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BEFORE THE ARIZONA CORPORATION COMMISSION

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

DOCKET NO: W-03514A-13-0111

ORIGINAL

11 IN THE MATTER OF THE APPLICATION
OF PAYSON WATER CO., INC., AN
12 ARIZONA CORPORATION, FOR
AUTHORITY TO: (1) ISSUE EVIDENCE
13 OF INDEBTEDNESS IN AN AMOUNT
NOT TO EXCEED \$1,238,000 IN
14 CONNECTION WITH INFRASTRUCTURE
IMPROVEMENTS TO THE UTILITY
15 SYSTEM; AND (2) ENCUMBER REAL
PROPERTY AND PLANT AS SECURITY
16 FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

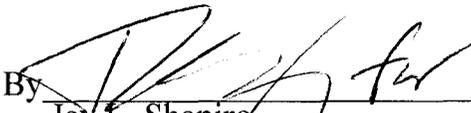
**NOTICE OF FILING JOINDER
TESTIMONY**

18 Payson Water Co., Inc. ("the "Company") hereby submits this Notice of Filing
19 Rejoinder Testimony in the above-referenced matter. Specifically filed herewith are the
20 Company's Rejoinder Testimonies, which include the following testimonies, along with
21 supporting schedules and/or attachments:

- 22 1. Rejoinder Testimony of Jason Williamson;
- 23 2. Rejoinder Testimony of Thomas J. Bourassa (Rate Base); and
- 24 3. Rejoinder Testimony of Thomas J. Bourassa (Cost of Capital).

1 RESPECTFULLY SUBMITTED this 6th day of January, 2014.

2 FENNEMORE CRAIG, P.C.

3
4 By 
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6 2394 E. Camelback Road
7 Suite 600
8 Phoenix, Arizona 85016
9 Attorneys for Payson Water Co., Inc.

10 **ORIGINAL** and thirteen (13) copies
11 of the foregoing were filed
12 this 6th day of January, 2014, with:

13 Docket Control
14 Arizona Corporation Commission
15 1200 W. Washington Street
16 Phoenix, AZ 85007

17 **COPY** of the foregoing was hand delivered
18 this 6th day of January, 2014, to:

19 Dwight D. Nodes
20 Assistant Chief Administrative Law Judge
21 Arizona Corporation Commission
22 1200 W. Washington Street
23 Phoenix, AZ 85007

24 Robin Mitchell, Esq.
25 Legal Division
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1 **COPY** of the foregoing was mailed
2 this 6th day of January, 2014, to:

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17 FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

18
19
20 **REJOINDER TESTIMONY OF**
21 **JASON WILLIAMSON**

22
23 **January 6, 2014**
24
25
26

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1 **I. INTRODUCTION, PURPOSE AND SUMMARY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jason Williamson. My business address is 7581 E. Academy
4 Boulevard, Suite 229, Denver, Colorado 80230.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

6 A. On behalf of the Applicant, Payson Water Co., Inc. ("PWC" or the "Company").
7 I became the Company's President effective June 1, 2013, and since then I have
8 been responsible for management of PWC's daily operations, including oversight
9 of this rate case.

10 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. Yes. In Phase 1, I submitted direct testimony in support of the Company's request
13 to consolidate and expedite the financing and rate applications, and in response to
14 the Staff Report. I also testified at the Phase 1 hearings in late September 2013. In
15 this Phase 2, I submitted rebuttal testimony, and I will also be adopting the direct
16 testimony of the prior President, Robert Hardcastle.

17 **Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?**

18 A. First, I will provide rejoinder testimony that clarifies and explains the relief the
19 Company is seeking in the second phase of this consolidated docket. This section
20 is essentially my rejoinder to Staff. Second, I will address the surrebuttal
21 testimonies of intervenors Kathleen Reidhead and Suzanne Nee.

22 **II. RELIEF REQUESTED**

23 **Q. HAS THE RELIEF REQUESTED CHANGED OVER THE COURSE OF**
24 **THESE PROCEEDINGS?**

25 A. Yes. The necessity of obtaining speedy financing approval for the TOP-MDC line
26 required bifurcation of these consolidated financing and rate case dockets into two

1 phases. The first phase resulted in Decision No. 74175 (October 25, 2013).

2 **Q. WHAT RELIEF DID THE COMMISSION GRANT IN DECISION**
3 **NO. 74175?**

4 A. The Commission authorized PWC to (1) borrow up to \$275,000 to construct the
5 TOP-MDC line (“Phase I Financing”); (2) implement a WIFA loan surcharge
6 mechanism to recover the additional revenue needed to service the Phase 1
7 Financing (“Phase 1 DSR Surcharge”); and (3) file an application for elimination
8 of the Water Augmentation Surcharge tariff for Mesa del Caballo (“MDC”) after
9 closing of the Phase 1 Financing.¹ In addition, the Commission ordered the
10 Company to post a bond or letter of credit in the amount of \$10,000 to protect the
11 customers.²

12 **Q. WHAT IS THE STATUS OF THE PHASE 1 FINANCING AND**
13 **CONSTRUCTION OF THE INTERCONNECT?**

14 A. The Phase 1 Financing is scheduled to close between January 10 and January 17.
15 Construction of the line should begin in February and be completed by April.

16 **Q. WAS A BOND POSTED AND FILED?**

17 A. Yes, the Company completed this compliance item on December 9, 2013.

18 **Q. IS THE COMPANY REQUESTING ANY RELIEF IN PHASE 2 THAT**
19 **IMPACTS THE PHASE 1 DECISION?**

20 A. Yes.

21 **Q. CAN YOU ELABORATE ON THAT PLEASE, MR. WILLIAMSON?**

22 A. Yes. For convenience and clarity, the table below identifies and summarizes the
23 Phase 2 relief sought by the Company.
24

25

¹ Decision No. 74175 at Ordering Paragraphs 1, 6 & 8.

26 ² *Id.* at Ordering Paragraph 12.

<u>PWC Relief Requested</u>	<u>Purpose</u>	<u>Systems Impacted</u>	<u>Staff Position</u>	<u>PWC RJ Position</u>	<u>Notes</u>
Financing Approval Phase 2 – up to \$963,000 (“Phase 2 Financing”)	Finance PWC’s pro rata share of the cost of the Cragin Pipeline and provide additional storage capacity	MDC	Staff supports approval of the Phase 2 Financing with certain conditions ³	Request to approve Phase 2 Financing is being withdrawn in response to Staff recommended conditions	
Debt Service Surcharge (“Phase 2 DSR Surcharge”)	To recover the additional revenue needed to service the Phase 2 Financing	MDC	Staff supports approval of the Phase 2 DSR Surcharge with certain conditions ⁴	Request to approve Phase 2 DSR Surcharge is being withdrawn in response to Staff recommended conditions	
Include cost of TOP-MDC Interconnection in rate base and capital structure and terminate Phase 1 DSR Surcharge	To recover the additional revenue needed to service the Phase 1 Financing without the burden of Staff’s conditions	MDC	Staff includes the Phase 1 Financing in the capital structure but did not include the plant in rate base ⁵	Phase 1 DSR no longer necessary as both the loan amount and minimum project cost (\$275,000) are known and plant will be in service before new rates go into effect	Termination of the Phase 1 DSR Surcharge without inclusion of the plant in rate base would leave PWC unable to service the Phase 1 Financing
O&M Cost Recovery Surcharge	To recover sufficient funds to cash flow the additional O&M costs for Cragin Pipeline	MDC	Staff recommends denial at this time because it is “premature” ⁶	Request withdrawn consistent with withdrawal of other Cragin related relief in response to Staff recommended conditions	
Commodity Cost Recovery Surcharge (“PWAM”)	To recover sufficient funds to cash flow the costs of purchasing water from the Town of Payson	MDC	Unknown, Staff has not addressed in Phase 2	Absent approval of a PWAM, the Company will not have revenue sufficient to purchase water from the Town of Payson for delivery through the TOP-MDC line	There are no purchased water costs included in the Company’s proposed revenue requirement
Order to Cease Using Water from Non-Compliant Wells	This is an alternative to Staff’s recommendation that new rates not take effect	MDC	Unknown, however Staff recommends that no rate increases take effect until the NOV’s are resolved ⁷	PWC cannot continue to operate without rate increases, therefore it will have to cease using water from non-complaint wells owned by third-parties	
Water Augmentation Tariff	To allow for direct recovery of the occasional but substantial costs of hauling water to the East Verde Park system	EVP	Unknown, Staff did not address in surrebuttal	No evidence or argument against this request has been presented	There are no purchased water costs included in the Company’s proposed revenue requirement

³ Direct Testimony of John A. Cassidy (Financing) (“Cassidy Financing Dt.”) at 8-10.

⁴ *Id.*

⁵ Direct Testimony of John A. Cassidy (Cost of Capital) at 6-7.

⁶ Direct Testimony of Crystal S. Brown at 22:1-11.

⁷ Surrebuttal Testimony of Jian Liu at 2.

1 Q. CAN YOU PLEASE EXPLAIN WHY THE COMPANY IS WITHDRAWING
2 CERTAIN REQUESTS FOR RELIEF IN RESPONSE TO STAFF'S
3 RECOMMENDATIONS IN THIS CASE?

4 A. Yes. There are essentially three aspects of Staff's recommendations that we are
5 struggling with in this case.

6 First, Staff is using the Phase 1 and Phase 2 Financing and Phase 2 DSR
7 Surcharge related to the Cragin Project to justify a substantial \$1.18 million
8 overstatement of the capital supporting the Company's supporting plant.⁸ When
9 weighted alongside the return on plant in service, this has the impact of reducing
10 Staff's revenue requirement by over \$17,000 annually.⁹ Second, Staff makes three
11 significant adjustments to develop its revenue requirement, two to rate base and
12 one to expenses. The two adjustments to rate base (CIAC adjustments)¹⁰ reduce
13 rate base by over \$234,000 and results in a net reduction in the revenue
14 requirement of over \$23,000 (\$234,000 times 6.4% ROR times 1.54 tax factor).
15 Because CIAC is increased, Staff reduces depreciation and amortization expense
16 by over \$26,000.¹¹ So, in total, these adjustments by Staff have the impact of
17 reducing the total revenue requirement by approximately \$66,000 (\$17,500 plus
18 \$23,000 plus \$26,000). That may not seem like a lot of money to the Commission
19 or Staff, as they are often dealing with Class A and B water companies, or even
20 larger gas and electric companies. But PWC needs every dollar.

21
22
23 ⁸ Rebuttal Testimony of Thomas J. Bourassa (Rate Base) ("Bourassa Rb.") at 4.

24 ⁹ Staff rate base of \$425,129 times 2.6% difference on ROR times 1.54 tax factor. Notably, the 2.6% is the
25 difference in return using a 100% equity capital structure with a cost of equity of 9.0% and a WACC of 9.0%
26 compared to a 52.8% debt and 47.2% equity capital structure with a 4.2% cost of debt and 9.0% cost of equity and a
WACC of 6.4%.

¹⁰ Surrebuttal Testimony of Crystal S. Brown ("Brown Sb.") at 5 & 8.

¹¹ See Staff Surrebuttal Schedule CSB-14.

1 Third, Staff is also recommending that any rate increase be stayed pending
2 the resolution of the ADEQ NOV's issued for third party owned wells in MDC from
3 which we obtain water.¹² As I tried to make clear in my testimony throughout this
4 case, this utility is in very poor financial condition. While it may be on us for
5 buying this utility with all of its issues (even though the NOV was not issued until
6 after our acquisition), holding up rate relief for one day will do nothing but delay or
7 even preclude PWC's ability to address this and many other issues.

8 **Q. DID THE COMPANY IDENTIFY ITS AREAS OF CONCERN WITH**
9 **STAFF'S RECOMMENDATIONS IN ITS REBUTTAL?**

10 A. Yes, in great detail. Unfortunately, Staff did not change its recommendations in
11 any material manner. That is very disappointing as we have tried very hard to
12 work with Staff as we move forward to try to get this utility on solid footing. I
13 would have hoped Staff would work with us in this rate phase, instead of clinging
14 to ways to reduce our revenue. In any case, Staff has made its choice and,
15 therefore, we have had to make modifications to the relief sought to avoid the
16 potential, detrimental impacts of some of Staff's recommendations.

17 **Q. DOESN'T THE COMPANY NEED THE RELIEF RELATED TO THE**
18 **CRAGIN PROJECT?**

19 A. Yes, but we cannot afford to give up any dollars today to obtain relief we may not
20 need for 2-3 years. Based on the most current information we have from the Town,
21 Cragin will not be ready until sometime in or after 2017, so we will have to come
22 back in back in for another financing and rate proceeding in roughly 24 months.
23 That means more expense and time spent, but that is the course of action Staff is
24 laying out for us with its recommendations in Phase 2.

25
26

¹² Liu Sb. at 2.

1 **Q. WHY CAN'T THE COMPANY JUST GET APPROVAL OF THE PHASE 2**
2 **FINANCING NOW AND THEN COME IN AFTER IT PAYS FOR ITS**
3 **SHARE OF THE CRAGIN PROJECT?**

4 A. Besides the fact that Staff is using that financing to infuse almost a million dollars
5 of debt into our capital structure, we will not be able to afford to pay the debt
6 service on the Phase 2 Financing without additional rate relief. Nor will we be able
7 to afford the associated O&M costs.

8 **Q. DO YOU DISAGREE WITH STAFF'S CHARACTERIZATION OF THE**
9 **RELIEF SOUGHT AS "EXTRAORDINARY?"**

10 A. Not entirely. Certainly, the need to expedite the Phase 1 Financing was
11 extraordinary. An incredible opportunity to start sooner to remedy MDC's water
12 problems presented itself and we could not take advantage of it without financing
13 approval and the means to meet WIFA's debt service coverage (DSC)
14 requirements.¹³ But that relief is already in place, so I am not sure how it impacts
15 Phase 2 or justifies Staff's conditions and adjustments. And, if a debt service
16 surcharge is the bridge to mismatching plant and capital so we get less revenue,
17 then we would rather just have revenues sufficient to service the Phase 1
18 Financing. It is more important to improve this Company's financial health today
19 than to avoid additional proceedings in the future related to Cragin.

20 **Q. WHERE DOES THE PWAM FIT INTO THE PICTURE,**
21 **MR. WILLIAMSON?**

22 A. That's a good question, and one I will do my best to address. In Phase 1, we
23 sought a PWAM so we could pay Payson for the water to be delivered through the
24 TOP-MDC line. Although the test year included purchased water costs for MDC,
25 those were removed as they were recovered under the hauling tariff for that system,

26 ¹³ Decision No. 74175 at 5-8.

1 and would, under the Company's recommendation, be recovered under the PWAM
2 going-forward. However, when Staff argued in Phase 1 that the approved
3 commodity rates be deducted from the cost of water from Payson under the false
4 conclusion that the approved commodity rates included purchased water costs for
5 PWC the Company dropped its request for a PWAM in Phase 1.¹⁴ Simply put, we
6 punted the issue because we hoped, and still do, that the Commission will approve
7 new rates, with provision to pay the Town for the water, by the time we would like
8 to start using that water in May 2014.

9 **Q. SO WHAT WOULD THE PWAM REQUESTED COVER?**

10 A. The PWAM would cover the cost of water from the Town of Payson. These costs
11 would reflect an additional surcharge on MDC bills only.

12 **Q. WHAT IS STAFF'S POSITION ON THE PWAM IN PHASE 2?**

13 A. We have no idea. Staff has not addressed this issue in either its direct or
14 surrebuttal filings.

15 **Q. IS IT POSSIBLE THAT STAFF IS JUST TAKING THE SAME POSITION
16 AS IT DID IN PHASE 1 OF THIS PROCEEDING?**

17 A. Maybe, but during the Phase 1 hearing Ms. Brown made it clear that Staff really
18 did not have enough time to fully evaluate the PWAM in Phase 1.¹⁵ I assumed that
19 Staff would at least confirm one way or another whether Mr. Bourassa was right
20 about the flaw in Staff's PWAM approach.¹⁶ Again, I will leave the accounting
21 and ratemaking to Mr. Bourassa, but it is clear from his testimony that all
22 purchased water costs have been removed from his determination of the revenue
23 requirement.¹⁷ If that's the case, I do not know how Staff can continue to have the

24 ¹⁴ See Phase 1 transcript at 37:7-20.

25 ¹⁵ Phase 1 transcript at 143:12-24.

26 ¹⁶ Bourassa Rb. at 23-24.

¹⁷ Rejoinder Testimony of Thomas J. Bourassa (Rate Base) at 20.

1 same issue. Hopefully Staff will provide clarification at the hearing. All I can say
2 is that without a PWAM, we won't be able to buy water for delivery through the
3 newly constructed TOP-MDC line.

4 **Q. IS STAFF'S RECOMMENDATION THAT RATE INCREASES BE HELD**
5 **UP DUE TO OUTSTANDING ADEQ NOV_s ALSO RELATED TO THE**
6 **CRAGIN PROJECT?**

7 A. No, it is just another recommendation by Staff that would cause substantial harm to
8 the Company. We cannot go beyond May 1, 2014 without rate increases. This is
9 why I explained in my rebuttal that the NOV_s are for wells that we do not own.
10 At present, while we differ in opinion with ADEQ on the applicability of the NOV_s
11 to wells we don't own, we are working with ADEQ on a resolution. We simply
12 don't have much control over the speed at which ADEQ will arrive at a resolution.
13 Even so, Staff did not change its position, and continues to assert that the
14 Commission should not raise rates until the Company resolves the NOV.¹⁸ Given a
15 choice between new rates and the continued use of water from the non-compliant
16 wells owned by third parties in MDC, we have no choice but to go with the rate
17 increases.

18 **Q. SO YOU WANT THE COMMISSION TO ORDER THE COMPANY NOT**
19 **TO USE THE NON-COMPLIANT WELLS?**

20 A. Yes. If the Commission is inclined to agree with Staff – that no water from the
21 wells ADEQ has found to be in violation should be used to serve PWC customers –
22 then the Commission should tell us not to use the wells unless they are compliant.
23 This is an alternative to and far more preferable to Staff's recommendation that
24 rates be frozen where they are until ADEQ is satisfied. If Staff's main concern is
25 non-compliant wells, then it is entirely inconsistent and unfair for Staff to prevent

26 ¹⁸ Liu Sb. at 2.

1 necessary rate increases pending ADEQ approval of wells that PWC does not own.
2 In fact, Staff's proposal is the worst of both worlds for PWC because we would be
3 using the non-compliant wells and necessary rate increases would be held up,
4 further compounding the Company's financial problems.

5 **Q. DOESN'T THE COMPANY SHARE STAFF'S CONCERN ABOUT WATER**
6 **BEING SUPPLIED FROM WELLS THAT ARE OUT OF COMPLIANCE?**

7 A. Of course we are concerned, but there is not and has never been any evidence that
8 the water quality from any of the wells in MDC has been compromised. Rather,
9 this is more of a procedural problem that we are working with ADEQ to resolve,
10 but because such a scenario with third party wells lacks precedent (according to
11 ADEQ), it will take some time.

12 **Q. IS IT POSSIBLE THAT THE NOV_s WILL BE RESOLVED BEFORE THE**
13 **NEW RATES ARE APPROVED?**

14 A. I hope so and as I mentioned before, we are trying very hard to work with ADEQ
15 to get there, but getting ADEQ to agree to a resolution in this unprecedented
16 scenario will require some time. If ADEQ continues to insist that these MDC wells
17 have to be brought into compliance as if they were owned and operated by the
18 Company, we may face an expensive and time-consuming hurdle. In that case, it
19 may not be prudent to continue to share water from those wells, especially if the
20 TOP-MDC line and PWAM are in place and operational.

21 **Q. WHAT WATER WILL BE USED TO SERVE MDC?**

22 A. It depends on the final decision issued in this case. We will have three sources
23 from which to choose, including the company-owned wells, water-sharing
24 agreement wells, and the water from the TOP-MDC line. But having these options
25 assumes that we have the revenue to pay the debt service, the means to pay for the
26 TOP water, and the approval from ADEQ to use the third party wells.

1 **Q. YOU ALSO MENTIONED STAFF'S RATE BASE AND EXPENSE**
2 **ADJUSTMENTS. HAS THE COMPANY ALTERED THE RELIEF**
3 **SOUGHT IN RESPONSE TO THESE THREE ADJUSTMENTS?**

4 A. Not specifically, but Staff's unwillingness to budge on its plant and expense
5 adjustments makes it imperative that we take steps to keep the revenue requirement
6 from going down further. I cannot understate our need for every dollar of the
7 requested revenue increase.

8 **Q. WELL MR. WILLIAMSON, STAFF IS ENTITLED TO DISAGREE WITH**
9 **YOU ON THESE SORTS OF ADJUSTMENTS, CORRECT?**

10 A. Yes, but that does not make the positions reasonable, fair or supported by the
11 underlying record. For example, on the plant side, in her direct testimony
12 Ms. Brown requested an affidavit from the Company regarding the financing of
13 certain plant that Staff disallowed.¹⁹ We attached two affidavits to my rebuttal
14 attesting to the financing of the plant by the Company's parent.²⁰ Those affidavits
15 are uncontested and yet Ms. Brown makes no mention in her surrebuttal of the
16 affidavits she solicited (by a date certain) and we supplied.

17 **Q. ISN'T IT STAFF'S JOB TO MAKE SURE THAT CUSTOMERS DO NOT**
18 **OVERPAY?**

19 A. I am not privy to Staff's specific job description, however, I am sure everyone can
20 agree that it is the Commission's duty to balance the interests of the customers and
21 the Company. Disallowing \$70,120 of plant because Ms. Brown believes only
22 invoices satisfy NARUC is out of balance. Staff is aware of the significant efforts
23 Mr. Bourassa and I have made to provide support for the plant going into rate base
24 in this case. There is no evidence that anyone but the Company's shareholders

25 ¹⁹ Brown Dt. at 10:14-19.

26 ²⁰ Rebuttal Testimony of Jason Williamson ("Williamson Rb.") at Exhibit JW-RB2.

1 paid for the plant Staff is treating as CIAC, and no evidence that the \$470,913 of
2 CIAC and \$295,250 of accumulated amortization (“AA”) Staff is putting back into
3 rate base came from anywhere but Star Valley.²¹ Under these circumstances, Staff
4 could have and should have reversed its recommendation. Instead, Ms. Brown
5 gave us a lecture on the NARUC manual.²² Putting form over substance on this
6 issue simply is not fair to PWC’s new owners, that are trying very hard to improve
7 this utility, or in the public interest.

8 **Q. FAIR ENOUGH. WHAT ABOUT THE ADJUSTMENT TO EXPENSES BY**
9 **STAFF?**

10 A. Staff continues to insist on using test year allocated overhead expenses numbers
11 from Brooke Utilities to set our rates, and then makes adjustments to that number
12 to reflect circumstances that are no longer possible.²³ Brooke Utilities no longer
13 owns any interest in PWC, no longer provides any services to PWC, and the
14 individual whose “bonus” Ms. Brown removed will no longer work for the
15 Company as of January 15, 2014.

16 **Q. WHAT RATIONALE DOES STAFF OFFER FOR ITS ADJUSTMENTS?**

17 A. Ms. Brown claims the test year numbers have to be used because the new expense
18 levels are an “estimate.” This is wrong. The Company has a Business Services
19 Agreement with JW Water Holdings, which invoices based on a fixed amount per
20 customer per month. That known and measurable amount reflects our actual costs
21 going forward and that expense level should be used to develop PWC’s revenue
22 requirement. Staff’s essentially has opted to use expense numbers from Brooke
23 Utilities instead of the *actual* expense numbers for PWC. That decision makes
24

25 ²¹ Williamson Rb at 4-6 and Exhibit JW-RB2.

26 ²² Brown Sb. at 4:22 – 5:4.

²³ Brown Sb. at 10-12.

1 little sense and is patently unfair to PWC.

2 **Q. ANYTHING ELSE WITH RESPECT TO THE RELIEF REQUESTED,**
3 **MR. WILLIAMSON?**

4 A. Just to say that while we appreciate Staff's help to expedite the Phase 1 relief,
5 we are disappointed with Staff's intransigence in this second phase. Again,
6 everyone can point fingers and say we are businessmen and made our choices.
7 But no one can legitimately say we are not trying to make things better.
8 Unfortunately, the recommendations made by Staff in this second phase do not
9 help us do that.

10 **III. REJOINDER TO INTERVENORS**

11 **Q. HAVE YOU REVIEWED THE SURREBUTTAL TESTIMONIES FILED BY**
12 **MS. REIDHEAD AND MS. NEE?**

13 A. Yes.

14 **Q. ARE BOTH INTERVENERS CUSTOMERS OF PWC?**

15 A. Yes. Ms. Nee has what appears to be a second home in the Meads Ranch system.
16 Her testimony is focused on rate consolidation and public notice. Ms. Reidhead,
17 who also filed direct testimony, is a part-time resident of the Company's
18 Deer Creek Village system. Ms. Reidhead's concerns focus primarily on the
19 requested rate consolidation and the costs for solving water shortages in MDC.
20 I will endeavor to provide rejoinder to both of our customers.

21 A. **Response to Kathleen M. Reidhead**

22 1. **Consolidation of Rates**

23 **Q. MS. REIDHEAD SPENDS MUCH OF HER SURREBUTTAL TESTIMONY**
24 **OBJECTING TO A CONSOLIDATED RATE STRUCTURE AND TRYING**
25 **TO ADVANCE THE ARGUMENT FOR COST OF SERVICE STUDIES.**
26 **SHOULD THE COMPANY BE CONDUCTING THESE STUDIES?**

1 A. I do not believe so. To begin with, Staff found the application sufficient over six
2 months ago without a cost of service study. More importantly, Mr. Bourassa is the
3 expert on cost of service studies, and he informs me that these studies are very
4 costly to prepare, increase rate case expense, and are hardly used by this
5 Commission as water utility service rates are set almost entirely on conservation
6 not cost of service. Additionally, this is a small water company with several even
7 smaller systems. It would make it considerably more costly and more difficult to
8 operate if we were to essentially run each system independently based on its own
9 cost of service as Ms. Reidhead seems to be suggesting should be the final result.
10 The move towards, not away from, continued rate consolidation (other than the
11 rates for extraordinary plant investment as with MDC) just makes sense.

12 **Q. WHY?**

13 A. As I explained, this is a small company with several very small systems. But all of
14 the systems are owned and operated by PWC and they all are located in the same
15 general geographical area. Rate consolidation is consistent with the functional
16 consolidation in metering services, billing, collecting, management, and customer
17 service. I assume this is why the predecessor water utilities (United and C&S) had
18 consolidated rate designs as well.²⁴ Consolidated rates are also easier to implement
19 and much less costly to administer, and rate consolidation promotes rate and
20 revenue stability, and improves affordability. It also helps to provide a smoothing
21 effect over discrete cost spikes across the various systems and over time.

22 **Q. BUT WHAT ABOUT MDC?**

23 A. MDC provides the exception to the rule. This system has such special and unique
24 problems with water supply, as well as a history of this system's customers having
25 to pay the costs of the solutions directly. The Commission in Phase 1 echoed this

26 ²⁴ See Decision No. 62320 (February 17, 2000) and Decision No. 62401 (March 30, 2000).

1 when it made clear that the costly remedies needed for MDC should be paid for by
2 MDC.²⁵

3 **Q. IS MS. REIDHEAD RIGHT TO BE CONCERNED ABOUT HAVING TO**
4 **PAY FOR THE COSTS OF THE TOP-MDC LINE OR OTHER**
5 **SOLUTIONS FOR MDC'S WATER SUPPLY ISSUES?**

6 A. Not under these circumstances. It is clear in the record that we are requesting that
7 MDC pay any extra costs associated with financing, building and operating the
8 TOP-MDC line.

9 **2. Water Augmentation**

10 **Q. HOW DO YOU RESPOND TO MS. REIDHEAD'S ASSERTION ON**
11 **PAGE 5 OF HER SURREBUTTAL TESTIMONY THAT CONSTRUCTING**
12 **THE INTERCONNECTION PIPELINE IS "NOT RATIONAL" BECAUSE**
13 **THE COST TO AUGMENT THE WATER SUPPLY IS "SIGNIFICANTLY**
14 **LOWER" THAN THE COST OF THE PIPELINE?**

15 A. Ms. Reidhead is entitled to her opinions, even on matters that do not impact her
16 rates for service for the reasons I just explained. I do respectfully disagree with
17 her, as do Staff and the Commission, both of which have wholeheartedly supported
18 our pursuit of the TOP-MDC line. It would also appear that Ms. Reidhead is
19 confused about the dollar amounts. She seems to believe that purchased water
20 totaled just \$2,438 during the test year.²⁶

21 **Q. HOW MUCH DID IT REALLY COST?**

22 A. Nearly \$52,000.²⁷ About 77% of that cost was for augmenting the supply to MDC.
23 The other portion was for East Verde Park.

24
25 ²⁵ Decision No. 74175 at Ordering Paragraph 7.

26 ²⁶ Surrebuttal Testimony of Kathleen M. Reidhead ("Reidhead Sb.") at 5:34-35.

²⁷ See Bourassa Schedule C-1, page 1.

1 Q. THANK YOU. MR. WILLIAMSON, HASN'T PWC BEEN FORCED TO
2 SPEND AN INCREASING AMOUNT OF MONEY TO AUGMENT THE
3 WATER SUPPLY?

4 A. Yes. The amount more than doubled between 2010 and 2012.²⁸ Plus, the
5 Company has needed to haul in more gallons each year to meet customer demand.
6 In 2013, the Company spent over \$88,000 for just MDC.²⁹ So besides the fact that
7 customers are subject to severe limitations on how much water they can use,
8 the costs are annual, considerable and increasing. The costs are also inherently
9 unpredictable from year to year. I am sure this is why the Commission was on the
10 previous owner for some time to find a more permanent solution to the water
11 supply issues in MDC. We are doing that, first with the TOP-MDC line, and then
12 with the Cragin Project.

13 Q. DO YOU HAVE ANY FURTHER COMMENTS?

14 A. Just that Ms. Reidhead is a customer of Deer Creek, not MDC. The pipeline and
15 any associated costs do not affect her as she, herself, has recognized.³⁰ I'm not
16 sure why she is so vehemently opposed to the pipeline project that has nothing to
17 do with Deer Creek. Also, as more fully explained by Mr. Bourassa, under PWC's
18 initial request, Ms. Riedhead's rates would actually be *lowered* because the amount
19 spent on purchased water would be removed from the Company's operating
20 expenses.

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22
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24
25 ²⁸ See Company Schedule E-2, page 1.

26 ²⁹ Williamson Rb. at 9:15-18.

³⁰ Decision No. 74175 at Ordering Paragraph 7; Reidhead Sb. at 7.

1 3. **PWC's Curtailment Tariff**

2 **Q. ON PAGE 3 OF HER SURREBUTTAL TESTIMONY, MS. REIDHEAD**
3 **CLAIMS THAT DEER CREEK SHOULD NOT BE SUBJECT TO THE**
4 **COMPANY'S CURTAILMENT TARIFF. DO YOU AGREE?**

5 A. I agree that Deer Creek seems to have an ample water supply, but I do not agree
6 that Deer Creek should be released from the tariff.

7 **Q. WHY NOT?**

8 A. Because it is our general understanding that the Commission wants company-wide
9 curtailment plans for all of the water utilities under its regulation. It certainly
10 would appear that the Commission specifically wanted all of PWC's systems
11 subject to curtailment tariffs. The curtailment tariff initially proposed by PWC
12 actually omitted Deer Creek.³¹ However, per the Commission, Deer Creek was
13 ultimately included.³² Therefore, I think this is an issue between Ms. Reidhead and
14 the Commission.

15 **B. Response to Suzanne Nee**

16 1. **Rate Consolidation**

17 **Q. LIKE MS. REIDHEAD, MS. NEE DOES NOT SUPPORT THE**
18 **CONTINUED CONSOLIDATION OF RATES. WHAT IS YOUR**
19 **RESPONSE TO MS. NEE?**

20 A. I offer the same reasons I did above.³³

25 ³¹ See Company's application filed December 13, 2004 in Docket No. W-03514A-04-0906.

26 ³² See Decision No. 67821 (August 2, 2005).

³³ See Section II(A)(1) *supra*.

1 2. **Water Augmentation**

2 **Q. ON PAGE 13 OF HER SURREBUTTAL TESTIMONY MS. NEE**
3 **PROPOSES THAT, IN LEIU OF THE INTERCONNECTION PIPELINE,**
4 **THE COMPANY PURCHASE HAULING TRUCKS. MIGHT THIS**
5 **INDEED BE A VIABLE SOLUTION?**

6 **A.** The long term solutions for MDC have been analyzed by PWC, the Commission
7 Staff, the Commission engineers, and a number of MDC residents who will
8 directly bear the costs. The majority has concluded that, as far as the *long term*
9 solutions, the best means is build the TOP-MDC line and then, when competed, to
10 connect to the Cragin pipeline.

11 3. **Public Notice**

12 **Q. MS. NEE ALSO RAISES A FEW QUESTIONS ABOUT THE PUBLIC**
13 **NOTICE FOR THESE PROCEEDINGS. CAN YOU RESPOND?**

14 **A.** Not really. I can only say that we sent out the order that was approved by
15 Judge Nodes after a lot of effort by Staff and the Company to suggest a form of
16 notice of the financing and rate proceedings. I think it is fair to say every one of
17 our customers is now aware (or at least should be) of these proceedings through
18 notice, word of mouth, and the numerous articles that have been published in the
19 *Payson Roundup*. Ms. Nee has elected to take part in these proceedings as an
20 intervener, and has a chance to raise her concerns about the rates, as do all of our
21 customers.

22 **Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**

23 **A.** Yes.

24
25
26

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3 2394 E. Camelback Road, Suite 600
4 Phoenix, Arizona 85016
5 Telephone (602) 916-5000

6 Attorneys for Payson Water Co., Inc.

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE APPLICATION
9 OF PAYSON WATER CO., INC., AN
10 ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE FAIR VALUE
12 OF ITS UTILITY PLANTS AND
13 PROPERTY AND FOR INCREASES IN ITS
14 WATER RATES AND CHARGES FOR
15 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03514A-13-0111

16 IN THE MATTER OF THE APPLICATION
17 OF PAYSON WATER CO., INC., AN
18 ARIZONA CORPORATION, FOR
19 AUTHORITY TO: (1) ISSUE EVIDENCE
20 OF INDEBTEDNESS IN AN AMOUNT
21 NOT TO EXCEED \$1,238,000 IN
22 CONNECTION WITH INFRASTRUCTURE
23 IMPROVEMENTS TO THE UTILITY
24 SYSTEM; AND (2) ENCUMBER REAL
25 PROPERTY AND PLANT AS SECURITY
26 FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

**REJOINDER TESTIMONY OF
THOMAS J. BOURASSA**

RATE BASE, INCOME STATEMENT AND RATE DESIGN

January 6, 2014

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

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

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

6 A. I am testifying in this proceeding on behalf of the applicant, Payson Water
7 Company ("PWC" or "Company").

8 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL
9 TESTIMONY IN THE INSTANT CASE?**

10 A. Yes, my direct testimony was submitted in support of the initial application in this
11 docket. There were two volumes, one addressing rate base, income statement and
12 rate design, and the other addressing cost of capital. My rebuttal testimony was
13 also submitted in response to the direct testimony of Staff. Like my direct
14 testimony, there were two volumes, one addressing rate base, income statement and
15 rate design, and the other addressing cost of capital.

16 **Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?**

17 A. I will provide rejoinder testimony in response to the surrebuttal filing by Staff.

18 **II. SUMMARY OF THE COMPANY'S REJOINDER POSITION**

19 **Q. WHAT IS THE REVENUE INCREASE THE COMPANY IS PROPOSING
20 IN THIS REJOINDER TESTIMONY?**

21 A. The Company proposes a total revenue requirement of \$713,624, which constitutes
22 an increase in revenues of \$393,099, or 122.64 percent over adjusted test year
23 revenues.

24
25
26

1 **Q. HOW DOES THIS COMPARE WITH THE COMPANY'S REBUTTAL**
2 **FILING?**

3 A. The Company's proposed rate base and revenue requirement is higher. In the
4 rebuttal filing, the Company requested a total revenue requirement of \$680,787,
5 which required an increase in revenues of \$360,272, or 112.40 percent. However,
6 these numbers do not include amounts to be collected under the debt service
7 surcharge ("Phase 1 DSR Surcharge") approved by the Commission in Decision
8 74175 (October 25, 2013) ("Phase 1 Decision").

9 **Q. WHY IS THE REJOINDER REVENUE REQUIREMENT HIGHER?**

10 A. PWC is now proposing the inclusion of post-test year ("PTY") plant in rate base
11 totaling approximately \$275,000, along with additional depreciation expense
12 related to the PTY plant.

13 **Q. ISN'T IT A LITTLE LATE TO INTRODUCE POST TEST YEAR PLANT**
14 **AND INCLUDE IT IN RATE BASE?**

15 A. No, not under the circumstances of this case. I believe this position is a reasonable
16 response to Staff's recommendations in this phase of this case. Staff had a chance
17 to consider the impacts of its recommendations on the Company and make changes
18 in its surrebuttal filing. Staff chose not to do so and now the Company has to act to
19 protect its interests.

20 **Q. WILL THE TOP-MDC LINE BE USED AND USEFUL?**

21 A. Yes. The TOP-MDC line will be in service, serving existing customers before the
22 new rates go into effect. Moreover, the line was the subject of the Phase 1 decision
23 so the parties and the Commission are well aware of the imminent start of
24 construction of this important plant to address the chronic water supply problems
25 facing the MDC system. While no finding of prudence or used and useful has yet
26 been made, I respectfully suggest it will be a simple matter to confirm that the line

1 is in place and in service once construction is finished.

2 **Q. BUT HOW WILL WE KNOW HOW MUCH THE TOP-MDC LINE COST?**

3 A. The Company is borrowing \$275,000 from WIFA this month to build the line,
4 an amount which Staff agreed and the Commission concluded was reasonable.¹
5 Between the estimated construction costs and the related costs of needed approvals,
6 the costs will likely exceed the \$275,000. Of course, support for the actual costs
7 will be provided as soon as available. Besides, Staff must feel that number is
8 highly certain. Not only was it used to develop the Phase 1 DSR Surcharge,
9 but Staff also has increased the debt in the Company's capital structure by
10 \$275,000.²

11 **Q. SINCE PWC IS PROPOSING TO INCLUDE THE COST OF THE TOP-**
12 **MDC LINE IN RATE BASE, IS THE COMPANY ALSO PROPOSING TO**
13 **ELIMINATE THE PHASE 1 DSR SURCHARGE?**

14 A. Yes. Since the Company's proposed rate base and revenue requirement now
15 reflect the cost of the TOP-MDC line, the surcharge mechanism needs to be
16 removed. They are essentially alternative means of collecting revenues for the
17 same purpose – providing revenues to service the WIFA debt.

18 **Q. THEN WHY NOT JUST RETAIN THE PHASE 1 DSR SURCHARGE?**

19 A. Because Staff is using the surcharges to label the relief sought as “extraordinary”
20 justifying serious manipulation of the Company's capital structure.³
21 This manipulation of the capital supporting PWC's plant is costing the Company
22 revenues it would otherwise receive. This is in addition to Staff's recommendation

23
24 ¹ Phase 1 Decision at 7, 15.

25 ² Direct Testimony of John A. Cassidy (Cost of Capital) at 7. The \$1,179,650 Staff inputs into PWC's capital
26 structure includes \$275,000 for the Phase I financing and \$904,650 for the Phase 2 financing. See Direct Testimony
of John A. Cassidy (Financing) (“Cassidy Financing Dt.”) at 7.

³ Surrebuttal Testimony of John A. Cassidy at 2.

1 that part of the monies collected under the surcharge be treated as a regulatory
2 liability, a future deduction to rate base.⁴ Given these conditions, the Company's
3 poor financial health, and the additional burden of administering the debt service
4 surcharges, the Company has concluded it would be easier and more reasonable to
5 just put the line in rate base since the cost is already going to be in the capital
6 structure. Again, it should be recalled that the Company would have been
7 collecting most of the same revenues under the Phase 1 DSR Surcharge.

8 **Q. IS THE COMPANY ALSO ELIMINATING ITS PHASE 2 FINANCING**
9 **REQUEST AND RELATED PHASE 2 DEBT RECOVERY SURCHARGE**
10 **MECHANISM?**

11 A. Yes. Mr. Williamson identifies all of the relief the Company is seeking in a table
12 in his rejoinder testimony, including the Company's withdrawal of the requested
13 Phase 2 financing approval and request for a debt recovery surcharge mechanism.⁵
14 However, as I will also discuss herein, the Company still needs approval of a
15 commodity cost recovery surcharge (aka Purchased Water Adjustment Mechanism
16 or PWAM) for water purchased from the Town of Payson. The Company's
17 proposed revenue requirement does not include any of those purchased water costs.

18 **Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE**
19 **DIFFERENCE IN THE COMPANY PROPOSED REJOINDER RATE BASE**
20 **AND REVENUE REQUIREMENT COMPARED TO THE COMPANY**
21 **PROPOSED REBUTTAL RTAE BASE AND REVENUE REQUIREMENT.**

22 A. The net result of the Company's proposal to include PTY plant is the Company's
23 proposed rate base has increased by \$272,571 from its rebuttal filing of \$660,266
24 to \$932,837. In addition, the Company's proposed operating expenses have

25 ⁴ Cassidy Financing Dt. at 9-10.

26 ⁵ Rejoinder Testimony of Jason Williamson ("Williamson Rj.") at 3.

1 decreased by \$829, from \$482,220 in the rebuttal filing to \$481,391.

2 **Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE**
3 **INCREASES FOR THE COMPANY AND STAFF AT THIS STAGE OF**
4 **THE PROCEEDING?**

5 A. The proposed revenue requirements and proposed rate increases are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
6 Company-Rebuttal	\$680,787	\$360,272	112.40%
7 Staff	\$561,246	\$240,721	75.10%
8 Company-Rejoinder	\$713,624	\$393,099	122.64%

9
10 **III. RATE BASE**

11 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**
12 **BASE RECOMMENDATIONS.**

13 A. Yes, the rate bases proposed by the Company and Staff are as follows:

	<u>OCRB</u>	<u>FVRB</u>
14 Company-Rebuttal	\$ 660,266	\$ 660,266
15 Staff	\$ 425,129	\$ 425,129
16 Company-Rebuttal	\$ 932,837	\$ 932,837

17
18 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
19 **ORIGINAL COST RATE BASE?**

20 A. Yes. The Company's rejoinder rate base adjustments to OCRB are detailed on
21 rejoinder schedules B-2, pages 3 through 6. Rejoinder Schedule B-2, page 1 and 2,
22 summarize the Company's proposed adjustments and the rejoinder OCRB.

1 **A. Plant-in-Service (PIS)**

2 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
3 **REJOINDER ADJUSTMENTS TO PLANT-IN-SERVICE AND IDENTIFY**
4 **ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?**

5 **A.** The Company is proposing an increase to PIS of \$274,325 for PTY plant as I
6 discussed in my summary above. Rejoinder rate base adjustment 1-A, and shown
7 on Rejoinder Schedule B-2, page 3, reflects the estimated cost of the TOP-MDC
8 line totaling \$274,325.

9 **B. Accumulated Depreciation (A/D)**

10 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
11 **REJOINDER ADJUSTMENTS TO ACCUMULATED DEPRECIATION**
12 **AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM**
13 **STAFF?**

14 **A.** The Company is not proposing any adjustments to A/D. Both the Company and
15 Staff agree on an A/D balance of \$1,332,825.⁶

16 **C. Contributions-in-Aid of Construction (CIAC)**

17 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
18 **REBUTTAL ADJUSTMENTS TO CONTRIBUTIONS-IN-AID OF**
19 **CONSTRUCTION AND/OR ACCUMULATED AMORTIZATION AND**
20 **IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM**
21 **STAFF?**

22 **A.** The Company is not proposing any adjustments to CIAC or accumulated
23 amortization ("AA") and continues to propose CIAC and AA balances of \$375,036
24 and \$213,231, respectively.

25
26 ⁶ See Payson Rejoinder Schedule B-2, page 1 and Staff Surrebuttal Schedule CSB-3.

1 **Q. DO THE COMPANY AND STAFF AGREE ON THE CIAC AND AA**
2 **BALANCES?**

3 A. No. Staff is proposing CIAC and AA balances of \$916,069 and \$537,795,
4 respectively, an increase over the Company proposed CIAC and AA balances of
5 \$541,033 and AA by \$306,705, respectively.⁷ Staff's proposed increases to CIAC
6 and AA are based upon two separate adjustments, both of which I discussed in my
7 rebuttal testimony.⁸

8 **Q. DID STAFF MODIFY ITS POSITION ON THE TWO PLANT**
9 **ADJUSTMENTS IN RESPONSE TO THE COMPANY'S REBUTTAL**
10 **FILING?**

11 A. No, and that's disappointing. Staff expressly solicited additional support from the
12 Company, and then ignored it. As a result, nothing has changed. Staff's first plant
13 adjustment adds \$70,120 to CIAC and \$11,455 to AA. In sum, Ms. Brown has
14 chosen to assume the plant is CIAC because she is not satisfied with the evidence
15 showing the Company paid for the plant.⁹ Staff's second adjustment is for the
16 allegedly unsupported removal of CIAC related to the condemnation of the
17 Star/Quail Valley system. For this adjustment, Staff adds \$470,913 to CIAC and
18 \$295,250 to AA because Ms. Brown is not satisfied with the evidence showing that
19 the plant in the Star Valley system was CIAC. As a result, this time she assumed
20 the plant wasn't CIAC.¹⁰

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⁷ See Staff Surrebuttal Schedule CSB-3.

⁸ Rebuttal Testimony of Thomas J. Bourassa (Rate Base) ("Bourassa Rb.") at 4-6.

⁹ See Direct Testimony of Crystal S. Brown ("Brown Dt.") at 10. See also Surrebuttal Testimony of Crystal S. Brown ("Brown Sb.") at 5.

¹⁰ Brown Dt. at 13 and Brown Sb. at 8.

1 Q. DO YOU AGREE WITH MS. BROWN (SURREBUTTAL TESTIMONY AT
2 3-4) THAT ANNUAL REPORTS, ACCOUNTING LEDGERS, AND
3 INCOME TAX RETURNS ARE NOT ADEQUATE FORMS OF
4 EVIDENCE?

5 A. No. First, while the Company did not provide every single invoice Staff requested,
6 the Company was able to provide supporting invoices from 2009 through the end
7 of the test year. Since Staff did not propose any adjustments to plant for these
8 years, we can presume that Staff found that the Company reflected the plant costs
9 and any related CIAC properly on its books. This is evidence that books of the
10 Company were properly maintained and should provide some level of confidence
11 in the amounts recorded prior to 2009 and reflected in the plant ledgers, income tax
12 returns, and annual reports. Second, the Company's detail CIAC ledger does not
13 show any new CIAC from the time of acquisition through 2008, the period of time
14 the Company was unable to provide invoices. Therefore, the evidence shows that
15 what Staff calls "unsupported plant" was not CIAC funded plant.

16 Q. WHY DOES MS. BROWN RELY EXCLUSIVELY ON INVOICES?

17 A. It would appear the primary argument for rejecting tax returns, general ledgers,
18 annual reports, and all other evidence against her position is that these forms of
19 evidence are "not audited."¹¹ However, an invoice is not audited, nor, by itself,
20 does it provide evidence of the source of funds used to pay for the plant. Other
21 forms of evidence, such as subsidiary ledgers, loan documents, line extension
22 agreements, hook-up fee reports, cash flow statements, etc. must be used to
23 ascertain the source of the funds. That's what the Company thought Staff was
24 looking for when Ms. Brown solicited an affidavit attesting to payment for plant.¹²

25 ¹¹ Brown Sb. at 4.

26 ¹² Brown Dt. at 10.

1 The Company provided this additional evidence of PWC's payment of plant costs
2 that were requested by Staff in Ms. Brown's direct testimony.¹³

3 **Q. WHAT ABOUT MS. BROWN'S CLAIM THAT SHE IS JUST**
4 **FOLLOWING NARUC?**

5 A. Ms. Brown appears to be cherry picking "invoices" as the only acceptable form of
6 evidence per the NARUC Rate Case Audit Manual.¹⁴ There are other forms of
7 evidence besides invoices listed in the manual, including specifically continuing
8 property records, income tax returns, lists of property units (physical plant
9 inventories), general and subsidiary ledgers, operating/financial reports, and trial
10 balances. I have included as **Exhibit TJB-RB-RJ1** a copy of page 14 of the
11 NARUC Rate Case Audit Manual where the recommended records to be reviewed
12 during a regulatory audit are listed.

13 I would also include annual reports submitted to the Commission as
14 additional supporting evidence. The annual reports were prepared from the
15 original books, papers and records of the Company and are a "verified and sworn
16 statement" executed by a company official attesting to the completeness and
17 correctness of the report. Absent evidence to the contrary, which Staff does not
18 even claim exists, it is not reasonable to assume that the annual reports are wrong,
19 as Ms. Brown has done in this case.

20 **Q. DOES THE NARUC MANUAL SET FORTH MANDATORY**
21 **REQUIREMENTS?**

22 A. No, the manual is a guideline - a series of suggestions. At page 4 of the manual it
23 states:

24It is not our intent to provide a checklist for use by commission
25 auditors, accountants or analysts. Rather, it is our intent to set forth

26 ¹³ Rebuttal Testimony of Jason Williamson at 4-6 and Exhibit JW-RB2.

¹⁴ Brown Sb. at 4.

1 the most common, basic regulatory principles, processes, and
2 procedures used by many regulatory commissions to examine and
investigate general rate applications....

3 We offer one caution to those who are concerned about the use
4 of the phrase "audit manual." We make use of the word "audit" as it is
5 commonly referred to in regulatory circles. We do not mean it in the
6 purist sense of the word, where one might assume a verification of
7 booked numbers to source documents and a strict sampling of
accounts. Instead, we use it to mean a regulatory review, a field
investigation, or a means of determining the appropriateness of a
financial statement for regulatory purposes. Clearly, the reader
should distinguish a regulatory audit from financial audits performed
by independent certified public accountants.

8 That said, the manual is not an excuse to ignore evidence that contradicts an
9 adjustment, nor a restriction on the exercise of common sense. The Company
10 submitted substantial evidence in forms consistent with the recommended audit
11 evidence considerations contained in the NARUC Rate Case Audit Manual.
12 Taken together, this evidence shows that the Company has adequately supported its
13 plant and CIAC balances. If Ms. Brown insists NARUC requires otherwise,
14 I respectfully suggest she is reading the manual too narrowly. Running utilities is a
15 real world experience; it is not simply the application of the suggestions from a
16 manual.

17 **Q. BUT HOW CAN THE ANNUAL REPORTS AND TAX BE RELIED ON IF**
18 **AN INDEPENDENT CPA FIRM OR GOVERNMENT AUDITORS DID**
19 **NOT AUDIT THEM?**

20 **A.** The same way Staff and the Commission rely on these documents every day.
21 Most small utilities do not have independent audits prepared. Financial audits are
22 not required and small firms cannot afford the expense. Besides, Staff admits that
23 the information contained in the income tax returns (signed under penalty of
24 perjury) and annual reports (attested to and verified as accurate upon execution)

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1 is consistent with the general ledger.¹⁵ Again, absent evidence to the contrary,
2 which Staff does not even claim exists, it is reasonable to assume these sworn
3 filings are materially correct.

4 **Q. DOES THIS EVIDENCE COMPLY WITH THE ARIZONA**
5 **ADMINISTRATIVE CODE SECTION CITED BY MS. BROWN**
6 **(SURREBUTTAL AT PAGE 5)?**

7 A. I am not a lawyer, and neither is Ms. Brown. However, by my reading of the code
8 section, yes. A.A.C. R-14-2-610 D.1 requires that "each utility shall keep general
9 and auxiliary accounting records reflecting the cost of its properties, operating
10 income and expense, assets and liabilities, and all other accounting and statistical
11 data necessary to give complete and authentic information as to its properties and
12 operations." The annual reports, income tax returns, general and subsidiary
13 ledgers, and physical plant inventories provided to Staff are the accounting records
14 contemplated in the A.A.C.

15 **Q. THANK YOU. DO YOU HAVE A SIMILAR VIEW WITH RESPECT TO**
16 **THE ADEQUACY OF THE EVIDENCE TO SUPPORT THE COMPANY'S**
17 **REMOVAL OF CIAC RELATED TO THE STAR/QUAIL VALLEY**
18 **SYSTEMS?**

19 A. Yes, there is adequate evidence to support the Company's claim that the CIAC
20 removed for the sale/condemnation was related to the Star/Quail Valley system.
21 I addressed this evidence in my rebuttal testimony.¹⁶ The Commission can also
22 consider that when the reorganization took place (Decision No. 60972,
23 June 19,1998) water systems from C&S Water and United Utilities were combined
24 into PWC, the balance of the CIAC transferred to PWC was \$883,744. All of the

25 ¹⁵ Brown Sb. at 4.

26 ¹⁶ See Bourassa Rb. at 5-6.

1 CIAC was recorded before Brooke Utilities acquired the predecessor utilities -
2 United Utilities and C&S Water, in 1996. The \$883,744 balance was reported in
3 PWC's 2000 annual report to the ACC. I have included a copy of the relevant page
4 (page 8) of the annual report in **Exhibit TJB-RB-RJ2**. The Company's detail
5 CIAC ledger, which shows CIAC amounts by system, reflects the original
6 transferred total balance of \$883,774, for all the years through 2007 when a 2008
7 adjustment of \$6,462 was made and which reduced the balance to \$877,282 where
8 it remained until the sale/condemnation of the Star/Quail Valley system in 2012.¹⁷
9 In 2012, a total of \$584,628 of CIAC and \$343,975 of AA related to Star/Quail
10 Valley (specifically identified in the CIAC schedule) were removed due to the
11 sale/condemnation. A copy of the 2008 to 2012 CIAC detail ledger is also
12 included in **Exhibit TJB-RB-RJ2**. The CIAC detail, which identifies all CIAC by
13 system, had to come from somewhere and the details of the CIAC for the
14 Star/Quail Valley system have remained consistent in the Company's internal
15 records since 2000 when the CIAC balance was transferred to PWC. I doubt that
16 the Company would have intentionally misrepresented its CIAC detail ledger in
17 anticipation of plant being condemned 12 years later so that it could then remove it
18 and overstate rate base.

19 **D. Accumulated Deferred Income Tax**

20 **Q. PLEASE DISCUSS THE COMPANY PROPOSED REBUTTAL**
21 **ADJUSTMENT TO DEFERRED INCOME TAX.**

22 **A.** In rebuttal B-2 adjustment 4, as shown on Schedule B-2, page 2, the Company
23 proposes to reduce accumulated deferred income taxes ("ADIT") by \$944.
24 The adjusted ADIT balance reflects the Company's proposed PIS, A/D, AIAC,
25

26 ¹⁷ All of the ACC annual reports (from 2000 through 2012) are consistent with the detail CIAC ledger.

1 and CIAC balances as well as a reduction to the state income tax rate. The details
2 of the computation are shown on Schedule B-2, page 6.0 and 6.1.

3 **Q. PLEASE RESPOND TO MS. BROWN'S TESTIMONY (SURREBUTTAL**
4 **AT PAGES 8 AND 9) THAT STAFF'S HIGHER CIAC BALANCE DOES**
5 **NOT IMPACT THE ACCUMULATED DEFERRED INCOME TAX**
6 **BALANCE.**

7 A. This testimony is contradicted by the fact that the ADIT balance she adopted from
8 the Company's direct filing includes consideration of the CIAC balance in the
9 calculation of the ADIT balance.¹⁸ Ms. Brown can't have it both ways. By adding
10 CIAC, as Staff recommends, the difference between the book and tax basis
11 changes. There will be no depreciation for book purposes on the additional CIAC
12 Staff proposes to add, but the Company does have a tax basis in the plant and will
13 have tax depreciation. This book-tax testimony difference creates a future tax
14 asset. Thus, her computation set forth at page 9 of her surrebuttal testimony is
15 wrong. The bottom line is if the CIAC balance is increased, as Staff proposes,
16 then the difference between the book and tax basis in plant changes and ADITs will
17 be impacted. Based upon Staff's proposed CIAC balance, the ADIT should be a
18 net deferred tax asset of \$56,216 and Staff's rate base should be \$504,684.¹⁹

19 **Q. ARE THERE ANY OTHER RATE BASE ISSUES BETWEEN THE**
20 **PARTIES?**

21 A. No.

22
23
24
25 ¹⁸ See Direct Schedule B-2, pages 6.0 and 6.1. At page 6.0, line 8, the CIAC balance (net) is used in the formulation
to determine the book value of assets. As shown in the ADIT formulation, the difference between the book and tax
basis in plant is the basis upon which the deferred tax liability (asset) is determined.

26 ¹⁹ See Bourassa Rb. at 15.

1 **IV. INCOME STATEMENT (C SCHEDULES)**

2 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
3 **ADJUSTMENTS TO REVENUES AND EXPENSES?**

4 A. The Company rejoinder adjustments to revenues and/or expenses are detailed on
5 Rejoinder Schedule C-2, pages 1-10. The rejoinder income statement with
6 adjustments is summarized on Rejoinder Schedule C-1, page 1-2. The Company's
7 rejoinder adjustments are the same as described in my rebuttal testimony except for
8 revisions to the Company's recommended depreciation expense (due to a change to
9 PIS as discussed above), and revisions to property tax expense, interest
10 synchronization, and income tax expense (due to changes in the Company
11 proposed capital structure and revenue requirement). Again, most of the additional
12 revenues were already going to be collected under the Phase 1 DSR Surcharge,
13 so the change to the customer's total cost from rebuttal to rejoinder is not
14 significant. I would also note, as discussed further in the Rate Design section, that
15 the costs related to the TOP-MDC line are still being recovered only from MDC
16 customers.

17 Rejoinder adjustment 1 reflects the annualized depreciation expense based
18 upon the Company's recommend PIS balances. Staff's recommended depreciation
19 expense level differs due to the different respective recommended PIS and CIAC
20 balances of the two parties.

21 Rejoinder adjustment number 2 adjusts property tax expense to reflect the
22 Company's proposed rejoinder revenues. Staff has adopted the 19 percent
23 assessment ratio the Company proposed in its rebuttal testimony.²⁰

24 Rejoinder adjustment number 8 adjusts interest expense to reflect interest
25 synchronization with the Company proposed debt and rate base.

26 ²⁰ Brown Sb. at 15.

1 Rejoinder adjustment number 9 adjusts income tax expense to reflect the
2 Company proposed revenues and expenses.

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

4 **Q. ARE THERE ANY REMAINING REVENUE AND/OR EXPENSE ISSUES**
5 **BETWEEN THE PARTIES?**

6 A. Yes. The Company still disagrees with Staff's proposal to retain the Brooke
7 Utilities overhead allocation, as adjusted by Staff. The Brooke overhead allocation
8 is clearly non-recurring, and the JW Water Holdings management fee is a known
9 and measurable amount invoiced monthly based on a fixed fee per customer.²¹
10 Adoption of the Company's recommendation does not violate the NARUC Rate
11 Case and Audit Manual guidelines, which Ms. Brown again relies on to reject
12 evidence that contradicts her adjustment.²² In fact, it is clear that a known and
13 measurable change to an expense is clearly contemplated by the NARUC
14 guidelines when it states:

15 ...In general, the pro forma adjustments can be viewed as a
16 ratemaking attempt to transform the relationship between that
17 exists between the elements of cost of service (revenues,
18 expenses, taxes, and investment) during the test year to one that
would take place during the period that the rates resulting from
the rate proceeding take effect.

19 **Q. WOULD THE ADOPTION OF THE COMPANY'S RECOMMENDATION**
20 **ELIMINATE THE ISSUE OF SO CALLED BONUSES THAT WERE**
21 **INCLUDED IN THE BROOKE OVERHEAD ALLOCATION?**

22 A. Yes.

23 **Q. ANY OTHER REMAINING ISSUES?**

24 A. Yes, just one. The Company disagrees with the Staff recommendation to remove

25 ²¹ Bourassa Rb. at 12.

26 ²² Brown Sb. at 4.

1 \$2,438 related to the preparation of consumption reports. The Company is
 2 proposing to implement a water augmentation surcharge for East Verde Park as
 3 well as a PWAM for MDC customers to pay for the water to be delivered through
 4 the TOP-MDC line. These surcharges will cause similarly related consumption
 5 report expenses in the future.

6 **V. RATE DESIGN (H SCHEDULES)**

7 **Q. WHAT ARE THE COMPANY'S REJOINDER PROPOSED BASE RATES**
 8 **FOR WATER SERVICE?**

9 A. The Company's proposed base rates are:

10 **MONTHLY SERVICE CHARGES**

11	5/8" x 3/4" Meters	\$25.42
12	5/8" x 3/4" Meters – MDC customers only	\$32.95
13	3/4" Meters	\$38.12
14	1" Meters	\$63.54
15	1" Meters – MDC customers only	\$82.38
16	1 1/2" Meters	\$127.08
17	2" Meters	\$203.32
18	3" Meter	\$406.64
19	4" Meters	\$635.38
20	6" Meter	\$1270.75
21	8" Meters	\$2,033.20

22 **COMMODITY RATES**

23	5/8" x 3/4" Meters	1 to 3,000	\$5.90
24		3,001 to 10,000	\$7.65
25		Over 10,000	\$9.15
26	3/4" Meters (Residential)	1 to 3,000	\$5.90

1		3,001 to 10,000	\$7.65
2		Over 10,000	\$9.15
3	1" Meters	1 to 18,000	\$7.65
4		Over 18,000	\$9.15
5	1 1/2" Meters	1 to 40,000	\$7.65
6		Over 40,000	\$9.15
7	2" Meters	1 to 60,000	\$7.65
8		Over 60,000	\$9.15
9	3" Meters	1 to 120,000	\$7.65
10		Over 120,000	\$9.15
11	4" Meters	1 to 200,000	\$7.65
12		Over 200,000	\$9.15
13	6" Meters	1 to 450,000	\$7.65
14		Over 450,000	\$9.15
15	8" Meters	1 to 750,000	\$7.65
16		Over 750,000	\$9.15

17 **Q. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH METERED CUSTOMER**
18 **AVERAGE MONTHLY BILL UNDER THE NEW RATES?**

19 **A.** As shown on Schedule H-2, page 1, the average monthly bill under proposed rates
20 for a 5/8x3/4 inch metered customer (former United Systems) using an average
21 2,783 gallons is \$41.84 – a \$20.46 increase over the present monthly bill or a 95.75
22 percent increase. The average monthly bill under proposed rates for a 5/8x3/4 inch
23 metered customer (former C&S Systems) using an average 6,961 gallons is \$73.41
24 – a \$46.11 increase over the present monthly bill or a 168.90 percent increase.

25 For the 5/8x3/4 inch metered MDC customer using an average 2,998 gallons
26 is \$50.64 – a \$28.85 increase over the present monthly bill or a 132.43 percent

1 increase.

2 **Q. HAVE YOU CHANGED THE COMPANY'S PROPOSED RATE DESIGN?**

3 A. Yes. The MDC monthly minimums are higher. The MDC rates are higher in order
4 to make up the incremental difference in the revenue requirement caused by the
5 Company's request to rate base the TOP-MDC line, which line benefits only the
6 MDC customers. The incremental difference in the revenue requirement is
7 approximately \$33,000 (\$274,325 Phase 1 Project costs times 9.88% ROR plus
8 \$6,697 depreciation and amortization). Again, this is essentially the amount that
9 would have been recovered under the Phase 1 DSR Surcharge so the impact on
10 customers of this change is minimal.

11 **Q. WHAT IS THE REVENUE RECOVERY FROM THE MONTHLY**
12 **MINIMUMS UNDER THE COMPANY PROPOSED RATES?**

13 A. The percentage recovery from the monthly minimums for the Company is
14 53.12 percent. The percentage recovery from the monthly minimums for Staff is
15 48.65 percent. Attached as Exhibit TJB-RB-RB3 are schedules showing the
16 revenue recovery from the monthly minimums and the commodity rates under the
17 Company and Staff rate designs.

18 **1. Miscellaneous Charges**

19 **Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON THE**
20 **PROPOSED MISCELLANEOUS SERVICE CHARGES?**

21 A. Yes.

22 **2. Service Line and Meter Charges**

23 **Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON THE**
24 **PROPOSED SERVICE LINE AND METER INSTALLATION CHARGES?**

25 A. Yes.

26

1 **3. Debt Recovery Surcharge**

2 **Q. IS THE COMPANY PROPOSING TO ELIMINATE ITS PHASE 1 DEBT**
3 **RECOVERY SURCHARGE MECHANISM?**

4 A. Yes. The Company's recommendation to include the TOP-MDC costs in rate base
5 and include the related WIFA debt in the capital structure eliminates the need for a
6 debt recovery surcharge mechanism.

7 **Q. IS THE COMPANY PROPOSING TO ELIMINATE ITS REQUEST FOR**
8 **THE PHASE 2 DEBT RECOVERY SURCHARGE MECHANISM?**

9 A. Yes. The Company is dropping its request for financing approval for the Phase 2
10 project costs and accordingly eliminating its request for a debt surcharge recovery
11 mechanism for the debt. The timing of the Phase 2 project remains uncertain and
12 in light of the Staff proposal to impute this potential future debt into the capital
13 structure, which the Company views as unwarranted and punitive, dropping its
14 finance request for Phase 2 is the appropriate course of action at this time.
15 Mr. Williamson discusses the withdrawal of the relief related to the Cragin pipeline
16 in his rejoinder.²³

17 **4. O&M Cost Recovery Surcharge**

18 **Q. IS THE COMPANY PROPOSING TO ELIMINATE ITS REQUEST FOR**
19 **AN O&M COST RECOVERY SURCHARGE?**

20 A. Yes. Like the financing request and debt recovery surcharge request, the Company
21 is dropping its request for an O&M cost recovery surcharge related to Cragin.

22 **5. PWAM**

23 **Q. IS THERE A DISPUTE BETWEEN STAFF AND THE COMPANY OVER**
24 **THE PWAM?**

25 A. I don't know. Staff has not responded to my rebuttal testimony on the need for an

26 ²³ Williamson Rj. at 2-4.

1 adjuster so the Company can pay for water purchased from Payson.²⁴
2 The Company still needs approval of this surcharge. The revenue requirement in
3 the current case does not include any recovery for the cost of water purchased from
4 the Town for delivery through the TOP-MDC line.

5 **Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?**

6 **A. Yes**

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²⁴ Bourassa Rb. at 25-26.

EXHIBIT
TJB-RB- RJ1

RATE CASE AND AUDIT MANUAL

Prepared by:

NARUC Staff Subcommittee
on Accounting and Finance

Summer 2003

RECORDS TO BE REVIEWED

The following is a list of records that the auditor may consider obtaining or reviewing during the audit or site visit:

- Affiliate Agreements for Inter-affiliate Transactions
- Audit Committee Minutes
- Billing Records (registers, etc.)
- Board of Director Minutes
- Chart of Accounts and Accounts Manual
- Construction Work Orders
- Construction Budgets
- Continuing Property Records
- Depreciation Studies
- External Independent Audit Reports and Workpapers (looking especially at the adjustments that the company chose not to make in spite of the auditor's recommendations)
- Franchise Fee Records (collection and payment)
- General Ledger and Subsidiary Ledgers
- Income Tax Returns
- Internal Audit Reports and Workpapers
- Invoices
- Lead-Lag Studies
- List of Property Units
- Monthly or Quarterly Operating/Financial Reports
- Monthly or Quarterly Trial Balances
- Organizational Charts (one showing the corporate (parent and affiliate entities) and one showing internal reporting lines and internal departments)
- Payroll Records
- Property Tax Statements
- Risk Committee Minutes and Documentation
- Sample of Customer Bills (to verify rates and information)

EXHIBIT
TJB-RB- RJ2

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-03514A WATER
PAYSON WATER CO., INC
P. O. BOX 82218
BAKERSFIELD CA 93380

ANNUAL REPORT

FOR YEAR ENDING

12	31	2000
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FOR COMMISSION USE

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COMPANY NAME: PAYSON WATER CO., INC

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	Balance Transferred from C&S 04/01/2000	Balance Transferred from United 05/01/2000	Balance at End of Year
CURRENT LIABILITIES				
231	Accounts Payable	\$	\$ 615	\$ 7,007
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Company	52,264	293,147	311,757
235	Customer Deposits	1,110	13,300	14,666
236	Accrued Taxes			
237	Accrued Interest		878	
241	Miscellaneous Current and Accrued Liabilities	1,442	31,240	33,515
	TOTAL CURRENT LIABILITIES	\$ 54,816	\$ 339,180	\$ 366,945
LONG-TERM DEBT (Over 12 Months)				
224	Long-term Notes and Bonds		\$ 105,400	\$ 116,886
Deferred Credits				
251	Unamortized Premium on Debt	\$	\$	\$
	Refundable Meter Advances	2,868	59,789	62,502
252	Advances in Aid of Construction			
255	Accumulated Deferred Investment Tax Credits			
271	Contributions in Aid of Construction		883,744	883,744
272	Less: Amortization of Contributions		(254,692)	(273,545)
281	Accumulated Deferred Income Taxes			
	TOTAL DEFERRED CREDITS	\$ 2,868	\$ 688,841	\$ 672,701
	TOTAL LIABILITIES	\$ 57,684	\$ 1,133,420	\$ 1,156,533
CAPITAL ACCOUNTS				
201	Common Stock Issued	\$ 38,411	\$ 608,219	\$ 646,830
211	Paid In Capital in Excess of Par Value	39,843	324,542	364,385
215	Retained Earnings	(70,306)	(365,193)	(376,554)
218	Proprietary Capital (Sole Props & Partnerships)			
	TOTAL CAPITAL	\$ 7,948	\$ 567,568	\$ 634,461
	TOTAL LIABILITIES AND CAPITAL	\$ 65,632	\$ 1,700,989	\$ 1,790,995

Payson Water Company
 Contributions in Aid of Construction
 12/31/2008

Contractee	Date Opened	Expiration Dates	Amort Rate	Contributions in Aid of Construction			CIAC Amortization		
				Balance 12/31/07	Additions (Deletions)	Balance 12/31/08	Balance 12/31/07	Additions (Deletions)	Balance 12/31/08
Pre-acquisition CIAC - Mesa Del	1983	2013	3.2%	395.00		395.00	211.00	13.00	224.00
Pre-acquisition CIAC - Flow Sprs	1983	2013	3.2%	(180.00)		(180.00)	(96.00)	(6.00)	(102.00)
Pre-acquisition CIAC - Quail Valley	1983	2013	3.2%	970.00		970.00	518.00	31.00	549.00
Pre-acquisition CIAC - Geronimo	1983	2013	3.2%	395.00		395.00	211.00	13.00	224.00
Pre-acquisition CIAC - E V Park	1983	2013	3.2%	395.00		395.00	211.00	13.00	224.00
Pre-acquisition CIAC - Mrlye Rdg.	1983	2013	3.2%	395.00		395.00	211.00	13.00	224.00
Pre-acquisition CIAC - Quail Valley	1993	2023	3.2%	67,114.00		67,114.00	35,807.00	2,148.00	37,955.00
Pre-acquisition CIAC - Deer Creek	1993	2023	3.2%	249,737.00		249,737.00	133,242.00	7,992.00	141,234.00
Pre-acquisition CIAC - Deer Creek	1995	2025	3.2%	4,306.00		4,306.00	2,297.00	138.00	2,435.00
Mark Boroski	05/01/89	05/01/19	3.2%	23,169.92		23,169.92	12,362.00	741.00	13,103.00
Star Valley Ltd Partnership	01/20/94	01/20/24	3.2%	325,000.00	(6,461.93)	318,538.07	173,397.00	10,400.00	183,797.00
David Glen Spurlock	01/26/94	01/26/24	3.2%	120,000.00		120,000.00	64,024.00	3,840.00	67,864.00
Star Valley Ltd Partnership	11/25/95	11/25/25	3.2%	115,624.27		115,624.27	61,689.00	3,700.00	65,389.00
Prior AIAC's not valid contract			3.2%	(23,589.13)		(23,589.13)	(12,586.57)	(755.00)	(13,341.57)
Unlocated difference			3.2%	11.75		11.75	6.00	-	6.00
				883,743.81	(6,461.93)	877,281.88	471,503.43	28,281.00	499,784.43

GL Balance 499,784.43
 0.00

SYSTEM SUMMARY	Contributions in Aid of Construction			CIAC Amortization		
	Balance 12/31/11	Additions (Deletions)	Balance 12/31/12	Balance 12/31/11	Additions (Deletions)	Balance 12/31/12
1 Mesa Del Caballo	395.00	-	395.00	211.00	13.00	224.00
2 Flowing Springs	(180.00)	-	(180.00)	(96.00)	(6.00)	(102.00)
3 Star/Quail Valley	513,084.00	(6,461.93)	506,622.07	273,746.00	16,419.00	290,165.00
4 Geronimo Estates	395.00	-	395.00	211.00	13.00	224.00
5 Deer Creek	254,043.00	-	254,043.00	135,539.00	8,130.00	143,669.00
6 East Verde Park	395.00	-	395.00	211.00	13.00	224.00
7 Mrlye Ridge	395.00	-	395.00	211.00	13.00	224.00
8 Other Misc	115,216.81	-	115,216.81	61,470.43	3,686.00	65,156.43
	883,743.81	(6,461.93)	877,281.88	471,503.43	28,281.00	499,784.43

Payson Water co.
Contributions in Aid of Construction
December 31, 2009

Contractee	Contributions in Aid of Construction				CIAC Amortization			
	Balance 12/31/08	Additions	(Deletions)	Balance 12/31/09	Balance 12/31/08	Additions	(Deletions)	Balance 12/31/09
Pre-acquisition CIAC - Mesa Del	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - Flow Sprs	(180.00)			(180.00)	(102.00)	(5.76)		(107.76)
Pre-acquisition CIAC - Quail Valley	970.00			970.00	549.00	31.04		580.04
Pre-acquisition CIAC - Geronimo	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - E V Park	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - Mirtyle Rdg.	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - Quail Valley	67,114.00			67,114.00	37,955.00	2,147.65		40,102.65
Pre-acquisition CIAC - Deer Creek	249,737.00			249,737.00	141,234.00	7,991.58		149,225.58
Pre-acquisition CIAC - Deer Creek	4,306.00			4,306.00	2,435.00	137.79		2,572.79
Mark Boroski	23,169.92			23,169.92	13,103.00	741.44		13,844.44
Star Valley Ltd Partnership	318,538.07			318,538.07	183,797.00	10,193.22		193,990.22
David Glen Spurlock	120,000.00			120,000.00	67,864.00	3,840.00		71,704.00
Star Valley Ltd Partnership	115,624.27			115,624.27	65,389.00	3,699.98		69,088.98
Prior AIAC's not valid contract	(23,589.13)			(23,589.13)	(13,341.57)	(754.85)		(14,096.42)
Unlocated difference	11.75			11.75	6.00	0.38		6.38
	877,281.88	-	-	877,281.88	499,784.43	28,073.03	-	527,857.46
							G/L	527,857.50
								Net Change
								0.04

SYSTEM SUMMARY	Contributions in Aid of Construction				CIAC Amortization			
	Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12	Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12
1 Mesa Del Caballo	395.00			395.00	224.00	12.64		236.64
2 Flowing Springs	(180.00)			(180.00)	(102.00)	(5.76)		(107.76)
3 Star/Quail Valley	506,622.07			506,622.07	290,165.00	16,211.91		306,376.91
4 Geronimo Estates	395.00			395.00	224.00	12.64		236.64
5 Deer Creek	254,043.00			254,043.00	143,669.00	8,129.37		151,798.37
6 East Verde Park	395.00			395.00	224.00	12.64		236.64
7 Mirtyle Ridge	395.00			395.00	224.00	12.64		236.64
8 Other Misc	115,216.81			115,216.81	65,156.43	3,686.95		68,843.38
	877,281.88	-	-	877,281.88	499,784.43	28,073.03	-	527,857.46

Payson Water co.
Contributions in Aid of Construction
December 31, 2010

Contractee	Date Opened	Expiration Dates	Amort Rate	Contributions in Aid of Construction			CIAC Amortization		
				Balance 12/31/09	Additions (Deletions)	Balance 12/31/10	Balance 12/31/09	Additions (Deletions)	Balance 12/31/10
Pre-acquisition CIAC - Mesa Del	1983	2013	3.2%	395.00		395.00	236.64	12.64	249.28
Pre-acquisition CIAC - Flow Spgs	1983	2013	3.2%	(180.00)		(180.00)	(107.76)	(5.76)	(113.52)
Pre-acquisition CIAC - Quail Valley	1983	2013	3.2%	970.00		970.00	580.04	31.04	611.08
Pre-acquisition CIAC - Geronimo	1983	2013	3.2%	395.00		395.00	236.64	12.64	249.28
Pre-acquisition CIAC - E V Park	1983	2013	3.2%	395.00		395.00	236.64	12.64	249.28
Pre-acquisition CIAC - Mirtyle Rdg.	1983	2013	3.2%	395.00		395.00	236.64	12.64	249.28
Pre-acquisition CIAC - Quail Valley	1993	2023	3.2%	67,114.00		67,114.00	40,102.65	2,147.65	42,250.30
Pre-acquisition CIAC - Deer Creek	1993	2023	3.2%	249,737.00		249,737.00	149,225.58	7,991.58	157,217.16
Pre-acquisition CIAC - Deer Creek	1995	2025	3.2%	4,306.00		4,306.00	2,572.79	137.79	2,710.58
Mark Boroski	05/01/89	05/01/19	3.2%	23,169.92		23,169.92	13,844.44	741.44	14,585.88
Star Valley Ltd Partnership	01/20/94	01/20/24	3.2%	318,538.07		318,538.07	193,990.22	10,193.22	204,183.44
David Glen Spurlock	01/26/94	01/26/24	3.2%	120,000.00		120,000.00	71,704.00	3,840.00	75,544.00
Star Valley Ltd Partnership	11/25/95	11/25/25	3.2%	115,624.27		115,624.27	69,088.98	3,699.98	72,788.96
Prior AIAC's not valid contract			3.2%	(23,589.13)		(23,589.13)	(14,096.42)	(754.85)	(14,851.27)
Unlocated difference			3.2%	11.75		11.75	6.38	0.38	6.76
				877,281.88	-	877,281.88	527,857.46	28,073.03	555,930.49
								G/L	555,930.42
								Net Chang	(0.07)

SYSTEM SUMMARY	Contributions in Aid of Construction			CIAC Amortization		
	Balance 12/31/11	Additions (Deletions)	Balance 12/31/12	Balance 12/31/11	Additions (Deletions)	Balance 12/31/12
1 Mesa Del Caballo	395.00	-	395.00	236.64	12.64	249.28
2 Flowing Springs	(180.00)	-	(180.00)	(107.76)	(5.76)	(113.52)
3 Star/Quail Valley	506,622.07	-	506,622.07	306,376.91	16,211.91	322,588.82
4 Geronimo Estates	395.00	-	395.00	236.64	12.64	249.28
5 Deer Creek	254,043.00	-	254,043.00	151,798.37	8,129.37	159,927.74
6 East Verde Park	395.00	-	395.00	236.64	12.64	249.28
7 Mirtyle Ridge	395.00	-	395.00	236.64	12.64	249.28
8 Other Misc	115,216.81	-	115,216.81	68,843.38	3,686.95	72,530.33
	877,281.88	-	877,281.88	527,857.46	28,073.03	555,930.49

Payson Water co.

Contributions in Aid of Construction

December 31, 2011

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Contractee	Date Opened	Expiration Dates	Amort Rate	Contributions in Aid of Construction			CIAC Amortization			
				Balance 12/31/10	Additions	(Deletions)	Balance 12/31/11	Additions	(Deletions)	Balance 12/31/11
Pre-acquisition CIAC - Mesa Del	1983	2013	3.2%	395.00			395.00	12.64		261.92
Pre-acquisition CIAC - Flow Sprrs	1983	2013	3.2%	(180.00)			(180.00)	(5.76)		(119.28)
Pre-acquisition CIAC - Quail Valley	1983	2013	3.2%	970.00			970.00	31.04		642.12
Pre-acquisition CIAC - Geronimo	1983	2013	3.2%	395.00			395.00	12.64		261.92
Pre-acquisition CIAC - E V Park	1983	2013	3.2%	395.00			395.00	12.64		261.92
Pre-acquisition CIAC - Mrtyle Rdg.	1983	2013	3.2%	395.00			395.00	12.64		261.92
Pre-acquisition CIAC - Quail Valley	1993	2023	3.2%	67,114.00			67,114.00	2,147.65		44,397.95
Pre-acquisition CIAC - Deer Creek	1993	2023	3.2%	249,737.00			249,737.00	7,991.58		165,208.74
Pre-acquisition CIAC - Deer Creek	1995	2025	3.2%	4,306.00			4,306.00	137.79		2,848.37
Mark Boroski	05/01/89	05/01/19	3.2%	23,169.92			23,169.92	741.44		15,327.32
Star Valley Ltd Partnership	01/20/94	01/20/24	3.2%	318,538.07			318,538.07	10,193.22		214,376.66
David Glen Spurlock	01/26/94	01/26/24	3.2%	120,000.00			120,000.00	3,840.00		79,384.00
Star Valley Ltd Partnership	11/25/95	11/25/25	3.2%	115,624.27			115,624.27	3,699.98		76,488.94
Prior AIAc's not valid contract			3.2%	(23,589.13)			(23,589.13)	(754.85)		(15,606.12)
Unlocated difference			3.2%	11.75			11.75	0.38		7.14
				877,281.88	-	-	877,281.88	28,073.03	-	584,003.52
								G/L		584,003.52
								Net Chang		(0.00)

SYSTEM SUMMARY	Contributions in Aid of Construction			CIAC Amortization			
	Balance 12/31/11	Additions	(Deletions)	Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12
1 Mesa Del Caballo	395.00	-	-	249.28	12.64	-	261.92
2 Flowing Springs	(180.00)	-	-	(113.52)	(5.76)	-	(119.28)
3 Star/Quail Valley	506,622.07	-	-	322,588.82	16,211.91	-	338,800.73
4 Geronimo Estates	395.00	-	-	249.28	12.64	-	261.92
5 Deer Creek	254,043.00	-	-	159,927.74	8,129.37	-	168,057.11
6 East Verde Park	395.00	-	-	249.28	12.64	-	261.92
7 Mrtyle Ridge	395.00	-	-	249.28	12.64	-	261.92
8 Other Misc	115,216.81	-	-	72,530.33	3,686.95	-	76,217.28
	877,281.88	-	-	555,930.49	28,073.03	-	584,003.52

Amortization rate of 3.2% was set by Arizona Corporation Commission and is meant to mirror the life of the utility plant placed in service. The amortization rate of 1.6% is applied for the first year, the same rate applied to new plant additions in the first year of service.

Contributions in Aid of Construction

December 31st, 2012

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Contractee	Contributions in Aid of Construction					CIAC Amortization				
	Date Opened	Expiration Dates	Amort Rate	Balance 12/31/11	Balance 12/31/12	Balance 12/31/11	Balance 12/31/12	Additions	(Deletions)	Balance 12/31/12
Pre-acquisition CIAC - Mesa Del	1983	2013	3.2%	395.00	395.00	261.92	395.00	12.64	-	274.56
Pre-acquisition CIAC - Flow Sprs	1983	2013	3.2%	(180.00)	(180.00)	(119.28)	(180.00)	(5.76)	-	(125.04)
Pre-acquisition CIAC - Quail Valley	1983	2013	3.2%	970.00	-	642.12	-	12.93	(655.05)	-
Pre-acquisition CIAC - Geronimo	1983	2013	3.2%	395.00	395.00	261.92	395.00	12.64	-	274.56
Pre-acquisition CIAC - E V Park	1983	2013	3.2%	395.00	395.00	261.92	395.00	12.64	-	274.56
Pre-acquisition CIAC - Mrtle Rdg.	1983	2013	3.2%	395.00	395.00	261.92	395.00	12.64	-	274.56
Pre-acquisition CIAC - Quail Valley	1983	2023	3.2%	67,114.00	-	44,397.95	-	894.85	(45,292.80)	-
Pre-acquisition CIAC - Deer Creek	1993	2023	3.2%	249,737.00	249,737.00	165,208.74	249,737.00	7,991.58	-	173,200.32
Pre-acquisition CIAC - Deer Creek	1995	2025	3.2%	4,306.00	4,306.00	2,848.37	4,306.00	137.79	-	2,986.16
Mark Boroski	05/01/89	05/01/19	3.2%	23,169.92	23,169.92	15,327.32	23,169.92	741.44	-	16,068.76
Star Valley Ltd partnership	01/20/94	01/20/24	3.2%	318,538.07	-	214,376.66	-	4,247.17	(218,623.83)	-
Star Valley Ltd partnership	11/25/95	11/25/25	3.2%	115,624.27	-	76,488.94	-	1,541.66	(78,030.60)	-
David Glen Spurlock	01/26/94	01/26/24	3.2%	120,000.00	120,000.00	79,384.00	120,000.00	3,840.00	-	83,224.00
Prior AIAC's not valid contract			3.2%	(23,589.13)	(23,589.13)	(15,606.12)	(23,589.13)	(754.85)	-	(16,360.97)
Unlocated diffence			3.2%	11.75	11.75	7.14	11.75	0.38	-	7.52
Circle K (Star/Quail)		11/1/2037	4.0%	82,382.12	82,382.12	-	-	1,373.04	(1,373.04)	-
				877,281.88	82,382.12	584,003.52	375,035.54	20,070.79	(343,975.32)	260,098.99
								G / L		
								Net Change		(0.00)

SYSTEM SUMMARY	Contributions in Aid of Construction					CIAC Amortization				
	Balance 12/31/11	Balance 12/31/12	Additions	(Deletions)	Balance 12/31/12	Balance 12/31/11	Balance 12/31/12	Additions	(Deletions)	Balance 12/31/12
1 Mesa Del Caballo	395.00	395.00	-	-	395.00	261.92	395.00	12.64	-	274.56
2 Flowing Springs	(180.00)	(180.00)	-	-	(180.00)	(119.28)	(180.00)	(5.76)	-	(125.04)
3 Star/Quail Valley	502,246.34	502,246.34	82,382.12	(584,628.46)	335,905.67	335,905.67	8,069.65	(343,975.32)	-	-
4 Geronimo Estates	395.00	395.00	-	-	395.00	261.92	395.00	12.64	-	274.56
5 Deer Creek	254,043.00	254,043.00	-	-	254,043.00	168,057.11	254,043.00	8,129.37	-	176,186.48
6 East Verde Park	395.00	395.00	-	-	395.00	261.92	395.00	12.64	-	274.56
7 Mrtle Ridge	395.00	395.00	-	-	395.00	261.92	395.00	12.64	-	274.56
8 Other Misc	119,592.54	119,592.54	-	-	119,592.54	79,112.34	119,592.54	3,826.97	-	82,939.31
	877,281.88	82,382.12	82,382.12	(584,628.46)	375,035.54	584,003.52	20,070.79	(343,975.32)	-	260,098.99

EXHIBIT
TJB-RB- RJ3

Payson Water Company
 Revenue Breakdown Summary
 Company Proposed Rates

Attachment
 Page 1

	Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch US	\$ 178,108	\$ 53,930	\$ 56,792	\$ 30,050	\$ 318,880
5/8x3/4 Inch US - MDC	\$ 143,530	\$ 51,706	\$ 30,592	\$ 2,741	\$ 228,568
5/8x3/4 Inch C&S	\$ 49,102	\$ 24,853	\$ 37,033	\$ 39,894	\$ 150,881
3/4 Inch US	\$ 1,830	\$ 767	\$ 1,392	\$ 343	\$ 4,332
1 Inch US	\$ 762	\$ 452	\$ 114	\$ -	\$ 1,328
1 Inch US - MDC	\$ 989	\$ 245	\$ -	\$ -	\$ 1,233
1 Inch C&S	\$ 1,525	\$ 819	\$ -	\$ -	\$ 2,344
TOTALS	\$ 375,846	\$ 132,770	\$ 125,923	\$ 73,028	\$ 707,567
Percent of Total	53.12%	18.76%	17.80%	10.32%	100.00%
Cummulative %	53.12%	71.88%	89.68%	100.00%	

Payson Water Company - Staff Revenue Proof
 Revenue Breakdown Summary
 Staff Proposed Rates

Attachment
 Page 2

	Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch US	\$ 227,280	\$ 71,032	\$ 82,214	\$ 34,465	\$ 414,991
5/8x3/4 Inch C&S	\$ 38,640	\$ 16,849	\$ 34,855	\$ 41,930	\$ 132,274
3/4 Inch US	\$ 1,584	\$ 520	\$ 1,310	\$ 361	\$ 3,774
1 Inch US	\$ 1,320	\$ 694	\$ 120	\$ -	\$ 2,134
1 Inch C&S	\$ 1,320	\$ 770	\$ -	\$ -	\$ 2,090
TOTALS	\$ 270,144	\$ 89,866	\$ 118,499	\$ 76,755	\$ 555,264
Percent of Total	48.65%	16.18%	21.34%	13.82%	100.00%
Cummulative %	48.65%	64.84%	86.18%	100.00%	

RATE BASE SCHEDULES

Payson Water Company
 Test Year Ended December 31, 2012
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Rejoinder Schedule A-1
 Page 1
 Witness: Bourassa

Line
No.

1	Fair Value Rate Base	\$ 932,837
2		
3	Adjusted Operating Income	(160,866)
4		
5	Current Rate of Return	-17.24%
6		
7	Required Operating Income	\$ 92,180
8		
9	Required Rate of Return on Fair Value Rate Base	9.88%
10		
11	Operating Income Deficiency	\$ 253,046
12		
13	Gross Revenue Conversion Factor	1.5535
14		
15	Increase in Gross Revenue	
16	Requirement	\$ 393,099
17		
18	Adjusted Test Year Revenues	\$ 320,525
19	Increase in Gross Revenue Revenue Requirement	\$ 393,099
20	Proposed Revenue Requirement	\$ 713,624
21	% Increase	122.64%

Customer	Present	Proposed	Dollar	Percent
Classification	Rates	Rates	Increase	Increase
25	\$ 189,890	\$ 377,796	\$ 187,905	98.95%
26	97,253	227,134	129,881	133.55%
27	52,037	149,234	97,197	186.78%
28	1,860	4,605	2,745	147.63%
29	7,113	21,925	14,812	208.24%
30	317	1,233	916	288.91%
31	1,178	2,344	1,165	98.88%
32				
33	(35,742)	(76,704)	(40,962)	114.60%
34	\$ 313,906	\$ 707,567	\$ 393,661	125.41%
35				
36	5,901	5,901	-	0.00%
37	718	157	(561)	-78.13%
38			(1)	0.00%
39	\$ 320,525	\$ 713,625	\$ 393,099	122.64%

43 SUPPORTING SCHEDULES:

44 B-1
 45 C-1
 46 C-3
 47 H-1

Payson Water Company
 Test Year Ended December 31, 2012
 Summary of Rate Base

Exhibit
 Rejoinder Schedule B-1
 Page 1
 Witness: Bourassa

Line No.	<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1		
2	\$ 2,433,712	\$ 2,433,712
3	Less: Accumulated Depreciation	1,332,825
4		
5	Net Utility Plant in Service	\$ 1,100,886
6		
7	<u>Less:</u>	
8	Advances in Aid of Construction	-
9		
10	Contributions in Aid of Construction	375,036
11		
12	Accumulated Amortization of CIAC	(231,270)
13		
14	Customer Meter Deposits	-
15	Deferred Income Taxes & Credits	24,283
16		
17		
18		
19	<u>Plus:</u>	
20	Unamortized Finance	
21	Charges	-
22	Prepayments	-
23	Materials and Supplies	-
24	Allowance for Working Capital	-
25		
26		
27		
28	Total Rate Base	\$ 932,837
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43	<u>SUPPORTING SCHEDULES:</u>	
44	B-2	
45	B-3	
46	B-5	
47		
48		
49		
50		
51		
52		

Payson Water Company
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rejoinder Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Adjusted at end of <u>Test Year</u>	Proforma <u>Adjustment</u>	Rejoinder Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 2,159,387	274,325	\$ 2,433,712
3				
4	Less:			
5	Accumulated			
6	Depreciation	1,332,825	-	1,332,825
7				
8				
9	Net Utility Plant			
10	in Service	\$ 826,561		\$ 1,100,886
11				
12	Less:			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	375,036	-	375,036
18				
19	Accumulated Amortization of CIAC	(231,270)	-	(231,270)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	23,339	944	24,283
23				-
24				-
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				-
33				
34	Total	\$ 659,457		\$ 932,837

45 SUPPORTING SCHEDULES:
 46 B-2, pages 2
 47 E-1

RECAP SCHEDULES:
 B-1

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 49
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Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rejoinder Schedule B-
Page 3.1
Witness: Bourassa

Line No.	Acct. No.	Description	Phase 1 Costs
1			
2			
3			
4			
5			
6	301	Organization Cost	
7	302	Franchise Cost	
8	303	Land and Land Rights	
9	304	Structures and Improvements	
10	305	Collecting and Impounding Res.	
11	306	Lake River and Other Intakes	
12	307	Wells and Springs	
13	308	Infiltration Galleries and Tunnels	
14	309	Supply Mains	
15	310	Power Generation Equipment	
16	311	Electric Pumping Equipment	
17	320	Water Treatment Equipment	
18	320.1	Water Treatment Plant	
19	320.2	Chemical Solution Feeders	
20	330	Dist. Reservoirs & Standpipe	
21	330.1	Storage tanks	
22	330.2	Pressure Tanks	
23	331	Trans. and Dist. Mains	274,325
24	333	Services	
25	334	Meters	
26	335	Hydrants	
27	336	Backflow Prevention Devices	
28	339	Other Plant and Misc. Equip.	
29	340	Office Furniture and Fixtures	
30	340.1	Computers and Software	
31	341	Transportation Equipment	
32	342	Stores Equipment	
33	343	Tools and Work Equipment	
34	344	Laboratory Equipment	
35	345	Power Operated Equipment	
36	346	Communications Equipment	
37	347	Miscellaneous Equipment	
38	348	Other Tangible Plant	
39		Plant Held for Future Use	
40		TOTALS	\$ 274,325
41			
42			
43		<u>SUPPORTING SCHEDULE</u>	
44		Testimony	
45			

Payson Water Company
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - B

Exhibit
 Rejoinder Schedule B-
 Page 3.2
 Witness: Bourassa

Line No.	Acct. No.	Description	Adjusted Original Cost	Post Test Year Plant	Rejoinder Adjusted Original Cost	Rejoinder Plant Per Reconstruction	Difference
1							
2							
3							
4							
5							
6	301	Organization Cost	221	-	221	221	-
7	302	Franchise Cost	-	-	-	-	-
8	303	Land and Land Rights	16,500	-	16,500	16,500	-
9	304	Structures and Improvements	300,078	-	300,078	300,078	-
10	305	Collecting and Impounding Res.	2,531	-	2,531	2,531	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	273,013	-	273,013	273,013	-
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	3,681	-	3,681	3,681	-
15	310	Power Generation Equipment	8,310	-	8,310	8,310	-
16	311	Electric Pumping Equipment	217,608	-	217,608	217,608	-
17	320	Water Treatment Equipment	10,567	-	10,567	10,567	-
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	273,800	-	273,800	273,800	-
21	330.1	Storage tanks	-	-	-	-	-
22	330.2	Pressure Tanks	-	-	-	-	-
23	331	Trans. and Dist. Mains	439,972	274,325	714,297	714,297	-
24	333	Services	81,823	-	81,823	81,823	-
25	334	Meters	199,952	-	199,952	199,952	-
26	335	Hydrants	1,171	-	1,171	1,171	-
27	336	Backflow Prevention Devices	-	-	-	-	-
28	339	Other Plant and Misc. Equip.	320,820	-	320,820	320,820	-
29	340	Office Furniture and Fixtures	-	-	-	-	-
30	340.1	Computers and Software	-	-	-	-	-
31	341	Transportation Equipment	-	-	-	-	-
32	342	Stores Equipment	-	-	-	-	-
33	343	Tools and Work Equipment	72	-	72	72	-
34	344	Laboratory Equipment	-	-	-	-	-
35	345	Power Operated Equipment	-	-	-	-	-
36	346	Communications Equipment	9,267	-	9,267	9,267	-
37	347	Miscellaneous Equipment	-	-	-	-	-
38	348	Other Tangible Plant	-	-	-	-	-
39		Plant Held for Future Use	-	-	-	-	-
40		TOTALS	\$ 2,159,387	\$ 274,325	\$ 2,433,712	\$ 2,433,712	\$ -

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 42
 43 SUPPORTING SCHEDULE
 44 B-2, pages 3.3 - 3.18
 45

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.3
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before		Allowed Deprec. Rate After ¹		Per Decision 62320		Per Decision 62401		Per Decisions 62320 & 62401	
							Order Plant at 6/30/1998	Accum. Deprec. At 6/30/1998	Order Plant at 6/30/1998	Accum. Deprec. At 6/30/1998	Order Plant at 6/30/1998	Accum. Deprec. At 6/30/1998
1	301	Organization Cost	0.00%	0.00%	0.00%	300	300	-	-	300	-	-
2	302	Franchise Cost	0.00%	0.00%	0.00%	4,000	-	-	-	29,566	-	-
3	303	Land and Land Rights	0.00%	0.00%	0.00%	275	163	265,810	98,799	266,085	98,961	-
4	304	Structures & Improvements	5.00%	5.00%	3.18%	4,000	2,367	448,232	166,603	-	-	-
5	305	Collecting & Impounding Reservoirs	5.00%	5.00%	3.18%	11,615	6,873	157,874	58,680	169,489	65,553	-
6	306	Lake, River, Canal Intakes	5.00%	5.00%	3.18%	869	514	4,663	1,733	5,632	2,247	-
7	307	Wells & Springs	5.00%	5.00%	3.18%	10,384	6,144	322,244	119,775	332,628	125,919	-
8	308	Infiltration Galleries	5.00%	5.00%	3.18%	58,515	34,624	641,234	238,340	689,749	272,964	-
9	309	Raw Water Supply Mains	5.00%	5.00%	3.18%	13,925	8,240	132,857	49,382	146,782	57,621	-
10	310	Power Generation Equipment	5.00%	5.00%	3.18%	11,741	6,947	115,170	42,807	126,911	48,755	-
11	311	Pumping Equipment	5.00%	5.00%	3.18%	-	-	589,795	211,787	-	-	211,787
12	320	Water Treatment Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
19	333	Services	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
20	334	Meters	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
21	335	Hydrants	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	5.00%	3.18%	-	-	-	-	-	-	-
34												
35												
36		TOTALS				115,624	65,872	2,683,445	987,905	2,799,069	1,053,777	

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec.		Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
			Rate Before	Rate After ¹								
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	300	-	
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	29,566	-	
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	266,085	118,918	
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	-	13,304	-	-	
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	
7	307	Wells & Springs	5.00%	3.18%	-	-	-	-	22,612	452,232	202,887	
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	-	-	-	-	
10	310	Power Generation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
11	311	Pumping Equipment	5.00%	3.18%	-	-	-	-	8,474	169,489	78,265	
12	320	Water Treatment Equipment	5.00%	3.18%	-	-	-	-	277	5,532	2,662	
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	-	-	
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	332,628	150,866	
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	-	-	-	
19	333	Services	5.00%	3.18%	-	-	-	-	-	699,749	325,445	
20	334	Meters	5.00%	3.18%	-	-	-	-	-	146,782	68,630	
21	335	Hydrants	5.00%	3.18%	-	-	-	-	-	126,911	59,273	
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-	
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	
34												
35												
36		TOTALS							138,460	2,799,069	1,261,467	

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

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Rejoinder Schedule B-2
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Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Sale/Transfer of Assets	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	(7,175)	-	-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	(71,733)	(38,532)	8,368	194,352	88,754
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	-	-	-	-	-	-
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	-	-	-	-	(124,796)	(65,398)	14,170	327,436	151,660
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	495	-	495	-	-	-	9	495	14
10	310	Power Generation Equipment	5.00%	3.18%	6,793	-	6,793	-	-	-	123	6,793	407
11	311	Pumping Equipment	5.00%	3.18%	-	-	-	-	(29,223)	(23,032)	5,630	140,266	60,862
12	320	Water Treatment Equipment	5.00%	3.18%	1,751	-	1,751	-	-	-	233	7,283	2,314
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	(62,367)	(47,035)	11,139	280,261	114,970
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	(145,056)	(94,460)	22,799	554,693	253,784
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	(37,285)	(19,942)	4,658	109,497	53,346
19	333	Services	5.00%	3.18%	-	-	-	-	-	-	5,258	162,402	50,267
20	334	Meters	5.00%	3.18%	35,491	-	35,491	-	-	-	29	1,589	172
21	335	Hydrants	5.00%	3.18%	1,589	-	1,589	-	-	-	-	-	-
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	(159,906)	(62,907)	17,806	409,889	189,420
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-	-
34													
35													
36		TOTALS			46,119	-	46,119	-	(627,540)	(371,306)	90,224	2,217,648	965,972

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	2001				Accum. Deprec.	
					Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per-Books)		Salvage A/D Only
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	6,180	194,352	94,934
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	12,930	-	12,930	-	340,366	162,278
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	16	495	30
10	310	Power Generation Equipment	5.00%	3.18%	-	-	-	216	6,793	623
11	311	Pumping Equipment	5.00%	3.18%	17,395	-	17,395	4,737	157,660	65,599
12	320	Water Treatment Equipment	5.00%	3.18%	3,504	-	3,504	287	10,786	2,602
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	24,296	-	24,296	-	304,557	124,269
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	15,791	-	15,791	-	570,484	271,675
19	333	Services	5.00%	3.18%	-	-	-	-	109,497	56,828
20	334	Meters	5.00%	3.18%	11,723	-	11,723	-	174,124	55,618
21	335	Hydrants	5.00%	3.18%	-	-	-	-	1,589	222
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-
34										
35										
36		TOTALS			85,638	-	85,638	71,161	2,303,285	1,037,133

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

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Rejoinder Schedule B-2
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Witness: Bourassa

NARUC		2002		Allowed		Allowed		Plant		Plant		Plant		Plant		Plant		Plant									
Line No.	Account No.	Description	Rate Before	Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Line No.	Account No.	Description	Rate Before	Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.		
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	300	-	34	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-	-	
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	35	TOTALS	-	-	83,664	-	83,664	-	-	-	73,853	2,386,949	1,110,986	
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	22,391	-	19	333	Services	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	-	-	6,180	194,352	101,115	20	334	Meters	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	-	21	335	Hydrants	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	-	22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	-	-	-	-	-	10,824	340,366	173,102	23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	495	46	24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	-	-	16	6,793	839	25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	3.18%	-	-	-	-	-	216	170,241	70,813	26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	3.18%	12,580	-	12,580	-	-	5,214	13,203	2,983	27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
12	320	Water Treatment Equipment	5.00%	3.18%	2,416	-	2,416	-	-	381	-	-	28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-	29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	-	-	-	30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	31,220	-	31,220	-	-	10,181	335,776	134,450	31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-	32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-	33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	19,233	-	19,233	-	-	18,447	589,717	290,122	34														
19	333	Services	5.00%	3.18%	-	-	-	-	-	3,482	109,497	60,310	35														
20	334	Meters	5.00%	3.18%	18,215	-	18,215	-	-	5,827	192,339	61,445	36														
21	335	Hydrants	5.00%	3.18%	-	-	-	-	-	51	1,589	273															
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-	-															
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	13,034	409,889	215,489															
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-															
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-															
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-															
34																											
35																											
36																											

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

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Rejoinder Schedule B-2
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Witness: Bourassa

Line No.	NARUC Account No.	Description	2003		Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprac.
			Plant Additions (Per Books)	Plant Adjustments										
1	301	Organization Cost	0.00%		0.00%	-	-	-	-	-	-	300	-	
2	302	Franchise Cost	0.00%		0.00%	-	-	-	-	-	-	-	-	
3	303	Land and Land Rights	0.00%		0.00%	-	-	-	-	-	-	22,391	-	
4	304	Structures & Improvements	5.00%		3.18%	-	-	-	-	-	-	194,352	101,115	
5	305	Collecting & Impounding Reservoirs	5.00%		3.18%	-	-	-	-	-	-	-	-	
6	306	Lake, River, Canal Intakes	5.00%		3.18%	-	-	-	-	-	-	-	-	
7	307	Wells & Springs	5.00%		3.18%	-	-	-	-	-	-	340,366	173,102	
8	308	Infiltration Galleries	5.00%		3.18%	-	-	-	-	-	-	-	-	
9	309	Raw Water Supply Mains	5.00%		3.18%	-	-	-	-	-	-	495	46	
10	310	Power Generation Equipment	5.00%		3.18%	-	-	-	-	-	-	6,793	839	
11	311	Pumping Equipment	5.00%		3.18%	5,033	-	5,033	-	-	-	175,274	70,813	
12	320	Water Treatment Equipment	5.00%		3.18%	-	-	-	-	-	-	13,203	2,983	
13	320.1	Water Treatment Plants	5.00%		3.18%	-	-	-	-	-	-	-	-	
14	320.2	Solution Chemical Feeders	5.00%		3.18%	42,968	-	42,968	19,250	-	-	359,495	115,200	
15	330	Distribution Reservoirs & Standpipes	5.00%		3.18%	-	-	-	-	-	-	-	-	
16	330.1	Storage Tanks	5.00%		3.18%	-	-	-	-	-	-	-	-	
17	330.2	Pressure Tanks	5.00%		3.18%	-	-	-	-	-	-	-	-	
18	331	Transmission & Distribution Mains	5.00%		3.18%	6,979	-	6,979	-	-	-	596,696	290,122	
19	333	Services	5.00%		3.18%	-	-	-	-	-	-	109,497	60,310	
20	334	Meters	5.00%		3.18%	23,284	-	23,284	-	-	-	215,623	61,445	
21	335	Hydrants	5.00%		3.18%	-	-	-	-	-	-	1,589	273	
22	336	Backflow Prevention Devices	5.00%		3.18%	-	-	-	-	-	-	-	-	
23	339	Other Plant & Misc Equipment	5.00%		3.18%	-	-	-	-	-	-	409,889	215,489	
24	340	Office Furniture & Equipment	5.00%		3.18%	-	-	-	-	-	-	-	-	
25	340.1	Computers & Software	5.00%		3.18%	-	-	-	-	-	-	-	-	
26	341	Transportation Equipment	5.00%		3.18%	-	-	-	-	-	-	-	-	
27	342	Stores Equipment	5.00%		3.18%	-	-	-	-	-	-	-	-	
28	343	Tools, Shop & Garage Equipment	5.00%		3.18%	-	-	-	-	-	-	-	-	
29	344	Laboratory Equipment	5.00%		3.18%	-	-	-	-	-	-	-	-	
30	345	Power Operated Equipment	5.00%		3.18%	-	-	-	-	-	-	-	-	
31	346	Communication Equipment	5.00%		3.18%	3,417	-	3,417	-	-	-	3,417	-	
32	347	Miscellaneous Equipment	5.00%		3.18%	-	-	-	-	-	-	-	-	
33	348	Other Tangible Plant	5.00%		3.18%	-	-	-	-	-	-	-	-	
34						-	-	-	-	-	-	-	-	
35						-	-	-	-	-	-	-	-	
36		TOTALS				81,681	-	81,681	19,250	-	-	2,449,380	1,091,736	

¹ Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.10
Witness: Bourassa

NARUC Line Account No.		Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per-Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	22,391	-
3	303	Land and Land Rights	0.00%	0.00%	(0)	(0)	(0)	(0)	-	-	194,352	107,295
4	304	Structures & Improvements	5.00%	3.18%	0	0	0	0	6,180	6,180	-	-
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	(0)	(0)	(0)	(0)	10,824	10,824	340,366	183,926
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	(0)	(0)	(0)	(0)	16	16	495	61
10	310	Power Generation Equipment	5.00%	3.18%	(0)	(0)	(0)	(0)	216	216	6,793	1,055
11	311	Pumping Equipment	5.00%	3.18%	6,241	0	6,241	0	5,673	5,673	181,515	76,486
12	320	Water Treatment Equipment	5.00%	3.18%	0	0	0	0	420	420	13,203	3,403
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	196	-	196	-	11,435	11,435	359,691	126,635
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	370	-	370	-	18,981	18,981	587,066	309,103
19	333	Services	5.00%	3.18%	-	-	-	-	3,462	3,462	109,497	63,792
20	334	Meters	5.00%	3.18%	8,741	-	8,741	-	6,996	6,996	224,364	68,440
21	335	Hydrants	5.00%	3.18%	-	-	-	-	51	51	1,589	323
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	3.18%	4,361	-	4,361	-	178	178	7,778	178
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-
34					-	-	-	-	-	-	-	-
35					19,909	-	19,909	-	77,485	77,485	2,469,289	1,169,221
36		TOTALS										

¹ Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.11
Witness: Bourassa

NARUC Line Account		Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
No.	No.											
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	300	-	
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	22,391	-	
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	194,352	113,476	
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	-	6,180	-	-	
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	
7	307	Wells & Springs	5.00%	3.18%	-	-	-	-	10,824	340,366	194,749	
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	-	16	495	77	
10	310	Power Generation Equipment	5.00%	3.18%	-	-	-	-	216	6,793	1,271	
11	311	Pumping Equipment	5.00%	3.18%	6,921	5,546	12,467	680	5,960	193,302	81,765	
12	320	Water Treatment Equipment	5.00%	3.18%	-	61	61	-	421	13,264	3,824	
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	-	-	
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	11,438	359,691	138,073	
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	18,987	597,066	328,089	
19	333	Services	5.00%	3.18%	-	-	-	-	3,482	109,497	67,274	
20	334	Meters	5.00%	3.18%	8,741	2,749	11,490	-	7,317	235,854	75,758	
21	335	Hydrants	5.00%	3.18%	-	-	-	-	51	1,589	374	
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-	
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	13,034	408,889	241,558	
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	53	-	53	-	1	53	1	
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	247	7,778	425	
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	
34												
35												
36		TOTALS			15,715	8,356	24,072	680	-	78,174	2,492,681	1,246,715

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.12
Witness: Bourassa

NARUC Line Account No.		Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	22,391	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	199,271	119,734
4	304	Structures & Improvements	5.00%	3.18%	4,919	-	4,919	-	6,259	-	-	-
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	11,646	-	11,646	-	11,009	-	352,012	205,758
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	117	-	117	-	18	-	612	95
10	310	Power Generation Equipment	5.00%	3.18%	873	-	873	-	230	-	7,666	1,501
11	311	Pumping Equipment	5.00%	3.18%	9,323	-	9,323	-	6,295	-	202,625	88,061
12	320	Water Treatment Equipment	5.00%	3.18%	-	-	-	-	422	-	13,264	4,246
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	-	359,691	149,511
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	-	-	-	-
19	333	Services	5.00%	3.18%	751	-	751	-	18,987	-	597,066	347,076
20	334	Meters	5.00%	3.18%	16,339	-	16,339	-	3,494	-	110,248	70,768
21	335	Hydrants	5.00%	3.18%	-	-	-	-	7,760	-	252,193	83,518
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	51	-	1,589	424
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	-	409,889	254,592
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	2	-	53	3
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	247	-	7,778	673
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-
34												
35												
36		TOTALS			43,967	-	43,967	-	-	79,245	2,536,648	1,325,980

¹Weighted average rate of United Utilities and C&S Water

2007

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	0	-	0	-	-	-	22,391	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	212,082	126,275
4	304	Structures & Improvements	5.00%	3.18%	12,811	-	12,811	-	-	6,541	-	-
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	3,563	-	3,563	-	-	11,251	355,575	217,009
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	0	0	0	0	-	19	612	114
10	310	Power Generation Equipment	5.00%	3.18%	0	0	0	0	-	244	7,666	1,745
11	311	Pumping Equipment	5.00%	3.18%	20,059	-	20,059	-	-	6,762	222,684	94,823
12	320	Water Treatment Equipment	5.00%	3.18%	-	-	-	-	-	422	13,264	4,667
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	0	-	0	-	-	11,438	359,691	160,949
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	0	0	0	0	-	18,987	597,066	366,063
19	333	Services	5.00%	3.18%	790	-	790	-	-	3,518	111,038	74,287
20	334	Meters	5.00%	3.18%	11,104	-	11,104	-	-	8,196	263,297	91,714
21	335	Hydrants	5.00%	3.18%	-	-	-	-	-	51	1,589	475
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	13,093	413,592	267,686
24	340	Office Furniture & Equipment	5.00%	3.18%	3,703	-	3,703	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	2	53	4
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	4,798	-	4,798	-	-	324	12,576	996
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-
34												
35					56,829	-	56,829	-	-	80,847	2,593,477	1,406,807
36		TOTALS										

¹ Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.14
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	2008				Accum. Deprec.		
					Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)		Salvage A/D Only	Depreciation (Calculated)
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	22,391	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	216,605	133,091
4	304	Structures & Improvements	5.00%	3.18%	4,523	-	4,523	-	6,816	3,435	55
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	3,435	-	3,435	-	55	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	11,551	-	11,551	-	11,491	367,126	228,500
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	-	19	612	134
10	310	Power Generation Equipment	5.00%	3.18%	-	-	-	-	244	7,666	1,989
11	311	Pumping Equipment	5.00%	3.18%	19,722	-	19,722	-	7,395	242,406	102,218
12	320	Water Treatment Equipment	5.00%	3.18%	439	-	439	-	429	13,703	5,096
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	11,870	-	11,870	-	11,627	371,561	172,576
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	18,987	597,066	385,050
19	333	Services	5.00%	3.18%	-	-	-	-	3,531	111,038	77,818
20	334	Meters	5.00%	3.18%	1,757	-	1,757	-	8,401	265,054	100,115
21	335	Hydrants	5.00%	3.18%	-	-	-	-	51	1,589	525
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	7,406	-	7,406	-	13,270	420,998	280,956
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	45	-	45	-	2	98	7
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	400	12,576	1,396
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-
34											
35					60,749	-	60,749	-	82,717	2,654,226	1,489,524
36		TOTALS									

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.15
Witness: Bourassa

NARUC Line Account No.		Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	22,391	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	216,605	139,979
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	-	6,888	109	3,435	164
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	-
7	307	Walls & Springs	5.00%	3.18%	-	-	-	-	-	11,675	367,126	240,174
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	-	-	19	612	153
10	310	Power Generation Equipment	5.00%	3.18%	962	-	962	-	-	259	8,628	2,248
11	311	Pumping Equipment	5.00%	3.18%	14,818	-	14,818	-	-	7,944	257,224	110,162
12	320	Water Treatment Equipment	5.00%	3.18%	-	-	-	-	-	436	13,703	5,532
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	11,816	371,561	184,392
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	-	-	-	-
19	333	Services	5.00%	3.18%	-	-	-	-	-	18,987	597,066	404,036
20	334	Meters	5.00%	3.18%	-	-	-	-	-	3,531	111,038	81,349
21	335	Hydrants	5.00%	3.18%	2,576	-	2,576	-	-	8,470	267,629	108,585
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	51	1,589	576
23	339	Other Plant & Misc Equipment	5.00%	3.18%	674	-	674	-	-	13,398	421,672	294,354
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	3	98	10
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	400	12,576	1,796
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-
34												
35												
36		TOTALS			19,029	-	19,029	-	-	83,985	2,673,256	1,573,510

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.16
Witness: Bourassa

Line No.	MARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	2010					Accum. Deprec.		
					Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only		Depreciation (Calculated)	Plant Balance
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	300	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	22,391	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	216,605	146,867
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	-	6,888	-	3,435	273
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	5.00%	3.18%	2,815	-	2,815	-	-	11,719	369,941	251,893
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	612	173
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	-	19	274	8,628	2,522
10	310	Power Generation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	5.00%	3.18%	20,453	-	20,453	-	-	8,505	277,677	118,667
12	320	Water Treatment Equipment	5.00%	3.18%	636	-	636	-	-	446	14,339	5,978
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	11,816	371,561	196,208
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	-	-	-	-
19	333	Services	5.00%	3.18%	-	-	-	-	-	-	-	-
20	334	Meters	5.00%	3.18%	293	-	293	-	-	-	-	-
21	335	Hydrants	5.00%	3.18%	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	-	-	18,987	597,066	423,023
24	340	Office Furniture & Equipment	5.00%	3.18%	293	-	293	-	-	3,531	111,038	84,880
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	8,515	267,923	117,100
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	51	1,589	626
27	342	Stores Equipment	5.00%	3.18%	9,689	-	9,689	-	-	13,563	431,362	307,918
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	3	98	13
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	400	12,576	2,196
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-
34					-	-	-	-	-	-	-	-
35					-	-	-	-	-	-	-	-
36		TOTALS			33,886	-	33,886	-	-	84,827	2,707,142	1,658,336

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.17
Witness: Bourassa

Line No.	NARUC Account No.	Description	2011		Plant Additions (Per Books)	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
			Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹							
1	301	Organization Cost	0.00%	0.00%	-	-	-	-	300	-	
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	22,391	-	
4	304	Structures & Improvements	5.00%	3.18%	-	-	-	6,888	216,605	153,755	
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	109	3,435	382	
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	-	-	-	
7	307	Wells & Springs	5.00%	3.18%	553	553	-	11,773	370,493	263,666	
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	
9	309	Raw Water Supply Mains	5.00%	3.18%	-	-	-	19	612	192	
10	310	Power Generation Equipment	5.00%	3.18%	-	-	-	274	8,628	2,797	
11	311	Pumping Equipment	5.00%	3.18%	11,973	11,973	-	9,020	289,650	127,688	
12	320	Water Treatment Equipment	5.00%	3.18%	-	-	-	456	14,339	6,434	
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	-	-	-	
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	11,816	371,561	208,023	
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	-	-	
19	333	Services	5.00%	3.18%	-	-	-	18,987	587,066	442,010	
20	334	Meters	5.00%	3.18%	2,462	2,462	-	3,531	111,038	88,411	
21	335	Hydrants	5.00%	3.18%	-	-	-	8,559	270,384	125,659	
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	51	1,589	677	
23	339	Other Plant & Misc Equipment	5.00%	3.18%	4,009	4,009	-	13,781	435,371	321,699	
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	3	98	16	
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	
31	346	Communication Equipment	5.00%	3.18%	-	-	-	400	12,576	2,596	
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	
34											
35											
36		TOTALS			18,996	18,996	-	85,688	2,726,138	1,744,004	

¹Weighted average rate of United Utilities and C&S Water

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.18
Witness: Bourassa

NARUC Line Account No.		Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After ¹	Plant Additions (Per-Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per-Books)	Sale/Transfer of Assets	Salvage A/D Only	Depreciation (Calculated)	Post Test Year Plant	Plant Balance	Accum. Deprec.
No.	No.													
1	301	Organization Cost	0.00%	0.00%	-	-	-	(79)	-	-	-	-	221	-
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	(5,891)	(4,320)	-	-	-	16,500	(4,320)
4	304	Structures & Improvements	5.00%	3.18%	167,258	-	167,258	(83,785)	(42,903)	8,215	-	-	300,078	119,067
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-	-	-	(904)	(104)	95	-	-	2,531	373
6	306	Lake, River, Canal Intakes	5.00%	3.18%	-	-	-	(97,481)	(73,245)	10,232	-	-	273,013	200,653
7	307	Wells & Springs	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	3,230	-	3,230	(161)	(56)	68	-	-	3,681	204
10	310	Power Generation Equipment	5.00%	3.18%	1,952	-	1,952	(2,270)	(817)	269	-	-	8,310	2,249
11	311	Pumping Equipment	5.00%	3.18%	5,063	-	5,063	(77,105)	(35,267)	8,065	-	-	217,608	100,486
12	320	Water Treatment Equipment	5.00%	3.18%	-	-	-	(3,773)	(1,792)	396	-	-	10,567	5,038
13	320.1	Water Treatment Plants	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	5.00%	3.18%	-	-	-	(97,762)	(58,120)	10,261	-	-	273,800	160,164
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
19	333	Services	5.00%	3.18%	-	-	-	(157,094)	(122,207)	16,489	-	-	714,297	336,291
20	334	Meters	5.00%	3.18%	753	-	753	(29,215)	(24,363)	3,066	-	-	81,823	67,115
21	335	Hydrants	5.00%	3.18%	-	-	-	(71,186)	(34,665)	7,478	-	-	199,952	98,472
22	336	Backflow Prevention Devices	5.00%	3.18%	-	-	-	(418)	(197)	44	-	-	1,171	524
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-	-	-	(114,551)	(89,482)	12,023	-	-	320,820	244,240
24	340	Office Furniture & Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	3.18%	-	-	-	(26)	(3)	3	-	-	72	16
29	344	Laboratory Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	5.00%	3.18%	-	-	-	(3,309)	(690)	347	-	-	9,267	2,253
32	347	Miscellaneous Equipment	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-	-	-	-	-	-	-	-	-	-
34														
35														
36		TOTALS			178,257	-	178,257	-	(745,009)	(488,232)	77,053	274,325	2,433,712	1,332,825

¹ Weighted average rate of United Utilities and C&S Water

Line No.	Description	Accumulated Depreciation					Adjustments			Rejoinder Adjusted Accum. Depr.
		Adjusted Accum. Depr.	Reconciliation Adjustments to Reconcile A/D to Reconstruction	Intentionally Left Blank						
1		-	-	-	-	-	-	-	-	-
2		-	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-	-
5		-	-	-	-	-	-	-	-	-
6	Organization Cost	-	-	-	-	-	-	-	-	-
7	Franchise Cost	(4,320)	-	-	-	-	-	-	-	(4,320)
8	Land and Land Rights	119,067	-	-	-	-	-	-	-	119,067
9	Structures and Improvements	373	-	-	-	-	-	-	-	373
10	Collecting and Impounding Res.	-	-	-	-	-	-	-	-	-
11	Lake River and Other Intakes	200,653	-	-	-	-	-	-	-	200,653
12	Wells and Springs	-	-	-	-	-	-	-	-	-
13	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-	-
14	Supply Mains	204	-	-	-	-	-	-	-	204
15	Power Generation Equipment	2,249	-	-	-	-	-	-	-	2,249
16	Electric Pumping Equipment	100,486	-	-	-	-	-	-	-	100,486
17	Water Treatment Equipment	5,038	-	-	-	-	-	-	-	5,038
18	Water Treatment Plant	-	-	-	-	-	-	-	-	-
19	Chemical Solution Feeders	-	-	-	-	-	-	-	-	-
20	Dist. Reservoirs & Standpipe	160,164	-	-	-	-	-	-	-	160,164
21	330.1 Storage tanks	-	-	-	-	-	-	-	-	-
22	330.2 Pressure Tanks	-	-	-	-	-	-	-	-	-
23	331 Trans. and Dist. Mains	336,291	-	-	-	-	-	-	-	336,291
24	333 Services	67,115	-	-	-	-	-	-	-	67,115
25	334 Meters	98,472	-	-	-	-	-	-	-	98,472
26	335 Hydrants	524	-	-	-	-	-	-	-	524
27	336 Backflow Prevention Devices	-	-	-	-	-	-	-	-	-
28	339 Other Plant and Misc. Equip.	244,240	-	-	-	-	-	-	-	244,240
29	340 Office Furniture and Fixtures	-	-	-	-	-	-	-	-	-
30	340.1 Computers and Software	-	-	-	-	-	-	-	-	-
31	341 Transportation Equipment	-	-	-	-	-	-	-	-	-
32	342 Stores Equipment	-	-	-	-	-	-	-	-	-
33	343 Tools and Work Equipment	16	-	-	-	-	-	-	-	16
34	344 Laboratory Equipment	-	-	-	-	-	-	-	-	-
35	345 Power Operated Equipment	-	-	-	-	-	-	-	-	-
36	346 Communications Equipment	2,253	-	-	-	-	-	-	-	2,253
37	347 Miscellaneous Equipment	-	-	-	-	-	-	-	-	-
38	348 Other Tangible Plant	-	-	-	-	-	-	-	-	-
39		-	-	-	-	-	-	-	-	-
40		-	-	-	-	-	-	-	-	-
41		-	-	-	-	-	-	-	-	-
42		-	-	-	-	-	-	-	-	-
43		-	-	-	-	-	-	-	-	-
44		-	-	-	-	-	-	-	-	-
45		-	-	-	-	-	-	-	-	-
46		-	-	-	-	-	-	-	-	-
47		-	-	-	-	-	-	-	-	-
48		-	-	-	-	-	-	-	-	-
49		-	-	-	-	-	-	-	-	-
50		-	-	-	-	-	-	-	-	-
	TOTALS	\$ 1,332,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,332,825
	Accumulated Depreciation per Books	\$ 1,332,825	-	-	-	-	-	-	-	\$ 1,332,825
	Increase (decrease) in Accumulated Depreciation	\$ -	-	-	-	-	-	-	-	\$ -
	Adjustment to Accumulated Depreciation	\$ -	-	-	-	-	-	-	-	\$ -

Payson Water Company
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 -A

Exhibit
 Rejoinder Schedule B-
 Page 4.1
 Witness: Bourassa

Line No.	Acct. No.	Description	Adjusted Accumulated Depreciation	Accumulated Depreciation Per Plant Reconstruction	Difference
1					
2					
3					
4					
5					
6	301	Organization Cost	-	-	-
7	302	Franchise Cost	-	-	-
8	303	Land and Land Rights	(4,320)	(4,320)	-
9	304	Structures and Improvements	119,067	119,067	-
10	305	Collecting and Impounding Res.	373	373	-
11	306	Lake River and Other Intakes	-	-	-
12	307	Wells and Springs	200,653	200,653	-
13	308	Infiltration Galleries and Tunnels	-	-	-
14	309	Supply Mains	204	204	-
15	310	Power Generation Equipment	2,249	2,249	-
16	311	Electric Pumping Equipment	100,486	100,486	-
17	320	Water Treatment Equipment	5,038	5,038	-
18	320.1	Water Treatment Plant	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-
20	330	Dist. Reservoirs & Standpipe	160,164	160,164	-
21	330.1	Storage tanks	-	-	-
22	330.2	Pressure Tanks	-	-	-
23	331	Trans. and Dist. Mains	336,291	336,291	-
24	333	Services	67,115	67,115	-
25	334	Meters	98,472	98,472	-
26	335	Hydrants	524	524	-
27	336	Backflow Prevention Devices	-	-	-
28	339	Other Plant and Misc. Equip.	244,240	244,240	-
29	340	Office Furniture and Fixtures	-	-	-
30	340.1	Computers and Software	-	-	-
31	341	Transportation Equipment	-	-	-
32	342	Stores Equipment	-	-	-
33	343	Tools and Work Equipment	16	16	-
34	344	Laboratory Equipment	-	-	-
35	345	Power Operated Equipment	-	-	-
36	346	Communications Equipment	2,253	2,253	-
37	347	Miscellaneous Equipment	-	-	-
38	348	Other Tangible Plant	-	-	-
39					
40		TOTALS	\$ 1,332,825	\$ 1,332,825	\$ -

SUPPORTING SCHEDULE

B-2, pages 3.3 - 3.18

45

Payson Water Company
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Schedule B-2
 Page 5.0
 Witness: Bourassa

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

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 09/30/2012	\$ 375,036	\$ 231,270
6			
7	Adjusted balance at 09/30/2012	<u>\$ 375,036</u>	<u>\$ 231,270</u>
8			
9	Increase (decrease)	\$ -	\$ -
10			
11			
12	Adjustment to CIAC/AA CIAC	<u>\$ -</u>	<u>\$ -</u>
13	Label	3a	3b
14			
15			
16			
17			
18			
19	<u>SUPPORTING SCHEDULES</u>		
20	E-1		
21	B-2, page 5.1		
22			
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40			

Line No.	Dec. No. 62401 Balance 6/30/1998	1998		1999		2000		2001		2002		2003	
		Balance 9/30/2009	Additions	Balance 10/30/2009	Additions	Balance 9/30/2011	Additions	Balance 9/30/2012	Additions	Balance 12/31/1993	Additions	Balance 12/31/1993	Additions
1	960,903	960,903		960,903		883,774		883,774		883,774		883,774	
2	192,220						(77,129)						
3		5,000%		5,000%		3,65%				3,20%		3,20%	
4		48,045		48,045		33,665		28,281		28,281		28,281	
5		240,265		244,847		244,847		273,127		301,408		329,689	
6													
7		720,638		672,563		638,927		610,647		582,366		554,085	
8													
9													
10													
11													
12													
13													
14													
15													
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17													
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41													
42													
43													
44													
45													

Line No.	2004		2005		2006		2007		2008		2009	
	Balance 12/31/1993	Additions										
1	883,774		883,774		883,774		883,774		883,774		883,774	
2												
3												
4												
5												
6												
7												
8												
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43												
44												
45												

Line No.	2010		2011		2012	
	Balance 12/31/1993	Additions	Balance 12/31/1993	Additions	Balance 12/31/1993	Additions
1	877,282		877,282		375,036	
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
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Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Rejoinder Schedule B-2
Page 5
Witness: Bourassa

Line
No.
1
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Computed balance at 09/30/2012	\$ 82,962
Book balance at 09/30/2012	<u>\$ 82,962</u>
Increase (decrease)	\$ (0)

SUPPORTING SCHEDULES
E-1
B-2, page 6.1

Line No.	Deferred Income Tax as of December 31, 2012	Adjusted Book Value	Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non-Current	Future Tax Liability Current	Future Tax Liability Non-Current
1										
2										
3										
4										
5										
6	Plant-in-Service	\$ 2,433,712 ¹								
7	Accum. Deprec.	(1,332,825) ¹								
8	CIAC	(143,766) ³								
9	Fed. Fixed Assets	\$ 957,121	\$ 890,025 ²	100.0%	\$ (67,096)	29.69%		-		(19,922)
10										
11	State Fixed Assets	\$ 957,121	\$ 890,025 ²	100.0%	\$ (67,096)	6.50%		-		(4,361)
12										
13	Fed & Str ALAC		- ⁴	100.0%	\$ - ⁴	34.26%		\$ -		
14										
15										
16										
17	Net Asset (Liability)						\$ (24,283)		\$ -	\$ (24,283)
18										
19										
20										
21	Net Asset (Liability)						\$ (24,283)		\$ -	\$ (24,283)
22										
23	Adjusted DIT Asset (Liability)						\$ (23,339)		\$ -	\$ (23,339)
24										
25	Adjustment to DIT									\$ 944
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										
36										
37										
38										
39										
40										

Footnotes - See page 2

Payson Water Company
Test Year Ended December 31, 2012
Computation of Working Capital

Exhibit
Rejoinder Schedule B-5
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	52,314
3	Pumping Power (1/24 of Pumping Power)		2,106
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	<u>\$</u>	<u>54,420</u>
10			
11			
12	Working Capital Requested	<u>\$</u>	<u>-</u>
13			
14			
15			
16			
17		<u>Adjusted Test Year</u>	
18	Total Operating Expense	\$	481,391
19	Less:		
20	Income Tax	\$	(99,964)
21	Property Tax		19,978
22	Depreciation		92,329
23	Purchased Water		-
24	Pumping Power		50,533
25	Allowable Expenses	<u>\$</u>	<u>418,515</u>
26	1/8 of allowable expenses	<u>\$</u>	<u>52,314</u>
27			
28			
29	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
30	E-1	B-1	
31			
32			
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Payson Water Company
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Rejoinder Schedule C-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Adjusted Results	Adjustment	Rejoinder Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues				
2	\$ 313,559	\$ -	\$ 313,559	\$ 393,099	\$ 706,658
3	-	-	-	-	-
4	6,966	-	6,966	-	6,966
5	<u>\$ 320,525</u>	<u>\$ -</u>	<u>\$ 320,525</u>	<u>\$ 393,099</u>	<u>\$ 713,624</u>
6	Operating Expenses				
7	\$ 55,097	-	\$ 55,097	-	\$ 55,097
8	-	-	-	-	-
9	50,533	-	50,533	-	50,533
10	-	-	-	-	-
11	2,181	-	2,181	-	2,181
12	28,089	-	28,089	-	28,089
13	-	-	-	-	-
14	58,481	(1,683)	56,798	-	56,798
15	-	173,903	173,903	-	173,903
16	11,000	-	11,000	-	11,000
17	-	-	-	-	-
18	-	-	-	-	-
19	-	-	-	-	-
20	266	-	266	-	266
21	-	-	-	-	-
22	65,000	-	65,000	-	65,000
23	235,253	(209,072)	26,181	-	26,181
24	85,632	6,697	92,329	-	92,329
25	-	-	-	-	-
26	21,030	(1,051)	19,978	8,167	28,145
27	(109,557)	9,593	(99,964)	131,886	31,922
28	-	-	-	-	-
29	<u>\$ 503,004</u>	<u>\$ (21,613)</u>	<u>\$ 481,391</u>	<u>\$ 140,053</u>	<u>\$ 621,445</u>
30	<u>\$ (182,479)</u>	<u>\$ 21,613</u>	<u>\$ (160,866)</u>	<u>\$ 253,046</u>	<u>\$ 92,180</u>
31	Other Income (Expense)				
32	-	-	-	-	-
33	-	-	-	-	-
34	-	(10,819)	(10,819)	-	(10,819)
35	-	-	-	-	-
36	-	-	-	-	-
37	<u>\$ -</u>	<u>\$ (10,819)</u>	<u>\$ (10,819)</u>	<u>\$ -</u>	<u>\$ (10,819)</u>
38	<u>\$ (182,479)</u>	<u>\$ 10,794</u>	<u>\$ (171,685)</u>	<u>\$ 253,046</u>	<u>\$ 81,361</u>

39
 40 SUPPORTING SCHEDULES:
 41 C-1, page 2
 42 E-2
 43

RECAP SCHEDULES:
 A-1

Payson Water Company
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Rejoinder Schedule C-1
 Page 2.1
 Witness: Bourassa

Line No.	Revenues	1	2	3	4	5
	Test Year Adjusted Results	Depreciation	Property Taxes	Contractual Services	Misc. Expense Brooke Utilities OH	Management Fees J/W Holdings
1	Metered Water Revenues	\$ 313,559				
2	Unmetered Water Revenues	-				
3	Other Water Revenues	6,966				
4		\$ 320,525	\$ -	\$ -	\$ -	\$ -
5	Operating Expenses					
6	Salaries and Wages	\$ 55,097				
7	Purchased Water	-				
8	Purchased Power	50,533				
9	Fuel For Power Production	-				
10	Chemicals	2,181				
11	Repairs and Maintenance	28,089				
12	Office Supplies and Expense	-				
13	Contractual Services	58,481		(1,683)		
14	Contractual Services - Management					
15	Water Testing	11,000				173,903
16	Rents	-				
17	Transportation Expenses	-				
18	Insurance - General Liability	-				
19	Insurance - Health and Life	266				
20	Reg. Comm. Exp. - Other	-				
21	Reg. Comm. Exp. - Rate Case	65,000				
22	Miscellaneous Expense	235,253			(197,722)	
23	Depreciation and Amortization Expense	85,632	6,697			
24	Taxes Other Than Income	-				
25	Property Taxes	21,030	(1,051)			
26	Income Tax	(109,557)				
27						
28	Total Operating Expenses	\$ 503,004	\$ (1,051)	\$ (1,683)	\$ (197,722)	\$ 173,903
29	Operating Income	\$ (182,479)	\$ 1,051	\$ 1,683	\$ 197,722	\$ (173,903)
30	Other Income (Expense)					
31	Interest Income	-				
32	Other Income	-				
33	Interest Expense	-				
34	Other Expense	-				
35	Gain(loss) on Disposal of Fixed Assets	-				
36	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -
37	Net Profit (Loss)	\$ (182,479)	\$ (1,051)	\$ 1,683	\$ 197,722	\$ (173,903)
38						
39						

SUPPORTING SCHEDULES:
 C-2
 E-2

Payson Water Company
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Rejoinder Schedule C-1
 Page 2.2
 Witness: Bourassa

Line No.	Revenues	Misc. Expense Beaver Dam Write-off	Misc. Expense Non-Recurring	Interest Expense	Income Taxes	Rejoinder Test Year Adjusted Results	Proposed Rate Increase	Rejoinder Adjusted with Rate Increase
1	Metered Water Revenues					\$ 313,559	\$ 393,099	\$ 706,658
2	Unmetered Water Revenues							
3	Other Water Revenues							
4						6,966		6,966
5						\$ 320,525	\$ 393,099	\$ 713,624
6	Operating Expenses							
7	Salaries and Wages					\$ 55,097		\$ 55,097
8	Purchased Water							
9	Purchased Power					50,533		50,533
10	Fuel For Power Production							
11	Chemicals					2,181		2,181
12	Repairs and Maintenance					28,089		28,089
13	Office Supplies and Expense							
14	Contractual Services					56,798		56,798
15	Contractual Services - Management					173,903		173,903
16	Water Testing					11,000		11,000
17	Rents							
18	Transportation Expenses							
19	Insurance - General Liability							
20	Insurance - Health and Life					266		266
21	Reg. Comm. Exp. - Other							
22	Reg. Comm. Exp. - Rate Case					65,000		65,000
23	Miscellaneous Expense	(7,857)	(3,493)			26,181		26,181
24	Depreciation and Amortization Expense					92,329		92,329
25	Taxes Other Than Income							
26	Property Taxes				9,593	19,978	8,167	28,145
27	Income Tax					(99,964)	131,886	31,922
28								
29	Total Operating Expenses	\$ (7,857)	\$ (3,493)	\$ -	\$ 9,593	\$ 481,391	\$ 140,053	\$ 621,445
30	Operating Income	\$ 7,857	\$ 3,493	\$ -	\$ (9,593)	\$ (160,866)	\$ 253,046	\$ 92,180
31	Other Income (Expense)							
32	Interest Income							
33	Other Income							
34	Interest Expense			(10,819)		(10,819)		(10,819)
35	Other Expense							
36	Gain(loss) on Disposal of Fixed Assets							
37	Total Other Income (Expense)	\$ -	\$ -	\$ (10,819)	\$ -	\$ (10,819)	\$ -	\$ (10,819)
38	Net Profit (Loss)	\$ 7,857	\$ 3,493	\$ (10,819)	\$ (9,593)	\$ (171,685)	\$ 253,046	\$ 81,361
39								

SUPPORTING SCHEDULES:
 C-2
 E-2

RECAP SCHEDULES:
 C-1, page 1

Payson Water Company
 Test Year Ended December 31, 2012
 Adjustments to Revenues and Expenses

Exhibit
 Rejoinder Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	Adjustments to Revenues and Expenses						Subtotal
	1	2	3	4	5	6	
1							
2	Depreciation	Property	Contractual	Misc. Expense	Management Fees	Misc. Expense	
3	Expense	Taxes	Services	Brooke Utilites OH	JW Holdings	Beaver Dam Write-off	
4	Revenues						-
5							
6	Expenses	6,697	(1,051)	(1,683)	(197,722)	173,903	(27,713)
7							
8	Operating						
9	Income	(6,697)	1,051	1,683	197,722	(173,903)	27,713
10							
11	Interest						
12	Expense						-
13	Other						
14	Income /						-
15	Expense						
16							
17	Net Income	(6,697)	1,051	1,683	197,722	(173,903)	27,713
18							
19							
20							
21							
22							
23							
24							
25	Revenues						-
26							
27	Expenses	(3,493)	-	9,593	-	-	(21,613)
28							
29	Operating						
30	Income	3,493		(9,593)	-	-	21,613
31							
32	Interest						
33	Expense		(10,819)				(10,819)
34	Other						
35	Income /						-
36	Expense						
37							
38	Net Income	3,493	(10,819)	(9,593)	-	-	10,794
39							
40							

Payson Water Company
 Test Year Ended December 31, 2012
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Rejoinder Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

Line

<u>No.</u>	<u>Acct.</u>	<u>Description</u>	<u>Adjusted Original Cost</u>	<u>Non-depreciable/ Fully Depreciated</u>	<u>Adjusted Original Cost</u>	<u>Proposed Rates</u>	<u>Depreciation Expense</u>
1							
2							
3							
4							
5	301	Organization Cost	221	(221)	-	0.00%	-
6	302	Franchise Cost	-	-	-	0.00%	-
7	303	Land and Land Rights	16,500	(16,500)	-	0.00%	-
8	304	Structures and Improvements	300,078		300,078	3.33%	9,993
9	305	Collecting and Impounding Res.	2,531		2,531	2.50%	63
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	273,013		273,013	3.33%	9,091
12	308	Infiltration Galleries and Tunnels	-		-	6.67%	-
13	309	Supply Mains	3,681		3,681	2.00%	74
14	310	Power Generation Equipment	8,310		8,310	5.00%	415
15	311	Electric Pumping Equipment	217,608		217,608	12.50%	27,201
16	320	Water Treatment Equipment	10,567		10,567	3.33%	352
17	320.1	Water Treatment Plant	-		-	3.33%	-
18	320.2	Chemical Solution Feeders	-		-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	273,800		273,800	2.22%	6,078
20	330.1	Storage tanks	-		-	2.22%	-
21	330.2	Pressure Tanks	-		-	5.00%	-
22	331	Trans. and Dist. Mains	714,297		714,297	2.00%	14,286
23	333	Services	81,823		81,823	3.33%	2,725
24	334	Meters	199,952	-	199,952	8.33%	16,656
25	335	Hydrants	1,171		1,171	2.00%	23
26	336	Backflow Prevention Devices	-	-	-	6.67%	-
27	339	Other Plant and Misc. Equip.	320,820		320,820	6.67%	21,399
28	340	Office Furniture and Fixtures	-		-	6.67%	-
29	340.1	Computers and Software	-		-	20.00%	-
30	341	Transportation Equipment	-	-	-	20.00%	-
31	342	Stores Equipment	-		-	4.00%	-
32	343	Tools and Work Equipment	72		72	5.00%	4
33	344	Laboratory Equipment	-		-	10.00%	-
34	345	Power Operated Equipment	-		-	5.00%	-
35	346	Communications Equipment	9,267		9,267	10.00%	927
36	347	Miscellaneous Equipment	-		-	10.00%	-
37	348	Other Tangible Plant	-		-	10.00%	-
38		TOTALS	\$ 2,433,712	\$ (16,721)	\$ 2,416,991		\$ 109,287
39							
40							
41		Less: Amortization of Contributions			\$ 375,036	4.5216%	\$ (16,958)
42		Total Depreciation Expense					\$ 92,329
43							
44		Adjusted Test Year Depreciation Expense					85,632
45							
46		Increase (decrease) in Depreciation Expense					6,697
47							
48		Adjustment to Revenues and/or Expenses					\$ 6,697
49							
50		<u>SUPPORTING SCHEDULE</u>					
51		B-2, page 3					

*Fully Depreciated

Payson Water Company
 Test Year Ended December 31, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Rejoinder Schedule C-2
 Page 3
 Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 320,525	\$ 320,525
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	<u>641,050</u>	<u>641,050</u>
4	Company Recommended Revenue	320,525	713,624
5	Subtotal (Line 4 + Line 5)	961,575	1,354,674
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	320,525	451,558
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	641,050	903,116
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	641,050	903,116
13	Assessment Ratio	19.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	121,799	171,592
15	Composite Property Tax Rate - Obtained from ADOR	16.4025%	16.4025%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 19,978	\$ 28,145
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 19,978</u>	
19	Test Year Property Taxes	<u>\$ 21,030</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u>\$ (1,051)</u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 28,145</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 19,978</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 8,167</u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 8,167
27	Increase in Revenue Requirement		\$ 393,099
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		2.07765%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Payson Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Contractual Services

Line			
<u>No.</u>			
1			
2			
3	Remove Legal Expense Related to Condemnation	\$	(1,683)
4			
5			
6			
7			
8			
9			
10			
11	Increase(decrease) Contractual Services	<u>\$</u>	<u>(1,683)</u>
12			
13	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(1,683)</u>
14			
15			
16	<u>Reference</u>		
17	Staff Adjustment #2		
18	Testimony		
19			
20			

Payson Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Miscellaneous Expense

Line

No.

1	Remove Brooke Utilities Overhead Allocation	
2		
3	Brooke Utilities Overhead Allocation recorded in Test Year	\$ (197,722)
4		
5		
6		
7	Increase(decrease) Miscellaneous Expense	<u>\$ (197,722)</u>
8		
9		
10	Adjustment to Revenue and/or Expense	<u>\$ (197,722)</u>
11		
12	<u>SUPPORTING SCHEDULES</u>	
13	Testimony	
14		
15		
16		
17		
18		
19		
20		

Payson Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Contractual Services - Management

Line

No.

1	<u>Management Fees - JW Holdings</u>	
2		
3	Management Fee	\$ 173,903
4		
5		
6		
7		
8	Total Increase (decrease) in Contractual Services - Management	<u>\$ 173,903</u>
9		
10		
11	Adjustment to Revenue and/or Expense	<u>\$ 173,903</u>
12		
13	<u>SUPPORTING SCHEDULES</u>	
14	Testimony	
15		
16		
17		
18		
19		
20		

Payson Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Miscellaneous Expense

Line

No.

1
2 Remove Beaver Dam Bad Debt Expenses

3
4 Beaver Dam Bad Debt Expense

\$ (7,857)

5
6 Adjustment to Purchased Water expense

\$ (7,857)

7
8
9 Adjustment to Revenue and/or Expense

\$ (7,857)

10

11

12

13

14

15

16

17

18

19 SUPPORTING SCHEDULES

20 Staff Adjustment #5

21 Testimony

22

23

24

25

Payson Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

Miscellaneous Expense

Line

No.

1		
2	<u>Remove Non-Recurring Expenses</u>	
3		
4	Cogsdale - Star Valley Deposit Sort	\$ (825)
5	Arizona Department of Revenue	(1,650)
6	ACC Annual Assessment	<u>(1,018)</u>
7	Total	(3,493)
8		
9		
10	Increase (decrease) to Miscellaneous Expense	<u>\$ (3,493)</u>
11		
12		
13	Adjustment to Revenue and/or Expense	<u>\$ (3,493)</u>
14		
15	<u>Reference</u>	
16	Testimony	
17		
18		
19		
20		

Payson Water Company
 Test Year Ended December 31, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 8

Exhibit
 Schedule C-2
 Page 9
 Witness: Bourassa

Interest Synchronization

Line
No.

1
 2
 3
 4
 5
 6
 7
 8
 9
 10
 11
 12
 13
 14
 15
 16
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 30

Fair Value Rate Base	\$	932,837	
Weighted Cost of Debt		1.16%	
Interest Expense	\$	10,819	
Test Year Interest Expense	\$	-	
Increase (decrease) in Interest Expense		10,819	
Adjustment to Revenue and/or Expense	\$	<u>(10,819)</u>	

Weighted Cost of Debt Computation

	<u>Percent</u>	<u>Cost</u>	<u>Weighted</u> <u>Cost</u>
Debt	20.71%	5.60%	1.16%
Equity	79.29%	11.00%	8.72%
Total	100.00%		9.88%

Payson Water Company
Test Year Ended December 31, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 9

Exhibit
Rejoinder Schedule C-2
Page 10
Witness: Bourassa

Line

No.

1 Income Taxes

2

3

4 Computed Income Tax

Test Year
at Present Rates
\$ (99,964)

Test Year
at Proposed Rates
\$ 31,922

5 Test Year Income tax Expense

-

(99,964)

6 Adjustment to Income Tax Expense

\$ (99,964)

\$ 131,886

7

8

9

10

11

12

13 SUPPORTING SCHEDULE

14 C-3, page 2

15

16

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Payson Water Company
 Test Year Ended December 31, 2012
 Computation of Gross Revenue Conversion Factor

Exhibit
 Rejoinder Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Effective Income Tax Rate	34.262%
2		
3	Property Taxes	1.366%
4		
5		
6	Total Tax Percentage	35.628%
7		
8	Operating Income % = 100% - Tax Percentage	64.372%
9		
10		
11		
12		
13	<u>1</u> = Gross Revenue Conversion Factor	
14	Operating Income %	1.5535
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
28		
29		
30		
31		
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33		
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35		
36		
37		
38		
39		
40		

Payson Water Company
Test Year Ended December 31, 2012

Exhibit
Rejoinder Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<i>Calculation of Gross Revenue Conversion Factor:</i>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	35.6280%					
5	Subtotal (L3 - L4)	64.3720%					
6	Revenue Conversion Factor (L1 / L5)	1.553470					
<i>Calculation of Uncollectible Factor:</i>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	34.2622%					
9	One Minus Combined Income Tax Rate (L7 - L8)	65.7378%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<i>Calculation of Effective Tax Rate:</i>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.5000%					
14	Federal Taxable Income (L12 - L13)	93.5000%					
15	Applicable Federal Income Tax Rate (L55 Col F)	29.6922%					
16	Effective Federal Income Tax Rate (L14 x L15)	27.7622%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		34.2622%				
<i>Calculation of Effective Property Tax Factor</i>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	34.2622%					
20	One Minus Combined Income Tax Rate (L18-L19)	65.7378%					
21	Property Tax Factor	2.0776%					
22	Effective Property Tax Factor (L20*L21)		1.3658%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			35.6280%			

24	Required Operating Income	\$ 92,180					
25	Adjusted Test Year Operating Income (Loss)	\$ (180,866)					
26	Required Increase in Operating Income (L24 - L25)		\$ 253,046				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 31,922					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (99,964)					
29	Required Increase in Revenue to Provide for income Taxes (L27 - L28)		\$ 131,886				
30	Recommended Revenue Requirement	\$ 713,624					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 28,145					
36	Property Tax on Test Year Revenue	\$ 19,978					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 8,167				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 393,099				

	(A) (B) (C)			(D) (E) (F)		
	Test Year			Company Recommended		
	Total	Water		Total	Water	
39	Revenue	\$ 320,525	\$ 320,525	\$ 713,624	\$ 713,624	
40	Operating Expenses Excluding Income Taxes	581,355	581,355	589,522	589,522	
41	Synchronized Interest (L47)	10,819	10,819	10,819	10,819	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ (271,649)	\$ -	\$ (271,649)	\$ 113,283	\$ 113,283
43	Arizona State Effective Income Tax Rate (see work papers)	6.5000%	6.5000%	6.5000%	6.5000%	6.5000%
44	Arizona Income Tax (L42 x L43)	\$ (17,657)	\$ -	\$ (17,657)	\$ 7,363	\$ 7,363
45	Federal Taxable Income (L42- L44)	\$ (253,992)	\$ -	\$ (253,992)	\$ 105,920	\$ 105,920
46						
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)	\$ -	\$ (7,500)	\$ 7,500	\$ 7,500
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ (6,250)	\$ -	\$ (6,250)	\$ 6,250	\$ 6,250
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ (8,500)	\$ -	\$ (8,500)	\$ 8,500	\$ 8,500
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ (60,057)	\$ -	\$ (60,057)	\$ 2,309	\$ 2,309
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ -	\$ -	\$ -
52						
53	Total Federal Income Tax	\$ (82,307)	\$ -	\$ (82,307)	\$ 24,559	\$ 24,559
54	Combined Federal and State Income Tax (L35 + L42)	\$ (99,964)	\$ -	\$ (99,964)	\$ 31,922	\$ 31,922

55 **COMBINED** Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / [Col. (D), L45 - Col. (A), L45] 29.6922%

56

57 **WATER** Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45] 29.6922%

		Water
58	Rate Base	\$ 932,837
59	Weighted Average Cost of Debt	1.1598%
60	Synchronized Interest (L59 X L60)	\$ 10,819

Payson Water Company
 Test Year Ended December 31, 2012
 Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Exhibit
 Rejoinder Schedule H-1
 Page 1

Line No.	Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch US	\$ 189,890	\$ 377,796	\$ 187,905	98.95%	59.24%	52.94%
2	5/8x3/4 Inch US - MDC	97,253	227,134	129,881	133.55%	30.34%	31.83%
3	5/8x3/4 Inch C&S	52,037	149,234	97,197	186.78%	16.23%	20.91%
4	3/4 Inch US	1,860	4,605	2,745	147.63%	0.58%	0.65%
5	1 Inch US	7,113	21,925	14,812	208.24%	2.22%	3.07%
6	1 Inch US - MDC	317	1,233	916	288.91%	0.10%	0.17%
7	1 Inch C&S	1,178	2,344	1,165	98.88%	0.37%	0.33%
8							
9							
10	Total Revenues <u>before</u> Annualization	<u>\$ 349,648</u>	<u>\$ 784,271</u>	<u>\$ 434,623</u>	124.30%	109.09%	109.90%
11							
12							
13		Company	Staff			Percent	Percent
14	Meter Size	Present	Proposed	Dollar	Change	of	of
15		Revenues	Revenues	Change		Present	Proposed
16							
17	5/8x3/4 Inch US	\$ (30,473)	\$ (58,915)	\$ (28,443)	93.34%	-9.51%	-8.26%
18	5/8x3/4 Inch US - MDC	613	1,434	821	133.84%	0.19%	0.20%
19	5/8x3/4 Inch C&S	659	1,647	989	150.12%	0.21%	0.23%
20	3/4 Inch US	(112)	(273)	(161)	143.23%	-0.04%	-0.04%
21	1 Inch US	(6,429)	(20,597)	(14,168)	220.38%	-2.01%	-2.89%
22	1 Inch US - MDC	-	-	-	0.00%	0.00%	0.00%
23	1 Inch C&S	-	-	-	0.00%	0.00%	0.00%
24							
25	Total Revenue Annualization	<u>\$ (35,742)</u>	<u>\$ (76,704)</u>	<u>\$ (40,962)</u>	114.60%	-11.15%	-10.75%
26							
27	Total Revenues <u>with</u> Rev. Annual.	<u>\$ 313,906</u>	<u>\$ 707,567</u>	<u>\$ 393,661</u>	125.41%	97.93%	99.15%
28							
29	Misc. Serv. Rev.	6,966	6,966	-	0.00%	2.173%	0.976%
30	Star Valley/Quail Valley Misc. Serv. Rev.	(1,065)	(1,065)	-	0.00%	-0.332%	-0.149%
31	Unreconciled Difference to C-1	718	157	(561)	-78.13%	0.224%	0.022%
32							
33	Total Revenues	<u>\$ 320,525</u>	<u>\$ 713,625</u>	<u>\$ 393,100</u>	122.64%	100.00%	100.00%
34							
35							

Payson Water Company
 Test Year Ended December 31, 2012
 Analysis of Revenue by Detailed Class

Exhibit
 Rejoinder Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size	(a)	Average Consumption	Revenues		Proposed Increase	
		Average Number of Customers at 12/31/2012		Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch US	705	2,783	\$ 21.37	\$ 41.84	\$ 20.46	95.75%
2	5/8x3/4 Inch US - MDC	361	2,998	21.79	50.64	28.85	132.43%
3	5/8x3/4 Inch C&S	159	6,961	27.30	73.41	46.11	168.90%
4	3/4 Inch US	4	7,077	35.32	87.01	51.69	146.35%
5	1 Inch US	20	3,932	28.87	93.62	64.75	224.29%
6	1 Inch US - MDC	1	2,667	26.43	102.78	76.35	288.91%
7	1 Inch C&S	2	4,459	49.10	97.65	48.55	98.88%
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18	Totals	<u>1,252</u>					

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

MDC = Mesa Del Caballo

19
20
21
22
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44

Payson Water Company
 Test Year Ended December 31, 2012
 Analysis of Median Bill by Detailed Class

Exhibit
 Rejoinder Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size and Class	(a)	Median Consumption	Median Bill		Proposed Increase	
		Average Number of Customers at 12/31/2012		Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch US	705	1,500	\$ 18.90	\$ 34.27	\$ 15.37	81.34%
2	5/8x3/4 Inch US - MDC	361	2,500	20.83	47.70	26.88	129.05%
3	5/8x3/4 Inch C&S	159	4,500	23.66	54.59	30.93	130.73%
4	3/4 Inch US	4	6,500	33.60	82.60	49.00	145.86%
5	1 Inch US	20	2,500	26.11	82.66	56.56	216.65%
6	1 Inch US - MDC	1	2,500	26.11	101.50	75.40	288.81%
7	1 Inch C&S	2	3,500	47.68	90.31	42.63	89.41%
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18	Totals	<u>1,252</u>					

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

MDC = Mesa Del Caballo

Payson Water Company
Test Year Ended December 31, 2012
Present and Proposed Rates

Line No.		United Systems Present Rates	C&S Systems Present Rates	Consolidated Proposed Rates
1				
2				
3	Monthly Service Charge for:			
4	Meter Size:			
5	5/8X3/4 Inch	\$ 16.00	\$ 17.00	\$ 25.42
6	5/8X3/4 Inch MDC	16.00	N/A	32.95
7	3/4 Inch	18.40	25.50	38.12
8	1 Inch	21.28	42.50	63.54
9	1 Inch - MDC	21.28	N/A	82.38
10	1 1/2 Inch	32.00	85.00	127.08
11	2 Inch	56.00	136.00	203.32
12	3 Inch	80.00	255.00	406.64
13	4 Inch	128.00	425.00	635.38
14	6 Inch	NT	850.00	1,270.75
15	8 Inch	NT	NT	2,033.20
16				
17				
18				
19				
20				
21				
22	Gallons In Minimum			
23				
24				
25				
26				
27	Commodity Rates			
28	All Meter Sizes			
29				
30				
31	All Meter Sizes			
32				
33	5/8 Inch and 3/4 Inch			
34				
35				
36				
37	1 Inch			
38				
39				
40	1 1/2 Inch			
41				
42	2 Inch			
43				
44				
45				

Block	United Systems Present Rate	C&S Systems Present Rate	Consolidated Proposed Rate
0 gallons to 4,000 gallons over 4,000 gallons	\$ 1.93	\$ 2.99	\$ 5.90
All gallons		\$ 1.48	\$ 7.65
0 gallons to 3,000 gallons			\$ 9.15
3,001 gallons to 10,000 gallons over 10,000 gallons			\$ 7.65
0 gallons to 18,000 gallons over 18,000 gallons			\$ 9.15
0 gallons to 40,000 gallons over 40,000 gallons			\$ 7.65
0 gallons to 60,000 gallons over 60,000 gallons			\$ 9.15

Payson Water Company
 Test Year Ended December 31, 2012
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Commodity Rates (Residential, Commercial, Industrial)	Block	(Per 1,000 gallons)	
			United Systems Present Rate	C&S Systems Consolidated Proposed Rate
1				
2				
3				
4				
5				
6	3 Inch	0 gallons to 120,000 gallons	\$	7.65
7		over 120,000 gallons	\$	9.15
8				
9	4 Inch	0 gallons to 200,000 gallons	\$	7.65
10		over 200,000 gallons	\$	9.15
11				
12	6 Inch	0 gallons to 450,000 gallons	\$	7.65
13		over 450,000 gallons	\$	9.15
14				
15	8 Inch	0 gallons to 750,000 gallons	\$	7.65
16		over 750,000 gallons	\$	9.15
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
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32				
33				
34				
35				
36				
37				

Payson Water Company
Changes in Representative Rate Schedules
Test Year Ended December 31, 2012

Exhibit
 Rejoinder Schedule H- 3
 Page 3
 Witness: Bourassa

Line
 No.

	United Systems	C&S Systems	Consolidated
	Present	Present	Proposed
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
1			
2			
3			
4	\$ 25.00	\$ 25.00	\$ 25.00
5	35.00	35.00	remove
6	20.00	20.00	20.00
7	30.00	30.00	remove
8	25.00	20.00	25.00
9	*	*	*
10	6.00%	6.00%	6.00%
11	**	**	**
12	\$ 17.50	\$ 10.00	\$ 17.50
13	1.50%	1.50%	1.50%
14	\$ 15.00	\$ 10.00	\$ 15.00
15	1.50%	1.50%	1.50%
16	NT	NT	\$35.00
17			
18			
19			
20			
21			
22			
23			
24	* PER COMMISSION RULE (R14-2-403.B)		
25	** Months off system times the minimum. PER COMMISSION RULE (R14-2-403.D)		
26			
27	N/T = No tariff.		
28			
29			
30	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
31	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
32	TAX. PER COMMISSION RULE (14-2-409.D 5).		
33			
34	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
35	AND ALL APPLICABLE TAXES.		
36			
37			

Payson Water Company
Test Year Ended December 31, 2012
Service Charges
Meter and Service Line Charges

Exhibit
 Rejoinder Schedule H-3
 Page 4
 Witness: Bourassa

Line No.		United Systems Present	C&S Systems Present	Proposed Service Line Charge*	Proposed Meter Install- ation Charge*	Total Proposed Charge*
		<u>Total Charge</u>	<u>Total Charge</u>			
1						
2						
3						
4						
5						
6	5/8 x 3/4 Inch	\$ 430.00	\$ 430.00	\$ 445.00	\$ 155.00	\$ 600.00
7	3/4 Inch	480.00	480.00	445.00	255.00	700.00
8	1 Inch	550.00	550.00	495.00	315.00	810.00
9	1 1/2 Inch	775.00	775.00	550.00	525.00	1,075.00
10	2 Inch	1,305.00	1,305.00			
11	2 Inch / Turbine			830.00	1,045.00	1,875.00
12	2 Inch / Compound			830.00	1,890.00	2,720.00
13	3 Inch	1,815.00	1,815.00			
14	3 Inch / Turbine			1,045.00	1,670.00	2,715.00
15	3 Inch / Compound			1,165.00	2,545.00	3,710.00
16	4 Inch	2,860.00	2,860.00			
17	4 Inch / Turbine			1,490.00	2,670.00	4,160.00
18	4 Inch / Compound			1,670.00	3,645.00	5,315.00
19	6 Inch	NA	5,275.00			
20	6 Inch / Turbine			2,210.00	5,025.00	7,235.00
21	6 Inch / Compound			2,330.00	6,920.00	9,250.00
22	8 Inch			At Cost	At Cost	At Cost
23						
24						
25						
26	*Based on Staff update of typical service line and meter installation charges dated					
27	February 21, 2008.					
28						

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2 2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
3 Telephone (602) 916-5000

4 Attorneys for Payson Water Co., Inc.
5

6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

DOCKET NO: W-03514A-13-0111

12 IN THE MATTER OF THE APPLICATION
OF PAYSON WATER CO., INC., AN
13 ARIZONA CORPORATION, FOR
AUTHORITY TO: (1) ISSUE EVIDENCE
14 OF INDEBTEDNESS IN AN AMOUNT
NOT TO EXCEED \$1,238,000 IN
15 CONNECTION WITH INFRASTRUCTURE
IMPROVEMENTS TO THE UTILITY
16 SYSTEM; AND (2) ENCUMBER REAL
PROPERTY AND PLANT AS SECURITY
17 FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

18
19
20 **REJOINDER TESTIMONY OF
THOMAS J. BOURASSA**

21
22 **COST OF CAPITAL**

23
24 **January 6, 2014**
25
26

Table of Contents

I. INTRODUCTION AND QUALIFICATIONS1

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

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

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

6 A. On behalf of the Applicant, Payson Water Company ("PWC" or the "Company").

7 **Q. YOU ARE THE SAME TOM BOURASSA THAT FILED DIRECT AND**
8 **REBUTTAL TESTIMONY IN THIS CASE?**

9 A. Yes.

10 **Q. DID YOU ALSO PREPARE REJOINDER TESTIMONY ON INCOME**
11 **STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS**
12 **DOCKET?**

13 A. Yes, my rejoinder testimony on rate base, income statement, revenue requirement
14 and rate design is being filed in a separate volume at the same time as this
15 testimony. In this volume, I present my cost of capital rejoinder testimony.

16 **Q. HAVE YOU UPDATED YOUR COST OF CAPITAL ANALYSIS?**

17 A. No. I updated my cost of capital analysis on my rebuttal testimony filed on
18 December 6, 2013. I updated my cost of capital in my rebuttal testimony because
19 of the significant period of time between the Company's direct filing and its
20 rebuttal filing. I did not feel the need to provide an additional update at this time.

21 **Q. WHAT IS THE SCOPE OF THIS VOLUME OF YOUR REJOINDER**
22 **TESTIMONY?**

23 A. I will respond as appropriate to the surrebuttal testimony of Mr. Cassidy on behalf
24 of Staff.

25

26

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

3 **A. Summary of Company's Rebuttal Recommendation**

4 **Q. HAS THE COMPANY CHANGED ITS POSITION WITH RESPECT TO**
5 **THE CAPITAL STRUCTURE?**

6 A. Yes. The Company is proposing a capital structure consisting of 20.71 percent
7 debt and 79.29 percent equity. This represents the resulting capital structure when
8 approximately \$275,000 of long-term debt is added to the capital structure.
9 The cost of the long term debt is 5.6 percent.

10 **Q. WHY IS THE COMPANY IS RECOMMENDING THIS CAPITAL**
11 **STRUCTURE?**

12 A. Because the TOP-MDC line in being funded with funds borrowed from the Water
13 Infrastructure and Financing Authority ("WIFA"), and as I explained in the rate
14 base volume of my testimony, PWC is proposing to include the line in rate base.¹
15 The Company's recommendations are in response to Staff's imputation of the
16 Phase 1 debt of approximately \$275,000 into the capital structure without
17 recognizing the plant being funded by that debt. The Company is also dropping its
18 request for financing of approximately \$904,000 for the future Cragin pipeline
19 (Phase 2 Project costs) which Staff also proposes to impute into the Company's
20 capital structure without a corresponding recognition of the plant it is intended to
21 fund in rate base. Dropping the request for the approximately \$904,000 of
22 additional financing should eliminate any nexus for Staff to impute this future debt
23 into the capital structure and to create a mismatch between the invested capital of
24 the Company and the rate base upon which the Company's earnings are
25 determined.

26 ¹ Rejoinder Testimony of Thomas J. Bourassa (Rate Base) at 2.

1 **Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?**

2 A. The weighted cost of capital ("WACC") is 9.88 percent based upon a capital
3 structure consisting of 20.71 percent debt and 79.29 percent equity, a cost of debt
4 of 5.6 percent and a cost of equity of 11.0 percent, as shown on Rejoinder Schedule
5 D-1.

6 **Q. WHY DID YOU USE A 5.6 PERCENT DEBT RATE?**

7 A. Because that is the rate of the WIFA loan to fund the TOP-MDC line, which loan is
8 expected to close this month.

9 **Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL BASED ON**
10 **THE COMPANY'S RECOMMENDATIONS?**

11 A. The weighted cost of capital ("WACC") is 9.88 percent based upon a capital
12 structure consisting of 20.71 percent debt and 79.29 percent equity, a cost of debt
13 of 5.6 percent and a cost of equity of 11.0 percent, as shown on Rejoinder Schedule
14 D-1.

15 **B. Rejoinder to Staff**

16 **Q. PLEASE SUMMARIZE THE STAFF COST OF CAPITAL**
17 **RECOMMENDATIONS IN THIS RATE CASE.**

18 A. Staff continues to recommend a pro forma capital structure consisting of
19 52.8 percent debt and 47.2 percent equity, with a 9 percent recommended cost of
20 equity and a 4.2 percent cost of debt.² Again, Staff bases its pro forma capital
21 structure on the imputation of \$1.179 million of WIFA funding future plant into the
22 capital structure of PWC.³ As a result of this pro forma adjustment, Staff's
23 determined cost of equity of 9.0 percent is reduced to an actual return on equity
24 equal to only 6.4 percent (Staff's WACC). This is not a reasonable return for

25 _____
26 ² Surrebuttal Testimony of John A. Cassidy ("Cassidy Sb.") at 2.

³ *Id.*

1 PWC, nor can PWC afford to have this sort of maneuvering reduce its revenue
2 requirement.

3 **Q. DO YOU AGREE WITH MR. CASSIDY'S REASONS IMPUTING NEARLY**
4 **A MILLION DOLLARS OF FUTURE DEBT INTO THE CAPITAL**
5 **STRUCTURE?**

6 A. No. Mr. Cassidy fails to address the nearly million-dollar mismatch between the
7 Company's invested capital and rate base,⁴ and as a result, he has not justified his
8 effective 6.4 percent return on equity capital as fair or reasonable. Although Mr.
9 Cassidy identifies the factors that formed the basis of Staff's recommendation,
10 none speak to the two major flaws in Staff's position. I will address each one of
11 these factors.⁵

12 First, consolidation of the rate and financing filings does not serve as a
13 reasonable justification for the imputation of future debt into the capital structure.
14 Consolidation of filings is not particularly unusual or extraordinary, and I fail to
15 see how that justifies the mismatch and the low rate of return on equity capital
16 funding the rate base used to set rates in the instant case. Second, encumbrance of
17 a future asset that is *not* reflected in rate base by future debt does not provide an
18 excuse for the improper setting of rates in this case. Rates should reflect current
19 investment and reflect the capital costs of the current investment. Third, the
20 expedited nature of Phase 1 of this case can be considered "extraordinary" but that
21 is hardly a justification. The need to expedite this case came out of a desire by
22 PWC to be proactive and obtain a more reliable and less costly water supply for the
23 Mesa Del Caballo system customers. But for the construction scheduling and the
24 goal of getting the TOP-MDC project completed before water hauling would be

25 _____
26 ⁴ Rebuttal Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC Rb.") at 6.

⁵ Cassidy Sb. at 2.

1 required, this case would not have need for this case to be on the fast track.

2 Frankly, rather than the slick ratemaking undertaken by Staff in this case to
3 reduce the return by hundreds of basis points, I would have expected Staff to
4 ensure this Company not only had adequate revenue to move forward and achieve
5 financial health, but also a fair return to encourage the kind of proactive investment
6 PWC's new owners have undertaken. Staff's manipulated capital structure and the
7 resulting ridiculously low return on equity actually sends the message that utilities
8 should forego proactive steps to produce a more stable water supply at a lower cost
9 because "extraordinary" regulatory relief is simply too costly.

10 **Q. FAIR ENOUGH, MR. BOURASSA. DID MR. CASSIDY IDENTIFY ANY**
11 **OTHER FACTORS?**

12 A. Yes, the fourth factor - insuring the Company can meet its debt service
13 requirements (e.g. minimum 1.2 DSC) is a consideration of every financing case
14 and I fail to see why Mr. Cassidy offers this a special or unique factor. Nor do I
15 see how lowering the Company's total revenue helps it meet its debt service
16 coverage obligations. Lower revenue actually has the opposite effect.

17 In contrast, the Company's rejoinder recommendation of a 20.71 percent
18 debt and 79.29 percent equity capital structure is a "more balanced" capital
19 structure. But, unlike Staff's recommendation, it does not create a mismatch
20 because the plant investment funded with the debt added to the Company's capital
21 structure is recognized in rate base.

22 **Q. HAS MR. CASSIDY EXPLAINED HOW HIS RECOMMENDED RETURN**
23 **WILL HELP PWC TO ATTRACT CAPITAL?**

24 A. No. Putting aside the fact that PWC has 5 times the business risk of the publicly
25 traded companies in his water proxy group,⁶ Mr. Cassidy has not explained why

26 ⁶ Bourassa COC Rb. at 10.

1 his recommended equity return of 9.0 percent (effective 6.4 percent) is reasonable
2 when the publicly traded utilities currently earn 9.7 percent on equity and are
3 projected to earn 9.9 percent on equity, on average. Nor has he explained why
4 9.0 percent is reasonable when the average authorized return of his water proxy
5 group is over 10 percent.⁷ He also has not explained why it is reasonable for PWC
6 to have to pay out well over 100 percent of earnings in order to investors to receive
7 a dividend yield similar to the water utilities in his water proxy group.⁸ In order
8 for PWC to do so, PWC would need at least a 9.8 percent return on equity.⁹

9 Even if Mr. Cassidy wants to label this case as “unique” or “extraordinary,”
10 PWC must compete for capital just like all other utilities. Based on the Staff
11 recommendations, investors would be far better off investing in one of the publicly
12 traded utilities in Mr. Cassidy’s water proxy group where they would not only
13 receive a dividend but a much higher total return at much less investment risk.¹⁰

14 **Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY ON COST**
15 **OF CAPITAL?**

16 **A. Yes**

23 _____
24 ⁷ Bourassa COC Rb. at 5.

25 ⁸ Bourassa COC Rb. at 12-13.

26 ⁹ Bourassa COC Rb. at 14.

¹⁰ Value Line Analyzer data shows that Mr. Cassidy’s water proxy group has an average total return of 12.85 percent over the past 3 years.

D SCHEDULES

Payson Water Company
 Test Year Ended December 31, 2012
 Summary of Cost of Capital

Capital Structure

Line No.	Item of Capital	Dollar Amount	Percent of Total		Cost Rate	Weighted Cost
			Total	Cost Rate		
1	Long-Term Debt	274,325	20.71%	5.60%	1.16%	
2						
3	Stockholder's Equity	1,050,247	79.29%	11.00%	8.72%	
4						
5	Totals	1,324,572	100.00%		9.88%	
6						
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RECAP SCHEDULES:

SUPPORTING SCHEDULES:

Testimony

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

Payson Water Company
Test Year Ended December 31, 2012
Cost of Preferred Stock

Exhibit
Rejoinder Schedule D-3
Page 1
Witness: Bourassa

Line
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	<u>End of Test Year</u>			<u>End of Projected Year</u>		
Description of Issue	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement

NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

SUPPORTING SCHEDULES:
E-1

RECAP SCHEDULES:
D-1

Payson Water Company
Test Year Ended December 31, 2012
Cost of Common Equity

Exhibit
Rejoinder Schedule D-4
Page 1
Witness: Bourassa

Line
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2 The Company is proposing a cost of common equity of 11.00% .
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SUPPORTING SCHEDULES:
D-4.1 to D-4.22

RECAP SCHEDULES:
D-1

Payson Water Company
Summary of Results

Exhibit
Rejoinder Schedule D-4.1
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
1				
2				
3				
4				
5				
6	Range DCF Constant Growth Estimates ¹	8.5%	9.1%	8.8%
7				
8	Range of CAPM Estimates ²	8.7%	10.7%	9.7%
9				
10	Build-up Method ³	8.9%	12.4%	10.7%
11				
12	Average of midpoint estimates	8.7%	10.7%	9.7%
13				
14				
15	Financial Risk Adjustment ⁴	-0.5%	-0.5%	-0.5%
16				
17	Small Company Risk Premium ⁵	2.0%	2.0%	2.0%
18				
19	Indicated Cost of Equity	10.2%	12.2%	11.2%
20				
21				
22				
23	Recommended Cost of Equity			11.0%
24				
25				
26				
27				
28				
29				
30				

1 See Rejoinder Schedule D-4-8

2 See Rejoinder Schedule D-4.12

3 See Rejoinder Schedule D-4.18

4 See Rejoinder Schedule D-4.21, Testimony

5 See Rejoinder Schedule D-4.22, Testimony

**Payson Water Company
Selected Characteristics of Sample Group of Water Utilities**

**Exhibit
Rejoinder Schedule D-4.2
Witness: Bourassa**

Line No.	Company ¹	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE (%)
1	1. American States	59%	\$ 477.2	\$ 946.7	A+	A2	9.99
2	2. Aqua America	96%	\$ 777.7	\$ 4,025.1	AA-	NR	10.29
3	3. California Water	100%	\$ 565.7	\$ 1,490.3	AA-	NR	9.99
4	4. Connecticut Water	100%	\$ 86.2	\$ 455.4	A	NR	9.75
5	5. Middlesex	88%	\$ 115.6	\$ 440.8	A	NR	10.15
6	6. SJW Corp.	96%	\$ 269.2	\$ 844.4	A	NR	9.99
10	Average	90%	\$ 381.9	\$ 1,367.1			10.03
13	Payson Water Company (Adjusted as of December 31, 2012)	100%	\$ 0.3	\$ 0.8	NR	NR	

¹AUS Utility Reports (October 2013).

Payson Water Company
Capital Structures

Exhibit
Rejoinder Schedule D-4.3
Witness: Bourassa

No.	Company	Book Value ¹		Market Value ¹	
		Long-Term Debt	Common Equity	Long-Term Debt	Common Equity
1	1. American States	42.3%	57.7%	22.8%	77.2%
2	2. Aqua America	52.7%	47.3%	26.8%	73.2%
3	3. California Water	47.8%	52.2%	31.2%	68.8%
4	4. Connecticut Water	49.2%	50.8%	32.0%	68.0%
5	5. Middlesex	42.0%	58.0%	27.5%	72.5%
6	6. SJW Corp.	55.0%	45.0%	39.5%	60.5%
7	Average	48.2%	51.8%	30.0%	70.0%
8	Payson Water Company	100.0%	0.0%	N/A	N/A
9	(Adjusted as of December 31, 2012)				

¹ Value Line Analyzer Data (November 29, 2013)

² Adjusted Per Rejoinder Schedule D-1

Payson Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.4
 Witness: Bourassa

Line No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
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Five-year historical average annual changes

Company	Price ¹	Book Value ²	EPS ²	DPS ²	Average Col 1-4	Average Future Growth ³	Average of Future and Historical Growth Col 5-6
1. American States	9.12%	5.50%	11.50%	4.50%	7.66%	3.33%	5.49%
2. Aqua America	5.40%	6.00%	7.50%	7.50%	6.60%	7.03%	6.82%
3. California Water	2.03%	4.50%	5.50%	1.50%	3.38%	6.17%	4.77%
4. Connecticut Water	7.90%	4.50%	6.50%	2.00%	5.23%	5.33%	5.28%
5. Middlesex	4.56%	4.00%	2.50%	1.50%	3.14%	3.35%	3.24%
6. SJW Corp.	NMF	3.50%	NMF	4.00%	3.75%	10.75%	7.25%
GROUP AVERAGE	5.80%	4.67%	6.70%	3.50%	4.96%	5.99%	5.48%
GROUP MEDIAN	5.40%	4.50%	6.50%	3.00%	4.49%	5.75%	5.39%

¹ Average of changes in annual stock prices ending on December 31 through 2012. Data from Yahoo Finance website.
² Value Line Analyzer Data, November 29, 2013
³ See Rejoinder Schedule D-4.6.

Payson Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.5
 Witness: Bourassa

Line No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
3	<u>Ten-year historical average annual changes</u>						
4		Book			Average	Average	Average of
5		Value ²	EPS ²	DPS ²	Col 1-4	Future	Future and
6	Price ¹				Col 5-6	Growth ³	Historical
7	10.41%	5.00%	6.50%	3.00%	6.23%	3.33%	Growth
8	7.70%	8.50%	7.00%	7.50%	7.68%	7.03%	Col 5-6
9	6.27%	5.00%	5.00%	1.00%	4.32%	6.17%	4.78%
10	4.80%	4.50%	1.50%	1.50%	3.07%	5.33%	7.35%
11	5.14%	4.50%	3.50%	1.50%	3.66%	3.35%	5.24%
12	6.99%	5.50%	4.00%	5.00%	5.37%	10.75%	4.20%
13							3.50%
14							8.06%
15	GROUP AVERAGE	5.50%	4.58%	3.25%	5.05%	5.99%	5.52%
16	GROUP MEDIAN	5.00%	4.50%	2.25%	4.84%	5.75%	5.01%

¹ Average of changes in annual stock prices ending December 31, 2012. Data from Yahoo Finance website.

² Value Line Analyzer Data, November 29, 2013.

³ See Rejoinder Schedule D-4.6.

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28

Payson Water Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rejoinder Schedule D-4.6
Witness: Bourassa

Line No.	[1]	[2]	[3]	[4]	[5]
	ESTIMATES OF EARNINGS GROWTH				
	<u>Reuters</u> ¹	<u>Yahoo</u> ¹	<u>Zacks</u> ¹	<u>Value Line</u> ¹	<u>Average Growth (G) (Cols 1-4)</u> ²
1		2.00%	2.00%	6.00%	3.33%
2		5.80%	5.30%	10.00%	7.03%
3		6.00%	6.00%	6.50%	6.17%
4		5.00%	5.00%	6.00%	5.33%
5		2.70%		4.00%	3.35%
6		14.00%		7.50%	10.75%
7	<u>Company</u>				
8	1. American States				
9	2. Aqua America				
10	3. California Water				
11	4. Connecticut Water				
12	5. Middlesex				
13	6. SJW Corp.				
14					
15	GROUP AVERAGE	0.00%	5.92%	6.67%	5.99%
16	GROUP MEDIAN				5.75%

¹ Data as of November 29, 2013

² Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Payson Water Company
 Current Dividend Yields for Water Utility Sample Group

Line No.	Company	Current Stock Price (P ₀) ¹	Current Dividend (D ₀) ¹	Current Dividend Yield (D ₀ /P ₀) ¹	Average Annual Dividend Yield (D ₀ /P ₀) ^{1,2}
1	1. American States	\$ 29.18	\$ 0.82	2.81%	3.20%
2	2. Aqua America	\$ 24.07	\$ 0.62	2.58%	2.85%
3	3. California Water	\$ 22.86	\$ 0.67	2.93%	3.36%
4	4. Connecticut Water	\$ 34.75	\$ 0.99	2.85%	3.62%
5	5. Middlesex	\$ 21.98	\$ 0.76	3.46%	4.02%
6	6. SJW Corp.	\$ 27.46	\$ 0.74	2.69%	2.94%
7	Average			2.89%	3.33%
8	Median			2.83%	3.28%

¹ Value Line Analyzer Data. Stock prices as of November 29, 2013.

² Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

**Payson Water Company
Discounted Cash Flow Analysis
DCF Constant Growth**

**Exhibit
Rejoinder Schedule D-4.8
Witness: Bourassa**

Line No.	[1] Average Spot Dividend Yield $(D_0/P_0)^1$	[2] Expected Dividend Yield $(D_1/P_0)^2$	[3] Growth (g)	[4] Indicated Cost of Equity $k = \text{Div Yld} + g$ (Cols 2+3)
8	2.89%	3.04%	5.48% ³	8.5%
10	2.89%	3.06%	5.99% ⁴	9.1%
13	2.89%	3.05%	5.74%	8.8%
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¹ Spot Dividend Yield = D_0/P_0 . See Rejoinder Schedule D-4.7.

² Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.

³ Growth rate (g). Average of Past and Future Growth. See Rejoinder Schedule D-4.4, column 7

⁴ Growth rate (g). Average of Analyst Estimates Future Growth. See Rejoinder Schedule D-4.6.

Payson Water Company
Market Betas

Exhibit
Rejoinder Schedule D-4.9
Witness: Bourassa

Line
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<u>Company</u>	<u>Beta (β)¹</u>
1. American States	0.65
2. Aqua America	0.60
3. California Water	0.60
4. Connecticut Water	0.75
5. Middlesex	0.75
6. SJW Corp.	0.85
Average	0.70

¹ Value Line Investment Analyzer data (November 29, 2013)

Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is derived from a regression analysis of the relationship between weekly percent-age changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are adjusted for their long-term tendency to converge toward 1.00.

Payson Water Company
Forecasts of Long-Term Interest Rates
2012-14

Exhibit
Rejoinder Schedule D-4.10
Witness: Bourassa

Line No.	Description	Spot <u>October 2013³</u>	<u>2014</u>	<u>2015</u>	<u>Average</u>
6	Blue Chip Consensus Forecasts ¹	3.7%	4.0%	4.2%	4.0%
8	Value Line ²	3.7%	4.0%	4.3%	4.0%
10	Average				4.0%

¹ December 2012 Blue Chip Financial Forecasts consensus long-term forecast of 30 Year U.S. Treasury

² Value Line Quarterly forecast, dated November 22, 2013, Long-term Treasury

³ Federal Reserve Monthly Average - 30-Year U.S. Treasury

Payson Water Company
 Computation of Current Market Risk Premium

Line No.	Month	Dividend Yield (D _t /P ₀) ¹	Expected Dividend Yield (D _t /P ₀) ²	Growth (g) ³	Expected Market Return (k)	Monthly Average 30 Year Treasury Rate ⁴	Market Risk Premium (MRP)
4	Jan 2012	2.61%	2.98%	+ 14.18%	= 17.16%	= 3.03%	= 14.13%
5	Feb	2.60%	2.99%	+ 15.01%	= 18.00%	= 3.11%	= 14.89%
6	Mar	2.36%	2.65%	+ 12.33%	= 14.98%	= 3.28%	= 11.70%
7	April	2.62%	3.02%	+ 15.22%	= 18.24%	= 3.18%	= 15.06%
8	May	2.86%	3.38%	+ 18.12%	= 21.50%	= 2.93%	= 18.57%
9	June	2.73%	3.18%	+ 16.59%	= 19.77%	= 2.70%	= 17.07%
10	July	2.79%	3.29%	+ 18.10%	= 21.39%	= 2.59%	= 18.80%
11	Aug	2.73%	3.17%	+ 16.23%	= 19.40%	= 2.77%	= 16.63%
12	Sept	2.67%	3.07%	+ 14.95%	= 18.02%	= 2.88%	= 15.14%
13	Oct	2.71%	3.14%	+ 15.81%	= 18.95%	= 2.90%	= 16.05%
14	Nov	2.74%	3.15%	+ 14.88%	= 18.03%	= 2.80%	= 15.23%
15	Dec 2012	2.62%	2.95%	+ 12.63%	= 15.58%	= 2.88%	= 12.70%
16	Jan 2013	2.56%	2.86%	+ 11.74%	= 14.60%	= 3.08%	= 11.52%
17	Feb	2.60%	2.94%	+ 13.13%	= 16.07%	= 3.17%	= 12.90%
18	Mar	2.52%	2.82%	+ 11.94%	= 14.76%	= 3.16%	= 11.60%
19	April	2.46%	2.74%	+ 11.40%	= 14.14%	= 2.93%	= 11.21%
20	May	2.47%	2.73%	+ 10.70%	= 13.43%	= 3.11%	= 10.32%
21	June	2.54%	2.83%	+ 11.49%	= 14.32%	= 3.40%	= 10.92%
22	July	2.40%	2.63%	+ 9.51%	= 12.14%	= 3.61%	= 8.53%
23	Aug	2.52%	2.79%	+ 10.57%	= 13.36%	= 3.76%	= 9.60%
24	Sept	2.47%	2.70%	+ 9.46%	= 12.16%	= 3.79%	= 8.37%
25	Oct						
26							
27							
28	Recommended	2.48%	2.74%	+ 10.35%	= 13.08%	= 3.53%	= 9.55%
29							
30	Short-term Trends						
31	Recent Twelve Months Avg	2.54%	2.83%	+ 11.59%	= 14.42%	= 3.24%	= 11.17%
32	Recent Nine Months Avg	2.50%	2.77%	+ 11.02%	= 13.80%	= 3.37%	= 10.43%
33	Recent Six Months Avg	2.48%	2.74%	+ 10.35%	= 13.08%	= 3.53%	= 9.55%
34	Recent Three Months Avg	2.50%	2.75%	+ 10.02%	= 12.76%	= 3.78%	= 8.99%
35							
36							
37							

¹ Average Current Dividend Yield (D_t/P₀) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

² Expected Dividend Yield (D_t/P₀) equals average current dividend yield (D0/P0) times one plus growth rate(g).

³ Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

⁴ Monthly average 30 year U.S. Treasury. Federal Reserve.

**Payson Water Company
Capital Asset Pricing Model (CAPM)**

**Exhibit
Rejoinder Schedule D-4.12
Witness: Bourassa**

Line									
No.		Rf ¹	+	beta ³	x	Rp	=	k	
1									
2									
3	Historical Market Risk Premium CAPM	4.0%	+	0.70	x	6.7%	=	8.7%	
4									
5	Current Market Risk Premium CAPM	4.0%	+	0.70	x	9.5%	=	10.7%	
6									
7	Average							9.7%	
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									

¹ Forecasts of long-term treasury yields. See Rejoinder Schedule D-4.10.

² Value Line Investment Analyzer data. See Rejoinder Schedule D-4.9.

³ Historical Market Risk Premium from (Rp) MorningStar S&P 500 2013 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2012.

⁴ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rejoinder Schedule D-4.11.

Payson Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps Risk Premium Study Data*

Rejoinder Schedule D-4.13
 Witness: Bourassa

Company	Measures of size (Millions)						
	MV Equity ¹	Book Equity ¹	MVIC ¹	5 Yr. Avg. Net Income	Total Assets ²	5 Yr. Avg. EBITDA ³	
1. American States	\$ 1,123	\$ 454	\$ 1,456	\$ 37	\$ 1,281	\$ 130	
2. Aqua America	\$ 4,222	\$ 1,386	\$ 5,766	\$ 133	\$ 4,859	\$ 422	
3. California Water	\$ 960	\$ 474	\$ 1,395	\$ 41	\$ 1,996	\$ 140	
4. Connecticut Water	\$ 379	\$ 185	\$ 557	\$ 11	\$ 579	\$ 24	
5. Middlesex	\$ 347	\$ 181	\$ 479	\$ 13	\$ 562	\$ 38	
6. SJW Corp.	\$ 514	\$ 275	\$ 849	\$ 21	\$ 1,087	\$ 89	
Payson Water Company	NA	\$ 0.6	NA	\$ (0.0)	\$ 2.6	\$ (0.0)	

¹ From Zacks Investment Research data

² From Zacks Investment Research. From E-1 for subject utility.

³ Net Income. From Zacks Investment Research and Company ACC reports

Net Income Data (\$ millions)

Company	2012	2011	2010	2009	2008	Average
American States	\$ 54.0	\$ 45.9	\$ 33.2	\$ 29.5	\$ 22.0	\$ 36.9
Aqua America	\$ 197.0	\$ 143.1	\$ 124.0	\$ 104.4	\$ 97.9	\$ 133.3
California Water	\$ 49.0	\$ 37.7	\$ 37.7	\$ 40.6	\$ 39.8	\$ 40.9
Connecticut Water	\$ 14.0	\$ 11.3	\$ 9.8	\$ 10.2	\$ 9.4	\$ 10.9
Middlesex	\$ 14.0	\$ 13.4	\$ 14.3	\$ 10.0	\$ 12.2	\$ 12.8
SJW Corp.	\$ 22.0	\$ 20.9	\$ 24.4	\$ 15.2	\$ 21.5	\$ 20.8
Payson Water Company	\$ 0.6	\$ (0.1)	\$ (0.6)	\$ (0.1)	\$ 0.0	\$ (0.0)

Net Income data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

⁴ Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports.

EBITDA Data (\$ millions)

Company	2012	2011	2010	2009	2008	Average
American States	\$ 154.0	\$ 133.3	\$ 134.4	\$ 122.6	\$ 105.9	\$ 130.0
Aqua America	\$ 439.0	\$ 397.8	\$ 473.2	\$ 415.2	\$ 384.7	\$ 422.0
California Water	\$ 151.0	\$ 143.3	\$ 155.7	\$ 125.5	\$ 122.1	\$ 139.5
Connecticut Water	\$ 30.0	\$ 24.2	\$ 22.5	\$ 20.3	\$ 21.1	\$ 23.6
Middlesex	\$ 39.0	\$ 34.6	\$ 43.3	\$ 34.6	\$ 38.6	\$ 38.0
SJW Corp.	\$ 90.0	\$ 87.1	\$ 75.4	\$ 93.5	\$ 99.7	\$ 89.1
Payson Water Company	\$ (0.1)	\$ (0.0)	\$ (0.1)	\$ 0.0	\$ 0.1	\$ (0.0)

EBITDA data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

EBITDA data for subject utility from E-1 and/or ACC reports

Payson Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

MRP_{m+s} Estimates Using Duff & Phelps Study (Unlevered)

Assumes 100% Equity and 0% debt

Data Smoothing with Regression Analysis

Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevant Metric)

$$RP_{unlevered} = RP_{levered} - W_d/W_e * (\beta_u - \beta_d) * RP_{market}$$

Where β_u = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{levered}$ = levered realized risk premium

Constant
 X Coefficient(s)

Rejoinder Schedule D-4.14
 Witness: Bourassa

MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
18.448%	15.453%	18.701%	13.312%	17.363%	14.836%
-3.193%	-2.533%	-3.173%	-2.600%	-2.793%	-2.717%

MRP_{m+s} (unlevered)

Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1. American States	AWR	8.71%	8.72%	8.66%	9.24%	8.68%	9.09%	8.85%
2. Aqua America	WTR	6.87%	7.50%	6.77%	7.79%	7.07%	7.70%	7.28%
3. California Water	CWT	8.93%	8.68%	8.72%	9.12%	8.15%	9.01%	8.77%
4. Connecticut Water	CTWS	10.22%	9.71%	9.99%	10.61%	9.65%	11.11%	10.21%
5. Middlesex	MSEX	10.34%	9.73%	10.20%	10.43%	9.68%	10.54%	10.15%
6. SJW Corp.	SJW	9.79%	9.27%	9.41%	9.89%	8.88%	9.54%	9.46%
Average (unlevered)		9.14%	8.94%	8.96%	9.51%	8.68%	9.50%	9.12%
Payson Water Company		NA	15.98%	NA	NMF	16.22%	NMF	16.10%

Indicated size premium

6.98%

Payson Water Company
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

Unlevered Portfolio Beta
 (from 2012 Duff & Phelps RP Study - Table C)

Rejoinder Schedule D-4.15
 Witness: Bourassa

	Company	Symbol	Unlevered Portfolio Beta (β_u)						Average
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	
1.	American States	AWR	0.94	0.96	0.95	0.95	0.97	0.95	0.95
2.	Aqua America	WTR	0.87	0.89	0.86	0.88	0.83	0.82	0.86
3.	California Water	CWT	0.98	0.96	0.95	0.95	0.94	0.96	0.96
4.	Connecticut Water	CTWS	0.96	0.98	0.97	0.97	0.99	1.03	0.98
5.	Middlesex	MSEX	0.96	1.00	0.98	0.97	0.99	0.99	0.98
6.	SJW Corp.	SJW	0.98	0.98	0.98	0.99	0.97	0.95	0.98
	Average		0.95	0.96	0.95	0.95	0.95	0.95	0.95
	Payson Water Company		NA	0.98	NA	1.01	1.05	1.03	1.02

Payson Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps Risk Premium Study Data*

MRP Estimates Using Duff & Phelps Study (Relevered)

Relevered Realized Risk Premium

$$RP_{\text{relevered}} = RP_{\text{unlevered}} + W_d/W_e \cdot (\beta_u - \beta_d) \cdot RP_{\text{market}}$$

Where β_u = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{\text{unlevered}}$ = unlevered realized risk premium from Scedhule D-4.14

RP_{market} = general equity risk premium for the market since 1963.

Rejoinder Schedule D-4.16
 Witness: Bourassa

	Company	MRP _{mp+s} (Relevered)							Average
		W _d /W _e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	
1.	American States	29.6%	9.83%	9.87%	9.80%	10.37%	9.84%	10.22%	9.99%
2.	Aqua America	36.6%	8.14%	8.80%	8.02%	9.07%	8.27%	8.89%	8.53%
3.	California Water	45.3%	10.72%	10.43%	10.45%	10.85%	9.86%	10.76%	10.51%
4.	Connecticut Water	47.1%	12.04%	11.58%	11.83%	12.46%	11.53%	13.08%	12.09%
5.	Middlesex	37.9%	11.80%	11.27%	11.70%	11.92%	11.20%	12.06%	11.86%
6.	SJW Corp.	65.4%	12.38%	11.86%	12.00%	12.50%	11.44%	12.04%	12.04%
	Average MRP (Relevered)	43.63%	10.82%	10.63%	10.63%	11.19%	10.36%	11.17%	10.80%
	Payson Water Company	11.71%	NA	16.45%	NA	NMF	16.72%	NMF	16.58%

Payson Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps* Risk Premium Study Data

Equity Risk Premium Adjustment and Other metrics used in Build-up Method

Rejoinder Schedule D- 4.17
 Witness: Bourassa

[1] Estimate of Current Market Risk Premium (RP_{market})	5.00%	<<<<< Current Duff and Phelps recommendation
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2012) ¹	4.50%	
[3] Equity Risk Premium Adjustment ([1] - [2])	0.50%	
[4] Average MRP (levered) for publicly traded water companies (from Rejoinder Schedule D-4.16)	10.80%	
[5] MRP (levered) for publicly traded water companies (RP_{mrs}) ([3] + [4])	11.30%	
[6] Equity Risk Premium Adjustment ([3])	0.50%	
[7] Average MRP (levered) for subject utility company (from Table 4)	16.58%	
[8] MRP (levered) for subject utility company (RP_{mrs}) ([6] + [7])	17.08%	
[9] Industry Risk Premium (From <i>Ibbotson</i> for SIC 494 Water Supply Industry Table 3-5)	-4.92%	
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.7%) ¹	0.7463	
[11] Adjusted Industry Risk Premium (R_i) ([9] x [10])	-3.67%	
[12] Risk Free Rate (R_f) ²	3.52%	

¹ From Duff and Phelps Risk Premium Report 2013.

² Yield on 20 Yr U.S. Treasury November 27, 2013 (Federal Reserve)

Payson Water Company
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps* Risk Premium Study Data

Cost of Equity (COE) Estimate using Build-up Method

$$E(R_i) = R_f + RP_{m+s} + RP_i + RP_u$$

Where:

$E(R_i)$ = Expected (indicated) rate of return

R_f = Risk-free rate of return. See Rejoinder Schedule D-4-17.

RP_{m+s} = Market risk premium including size premium. See Scheduled-D-4.16

RP_i = Industry risk premium (adjusted). See Rejoinder Schedule D-4.17.

RP_u = Company-specific risk premium

Rejoinder Schedule D- 4.18
 Witness: Bourassa

Sample Publicly Traded Utilities	Payson Water Company
R_f =	3.52%
RP_{m+s} =	See Table 4
RP_i =	-3.67%
RP_u =	0.00%

	Indicated COE E(R _i)						
	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1. American States	10.17%	10.22%	10.14%	10.72%	10.19%	10.57%	10.34%
2. Aqua America	8.49%	9.14%	8.37%	9.42%	8.62%	9.24%	8.88%
3. California Water	11.07%	10.78%	10.80%	11.20%	10.20%	11.11%	10.86%
4. Connecticut Water	12.39%	11.93%	12.18%	12.80%	11.88%	13.43%	12.43%
5. Middlesex	12.15%	11.61%	12.04%	12.27%	11.55%	12.41%	12.00%
6. SJW Corp.	12.73%	12.21%	12.34%	12.85%	11.79%	12.39%	12.39%
Average COE estimate	11.17%	10.98%	10.98%	11.54%	10.71%	11.52%	11.15%
Payson Water Company	NA	16.79%	NA	NMF	17.06%	NMF	16.93%

Payson Water Company
Financial Risk Computation
Unlevered Beta

Exhibit
Rejoinder Schedule D-4.19
Witness: Bourassa

Line No.	Company	VL Beta β_L^1	Raw Beta β_L^2	Tax Rate t^3	MV Debt D^4	MV Equity E^4	Unlevered Raw Beta β_{UL}^5
1	American States	0.65	0.45	39.9%	22.8%	77.2%	0.38
2	Aqua America	0.60	0.37	39.0%	26.8%	73.2%	0.30
3	California Water	0.60	0.37	37.5%	31.2%	68.8%	0.29
4	Connecticut Water	0.75	0.60	32.0%	32.0%	68.0%	0.45
5	Middlesex	0.75	0.60	33.9%	27.5%	72.5%	0.48
6	SJW Corp.	0.85	0.75	41.1%	39.5%	60.5%	0.54
11							
12							
13	Sample Water Utilities	0.70	0.52	37.2%	30.0%	70.0%	0.41
14							
15							
16							
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20							
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23							
24							
25							
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30							

1 Value Line Investment Analyzer data. See Rejoinder Schedule D-4.9

Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:

Adjusted beta = $.35 + (.67) * \text{Raw beta}$

2 Raw Beta = $(VL \text{ beta} - .35) / (.67)$

3 Effective tax rates for year ended December 31, 2012.

4 See Rejoinder Schedule D-4.3

5 Raw $B_U = \text{Raw } B_L / (1 + (1-t)*D/E)$

Payson Water Company
Financial Risk Computation
Relevered Beta

Exhibit
Rejoinder Schedule D-4.20
Witness: Bourassa

Line No.	Unlevered Raw Beta β_{UL}^1	MV Book Debt $\frac{BD^2}{EC^2}$	MV Equity Capital $\frac{EC^2}{EC^2}$	Tax Rate t^3	Relevered Raw Beta $\beta_{RL} = \beta_U (1 + (1-t) \frac{BD}{EC})$	Adjusted Relevered Beta β_{RL}
1	0.41	10.5%	89.5%	34.96%	0.44	0.64
2						
3						
4						
5						
6						
7						
8						
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25						
26						

1 Unlevered Beta from Rejoinder Schedule D-4.14.
2 Proforma Capital Structure of Company.

	BV (in Thousands)	MV (in Thousands)	MV %
Long-term Debt	\$ 274.3	\$ 274	10.50%
Preferred Stock	-	-	0.0%
Common Stock	\$ 1,050.2	2,342	89.5%
Total Capital	\$ 1,325	(a) \$ 2,616	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.
3 Current Tax rate based on test year ending 12/31/2012. See Rejoinder Schedule D-1.

**Payson Water Company
Financial Risk Computation**

**Exhibit
Rejoinder Schedule D-4.21
Witness: Bourassa**

Line No.									
1	<u>CAPM</u>								
2		<u>Rf</u>	+	<u>β</u>		<u>(Rp)</u>		<u>k</u>	
3	Historical Market Risk Premium	4.0%	1	0.70	2	6.7%	3	=	8.7%
4	Current Market Risk Premium	4.0%	1	0.70	2	9.5%	4	=	<u>10.7%</u>
5									
6	Average								9.7%
7									
8									
9	<u>CAPM Relevered Beta</u>								
10		<u>Rf</u>	+	<u>β</u>		<u>(Rp)</u>		<u>k</u>	
11	Historical Market Risk Premium	4.0%	1	0.64	5	6.7%	3	=	8.3%
12	Current Market Risk Premium	4.0%	1	0.64	5	9.5%	4	=	<u>10.1%</u>
13									
14	Average								9.2%
15									
16	Financial Risk Adjustment								<u><u>-0.5%</u></u>
17									

1 Forecast of long-term treasury yields. See Rejoinder Schedule D-4.10
 2 Value Line Investment Analyzer data. See Rejoinder Schedule D-4.9
 3 Historical Market Risk Premium from (Rp) MorningStar S&P 500 2013 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2012
 4 Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rejoinder Schedule D-4.11
 5 Relevered beta found on Rejoinder Schedule D-4.15

Payson Water Company
Size Premium¹

Exhibit
Rejoinder Schedule D-4.22
 Witness: Bourassa

Line No.	Beta(β)	Size Premium	Risk Premium for Small Water Utilities ⁷
1			
2			
3			
4			
5			
6	1.12	1.12%	
7			
8	1.23	1.85%	
9			
10	1.36	3.81%	
11			
12	1.42	6.03%	3.65%
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
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40			
41			

Estimated Risk Premium for small water utilities⁶

0.99%

¹ Data from Table 7-8 of Morningstar, *Ibbotson S&P 500 2013 Valuation Yearbook*.
² Mid-Cap companies includes companies with market capitalization between \$1,912 million and \$7,687 million.
³ Low-Cap companies includes companies with market capitalization between \$514 million and \$1,909 million.
⁴ Micro-Cap companies includes companies with market capitalization less than \$514 million.
⁵ Decile 10 includes companies with market capitalization between \$1.14 million and \$254 million.
⁶ From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
⁷ Computed as the weighted differences between the Decile 10 risk premium and the indicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

Market Cap.	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
American States	\$ 1,123 Low-Cap	1.85%	4.18%	0.1666667
Aqua America	\$ 4,222 Mid-Cap	1.14%	4.89%	0.1666667
California Water	\$ 960 Low-Cap	1.85%	4.18%	0.1666667
Connecticut Water	\$ 379 Micro-Cap	3.81%	2.22%	0.1666667
Middlesex	\$ 347 Micro-Cap	3.81%	2.22%	0.1666667
SJW Corp.	\$ 514 Low-Cap	1.85%	4.18%	0.1666667
Weighted Size Premium for Small Companies				3.65%