wastewater	(D) 2012 Affiliate Profit	(E) ADJ#4 ADIT	(F) Accum. Deprac Retired Plant	(G) Accumulated Amortization of CIAC	(H) Affiliate Profit 2000-11	(I) ADJ#9 Retire Plant	(J) STAFF ADJUSTED
				Ref: Sch MJR-W5	Ref: Sch MJR-W6	Ref: Sch MJR-W7	Ref: Sch MJR-W11	Ref: Sch MJR-W10	Ref: Sch MJR-W9	Ref: Sch MJR-W10	Ref: Sch MJR-W11	Ref: Sch MJR-W12	
1	301.0	Organization Cost		\$ 5,785									\$ 5,785
2	302.0	Franchise Cost		417									417
3	303.0	Land and Land Rights		44,194									44,194
4	304.0	Structures and Improvements		3,432,930	(121,438)	(35)							3,311,457
5	305.0	Collecting and Impounding Res.											
6	306.0	Lake River and Other Inakes											
7	307.0	Wells and Springs				(7)							
8	308.0	Infiltration Galleries and Tunnels		562,844									562,837
9	309.0	Supply Mains											
10	310.0	Power Generation Equipment		279,157									279,157
11	311.0	Electric Pumping Equipment		218,360									218,360
12	312.0	Water Treatment Plants		3,147,011	(303)								1,601,988
13	320.1	Solution Chemical Feeders		369,100	(5,858)								363,442
14	320.2	Solution Chemical Feeders											
15	330.0	Distribution Reservoirs & Standpipe		759,861									759,861
16	330.1	Storage Tanks											
17	330.2	Pressure Tanks											
18	331.0	Transmission and Distribution Mains		22,339,256		(1,363)							22,337,893
19	333.0	Services		2,786,122									2,786,122
20	334.0	Meters		1,010,366									1,010,366
21	335.0	Hydrants		572,321									572,321
22	336.0	Backflow Prevention Devices		15,655									15,655
23	339.0	Other Plant and Miscellaneous Equipment		123,778									123,778
24	340.0	Office Furniture and Fixtures		29,265									29,265
25	340.1	Computers and Software		76,919									76,919
26	341.0	Transportation Equipment		142,188									142,188
27	342.0	Stores Equipment											
28	343.0	Tools and Work Equipment		18,203									18,203
29	344.0	Laboratory Equipment		3,061									3,061
30	345.0	Power Operated Equipment											
31	346.0	Communications Equipment		212,968									212,968
32	347.0	Miscellaneous Equipment		13,128									13,128
33	348.0	Other Tangible Plant											
34		Total Plant in Service - Actual		\$ 36,146,217	(121,438)	(1,708)							34,454,986
35		Post Test Year Plant											
36		Total Plant in Service		\$ 36,146,217	(121,438)	(1,708)							34,454,986
37		Less: Accumulated Depreciation		15,784,381	(337)	(34)			(2,025,425)				13,754,857
38		Net Plant in Service		\$ 20,361,836	(121,775)	(1,742)			2,025,425				20,700,332
39		LESS:											
40		Contributions in Aid of Construction (CIAC)											
41		Less: Accumulated Amortization		\$ 20,179,119									20,179,119
42		Net CIAC (L2 - L43)		8,972,611									8,972,611
43		Advances in Aid of Construction (AIAC)		11,381,858									11,381,858
44		Customer Deposits		284,024									284,024
45		Deferred Income Taxes		405,395									405,395
46		ADD:											
47		Working Capital Allowance											
48		Deferred Regulatory Assets											
49		Original Cost Rate Base		\$ 7,629,604	(67,322)	(1,674)			2,025,425	(179,509)	2,513		7,731,209
50													
51													
52													
53													
54													

\* Staff Adjusted amount includes a \$60 increase to reflect Hearing Exhibit A-17.

**RATE BASE ADJUSTMENT NO. 1 - RECLASSIFICATION OF NET PLANT TO WASTEWATER**

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED (Col A + Col B)
1	320	Water Treatment Plants	\$ 369,100	\$ (5,658)	\$ 363,442
2	336	Backflow Prevention Devices	\$ 15,855	\$ (9,704)	\$ 6,151
3		Total	<u>\$ 384,955</u>	<u>\$ (15,362)</u>	<u>\$ 369,593</u>
4		Accumulated Depreciation	<u>1415</u>	<u>\$ (1,415)</u>	<u>0</u>

References:

Column [A]: Company Application Schedule B.2, Page 3.5  
Column [B]: Testimony MJR  
Column [C]: Column [A] + Column [B]

Accum Depreciation Adjustment for Plant Transferred to NIWWTP		2009	2010	2011	2012 Acc Dep 2 Mos.
2009	320 Water Treatment Plant 3.33% Depreciation	\$ (5,658)	\$ (94)	\$ (188)	\$ (31) \$ (502)
2010	336 Back Flow Prevention Devices 6.67 % Depreciation	\$ (7,210)	\$	\$ (240)	\$ (81) \$ (802)
2011	336 Back Flow Prevention Devices 6.67 % Depreciation	\$ (2,494)		\$ (83)	\$ (28) \$ (111)
	Subtotal	\$ (15,362)			\$ (1,415)

RATE BASE ADJUSTMENT NO. 2 - REMOVE A PORTION OF A BUILDING ALLOCATED TO WASTEWATER

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			Plant in Service Per Company	Staff Adjustment	Plant in Service Per Staff (Col A + Col B)
1	304	Structures and Improvements	\$ 3,432,930	\$ (121,438)	\$ 3,311,492
2		Accumulated Depreciation		\$ (337)	

References:

- Column [A]: Company Application Schedule B.2, Page 3.5
- Column [B]: Company Testimony
- Column [C]: Column [A] + Column [B]

304 Structures and Improvements	\$	121,438	Depreciation rate	3.33%	1 month Acc Dep	\$	337
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RATE BASE ADJUSTMENT NO. 3 - REMOVE 2012 AFFILIATE PROFIT

LINE NO.	DESCRIPTION	[A]		[B]	
		Included in Plant Service Per Company		STAFF ADJUSTMENTS	
1	304 Structures and Improvements	35	\$	(35)	
2	307 Wells and Springs	7	\$	(7)	
3	311 Electric Pumping Equipment	303	\$	(303)	
4	331 Transmission and Distribution Mains	1363	\$	(1,363)	
	Total Plant Adj	\$ 1,708	\$	(1,708)	
	Accumulated Depreciation Adj 1/2 year				
		Depr Rate			
5	304 Structures and Improvements	3.33%	\$ 1	\$	(1)
6	307 Wells and Springs	3.33%		\$	-
7	311 Electric Pumping Equipment	12.50%	\$ 19	\$	(19)
8	331 Transmission and Distribution Mains	2.00%	\$ 14	\$	(14)
	Total Accum Deprec Adj	\$	34	\$	(34)

References:

Column [A]: Company Schedule B-2, Page 3.4

Column [B]: Company Response to Staff DRs MJR 1.15 and 2.10

RATE BASE ADJUSTMENT NO. 4 - ADIT ADJUSTMENT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	ADIT	\$ 405,395	\$ 57,322	\$ 462,717

References:

Column [A]: Company Schedule B.1, Page 1

Column [B]: Column [C] less Column [A]

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

**RATE BASE ADJUSTMENT NO. 5 - Accumulated Depreciation - Fully Depreciated Plant**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation Acct 311 and 347	\$ 2,869,270	\$ (2,025,425)	\$ 843,845

References:

Column [A]: Company Schedule B-2, Page 3.5

Column [B]: Testimony MJR

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

**RATE BASE ADJUSTMENT NO. 6 - ACCUMULATED AMORTIZATION OF CIAC**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	CIAC Amortization	\$ 8,797,261	\$ (179,509)	8,617,752

References:

Columns [A]: Company Schedule B-2, Page 5.1

Column [B]: Column [C] less Column [A]

Column [C]: Testimony MJR

RATE BASE ADJUSTMENT NO. 7 - ACCUMULATED DEPRECIATION AFFILIATE PROFIT 2009-11

		[A]	[B]	[C]	[D]
LINE NO.	DESCRIPTION	Deprec Rate	Prior Rate Case	Depreciation 2009-2011 3 Years	Staff Adjustment Acc Dep
1	307 Wells & Springs	3.33%	\$ (4,372)	\$ 437	
2	311 Electric Pumping Equipment	12.50%	(170)	64	
3	331 Transmission and Distribution Mains	2.00%	(5,568)	334	
4	339 Other Plant & Misc Equip	6.67%	(8,386)	1,678	
5	Total Plant Adj		\$ (18,496)	\$ 2,513	\$ (2,513)

References:

- Column [A]: Company Schedule B-2, Page 3.5
- Column [B]: Company Schedule B-2, Page 3.6
- Column [C]: Column [A] x Column [B] x 3
- Column [D]: Testimony MJR

RATE BASE ADJUSTMENT NO. 8 - PLANT RETIREMENT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Acct. No. 311	\$ 3,147,011	\$ (1,545,020)	\$ 1,601,991
3	Acct. No. 347	\$ 13,128	\$ (7,701)	\$ 5,427

References:

- Column [A]: Company Schedule B-2, Page 3.5
- Column [B]: Company Reponse to RUCO DR 11.3
- Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 2,811,949	\$ 9,985	\$ 2,821,934	\$ 353,697	\$ 3,175,630
3	Water Sales-Unmetered	-	-	-	-	-
4	Other Water Revenue	42,889	-	42,889	-	42,889
5	Intentionally Left Blank	-	-	-	-	-
6	<b>Total Operating Revenues</b>	<b>\$ 2,854,838</b>	<b>\$ 9,985</b>	<b>\$ 2,864,823</b>	<b>\$ 353,697</b>	<b>\$ 3,218,519</b>
7						
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ 426,012	\$ 32,891	\$ 458,903	\$ -	\$ 458,903
10	Purchased Water	-	-	-	-	-
11	Purchased Power	371,378	-	371,378	-	371,378
12	Fuel for Power Production	-	-	-	-	-
13	Chemicals	3,884	-	3,884	-	3,884
14	Materials and Supplies	27,517	-	27,517	-	27,517
15	Office Supplies and Expense	-	-	-	-	-
16	Management Services-Liberty Water	257,367	-	257,367	-	257,367
17	Management Services-Corporate	133,975	(35,140)	98,835	-	98,835
18	Management Services-Other	15,903	-	15,903	-	15,903
19	Outside Services-Accounting	167	-	167	-	167
20	Outside Services-Engineering	-	-	-	-	-
21	Outside Services - Other	14,205	-	14,205	-	14,205
22	Outside Services - Legal	4,690	-	4,690	-	4,690
23	Water Testing	28,231	(4,410)	23,821	-	23,821
24	Rents-Building	-	-	-	-	-
25	Rents-Equipment	3,208	-	3,208	-	3,208
26	Transportation Expenses	89,305	-	89,305	-	89,305
27	Insurance - General Liability	34,100	-	34,100	-	34,100
28	Insurance - Vehicle	7,733	-	7,733	-	7,733
29	Regulatory Commission Expense	-	-	-	-	-
30	Regulatory Commission Expense - Rate Case	87,500	-	87,500	-	87,500
31	Miscellaneous Expense	85,057	(1,804)	83,253	-	83,253
32	Bad Debt Expense	-	-	-	-	-
33	Depreciation Expense	551,222	(109,768)	441,454	-	441,454
34	Amortization of CIAC (incl in Dep Exp)	-	-	-	-	-
35	Taxes Other than income	-	-	-	-	-
36	Property Taxes	155,805	547	156,352	6,456	162,808
37	Income Taxes	181,647	82,851	264,498	134,031	398,529
38	Interest on Customer Deposits	-	-	-	-	-
39	<b>Total Operating Expenses</b>	<b>\$ 2,478,906</b>	<b>\$ (34,833)</b>	<b>\$ 2,444,073</b>	<b>\$ 140,487</b>	<b>\$ 2,584,560</b>
40	<b>Operating Income (Loss)</b>	<b>\$ 375,932</b>	<b>\$ 44,818</b>	<b>\$ 420,750</b>	<b>\$ 213,209</b>	<b>\$ 633,959</b>

References:

Column (A): Company Schedule C-1  
Column (B): Schedule MJR-W14  
Column (C): Column (A) + Column (B)  
Column (D): Schedules MJR-W1, MJR-W2 and MJR-W19  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Water Testing Expenses ADJ.#1 Ref. Sch MJR-W15	(C) APUC Allocated Capital Taxes ADJ.#2 Ref. Sch MJR-W16	(D) Depreciation Expense ADJ.#3 Ref. Sch MJR-W17	(E) APUC Allocated Corporate Costs ADJ.#4 Ref. Sch MJR-W18	(F) Property Tax Expense ADJ.#5 Ref. Sch MJR-W19	(G) Income Tax Expense ADJ.#6 Ref. Sch MJR-W20	(H) Bulk Sales Revenue ADJ.#7 Ref. Sch MJR-W21	(I) Employee Benefits Adjustment ADJ.#8 Ref. Sch MJR-W22	(J) Miscellaneous Expense ADJ.#9 Ref. Sch MJR-W23	(K) STAFF ADJUSTED
1	REVENUES:											
2	Metered Water Sales	\$ 2,811,949										
3	Water Sales-Unmetered											
4	Other Water Revenue	42,889										
5	Intentionally Left Blank											
6	Total Operating Revenues	\$ 2,854,838										\$ 2,854,838
7	OPERATING EXPENSES:											
8	Salaries and Wages	\$ 420,012										\$ 420,012
9	Purchased Water	371,378										371,378
10	Fuel for Power Production											
11	Chemicals	3,884										3,884
12	Materials and Supplies	27,517										27,517
13	Office Supplies and Expense											
14	Management Services-Liberty Water	257,307										257,307
15	Management Services-Corporate	133,976										133,976
16	Management Services-Other	15,903		(2,557)								15,903
17	Management Services-Accounting	187										187
18	Outside Services-Engineering											
19	Outside Services - Other	14,205										14,205
20	Outside Services - Legal	4,690										4,690
21	Water Testing	28,231	(4,410)									23,821
22	Rents-Building											
23	Rents-Equipment	3,208										3,208
24	Transportation Expenses	89,305										89,305
25	Insurance - General Liability	34,100										34,100
26	Insurance - Vehicle	7,733										7,733
27	Regulatory Commission Expense-Other	87,500										87,500
28	Regulatory Commission Expense - Rate Case	85,057										85,057
29	Bad Debt Expense											
30	Depreciation Expense	551,222			(109,768)							441,454
31	Amortization of CIAC (incl In Dep Exp)											
32	Taxes Other than Income	155,805										155,805
33	Property Taxes	181,647										181,647
34	Interest on Customer Deposits											
35	Total Operating Expenses	\$ 2,478,908	(4,410)	(2,557)	(109,768)	(32,583)	547	82,951			(1,804)	\$ 2,444,073
36	Operating Income (Loss)	\$ 375,932	4,410	2,557	109,768	32,583	(547)	(82,951)			1,804	\$ 420,760

OPERATING ADJUSTMENT NO. 1 - WATER TESTING EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Water Testing	\$ 28,231	\$ (4,410)	\$ 23,821

References:

Column [A]: Company Schedule C-1, Page 1

Column [B]: Testimony Staff Engineering Testimony

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

OPERATING ADJUSTMENT NO. 2 - APUC ALLOCATED CAPITAL TAXES

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Management Services-Corporate	\$ 133,975	\$ (2,557)	\$ 131,418

References:

Column [A]: Company Schedule C-1, Page 1

Column [B]: MJR Testimony

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

OPERATING ADJUSTMENT NO. 3 - DEPRECIATION EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$ 5,785	\$ 5,785	\$ -	0.00%	\$ -
2	302	Franchise Cost	417	417	-	0.00%	-
3	303	Land and Land Rights	44,194	44,194	-	0.00%	-
4	304	Structures and Improvements	3,311,457	-	3,311,457	3.33%	110,272
5	305	Collecting and Impounding Res.	-	-	-	2.50%	-
6	306	Lake River and Other Intakes	-	-	-	2.50%	-
7	307	Wells and Springs	562,937	-	562,937	3.33%	18,746
8	308	Infiltration Galleries and Tunnels	-	-	-	6.67%	-
9	309	Supply Mains	279,157	-	279,157	2.00%	5,583
10	310	Power Generation Equipment	219,360	-	219,360	5.00%	10,968
11	311	Electric Pumping Equipment	1,601,688	-	1,601,688	12.50%	200,211
12	320	Water Treatment Equipment	363,442	-	363,442	3.33%	12,103
13	320	Water Treatment Plant	-	-	-	20.00%	-
14	330	Distribution Reservoirs & Standpipe	759,861	-	759,861	2.22%	16,869
15	330.1	Storage Tanks	-	-	-	2.22%	-
16	330.2	Pressure Tanks	-	-	-	5.00%	-
17	331	Transmission and Distribution Mains	22,337,893	-	22,337,893	2.00%	446,758
18	333	Services	2,768,122	-	2,768,122	3.33%	92,178
19	334	Meters	1,010,366	-	1,010,366	8.33%	84,163
20	335	Hydrants	572,321	-	572,321	2.00%	11,446
21	336	Backflow Prevention Devices	6,151	-	6,151	6.67%	410
22	339	Other Plant and Miscellaneous Equipment	123,778	-	123,778	6.67%	8,256
23	340	Office Furniture and Fixtures	29,265	-	29,265	6.67%	1,952
24	340.1	Computers and Software per Company C-2*	76,919	76,919	-	20.00%	-
25	341	Transportation Equipment	142,188	-	142,188	20.00%	28,438
26	342	Stores Equipment	-	-	-	4.00%	-
27	343	Tools and Work Equipment	18,203	-	18,203	5.00%	910
28	344	Laboratory Equipment Per Company C-2*	3,061	3,061	-	10.00%	-
29	345	Power Operated Equipment	-	-	-	5.00%	-
30	346	Communications Equipment	212,996	-	212,996	10.00%	21,300
31	347	Miscellaneous Equipment	5,427	(675)	6,102	10.00%	610
32	348	Other Tangible Plant	-	-	-	10.00%	-
33		Total Plant	\$ 34,454,988	\$ 129,701	\$ 34,325,287		\$ 1,071,173
38		CIAC = Depreciation Expense/Depreciable Plant		3.12%			
39		CIAC Balance	\$ 20,179,119				
40		Depreciation Expense Before Amortization of CIAC:	\$ 1,071,173				
41		Less Amortization of CIAC:	\$ 629,720				
42		<b>Test Year Depreciation Expense - Staff:</b>	<b>\$ 441,453</b>				
43		Depreciation Expense - Company:	\$ 551,221				
44		<b>Staff's Total Adjustment:</b>	<b>\$ (109,768)</b>				

Note:

\* Indicates items that were fully depreciated per Company Schedule C-2.

References:

- Column [A]: Schedule MJR-W4
- Column [B]: Testimony MJR From Column [A]
- Column [C]: Column [A] - Column [B]
- Column [D]: Staff Engineering Testimony
- Column [E]: Column [C] x Column [D]

OPERATING ADJUSTMENT NO. 4 - APUC COST ALLOCATION

		[A]	[B]	[C]
Line No.	Description	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Management Services-Corporate	\$ 133,975		
2	Less Adjustment No. 2 Capital Taxes	(2,557)		
3	Subtotal	<u>\$ 131,418</u>	<u>\$ (32,583)</u>	<u>\$ 98,835</u>

References:

Column [A]: Company Schedule C-1, Page 1

Column [B]: MJR Testimony

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

OPERATING INCOME NO. 5 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 2,864,823	\$ 2,864,823
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	5,729,645	\$ 5,729,645
4	Staff Recommended Revenue, Per Schedule JMM-1	2,864,823	\$ 3,218,519
5	Subtotal (Line 4 + Line 5)	8,594,468	8,948,164
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,864,823	\$ 2,982,721
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	5,729,645	\$ 5,965,443
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	20,364	\$ 20,364
12	Full Cash Value (Line 9 + Line 10 - Line 11)	5,709,281	\$ 5,945,079
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	1,141,856	\$ 1,189,016
15	Composite Property Tax Rate (Per Company Schedule)	13.6927%	13.6927%
16			\$
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 156,352	
18	Company Proposed Property Tax	155,805	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	\$ 547	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 162,808
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 156,352
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 6,456
24			
25	Increase to Property Tax Expense		\$ 6,456
26	Increase in Revenue Requirement		353,697
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		1.825411%

References:

Column [A]: Company Schedule C-2, Page 3  
Column [B]: Testimony MJR  
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 6 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY TEST YEAR	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Income Tax Expense	\$ 181,647	\$ 82,851	\$ 264,498

References:

Column (A): Company Schedule C-1  
Column (B): Column [C] - Column [A]  
Column (C): Schedule MJR-W2

OPERATING ADJUSTMENT NO. 7 - MISSING BILL COUNTS BULK SALES 6-INCH METER

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	6-Inch Meter	\$ 29,923	\$ 9,985	\$ 39,907

References:

Column [A]: Company Schedule H-1, Page 1

Column [B]: Ruco DR 12.1

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

	Minimum Monthly Charge	Commodity rate per 1,000	Gallons	Subtotal
Dec-11	\$ 549	\$ 4.79	541,000	\$ 3,140
Jan-12	\$ 549	\$ 4.79	404,000	2,484
Feb-12	\$ 549	\$ 4.79	462,000	2,762
Mar-12	\$ 549	\$ 4.79	275,000	1,866
Apr-12	\$ 549	\$ 4.79	578,000	3,318
May-12	\$ 549	\$ 4.79	709,000	3,945
Jun-12	\$ 549	\$ 4.79	1,017,000	5,420
Jul-12	\$ 549	\$ 4.79	554,000	3,203
Aug-12	\$ 549	\$ 4.79	465,000	2,776
Sep-12	\$ 549	\$ 4.79	616,000	3,500
Oct-12	\$ 549	\$ 4.79	642,000	3,624
Nov-12	\$ 549	\$ 4.79	693,000	3,868
				<u>\$ 39,907</u>

OPERATING INCOME ADJUSTMENT NO.8 - EMPLOYEE BENEFITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY TEST YEAR	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Salaries and Wages	\$ 426,012	\$ 32,891	\$ 458,903

References:

Column (A): Company Schedule C-1

Column (B): Column [C] - Column [A]

Column (C): Schedule MJR-Surrebuttal Testimony

OPERATING INCOME ADJUSTMENT NO. 9 - MISCELLANEOUS EXPENSES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY TEST YEAR	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Miscellaneous Expense	\$ 85,057	\$ (1,804)	\$ 83,253

References:

Column (A): Company Schedule C-1

Column (B): Column [C] - Column [A]

Column (C): Schedule MJR-Surrebuttal Testimony

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates <sup>1</sup>
<b>Meter Size (All Classes):</b>			
5/8 x 3/4 Inch	10.98	17.22	15.50
5/8 x 3/4 Inch (Low Income)	9.33	14.84	13.18
3/4 Inch	16.47	25.83	23.25
1 Inch	27.45	43.05	38.75
1 Inch (Low Income)	23.33	36.59	32.94
1 1/2 Inch	54.90	86.10	77.50
2 Inch	87.84	137.76	124.00
3 Inch	175.68	275.52	248.00
4 Inch	274.50	430.50	387.50
6 Inch	549.00	861.00	775.00
8 Inch	878.40	1,377.60	1,240.00
10 Inch	1,262.70	1,980.30	1,782.50
12 Inch	2,360.70	3,702.30	3,332.50
<b>Commodity Charge - Per 1,000 Gallons All Classes</b>			
<b>5/8" x 3/4" Meter</b>			
First 3,000 gallons	\$ 1,5900	1,8200	1,500
3,001 to 9,000 gallons	2,9200	3,0200	3,000
Over 9,000 gallons	3,6400	3,6700	3,500
<b>3/4" Meter</b>			
First 6,000 gallons	2,9200	N/A	N/A
Over 6,000 gallons	3,6400	N/A	N/A
First 4,500 gallons	N/A	3,0200	3,000
Over 4,500 gallons	N/A	3,6700	3,500
<b>1" Meter</b>			
First 15,000 gallons	2,9200	N/A	N/A
Over 15,000 gallons	3,6400	N/A	N/A
First 22,500 gallons	N/A	3,0200	3,000
Over 22,500 gallons	N/A	3,6700	3,500
<b>1 1/2" Meter</b>			
First 20,000 gallons	2,9200	N/A	N/A
Over 20,000 gallons	3,6400	N/A	N/A
First 45,000 gallons	N/A	3,0200	3,000
Over 45,000 gallons	N/A	3,6700	3,500
<b>2" Meter</b>			
First 57,000 gallons	2,9200	N/A	N/A
Over 57,000 gallons	3,6400	N/A	N/A
First 72,000 gallons	N/A	3,0200	3,000
Over 72,000 gallons	N/A	3,6700	3,500
<b>3" Meter</b>			
First 57,000 gallons	2,9200	N/A	N/A
Over 57,000 gallons	3,6400	N/A	N/A
First 144,000 gallons	N/A	3,0200	3,000
Over 144,000 gallons	N/A	3,6700	3,500
<b>4" Meter</b>			
First 57,000 gallons	2,9200	N/A	N/A
Over 57,000 gallons	3,6400	N/A	N/A
First 225,000 gallons	N/A	N/A	3,000
Over 225,000 gallons	N/A	N/A	3,500
<b>6" Meter</b>			
First 125,000 gallons	2,9200	N/A	N/A
Over 125,000 gallons	3,6400	N/A	N/A
First 450,000 gallons	N/A	3,0200	3,000
Over 450,000 gallons	N/A	3,6700	3,500
<b>6" - Bulk</b>			
Per 1,000 gallons	N/A	N/A	4.790
<b>8" Meter</b>			
First 125,000 gallons	2,9200	N/A	N/A
Over 125,000 gallons	3,6400	N/A	N/A
First 720,000 gallons	N/A	3,0200	3,000
Over 720,000 gallons	N/A	3,6700	3,500
<b>10" Meter</b>			
First 125,000 gallons	2,9200	N/A	N/A
Over 125,000 gallons	3,6400	N/A	N/A
First 1,035,000 gallons	N/A	3,0200	3,000
Over 1,035,000 gallons	N/A	3,6700	3,500
<b>12" Meter</b>			
First 125,000 gallons	2,9200	N/A	N/A
Over 125,000 gallons	3,6400	N/A	N/A
First 1,935,000 gallons	N/A	3,0200	3,000
Over 1,935,000 gallons	N/A	3,6700	3,5000

Fire Lines:

Up to 8"	Per Rule*	N/A	Per Rule*
10"	Per Rule*	N/A	Per Rule*
12"	Per Rule*	N/A	Per Rule*

\*1% of monthly minimum for a comparable size meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct for the primary water service line.

Other Service Charges:

Establishment	\$ 15.00	\$ 15.00	\$ 15.00
Establishment (After Hours)	\$ 25.00	\$ 25.00	\$ 25.00
Reconnection (Delinquent)	\$ 15.00	\$ 15.00	\$ 15.00
Reconnection (Delinquent) - After Hours	\$ 25.00	\$ 25.00	N/T
Meter Test (if Correct)	\$ 15.00	\$ 15.00	\$ 15.00
Deposit	---	---	---
Deposit Interest	---	---	---
Reestablishment (within 12 months)	---	---	---
NSF Check	\$ 15.00	\$ 15.00	\$ 15.00
Late Payment Penalty	1.5% per month	1.5% per month	1.5% per month
Deferred Payment	1.5% per month	1.5% per month	1.5% per month
Moving Meter at Customer Request	At Cost	At Cost	At Cost
Service Calls - Per Hour/After Hours(a)	\$ 40.00	\$ 40.00	N/T
After Hours Service Charge	N/T	N/T	\$ 50.00

\* Per Commission Rule A.A.C. R-14-2-403(B)

\*\* Per Commission Rule A.A.C. R-14-2-403(B)

\*\*\* Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.

(a) No charge for service calls during normal working hours.

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

Service and Meter Installation Charges

Service Size	Total Present Charge	Proposed Service Line	Proposed Meter	Total Proposed Charge	Recommended Service Line	Recommended Meter Installation	Total Recommended
5/8"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
3/4"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
1"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
1-1/2"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
2"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
3"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
4"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
6"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
8"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
10"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
12"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

<sup>1</sup> A 5 percent discount is applicable to entities whose primary function is education.

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,061	\$ 33.49	\$ 41.02	\$ 7.53	22.49%
Median Usage	6,000	24.51	31.74	\$ 7.23	29.50%
<b>Staff Recommended</b>					
Average Usage	9,061	\$ 33.49	\$ 38.21	\$ 4.72	14.10%
Median Usage	6,000	24.51	29.00	\$ 4.49	18.32%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 10.98	\$ 17.22	56.83%	\$ 15.50	41.17%
1,000	12.57	19.04	51.47%	17.00	35.24%
2,000	14.16	20.86	47.32%	18.50	30.65%
3,000	15.75	22.68	44.00%	20.00	26.98%
4,000	18.67	25.70	37.65%	23.00	23.19%
5,000	21.59	28.72	33.02%	26.00	20.43%
6,000	24.51	31.74	29.50%	29.00	18.32%
7,000	27.43	34.76	26.72%	32.00	16.66%
8,000	30.35	37.78	24.48%	35.00	15.32%
9,000	33.27	40.80	22.63%	38.00	14.22%
10,000	36.19	44.47	20.48%	41.50	12.44%
11,000	40.55	48.14	18.72%	45.00	10.97%
12,000	44.19	51.81	17.24%	48.50	9.75%
13,000	47.83	55.48	15.99%	52.00	8.72%
14,000	51.47	59.15	14.92%	55.50	7.83%
15,000	55.11	62.82	13.99%	59.00	7.06%
16,000	58.75	66.49	13.17%	62.50	6.38%
17,000	62.39	70.16	12.45%	66.00	5.79%
18,000	66.03	73.83	11.81%	69.50	5.26%
19,000	69.67	77.50	11.24%	73.00	4.78%
20,000	73.31	81.17	10.72%	76.50	4.35%
25,000	91.51	99.52	8.75%	94.00	2.72%
30,000	109.71	117.87	7.44%	111.50	1.63%
35,000	127.91	136.22	6.50%	129.00	0.85%
40,000	146.11	154.57	5.79%	146.50	0.27%
45,000	164.31	172.92	5.24%	164.00	-0.19%
50,000	182.51	191.27	4.80%	181.50	-0.55%
75,000	273.51	283.02	3.48%	269.00	-1.65%
100,000	364.51	374.77	2.81%	356.50	-2.20%

# **EXHIBIT 2**

Rio Rico Utilities, Inc. - WasteWater Division  
Docket No. WS-02676A-12-0196  
Test Year Ended February 29,012

Final Testimony of Mary J. Rimback

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MJR-WW	2 GROSS REVENUE CONVERSION FACTOR
MJR-WW	3 RATE BASE - ORIGINAL COSTS
MJR-WW	4 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
MJR-WW	5 ORIGINAL COST RATE BASE ADJUSTMENT #1 - RECLASSIFICATION OF PLANT
MJR-WW	6 ORIGINAL COST RATE BASE ADJUSTMENT #2 - ACCUMULATED DEPRECIATION - ACCT. NO. 389
MJR-WW	7 ORIGINAL COST RATE BASE ADJUSTMENT #3 - PLANT RETIREMENT
MJR-WW	8 ORIGINAL COST RATE BASE ADJUSTMENT #4 - ACCUMULATED DEFERRED INCOME TAXES
MJR-WW	9 ORIGINAL COST RATE BASE ADJUSTMENT #5 - REMOVE 2012 AFFILIATE PROFIT
MJR-WW	10 ORIGINAL COST RATE BASE ADJUSTMENT #6 - ACCUMULATED DEPRECIATION AFFILIATE PROFIT 2009-11
MJR-WW	11 ORIGINAL COST RATE BASE ADJUSTMENT #7 - ACCUMULATED DEPRECIATION - FULLY DEPRECIATED PLANT
MJR-WW	12 ORIGINAL COST RATE BASE ADJUSTMENT #8 - ACCUMULATED AMORTIZATION OF CIAC
MJR-WW	13 OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED
MJR-WW	14 SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR
MJR-WW	15 OPERATING INCOME ADJUSTMENT #1 - METERED REVENUES
MJR-WW	16 OPERATING INCOME ADJUSTMENT #2 - APUC ALLOCATED CAPITAL TAXES
MJR-WW	17 OPERATING INCOME ADJUSTMENT #3 - DEPRECIATION EXPENSE
MJR-WW	18 OPERATING INCOME ADJUSTMENT #4 - RECLASSIFICATION OF EXPENSES
MJR-WW	19 OPERATING INCOME ADJUSTMENT #5 - APUC COST ALLOCATION
MJR-WW	20 OPERATING INCOME ADJUSTMENT #6 - PROPERTY TAX EXPENSE
MJR-WW	21 OPERATING INCOME ADJUSTMENT #7 - INCOME TAX EXPENSE
MJR-WW	22 OPERATING INCOME ADJUSTMENT #8 - EMPLOYEE BENEFITS
MJR-WW	23 OPERATING INCOME ADJUSTMENT #9 - PURCHASED WASTEWATER TREATMENT
MJR-WW	24 RATE DESIGN
MJR-WW	25 TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 4,600,012	\$ 4,790,738
2	Adjusted Operating Income (Loss)	\$ 213,826	\$ 338,603
3	Current Rate of Return (L2 / L1)	4.65%	7.07%
4	Required Rate of Return	9.70%	8.20%
5	Required Operating Income (L4 * L1)	\$ 446,201	\$ 392,841
6	Operating Income Deficiency (L5 - L2)	\$ 232,375	\$ 54,237
7	Gross Revenue Conversion Factor	1.6939	1.6589
8	Required Revenue Increase (L7 * L6)	\$ 393,612	<b>\$ 89,976</b>
9	Adjusted Test Year Revenue	\$ 1,360,583	\$ 1,402,843
10	Proposed Annual Revenue	\$ 1,754,195	\$ 1,492,819
11	Required Increase in Revenue (%)	28.93%	6.41%

References:

Column (A): Company Schedule A-1

Column (B): Staff Schedules MJR-WW3 and MJR-WW13

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	39.7199%			
5	Subtotal (L3 - L4)	60.2801%			
6	Revenue Conversion Factor (L1 / L5)	1.658922			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 23)	38.5989%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Calculation of Effective Tax Rate:</u>					
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 48)	34.0000%			
11	Effective Federal Income Tax Rate (L9 x L10)	31.6309%			
12	Combined Federal and State Income Tax Rate (L8 + L11)		38.5989%		
<u>Calculation of Effective Property Tax Factor</u>					
13	Unity	100.0000%			
14	Combined Federal and State Income Tax Rate (L12)	38.5989%			
15	One Minus Combined Income Tax Rate (L13-L14)	61.4011%			
16	Property Tax Factor (JMM-WW20, L27)	1.8257%			
17	Effective Property Tax Factor (L15*L16)		1.1210%		
18	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			39.7199%	
19	Required Operating Income (Schedule MJR-WW1, Line 5)	\$ 392,841			
20	Adjusted Test Year Operating Income (Loss) (MJR-WW14, L35)	338,603			
21	Required Increase in Operating Income (L19 - L20)		\$ 54,237		
22	Income Taxes on Recommended Revenue (Col. [C], L47)	\$ 246,953			
23	Income Taxes on Test Year Revenue (Col. [A], L47)	212,858			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		34,095		
25	Recommended Revenue Requirement (Schedule MJR-WW1, Line 10)	\$ 1,492,819			
26	Uncollectible Rate	0.0000%			
27	Uncollectible Expense on Recommended Revenue (L25*L26)	\$ -			
28	Adjusted Test Year Uncollectible Expense	\$ -			
29	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)				
30	Property Tax with Recommended Revenue (Schedule MJR-WW20, L21)	\$ 78,478			
31	Property Tax on Test Year Revenue (Schedule MJR-WW20 Line 17)	76,835			
32	Increase in Property Tax Due to Increase in Revenue (L30-31)		1,643		
33	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		\$ 89,976		

	Test Year	Staff Recommended	
<u>Calculation of Income Tax:</u>			
34	Revenue (Schedule MJR-WW1, Col. [B], Line 9 & Sch. MJR-WW1, Col. [B] Line 10)	\$ 1,402,843	\$ 89,976
35	Operating Expenses Excluding Income Taxes	851,382	
36	Synchronized Interest (L51)	\$ -	\$ -
37	Arizona Taxable Income (L34 - L35 - L36)	\$ 551,461	\$ 639,794
38	Arizona State Income Tax Rate	6.9680%	6.9680%
39	Arizona Income Tax (L37 x L38)	\$ 38,426	\$ 44,581
40	Federal Taxable Income (L37 - L39)	\$ 513,035	\$ 595,213
41	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	7,500	7,500
42	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	6,250	6,250
43	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	8,500	8,500
44	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	91,650	91,650
45	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	60,532	88,472
46	Total Federal Income Tax	174,432	202,372
47	Combined Federal and State Income Tax (L39 + L46)	\$ 212,858	\$ 246,953

48 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 34.0000%

Synchronized Interest Calculation

Rate Base Adjusted to date:	\$ 4,790,738
Weighted Average Cost of Debt	0.00%
Synchronized interest	\$ -

**RATE BASE - ORIGINAL COST PROPOSED**

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 14,241,190	\$ 12,751,357
2	Less: Accumulated Depreciation	6,437,304	4,698,882
3	Net Plant in Service	<u>\$ 7,803,886</u>	<u>\$ 8,052,475</u>
<i>LESS:</i>			
4	Contributions in Aid of Construction (CIAC)	\$ 5,152,673	\$ 5,152,673
5	Less: Accumulated Amortization	2,509,975	\$ 2,491,137
6	Net CIAC	<u>2,642,698</u>	<u>\$ 2,661,536</u>
7	Advances in Aid of Construction (AIAC)	293,794	293,794
8	Customer Deposits	22,963	22,963
9	Deferred Income Tax Credits	244,419	283,444
<i>ADD:</i>			
10	Working Capital Allowance	-	-
11	Deferred Regulatory Assets	-	-
12	<b>Original Cost Rate Base</b>	<u>\$ 4,600,012</u>	<u>\$ 4,790,738</u>

References:

Column [A]: Company Application Schedule B-1  
Column [B]: Testimony MJR  
Column [C]: Column [A] + Column [B]

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	PLANT IN SERVICE	[A] COMPANY AS FILED	[B] Reclassification of Plant	[C] Accum Depreciation Acct #389	[D] Retirement Plant	[E] ADIT	[F] 2012 Affiliate Profit	[G] Affiliate Profit 2009-11 Accum Dep	[H] Fully Deprec Plant	[I] Accumulated Amortization of CIAC	[J] STAFF ADJUSTED
		DESCRIPTION	Ref. Sch MJR-WW15	Ref. Sch MJR-WW16	Ref. Sch MJR-WW17	Ref. Sch MJR-WW18	Ref. Sch MJR-WW19	Ref. Sch MJR-WW10	Ref. Sch MJR-WW11	Ref. Sch MJR-WW12	Ref. Sch MJR-WW13	
1	351	Organization Cost	5,785									5,785
2	417	Franchise Cost										417
3	352	Land and Land Rights	7,545									7,545
4	353	Structures and Improvements	150,294									150,294
5	354	Power Generation Equipment										636,023
6	355	Collection Sewers - Force	5,991,239				(415)					5,991,239
7	360	Collection Sewers - Gravity										1,204,113
8	361	Special Collecting Structures										66,339
9	362	Services to Customers										867,120
10	363	Flow Measuring Devices										208,760
11	364	Flow Measuring Installations										975,033
12	365	Receiving Wells										13,690
13	370	Pumping Equipment										64,928
14	371	Reseuse T&D										116,937
15	375	Treatment and Disposal Equipment										4,025
16	380	Plant Sewers										117
17	381	Outfall Sewer Lines										5,139
18	382	Other Plant and Misc. Equipment										5,936
19	389	Office Furniture and Equipment										3,913
20	390	Computers & Software										2,424,604
21	390	Transportation Equipment										5,836
22	391	Tools, Shop and Garage Equipment										3,913
23	393	Laboratory Equipment										2,424,604
24	394	Other Tangible Plant										12,751,357
25	396	Communication Equipment										4,698,862
26	398	NIWWTP										1,733,912
27	380	NIWWTP										846
28		Total Plant in Service - Actual	14,241,190	15,362	15,041,180	15,041,180	(415)	(415)	(846)	1,733,912	(18,838)	12,751,357
29		Post Test-Year Plant	6,437,304	(564)								4,698,862
30		Total Plant in Service <sup>1</sup>	7,803,866	15,928	15,041,180	15,041,180	(411)	(411)	846	1,733,912	18,838	8,052,475
31		Less: Accumulated Depreciation										
32		Net Plant in Service	7,803,866	15,928	15,041,180	15,041,180	(411)	(411)	846	1,733,912	18,838	8,052,475
33		LESS:										
34		Contributions in Aid of Construction (CIAC)										
35		Less: Accumulated Amortization	5,152,673									5,152,673
36		Net CIAC (L39 - L40)	2,509,975									2,491,137
37		Advances in Aid of Construction (AIAC)	2,842,698									2,661,556
38		Customer Deposits	293,794									263,784
39		Deferred Income Taxes	244,419									22,963
40												283,444
41												
42												
43												
44												
45												
46												
47												
48												

<sup>1</sup> Staff Adjusted amount includes a \$600 decrease to reflect Hearing Exhibit A-17.

RATE BASE ADJUSTMENT NO. 1 - RECLASSIFICATION OF PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED (Col A + Col B)
1		NIWWTP	\$ 2,255,600	\$ 169,004	\$ 2,424,604
2	380	Treatment and Disposal Equipment	1,128,675	(153,642)	975,033
3		Total Increase in Plant	<u>\$ 3,384,275</u>	<u>\$ 15,362</u>	<u>\$ 3,399,637</u>

Accumulated  
Depreciation  
Adjustment

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED (Col A + Col B)
4	NIWWTP	NIWWTP From Water	\$ -	\$ 1,151	\$ 1,151
5		NIWWTP from acct 380	-	9,466	9,466
6	380	Treatment and Disposal	11,181	(11,181)	0
7		Total Increase in A/D	<u>\$ -</u>	<u>\$ (564)</u>	<u>\$ 10,617</u>

References:

- Column [A]: Company Application Schedule B.2, Page 3.5
- Column [B]: MJR Testimony
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - ACCUMULATED DEPRECIATION - ACCT. NO. 389

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Other Plant and Misc. Equipment - Acct. No. 389*	\$ 68,024	\$ (3,096)	\$ 64,928

\*After removal of 2008-2012 Affiliate Profit Accum Dep

Company Schedule B-2, Page 3.5	68,869
Staff Rate Base Adjustment No. 6	845
Sub-total	<u>68,024</u>

References:

- Column [A]: Company Application Schedule B.2, Page 3.5
- Column [B]: Testimony MJR
- Column [C]: Column [A] + Column [B]

**RATE BASE ADJUSTMENT NO. 3 - PLANT RETIREMENT**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Acct. No. 371	\$ 1,712,940	\$ (1,504,180)	\$ 208,760

References:

Column [A]: Company Application Schedule B.2, Page 3.5 and Response to Staff DR MJR 1.34.

Column [B]: Testimony MJR

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

RATE BASE ADJUSTMENT NO. 4 - ACCUMULATED DEFERRED INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	ADIT	\$ 244,419	\$ 39,025	283,444

References:

Column [A]: Company Schedule B.1, Page 1

Column [B]: Testimony MJR

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

RATE BASE ADJUSTMENT NO. 5 - REMOVE 2012 AFFILIATE PROFIT

		[A]	[B]
LINE NO.	DESCRIPTION	Included in Plant Service Per Company	STAFF ADJUSTMENTS
1	361 Collection Sewers - Gravity	\$ 415	<u><u>\$ (415)</u></u>
2	361 Accumulated Depreciation (1/2 year @ 2.00)		<u><u>\$ (4)</u></u>

References:

Column [A]: Company Schedule B-2, Page 3.4

Column [B]: Company Response to Staff DRs MJR 1.15 and 2.10

RATE BASE ADJUSTMENT NO. 6 - ACCUMULATED DEPRECIATION AFFILIATE PROFIT 2009-11

		[A]	[B]	[C]	[D]
LINE NO.	DESCRIPTION	Deprec Rate	Prior Rate Case	Depreciated 2009-2011 3 Years	Staff Adjustment Acc Dep
1	363 Customer Services	2.00%	\$ (16)	\$ 1	
2	389 Other Sewer and Plant	6.67%	(4,221)	845	
3	Total Plant Adj		<u>\$ (4,237)</u>	<u>\$ 846</u>	<u>\$ (846)</u>

References:

Column [A]: Company Schedule B-2, Page 3.5  
 Column [B]: Testimony MJR

RATE BASE ADJUSTMENT NO. 7 - ACCUMULATED DEPRECIATION - FULLY DEPRECIATED PLANT

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	ACCUMULATED DEPRECIATION	\$ 1,684,346	\$ (1,733,912)	\$ (49,566)

REFERENCES:

- Column [A]: Company Schedule B-2, Page 4
- Column [B]: Column [C] less Column [A]
- Column [C]: Testimony MJR

**RATE BASE ADJUSTMENT NO. 8 - ACCUMULATED AMORTIZATION OF CIAC**

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	2009-2012 COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	CIAC Amortization	\$ 2,509,975	\$ (18,838)	\$ 2,491,137

REFERENCES:

Column [A]: Company Schedule B-2, Page 5.1

Column [B]: Column [C] less Column [A]

Column [C]: See testimony MJR

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<b>REVENUES:</b>					
2	Flat Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
3	Measured Revenues	1,360,583	42,260	1,402,843	89,976	1,492,819
4	Other Wastewater Revenues	-	-	-	-	-
5	Intentionally Left Blank	-	-	-	-	-
6	<b>Total Operating Revenues</b>	<u>\$ 1,360,583</u>	<u>\$ 42,260</u>	<u>\$ 1,402,843</u>	<u>\$ 89,976</u>	<u>\$ 1,492,819</u>
7						
8	<b>OPERATING EXPENSES:</b>					
9	Salaries and Wages	\$ 131,547	\$ 11,811	\$ 143,358	\$ -	\$ 143,358
10	Purchased Wastewater Treatment	-	108,999	108,999	-	108,999
11	Sludge Removal Expense	-	-	-	-	-
12	Purchased Power	61,290	-	61,290	-	61,290
13	Fuel for Power Production	-	-	-	-	-
14	Chemicals	4,907	-	4,907	-	4,907
15	Materials and Supplies	4,473	-	4,473	-	4,473
16	Management Services Liberty Water	83,038	-	83,038	-	83,038
17	Contractual Services - Corporate	59,292	(23,267)	36,025	-	36,025
18	Contractual Services - Other	172,270	(165,896)	6,374	-	6,374
19	Contractual Services-Engineering	-	-	-	-	-
20	Water Testing Expense	330	-	330	-	330
21	Contractual Services Other	638	-	638	-	638
22	Contractual Services-Legal	585	-	585	-	585
23	Equipment Rental	400	-	400	-	400
24	Rents-Building	-	-	-	-	-
25	Transportation Expense	18,066	-	18,066	-	18,066
26	Insurance Expense General Liability	11,302	-	11,302	-	11,302
27	Insurance expense Vehicle	2,516	-	2,516	-	2,516
28	Regulatory Expense	-	-	-	-	-
29	Regulatory Expense-Rate Case	29,167	-	29,167	-	29,167
30	Miscellaneous Expense	16,111	-	16,111	-	16,111
31	Bad Debt Expense	23,194	-	23,194	-	23,194
32	Depreciation Expense	359,629	(135,855)	223,774	-	223,774
33	Taxes Other than Income	-	-	-	-	-
29	Property Taxes	74,520	2,315	76,835	1,643	78,478
30	Income Taxes	93,481	119,377	212,858	34,095	246,953
31	Interest on Customer Deposits	-	-	-	-	-
32	<b>Total Operating Expenses</b>	<u>\$ 1,146,756</u>	<u>\$ (82,516)</u>	<u>\$ 1,064,240</u>	<u>\$ 35,738</u>	<u>\$ 1,099,978</u>
33	<b>Operating Income (Loss)</b>	<u>\$ 213,827</u>	<u>\$ 124,776</u>	<u>\$ 338,603</u>	<u>\$ 54,237</u>	<u>\$ 392,841</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule MJR-WW14
- Column (C): Column (A) + Column (B)
- Column (D): Schedules MJR-WW1, MJR-WW2 and MJR-WW20
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Metered Revenues ADJ #1 Ref. Sch MJR-WW15	(C) APUC Allocated Capital Taxes ADJ #2 Ref. Sch MJR-WW16	(D) Depreciation Expenses ADJ #3 Ref. Sch MJR-WW17	(E) Reclassification of Expenses ADJ #4 Ref. Sch MJR-WW18	(F) APUC Cost Allocation ADJ #5 Ref. Sch MJR-WW19	(G) Property Tax Expense ADJ #6 Ref. Sch MJR-WW20	(H) Income Tax Expense ADJ #7 Ref. Sch MJR-WW21	(I) Employee Benefits ADJ #8 Ref. Sch MJR-WW22	(J) Purchased WW Treatment ADJ #9 Ref. Sch MJR-WW23	(K) STAFF ADJUSTED
1	REVENUES:											
2	Flat Rate Revenues	1,360,583	42,260									
3	Measured Revenues											
4	Other Wastewater Revenues											
5	Intentionally Left Blank											
6	Total Operating Revenues	1,360,583	42,260									1,402,843
7												1,402,843
8	OPERATING EXPENSES:											
9	Salaries and Wages	131,547								11,811		143,358
10	Purchased Wastewater Treatment					165,896					(56,897)	108,999
11	Sludge Removal Expense											81,290
12	Purchased Power	61,290										4,907
13	Fuel for Power Production											4,473
14	Chemicals	4,907										83,038
15	Materials and Supplies	4,473										59,292
16	Management Services - Liberty Water	83,038										172,270
17	Contractual Services - Corporate	59,292		(836)								330
18	Contractual Services - Other	172,270			(165,896)							638
19	Contractual Services-Engineering											585
20	Water Testing Expense	330										400
21	Contractual Services Other	638										18,066
22	Contractual Services-Legal	585										11,302
23	Equipment Rental	400										2,516
24	Rents-Building											29,167
25	Transportation Expense	18,066										16,111
26	Insurance Expense General Liability	11,302										23,194
27	Insurance Expense Vehicle	2,516										359,629
28	Regulatory Expense											74,520
29	Regulatory Expense-Rate Case	29,167										83,481
30	Miscellaneous Expense	16,111										
31	Bad Debt Expense	23,194										
32	Depreciation Expense	359,629			(135,855)							
33	Taxes Other than Income											
34	Property Taxes	74,520										
35	Income Taxes	83,481							119,377			
36	Interest on Customer Deposits											
37	Total Operating Expenses	1,146,756		(836)	(135,855)		(22,431)		119,377	(11,811)	(56,897)	1,064,240
38	Operating Income (Loss)	213,827	42,260	836	135,855		22,431	(2,315)	(119,377)	(11,811)	56,897	338,603

OPERATING ADJUSTMENT NO. 1 - METERED REVENUES

		[A]	[B]	[C]	[D]
LINE NO.	Description	Test Year Submitted Company Bill Counts	RUCO 4.2 After 6" Meter Correction	Rebuttal Test Year Bill Counts	STAFF ADJUSTMENTS
1	Residential 5/8 x 3/4"	\$ 1,001,239	\$ 1,001,239	\$ 1,001,239	\$ -
2	Residential 5/8 x 3/4" Low Income	26,948	26,948	\$ 26,948	-
3	Residential 3/4"	5,182	5,182	\$ 5,182	-
4	Residential 1"	7,304	7,304	\$ 7,304	-
5	Residential 1" Low Income	494	494	\$ 494	-
6	Residential 1 1/2"	-	-	\$ -	-
7	Residential 2"	132	132	\$ 132	-
8	Commercial 5/8 x 3/4"	45,467	45,467	46,018	551
9	Commercial 1"	54,994	54,994	56,409	1,415
10	Commercial 1 1/2"	17,712	17,712	17,712	-
11	Commercial 2"	93,658	93,658	94,925	1,267
12	Commercial 3"	4,304	4,304	5,376	1,072
13	Commercial 4"	89,951	89,951	89,951	-
14	Commercial 6"	12,213	33,018	33,018	20,805
15	Industrial 5/8 x 3/4"				
16	Industrial 2"			-	-
17	Multi-family 5/8 x 3/4"	4,780	4,780	4,780	-
18	Multi-family 1 1/2"	1,411	1,411	1,411	-
19	Bulk	-	-	-	-
20	Fire Lines up to 8 Inches	-	-	-	-
21	Revenue Annualization	(5,207)	7,006	11,943	17,150
22	Bill Count Revenue	\$ 1,360,582	\$ 1,393,600	\$ 1,402,842	\$ 42,260

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References:

- Column [A]: Company Schedules H-1, Pages 1 and 2
- Column [B]: Testimony MJR
- Column [D]: Column [C] - Column [A]

OPERATING ADJUSTMENT NO. 2 - APUC ALLOCATED CAPITAL TAXES

[A] [B] [C]

Line No.	Description	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Contractual Services - Corporate	\$ 59,292	\$ (836)	\$ 58,456

References:

- Column [A]: Company Schedule C-1, Page 1
- Column [B]: DR RUCO 6.2
- Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 3 - DEPRECIATION EXPENSE

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	351	Organization Cost	\$ 5,785	\$ 5,785	\$ -	0.00%	\$ -
2	352	Franchise Cost	417	417	-	0.00%	-
3	353	Land and Land Rights	7,545	7,545	-	0.00%	-
4	354	Structures and Improvements	150,294	-	150,294	3.33%	5,005
5	355	Power Generation Equipment	-	-	-	5.00%	-
6	360	Collection Sewers - Force	636,023	-	636,023	2.00%	12,720
7	361	Collection Sewers - Gravity	5,991,239	-	5,991,239	2.00%	119,825
8	362	Special Collecting Structures	-	-	-	2.00%	-
9	363	Services to Customers	1,204,113	-	1,204,113	2.00%	24,082
10	364	Flow Measuring Devices	66,339	-	66,339	10.00%	6,634
11	365	Flow Measuring Installations	-	-	-	10.00%	-
12	370	Receiving Wells	867,120	-	867,120	3.33%	28,875
13	371	Pumping Equipment	208,760	-	208,760	12.50%	26,095
14	375	Resuse T&D	-	-	-	2.50%	-
15	380	Treatment and Disposal Equipment	975,033	-	975,033	5.00%	48,752
16	381	Plant Sewers	13,690	-	13,690	5.00%	685
17	382	Outfall Sewer Lines	-	-	-	3.33%	-
18	389	Other Plant and Misc. Equipment per company C-2*	64,928	64,928	-	6.67%	-
19	390	Office Furniture and Equipment	116,937	-	116,937	6.67%	7,800
20	390	Computers & Software per company C-2*	4,025	4,025	-	20.00%	-
21	391	Transportation Equipment	117	-	117	20.00%	23
22	393	Tools, Shop and Garage Equipment per	5,139	5,139	-	5.00%	-
23	394	Laboratory Equipment	-	-	-	0.00%	-
24	396	Communication Equipment per Company C-2*	5,936	5,936	-	10.00%	-
25	398	Other Tangible Plant	3,913	3,913	-	10.00%	-
26	380	Nogales WW	2,424,604	-	2,424,604	4.00%	96,984
27		Total Plant	\$ 12,751,957	\$ 97,688	\$ 12,654,269		\$ 377,480
28		Ratio Depreciation Expense/Depreciable Plant		2.983%			
30		CIAC	\$ 5,152,673				
31		Depreciation Expense Before Amortization of CIAC:	\$ 377,480				
32		Less Amortization of CIAC:	\$ 153,705				
33		<b>Test Year Depreciation Expense - Staff:</b>	<b>\$ 223,774</b>				
34		Depreciation Expense - Company:	\$ 359,629				
35		<b>Staff's Total Adjustment:</b>	<b>\$ (135,855)</b>				

Note:

\* Indicates items that were fully depreciated per Company Schedule C-2.

References:

- Column [A]: Schedule MJR-WW4
- Column [B]: From Column [A]
- Column [C]: Column [A] - Column [B]
- Column [D]: Staff Engineering Testimony
- Column [E]: Column [C] x Column [D]

OPERATING ADJUSTMENT NO. 4 - RECLASSIFICATION OF EXPENSES

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Management Services Other	\$ 172,270	(165,896) \$	6,374
2	Purchased Waste Water Treatment	-	165,896	165,896

References:

Column [A]: Company Schedule C-1, Page 1

Column [B]: Testimony MJR

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

OPERATING ADJUSTMENT NO. 5 - APUC COST ALLOCATION

	[A]	[B]	[C]
Line No. Description	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1 Contractual Services - Corporate	\$ 58,456	\$ (22,431)	\$ 36,025

Company Proposed is after  
 adjustment # 2 which removed  
 Capital taxes from Allocations.

References:

- Column [A]: Company Schedule C-1, Page 1
- Column [B]: Hearing Settlement
- Column [C]: Column [A] + Column [B]

**OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX EXPENSE**

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 1,402,843	\$ 1,402,843
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,805,686	\$ 2,805,686
4	Staff Recommended Revenue, Per Schedule JMM-1	1,402,843	\$ 1,492,819
5	Subtotal (Line 4 + Line 5)	4,208,529	4,298,505
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,402,843	\$ 1,432,835
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,805,686	\$ 2,865,670
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,805,686	\$ 2,865,670
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	561,137	\$ 573,134
15	Composite Property Tax Rate (Per Company Schedule)	13.6927%	13.6927%
16			\$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 76,835	
18	Company Proposed Property Tax	74,520	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	\$ 2,315	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 78,478
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 76,835
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 1,643
24			
25	Increase to Property Tax Expense		\$ 1,643
26	Increase in Revenue Requirement		89,976
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		1.825693%

References:

Column [A]: Company Schedule C-2, Page 3  
Column [B]: Testimony MJR  
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 7 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY TEST YEAR	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Income Tax Expense	\$ 93,481	\$ 119,377	\$ 212,858

References:

- Column (A), Company Schedule C-1, Page 1
- Column (B): Column [C] - Column [A]
- Column (C): Schedule MJR-WW2

OPERATING INCOME ADJUSTMENT NO. 8 - EMPLOYEE BENEFITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY TEST YEAR	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Salaries and Wages	\$ 131,547	\$ 11,811	\$ 143,358

References:

Column (A), Company Schedule C-1, Page 1

Column (B): Column [C] - Column [A]

Column (C): Schedule MJR Surrebuttal Testimony

OPERATING INCOME ADJUSTMENT NO. 9 - PURCHASED WASTEWATER TREATMENT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY TEST YEAR	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Purchased WW Treatment	\$ 165,896	\$ (56,897)	\$ 108,999

References:

Column (A), Staff Operating Adjustment #4 - Reclassification of Purchased Wastewater Treatment

Column (B): Hearing Exhibit A-17

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

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates <sup>1</sup>
<b>Meter Size (All Classes):</b>			
5/8 x 3/4 Inch	\$ 45.88	\$ 60.01	\$ 49.50
5/8 x 3/4 Inch Low Income	39.00	51.01	42.08
3/4 Inch	52.88	69.17	57.00
1 Inch	64.64	84.55	69.70
1 Inch Low Income	54.94	71.87	59.25
1 1/2 Inch	95.44	124.84	102.90
2 Inch	132.38	173.15	142.70
3 Inch	230.62	301.65	248.70
4 Inch	341.83	447.11	368.60
6 Inch	649.58	849.65	700.40
8 Inch	944.45	1,235.34	1,057.78
10 Inch	1,415.24	1,851.13	1,585.07
12 Inch	2,012.57	2,632.44	2,254.08
<b>Commodity Charge - Per 1,000 Gallons</b>			
<b>Commercial and Multi-tenant Only</b>			
0 gallons to 7,000 gallons	\$ -	\$ -	\$ -
over 7,000 gallons	4.67	5.44	5.00
<b>Other Service Charges</b>			
Establishment	\$ 15.00	\$ 15.00	\$ 15.00
Establishment (After Hours)	\$ 25.00	\$ 25.00	N/T
Reconnection (Delinquent)	\$ 15.00	\$ 15.00	\$ 15.00
Reconnection (Delinquent) - After Hours	\$ 25.00	\$ 25.00	N/T
Deposit	*	*	*
Deposit Interest	**	**	**
Reestablishment (within 12 months)	***	***	***
NSF Check	\$ 25.00	\$ 25.00	\$ 25.00
Late Payment Penalty	1.5 percent per month	1.5 percent per month	1.5 percent per month
Deferred Payment	1.5 percent per month	1.5 percent per month	1.5 percent per month
Service Calls - Per Hour/After Hours(a)	\$ 40.00	\$ 40.00	N/T
After Hours Service Charge	N/T	N/T	\$ 50.00
* Per Commission Rule A.A.C. R-14-2-603(B)			
** Per Commission Rule A.A.C. R-14-2-603(B)			
*** Per Commission Rule A.A.C. R-14-2-603(D) - Months off the system times the monthly minimum.			
(a) No charge for service calls during normal working hours.			
<b>Service Line Installation Charges</b>			
<b>Service Line Size</b>			
4 Inch	At Cost	At Cost	At Cost
6 Inch	At Cost	At Cost	At Cost
8 Inch	At Cost	At Cost	At Cost
10 Inch	At Cost	At Cost	At Cost
12 Inch	At Cost	At Cost	At Cost

<sup>1</sup> A 5 percent discount is applicable to entities whose primary function is education.

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	-	\$ 45.88	\$ 60.01	\$ 14.13	30.80%
Median Usage	-	45.88	60.01	\$ 14.13	30.80%
<b>Staff Recommended</b>					
Average Usage	-	\$ 45.88	\$ 49.50	\$ 3.62	7.89%
Median Usage	-	45.88	49.50	\$ 3.62	7.89%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 45.88	\$ 60.01	30.80%	\$ 49.50	7.89%
1,000	45.88	60.01	30.80%	49.50	7.89%
2,000	45.88	60.01	30.80%	49.50	7.89%
3,000	45.88	60.01	30.80%	49.50	7.89%
4,000	45.88	60.01	30.80%	49.50	7.89%
5,000	45.88	60.01	30.80%	49.50	7.89%
6,000	45.88	60.01	30.80%	49.50	7.89%
7,000	45.88	60.01	30.80%	49.50	7.89%
8,000	45.88	60.01	30.80%	49.50	7.89%
9,000	45.88	60.01	30.80%	49.50	7.89%
10,000	45.88	60.01	30.80%	49.50	7.89%
11,000	45.88	60.01	30.80%	49.50	7.89%
12,000	45.88	60.01	30.80%	49.50	7.89%
13,000	45.88	60.01	30.80%	49.50	7.89%
14,000	45.88	60.01	30.80%	49.50	7.89%
15,000	45.88	60.01	30.80%	49.50	7.89%
16,000	45.88	60.01	30.80%	49.50	7.89%
17,000	45.88	60.01	30.80%	49.50	7.89%
18,000	45.88	60.01	30.80%	49.50	7.89%
19,000	45.88	60.01	30.80%	49.50	7.89%
20,000	45.88	60.01	30.80%	49.50	7.89%
25,000	45.88	60.01	30.80%	49.50	7.89%
30,000	45.88	60.01	30.80%	49.50	7.89%
35,000	45.88	60.01	30.80%	49.50	7.89%
40,000	45.88	60.01	30.80%	49.50	7.89%
45,000	45.88	60.01	30.80%	49.50	7.89%
50,000	45.88	60.01	30.80%	49.50	7.89%
75,000	45.88	60.01	30.80%	49.50	7.89%
100,000	45.88	60.01	30.80%	49.50	7.89%