

ORIGINAL



MEMORANDUM RECEIVED

2013 NOV 12 A 10:49

AZ CORP COMMISSION
DOCKET CONTROL

EA for SMO

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

DATE: November 12, 2013

RE: **SUPPLEMENTAL STAFF REPORT IN RESPONSE TO HUMBOLDT WATER SYSTEMS, INC. FILING OF ITS COMMENTS TO THE ORIGINAL STAFF REPORT REGARDING ITS APPLICATION FOR A RATE INCREASE (DOCKET NOS. W-02197A-13-0115) AND FINANCING (DOCKET NO. W-02197^A12-0410)**

Humboldt Water Systems Inc. ("Humboldt" or "Company") filed comments to the original Staff Report. Staff hereby submits the attached Supplemental Staff Report in response to Humboldt's filed comments regarding its application for a rate increase and financing. Staff recommends approval of the rate increase and financing applications using Staff's recommended Supplemental rates and charges.

Any party who wishes may file comments to the Supplemental Staff Report with the Commission's Docket Control by 4:00 p.m. on or before November 18, 2013.

SMO:BCA:red

Originator: Brendan C. Aladi

Arizona Corporation Commission

DOCKETED

NOV 12 2013

DOCKETED BY 

Service List for: Humboldt Water Systems Inc.
Docket Nos. W-02199A-13-0115 and W-02197A-12-0410

Mr. Timothy L Kylo
Humboldt Water Systems Inc.
PO Box 10593
Sedona, Arizona 86339

**SUPPLEMENTAL STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

HUMBOLDT WATER SYSTEMS, INC.

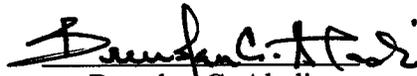
DOCKET NOS. W-02197A-13-0115 AND W-02197A-12-0410

**APPLICATION FOR
A PERMANENT RATE INCREASE
AND
APPROVAL OF FINANCING APPLICATION**

NOVEMBER 12, 2013

STAFF ACKNOWLEDGMENT

The Supplemental Staff Report for Humboldt Water Systems, Inc. ("Company"), Docket Nos. W-02197A-13-0115 and W-02197-12-0410 were the responsibility of the Staff member listed below. Brendan C. Aladi was also responsible for the financial review and analysis of the Company's application.



Brendan C. Aladi
Public Utilities Analyst III

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BACKGROUND

On September 20, 2012, Humboldt Water Systems, Inc. ("Humboldt" or "Company") filed an application for approval of financing for a Water Infrastructure Finance Authority of Arizona ("WIFA") loan to fund its nitrate and arsenic treatment facilities. On April 26, 2013, Humboldt filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission"). Staff issued a Letter of Sufficiency on June 24, 2013.

On September 18, 2013, Staff filed a Staff Report recommending approval of the rates and charges shown in Schedule BCA-4, of that Report.

COMPANY'S COMMENTS TO THE STAFF REPORT

On September 30, 2013, Humboldt filed comments to the Staff Report. In its comments, the Company focused on the following aspects of the Staff Report:

1. Staff's recommended tiered rate calculations.
2. Staff's recommended rate structure.
3. Staff's recommended operating revenue.
4. Operations of the Water Treatment Plant.
5. Staff's recommended water testing expense.
6. Rate structure without surcharge.

A Procedural Order dated October 9, 2013, directed Staff to file a response to the Company's comments by October 30, 2013.

Staff's Response to the Company's Comments

1. Tiered Rate Design

Company Comment: The purpose of tiered rates rate structure is to promote conservation. It is therefore inconsistent to propose a rate that is intended to conserve water consumption and then use the pre-tiered rate consumption to predict future revenue. For this reason we believe the Staff is overstating projected revenues, and then drawing conclusions that affect the rate structure they are recommending the Commissioners approve. I would suggest in this case that a conservation factor be applied to future water sales to more accurately project future revenues. *(If you would poll the water companies that have received tiered rates I am certain you will find that usage declined along with expected revenues)*.

Response: Staff's inverted tiered rate structure takes into account non-discretionary water usage as well as promotes efficient water use. The Commission rules require Staff to use a historic test year to project future revenues and set rates. The Company did not document any water use decreases from prior rates cases and Staff has no ability to determine if there would be

a decrease and how much it will be. Staff notes that its inverted tier rate design has been approved by the Commission in most rate case decisions over the last twenty years.

2. Meter Size Rate Structure

Company's Comments: Humboldt like most water companies regulated by the ACC do not distinguish between 5/8 x 3/4 meters and 3/4 meters. They are both residential meters and have no effect on the cost of service to the customers. Humboldt customers, like most water customers in the State, have been charged the same rate for both size meters and will be upset by the effects of the Staff recommendation for a different rate. If the rates proposed by the Staff Report go into effect as is, neighbors will compare rates and will be upset to find they are being charged more than their neighbor for potentially less usage. Our suggestion is that the two meters carry the same rate.

Response: Based on the Company's comments, Staff has reconsidered its original recommendation and now support rates that do not distinguish between these two meter sizes.

3. Operating Revenue

Company's Comments: Staff has adjusted operating revenues to reflect an increase of \$1,784 over our stated revenue. Staff has used a bill count and applied rates to the bill count to calculate revenue that does not take into consideration any unpaid bills. Humboldt is a highly transient area and many customers leave without notice or a final payment. We do collect deposits, however many times customers will leave owing more than their deposit will cover. We have submitted some of the unpaid bills for collection, but have not been successful collecting. The effect of over stating the revenue unfairly inflates the expected rate of return in the Staff Report.

Response: Staff used Company's bill count, applied rates to the bill count and calculated revenue accordingly. The test year and bill count were chosen by the Company not Staff. The Company does not claim bad debt expense and has not provided sufficient support for its inclusion.

4. Operating of the treatment Plant

Company's Comments: Consideration for the cost of installing the treatment facility has been addressed through a surcharge to pay the exact debt service payments of the WIFA loan necessary to fund the treatment plant. No consideration has been given to the additional operation and maintenance costs of the plant, nor has any consideration been given to the additional cost of filtration media, additional chemical costs, and hazardous waste disposal charges.

Response: While Staff acknowledges that the nitrate and arsenic operating costs that are not included in test year operating expenses could be significant, the plant has not yet been built

and Staff does not know when it will be completed. Consequently, the additional operations and maintenance costs are currently not known or measureable so it would not be appropriate to manipulate the return on rate base to provide coverage for these costs. This surcharge is being recommended in lieu of any bad debt expense allowance not substantiated by the Company. To recover the costs of the additional operations and maintenance of the new plant in the future, Staff recommends that the monthly minimum charge be increased by one dollar and the commodity charges by ten cents after the plant is built and Approval of Construction obtained from the Arizona Department of Environmental Quality. Staff's Supplemental Schedule of rates and charges are shown on Supplemental Schedule BCA-4. Staff's Supplemental typical bill analyses are shown on Schedules BCA-5, BCA-5.1 and Schedule BCA-5.2.

5. Water Testing Expense

Company's Comments. Staff has reduced the amount for Water Testing by \$762 from \$4,437 to \$3,675 based on current test costs. Please see the attachment regarding the expected increase in MAP testing for the next year. There will also be additional compliance testing resulting from the installation of the treatment facility.

Response: The Company expects an increase in its annual ADEQ MAP fee and additional quarterly compliance testing for Arsenic and Nitrates beyond the test year.

Table A included in the Engineering Report (labeled Attachment A to the Staff Report filed on September 18, 2013) has been revised to reflect the increased MAP fee for calendar year 2013 (see revised Table A below). Staff's recommended water testing expense contained in the Staff Report filed in September included quarterly compliance testing for Arsenic and Nitrates. Therefore, no revisions were necessary to reflect quarterly testing for Arsenic and Nitrates. Using the latest MAP fee Staff now recommends an annual water testing expense of \$3,928.

Table A. Water Testing Cost

Monitoring	Cost per test (Note 2)	Quantity of tests per 3 years	Annual Testing Cost
Coliform (Monthly)	\$74	36	\$888
MAP	MAP	MAP	\$1,333 (Note 1)
Lead & Copper (Triennially)	\$45	10	\$150
DBPs (Triennially)	\$350	1	\$117 (rounded)
Arsenic (Quarterly/well)	\$80	24	\$640
Nitrate (Quarterly/well)	\$70	24	\$560
MRDL	\$20	36	\$240

Total Testing Cost	-	-	\$3,928
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Notes: 1) The ADEQ MAP invoice provided by the Company on September 30, 2013, for Calendar Year 2013 was \$1,333 (rounded).
2) Sampling costs were based in large part on the Yavapai Water Sampling invoices provided by the Company.

6. Rate Structure Without Surcharge

Company's Comments: The Company Believes there should be a bad debt expense rate of 3 to 5 percent applied not to only revenue projections but also to the surcharge formula.

In 1999 Humboldt received its current base rate of \$21.55 from an ACC decision. In 2013 Staff is recommending a rate of \$22.50 or a 4.4 percent increase over a 14 year period. The cost of doing business has been going up.

The Company believes that the Staff recommendation of 4.4 percent is not an appropriate amount. The Company's proposed rates are more realistic considering an increase in actual operating costs, and basic cost of living expenses over the same period of time.

Response: Staff set rates that are fair and reasonable. In setting rates Staff bases it on operations as it exists in the test year along with known and measurable changes. Rates are based on revenues and expenses from the test year, plus known and measurable changes.

STAFF ANALYSIS, CONCLUSION AND RECOMMENDATION

Rate base

Adjustment E increases cash working capital by \$11,589 from \$0 to \$11,589 as shown on Supplemental Schedule BCA-2, page 1. This is an increase of \$32 over what was recommended in the original Staff Report due to water testing expense being understated by Staff in the original Staff Report by \$253. The total rate base is increased by the same amount to \$204,018.

Staff Recommended Operating Revenue

Staff recommends total base revenue of \$161,445, an increase of \$30,719, or 23.50 percent above Staff adjusted test year revenue of \$130,726. This is an increase of \$5,955 over what was recommended in the original Staff Report. Staff continues to recommend a WIFA loan surcharge that would generate an estimated revenue of \$22,891 for a total annual revenue of \$184,336 as shown on Supplemental Schedule BCA-1. To recover the additional operations and maintenance costs of the new plant, Staff recommends that the monthly minimum charges be increased by one dollar and the commodity charges by ten cents after the plant is built and Approval of Construction is obtained from the Arizona Department of Environmental Quality. This would increase the total annual revenue to \$192,143.

The Company continues to propose total operating revenue of \$174,637 as shown on Supplemental Schedule BCA-1.

Water Testing Expense

Adjustment C decreases water testing expense by \$509, from \$4,437 to \$3,928 as shown on Supplemental Schedule BCA-3, pages 1 and 2. This is an increase of \$253 over what was recommended in the original Staff Report.

Rate of Return

The Company's proposed rates and charges would provide an 11.37 percent rate of return on Company's original cost rate base ("OCRB") of 216,781, for an operating margin of 14.12 percent.

Staff's recommended base revenue would provide a 9.98 percent rate of return on Staff's recommended OCRB of \$204,018, for an operating margin of 12.62 percent as shown on Supplemental Schedule BCA-1. This is an increase of 2.37 percent rate of return over what was recommended in the original Staff Report.

Revenue Requirement

Staff recommends total operating revenue of \$161,445, an increase of \$30,719, or 23.50 percent above Staff adjusted test year revenue of \$130,726. This is an increase of 5,955 over what was recommended in the original Staff Report.

Staff's recommended increase provides the Company with adequate cash flow to meet its normal operating expenses, maintain its water system and fund contingencies.

Staff's calculation shows that a residential customer on a 58 x 3/4-inch meter will be required to pay a monthly surcharge of \$5.45.

Rate Design

Supplemental Schedule BCA-4 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The Company continues to propose the same rate design as in the original Staff Report.

Staff's recommended base rates (excluding the WIFA loan surcharge and Operations and Maintenance ("O/M") surcharge) would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,654 gallons from \$28.18 to \$30.53, for an increase of \$2.34, or 2.34 percent as shown on Supplemental Schedule BCA-5. Once the WIFA loan surcharge is implemented, the typical 5/8 x 3/4-inch meter residential bill of \$30.53 would increase by the

Humboldt Water Systems, Inc.

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amount of the surcharge, approximately \$5.45 to \$35.98 as shown on Supplemental Schedule BCA-5.1. The combined base revenue and surcharges revenues components would increase the typical 5/8 x 3/4-inch meter residential bill by \$7.79, or 27.6 percent, from \$28.18 to \$35.98, as shown on Supplemental Schedule BCA-5.1.

After the plant is built, the combined base revenue, WIFA surcharges revenue and O/M surcharge revenue components would increase the typical 5/8 x 3/4-inch meter residential bill by \$9.16, or 32.5 percent, from \$28.18 to \$37.34, as shown on Supplemental Schedule BCA-5.2.

Staff Recommendation

Staff recommends approval of the Staff recommended rates and charges as shown on Supplemental Schedule BCA-4.

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 Test Year Ended October 31, 2012

Supplemental Schedule BCA-1

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --		Staff as Adjusted Includes WIFA Surcharge Rev.	Staff as Adjusted Includes O&M/ WIFA Surcharge
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted		
Revenues:						
Metered Water Revenue	\$127,797	\$129,581	\$173,492	\$160,300	\$160,300	\$168,107
Unmetered Water Revenue	0	0	0	0	0	0
Other Water Revenues	1,145	1,145	1,145	1,145	1,145	1,145
WIFA Loan Surcharge Revenue	0	0	0	0	22,891	22,891
Total Operating Revenue	\$128,942	\$130,726	\$174,637	\$161,445	\$184,336	\$192,143
Operating Expenses:						
Operation and Maintenance	\$118,314	\$107,591	\$118,314	\$107,591	\$107,591	\$107,591
Depreciation	25,823	22,931	25,823	22,931	22,931	22,931
Property & Other Taxes	5,846	7,740	5,846	7,740	8,159	8,301
Income Tax	0	0	0	2,815	3,802	7,588
Total Operating Expense	\$149,983	\$138,262	\$149,983	\$141,077	\$142,483	\$146,412
Operating Income/(Loss)	(\$21,041)	(\$7,536)	\$24,654	\$20,368	\$41,852	\$45,730
Interest on Both WIFA Loans	0	0	0	1,185	14,559	14,559
Rate Base O.C.L.D.	\$216,781	\$204,018	\$216,781	\$204,018	\$204,018	\$204,018
Rate of Return - O.C.L.D.	N/M	N/M	11.37%	9.98%	20.51%	22.41%
Operating Margin	N/M	N/M	14.12%	12.62%	22.70%	23.80%
Debt Service Coverage Ratio (Pre-Tax)	1.43	N/M	-	1.65	2.47	2.47

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Test Year Ended October 31, 2012

Supplemental Schedule BCA-2

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RATE BASE

	----- Original Cost -----			Staff
	Company	Adjustment		
Plant in Service	\$524,966	\$1,114	A	\$526,080
Less:				
Accum. Depreciation	265,732	27,569	B	293,301
Net Plant	\$259,234	(\$26,455)		\$232,779
Less:				
Plant Advances	5,989	0		5,989
Service Line and Meter Advances	24,600	0		24,600
Total Advances	30,589	0		30,589
Contributions Gross	11,864	-		11,864
Less:				
Accumulated Amortization of CIAC	0	1,483	C	1,483
Net CIAC	11,864	(1,483)		10,381
Total Deductions	42,453	(1,483)		40,970
Plus:				
1/24 Power	0	\$620	D	\$620
1/8 Operation & Maint.	0	11,589	E	11,589
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$12,209		\$12,209
Rate Base	\$216,781	(\$12,763)		\$204,018

Explanation of Adjustment:

- A - Refer to Schedule BCA-2, Page 3
- B - Refer to Schedule BCA-2, Page 3
- C - Refer to Schedule BCA-2, Page 4
- D - Refer to Schedule BCA-2, Page 4
- E - Refer to Schedule BCA-2, Page 4

Humboldt Water Systems, Inc.

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Test Year Ended October 31, 2012

Supplemental Schedule BCA-2
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PLANT ADJUSTMENTS

	Company Exhibit	Adjustment		Staff Adjusted
301 Organization	\$2,378	\$ -		\$2,378
302 Franchises	0	-		0
303 Land & Land Rights	6,050	600	a	6,650
304 Structures & Improvements	10,041	-		10,041
307 Wells & Springs	14,158	20,181	b	34,339
310 Power Generation Equipment	0	79,092	c	79,092
311 Electrical Pumping Equipment	54,440	-		54,440
320 Water Treatment Equipment (Soln. Chemical Fdr.)	2,087	-		2,087
330 Distribution Reservoirs & Standpipes	0	-		0
330.1 Storage Tank	26,500	-		26,500
330.2 Pressure Tank	0	-		0
331 Transmission & Distribution Mains	170,246	-		170,246
333 Services	123,739	-		123,739
334 Meters & Meter Installations	36,235	(19,667)	d	16,568
335 Hydrants	0	-		0
336 Backflow Prevention Devices	0	-		0
339 Other Plant and Misc. Equipment	79,092	(79,092)	e	0
340 Office Furniture & Equipment	0	-		0
341 Transportation Equipment	0	-		0
343 Tools Shop & Garage Equipment	0	-		0
344 Laboratory Equipment	0	-		0
345 Power Operated Equipment	0	-		0
346 Communication Equipment	0	-		0
347 Miscellaneous Equipment	0	-		0
348 Other Tangible Plant	0	-		0
105 C.W.I.P.	0	-		0
TOTALS	\$524,966	\$ 1,114	A	\$526,080

STAFF PLANT ADJUSTMENTS

a	LAND & LAND RIGHTS - Per Company	\$6,050	
	Per Staff	\$6,650	\$ 600

To reflect Staff's updated and supported land and land rights.

b	WELLS AND SPRINGS - Per Company	14,158	
	Per Staff	34,339	\$ 20,181

To reflect the addition of \$20,181 in post test year plant, identified and deemed used and useful.

c	POWER GENERATION EQUIPMENT - Per Company	\$0	
	Per Staff	\$79,092	\$ 79,092

To reflect Staff's transfer of \$79,092 from other plant and miscellaneous equipment to power generation equipment.

d	METER AND METER INSTALLATION - Per Company	\$36,235	
	Per Staff	\$16,568	\$ (19,667)

To correct Company's inappropriate accounting of retirements.

e	OTHER PLANT AND MISCELLANEOUS - Per Company	\$79,092	
	Per Staff	0	\$ (79,092)

To reflect Staff's transfer of \$79,092, from other plant and miscellaneous equipment to power generation equipment.

Humboldt Water Systems, Inc.

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 Test Year Ended October 31, 2012

Supplemental Schedule BCA-2
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ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$ 265,732
Accumulated Depreciation - Per Staff	<u>293,301</u>
Total Adjustment	B - <u><u>\$27,569</u></u>

To reflect Staff's calculation of accumulated depreciation expense based upon Staff's adjustments to plant.

ACCT		Company	Staff	Staff
No.	Description	Application	Adjustment	Calculated
301	Intangibles	\$ -	\$ -	\$ -
303	Land and Land Rights	\$ -	\$ -	\$ -
304	Structures and Improvements	\$ 4,346	\$ 464	\$ 4,810
307	Wells and Srings	\$ 7,072	\$ 7,086	\$ 14,158
310	Power Generation Equipment	\$ -	\$ 9,887	\$ 9,887
311	Electrical Pumping Equipment	\$ 54,012	\$ (4,095)	\$ 49,917
320	Water Treatment Equipment (Soln.Chm.Fdr)	\$ 1,565	\$ 522	\$ 2,087
330	Distribution Reservoirs & Standpipes	\$ -	\$ -	\$ -
330.1	Storage Tank	\$ 12,354	\$ 5,534	\$ 17,888
330.2	Pressure Tank	\$ -	\$ -	\$ -
331	Transmission and Distribution Mains	\$ 97,158	\$ 34,129	\$ 131,287
333	Services	\$ 52,046	\$ 10,248	\$ 62,294
334	Meters and Meter Installation	\$ 29,349	\$ (28,376)	\$ 973
335	Hydrants	\$ -	\$ -	\$ -
339	Other Plant and Miscellaneous Equipment	\$ 7,830	\$ (7,830)	\$ -
340	Office Furniture and Fixtures	\$ -	\$ -	\$ -
340.1	Computers and Software	\$ -	\$ -	\$ -
341	Transportation Equipment	\$ -	\$ -	\$ -
343	Tools and Work Equipment	\$ -	\$ -	\$ -
345	Power Operated Equipment	\$ -	\$ -	\$ -
346	Communications Equipment	\$ -	\$ -	\$ -
348	Other Tangible Plant	\$ -	\$ -	\$ -
	Total	<u>\$ 265,732</u>	<u>\$ 27,569</u>	<u>\$ 293,301</u>

STAFF PLANT ADJUSTMENTS

C -	AMORTIZATION OF CIAC - Per Company Per Staff	\$0 <u>\$1,483</u>	<u>\$ 1,483</u>
	To reflect amortization of contribution in aid of construction during the test year.		
D -	WORKING CAPITAL (1/24 Purchased Pwr & Wtr) Per Company Per Staff	\$0 <u>\$620</u>	<u>\$ 620</u>
	To reflect Staff's calculation of cash working capital based on Staff's recommendations for purchased power and purchase water.		
E -	WORKING CAPITAL (1/8 operation & Maint exp.) Per Company Per Staff	\$0 <u>11,589</u>	<u>\$ 11,589</u>
	To reflect Staff's calculation of cash working capital based on Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses).		

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
461 Metered Water Revenue	\$127,797	\$1,784 A	\$129,581
460 Unmetered Water Revenue	0	0	0
474 Other Water Revenues	1,145	0	1,145
Total Operating Revenue	\$128,942	\$1,784	\$130,726
Operating Expenses:			
601 Salaries and Wages	\$0	\$0	\$0
610 Purchased Water	0	0	0
615 Purchased Power	14,883	0	14,883
618 Chemicals	2,750	0	2,750
620 Repairs and Maintenance	23,009	0	23,009
621 Office Supplies & Expense	0	0	0
630 Outside Services	70,335	(12,635) B	57,700
635 Water Testing	4,437	(509) C	3,928
641 Rents	0	0	0
650 Transportation Expenses	0	0	0
657 Insurance - General Liability	2,900	0	2,900
665 Regulatory Commission Expense	0	0	0
666 Regulatory Commission Expense - Rate Case	0	2,106 D	2,106
675 Miscellaneous Expense	0	315 E	315
403 Depreciation Expense	25,823	(2,892) F	22,931
408 Taxes Other Than Income	0	0	0
408.11 Property Taxes	5,846	1,894 G	7,740
409 Income Tax	0	0	0
Total Operating Expenses	\$149,983	(\$11,722)	\$138,262
OPERATING INCOME/(LOSS)	(\$21,041)	\$13,506	(\$7,536)

Humboldt Water Systems, Inc.

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Test Year Ended October 31, 2012

Supplemental Schedule BCA-3
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STAFF ADJUSTMENTS

A -	METERED WATER REVENUE - Per Company	\$127,797	
	Per Staff	129,581	\$1,784

To add \$1,784 in metered water revenue per Company's submitted bill count.

B -	OUTSIDE SERVICES - Per Company	\$70,335	
	Per Staff	57,700	(\$12,635)

To reflect a typical management fee rate of \$15 per customer recommended by Staff for Company this size.

C -	WATER TESTING - Per Company	\$4,437	
	Per Staff	3,928	(\$509)

To reflect annual water testing expense, per Staff's Engineering report.

D -	RATE CASE EXPENSE - Per Company	\$0	
	Per Staff	2,106	\$2,106

To reflect a reasonable normalized amount of rate case expense based on three years between rate cases.

\$	10,530	Rate Case Expense
	5	Divided by 5 years
\$	2,106	Annual Rate Case Expense

E -	MISCELLANEOUS EXPENSE - Per Company	\$0	
	Per Staff	315	\$315

To add \$315 in miscellaneous water testing expense.

STAFF ADJUSTMENTS (Cont.)

F - DEPRECIATION - Per Company \$25,823
Per Staff 22,931 (\$2,892)

To reflect application of Staff's recommended depreciation rates to Staff's recommended plant, by account.

Pro Forma Annual Depreciation Expense:

Operating Income Adjustment I - Test Year Depreciation Expense

LINE NO.	DESCRIPTION	[A] Plant In Service Per Staff	[B] NonDepreciable or Fully Depreciated Plant	[C] Depreciable Plant Col A - Col B	[D] Depreciation Rate	[E] Depreciation Expense (Col C x Col D)
1	301 - Organization Cost	\$ 2,378	\$ 2,378	-	0.00%	\$ -
2	302 - Franchise Cost	\$ -	\$ -	-	0.00%	-
3	303 - Land and Land Rights	\$ 6,650	\$ 6,650	-	0.00%	-
4	304 - Structures and Improvements	\$10,041	-	10,041	3.33%	334
5	305 - Collecting and Impounding Res.	-	-	-	2.50%	-
6	306 - Lake River and Other Intakes	-	-	-	2.50%	-
7	307 - Wells & Springs	\$34,339	-	34,339	3.33%	1,143
8	308 - Infiltration Galleries and Tunnels	-	-	-	6.67%	-
9	309 - Supply Main	-	-	-	2.00%	-
10	310 - Power Generation Equip.	-	-	-	5.00%	-
11	310.1 - Solar System	79,092.00	-	79,092	6.67%	5,275
12	311 - Electric Pumping Equipment	\$54,440	-	54,440	12.50%	6,805
13	320 - Water Treatment Equipment	-	-	-	-	-
14	320.1 Water Treatment Plants	-	-	-	3.33%	-
15	320.2 Solution Chemical Feeders	2,087.00	-	2,087	20.00%	417
16	320.3 - Point-of-Use Treatment Device	-	-	-	10.00%	-
17	330 - Distribution Resrvr & Standpipe	-	-	-	-	-
18	330.1 Storage Tanks	\$26,500	-	26,500	2.22%	588
19	330.2 Pressure Tanks	-	-	-	5.00%	-
20	331 - Transmission & Distr. Mains	\$170,246	-	170,246	2.00%	3,405
21	333 - Services	\$123,739	-	123,739	3.33%	4,121
22	334 - Meter & Meter Installations	\$16,568	-	16,568	8.33%	1,380
23	335 - Hydrants	-	-	-	2.00%	-
24	336 - Backflow Prevention Devices	-	-	-	6.67%	-
25	339 - Other Plant & Misc Equipment	-	-	-	6.67%	-
26	340 - Office Furniture and Fixtures	-	-	-	6.67%	-
27	340.1 Computers and Softwares	-	-	-	20.00%	-
28	341 - Transportation Equipment	-	-	-	20.00%	-
29	342 - Stores Equipment	-	-	-	4.00%	-
30	343 - Tools & Work Equipment	-	-	-	5.00%	-
31	344 - Laboratory Equipment	-	-	-	10.00%	-
32	345 - Power Operated Equipment	-	-	-	5.00%	-
33	346 - Communication Equipment	-	-	-	10.00%	-
34	347 - Miscellaneous Equipment	-	-	-	10.00%	-
35	348 - Other Tangible Plant	-	-	-	-	-
36	Total Plant	\$ 526,081	\$9,028	\$517,052		\$23,470
37						
38	Composite Depreciation Rate (Depr Exp / Depreciable Plant):					4.54%
39	CIAC:					\$ 11,864
40	Amortization of CIAC (Line 33 x Line 34):					\$ 539
41						
42	Pro Forma Annual Depreciation Expense					
43						
44	Plant in Service					\$526,081
45	Less: Non/Fully Depreciable Plant					9,028
46	Depreciable Plant					\$517,053
47	Times: Staff Proposed Depreciation Rate					4.54%
48	Depreciation Expense Before Amortization of CIAC:					\$ 23,470
49	Less Amortization of CIAC:					\$ 539
50	Test Year Depreciation Expense - Staff:					\$ 22,931
51	Depreciation Expense - Company:					\$25,823
52	Staff's Total Adjustment:					\$ (2,892)

Humboldt Water Company

Docket Nos. W-02197A-13-0115 and W-02197W-12-0410

Supplemental Schedule BCA-3

Test Year Ended: October 31, 2012

Page 4 of 4

STAFF ADJUSTMENTS

G -	PROPERTY TAXES - Per Company	\$5,846	
	Per Staff	<u>7,740</u>	<u>\$1,894</u>

To reflect property tax expense using the Arizona Department of Revenue property method.

RATE DESIGN

Monthly Usage Charge	Present	Company	Staff	Staff	Total
	Rates	Proposed	Recommended	Recommended Surcharge	Recommended Rates
5/8" x 3/4" Meter	\$ 21.55	\$ 29.50	\$ 22.50	\$ 5.45	\$ 27.95
3/4" Meter	21.55	29.50	22.50	5.45	27.95
1" Meter	27.35	35.35	56.25	13.63	69.88
1 1/2" Meter	37.35	46.35	112.50	27.25	139.75
2" Meter	43.35	52.35	180.00	43.60	223.60
3" Meter	61.60	69.60	360.00	87.21	447.21
4" Meter	121.60	129.60	562.50	136.26	698.76
6" Meter	\$ 601.60	\$ 609.60	\$ 1,125.00	\$ 272.52	\$ 1,397.52

Gallons in Minimum 1 0 0

Commodity Rates (Per 1,000 gallons)

All Meter Sizes

First Tier - 0 - 1,000 gallons	-	N/A	N/A
Second Tier - Over 1,000 gallons	\$ 2.50	N/A	N/A

All Meter Sizes

First Tier - 0 - 3,000 gallons	N/A	\$ 3.25	N/A
Second Tier - 3,001 - 10,000 gallons	N/A	\$ 4.25	N/A
Third Tier - Over 10,000 gallons	N/A	\$ 6.25	N/A

All Meter Sizes

First Tier - 0 - 3,000 gallons	N/A	N/A	\$ 2.00
Second Tier - 3,001 - 10,000 gallons	N/A	N/A	\$ 3.10
Third Tier - Over 10,000 gallons	N/A	N/A	\$ 4.70

Service Line and Meter Installation Charges	Company	Company Proposed	Staff Recommended		Total Charges
	Current Rates	Service Line & Meter Charges	Service Line Charges	Meter Charges	
5/8" x 3/4" Meter	\$ 330	\$ 660	\$ 490	\$ 170	\$ 660
3/4" Meter	375	660	420	240	660
1" Meter	440	880	538	342	880
1 1/2" Meter	660	1,200	614	586	1,200
2" Meter Turbine	1,155	2,500	\$ 1,107	\$ 1,393	\$ 2,500
2" Meter Compound	-	-	-	-	-
3" Meter Turbine	1,625	3,500	-	-	IBC *
3" Meter Compound	-	-	-	-	-
4" Meter Turbine	2,540	4,250	-	-	IBC *
4" Meter Compound	-	-	-	-	-
6" Meter Turbine	\$ 4,875	\$ 6,500	-	-	IBC *
6" Meter Compound	-	-	-	-	-

* At Cost

Service Charges

Establishment	\$ 15.00	\$ 45.00	\$ 35.00
Establishment (After Hours)	\$ 25.00	N/A	N/A
Reconnection (Delinquent)	\$ 25.00	\$ 45.00	\$ 35.00
Reconnection (Delinquent after hours)	NT	NT	N/A
Meter Test (If Correct)	25.00	\$ 65.00	\$ 30.00
Deposit	*	*	*
Deposit Interest Per Annum	**	**	**
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	\$ 15.00	\$ 25.00	\$ 25.00
Deferred Payment - Per Month	N/A	1.50%	1.50%
Meter Re-Read (If Correct)	\$ 10.00	\$ 45.00	\$ 20.00
Late Payment Charge-Per Month	N/A	1.50%	1.50%
Service Charge (After Hours)	N/A	\$ 65.00	\$ 40.00

Monthly Service Charge for Fire Sprinkler

4" or Smaller	\$0.00	\$0.00	***
6"	0.00	0.00	***
8"	0.00	0.00	***
10"	0.00	0.00	***
Larger than 10"	0.00	0.00	***

* Per Commission Rule (R14-2-403(D)).

** Number of months off system times the monthly minimum (R14-2-403(D)).

*** 2.00% of monthly minimum for a comparable size meter connection but no less than than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Humboldt Water Systems, Inc.

Docket Nos. W-02197A-13-0115 and W-02197A-12-0410

Test Year Ended: October 31, 2012

Schedule BCA-5.

TYPICAL BILL ANALYSIS

5/8 x 3/4 - Inch Meter

Without Reflection Of \$301,528 WIFA (Loan) Surcharge In Current Rates

Average Number of Customers: 190

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	5,855	\$33.69	\$51.38	\$17.70	52.5%
Median Usage	3,654	\$28.18	\$42.03	\$13.84	49.1%
<u>Staff Recommended</u>					
Average Usage	5,855	\$33.69	\$37.35	\$3.66	10.9%
Median Usage	3,654	\$28.18	\$30.53	\$2.34	8.3%

Without Reflection Of \$301,528 WIFA (Loan) Surcharge In Current Rates

5/8 x 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$21.55	\$29.50	36.9%	\$22.50	4.4%
1,000	21.55	32.75	52.0%	24.50	13.7%
2,000	24.05	36.00	49.7%	26.50	10.2%
3,000	26.55	39.25	47.8%	28.50	7.3%
4,000	29.05	43.50	49.7%	31.60	8.8%
5,000	31.55	47.75	51.3%	34.70	10.0%
6,000	34.05	52.00	52.7%	37.80	11.0%
7,000	36.55	56.25	53.9%	40.90	11.9%
8,000	39.05	60.50	54.9%	44.00	12.7%
9,000	41.55	64.75	55.8%	47.10	13.4%
10,000	44.05	69.00	56.6%	50.20	14.0%
15,000	56.55	100.25	77.3%	73.70	30.3%
20,000	69.05	131.50	90.4%	97.20	40.8%
25,000	81.55	162.75	99.6%	120.70	48.0%
50,000	144.05	319.00	121.5%	238.20	65.4%
75,000	206.55	475.25	130.1%	355.70	72.2%
100,000	269.05	631.50	134.7%	473.20	75.9%
125,000	331.55	787.75	137.6%	590.70	78.2%
150,000	394.05	944.00	139.6%	708.20	79.7%
175,000	456.55	1,100.25	141.0%	825.70	80.9%

TYPICAL BILL ANALYSIS

5/8 x 3/4 - Inch Meter

With Reflection Of \$301,528 WIFA (Loan) Surcharge In Current Rates
at \$5.45 Per Customer Per Month

Average Number of Customers: 190

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	5,855	\$33.69	\$51.38	\$17.70	52.5%
Median Usage	3,654	\$28.18	\$42.03	\$13.84	49.1%
<u>Staff Recommended</u>					
Average Usage	5,855	\$33.69	\$42.80	\$9.11	27.1%
Median Usage	3,654	\$28.18	\$35.98	\$7.79	27.6%

With Reflection Of \$301,528 WIFA (Loan) Surcharge In Current Rates
at \$5.45 Per Customer Per Month
5/8 x 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$21.55	\$29.50	36.9%	\$27.95	29.7%
1,000	21.55	32.75	52.0%	29.95	39.0%
2,000	24.05	36.00	49.7%	31.95	32.8%
3,000	26.55	39.25	47.8%	33.95	27.9%
4,000	29.05	43.50	49.7%	37.05	27.5%
5,000	31.55	47.75	51.3%	40.15	27.3%
6,000	34.05	52.00	52.7%	43.25	27.0%
7,000	36.55	56.25	53.9%	46.35	26.8%
8,000	39.05	60.50	54.9%	49.45	26.6%
9,000	41.55	64.75	55.8%	52.55	26.5%
10,000	44.05	69.00	56.6%	55.65	26.3%
15,000	56.55	100.25	77.3%	79.15	40.0%
20,000	69.05	131.50	90.4%	102.65	48.7%
25,000	81.55	162.75	99.6%	126.15	54.7%
50,000	144.05	319.00	121.5%	243.65	69.1%
75,000	206.55	475.25	130.1%	361.15	74.8%
100,000	269.05	631.50	134.7%	478.65	77.9%
125,000	331.55	787.75	137.6%	596.15	79.8%
150,000	394.05	944.00	139.6%	713.65	81.1%
175,000	456.55	1,100.25	141.0%	831.15	82.1%
200,000	519.05	1,256.50	142.1%	948.65	82.8%

Humboldt Water Systems, Inc.

Docket Nos. W-02197A-13-0115 and W-02197A-12-0410

Schedule BCA-5.2

Test Year Ended: October 31, 2012

TYPICAL BILL ANALYSIS

5/8 x 3/4 - Inch Meter

With Reflection Of \$301,528 WIFA (Loan) Surcharge In Current Rates
and O/M Surcharge

Average Number of Customers: 190

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	5,855	\$33.69	\$51.38	\$17.70	52.5%
Median Usage	3,654	\$28.18	\$42.03	\$13.84	49.1%
<u>Staff Recommended</u>					
Average Usage	5,855	\$33.69	\$44.39	\$10.70	31.8%
Median Usage	3,654	\$28.18	\$37.34	\$9.16	32.5%

With Reflection Of \$301,528 WIFA (Loan) Surcharge In Current Rates
and O/M Surcharge
5/8 x 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$21.55	\$29.50	36.9%	\$28.95	34.3%
1,000	21.55	32.75	52.0%	31.05	44.1%
2,000	24.05	36.00	49.7%	33.15	37.8%
3,000	26.55	39.25	47.8%	35.25	32.8%
4,000	29.05	43.50	49.7%	38.45	32.4%
5,000	31.55	47.75	51.3%	41.65	32.0%
6,000	34.05	52.00	52.7%	44.85	31.7%
7,000	36.55	56.25	53.9%	48.05	31.5%
8,000	39.05	60.50	54.9%	51.25	31.2%
9,000	41.55	64.75	55.8%	54.45	31.0%
10,000	44.05	69.00	56.6%	57.65	30.9%
15,000	56.55	100.25	77.3%	81.65	44.4%
20,000	69.05	131.50	90.4%	105.65	53.0%
25,000	81.55	162.75	99.6%	129.65	59.0%
50,000	144.05	319.00	121.5%	249.65	73.3%
75,000	206.55	475.25	130.1%	369.65	79.0%
100,000	269.05	631.50	134.7%	489.65	82.0%
125,000	331.55	787.75	137.6%	609.65	83.9%
150,000	394.05	944.00	139.6%	729.65	85.2%
175,000	456.55	1,100.25	141.0%	849.65	86.1%
200,000	519.05	1,256.50	142.1%	969.65	86.8%

WIFA LOAN FINANCIAL ANALYSIS

Selected Financial Information

INCOME STATEMENT

	<u>Test Year</u>	<u>Pro Forma</u> <u>Without Surcharge</u>	<u>Pro Forma</u> <u>With Surcharge</u>	
1 Operating Income	(\$21,041)	\$20,368	\$ 41,852	
2 Depreciation & Amortization Expense	\$ 25,823	22,931	\$ 22,931	
3 Income Tax Expense	\$ -	-	\$ -	
4				
5 Interest Expense	\$ 1,185	\$ 14,559	\$ 14,559	
6 Repayment Principal	\$2,160	\$11,678	\$11,678	
7				
8				
9				
10				
11 DSC				
12 [1+2+3] ÷ [5+6]	1.43	1.65	2.47	
13				
14				
15				
	CAPITAL STRUCTURE			
16				
17				
18 Short-term Debt	\$0	0.0%	\$ 9,517.32	3.0%
19				
20 Long-term Debt	\$19,567	100.0%	\$311,578	97.0%
21				
22 Common Equity	\$0	0.0%	\$0	0.0%
23				
24 Total Capital	\$19,567	100.0%	\$321,095	100.0%

Twenty-year amortizing loan

**CALCULATION OF SURCHARGE AMOUNT FOR
 ARSENIC AND NITRATES TREATMENT PLANT**

Installation of Storage Tank Loan Amount				\$ 301,528
Total Yearly Interest and Principal Payments Based on a 20-year WIFA Loan and a 4.50% Interest Rate.				\$ 22,891
Annual Income Tax Component of the Surcharge Revenue				\$ -
Total Annual Surcharge Revenue Requirement for the Loan				\$ 22,891
Total Equivalent Annual Bills				4,200
5/8"x 3/4" Meter Surcharge Amount	\$ 22,891	÷	4,200	\$ 5.45
3/4" Meter Surcharge Amount	\$ 5.45	x	1.0	\$ 5.45
1" Meter Surcharge Amount	\$ 5.45	x	2.5	\$ 13.63
1 1/2" Meter Surcharge Amount	\$ 5.45	x	5.0	\$ 27.25
2" Meter Surcharge Amount	\$ 5.45	x	6.0	\$ 43.60
3" Meter Surcharge Amount	\$ 5.45	x	16.0	\$ 87.21
4" Meter Surcharge Amount	\$ 5.45	x	25.0	\$ 136.26
6" Meter Surcharge Amount	\$ 5.45	x	50.0	\$ 272.52

Meter Size	Number of Customers	Customer Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	185	1	185	2,220	\$ 5.45	\$ 65.40	\$ 12,099.73
3/4" Meter	123	1	123	1,476	5.45	65.40	8,044.68
1" Meter	2	2.5	5	60	13.63	163.51	327.02
1 1/2" Meter	1	5	5	60	27.25	327.02	327.02
2" Meter	4	8	32	384	43.60	523.23	2,093
3" Meter	-	16	-	-	87.21	-	-
4" Meter	-	25	-	-	136.26	-	-
6" Meter	-	50	-	-	272.52	-	-
TOTAL	315		350	4,200			\$ 22,891

Humboldt Water Systems, Inc.

Docket Nos. W-02197A-13-0115 and W-02197W-12-0410

Test Year Ended: October 31, 2012

Supplemental Schedule BCA-8

LOAN DATA:

Loan Amount Requested	301,528	1.25		
Down Payment:	\$0			
Amount Financed:	\$301,528			
Number of years:	20	Compounding Periods:	12	
Interest rate (r):	4.50%	APR:	4.59%	

LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning-of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$1,907.61	\$301,528.00	\$1,130.73	\$776.88	\$300,751.12			
2	1,907.61	300,751.12	1,127.82	779.80	299,971.32			
3	1,907.61	299,971.32	1,124.89	782.72	299,188.59			
4	1,907.61	299,188.59	1,121.96	785.66	298,402.94			
5	1,907.61	298,402.94	1,119.01	788.60	297,614.33			
6	1,907.61	297,614.33	1,116.05	791.56	296,822.77			
7	1,907.61	296,822.77	1,113.09	794.53	296,028.24			
8	1,907.61	296,028.24	1,110.11	797.51	295,230.73			
9	1,907.61	295,230.73	1,107.12	800.50	294,430.23			
10	1,907.61	294,430.23	1,104.11	803.50	293,626.73			
11	1,907.61	293,626.73	1,101.10	806.51	292,820.22			
12	1,907.61	292,820.22	1,098.08	809.54	292,010.68	13,374.06	9,517.32	22,891.38

Financial Analysis

Selected Financial Data

Including Immediate Effect of the Proposed Debt & WIFA loan surcharge

	A	B	C	
	Staff Recommended Rates Without Surcharge Loan principal & Interest	Staff Adjustment	Staff Recommended Rates With Surcharge Loan principal & Interest	REF
1	Income Statement			
2	Revenues:			
3	461 Metered Water Revenue	\$160,300	\$ -	\$160,300
4	460 Unmetered Water Revenue	-	-	-
5	474 Other Water Revenues	1,145	-	1,145
6	WIFA Loan Surcharge	-	22,891	A
7	Total Operating Revenue	\$161,445	\$22,891	\$184,336
8	Operating Expenses:			
9	601 Salaries and Wages	\$ -	\$ -	\$ -
10	610 Purchased Water	-	-	-
11	615 Purchased Power	14,883	-	14,883
12	618 Chemicals	2,750	-	2,750
13	620 Repairs and Maintenance	23,009	-	23,009
14	621 Office Supplies & Expense	-	-	0
15	630 Outside Services	57,700	-	57,700
16	635 Water Testing	3,928	-	3,928
17	641 Rents	-	-	-
18	650 Transportation Expenses	-	-	0
19	657 Insurance - General Liability	2,900	-	2,900
20	670 Bad Debt Expense	-	-	0
21	666 Regulatory Commission Expense - R	2,106	-	2,106
22	675 Miscellaneous Expense	315	-	315
23	403 Depreciation Expense	22,931	-	22,931
24	427. Interest on Customer Deposits	0	-	0
25	408.11 Property Taxes	7,740	419	8,159
26	409 Income Tax	2,815	987	3,802
27	Total Operating Expenses	\$141,077	\$ 1,407	\$ 142,483
28	OPERATING INCOME/(LOSS)	\$20,368	\$21,485	\$41,853
29	Interest Income	-	\$ -	-
30	Interest Expense on Long-term Debt	-	\$ 14,559	B
31	Total Other Interest Expense	-	\$ 14,559	\$ 14,559
32	Net Income	\$ 20,368		\$ 27,294
33	Rate Base	\$204,018		\$204,018
34	Rate of Return (Line28/Line33)	9.98%		20.51%
35	Operating Margin (Line 28/Line 7)	12.62%		22.70%
36	Principal Repayment	-	11,678	C
37	Cash Flow [L32 + L23 - L36]	\$ 43,299		\$ 61,903
39	DSC			
40	[L23 + L26 + L28] / [L30 + L36]	-		2.47
41	Short-term Debt	\$0	0%	\$ 9,517
42	Long-term Debt	19,567	100%	311,578
43	Common Equity	-	0%	-
	Total Capital	\$ 19,567		\$ 321,095

A- See Revised Sch. BCA-6 and 7

B- See Revised Sch. BCA-6

C- See Revised Sch. BCA-6

Humboldt Water Systems, Inc.

Docket Nos. W-02197A-13-0115 and W-02197W-12-0410

Test Year Ended: October 31, 2012

Revised Schedule BCA-10

OPERATING INCOME ADJUSTMENT - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2012	\$ 130,726	\$ 130,726
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 261,452	\$ 261,452
4	Staff Recommended Revenue, Per Schedule BCA-1	161,445	192,143
5	Subtotal (Line 4 + Line 5)	\$ 422,897	\$ 453,595
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 140,966	\$ 151,198
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 281,931	\$ 302,397
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 281,931	\$ 302,397
13	Assessment Ratio	22.5%	22.5%
14	Assessment Value (Line 12 * Line 13)	63,435	\$ 68,039
15	Composite Property Tax Rate (Obtained from Pima County)	12.201%	12.201%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$ 7,740	
17	Company Proposed Property Tax	5,846	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ 1,894	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 8,301
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 7,740
21	Increase/(Decrease) to Property Tax Expense		\$ 562
22	Decrease to Property Tax Expense		\$ 562
23	Increase in Revenue Requirement		30,698
24	Decrease to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		1.83%

Calculations of Income Tax Allowance

	With Surcharge Corporate Tax Calculation	Without Surcharge Corporate Tax Calculation	With Surcharge Filing Status (Married Filing Jointly) Calculation	Personal Without Surcharge	WIFA Surcharge/O&M Filing Status (Married Filing Jointly) Calculation	Personal Without Surcharges
1	\$ 184,336	\$ 161,445		\$ 161,445	\$ 192,143	\$ 192,143
2	\$ 136,319	\$ 137,900		\$ 137,900	\$ 138,824	\$ 138,824
3	\$ 14,559	\$ 1,185.00		\$ 1,185	\$ 14,559	\$ 1,185
4	\$ 31,458	\$ 22,360	\$ 31,458	\$ 22,360	\$ 38,759	\$ 52,134
5	6.5000%					
6	\$ 2,045	\$ 1,453	\$ 25,503 x .0288-58	\$ 848	\$ 38,759 x .0288-58	\$ 1,058
7	\$ 29,413	\$ 20,907	31,458	\$ 22,360	38,759	\$ 52,134
8	\$ 4,412	\$ 3,136				
9	\$ -	\$ -				
10	\$ -	\$ -				
11	\$ -	\$ -				
12	\$ -	\$ -	\$ 8,103 x 15% + 1,740	\$ 2,955	\$ 31,941 x 15% + 1,740	\$ 6,950
13	\$ 4,412	\$ 3,136		\$ 2,236		\$ 6,950
14	\$ 6,457	\$ 4,589		\$ 2,815		\$ 8,300

Calculation of Income Tax:

- 1 Revenue (Schedule BCA-1)
- 2 Operating Expenses Excluding Income Taxes
- 3 Less: Synchronized Interest (L47)
- 4 Arizona Taxable Income (L36 - L37- L38)
- 5 Arizona State Income Tax Rate
- 6 Arizona Income Tax (L42 x L43)
- 7 Federal Taxable Income (L42 - L44)
- 8 Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%
- 9 Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%
- 10 Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%
- 11 Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%
- 12 Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%
- 13 Total Federal Income Tax
- 14 Combined Federal and State Income Tax (L35 + L42)