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Exhibit #: Part 1 of 3 A-6 - A-15

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To: Docket Control

Date: February 24, 2014

Re: Payson Water Co., Inc. / Rates & Financing
W-03514A-13-0111, etc. / Phase 2
February 4, 5, 7, 10, and 14, 2014
Volumes I through V, Concluded

STATUS OF ORIGINAL EXHIBITS

FILED WITH DOCKET CONTROL

Payson Water Company (A Exhibits)

A-6 through A-17

(A-1 through A-5 admitted in Phase 1 of hearing taken on 09-25-2013 and filed with Docket Control on 09-30-2013)

Kathleen Reidhead (KMR Exhibits)

KMR-1 through KMR-6

1802 NORTH 7TH STREET, PHOENIX, AZ 85006 • 602.258.1440 (T) • 602.258.2062 (F)
Toll Free 1.800.262.DEPO • Toll Free AZ 1.800.537.DEPO • www.coashandcoash.com

Staff (S Exhibits)

S-4 through S-18

(S-1 through S-3 admitted in Phase 1 of hearing taken on 09-25-2013 and filed with Docket Control on 09-30-2013)

Suzanne Nee (SN Exhibits)

SN-1 through SN-6

Thomas Bremer (TB Exhibits)

TB-1 through TB-5

Copy to: Mr. Dwight D. Nodes, ACALJ
All parties present during the hearing

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-_____

DIRECT TESTIMONY OF
THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

April 22, 2013

EXHIBIT
A-6
ADMITTED

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

A. I am a Certified Public Accountant and am self-employed, providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of several water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission"). A copy of my regulatory work experience in attached as **Exhibit TJB-DT1**.

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

A. I am testifying in this proceeding on behalf of the applicant, Payson Water Company ("Payson" or "Company"). Payson is seeking a determination of its fair value rate base and the setting of rates and charges for water utility based on that

finding. Payson provides water utility service in its certificated service area, which area is generally located in northern Gila County, Arizona.

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the Company's proposed adjustments to its rates and charges for water utility service. I am sponsoring the direct schedules, which are filed concurrently herewith in support of the Company's application. I was responsible for the preparation of these schedules based on my investigation and review of Payson's relevant books and records.

For convenience, the two portions of my direct testimony, each with the relevant schedules attached, are being filed separately. In this volume of my direct testimony, I address the rate bases, income statements (revenue and operating expenses), required increases in revenue, and rate designs and proposed rates and charges for service for the Company's water division. Schedules A through C, E-F and H are attached to this portion of my direct testimony. The Company has not prepared a cost of service study (G schedules). Consequently, the G Schedules are omitted.

Q. WHY DIDN'T THE COMPANY PREPARE A COST OF SERVICE STUDY?

A. Because the Commission does not set rates for water utility service based on cost of service, and because the changes to the rate designs the Company is proposing do not necessitate a cost of service study. The substantial expense of doing a cost of service study could not be justified. I have taken a similar approach in other cases without complaint.

Q. THANK YOU. PLEASE CONTINUE.

A. In the second volume of my direct testimony, to which the D schedules are attached, I address cost of capital. Payson is requesting a return on common equity of 11.0 percent. As shown on Schedule D-1, the Company's capital structure consists of approximately 100 percent equity and 0 percent debt. The weighted cost of capital is 11.0 percent.

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. The Company is seeking a revenue increase of 124.73 percent. The test year used by Payson is the 12-month period ending December 31, 2012. The Company is requesting an 11.0 percent return on its fair value rate base ("FVRB"). The Company has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses and revenues for each division. These pro forma adjustments are consistent with normal ratemaking and are contemplated by the Commission's rules and regulations governing rate applications.[1] These adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses and rate base on a going-forward basis.

The Company's fair value rate base is $659,457. The increase in revenues to provide for recovery of operating expenses and an 11.0 percent return on rate base is approximately $399,785, an increase of approximately 124.73 percent over the adjusted and annualized test year revenues.

[1] *See* A.A.C.R14-2-103.

III. PAYSON'S WATER DIVISION

A. Summary of A, E and F Schedules

Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S WATER DIVISION SCHEDULES. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A. The A-1 Schedule is a summary of the water division rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. An 11.0 percent return on FVRB is requested. The increase in the revenue requirement is $399,785. Revenues at present and proposed customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains the Company's capital structure for the test year and the two prior years.

Schedule A-4 contains the plant construction and plant-in-service for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the Company's changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on the Company's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2010, 2011, and 2012 ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2010, 2011, and 2012 ending on December 31.

Schedule E-3 contains the statements of changes in the Company's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in membership equity.

Schedule E-5 contains the Company's plant-in-service at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2010, 2011, and 2012 ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted) and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-3 shows the Company's projected construction requirements for 2013, 2014, and 2015.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

B. <u>Rate Base (B Schedules)</u>

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is the working capital allowance. I used the "formula method" of computing the working capital allowance to reduce costs.

However, the Company is not requesting a working capital allowance for either division.

Q. WHY DIDN'T THE COMPANY PREPARE A LEAD-LAG STUDY AND USE THE RESULTS OF THAT STUDY TO COMPUTE WORKING CAPITAL?

A. Because the Company is not seeking a working capital allowance and the costs to prepare a lead-lag study outweigh the benefits in this case.

Q. THANK YOU. PLEASE CONTINUE.

A. The Company did not file Schedules B-3 and B-4. To limit issues in dispute and reduce rate case expense, Payson is requesting that its original cost rate base ("OCRB") be used as its FVRB for both of its operating divisions.

Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO THE WATER DIVISION'S ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2 shows adjustments to the water division's OCRB cost rate base proposed by the Company. Schedule B-2, pages 2 through 6, provides the supporting information. These adjustments are, in summary:

B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service ("PIS"). There is one plant-in-service adjustment included in Adjustment 1. This adjustment is shown on Schedule B-2, page 3, and is labeled as adjustment "A."

Adjustment A of B-2 adjustment number 1 reflect adjustments to plant-in-service required to reconcile to the reconstruction of PIS from the end of the last test year to the end of the current test year. There is no difference between the recorded PIS balance and the reconstructed PIS balance.

B-2 adjustment 2, as shown on Schedule B-2, page 2, adjusts accumulated depreciation ("A/D"). The details of the accumulated depreciation adjustment are

shown on Schedule B-2, page 4. There is one adjustment shown on this schedule and it is labeled as adjustment "A".

Adjustment A of B-2 adjustment 2 reflects the re-computed accumulated depreciation balance. The reconstruction of the Company's A/D balance is shown on Schedule B-2, pages 3.2 through 3.17.

Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON SCHEDULE B-2 REFLECT THE LAST COMMISSION RATE ORDER?

A. Yes. The plant shown on Schedule B-2 started with the plant-in-service balances approved in Decision No. 62401 (previously United Utilities, Inc.) and Decision No. 62320 (previously C&S Water Company, Inc.),[2] which established the starting values of plant-in-service. Plant additions, retirements, and transfers have been added to and deducted from total plant shown on Schedule B-2, pages 3.2 to 3.17. Pages 3.2 to 3.17 of the schedule also show the details for the accumulated depreciation through the end of the test year using the half-year convention for depreciation.

Q. WHAT DEPRECIATION RATES DID YOU EMPLOY?

A. I employed the rates authorized in the last rate case decisions.

Q. THANK YOU. PLEASE CONTINUE.

A. B-2 adjustment number 3, labeled as 3a and 3b, adjusts contributions in aid of construction ("CIAC") and amortization for CIAC recorded since the prior rate case. The detail of PWC's proposed CIAC adjustments can be found on Schedule B-2, pages 5.0 and 5.1.

B-2 adjustment number 4 reflects deferred income taxes. The Company's computation is based on the adjusted plant-in-service, accumulated depreciation,

[2] *See* Decision 62401 (March 30, 2000) for the prior United Utilities, Inc. system(s) and Decision 62320 (February 17, 2000) for the prior C&S Water Company, Inc. system(s).

AIAC, and CIAC in the instant case and the adjusted tax basis of its assets using the effective tax rates. The detail of the Company's deferred income tax computation is shown on Schedule B-2, page 6.0 and 6.1.

Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON A-1 DETERMINED?

A. As stated, the FVRB shown on Schedule A-1 is based on OCRB, with no adjustment for the current values of the Company's plant and property.

C. <u>Income Statement (C Schedules)</u>

Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE WATER DIVISION INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A. The following is a summary of adjustments shown on Schedule C-1:

Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for each component of utility plant is shown on Schedule C-2, page 2. The depreciation rates approved in the Company's last rate case were account specific rates. The Company proposes to continue to use these rates.

Adjustment 2 increases the property taxes based on proposed revenues.

Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED RATES?

A. To determine full cash value, I used the method employed by the Arizona Department of Revenue – Centrally Valued Properties ("ADOR" or "the Department"). This method determines full cash value by using twice the average of three years of revenue, plus an addition for CWIP and a deduction for the book value of transportation equipment. In the instant case, I used two times the adjusted revenues for the year ending December 31, 2012, and one year of

revenues at proposed rates. The assessed value (20 percent of full cash value) was then multiplied by the property tax rate to determine adjusted property tax expense.

Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH REVENUES PROPER RATE MAKING?

A. Yes. Like income taxes, property taxes must be adjusted to ensure that the new rates are sufficient to produce the revenue requirement. For this reason, the Commission uses proposed revenues to determine an appropriate level of property tax expense to be recovered through rates.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 3 shows the rate case expense estimated by the Company. The Company estimates rate case expense of $195,000. The Company proposes that rate case expense be recovered over three years because it believes a 3-year cycle for future rate cases is reasonable given this utility's circumstances.

Q. HOW DID YOU ARRIVE AT THIS AMOUNT?

A. I consulted with Mr. Hardcastle and the Company's counsel. There were several factors that led to our estimate. For starters, the consolidation of the rates from 8 systems adds complexity to this case. On top of that, we have the need to address the significant costs being incurred to benefit Mesa del Caballo. Lastly, we had to consider the fact that the Company has spent tens of thousands of dollars defending litigation brought by customers and others, which lead us to conclude that there will likely be interveners taking an active role in this matter. In light of these factors, and the fact that we will have, at minimum, several months of discovery, several rounds of pre-filed testimonies, hearings and briefing, I believe rate case expense of $195,000 is reasonable at this time.

Q. YOU USED THE TERM "ESTIMATE" AND QUALIFIED THE ESTIMATE WITH "AT THIS TIME." WHY?

A. Because I can't see the future, I can only make some guesses based on my experience and legal counsel's. For example, if Staff or customer groups oppose rate consolidation between the systems; if RUCO decides the debt service surcharge is not in the public interest and intervenes; if there is a fight over the Cragin Pipeline, the rate case expense is going to be north of $200,000. If none of those things happen and we resolve all disputed issues with Staff, my estimate is going to be high. There are so many unknowns in this rate case; the bottom line is, I chose the most reasonable number under $200,000 I could and we are going to have to see how it goes.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization of revenues is based on the number of customers at the end of the test year, compared to the actual number of customers during each month of the test year. Average revenues per customer by month were computed for the test year and then multiplied by the increase (or decrease) in number of customers for each month of the test year. The total of the monthly revenue change comprise the revenue annualization. This was done for each customer class. Of note, the net revenue annualization adjustment takes into consideration the loss of Star Valley/Quail Valley revenues discussed below in adjustment number 5.

Adjustment 5 removes test year recorded revenues and expenses for the Star Valley/Quail Valley system that was condemned by the Town of Star Valley in May of the test year and is no longer part of PWC.[3]

[3] Direct Testimony of Robert T. Hardcastle ("Hardcastle Dt.") at 6:1-14.

Adjustment 6 removes purchased water expense and metered water revenues covered by the Company's water augmentation surcharge approved for the Mesa del Caballo system ("MDC") in Decision No. 71902 (September 28, 2010). A discussion of the Cragin Pipeline is provided by Mr. Hardcastle in his testimony.[4]

Adjustment number 7 removes other non-utility income/expense to eliminate their impact on income taxes.

Adjustment 8 is intentionally left blank.

Adjustment 9 adjusts income taxes to reflect the Company proposed adjusted test year revenues and expenses.

D. <u>Rate Design (H Schedules)</u>

Q. WHAT ARE THE COMPANY'S PRESENT RATES FOR WATER SERVICE?

A. The Company's present rates for the United Systems portion of PWC are:

MONTHLY SERVICE CHARGES	
5/8" x 3/4" Meters	$16.00
3/4" Meters	$18.40
1" Meters	$21.28
1 1/2" Meters	$32.00
2" Meters	$56.00
3" Meter	$80.00
4" Meters	$128.00

[4] *Id.* at 10 – 11.

Gallons included in monthly minimum		0
COMMODITY RATES		
All Meter Sizes	1 to 4,000 gals	$1.93
	Over 4,000 gals	$2.99

The Company's present rates for the C&S Systems portion of PWC are:

MONTHLY SERVICE CHARGES	
5/8" x 3/4" Meters	$17.00
3/4" Meters	$25.50
1" Meters	$42.50
1 1/2" Meters	$85.00
2" Meters	$136.00
3" Meter	$255.00
4" Meters	$425.00
Gallons included in monthly minimum	0
COMMODITY RATES	
All Meter Sizes — All gallons	$1.48

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

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES	
5/8" x 3/4" Meters	$39.24
3/4" Meters	$58.85
1" Meters	$98.09
1 1/2" Meters	$196.18
2" Meters	$313.89

3" Meter		$627.78
4" Meters		$980.90
6" Meter		$1,961.80
8" Meters		$3,138.88

COMMODITY RATES

5/8" x ¾" Meters	1 to 4,000	$2.75
	4,001 to 10,000	$4.75
	Over 10,000	$6.75
¾" Meters (Residential)	1 to 4,000	$2.75
	4,001 to 10,000	$4.75
	Over 10,000	$6.75
1" Meters	1 to 25,000	$4.75
	Over 25,000	$6.75
1 ½" Meters	1 to 50,000	$4.75
	Over 50,000	$6.75
2" Meters	1 to 80,000	$4.75
	Over 80,000	$6.75
3" Meters	1 to 150,000	$4.75
	Over 150,000	$6.75
4" Meters	1 to 250,000	$4.75
	Over 250,000	$6.75
6" Meters	1 to 500,000	$4.75
	Over 500,000	$6.75
8" Meters	1 to 800,000	$4.75
	Over 800,000	$6.75

Q. WHAT METER SIZE ARE THE MAJORITY OF CUSTOMERS ON AND WHAT WAS THE AVERAGE MONTHLY BILL DURING THE TEST YEAR?

A. The largest customer classes are the 5/8x3/4 inch class comprising about 85 percent of customers. As shown on Schedule H-2, page 1, the average monthly bill under present rates for a 5/8x3/4 inch metered customer (United Systems) using an average 2,856 gallons is $21.51. The average monthly bill under present rates for a 5/8x3/4 inch metered customer (C&S Systems) using an average 6,961 gallons is $27.30.

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

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8x3/4 inch metered customer (United Systems) using an average 2,856 gallons is $47.09—a $25.58 increase over the present monthly bill or a 118.90 percent increase. The average monthly bill under proposed rates for a 5/8x3/4 inch metered customer (C&S Systems) using an average 6,961 gallons is $64.30—a $37.00 increase over the present monthly bill or a 135.51 percent increase.

Q. IS THE COMPANY PROPOSING CHANGES TO THE CURRENT RATE DESIGNS?

A. Yes. First, the Company is proposing to consolidate rates for all of it systems into one. This makes the most sense since only one system has rates that are not the same as the other 7 remaining systems. Second, the Company is proposing an inverted 3-tier rate design for the smaller metered customers and an inverted 2-tier rate design for the 1-inch and larger metered customers. The Company's current rate designs are single-tier (C&S System) and inverted 2-tier (United System).

The Company's proposed rate design is a typical water conservation rate design that has been adopted by the Commission in the past 10 years.

1. **Miscellaneous Charges**

Q. IS THE COMPANY PROPOSING CHANGES TO ITS MISCELLANEOUS SERVICE CHARGES?

A. Yes. The Company is proposing to consolidate the miscellaneous charges for all of it systems into one. The Company is proposing the current miscellaneous charges of the United Systems as these charges currently apply to 7 out of the 8 PWC systems.

2. **Service Line and Meter Charges**

Q. IS THE COMPANY PROPOSING CHANGES TO THE SERVICE LINE AND METER INSTALLATION CHARGES?

A. Yes. The Company is proposing to consolidate the service line and miscellaneous charges for all of it systems into one. The proposed service line and meter installation charges are based upon the most recent Staff Engineering memo of typical costs.[5]

3. **MDC Water Augmentation Surcharge**

Q. PLEASE EXPLAIN WHY THE COMPANY IS PROPOSING TO CONTINUE CHARGING THE AUTHORIZED MESA DEL CABALLO WATER AUGMENTATION SURCHARGE.

A. As explained by Mr. Hardcastle, PWC may need to continue to haul water to meet MDC system water demand until the Cragin Pipeline is completed and perhaps still when it's fully operational.[6]

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[5] ACC Staff Engineering Memo dated February 21, 2008.

[6] Hardcastle Dt. at 9:16 – 10:1.

4. **Debt Recovery Surcharge**

Q. **HOW DOES THE COMPANY INTEND TO FUND THE CAPITAL COSTS OF THE CRAGIN PIPELINE?**

A. The Company intends to borrow the funds from the Water Infrastructure and Financing Authority ("WIFA"). The Company plans to apply to WIFA and file a financing application with the Commission by the time this rate application reaches sufficiency. The Company currently estimates it will need to borrow $1,238,000 with an intended a loan term of 20 years and a projected interest rate of 4.2 percent, the Company anticipates annual debt service payments of over $111,000 (including debt reserve payments). Combined with anticipated operation and maintenance fees from Salt River Project ("SRP") and the Town of Payson ("TOP") of $65,000 to $80,000 annually, a commodity cost from TOP of $2.75 per 1,000 gallons, the Company will not be able to meet WIFA's minimum debt service coverage requirements. It makes little sense for the Company to achieve a remedy to the chronic water shortages in Mesa del Caballo only to default on its loan because it cannot afford the payments and/or not be able to pay to get water delivered through the pipeline.

I have included as **Exhibit TJB-RB-DT2**, a computation of the debt service coverage ratio ("DSCR") based upon the Company proposed revenues and expenses, the WIFA debt service requirements using the above estimated loan amount and terms, the anticipated O&M fees, as well as commodity charges from TOP. As shown, the DSCR is estimated to in the range of 0.99 to 1.08 using the $65,000 annual O&M fee estimate and 0.86 to 0.94 using the $80,000 annual O&M fee estimate. The minimum DSCR requirement for a WIFA loan is 1.20. This shows, as I testified earlier, that the Company needs its rates to rise concurrent with the incurrence of these new costs of service.

Q. HOW WILL THE PROPOSED DEBT RECOVERY SURCHARGE WORK?

A. The Company is proposing a Debt Recovery Surcharge Mechanism that will allow it to timely recover sufficient funds to cash flow its debt service requirements. I have included as **Exhibit TJB-RB-DT3** showing how the Debt Recovery Surcharge would be computed.

Q. WOULD THE DEBT RECOVERY SURCHARGE BE CHARGED ONLY TO THE MESA DEL CABALLO CUSTOMERS?

A. Yes. Since the debt is funding a project which is a direct and only benefit to the MDC customers it is appropriate to charge only the MDC customers.

Q. HAVE YOU PREPARED AN ESTIMATE OF THE MONTHLY DEBT RECOVERY SURCHARGE?

A. Yes. An estimate of the monthly surcharge based upon the WIFA loan amount and terms is included as **Exhibit TJB-RB-DT4**. As shown, the estimated monthly surcharge for a 5/8x3/4 inch metered MDC customer would be $30.75.

Q. WHEN WOULD THE DEBT RECOVERY SURCHARGE BE IMPLEMENTED?

A. Only after PWC has completed the Cragin Pipeline project, the costs have been verified by Staff, and it is placed into service. Further, the final WIFA loan amount and terms must be known and the Commission must approve the surcharge calculation.

Q. WOULD THE DEBT RECOVERY SURCHARGE BE TRUED-UP ANNUALLY?

A. Yes. The Company will track the funds received through the surcharge and actual debt payments to identify any over/under recovery of costs. Any over/under recovery will be included in the next year's surcharge computation. A report will

be submitted to the Commission by February 28th supporting each year's computation of the surcharge.

Q. WHEN WOULD THE DEBT RECOVERY SURCHARGE CEASE?

A. In the next rate case, I anticipate the recovery of the capital costs and depreciation would be included in base rates and the Debt Recovery Surcharge could be discontinued.

5. <u>O&M Cost Recovery Surcharge</u>

Q. PLEASE COMMENT ON THE COMPANY'S PROPOSED O&M RECOVERY SURCHARGE.

A. The Company is proposing an O&M Cost Recovery Surcharge Mechanism that will allow it to recover sufficient funds to cash flow the additional O&M costs from SRP and TOP for the Cragin Pipeline that are not included in operating expenses in this case. I have included as **Exhibit TJB-RB-DT5** instructions on how the O&M Recovery Surcharge would be computed. I have also included an estimate of the monthly surcharge as **Exhibit TJB-RB-DT6**. As shown on page 1 of the exhibit, using an estimate of $65,000 for the O&M fees, the monthly surcharge for a 5/8x3/4 inch metered MDC customer is estimated to be $14.90. As shown on page 2 of the exhibit, using an estimate of $80,000 for the O&M fees, the monthly surcharge for a 5/8x3/4 inch metered MDC customer is estimated to be $18.34.

Q. WOULD THE O&M COST RECOVERY SURCHARGE BE CHARGED TO ONLY THE MESA DEL CABALLO CUSTOMERS?

A. Yes. Again, only the MDC receive a benefit from the Cragin Pipeline and it is appropriate to charge the MDC customers only.

Q. WHEN WOULD THE O&M COST RECOVERY SURCHARGE BE IMPLEMENTED?

A. After meeting the conditions for the Debt Recovery surcharge, the O&M surcharge would commence when the annual O&M fees from SRP and TOP have been finalized and the Commission has approved the O&M surcharge computation.

Q. WOULD THE O&M COST RECOVERY SURCHARGE BE TRUED-UP ANNUALLY?

A. Yes. The Company will track the funds received through the surcharge and the actual O&M costs to identify any over/under recovery of costs. Any over/under recovery will be included in the next year's surcharge computation. A report will be submitted to the Commission by February 28th for the each year's computation of the surcharge.

Q. WHEN WOULD THE O&M RECOVERY SURCHARGE CEASE?

A. In the next rate case, I anticipate the recovery of the O&M costs would be included in base rates and the O&M Cost Recovery Surcharge would be discontinued.

6. <u>Town of Payson Commodity Cost Recovery Surcharge</u>

Q. PLEASE COMMENT ON THE COMPANY'S TOWN OF PAYSON COMMODITY COST RECOVERY SURCHARGE.

A. The Company is proposing a Town of Payson Commodity Cost Recovery Surcharge Mechanism that will allow the Company to recover sufficient funds to cash flow the additional cost of water from TOP. The current commodity cost estimate from TOP is $2.75 per 1,000 gallons. The Company would charge customers based upon each customer's usage of water purchased and delivered through the Cragin Pipeline.

Q. WOULD THE COMMODITY COST RECOVERY SURCHARGE BE CHARGED TO ONLY THE MESA DEL CABALLO CUSTOMERS?

A. Yes. These costs are for water that is delivered to and used by MDC customers only. It is appropriate to pass this cost on to only the MDC customers based upon their water usage.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

APRIL 22, 2013

EXHIBIT TJB – DT1

Exhibit A
RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)
M.B.A. University of Phoenix with Emphasis in Finance (1991)
C.P.A. State of Arizona (1995)
Continuing Professional Education – In areas of tax, accounting, management, economics, finance, ethics (80 hrs every two years)

MEMBERSHIPS

Arizona Society of CPAs
Water Utilities Association of Arizona
American Water Works Association
Society of Regulatory Financial Analysts

EMPLOYMENT EXPERIENCE

1995 – Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required. Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, generally accepted ratemaking principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews. Litigation support services.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager

1982-1985	Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.
1981-1982	Employed by Purdue University, West Lafayette, Indiana as Teaching Assistant.

SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED CONSULTANT

COMPANY/CLIENT	FUNCTION
Litchfield park Service Company Docket SW-01428A-13-0043 W-01428A-13-0042	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Beaver Dam Water Company Docket WS-03067A-12-0232	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Rio Rico Utilities Docket WS-02676A-12-0196	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.
Vail Water Company Docket No. W-01651B-12-0339	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.
Avra Water Co-Op. Docket No. W-02126A-11-0480	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.
Pima Utility Company Docket W-02199A-11-0329 Docket SW-02199A-11-0330	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital. Work on financing application.
California Pacific Energy Company	Work on preparation of permanent rate application.
Livco Water Company Docket SW-02563A-11-0213	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill

COMPANY/CLIENT	FUNCTION
	Counts, and Rate Design.
Orange Grove Water Company Docket W-02237A-11-0180	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Goodman Water Company Docket W-02500A-10-0382	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Doney Park Water Docket W-01416A-10-0450	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Grimmelmann, et. al. v. Pulte Home Corporation, et. al., case no. CV-08-1878-PHX-FJM, the United States District Court for the District of Arizona.	Consultant to defendant and expert witness for defendant on rates and ratemaking.
Southern Arizona Home Builders Association	Consultant on ratemaking aspects to line extension policies (electric).
H2O Water Company	Valuation
Tierra Linda HOA Water Company	Valuation
Las Quintas Serenas Water Company Docket W-01583A-09-0589	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Coronado Utilities Docket SW-04305A-09-0291	Permanent Rate Application – Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Little Park Water Company Docket W-02192A-09-0531	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

COMPANY/CLIENT	FUNCTION
Sahuarita Water Company Docket W-03718A-09-0359	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Bella Vista Water Company Southern Sunrise Water Company Northern Sunrise Water Company Docket W-02465A-09-0414 W-02453A-09-0414 W-02454A-09-0414	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Rio Rico Utilities, Inc Docket WS-02676A-09-0257	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Litchfield park Service Company Docket SW-01428A-09-0103 W-01428A-09-0104	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Town of Thatcher v. City of Safford, CV 2007-240, Superior Court of Arizona	Consultant to plaintiff on ratemaking and cost of service.
Valencia Water Company Before the California Public Utility Commission 09-05-002	Cost of Capital
Valley Utilities Docket W-01412A-08-0586	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Black Mountain Sewer Company Docket SW-02361A-08-0609	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Far West Water and Sewer Company	Interim Rate Application (Emergency

COMPANY/CLIENT	FUNCTION
Docket WS-03478A-08-0608	Rates)
Farmers Water Company Docket W-01654A-08-0502	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Far West Water and Sewer Company Docket WS-03478A-08-0454	Permanent Rate Application. Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.
Ridgeline Water Company, LLC Docket W-20589A-08-0173	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Sacramento Utilities, Inc. Docket SW-20576A-08-0067	Certificate of Convenience and Necessity – Wastewater. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Johnson Utilities Docket WS-02987A-08-0180	Permanent Rate Application. Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital. Participate in 40-252 proceeding.
Orange Grove Water Company Docket W-02237A-08-0455	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Far West Water and Sewer Company Docket WS-03478A-07-0442	Financing Application. Prepare schedules to support application.
Oak Creek Water No.1 Docket W-01392A-07-0679	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
ICR Water Users Association	Permanent Rate Application. Prepared

COMPANY/CLIENT	FUNCTION
Docket W-02824-07-0388	schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Johnson Utilities	Valuation consultant in the matter of the sale of Johnson Utilities assets to the Town of Florence.
H2O, Inc Docket W-02234A-07-0550	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Chaparral City Water Company Docket W-02113A-07-0551	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Valley Utilities Docket W-01412A-07-0561	Financing Application. Prepare schedules to support application.
Valley Utilities Docket W-01412A-07-280	Emergency Rate Application. Prepare schedules to support application.
Valley Utilities Docket W-01412A-07-0278	Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.
Litchfield Park Service Company Docket W-01427A-06-0807	Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.
Golden Shores Water Company Docket W-01815A-07-0117	Permanent Rate Application. Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Diablo Village Water Company Docket W-02309A-07-0140	Off-site facilities hook-up fee application. Prepare schedules to support application.

COMPANY/CLIENT	FUNCTION
Diablo Village Water Company Docket W-02309A-07-0399	Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Sahuarita Water Company (Rancho Sahuarita Water Co.) Docket W-03718A-07-0687	Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Utility Source, L.L.C. Docket WS-04235A-06-0303	Permanent Rate Application- Water and Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Tierra Buena Water Company	Valuation of Tierra Buena Water Company for estate purposes.
Goodman Water Company Docket W-02500A-06-0281	Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Cost of Capital.
Links at Coyote Wash Utilities Docket SW-04210A-06-0220	Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
New River Utilities Docket W-0173A-06-0171	Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Johnson Utilities Docket WS-02987A-04-0501 Docket WS-02987A-04-0177	Extension of Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Bachmann Springs Utility	Permanent Rate Application – Water and

COMPANY/CLIENT	FUNCTION
Docket WS-03953A-07-0073	Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Avra Water Cooperative Docket W-02126A-06-0234	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Gold Canyon Sewer Company Docket SW-025191A-06-0015	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
State of Arizona v. Far West Water and Sewer, No. 1 CA-CR 06-0160	Expert witness on behalf of defendant in penalty phase of case.
Far West Water and Sewer Company Docket WS-03478A-05-0801	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Black Mountain Sewer Company Docket SW-02361A-05-0657	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Balterra Sewer Company Docket SW-02304A-05-0586	Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Community Water Company of Green Valley Docket W-02304A-05-0830	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
McClain Water Systems Northern Sunrise Water Southern Sunrise Water Docket W-020453A-06-0251	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial

COMPANY/CLIENT	FUNCTION
	rate design.
Valley Utilities Water Company Docket W-01412A-04-0376	Off-site facilities hook-up fee application. Prepare schedules to support application.
Valley Utilities Water Company Docket W-01412A-04-0376	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.
Beardsley Water Company Docket W-02074A-04-0358	Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Pine Water Company, Inc. Docket W-03512A-03-0279	Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Cost of Capital, and Rate Design.
Chaparral City Water Company Docket W-02113A-04-0616	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in preparation Rate Design.
Tierra Linda Home Owners Association Docket W-0423A-04-0075	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Diamond Ventures - Red Rock Utilities Docket WS-04245A-04-0184	Certificate of Convenience and Necessity – Water and Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Arizona-American Water Company, Inc. Docket WS-01303A-02-0867 Docket WS-01303A-02-0868 Docket WS-01303A-02-0869	Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue

COMPANY/CLIENT	FUNCTION
Docket WS-01303A-02-0870 Docket WS-01303A-02-0908	Requirement. Assisted in preparation of Rate Design.
Bella Vista Water Company, Inc. Docket W-02465A-01-0776	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Green Valley Water Company Docket (2000 Not Filed)	Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Gold Canyon Sewer Company Docket SW-02519A-00-0638	Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Rio Verde Utilities, Inc. Docket WS-02156A-00-0321	Permanent Rate Application – Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Livco Water Company Livco Sewer Company Docket SW-02563A-05-0820	Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Livco Water Company Docket SW-02563A-07-0506	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Cave Creek Sewer Company	Revenue Requirement, Rate Adjustment and Rate Design - Sewer.
Avra Water Cooperative	Permanent Rate Application – Water.

COMPANY/CLIENT	FUNCTION
Docket W-02126A-00-0269	Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Town of Oro Valley	Revenue Requirements, Water Rate Adjustments and Rate Design.
Far West Water Company Docket WS-03478A-99-0144	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.
MHC Operating Limited Partnership Sedona Venture Wastewater Docket W-	Permanent Rate Application – Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Vail Water Company Docket W-01651B-99-0406	Permanent Rate Application. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
E&T Water Company Docket W-01409A-95-0440	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
New River Utility Docket W-01737A-99-0633	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Golden Shores Water Docket W-01815A-98-0645	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Ponderosa Utility Company Docket W-01717A-99-0572	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Chaparral City Water Company Docket (1999 Not Filed)	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and

COMPANY/CLIENT	FUNCTION
	Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

APRIL 22, 2013

EXHIBIT TJB – DT2

Exhibit

Payson Water Company
Test Year Ended December 31, 2012
Debt Service Coverage Ratio at Proposed Rates

Line No.		[A] At $65,000 of O&M Fees with Commodity Costs	[B] At $80,000 of O&M Fees with Commodity Costs
1			
2			
1			
2			
3			
4	[1] Net Income at Proposed Rates	$ 72,540	$ 72,540
5	[2] O&M Fees	(65,000)	(80,000)
6	[3] Town of Payson Commodity Fees[1]	(9,350)	(9,350)
7	[4] Adjusted Net Income at Proposed Rates sum of [1],[2],[3]	$ (1,810)	$ (16,810)
8	[5] Plus: Depreciation and Amortization	85,632	85,632
9	[6] Income Taxes	26,465	26,465
10	[7] Interest Expense	-	-
11	[8] Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) sum of [5],[6],[7]	$ 110,287	$ 95,287
12			
13	[9] Loan Principal and Interest Payments	$ 92,715	$ 92,715
14	[10] Debt Reserve Funding Requirements	18,543	18,543
15	[11] Refunds of Advances	-	-
16	[12] Debt Service Requirements sum of [9],[10],[11]	$ 111,258	$ 111,258
17			
18	[13] Debt Service Coverae Ratio ("DSCR") [8]/[12]	0.99	0.86
19			
20	[1] 3.4 million gallons of water was purchased and hauled in 2012. Commodity rate is estimated to be $2.75 per 1,000 gallons.		
21			
22			
23			
24			
25			
26			

		[C] At $65,000 of O&M without Commodity Costs	[D] At $80,000 of O&M Fees without Commodity Costs
27	[1] Net Income at Proposed Rates	$ 72,540	$ 72,540
28	[2] O&M Fees	(65,000)	(80,000)
29	[3] Town of Payson Commodity Fees	-	-
30	[4] Adjusted Net Income at Proposed Rates sum of [1],[2],[3]	$ 7,540	$ (7,460)
31	[5] Plus: Depreciation and Amortization	85,632	85,632
32	[6] Income Taxes	26,465	26,465
33	[7] Interest Expense	-	-
34	[8] Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) sum of [5],[6],[7]	$ 119,637	$ 104,637
35			
36	[9] Loan Principal and Interest Payments	$ 92,715	$ 92,715
37	[10] Debt Reserve Funding Requirements	18,543	18,543
38	[11] Refunds of Advances	-	-
39	[12] Debt Service Requirements sum of [9],[10],[11]	$ 111,258	$ 111,258
40			
41	[13] Debt Service Coverae Ratio ("DSCR") [8]/[12]	1.08	0.94
42			

PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

APRIL 22, 2013

EXHIBIT TJB – DT3

Payson Water Company

Instructions to Calculate the Annual Surcharge Revenue Requirement and Monthly Surcharge for Equivalent 5/8x3/4 Inch Meter

Step 1. Gather the Loan Information
Identify the original loan amount (amount borrowed), interest rate, and term (in years).

Step 2. Determine the Annual Loan Payment
Multiply the loan amount by the relevant payment conversion factor found in Table A.

The relevant conversion factor can be found in Table A by locating the annual payment conversion factor which corresponds to the interest rate and the year of repayment. For example, for an interest rate of 4.2% and Year 1 of repayment, the annual payment conversion factor would be 0.074891.

Make the following calculation to determine the annual payment on the loan:

Annual payment conversion factor
(*) times the loan amount
(=) equals the Annual Loan Payment

Step 3. Determine the Annual Principal Payment on the Loan
Multiply the annual principal factor by the loan amount by the relevant principal payment conversion factor found in Table A.

The relevant conversion factor can be found in Table A by locating the principal payment factor which corresponds to the interest rate and the year of repayment. For example, for an interest rate on 4.2% and Year 1 of repayment, the annual principal conversion factor would be 0.032891.

Make the following calculation to determine the Annual Principal Payment on the loan:

Annual principal payment conversion factor
(*) times the loan amount
(=) equals the Annual Principal Payment

Step 4. Determine the Annual Principal Payment plus Taxes on the Loan
Multiply the annual principal payment on the loan amount as determined in Step 3 by the gross revenue conversion factor. The gross revenue conversion factor reflects the incremental revenue required to allow for the payment of taxes (income taxes and property taxes) for each dollar increase in taxable revenues.

The gross revenue conversion factor will be the figure determined in the rate case proceeding and/or financing application proceeding.

Make the following calculation to determine the Annual Principal Payment plus Taxes on the loan:

Annual principal payment (from Step 3)
(*) times the gross revenue conversion factor
(=) equals the Annual Principal Payment plus Taxes

Step 5. Determine the Annual Interest Payment on the Loan

Multiply the annual principal factor by the loan amount by the relevant interest payment conversion factor found in Table A.

The relevant conversion factor can be found in Table A by locating the interest payment factor which corresponds to the interest rate and the year of repayment. For example, for an interest rate on 4.2% and Year 1 of repayment, the annual interest conversion factor would be 0.042000.

Make the following calculation to determine the Annual Interest Payment on the loan:

Annual interest payment conversion factor
(*) times the loan amount
(=) equals the Annual Interest Payment

Step 6. Determine the Debt Reserve Payment on the Loan
Multiply the annual debt service determined in Step 2 by the relevant factor required in the loan convenants for funding the debt reserve. For the Water infrastructure Financing Authority ("WIFA") loans use a factor of 0.20. The WIFA factor reflects the requirement to fund the restricted cash debt reserve equal to one year of debt service collected over 5 years.

Make the following calculation to determine the Annual Debt Reserve Payment on the loan:

Annual payment on loan (from Step 2)
(*) times debt reserve factor
(=) equals the Annual Debt Reserve Payment

Step 7. Determine the Annual Revenue Requirement on the Loan

Sum the determined components to determine the Annual Debt Service Revenue Requirement associated with the loan.

Make the following calculation to determine the Annual Debt Service Revenue Requirement on the loan:

Annual Principal Payment plus Taxes (from Step 4)
(+) plus the Annual Interest Payment (from Step 5)
(+) plus the Annual Debt Reserve Payment (from Step 6)
(=) equals Annual Debt Service Revenue Requirement

Step 8. Determine the Number of Equivalent 5/8x3/4 Inch Meters

Multiply the NARUC meter capacity factors by the number of current customers for each size meter on the system. The sum the products of all meter sizes equals the total number of equivalent 5/8x3/4 inch meters. Use the following meter capacity factors

Meter Size	Capacity Factor
5/8x3/4 inch	1.0
¾ inch	1.5
1 inch	2.5

Meter Size	Capacity Factor
1 ½ inch	5.0
2 inch	8.0
3 inch	15.0
4 inch	25.0
6 inch	50.0

Step 9. Determine the Annual and Monthly Debt Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter

Make the following calculation to determine the Annual Debt Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter:

Annual Revenue Requirement (from Step 7)
(/) divided by total number of equivalent 5/8x3/4 inch meters (from Step 8)
(=) equals the Annual Debt Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter

Determine the Monthly Debt Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter by making the following calculation:

Annual Debt Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter
(/) divided by 12
(=) equals Monthly Debt Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter

Step 10. Determine the Monthly Debt Recovery Surcharge by Meter size

Multiply the Monthly Debt Recovery Surcharge (from Step 9) by the appropriate NARUC meter capacity factors (found in Step 8) to determine the monthly debt recovery surcharge for all other meter sizes.

PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

APRIL 22, 2013

EXHIBIT TJB – DT4

Payson Water Company
Proposed Debt Recovery Surcharge - Long-Term Debt
Computation

Exhibit

Line No.			
1			
2	**STEP 1**		
3	[1] Loan Principal	$	1,238,000
4	[2] Interest Rate (annual)[1]		4.20%
5	[3] Term (in years)		20
6	**STEP 2**		
7	[4] Annual Payment Conversion Factor (from Table A)		0.074891
8	[5] Annual Loan Payament [1] x [4]	$	92,715
9	**STEP 3**		
10	[6] Annual Principal Conversion Factor (from Table A)		0.032891
11	[7] Annual Principal Payment [1] x [6]	$	40,719
12	**STEP 4**		
13	[8] Tax Factor (from Schedule A-1)		1.5659
14	[9] Annual Principal Payment plus Taxes [7] X [8]	$	63,762
15	**STEP 5**		
16	[10] Annual Interest Conversion Factor (from Table A)		0.042000
17	[11] Annual Interest Payment [1] x [10]	$	51,996
18	**STEP 6**		
19	[12] Annual Debt Reserve Payment [5] x 20%[2]	$	18,543
20	**STEP 7**		
21	[13]Total Annual Debt Service Revenue Requirement [9] + [11] + [12]	$	134,301
22			
23	**STEP 8**		
24	[14] Number of Current Customers		363
25			
26	Computation of Equivalent 5/8 Inch Meters		

Meter Size	Portion of Anticipated Growth	2012 Year-end Customers Mesa Del Caballo	AWWA Meter Flow Factor	Equivalent 5/8 Inch Meters
5/8 Inch	99.72%	362	1.0	362
3/4 Inch	0.28%	1	1.5	2
1 Inch	0.00%	-	2.5	-
1 1/2 Inch	0.00%	-	5.0	-
2 Inch	0.00%	-	8.0	-
3 inch	0.00%	-	16.0	-
4 Inch	0.00%	-	25.0	-
6 Inch	0.00%	-	50.0	-
8 Inch	0.00%	-	80.0	-
10 Inch	0.00%	-	115.0	-
12 Inch	0.00%	-	215.0	-
Totals	100.00%	363		364

Line No.			
44	[15] Total Equivalent 5/8 Inch Meters		364
45			
46	**STEP 9**		
47			
48	[16] Annual Detb Service Revenue Requirement =[13]	$	134,301
49			
50	[17] Annual Debt Recovery Surcharge for Equivalent 5/8 Inch Metered Customer (rounded) [16] / [15]	$	369
51			
52	[18] Monthly Debt Recovery Surcharge for Equivalent 5/8 Inch Metered Customer before tax (rounded) [17] / 12	$	30.75
53			
54	**STEP 10**		
55	Debt Recovery Surcharge by Meter Size		
56	Meter Size		
57	5/8 Inch	$ 30.75	
58	3/4 Inch	$ 46.13	Scaled on 5/8 meter flow
59	1 Inch	$ 76.88	Scaled on 5/8 meter flow
60	1 1/2 Inch	$ 153.75	Scaled on 5/8 meter flow
61	2 Inch	$ 246.00	Scaled on 5/8 meter flow
62	3 inch	$ 492.00	Scaled on 5/8 meter flow
63	4 Inch	$ 768.75	Scaled on 5/8 meter flow
64	6 Inch	$ 1,537.50	Scaled on 5/8 meter flow
65	8 Inch	$ 2,460.00	Scaled on 5/8 meter flow
66	10 Inch	$ 3,536.25	Scaled on 5/8 meter flow
67	12 Inch	$ 6,611.25	Scaled on 5/8 meter flow
68			

PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

APRIL 22, 2013

EXHIBIT TJB – DT5

Payson Water Company

Instructions to Calculate the Monthly O&M Recovery Surcharge

Step 1. Determine the Annual O&M Fees to be Recovered
Identify the O&M fees to be recovered.

Step 2. Determine the Number of Equivalent 5/8x3/4 Inch Meters

Multiply the NARUC meter capacity factors by the number of current customers for each size meter on the system. The sum the products of all meter sizes equals the total number of equivalent 5/8x3/4 inch meters. Use the following meter capacity factors

Meter Size	Capacity Factor
5/8x3/4 inch	1.0
¾ inch	1.5
1 inch	2.5
1 ½ inch	5.0
2 inch	8.0
3 inch	15.0
4 inch	25.0
6 inch	50.0

Step 3. Determine the Annual and Monthly O&M Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter

Make the following calculation to determine the Annual O&M Recovery Surcharge for an Equivalent 5/8x3/4 inch Meter:

Annual O&M Fees to Be Recovered (from Step 1)
(/) divided by total number of equivalent 5/8x3/4 inch meters (from Step 2)
(=) equals the Annual O&M Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter

Determine the Monthly Debt Recovery Surcharge for an Equivalent 5/8x3/4 inch Meter by making the following calculation:

Annual O&M Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter
(/) divided by 12
(=) equals Monthly O&M Recovery Surcharge for an Equivalent 5/8x3/4 Inch Meter

Step 4. Determine the Monthly O&M Recovery Surcharge by Meter Size for All Other Meter Sizes.

Multiply the Monthly O&M Recovery Surcharge (from Step 3) by the appropriate NARUC meter capacity factors (found in Step 2) to determine the monthly debt recovery surcharge for all other meter sizes.

PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

APRIL 22, 2013

EXHIBIT TJB – DT6

Payson Water Company
Proposed O&M Recovery Surcharge
Computation

Exhibit
Page 1

Line No.			
1	**STEP 1**		
2	[1] Total O&M fees to be recovered	$	65,000
3			
4	**STEP 2**		
5	Number of Current Customers		363
6			
7	Computation of Equivalent 5/8 Inch Meters		

Line No.	Meter Size	Portion of Anticipated Growth	Year-end Customers Mesa Del Caballo	AWWA Meter Flow Factor	Equivalent 5/8 Inch Meters
12	5/8 Inch	99.72%	362	1.0	362
13	3/4 Inch	0.28%	1	1.5	2
14	1 Inch	0.00%	-	2.5	-
15	1 1/2 Inch	0.00%	-	5.0	-
16	2 Inch	0.00%	-	8.0	-
17	3 inch	0.00%	-	16.0	-
18	4 Inch	0.00%	-	25.0	-
19	6 Inch	0.00%	-	50.0	-
20	8 Inch	0.00%	-	80.0	-
21	10 Inch	0.00%	-	115.0	-
22	12 Inch	0.00%	-	215.0	-
23	Totals	100.00%	363		364

Line No.			
25	[2] Total Equivalent 5/8 Inch Meters		364
26			
27	**STEP 3**		
28	[3] Annual Costs Expected to be Funded by Surcharge = [1]	$	65,000
29			
30	[4] Annual Surcharge for Equivalent 5/8 Inch Metered Customer ([3] / [2]	$	178.82
31			
32	[5] Monthly Surcharge for Equivalent 5/8 Inch Metered Customer (rounded) ([4] / 12	$	14.90
33			
34	**STEP 4**		
35	O&M Recovery Surcharge by Meter Size		

Line No.	Meter Size			
37	5/8 Inch	$	14.90	[5]
38	3/4 Inch	$	22.35	Scaled on 5/8 meter flow
39	1 Inch	$	37.25	Scaled on 5/8 meter flow
40	1 1/2 Inch	$	74.51	Scaled on 5/8 meter flow
41	2 Inch	$	119.21	Scaled on 5/8 meter flow
42	3 inch	$	238.43	Scaled on 5/8 meter flow
43	4 Inch	$	372.54	Scaled on 5/8 meter flow
44	6 Inch	$	745.08	Scaled on 5/8 meter flow
45	8 Inch	$	1,192.13	Scaled on 5/8 meter flow
46	10 Inch	$	1,713.69	Scaled on 5/8 meter flow
47	12 Inch	$	3,203.86	Scaled on 5/8 meter flow

Line No.	Customer Monthly Bill Impact	Current Mon. Bill	Mon. Surcharge	Total Mon.Bill	% Increase
50	5/8 Inch metered customer at average use of 9,264 gals.	$ 30.21	$ 14.90	$ 45.11	49.33%

Payson Water Company
Proposed O&M Recovery Surcharge
Computation

Exhibit
Page 2

Line No.			
1	**STEP 1**		
2	[1] Total O&M fees to be recovered	$	80,000
3			
4	**STEP 2**		
5	Number of Current Customers		363
6			
7	Computation of Equivalent 5/8 Inch Meters		

Line No.	Meter Size	Portion of Anticipated Growth	Year-end Customers Mesa Del Caballo	AWWA Meter Flow Factor	Equivalent 5/8 Inch Meters
12	5/8 Inch	99.72%	362	1.0	362
13	3/4 Inch	0.28%	1	1.5	2
14	1 Inch	0.00%	-	2.5	-
15	1 1/2 Inch	0.00%	-	5.0	-
16	2 Inch	0.00%	-	8.0	-
17	3 inch	0.00%	-	16.0	-
18	4 Inch	0.00%	-	25.0	-
19	6 Inch	0.00%	-	50.0	-
20	8 Inch	0.00%	-	80.0	-
21	10 Inch	0.00%	-	115.0	-
22	12 Inch	0.00%	-	215.0	-
23	Totals	100.00%	363		364

Line No.			
25	[2] Total Equivalent 5/8 Inch Meters		364
26			
27	**STEP 3**		
28	[3] Annual Costs Expected to be Funded by Surcharge = [1]	$	80,000
29			
30	[4] Annual Surcharge for Equivalent 5/8 Inch Metered Customer ([3] / [2]	$	220.08
31			
32	[5] Monthly Surcharge for Equivalent 5/8 Inch Metered Customer (rounded) ([4] / 12	$	18.34
33			
34	**STEP 4**		
35	O&M Recovery Surcharge by Meter Size		

Line No.	Meter Size			
37	5/8 Inch	$	18.34	[5]
38	3/4 Inch	$	27.51	Scaled on 5/8 meter flow
39	1 Inch	$	45.85	Scaled on 5/8 meter flow
40	1 1/2 Inch	$	91.70	Scaled on 5/8 meter flow
41	2 Inch	$	146.72	Scaled on 5/8 meter flow
42	3 inch	$	293.44	Scaled on 5/8 meter flow
43	4 Inch	$	458.50	Scaled on 5/8 meter flow
44	6 Inch	$	917.00	Scaled on 5/8 meter flow
45	8 Inch	$	1,467.20	Scaled on 5/8 meter flow
46	10 Inch	$	2,109.10	Scaled on 5/8 meter flow
47	12 Inch	$	3,943.10	Scaled on 5/8 meter flow

Line No.	Customer Monthly Bill Impact	Current Mon. Bill	Mon. Surcharge	Total Mon.Bill	% Increase
50	5/8 Inch metered customer at average use of 9,264 gals.	$ 30.21	$ 18.34	$ 48.55	60.71%

PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

APRIL 22, 2013

SCHEDULES

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

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	659,457
2			
3	Adjusted Operating Income		(182,479)
4			
5	Current Rate of Return		-27.67%
6			
7	Required Operating Income	$	72,540
8			
9	Required Rate of Return on Fair Value Rate Base		11.00%
10			
11	Operating Income Deficiency	$	255,020
12			
13	Gross Revenue Conversion Factor		1.5677
14			
15	Increase in Gross Revenue		
16	Requirement	$	399,785
17			
18	Adjusted Test Year Revenues	$	320,525
19	Increase in Gross Revenue Revenue Requirement	$	399,785
20	Proposed Revenue Requirement	$	720,310
21	% Increase		124.73%
22			

	Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
25	5/8x3/4 Inch US	$ 287,143	$ 632,117	$ 344,974	120.14%
26	5/8x3/4 Inch C&S	52,037	136,187	84,150	161.71%
27	3/4 Inch US	1,860	4,510	2,650	142.51%
28	1 Inch US	7,430	28,660	21,229	285.72%
29	1 Inch C&S	566	2,862	2,296	405.40%
30					
31	Revenue Annualization	(36,021)	(91,013)	(54,992)	152.67%
32	**Subtotal**	$ 313,015	$ 713,323	$ 400,308	127.89%
33					
34	Other Water Revenues	6,966	6,966	-	0.00%
35	Reconciling Amount	544	21	(523)	-96.14%
36				-	0.00%
37	**Total of Water Revenues**	$ 320,525	$ 720,310	$ 399,785	124.73%
38					
39					
40					
41	SUPPORTING SCHEDULES:				
42	B-1				
43	C-1				
44	C-3				
45	H-1				

Payson Water Company
Test Year Ended December 31, 2012
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/2010	Prior Years Ended 12/31/2011	Test Year Actual 12/31/2012	Test Year Adjusted 12/31/2012	Projected Year Present Rates 12/31/2013	Projected Year Proposed Rates 12/31/2013
1	Gross Revenues	$ 447,464	$ 497,039	$ 394,908	$ 320,525	$ 320,525	$ 720,310
3	Revenue Deductions and	558,716	589,763	591,309	503,004	503,004	647,770
4	Operating Expenses						
6	Operating Income	$ (111,252)	$ (92,724)	$ (196,401)	$ (182,479)	$ (182,479)	$ 72,540
8	Other Income and	(516,000)	(650)	756,319	-	-	-
9	Deductions						
11	Interest Expense	(23)	(10)	(14)	-	-	-
13	Net Income	$ (627,275)	$ (93,384)	$ 559,904	$ (182,479)	$ (182,479)	$ 72,540
15	Common Shares	1,000	1,000	1,000	1,000	1,000	1,000
17	Earned Per Average						
18	Common Share	(627.28)	(93.38)	559.90	(182.48)	(182.48)	72.54
20	Dividends Paid	-	-	-	-	-	-
22	Dividends Per						
23	Common Share	-	-	-	-	-	-
25	Payout Ratio	-	-	-	-	-	-
27	Return on Average						
28	Invested Capital	-46.24%	-8.41%	51.51%	-15.64%	-15.43%	6.13%
30	Return on Year End						
31	Capital	-54.94%	-8.64%	51.19%	-15.64%	-15.23%	6.06%
33	Return on Average						
34	Common Equity	-77.38%	-20.74%	81.90%	-58.41%	-20.92%	7.26%
36	Return on Year End						
37	Common Equity	-126.20%	-23.13%	58.11%	-82.50%	-23.36%	7.00%
39	Times Bond Interest Earned						
40	Before Income Taxes	-	-	-	-	-	-
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	-	-	-	-	-	-

50 SUPPORTING SCHEDULES
51 C-1
52 E-2
53 F-1

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

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2010	Prior Years Ended 12/31/2011	Test Year 12/31/2012	Projected Year 12/31/2013
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	-	-	-
6	Total Debt	$ -	$ -	$ -	$ -
9	Preferred Stock	-	-	-	-
11	Common Equity	497,039	403,655	963,559	781,080
14	Total Capital & Debt	$ 497,039	$ 403,655	$ 963,559	$ 781,080
17	Capitalization Ratios:				
19	Long-Term Debt	0.00%	0.00%	0.00%	0.00%
21	Total Debt	0.00%	0.00%	0.00%	0.00%
24	Preferred Stock	-	-	-	-
26	Common Equity	100.00%	100.00%	100.00%	100.00%
29	Total Capital	100.00%	100.00%	100.00%	100.00%
32	Weighted Cost of Senior Capital	0.00%	0.00%	0.00%	0.00%

45 SUPPORTING SCHEDULES:
46 E-1
47 D-1

Payson Water Company
Test Year Ended December 31, 2012
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3				
4	Prior Year Ended 12/31/2010	189,771	189,771	2,707,142
5				
6	Prior Year Ended 12/31/2011	25,142	18,996	2,726,138
7				
8	Test Year Ended 12/31/2012	(246,433)	(566,751)	2,159,387
9				
10	Projected Year Ended 12/31/2013	116,400	116,400	2,275,787
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	SUPPORTING SCHEDULES:			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Payson Water Company
Test Year Ended December 31, 2012
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2011	Test Year Ended 12/31/2012	Projected Year Present Rates 12/31/2013	Projected Year Proposed Rates 12/31/2013
5	Cash Flows from Operating Activities					
6	Net Income	$ (627,275)	$ (93,384)	$ 559,904	$ (182,479)	$ 72,540
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	48,853	57,181	68,142	85,632	85,632
10	Other -Adjustments	2	(2)	4,529		
11	Changes in Certain Assets and Liabilities:					
12	Accounts Receivable	-	-	-		
13	Unbilled Revenues	-	-	-		
14	Materials and Supplies Inventory	-	-	-		
15	Prepaid Expenses	-	-	-		
16	Deferred Charges	-	-	-		
17	Notes Receivable	238,213	74,089	(637,794)		
18	Accounts Payable	-	-	(20)		
19	Intercompany payable	-	-	-		
20	Customer Meter Deposits	-	-	-		
21	Taxes Payable	529,978	(12,742)	(542)		
22	Other assets and liabilities	-	-	-		
23	Rounding	-	-	-		
24	Net Cash Flow provided by Operating Activities	$ 189,771	$ 25,142	$ (5,781)	$ (96,848)	$ 158,172
25	Cash Flow From Investing Activities:					
26	Capital Expenditures	(189,771)	(25,142)	246,433	(116,400)	(116,400)
27	Plant Held for Future Use	-	-	-		
28	Changes in debt reserve fund	-	-	-		
29	Net Cash Flows from Investing Activities	$ (189,771)	$ (25,142)	$ 246,433	$ (116,400)	$ (116,400)
30	Cash Flow From Financing Activities					
31	Change in Restricted Cash	-	-	-		
32	Proceeds from Long-Term Debt	-	-	-		
33	Net receipt of contributions in aid of construction	-	-	(158,270)	-	-
34	Net receipts of advances in aid of construction	-	-	(82,382)	-	-
35	Repayments of Long-Term Debt	-	-	-	-	-
36	Distributions/Dividends Paid	-	-	-	-	-
37	Deferred Financing Costs	-	-	-	-	-
38	Paid in Capital	-	-	-	-	-
39	Net Cash Flows Provided by Financing Activities	$ -	$ -	$ (240,652)	$ -	$ -
40	Increase(decrease) in Cash and Cash Equivalents	-	-	-	(213,248)	41,772
41	Cash and Cash Equivalents at Beginning of Year	-	-	-	-	-
42	Cash and Cash Equivalents at End of Year	$ -	$ -	$ -	$ (213,248)	$ 41,772

47 SUPPORTING SCHEDULES:
48 E-3
49 F-2

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

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 2,159,387	$ 2,159,387
3	Less: Accumulated Depreciation	1,332,825	1,332,825
4			
5	Net Utility Plant in Service	$ 826,561	$ 826,561
6			
7	Less:		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	375,036	375,036
11			
12	Accumulated Amortization of CIAC	(231,270)	(231,270)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	23,339	23,339
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	$ 659,457	$ 659,457
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43	SUPPORTING SCHEDULES:		
44	B-2		
45	B-3		
46	B-5		
47	E-1		
48			
49			
50			
51			
52			

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

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 2,159,387	-	$ 2,159,387
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,419,514	(86,688)	1,332,825
7				
8				
9	Net Utility Plant			
10	in Service	$ 739,873		$ 826,561
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	-	-	-
15				
16	Contributions in Aid of			
17	Construction - Gross	375,036	(0)	375,036
18				
19	Accumulated Amortization of CIAC	(260,099)	28,829	(231,270)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	-	23,339	23,339
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-	-	-
29	Prepayments	-	-	-
30	Materials and Supplies	-	-	-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 624,936		$ 659,457
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47	E-1			
48				
49				
50				

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

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 ADIT	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 2,159,387	-					$ 2,159,387
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	1,419,514		(86,688)				1,332,825
7								
8								
9	Net Utility Plant							
10	in Service	$ 739,873	$ -	$ 86,688	$ -	$ -	$ -	$ 826,561
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	-						-
15								
16	Contributions in Aid of							
17	Construction (CIAC)	375,036			(0)			375,036
18								
19	Accumulated Amort of CIAC	(260,099)			28,829			(231,270)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	-				23,339		23,339
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						-
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-			-			-
31								
32	Total	$ 624,936	$ -	$ 86,688	$ (28,829)	$ (23,339)	$ -	$ 659,457
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38	E-1							
39								
40								

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

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Actual Orginal Cost	A Difference to Reconstruction	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Original Cost
6	301	Organization Cost	221	-					221
7	302	Franchise Cost	-	-					-
8	303	Land and Land Rights	16,500	-					16,500
9	304	Structures and Improvements	300,078	-					300,078
10	305	Collecting and Impounding Res.	2,531	-					2,531
11	306	Lake River and Other Intakes	-	-					-
12	307	Wells and Springs	273,013	-					273,013
13	308	Infiltration Galleries and Tunnels	-	-					-
14	309	Supply Mains	3,681	-					3,681
15	310	Power Generation Equipment	8,310	-					8,310
16	311	Electric Pumping Equipment	217,608	-					217,608
17	320	Water Treatment Equipment	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
21	330.1	Storage tanks	-	-					-
22	330.2	Pressure Tanks	-	-					-
23	331	Trans. and Dist. Mains	439,972	-					439,972
24	333	Services	81,823	-					81,823
25	334	Meters	199,952	-					199,952
26	335	Hydrants	1,171	-					1,171
27	336	Backflow Prevention Devices	-	-					-
28	339	Other Plant and Misc. Equip.	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
34	344	Laboratory Equipment	-	-					-
35	345	Power Operated Equipment	-	-					-
36	346	Communications Equipment	9,267	-					9,267
37	347	Miscellaneous Equipment	-	-					-
38	348	Other Tangible Plant	-	-					-
39		Plant Held for Future Use							-
40		TOTALS	$ 2,159,387	$ -	$ -	$ -	$ -	$ -	$ 2,159,387
41									
42	Plant-in-Service per Books								$ 2,159,387
43									
44	Increase (decrease) in Plant-in-Service								$ -
45									
46	Adjustment to Plant-in-Service								$ -
47									
48	SUPPORTING SCHEDULES								
49	B-2, pages 3.1								
50									

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

Exhibit
Schedule B-2
Page 3.1
Witness: Bourassa

Line No.	Acct. No.	Description	Recorded Orginal Cost	Plant Per Reconstruction	Difference
1					
2					
3					
4					
5					
6	301	Organization Cost	221	221	-
7	302	Franchise Cost	-	-	-
8	303	Land and Land Rights	16,500	16,500	-
9	304	Structures and Improvements	300,078	300,078	-
10	305	Collecting and Impounding Res.	2,531	2,531	-
11	306	Lake River and Other Intakes	-	-	-
12	307	Wells and Springs	273,013	273,013	-
13	308	Infiltration Galleries and Tunnels	-	-	-
14	309	Supply Mains	3,681	3,681	-
15	310	Power Generation Equipment	8,310	8,310	-
16	311	Electric Pumping Equipment	217,608	217,608	-
17	320	Water Treatment Equipment	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	-
21	330.1	Storage tanks	-	-	-
22	330.2	Pressure Tanks	-	-	-
23	331	Trans. and Dist. Mains	439,972	439,972	-
24	333	Services	81,823	81,823	-
25	334	Meters	199,952	199,952	-
26	335	Hydrants	1,171	1,171	-
27	336	Backflow Prevention Devices	-	-	-
28	339	Other Plant and Misc. Equip.	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	-
34	344	Laboratory Equipment	-	-	-
35	345	Power Operated Equipment	-	-	-
36	346	Communications Equipment	9,267	9,267	-
37	347	Miscellaneous Equipment	-	-	-
38	348	Other Tangible Plant	-	-	-
39		Plant Held for Future Use			-
40		TOTALS	$ 2,159,387	$ 2,159,387	$ -
41					
42					
43	SUPPORTING SCHEDULE				
44	B-2, pages 3.2 - 3.17				
45					

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2
Witness: Boura:

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	Per Decision 62320 Order Plant at 6/30/1998	Per Decision 62320 Accum. Deprec. At 6/30/1998	Per Decision 62401 Order Plant at 6/30/1998	Per Decision 62401 Accum. Deprec. At 6/30/1998	Per Decisions 62320 & 62401 Plant at 6/30/1998	Per Decisions 62320 & 62401 Accum. Deprec. At 6/30/1998
1	301	Organization Cost	0.00%	0.00%	300				300	-
2	302	Franchise Cost	0.00%	0.00%					-	-
3	303	Land and Land Rights	0.00%	0.00%	4,000		25,566		29,566	-
4	304	Structures & Improvements	5.00%	3.18%	275	163	265,810	98,799	266,085	98,961
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%	4,000	2,367	448,232	166,603	452,232	168,970
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%	11,615	6,873	157,874	58,680	169,489	65,553
12	320	Water Treatment Equipment	5.00%	3.18%	869	514	4,663	1,733	5,532	2,247
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%	10,384	6,144	322,244	119,775	332,628	125,919
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%	58,515	34,624	641,234	238,340	699,749	272,964
19	333	Services	5.00%	3.18%	13,925	8,240	132,857	49,382	146,782	57,621
20	334	Meters	5.00%	3.18%	11,741	6,947	115,170	42,807	126,911	49,755
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%			569,795	211,787	569,795	211,787
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			115,624	65,872	2,683,445	987,905	2,799,069	1,053,777

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.3
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	1998 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%			-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-			-	29,566	-
4	304	Structures & Improvements	5.00%	3.18%			-			6,652	266,085	105,614
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%			-			11,306	452,232	180,276
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%			-			4,237	169,489	69,790
12	320	Water Treatment Equipment	5.00%	3.18%			-			138	5,532	2,386
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%			-			8,316	332,628	134,235
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%			-			17,494	699,749	290,458
19	333	Services	5.00%	3.18%			-			3,670	146,782	61,291
20	334	Meters	5.00%	3.18%			-			3,173	126,911	52,928
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%			-			14,245	569,795	226,032
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			-	-	-	-	-	69,230	2,799,069	1,123,007

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	1999 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%			-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-			-	29,566	-
4	304	Structures & Improvements	5.00%	3.18%			-			13,304	266,085	118,918
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%			-			16,631	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%			-			34,987	699,749	325,445
19	333	Services	5.00%	3.18%			-			7,339	146,782	68,630
20	334	Meters	5.00%	3.18%			-			6,346	126,911	59,273
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%			-			28,490	569,795	254,521
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2000 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%			-				-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-		(7,175)		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%			-		(71,733)	(38,532)	8,368	194,352	88,754
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%			-				-		
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%			-		(52,367)	(47,035)	11,139	280,261	114,970
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%			-		(145,056)	(94,460)	22,799	554,693	253,784
19	333	Services	5.00%	3.18%			-		(37,285)	(19,942)	4,658	109,497	53,346
20	334	Meters	5.00%	3.18%	35,491		35,491				5,258	162,402	50,267
21	335	Hydrants	5.00%	3.18%	1,589		1,589				29	1,589	172
22	336	Backflow Prevention Devices	5.00%	3.18%			-				-		
23	339	Other Plant & Misc Equipment	5.00%	3.18%			-		(159,906)	(82,907)	17,806	409,889	189,420
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.6
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2001 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%	-		-	-		-	-	-
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	-		10,618	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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	24,296		24,296	-		9,299	304,557	124,269
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	-		17,890	570,484	271,675
19	333	Services	5.00%	3.18%	-		-	-		3,482	109,497	56,828
20	334	Meters	5.00%	3.18%	11,723		11,723	-		5,351	174,124	55,618
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	222
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-	-		13,034	409,889	202,455
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.7
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2002 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,180	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%	-		-	-		10,824	340,366	173,102
8	308	Infiltration Galleries	5.00%	3.18%	-		-	-		-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-		-	-		16	495	46
10	310	Power Generation Equipment	5.00%	3.18%	-		-	-		216	6,793	839
11	311	Pumping Equipment	5.00%	3.18%	12,580		12,580	-		5,214	170,241	70,813
12	320	Water Treatment Equipment	5.00%	3.18%	2,416		2,416	-		381	13,203	2,983
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%	31,220		31,220	-		10,181	335,776	134,450
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%	19,233		19,233	-		18,447	589,717	290,122
19	333	Services	5.00%	3.18%	-		-	-		3,482	109,497	60,310
20	334	Meters	5.00%	3.18%	18,215		18,215	-		5,827	192,339	61,445
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		TOTALS			83,664	-	83,664	-	-	73,853	2,386,949	1,110,986

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.8
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2003 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%	-		-	-		-	-	-
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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	42,968		42,968	19,250		-	359,495	115,200
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
Schedule B-2
Page 3.9
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2004 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%	-		-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%	(0)		(0)			-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	0		0			6,180	194,352	107,295
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)			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)			16	495	61
10	310	Power Generation Equipment	5.00%	3.18%	(0)		(0)			216	6,793	1,055
11	311	Pumping Equipment	5.00%	3.18%	6,241		6,241			5,673	181,515	76,486
12	320	Water Treatment Equipment	5.00%	3.18%	0		0			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	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			18,961	597,066	309,103
19	333	Services	5.00%	3.18%	-		-			3,482	109,497	63,792
20	334	Meters	5.00%	3.18%	8,741		8,741			6,996	224,364	68,440
21	335	Hydrants	5.00%	3.18%	-		-			51	1,589	323
22	336	Backflow Prevention Devices	5.00%	3.18%	-		-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-			13,034	409,889	228,524
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%	4,361		4,361			178	7,778	178
32	347	Miscellaneous Equipment	5.00%	3.18%	-		-			-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-		-			-	-	-
34							-			-	-	-
35												
36		TOTALS			19,909	-	19,909	-	-	77,485	2,469,289	1,169,221

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.10
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2005 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,180	194,352	113,476
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	409,889	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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.11
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2006 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	4,919		4,919	-		6,259	199,271	119,734
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%	-		-	-		11,438	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%	-		-	-		18,987	597,066	347,076
19	333	Services	5.00%	3.18%	751		751	-		3,494	110,248	70,768
20	334	Meters	5.00%	3.18%	16,339		16,339	-		7,760	252,193	83,518
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	424
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-	-		13,034	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%	-		-	-		247	7,778	673
32	347	Miscellaneous Equipment	5.00%	3.18%			-			-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-		-	-		-	-	-
34							-			-	-	-
35												
36		TOTALS			43,967	-	43,967	-	-	79,245	2,536,648	1,325,960

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.12
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2007 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%	-		-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%	0		0			-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	12,811		12,811			6,541	212,082	126,275
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			19	612	114
10	310	Power Generation Equipment	5.00%	3.18%	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%	-		-			-		-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	0		0			11,438	359,691	160,949
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			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%	3,703		3,703			13,093	413,592	267,686
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	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												
36		TOTALS			56,829	-	56,829	-	-	80,847	2,593,477	1,406,807

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.13
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2008 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calcutated)	Plant Balance	Accum. Deprec.
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%	4,523		4,523	-		6,816	216,605	133,091
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	3,435		3,435	-		55	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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	11,870		11,870	-		11,627	371,561	172,576
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												
36		TOTALS			60,749	-	60,749	-	-	82,717	2,654,226	1,489,524

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.14
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2009 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,888	216,605	139,979
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-		-	-		109	3,435	164
6	306	Lake, River, Canal Intakes	5.00%	3.18%			-			-	-	-
7	307	Wells & 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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-		-	-		11,816	371,561	184,392
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	404,036
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	81,349
20	334	Meters	5.00%	3.18%	2,576		2,576	-		8,470	267,629	108,585
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	576
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.15
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2010 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,888	216,605	146,867
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-		-	-		109	3,435	273
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%	-		-	-		-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-		-	-		19	612	173
10	310	Power Generation Equipment	5.00%	3.18%	-		-	-		274	8,628	2,522
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%	-		-	-		18,987	597,066	423,023
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	84,880
20	334	Meters	5.00%	3.18%	293		293	-		8,515	267,923	117,100
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	626
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	9,689		9,689	-		13,563	431,362	307,918
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	13
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	2,196
32	347	Miscellaneous Equipment	5.00%	3.18%			-			-	-	-
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.16
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2011 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%	-		-	-		-	-	-
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%	-		-	-		18,987	597,066	442,010
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	88,411
20	334	Meters	5.00%	3.18%	2,462		2,462	-		8,559	270,384	125,659
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	677
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
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	-	-	85,668	2,726,138	1,744,004

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.17
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2012 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%	-		-		(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%			-				-	-	-
7	307	Wells & Springs	5.00%	3.18%	-		-		(97,481)	(73,245)	10,232	273,013	200,653
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%			-				-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-		-		(97,762)	(58,120)	10,261	273,800	160,164
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%	-		-		(157,094)	(122,207)	16,489	439,972	336,291
19	333	Services	5.00%	3.18%	-		-		(29,215)	(24,363)	3,066	81,823	67,115
20	334	Meters	5.00%	3.18%	753		753		(71,186)	(34,665)	7,478	199,952	98,472
21	335	Hydrants	5.00%	3.18%	-		-		(418)	(197)	44	1,171	524
22	336	Backflow Prevention Devices	5.00%	3.18%			-				-	-	-
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	2,159,387	1,332,825

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

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

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Per Books Accum. Depr.	A Difference to Reconstruction	B Intentionally Left Blank	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
1									
2									
3									
6	301	Organization Cost	221	(221)					-
7	302	Franchise Cost	-	-					-
8	303	Land and Land Rights	12,568	(16,888)					(4,320)
9	304	Structures and Improvements	126,661	(7,593)					119,067
10	305	Collecting and Impounding Res.	360	13					373
11	306	Lake River and Other Intakes	-	-					-
12	307	Wells and Springs	213,033	(12,379)					200,653
13	308	Infiltration Galleries and Tunnels	-	-					-
14	309	Supply Mains	219	(15)					204
15	310	Power Generation Equipment	2,500	(250)					2,249
16	311	Electric Pumping Equipment	103,344	(2,858)					100,486
17	320	Water Treatment Equipment	5,305	(268)					5,038
18	320.1	Water Treatment Plant	-	-					-
19	320.2	Chemical Solution Feeders	-	-					-
20	330	Dist. Reservoirs & Standpipe	170,556	(10,392)					160,164
21	330.1	Storage tanks	-	-					-
22	330.2	Pressure Tanks	-	-					-
23	331	Trans. and Dist. Mains	350,146	(13,855)					336,291
24	333	Services	70,579	(3,464)					67,115
25	334	Meters	101,322	(2,850)					98,472
26	335	Hydrants	585	(61)					524
27	336	Backflow Prevention Devices	-	-					-
28	339	Other Plant and Misc. Equip.	259,924	(15,684)					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	4	12					16
34	344	Laboratory Equipment	-	-					-
35	345	Power Operated Equipment	-	-					-
36	346	Communications Equipment	2,187	66					2,253
37	347	Miscellaneous Equipment	-	-					-
38	348	Other Tangible Plant	-	-					-
39									
40		TOTALS	$ 1,419,514	$ (86,688)	$ -	$ -	$ -	$ -	$ 1,332,825
41									
42		Accumulated Depreciation per Books							$ 1,419,514
43									
44		Increase (decrease) in Accumulated Depreciation							$ (86,688)
45									
46		Adjustment to Accumulated Depreciation							$ (86,688)
47									
48		SUPPORTING SCHEDULES							
49		B-2, pages 4.1							
50		B-2, pages 4.2							

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

Exhibit
Schedule B-2
Page 4.1
Witness: Bourassa

Line No.	Acct. No.	Description	Recorded Accumulated Depreciation	Accumulated Depreciation Per Plant Reconstruction	Difference
1					
2					
3					
4					
5					
6	301	Organization Cost	221	-	(221)
7	302	Franchise Cost	-	-	-
8	303	Land and Land Rights	12,568	(4,320)	(16,888)
9	304	Structures and Improvements	126,661	119,067	(7,593)
10	305	Collecting and Impounding Res.	360	373	13
11	306	Lake River and Other Intakes	-	-	-
12	307	Wells and Springs	213,033	200,653	(12,379)
13	308	Infiltration Galleries and Tunnels	-	-	-
14	309	Supply Mains	219	204	(15)
15	310	Power Generation Equipment	2,500	2,249	(250)
16	311	Electric Pumping Equipment	103,344	100,486	(2,858)
17	320	Water Treatment Equipment	5,305	5,038	(268)
18	320.1	Water Treatment Plant	-	-	-
19	320.2	Chemical Solution Feeders	-	-	-
20	330	Dist. Reservoirs & Standpipe	170,556	160,164	(10,392)
21	330.1	Storage tanks	-	-	-
22	330.2	Pressure Tanks	-	-	-
23	331	Trans. and Dist. Mains	350,146	336,291	(13,855)
24	333	Services	70,579	67,115	(3,464)
25	334	Meters	101,322	98,472	(2,850)
26	335	Hydrants	585	524	(61)
27	336	Backflow Prevention Devices	-	-	-
28	339	Other Plant and Misc. Equip.	259,924	244,240	(15,684)
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	4	16	12
34	344	Laboratory Equipment	-	-	-
35	345	Power Operated Equipment	-	-	-
36	346	Communications Equipment	2,187	2,253	66
37	347	Miscellaneous Equipment	-	-	-
38	348	Other Tangible Plant	-	-	-
39				-	-
40		TOTALS	$ 1,419,514	$ 1,332,825	$ (86,688)
41					
42					
43	SUPPORTING SCHEDULE				
44	B-2, pages 3.2 - 3.17				
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	Book balance at 09/30/2012	$ 375,036	$ 260,099
8			
9	Increase (decrease)	$ (0)	$ (28,829)
10			
11			
12	Adjustment to CIAC/AA CIAC	$ (0)	$ 28,829
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1		
22			
23			
24			
25			
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37			
38			
39			
40			

Payson Water Company
Test Year Ended December 31, 2012
Contributions-in-aid of Construction (CIAC)

Exhibit
Schedule B-2
Page 5.1
Witness: Bourassa

Line No.		Dec. No. 62401 Balance 6/30/1998	1998 Additions	1998 Balance 9/30/2009	1999 Additions	1999 Balance 10/30/2009	2000 Additions	2000 Balance 9/30/2011	2001 Additions	2001 Balance 9/30/2012	2002 Additions	2002 Balance	2003 Additions	2003 Balance
1														
2														
3														
4														
5	CIAC	960,903		960,903		960,903	(77,129)	883,774		883,774		883,774		883,774
6														
7	Amortization	192,220												
8	Amortization Rate			5.00%		5.00%		3.65%		3.20%		3.20%		3.20%
9	Amortization (1/2 yr convention)			48,045		48,045		33,665		28,281		28,281		28,281
10	Accumulated Amortization			240,265		288,310	(77,129)	244,847		273,127		301,408		329,689
11														
12	Net CIAC	768,683	-	720,638	-	672,593	-	638,927	-	610,647	-	582,366	-	554,085
13														
14														
15														

Line No.		2004 Additions	2004 Balance 12/31/1993	2005 Additions	2005 Balance 12/31/1993	2006 Additions	2006 Balance 12/31/1993	2007 Additions	2007 Balance 12/31/1993	2008 Additions	2008 Balance 12/31/1993	2009 Additions	2009 Balance 12/31/1993
16													
17													
18													
19													
20	CIAC		883,774	-	883,774	-	883,774	-	883,774	(6,492)	877,282	-	877,282
21													
22													
23	Amortization Rate		3.20%		3.20%		3.20%		3.20%		3.20%		3.20%
24	Amortization (1/2 yr convention)		28,281		28,281		28,281		28,281		28,177		28,073
25	Accumulated Amortization		357,970		386,250		414,531		442,812	-	470,989		499,062
26													
27	Net CIAC	-	525,804	-	497,524	-	469,243	-	440,962	(6,492)	406,293	-	378,220
28													
29													
30													
31													

Line No.		2010 Additions	2010 Balance 12/31/1993	2011 Additions	2011 Balance 12/31/1993	2012 Additions	2012 Balance 12/31/1993
32							
33							
34							
35							
36							
37	CIAC	-	877,282	-	877,282	(502,246)	375,036
38							
39							
40	Amortization Rate		3.20%		3.20%		3.20%
41	Amortization (1/2 yr convention)		28,073		28,073		20,037
42	Accumulated Amortization		527,135		555,208	(343,975)	231,270
43							
44	Net CIAC	-	350,147	-	322,074	(158,271)	143,766
45							

Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 6.0
Witness: Bourassa

Deferred Income Tax as of December 31, 2012

Line No.			Water & Sewer 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
6		Plant-in-Service	$ 2,159,387 [1]								
7		Accum. Deprec.	(1,332,825) [1]								
8		CIAC	(143,766) [3]								
9	Fed.	Fixed Assets	$ 682,796	$ 615,700 [2]	100.0%	$ (67,096)	27.82%		-		(18,664)
11	State	Fixed Assets	$ 682,796	$ 615,700 [2]	100.0%	$ (67,096)	6.97%		-		(4,675)
13	Fed &St	AIAC		- [4]	100.0%	$ - [4]	34.78%		$ -		
14								$ -	$ -	$ -	$ (23,339)
17		Net Asset (Liability)						$ (23,339)			
21		Net Asset (Liability)						$ (23,339)			
23		DIT Asset (Liability) per Books						$ -			
25		Adjustment to DIT						$ 23,339			

Footnotes - See page 2

Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		FEDERAL			STATE		
1	[1] **Per Rebuttal Adjusted Balances**						
2	[2] **Computation of Net Tax Value December 31, 2012**						
3	Based on 2012 Tax Depreciation report (December 31, 2012)						
4	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report	$ 2,159,341			$ 2,159,341		
5	Reconciling Items not on tax report:						
6					-		
7					-		
8					-		
9					-		
					-		
10					-		
11	Net Unadjusted Cost tax Basis at December 31, 2012			$ 2,159,341			$ 2,159,341
12							
13	Reductions						
14	Basis Reduction 2012 and Prior Years per federal and state tax depr. report	$ -			$ -		
15	Accumulated Depreciation 2012 and prior per federal and state tax depr. report	(1,543,641)			(1,543,641)		
16					-		
17					-		
18					-		
19					-		
20		-			-		
21		-			-		
22	Net Reductions through December 31, 2012			(1,543,641)			(1,543,641)
23	Net tax value of plant-in-service at December 31, 2012			$ 615,700			$ 615,700
24							
25	[3] **CIAC (including impact of change to probability of realization)**						
26							
27	Gross CIAC per Adjusted Balances		$ 375,036				
28	CIAC reductions/addtions						
29	A.A perAdjusted Balances	$ (231,270)					
30							
31			(231,270)				
32	Net CIAC before unrealized AIAC			$ 143,766			
33							
34	Unrealized AIAC Component						
35	Adjusted Net AIAC (see footnote 5 below)		$ -				
36	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%				
37				$ -			
38	Total realizable CIAC			$ 143,766			
39							
40	[4] **AIAC (including impact of change in probability of realization)**						
41	AIAC per adjusted book balances		$ -				
42	AIAC reductions/additions						
43	Net AIAC before unrealized portion			$ -			
44	Less: Unrealized AIAC (from Note 3, above)			$ -			
45	Net realizable AIAC			$ -			
46	Meter and Service Line Installation Charges per Adjusted Balances			-			
47	Total AIAC			$ -			
48							

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

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	56,921
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	$	59,026
10			
11			
12	**Working Capital Requested**	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	503,004
19	Less:		
20	Income Tax	$	(109,557)
21	Property Tax		21,030
22	Depreciation		85,632
23	Purchased Water		-
24	Pumping Power		50,533
25	Allowable Expenses	$	455,367
26	1/8 of allowable expenses	$	56,921
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
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39			
40			

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

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 386,877	$ (73,318)	$ 313,559	$ 399,785	$ 713,344
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	8,031	(1,065)	6,966		6,966
5		$ 394,908	$ (74,383)	$ 320,525	$ 399,785	$ 720,310
6	**Operating Expenses**					
7	Salaries and Wages	$ 55,097	-	$ 55,097		$ 55,097
8	Purchased Water	51,953	(51,953)	-		-
9	Purchased Power	56,482	(5,949)	50,533		50,533
10	Fuel For Power Production	-	-	-		-
11	Chemicals	2,438	(257)	2,181		2,181
12	Repairs and Maintenance	28,136	(47)	28,089		28,089
13	Office Supplies and Expense	-	-	-		-
14	Contractual Services	70,679	(12,198)	58,481		58,481
15		-	-	-		-
16		-	-	-		-
17		-	-	-		-
18	Water Testing	11,000	-	11,000		11,000
19	Rents	-	-	-		-
20	Transportation Expenses	-	-	-		-
21	Insurance - General Liability	-	-	-		-
22	Insurance - Health and Life	266	-	266		266
23	Reg. Comm. Exp. - Other	-	-	-		-
24	Reg. Comm. Exp. - Rate Case	-	65,000	65,000		65,000
25	Miscellaneous Expense	235,989	(736)	235,253		235,253
26		-	-	-		-
27	Depreciation and Amortization Expense	68,142	17,490	85,632		85,632
28	Taxes Other Than Income	-	-	-		-
29	Property Taxes	11,127	9,903	21,030	8,743	29,773
30	Income Tax	-	(109,557)	(109,557)	136,022	26,465
31			-	-		-
32	**Total Operating Expenses**	$ 591,309	$ (88,305)	$ 503,004	$ 144,765	$ 647,770
33	**Operating Income**	$ (196,401)	$ 13,922	$ (182,479)	$ 255,020	$ 72,540
34	**Other Income (Expense)**					
35	Interest Income	-	-	-		-
36	Other income	610	(610)	-		-
37	Interest Expense	(14)	14	-		-
38	Other Expense	-	-	-		-
39	Gain(loss) on Disposal of Fixed Assets	755,709	(755,709)	-		-
40	***Total Other Income (Expense)***	$ 756,305	$ (756,305)	$ -	$ -	$ -
41	**Net Profit (Loss)**	$ 559,904	$ (742,383)	$ (182,479)	$ 255,020	$ 72,540
42						
43	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
44	C-1, page 2				A-1	
45	E-2					
46						

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

Exhibit
Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 SV/QV Revenue/Expense Adjustments
1	**Revenues**						
2	Metered Water Revenues	$ 386,877				$ 6,982	(43,003)
3	Unmetered Water Revenues	-					
4	Other Water Revenues	8,031					(1,065)
5		$ 394,908	$ -	$ -	$ -	$ 6,982	$ (44,068)
6	**Operating Expenses**						
7	Salaries and Wages	$ 55,097					
8	Purchased Water	51,953					
9	Purchased Power	56,482					(5,949)
10	Fuel For Power Production	-					
11	Chemicals	2,438					(257)
12	Repairs and Maintenance	28,136					(47)
13	Office Supplies and Expense	-					
14	Contractual Services	70,679					(12,198)
15		-					
16		-					
17		-					
18	Water Testing	11,000					
19	Rents	-					
20	Transportation Expenses	-					
21	Insurance - General Liability	-					
22	Insurance - Health and Life	266					
23	Reg. Comm. Exp. - Other	-					
24	Reg. Comm. Exp. - Rate Case	-			65,000		
25	Miscellaneous Expense	235,989					(736)
26		-					
27	Depreciation and Amortization Expense	68,142	17,490				
28	Taxes Other Than Income	-					
29	Property Taxes	11,127		9,903			
30	Income Tax	-					
31							
32	**Total Operating Expenses**	$ 591,309	$ 17,490	$ 9,903	$ 65,000	$ -	$ (19,187)
33	**Operating Income**	$ (196,401)	$ (17,490)	$ (9,903)	$ (65,000)	$ 6,982	$ (24,881)
34	**Other Income (Expense)**						
35	Interest Income	-					
36	Other income	610					
37	Interest Expense	(14)					
38	Other Expense	-					
39	Gain(loss) on Disposal of Fixed Assets	755,709					
40	**Total Other Income (Expense)**	$ 756,305	$ -	$ -	$ -	$ -	$ -
41	**Net Profit (Loss)**	$ 559,904	$ (17,490)	$ (9,903)	$ (65,000)	$ 6,982	$ (24,881)
42							
43	SUPPORTING SCHEDULES:						
44	C-2						
45	E-2						

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

Exhibit
Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		6 MDC Water Augmentation Surcharge Adjustments	7 Remove Other Inc./Exp.	8 Intentionally Left Blank	9 Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**							
2	Metered Water Revenues	(37,297)				$ 313,559	$ 399,785	$ 713,344
3	Unmetered Water Revenues					-		-
4	Other Water Revenues					6,966		6,966
5		$ (37,297)	$ -	$ -	$ -	$ 320,525	$ 399,785	$ 720,310
6	**Operating Expenses**							
7	Salaries and Wages					$ 55,097		$ 55,097
8	Purchased Water	(51,953)				-		-
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					58,481		58,481
15						-		-
16						-		-
17						-		-
18	Water Testing					11,000		11,000
19	Rents					-		-
20	Transportation Expenses					-		-
21	Insurance - General Liability					-		-
22	Insurance - Health and Life					266		266
23	Reg. Comm. Exp. - Other					-		-
24	Reg. Comm. Exp. - Rate Case					65,000		65,000
25	Miscellaneous Expense					235,253		235,253
26						-		-
27	Depreciation and Amortization Expense					85,632		85,632
28	Taxes Other Than Income					-		-
29	Property Taxes					21,030	8,743	29,773
30	Income Tax				(109,557)	(109,557)	136,022	26,465
31								
32	**Total Operating Expenses**	$ (51,953)	$ -	$ -	$ (109,557)	$ 503,004	$ 144,765	$ 647,770
33	**Operating Income**	$ 14,656	$ -	$ -	$ 109,557	$ (182,479)	$ 255,020	$ 72,540
34	**Other Income (Expense)**							
35	Interest Income					-		-
36	Other income		(610)			-		-
37	Interest Expense		14			-		-
38	Other Expense		-			-		-
39	Gain(loss) on Disposal of Fixed Assets		(755,709)			-		-
40	**Total Other Income (Expense)**	$ -	$ (756,305)	$ -	$ -	$ -	$ -	$ -
41	**Net Profit (Loss)**	$ 14,656	$ (756,305)	$ -	$ 109,557	$ (182,479)	$ 255,020	$ 72,540
42								
43	SUPPORTING SCHEDULES:							
44	C-2							
45	E-2							

RECAP SCHEDULES:
C-1, page 1

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

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
1						SV/QV	MDC	
2		Depreciation	Property	Rate Case	Revenue	Revenue/Expense	Water Augmentation	
3		Expense	Taxes	Expense	Annualization	Adjustments	Surcharge Adjustments	
4	Revenues				6,982	(44,068)	(37,297)	(74,383)
5								
6	Expenses	17,490	9,903	65,000	-	(19,187)	(51,953)	21,252
7								
8	Operating							
9	Income	(17,490)	(9,903)	(65,000)	6,982	(24,881)	14,656	(95,636)
10								
11	Interest							
12	Expense							-
13	Other							
14	Income /							-
15	Expense							
16								
17	Net Income	(17,490)	(9,903)	(65,000)	6,982	(24,881)	14,656	(95,636)
18								
19								
20		Adjustments to Revenues and Expenses						
21		7	8	9	10	11	12	Subtotal
22			Intentionally		Intentionally	Intentionally	Intentionally	
23		Remove	Left	Income	Left	Left	Left	
24		Other Inc./Exp.	Blank	Taxes	Blank	Blank	Blank	
25	Revenues							(74,383)
26								
27	Expenses			(109,557)	-	-	-	(88,305)
28								
29	Operating							
30	Income	-	-	109,557	-	-	-	13,922
31								
32	Interest							
33	Expense	14						14
34	Other							
35	Income /	(756,319)						(756,319)
36	Expense							
37								
38	Net Income	(756,305)	-	109,557	-	-	-	(742,383)
39								
40								

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

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
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	439,972		439,972	2.00%	8,799
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	$ 2,159,387	$ (16,721)	$ 2,142,666		$ 103,800

		Gross CIAC	Amort. Rate	
41	Less: Amortization of Contributions	$ 375,036	4.8444%	$ (18,168)
42	Total Depreciation Expense			$ 85,632
44	Adjusted Test Year Depreciation Expense			68,142
46	Increase (decrease) in Depreciation Expense			17,490
48	Adjustment to Revenues and/or Expenses			$ 17,490

50 SUPPORTING SCHEDULE
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
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)*	641,050	641,050
4	Company Recommended Revenue	320,525	720,310
5	Subtotal (Line 4 + Line 5)	961,575	1,361,360
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	320,525	453,787
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	641,050	907,573
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	907,573
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	128,210	181,515
15	Composite Property Tax Rate - Obtained from ADOR	16.4025%	16.4025%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 21,030	$ 29,773
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 21,030	
19	Test Year Property Taxes	$ 11,127	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	$ 9,903	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 29,773
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 21,030
24	Increase in Property Tax Due to Increase in Revenue Requirement		$ 8,743
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 8,743
27	Increase in Revenue Requirement		$ 399,785
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		2.18700%
29			
30			
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39			
40			

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

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.			
1			
2			
3	Estimated Rate Case Expense	$	195,000
4			
5	Estimated Amortization Period in Years		3
6			
7	Annual Rate Case Expense	$	65,000
8			
9	Test Year Rate Case Expense	$	-
10			
11	Increase(decrease) Rate Case Expense	$	65,000
12			
13	Adjustment to Revenue and/or Expense	$	65,000
14			
15			
16	Reference		
17	Testimony		
18			
19			
20			

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

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization Adjustments

Line No.			
1			
2			
3	Revenue Annualization	$	(36,021)
4	Star Valley /Quail Valley Revenues included in annualization		43,003
5			
6			
7	Adjusted Revenue from Annualization	$	6,982
8			
9			
10	Adjustment to Revenue and/or Expense	$	6,982
11			
12	SUPPORTING SCHEDULES		
13	C-2 pages 5.1 to 5.4		
14	C-2 Page 6		
15	Work papers		
16			
17			
18			
19			
20			

Payson Water Company
5/8x3/4 Inch (United Systems)
Customers to Year End Levels
Test Year Ended December 31, 2012

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa

Line No.		Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12
1	Year End Number of Customers	947	947	947	947	947	947	947
2	Actual Customers	1,228	1,246	1,238	1,238	1,227	945	942
3	Increase in Number of Customers/Bills	(281)	(299)	(291)	(291)	(280)	2	5
4	Average Revenue / Present Rates	$ 20.96	$ 20.71	$ 20.67	$ 21.70	$ 21.50	$ 23.40	$ 23.73
5	Revenue Annualization / Present Rates	$ (5,891)	$ (6,193)	$ (6,015)	$ (6,316)	$ (6,021)	$ 47	$ 119
6								
7	Increase in Number of Customers	(281)	(299)	(291)	(291)	(280)	2	5
8	Average Revenue / Proposed Rates	$ 46.31	$ 45.95	$ 45.89	$ 47.36	$ 47.08	$ 49.77	$ 50.24
9	Revenue Annualization / Proposed Rates	$ (13,013)	$ (13,739)	$ (13,354)	$ (13,783)	$ (13,182)	$ 100	$ 251
10	Additional Gallons to be Produced	(722,637)	(730,099)	(704,112)	(860,049)	(798,359)	7,663	20,008
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-12	Sep-12	Oct-12	Nov-12	Dec-12		
15	Year End Number of Customers	947	947	947	947	947		
16	Actual Customers	953	942	948	939	947		
17	Increase in Number of Customers/Bills	(6)	5	(1)	8	-		(1,429)
18	Average Revenue / Present Rates	$ 22.11	$ 21.52	$ 21.39	$ 20.62	$ 20.45		
19	Revenue Annualization / Present Rates	$ (133)	$ 108	$ (21)	$ 165	$ -		$ (30,152)
20								
21	Increase in Number of Customers	(6)	5	(1)	8	-		
22	Average Revenue / Proposed Rates	$ 47.94	$ 47.10	$ 46.92	$ 45.82	$ 45.58		
23	Revenue Annualization / Proposed Rates	$ (133)	$ 108	$ (21)	$ 165	$ -		$ (66,452)
24	Additional Gallons to be Produced	(18,994)	14,296	(2,795)	19,160	-		(3,775,919)

Payson Water Company
5/8x3/4 Inch (C&S Systems)
Customers to Year End Levels
Test Year Ended December 31, 2012

Exhibit
Schedule C-2
Page 5.2
Witness: Bourassa

Line No.		Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12
1	Year End Number of Customers	161	161	161	161	161	161	161
2	Actual Customers	149	158	162	155	159	159	161
3	Increase in Number of Customers/Bills	12	3	(1)	6	2	2	-
4	Average Revenue / Present Rates	$ 23.20	$ 23.26	$ 22.68	$ 25.90	$ 28.10	$ 33.49	$ 33.60
5	Revenue Annualization / Present Rates	$ 278	$ 70	$ (23)	$ 155	$ 56	$ 67	$ -
6								
7	Increase in Number of Customers	12	3	(1)	6	2	2	-
8	Average Revenue / Proposed Rates	$ 51.15	$ 51.32	$ 49.80	$ 59.81	$ 66.86	$ 86.42	$ 86.94
9	Revenue Annualization / Proposed Rates	$ 614	$ 154	$ (50)	$ 359	$ 134	$ 173	$ -
10	Additional Gallons to be Produced	50,301	12,685	(3,840)	36,100	15,001	22,278	-
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug-12	Sep-12	Oct-12	Nov-12	Dec-12		
15	Year End Number of Customers	161	161	161	161	161		
16	Actual Customers	160	161	162	159	161		
17	Increase in Number of Customers/Bills	1	-	(1)	2	-		26
18	Average Revenue / Present Rates	$ 30.50	$ 29.91	$ 27.62	$ 25.79	$ 23.26		
19	Revenue Annualization / Present Rates	$ 30	$ -	$ (28)	$ 52	$ -		$ 659
20								
21	Increase in Number of Customers	1	-	(1)	2	-		
22	Average Revenue / Proposed Rates	$ 74.55	$ 72.66	$ 65.31	$ 59.44	$ 51.33		
23	Revenue Annualization / Proposed Rates	$ 30	$ -	$ (28)	$ 52	$ -		$ 1,512
24	Additional Gallons to be Produced	9,119	-	(7,173)	11,875	-		146,345

Payson Water Company
3/4 Inch (United Systems)
Customers to Year End Levels
Test Year Ended December 31, 2012

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa

Line No.		Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12
1	Year End Number of Customers	4	4	4	4	4	4	4
2	Actual Customers	5	5	5	5	5	4	4
3	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(1)	-	-
4	Average Revenue / Present Rates	$ 28.21	$ 30.61	$ 30.61	$ 34.19	$ 34.19	$ 50.04	$ 47.80
5	Revenue Annualization / Present Rates	$ (28)	$ (31)	$ (31)	$ (34)	$ (34)	$ -	$ -
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(1)	(1)	-	-
8	Average Revenue / Proposed Rates	$ 73.18	$ 76.98	$ 76.98	$ 82.68	$ 82.68	$ 111.86	$ 106.79
9	Revenue Annualization / Proposed Rates	$ (73)	$ (77)	$ (77)	$ (83)	$ (83)	$ -	$ -
10	Additional Gallons to be Produced	(4,701)	(5,501)	(5,501)	(6,701)	(6,701)	-	-
11								
12								
13								
14								

Line No.		Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year
15	Year End Number of Customers	4	4	4	4	4	
16	Actual Customers	3	4	4	4	4	
17	Increase in Number of Customers/Bills	1	-	-	-	-	(4)
18	Average Revenue / Present Rates	$ 45.56	$ 35.09	$ 34.72	$ 31.73	$ 28.36	
19	Revenue Annualization / Present Rates	$ 46	$ -	$ -	$ -	$ -	$ (112)
20							
21	Increase in Number of Customers	1	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 101.73	$ 84.11	$ 83.51	$ 78.76	$ 73.42	
23	Revenue Annualization / Proposed Rates	$ 46	$ -	$ -	$ -	$ -	$ (291)
24	Additional Gallons to be Produced	10,501	-	-	-	-	(18,602)

Payson Water Company
1 Inch (United Systems)
Customers to Year End Levels
Test Year Ended December 31, 2012

Exhibit
Schedule C-2
Page 5.4
Witness: Bourassa

Line No.		Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12
1	Year End Number of Customers	2	2	2	2	2	2	2
2	Actual Customers	20	56	52	52	52	2	2
3	Increase in Number of Customers/Bills	(18)	(54)	(50)	(50)	(50)	-	-
4	Average Revenue / Present Rates	$ 25.29	$ 27.52	$ 28.69	$ 32.62	$ 28.18	$ 40.96	$ 45.45
5	Revenue Annualization / Present Rates	$ (455)	$ (1,486)	$ (1,434)	$ (1,631)	$ (1,409)	$ -	$ -
6								
7	Increase in Number of Customers	(18)	(54)	(50)	(50)	(50)	-	-
8	Average Revenue / Proposed Rates	$ 107.95	$ 113.44	$ 116.32	$ 122.85	$ 115.08	$ 136.09	$ 143.22
9	Revenue Annualization / Proposed Rates	$ (1,943)	$ (6,126)	$ (5,816)	$ (6,142)	$ (5,754)	$ -	$ -
10	Additional Gallons to be Produced	(37,358)	(174,559)	(191,850)	(260,602)	(178,870)	-	-
11								
12								
13								
14		Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12		Total Year
15	Year End Number of Customers	2	2	2	2	2		
16	Actual Customers	2	2	2	2	2		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(222)
18	Average Revenue / Present Rates	$ 36.48	$ 31.99	$ 26.11	$ 26.11	$ 26.11		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (6,416)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 128.97	$ 121.84	$ 109.97	$ 109.97	$ 109.97		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (25,781)
24	Additional Gallons to be Produced	-	-	-	-	-		(843,238)

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

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Star Valley/Quail Valley Revenue/Expense Adjustment

Line No.				
1	Remove Test Year Revenues for Star Valley/Quail Valley System			
2				
3	Recorded T.Y. Metered Revenues from Star Valley		$	(43,003)
4	Recorded T.Y. Misc Revenues from Star Valley			(1,065)
5	Total Increase (decrease) in Revenue		$	(44,068)
6				
7				
8	Adjustment to Revenue and/or Expense		$	(44,068)
9				
10	SUPPORTING SCHEDULES			
11	Testimony			
12	Work papers			
13				
14	Remove Purchased Power for Star Valley/Quail Valley System			
15				
16	Test Year Purchased Power Expense		$	56,482
17	Gallons Sold in Test Year (in 1,000s)			51,230
18	Cost per 1,000 gallons		$	1.10
19				
20	Removed Star Valley/Quail Valley Gallons Sold (in 1,000s)			(5,396)
21	Cost per 1,000 gallons (from above)		$	1.10
22	Increase (decrease) in Purchased Power Expense		$	(5,949)
23				
24	Adjustment to Revenue and/or Expense		$	(5,949)
25				
26	Remove Chemicals for Star Valley/Quail Valley System			
27				
28	Test Year Chemicals Expense		$	2,438
29	Gallons Sold in Test Year (in 1,000s)			51,230
30	Cost per 1,000 gallons		$	0.05
31				
32	Removed Star Valley/Quail Valley Gallons Sold (in 1,000s)			(5,396)
33	Cost per 1,000 gallons (from above)		$	0.05
34	Increase (decrease) in Chemicals Expense		$	(257)
35				
36	Adjustment to Revenue and/or Expense		$	(257)
37				
38	Remove Other Operating Expense for Star Valley/Quail Valley System			
39	Remove Recorded T.Y. Repairs and Maintenance Expense		$	(47)
40	Remove Recorded T.Y. Miscellaneous Expense			
41	Bad Debt Expense	$ (606)		
42	Travel and Lodging	(130)		
43	Total Removed Miscellaneous Expense		$	(736)
44	Remove Recorded Professional Fees		$	(12,198)
45				
46	Total Increase (decrease) in Other Operating Expense		$	(12,981)
47				
48	Adjustment to Revenue and/or Expense		$	(12,981)
49				
50	SUPPORTING SCHEDULES			
51	Work papers			
52				
53				

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

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Water Augmentation Surcharge Adjustments

Line No.			
1			
2	Remove Purchased Water Expense Recovered via Water Water Augmentation Surcharge		
3			
4	Remove Purchased Water expense covered by surcharge	$	(51,953)
5			
6	Adjustment to Purchased Water expense	$	(51,953)
7			
8			
9	Adjustment to Revenue and/or Expense	$	(51,953)
10			
11	Remove Water Water Augmentation Surcharge Revenues		
12	Remove Water Augmentation Surcharge Revenues	$	(51,953)
13	Related Commodity Revenues included in Bill Counts		14,656
14	Adjustment to Metered Revenues	$	(37,297)
15			
16			
17	Adjustment to Revenue and/or Expense	$	(37,297)
18			
19	SUPPORTING SCHEDULES		
20	C-1, page 2.1		
21	Work papers		
22			
23			
24			
25			

Payson Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Remove Other Income/Expense

Line No.			
1			
2	Interest Income	$	-
3	Other income		(610)
4	Interest Expense		14
5	Other Expense		-
6	Gain(loss) on Disposal of Fixed Assests		(755,709)
7	Total	$	(756,305)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(756,305)
11			
12	Reference		
13	Testimony		
14	C-1, page 2.1		
15			
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Payson Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

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

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Compauted Income Tax	$ (109,557)	$ 26,465
5	Test Year Income tax Expense	-	(109,557)
6	Adjustment to Income Tax Expense	$ (109,557)	$ 136,022
7			
8			
9			
10			
11			
12			
13	SUPPORTING SCHEDULE		
14	C-3, page 2		
15			
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Payson Water Company
Test Year Ended December 31, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	34.785%
2		
3	Property Taxes	1.426%
4		
5		
6	Total Tax Percentage	36.211%
7		
8	Operating Income % = 100% - Tax Percentage	63.789%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.5677
15		
16		
17		
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22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
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Payson Water Company
Test Year Ended December 31, 2012

Exhibit
Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	36.2108%					
5	Subtotal (L3 - L4)	63.7892%					
6	**Revenue Conversion Factor (L1 / L5)**	1.567864					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	34.7845%					
9	One Minus Combined Income Tax Rate (L7 - L8)	65.2155%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (L55 Col F)	29.9000%					
16	Effective Federal Income Tax Rate (L14 x L15)	27.8165%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		34.7845%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	34.7845%					
20	One Minus Combined Income Tax Rate (L18-L19)	65.2155%					
21	Property Tax Factor	2.1870%					
22	Effective Property Tax Factor (L20*L21)		1.4263%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			36.2108%			
24	Required Operating Income	$ 72,540					
25	AdjustedTest Year Operating Income (Loss)	$ (182,479)					
26	Required Increase in Operating Income (L24 - L25)		$ 255,020				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 26,465					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ (109,557)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 136,022				
30	Recommended Revenue Requirement	$ 720,310					
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	$ 29,773					
36	Property Tax on Test Year Revenue	$ 21,030					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 8,743				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 399,785				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
	Calculation of Income Tax:	Total		Water	Total		Water
39	Revenue	$ 320,525		$ 320,525	$ 720,310		$ 720,310
40	Operating Expenses Excluding Income Taxes	612,561		612,561	621,305		621,305
41	Synchronized Interest (L47)	-		-	-	-	-
42	Arizona Taxable Income (L39 - L40 - L41)	$ (292,037)	$ -	$ (292,037)	$ 99,005	$ -	$ 99,005
43	Arizona State Effective Income Tax Rate (see work papers)	6.9680%		6.9680%	6.9680%		6.9680%
44	Arizona Income Tax (L42 x L43)	$ (20,349)	$ -	$ (20,349)	$ 6,899	$ -	$ 6,899
45	Federal Taxable Income (L42- L44)	$ (271,687)	$ -	$ (271,687)	$ 92,106	$ -	$ 92,106
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)	$ 5,816		$ 5,816
50	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ (66,958)	$ -	$ (66,958)	$ -		$ -
51	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -	$ -	$ -	$ -		$ -
52							
53	Total Federal Income Tax	$ (89,208)	$ -	$ (89,208)	$ 19,566	$ -	$ 19,566
54	Combined Federal and State Income Tax (L35 + L42)	$ (109,557)	$ -	$ (109,557)	$ 26,465	$ -	$ 26,465

55 COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45] 29.9000%
56
57 WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45] 29.9000%

	Calculation of Interest Synchronization:		Water
58	Rate Base	$ -	$ 659,457
59	Weighted Average Cost of Debt	0.0000%	0.0000%
60	Synchronized Interest (L59 X L60)	$ -	$ -

Payson Water Company
Test Year Ended December 31, 2012
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2012	Year Ended 12/31/2011	Year Ended 12/31/2010
1	**ASSETS**			
2	Plant In Service	$ 2,159,387	$ 2,726,138	$ 2,707,142
3	Non-Utility Plant	1,860	-	-
4	Construction Work in Progress	-	174,380	168,234
5	Less: Accumulated Depreciation	(1,419,514)	(1,819,610)	(1,734,357)
6	Net Plant	$ 741,733	$ 1,080,908	$ 1,141,019
7				
8	Debt Reserve Fund	$ -	$ -	$ -
9				
10		$ -	$ -	$ -
11				
12	CURRENT ASSETS			
13	Cash and Equivalents	$ -	$ -	$ -
14	Restricted Cash	-	-	-
15	Accounts Receivable, Net	-	-	-
16	Note Receivable from Assoc. Co.	352,015	-	-
17	Notes Receivable	-	-	-
18	Materials and Supplies	-	-	-
19	Prepayments	-	-	-
20	Other Current Assets	-	(542)	695
21	Total Current Assets	$ 352,015	$ (542)	$ 695
22				
23	Unamortized Debt Discount			
24	Accumulated Deferred Income Taxes			
25	Deferred Debits	$ -	$ -	$ -
26				
27	Other Assets	$ -	$ -	$ -
28				
29	TOTAL ASSETS	$ 1,093,748	$ 1,080,366	$ 1,141,714
30				
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33				
34	Stockholder's Equity	$ 963,559	$ 403,655	$ 497,039
35				
36	Long-Term Debt	$ -	$ -	$ -
37				
38	CURRENT LIABILITIES			
39	Accounts Payable	$ 15,252	$ 15,272	$ 15,272
40	Current Portion of Long-Term Debt	-	-	-
41	Payables to Associated Companies	-	285,779	211,690
42	Security Deposits	-	-	-
43	Customer Meter Deposits, Current	-	-	-
44	Accrued Taxes	-	-	-
45	Accrued Interest	-	-	-
46	Other Current Liabilities	-	-	13,979
47	Total Current Liabilities	$ 15,252	$ 301,051	$ 240,941
48	DEFERRED CREDITS			
49	Customer Meter Deposits, less current	$ -	$ -	$ -
50	Advances in Aid of Construction	-	82,382	82,382
51	Accumulated Deferred Income Taxes	-	-	-
52	Contributions In Aid of Construction	375,036	877,282	877,282
53	Accumulated Amortization	(260,099)	(584,004)	(555,930)
54	Total Deferred Credits	$ 114,937	$ 375,660	$ 403,734
55				
56	Total Liabilities & Common Equity	$ 1,093,748	$ 1,080,366	$ 1,141,714
57				
58				
59				
60	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
61			A-3	

Payson Water Company
Test Year Ended December 31, 2012
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2012	Prior Year Ended 12/31/2011	Prior Year Ended 12/31/2010
1	**Revenues**			
2	Metered Water Revenues	$ 386,877	$ 474,116	$ 437,162
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	8,031	22,923	10,302
5	**Total Revenues**	$ 394,908	$ 497,039	$ 447,464
6	**Operating Expenses**			
7	Salaries and Wages	$ 55,097	$ 56,886	$ 51,561
8	Purchased Water	51,953	46,604	24,322
9	Purchased Power	56,482	60,782	60,310
10	Fuel For Power Production	-	-	-
11	Chemicals	2,438	-	42
12	Repairs and Maintenance	28,136	22,692	15,492
13	Office Supplies and Expense	-	-	-
14	Contractual Services	70,679	48,621	41,021
15				
16		-	-	-
17		-	-	
18	Water Testing	11,000	17,916	14,124
19	Rents	-	-	-
20	Transportation Expenses	-	-	-
21	Insurance - General Liability	-	-	-
22	Insurance - Health and Life	266	2,614	2,374
23	Reg. Comm. Exp. - Other	-	-	-
24	Reg. Comm. Exp. - Rate Case	-	-	-
25	Miscellaneous Expense	235,989	251,575	276,983
26		-	-	-
27	Depreciation and Amortization Expense	68,142	57,181	48,853
28	Taxes Other Than Income	-	-	-
29	Property Taxes	11,127	24,892	23,634
30	Income Tax	-	-	-
31		-	-	-
32		-	-	-
33	**Total Operating Expenses**	$ 591,309	$ 589,763	$ 558,716
34	**Operating Income**	$ (196,401)	$ (92,724)	$ (111,252)
35	**Other Income (Expense)**			
36	Interest Income	-	-	-
37	Other Income	610	-	-
38	Interest Expense	(14)	(10)	(23)
39	Other Expense	-	(650)	(516,000)
40	Gain (loss) on Disposal of Equip	755,709		
41	**Total Other Income (Expense)**	$ 756,305	$ (660)	$ (516,023)
42	**Net Profit (Loss)**	$ 559,904	$ (93,384)	$ (627,275)
43				
44				
45				
46	SUPPORTING SCHEDULES:			
47				
48				

Payson Water Company
Test Year Ended December 31, 2012
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2012	Prior Year Ended 12/31/2011	Prior Year Ended 12/31/2010
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 559,904	$ (93,384)	$ (627,275)
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	68,142	57,181	48,853
8	Depreciation Adjustments	4,529	(2)	2
9	Changes in Certain Assets and Liabilities:			
10	Accounts Receivable			
11	Unbilled Revenues			
12	Materials and Supplies Inventory			
13	Prepaid Expenses			
14	Deferred Charges			
15	Receivables/Payables to Associated Co.	(637,794)	74,089	238,213
16	Accounts Payable	(20)		
17	Customer Meter and Security Deposits			
18	Taxes Payable			
19	Other assets and liabilities	(542)	(12,742)	529,978
20				
21	Rounding			
22	Net Cash Flow provided by Operating Activities	$ (5,781)	$ 25,142	$ 189,771
23	Cash Flow From Investing Activities:			
24	Capital Expenditures	246,433	(25,142)	(189,771)
25	Plant Held for Future Use			
26	Changes in Special Funds			
27	Net Cash Flows from Investing Activities	$ 246,433	$ (25,142)	$ (189,771)
28	Cash Flow From Financing Activities			
29	Change in Restricted Cash			
30	Proceeds from Long-Term Debt			
31	Net receipt of contributions in aid of construction	(158,270)	-	
32	Net receipts of advances in aid of construction	(82,382)	-	-
33	Repayments of Long-Term Debt	-	-	
34	Distributions			
35	Deferred Financing Costs			
36	Paid in Capital			
37	Net Cash Flows Provided by Financing Activities	$ (240,652)	$ -	$ -
38	Increase(decrease) in Cash and Cash Equivalents	-	-	-
39	Cash and Cash Equivalents at Beginning of Year	-	-	-
40	Cash and Cash Equivalents at End of Year	$ -	$ -	$ -
41				
42				
43	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
44	Workpapers/cashflow water.xls		A-5	
45				

Payson Water Company
Test Year Ended December 31, 2012
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Stockholder's Equity	Paid-in Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 2009	$ 646,630	$ 364,385	$ 113,299	$ 1,124,314
5	Addnl Paid In Capital Adjustment	-			-
6	Distributions			-	-
7	Rounding			-	-
8	Net Income			(627,275)	(627,275)
9					
10	Balance, December 31, 2010	$ 646,630	$ 364,385	$ (513,976)	$ 497,039
11	Adjustment			-	-
12	Distributions			-	-
13	Rounding				-
14	Net Income			(93,384)	(93,384)
15					
16	Balance, December31, 2011	$ 646,630	$ 364,385	$ (607,360)	$ 403,655
17	Addnl Paid In Capital Adjustment	-			-
18	Distributions			-	-
19	Rounding				-
20	Net Income			559,904	559,904
21					
22	Balance, December 31, 2012	$ 646,630	$ 364,385	$ (47,456)	$ 963,559
23					
24					
25					
26					
27					
28					
29	SUPPORTING SCHEDULES:			RECAP SCHEDULES:	
30				E-1	
31					
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Payson Water Company
Test Year Ended December 31, 2012
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2011	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/2012
1					
2	301	Organization Cost	300	$ (79)	221
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	22,391	(5,891)	16,500
5	304	Structures & Improvements	216,605	83,473	300,078
6	305	Collecting & Impounding Reservoirs	3,435	(904)	2,531
7	306	Lake, River, Canal Intakes	-	-	-
8	307	Wells & Springs	370,493	(97,481)	273,013
9	308	Infiltration Galleries	-	-	-
10	309	Raw Water Supply Mains	612	3,069	3,681
11	310	Power Generation Equipment	8,628	(318)	8,310
12	311	Pumping Equipment	289,650	(72,041)	217,608
13	320	Water Treatment Equipment	14,339	(3,773)	10,567
14	320	Water Treatment Plants	-	-	-
15	320.2	Solution Chemical Feeders	-	-	-
16	330.0	Distribution Reservoirs & Standpipes	371,561	(97,762)	273,800
17	330	Storage Tanks	-	-	-
18	330.2	Pressure Tanks	-	-	-
19	331	Transmission & Distribution Mains	597,066	(157,094)	439,972
20	333	Services	111,038	(29,215)	81,823
21	334	Meters	270,384	(70,433)	199,952
22	335	Hydrants	1,589	(418)	1,171
23	336	Backflow Prevention Devices	-	-	-
24	339	Other Plant & Misc Equipment	435,371	(114,551)	320,820
25	340	Office Furniture & Equipment	-	-	-
26	340.1	Computers & Software	-	-	-
27	341	Transportation Equipment	-	-	-
28	342	Stores Equipment	-	-	-
29	343	Tools, Shop & Garage Equipment	98	(26)	72
30	344	Laboratory Equipment	-	-	-
31	345	Power Operated Equipment	-	-	-
32	346	Communication Equipment	12,576	(3,309)	9,267
33	347	Miscellaneous Equipment	-	-	-
34	348	Other Tangible Plant	-	-	-
35		Plant Held for Future Use		-	
36					
37					
38		Rounding			
39		TOTAL WATER PLANT	$ 2,726,138	$ (566,752)	$ 2,159,387
40					
41	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
42	Work Papers			A-4	
43	B-2 pages 3.1 to 3.17			E-1	
44					

Payson Water Company
Test Year Ended December 31, 2012
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bouras

Line No.		Test Year Ended 12/31/2012	Prior Year Ended 12/31/2011	Prior Year Ended 12/31/2010
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	51,230	67,777	66,965
6				
7				
8				
9	Water Revenues from Customers:	$ 386,877	$ 474,116	$ 437,162
10				
11				
12				
13				
14	Year End Number of Customers	1,116	1,485	1,498
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	46	46	45
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 346.66	$ 319.27	$ 291.83
23				
24	Pumping Cost Per 1,000 Gallons	$ 1.1025	$ 0.8968	$ 0.9006
25	Purchased Water Cost per 1,000 Gallons	$ -	$ -	$ -

Payson Water Company
Test Year Ended December 31, 2012
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/2012	Prior Year Ended 12/31/2011	Prior Year Ended 12/31/2010
1	Description			
2				
3	State Income Taxes	$ -	$ -	$ -
4	Federal Income Taxes	-	-	-
5	Payroll Taxes	4,490	4,518	3,936
6	Property Taxes	11,127	24,892	23,634
7				
8	Totals	$ 15,617	$ 29,410	$ 27,570
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Payson Water Company
Test Year Ended December 31, 2012
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line No.	
1	
2	The Company does not conduct independent audits
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Payson Water Company
Test Year Ended December 31, 2012
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2013	At Proposed Rates Year Ended 12/31/2013
1	**Revenues**			
2	Metered Water Revenues	$ 386,877	$ 313,559	$ 713,344
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	8,031	6,966	6,966
5		$ 394,908	$ 320,525	$ 720,310
6	**Operating Expenses**			
7	Salaries and Wages	$ 55,097	$ 55,097	$ 55,097
8	Purchased Water	51,953	-	-
9	Purchased Power	56,482	50,533	50,533
10	Fuel For Power Production	-	-	-
11	Chemicals	2,438	2,181	2,181
12	Repairs and Maintenance	28,136	28,089	28,089
13	Office Supplies and Expense	-	-	-
14	Contractual Services	70,679	58,481	58,481
15	Water Testing	11,000	11,000	11,000
16	Rents	-	-	-
17	Transportation Expenses	-	-	-
18	Insurance - General Liability	-	-	-
19	Insurance - Health and Life	266	266	266
20	Reg. Comm. Exp. - Other	-	-	-
21	Reg. Comm. Exp. - Rate Case	-	65,000	65,000
22	Miscellaneous Expense	235,989	235,253	235,253
23	Depreciation and Amortization Expense	68,142	85,632	85,632
24	Taxes Other Than Income	-	-	-
25	Property Taxes	11,127	21,030	29,773
26	Income Tax	-	(109,557)	26,465
27	**Total Operating Expenses**	$ 591,309	$ 503,004	$ 647,770
28	**Operating Income**	$ (196,401)	$ (182,479)	$ 72,540
29	**Other Income (Expense)**			
30	Interest Income	-	-	-
31	Other income	610	-	-
32	Interest Expense	(14)	-	-
33	Other Expense	-	-	-
34	Gain/Loss Sale of Fixed Assets	755,709	-	-
35	**Total Other Income (Expense)**	$ 756,305	$ -	$ -
36	**Net Profit (Loss)**	$ 559,904	$ (182,479)	$ 72,540
37				
38				
39	SUPPORTING SCHEDULES:			
40	C-1			
41				
42				
43				

Payson Water Company
Test Year Ended December 31, 2012
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Actual Test Year Ended 12/31/2012	At Present Rates Year Ended 12/31/2013	At Proposed Rates Year Ended 12/31/2013
5	Cash Flows from Operating Activities			
6	Net Income	$ 559,904	$ (182,479)	$ 72,540
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	68,142	85,632	85,632
10	Depreciation Adjustments	4,529		
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	-		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	-		
16	Deferred Charges	-		
17	Notes Receivable	(637,794)		
18	Accounts Payable	(20)		
19	Intercompany payable	-		
20	Customer Meter Deposits	-		
21	Taxes Payable	(542)		
22	Other assets and liabilities	-		
23	Rounding	-		
24	Net Cash Flow provided by Operating Activities	$ (5,781)	$ (96,848)	$ 158,172
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	246,433	(116,400)	(116,400)
27	Plant Held for Future Use	-		
28	Changes in debt reserve fund	-		
29	Net Cash Flows from Investing Activities	$ 246,433	$ (116,400)	$ (116,400)
30	Cash Flow From Financing Activities			
31	Change in Restricted Cash	-	-	-
32	Change in net amounts due to parent and affiliates	-		
33	Net Receipt contributions in aid of construction	(158,270)	-	-
34	Net receipts of advances in aid of construction	(82,382)	-	-
35	Repayments of Long-Term Debt	-	-	-
36	Dividends Paid	-	-	-
37	Deferred Financing Costs	-	-	-
38	Paid in Capital	-	-	-
39	Net Cash Flows Provided by Financing Activities	$ (240,652)	$ -	$ -
40	Increase(decrease) in Cash and Cash Equivalents	-	(213,248)	41,772
41	Cash and Cash Equivalents at Beginning of Year	-	-	-
42	Cash and Cash Equivalents at End of Year	$ -	$ (213,248)	$ 41,772

46 SUPPORTING SCHEDULES:
47 E-3

Payson Water Company
Test Year Ended December 31, 2012
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2013	2014	2015
1						
2	Account					
3	Number	Plant Asset:	Test Year	2013	2014	2015
4	301	Organization Cost	$ -			
5	302	Franchise Cost	-			
6	303	Land and Land Rights	-		10,000	
7	304	Structures and Improvements	167,258		2,500	
8	305	Collecting and Impounding Res.	-			
9	306	Lake River and Other Intakes	-			
10	307	Wells and Springs	-			
11	308	Infiltration Galleries and Tunnels	-			
12	309	Supply Mains	3,230			
13	310	Power Generation Equipment	1,952			
14	311	Electric Pumping Equipment	5,063	6,000		
15	320	Water Treatment Equipment	-			
16	320.1	Water Treatment Plant	-			
17	320.2	Chemical Solution Feeders	-			
18	330	Dist. Reservoirs & Standpipe	-		16,500	
19	330.1	Storage tanks	-			
20	330.2	Pressure Tanks	-			
21	331	Trans. and Dist. Mains	-	110,400	450,400	1,000,000
22	333	Services	-			
23	334	Meters	753			
24	335	Hydrants	-			
25	336	Backflow Prevention Devices	-			
26	339	Other Plant and Misc. Equip.	-			
27	340	Office Furniture and Fixtures	-			
28	340.1	Computers and Software	-			
29	341	Transportation Equipment	-			
30	342	Stores Equipment	-			
31	343	Tools and Work Equipment	-			
32	344	Laboratory Equipment	-			
33	345	Power Operated Equipment	-			
34	346	Communications Equipment	-			
35	347	Miscellaneous Equipment	-			
36	348	Other Tangible Plant	-			
37	Total		$ 178,257	$ 116,400	$ 479,400	$ 1,000,000
38						
39						
40						

Payson Water Company
Test Year Ended December 31, 2012
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line
No.

1 Property Taxes were computed using the method used by the Arizona Department
2 of Revenue modified for ratemaking.
3
4 Projected construction expenditures are shown on Schedule A-4.
5
6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7
8 Income taxes were computed using statutory state and federal income tax rates.
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Payson Water Company
Test Year Ended December 31, 2012
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
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	$ 287,143	$ 632,117	$ 344,974	120.14%	89.59%	87.76%
2	5/8x3/4 Inch C&S	52,037	136,187	84,150	161.71%	16.23%	18.91%
3	3/4 Inch US	1,860	4,510	2,650	142.51%	0.58%	0.63%
4	1 Inch US	7,430	28,660	21,229	285.72%	2.32%	3.98%
5	1 Inch C&S	566	2,862	2,296	405.40%	0.18%	0.40%
6							
7							
8	Total Revenuers before Annualization	$ 349,036	$ 804,335	$ 455,299	130.44%	108.90%	111.67%
9							
10							
11	Meter Size	Company Present Revenues	Staff Proposed Revenues	Dollar Change	Percent Change	Percent of Present	Percent of Proposed	Schedule
12								
13			Revenue Annualization					
14	5/8x3/4 Inch US	$ (30,152)	$ (66,452)	$ (36,300)	120.39%	-9.41%	-9.23%	C-2, page 5.1
15	5/8x3/4 Inch C&S	659	1,512	853	129.51%	0.21%	0.21%	C-2, page 5.2
16	3/4 Inch US	(112)	(291)	(179)	159.02%	-0.04%	-0.04%	C-2, page 5.3
17	1 Inch US	(6,416)	(25,781)	(19,366)	301.84%	-2.00%	-3.58%	C-2, page 5.4
18	1 Inch C&S	-	-	-	0.00%	0.00%	0.00%	
19								
20								
21	Total Revenue Annualization	$ (36,021)	$ (91,013)	$ (54,992)	152.67%	-11.24%	-12.64%	
22								
23	Total Revenues with Rev. Annual.	$ 313,015	$ 713,323	$ 400,308	127.89%	97.66%	99.03%	
24								
25	Misc. Serv. Rev.	8,031	8,031	-	0.00%	2.506%	1.115%	
26	Star Valley/Quail Valley Misc. Serv. Rev.	(1,065)	(1,065)	-	0.00%	-0.332%	-0.148%	
27	Unreconciled Difference to C-1	544	21	(523)	-96.14%	0.170%	0.003%	
28								
29	Total Revenues	$ 320,525	$ 720,310	$ 399,785	124.73%	100.00%	100.00%	
30								

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

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size	(a) Average Number of Customers at 12/31/2012	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch US	1,066	2,856	$ 21.51	$ 47.09	$ 25.58	118.90%
2	5/8x3/4 Inch C&S	159	6,961	27.30	64.30	37.00	135.51%
3	3/4 Inch US	4	7,077	35.32	84.47	49.15	139.15%
4	1 Inch US	21	3,870	28.75	116.47	87.72	305.13%
5	1 Inch C&S	2	4,459	28.75	116.47	87.72	305.13%
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16	Totals	1,252					
17							

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

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

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size and Class	(a) Average Number of Customers at 12/31/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch US	1,066	2,500	$ 20.83	$ 46.11	$ 25.29	121.42%
	5/8x3/4 Inch C&S	159	4,500	23.66	52.61	28.95	122.36%
2	3/4 Inch US	4	6,500	33.60	81.73	48.13	143.28%
3	1 Inch US	21	2,500	26.11	109.97	83.86	321.24%
4	1 Inch C&S	2	3,500	22.18	114.72	92.54	417.20%
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15	Totals	-					
16							
17							

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

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

Exhibit
Schedule H-3
Page 1
Witness: Bourassa

Line No.		United Systems Present Rates	C&S Systems Present Rates	Consolidated Proposed Rates
1				
2				
3	**Monthly Usage Charge for:**			
4	Meter Size :			
5	5/8 Inch	$ 16.00	$ 17.00	$ 39.24
6	3/4 Inch	18.40	$ 25.50	58.85
7	1 Inch	21.28	$ 42.50	98.09
8	1 1/2 Inch	32.00	$ 85.00	196.18
9	2 Inch	56.00	$ 136.00	313.89
10	3 Inch	80.00	$ 255.00	627.78
11	4 Inch	128.00	$ 425.00	980.90
12	6 Inch	NT	$ 850.00	1,961.80
13	8 Inch	NT	NT	3,138.88
14				
15				
16				
17				
18				
19				
20	Gallons In Minimum	-	-	
21				
22			(Per 1,000 gallons)	
23		United Systems Present	C&S Systems Present	Consolidated Proposed
24				
25	**Commodity Rates**	**Block**	**Rate**	**Rate**	**Rate**
26	All Meter Sizes	0 gallons to 4,000 gallons	$ 1.93	[redacted]	[redacted]
27		over 4,000 gallons	$ 2.99		
28					
29	All Meter Sizes	All gallons	[redacted]	$ 1.48	[redacted]
30					
31	5/8 Inch and 3/4 Inch	0 gallons to 4,000 gallons	[redacted]		$ 2.75
32		4,001 gallons to 10,000 gallons			$ 4.75
33		over 10,000 gallons			$ 6.75
34					
35	1 Inch	0 gallons to 25,000 gallons	[redacted]		$ 4.75
36		over 25,000 gallons			$ 6.75
37					
38	1 1/2 Inch	0 gallons to 50,000 gallons	[redacted]		$ 4.75
39		over 50,000 gallons			$ 6.75
40					
41	2 Inch	0 gallons to 80,000 gallons	[redacted]		$ 4.75
42		over 80,000 gallons			$ 6.75
43					

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 Present Rate	Consolidated Proposed Rate
1					
2					
3	**Commodity Rates**				
4	**(Residential, Commercial, Industrial)**	**Block**	**United Systems Present Rate**	**C&S Systems Present Rate**	**Consolidated Proposed Rate**
5					
6	3 Inch	0 gallons to 160,000 gallons	[redacted]	[redacted]	$ 4.75
7		over 160,000 gallons	[redacted]	[redacted]	$ 6.75
8					
9	4 Inch	0 gallons to 250,000 gallons	[redacted]	[redacted]	$ 4.75
10		over 250,000 gallons	[redacted]	[redacted]	$ 6.75
11					
12	6 Inch	0 gallons to 500,000 gallons	[redacted]	[redacted]	$ 4.75
13		over 500,000 gallons	[redacted]	[redacted]	$ 6.75
14					
15	8 Inch	0 gallons to 800,000 gallons	[redacted]	[redacted]	$ 4.75
16		over 800,000 gallons	[redacted]	[redacted]	$ 6.75
17					
18					
19					
20					
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37					

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

Exhibit
Schedule H- 3
Page 3
Witness: Bourassa

Line No.	Other Service Charges	United Systems Present Rates	C&S Systems Present Rates	Consolidated Proposed Rates
1				
2				
3				
4	Establishment	$ 20.00	$ 20.00	$ 20.00
5	Establishment (After Hours)	35.00	35.00	35.00
6	Reconnection (Delinquent)	20.00	20.00	20.00
7	Reconnection (Delinquent and After Hours)	30.00	30.00	30.00
8	Meter Test (If meter reading correctly)	25.00	20.00	25.00
9	Deposit	*	*	*
10	Deposit Interest*	6.00%	6.00%	6.00%
11	Re-Establishment (With-in 12 Months)	**	**	**
12	NSF Check	$ 17.50	$ 10.00	$ 17.50
13	Deferred Payment, Per Month	1.50%	1.50%	1.50%
14	Meter Re-Read (if correct)	$ 15.00	$ 10.00	$ 15.00
15	Late Charge per month (per R-14-2-409G(6))	1.50%	1.50%	1.50%
16				
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
Schedule H-3
Page 4
Witness: Bourassa

Line No.		United Systems Present Total Charge	C&S Systems Present Total Charge	Proposed Service Line Charge*	Proposed Meter Install-ation Charge*	Total Proposed Charge*
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	3,670.00	5,160.00
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						

Payson Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 5/8x3/4 Inch (United Systems)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2					
3	-	$ 16.00	$ 39.24	$ 23.24	145.23%
4	1,000	17.93	41.99	24.06	134.17%
5	2,000	19.86	44.74	24.88	125.26%
6	3,000	21.79	47.49	25.70	117.93%
7	4,000	23.72	50.24	26.52	111.79%
8	5,000	26.71	54.99	28.28	105.86%
9	6,000	29.70	59.74	30.04	101.13%
10	7,000	32.69	64.49	31.80	97.27%
11	8,000	35.68	69.24	33.56	94.05%
12	9,000	38.67	73.99	35.32	91.33%
13	10,000	41.66	78.74	37.08	89.00%
14	12,000	47.64	92.24	44.60	93.61%
15	14,000	53.62	105.74	52.12	97.20%
16	16,000	59.60	119.24	59.64	100.06%
17	18,000	65.58	132.74	67.16	102.40%
18	20,000	71.56	146.24	74.68	104.35%
19	25,000	86.51	179.99	93.48	108.05%
20	30,000	101.46	213.74	112.28	110.66%
21	35,000	116.41	247.49	131.08	112.60%
22	40,000	131.36	281.24	149.88	114.10%
23	50,000	161.26	348.74	187.48	116.26%
24	60,000	191.16	416.24	225.08	117.74%
25	70,000	221.06	483.74	262.68	118.83%
26	80,000	250.96	551.24	300.28	119.65%
27	90,000	280.86	618.74	337.88	120.30%
28	100,000	310.76	686.24	375.48	120.83%
29					
30					
31	Average Usage				
32	2,856	$ 21.51	$ 47.09	$ 25.58	118.90%
33	Median Usage				
34	2,500	$ 20.83	$ 46.11	$ 25.29	121.42%

Present Rates:

Monthly Minimum:		$	16.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.93
Over	4,000	$	2.99
		$	2.99
Arsenic Surcharge		$	-

Proposed Rates:

Monthly Minimum:		$	39.24
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	2.75
Up to	10,000	$	4.75
Over	10,000	$	6.75
Arsenic Surcharge		$	-

Payson Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 5/8x3/4 Inch (C&S Systems)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2					
3	-	$ 17.00	$ 39.24	$ 22.24	130.80%
4	1,000	18.48	41.99	23.51	127.20%
5	2,000	19.96	44.74	24.78	124.13%
6	3,000	21.44	47.49	26.05	121.48%
7	4,000	22.92	50.24	27.32	119.18%
8	5,000	24.40	54.99	30.59	125.35%
9	6,000	25.88	59.74	33.86	130.82%
10	7,000	27.36	64.49	37.13	135.69%
11	8,000	28.84	69.24	40.40	140.07%
12	9,000	30.32	73.99	43.67	144.02%
13	10,000	31.80	78.74	46.94	147.60%
14	12,000	34.76	92.24	57.48	165.35%
15	14,000	37.72	105.74	68.02	180.32%
16	16,000	40.68	119.24	78.56	193.11%
17	18,000	43.64	132.74	89.10	204.16%
18	20,000	46.60	146.24	99.64	213.81%
19	25,000	54.00	179.99	125.99	233.31%
20	30,000	61.40	213.74	152.34	248.10%
21	35,000	68.80	247.49	178.69	259.72%
22	40,000	76.20	281.24	205.04	269.08%
23	50,000	91.00	348.74	257.74	283.23%
24	60,000	105.80	416.24	310.44	293.42%
25	70,000	120.60	483.74	363.14	301.11%
26	80,000	135.40	551.24	415.84	307.12%
27	90,000	150.20	618.74	468.54	311.94%
28	100,000	165.00	686.24	521.24	315.90%
29					
30					
31	Average Usage				
32	6,961	$ 27.30	$ 64.30	$ 37.00	135.51%
33	Median Usage				
34	4,500	$ 23.66	$ 52.61	$ 28.95	122.36%

Present Rates:			
Monthly Minimum:		$	17.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
All gallons		$	1.48
Arsenic Surcharge		$	-
Proposed Rates:			
Monthly Minimum:		$	39.24
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	2.75
Up to	10,000	$	4.75
Over	10,000	$	6.75
Arsenic Surcharge		$	-

Payson Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch (United Systems)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2					
3	-	$ 18.40	$ 58.85	$ 40.45	219.86%
4	1,000	20.33	61.60	41.27	203.02%
5	2,000	22.26	64.35	42.09	189.10%
6	3,000	24.19	67.10	42.91	177.40%
7	4,000	26.12	69.85	43.73	167.43%
8	5,000	29.11	74.60	45.49	156.28%
9	6,000	32.10	79.35	47.25	147.21%
10	7,000	35.09	84.10	49.01	139.68%
11	8,000	38.08	88.85	50.77	133.34%
12	9,000	41.07	93.60	52.53	127.91%
13	10,000	44.06	98.35	54.29	123.23%
14	12,000	50.04	111.85	61.81	123.53%
15	14,000	56.02	125.35	69.33	123.77%
16	16,000	62.00	138.85	76.85	123.96%
17	18,000	67.98	152.35	84.37	124.12%
18	20,000	73.96	165.85	91.89	124.25%
19	25,000	88.91	199.60	110.69	124.50%
20	30,000	103.86	233.35	129.49	124.68%
21	35,000	118.81	267.10	148.29	124.82%
22	40,000	133.76	300.85	167.09	124.92%
23	50,000	163.66	368.35	204.69	125.07%
24	60,000	193.56	435.85	242.29	125.18%
25	70,000	223.46	503.35	279.89	125.25%
26	80,000	253.36	570.85	317.49	125.31%
27	90,000	283.26	638.35	355.09	125.36%
28	100,000	313.16	705.85	392.69	125.40%
29					
30					
31	Average Usage				
32	7,077	$ 35.32	$ 84.47	$ 49.15	139.15%
33	Median Usage				
34	6,500	$ 33.60	$ 81.73	$ 48.13	143.28%

Present Rates:

Monthly Minimum:		$	18.40
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.93
Over	4,000	$	2.99

Proposed Rates:

Monthly Minimum:		$	58.85
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	2.75
Up to	10,000	$	4.75
Over	10,000	$	6.75

Payson Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch (United Systems)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
3	-	$ 21.28	$ 98.09	$ 76.81	360.95%
4	1,000	23.21	102.84	79.63	343.08%
5	2,000	25.14	107.59	82.45	327.96%
6	3,000	27.07	112.34	85.27	315.00%
7	4,000	29.00	117.09	88.09	303.76%
8	5,000	31.99	121.84	89.85	280.87%
9	6,000	34.98	126.59	91.61	261.89%
10	7,000	37.97	131.34	93.37	245.90%
11	8,000	40.96	136.09	95.13	232.25%
12	9,000	43.95	140.84	96.89	220.46%
13	10,000	46.94	145.59	98.65	210.16%
14	12,000	52.92	155.09	102.17	193.07%
15	14,000	58.90	164.59	105.69	179.44%
16	16,000	64.88	174.09	109.21	168.33%
17	18,000	70.86	183.59	112.73	159.09%
18	20,000	76.84	193.09	116.25	151.29%
19	25,000	91.79	216.84	125.05	136.23%
20	30,000	106.74	250.59	143.85	134.77%
21	35,000	121.69	284.34	162.65	133.66%
22	40,000	136.64	318.09	181.45	132.79%
23	50,000	166.54	385.59	219.05	131.53%
24	60,000	196.44	453.09	256.65	130.65%
25	70,000	226.34	520.59	294.25	130.00%
26	80,000	256.24	588.09	331.85	129.51%
27	90,000	286.14	655.59	369.45	129.12%
28	100,000	316.04	723.09	407.05	128.80%
29					
30					
31	Average Usage				
32	3,870	$ 28.75	$ 116.47	$ 87.72	305.13%
33	Median Usage				
34	2,500	$ 26.11	$ 109.97	$ 83.86	321.24%

Present Rates:

Monthly Minimum:		$	21.28
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	1.93
Over	4,000	$	2.99

Proposed Rates:

Monthly Minimum:		$	98.09
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	4.75
Over	25,000	$	6.75

Payson Water Company
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch (C&S Systems)

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Line No.	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1					
2	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
3	-	$ 17.00	$ 98.09	$ 81.09	477.00%
4	1,000	18.48	102.84	84.36	456.49%
5	2,000	19.96	107.59	87.63	439.03%
6	3,000	21.44	112.34	90.90	423.97%
7	4,000	22.92	117.09	94.17	410.86%
8	5,000	24.40	121.84	97.44	399.34%
9	6,000	25.88	126.59	100.71	389.14%
10	7,000	27.36	131.34	103.98	380.04%
11	8,000	28.84	136.09	107.25	371.88%
12	9,000	30.32	140.84	110.52	364.51%
13	10,000	31.80	145.59	113.79	357.83%
14	12,000	34.76	155.09	120.33	346.17%
15	14,000	37.72	164.59	126.87	336.35%
16	16,000	40.68	174.09	133.41	327.95%
17	18,000	43.64	183.59	139.95	320.69%
18	20,000	46.60	193.09	146.49	314.36%
19	25,000	54.00	216.84	162.84	301.56%
20	30,000	61.40	250.59	189.19	308.13%
21	35,000	68.80	284.34	215.54	313.28%
22	40,000	76.20	318.09	241.89	317.44%
23	50,000	91.00	385.59	294.59	323.73%
24	60,000	105.80	453.09	347.29	328.25%
25	70,000	120.60	520.59	399.99	331.67%
26	80,000	135.40	588.09	452.69	334.34%
27	90,000	150.20	655.59	505.39	336.48%
28	100,000	165.00	723.09	558.09	338.24%
29					
30					
31	Average Usage				
32	4,459	$ 23.60	$ 119.27	$ 95.67	405.40%
33	Median Usage				
34	3,500	$ 22.18	$ 114.72	$ 92.54	417.20%

Present Rates:

Monthly Minimum:		$ 17.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All gallons		$ 1.48

Proposed Rates:

Monthly Minimum:		$ 98.09
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	$ 4.75
Over	25,000	$ 6.75

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 5/8x3/4 Inch (United Systems)

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
-	-	225	272	234	188	181	116	122	104	124	113	130	202	2,011	2,011	-
1	1,000	241	222	254	257	260	193	201	246	235	247	272	215	2,843	4,854	1,422,922
1,001	2,000	192	171	181	165	200	120	126	135	146	162	162	150	1,910	6,764	4,288,877
2,001	3,000	172	163	179	170	170	119	104	127	124	116	108	122	1,674	8,438	8,474,714
3,001	4,000	120	127	139	136	144	90	88	79	80	73	84	86	1,246	9,684	12,836,337
4,001	5,000	106	111	98	97	77	70	65	69	66	73	64	68	964	10,648	17,174,819
5,001	6,000	58	77	61	78	60	54	64	58	51	56	45	45	707	11,355	21,063,672
6,001	7,000	35	37	37	57	37	52	33	33	34	26	25	13	419	11,774	23,787,382
7,001	8,000	24	27	22	29	24	23	23	33	22	24	16	17	284	12,058	25,917,524
8,001	9,000	15	14	9	11	16	24	22	14	21	11	6	9	172	12,230	27,379,610
9,001	10,000	12	6	5	9	12	19	17	11	4	13	4	2	114	12,344	28,462,667
10,001	11,000	5	5	2	11	11	5	12	6	8	5	7	4	81	12,425	29,313,207
11,001	12,000	4	-	5	6	5	9	11	9	2	5	6	4	66	12,491	30,072,240
12,001	13,000	3	1	1	3	7	6	5	3	2	4	2	1	38	12,529	30,547,259
13,001	14,000	1	4	1	6	3	4	5	2	6	1	1	2	36	12,565	31,033,277
14,001	15,000	3	1	2	2	4	7	2	1	-	2	-	-	24	12,589	31,381,289
15,001	16,000	3	2	2	2	2	6	4	3	3	4	-	2	33	12,622	31,892,806
16,001	17,000	-	1	2	1	3	1	1	1	2	5	-	-	17	12,639	32,173,314
17,001	18,000	-	2	-	1	2	1	8	2	-	-	-	-	16	12,655	32,453,322
18,001	19,000	2	1	1	1	-	5	4	4	-	2	1	1	22	12,677	32,860,333
19,001	20,000	1	-	-	-	1	1	1	1	-	-	2	-	7	12,684	32,996,837
20,001	21,000	1	-	-	-	2	-	4	-	1	1	-	-	9	12,693	33,181,341
21,001	22,000	-	1	-	-	2	3	1	2	3	2	1	-	15	12,708	33,503,849
22,001	23,000	-	-	-	1	-	1	3	2	3	-	1	-	11	12,719	33,751,354
23,001	24,000	-	-	1	1	1	-	1	2	2	-	-	1	9	12,728	33,962,859
24,001	25,000	-	1	-	-	-	-	-	-	1	2	-	-	4	12,732	34,060,861
25,001	26,000	1	-	-	1	-	1	-	1	1	-	-	-	5	12,737	34,188,363
26,001	27,000	1	-	1	-	-	1	1	1	-	-	-	1	6	12,743	34,347,366
27,001	28,000	1	-	-	1	-	3	2	-	-	-	-	-	7	12,750	34,539,870
28,001	29,000	1	-	-	-	-	3	3	1	-	-	-	-	8	12,758	34,767,874
29,001	30,000	1	-	-	-	-	1	-	-	-	-	-	-	2	12,760	34,826,875
30,001	31,000	-	-	-	-	-	1	3	-	-	-	-	-	4	12,764	34,948,877
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,764	34,948,877
32,001	33,000	-	-	-	-	-	1	-	-	-	-	-	-	1	12,765	34,981,377
33,001	34,000	-	-	-	-	-	1	1	-	-	-	-	-	2	12,767	35,048,378
34,001	35,000	-	-	-	-	-	-	-	-	-	-	1	1	2	12,769	35,117,379
35,001	36,000	-	-	-	-	-	1	-	-	-	-	-	-	1	12,770	35,152,880
36,001	37,000	-	-	-	-	-	-	1	-	-	-	-	-	1	12,771	35,189,380
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,771	35,189,380
38,001	39,000	-	-	-	-	1	1	-	-	-	1	-	-	3	12,774	35,304,882
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,774	35,304,882
40,001	41,000	-	-	-	-	-	-	2	1	-	-	-	-	3	12,777	35,426,383
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,777	35,426,383
42,001	43,000	-	-	-	1	-	-	-	1	-	-	-	-	2	12,779	35,511,384
43,001	44,000	-	-	-	-	-	1	-	-	-	-	-	-	1	12,780	35,554,885
44,001	45,000	-	-	-	2	-	-	-	-	1	-	-	-	3	12,783	35,688,386
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,783	35,688,386
46,001	47,000	-	-	-	-	-	-	-	1	-	-	-	-	1	12,784	35,734,887
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,784	35,734,887
48,001	49,000	-	-	-	-	-	1	-	-	-	-	-	-	1	12,785	35,783,387
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 5/8x3/4 Inch (United Systems)

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,785	35,783,387
74,001	75,000	-	-	-	-	1	-	1	-	-	-	-	-	2	12,787	35,932,388
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,787	35,932,388
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,787	35,932,388
77,001	78,000	-	-	-	-	1	-	-	-	-	-	-	-	1	12,788	36,009,889
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,788	36,009,889
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,788	36,009,889
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,788	36,009,889
81,001	82,000	-	-	-	-	-	-	-	-	-	-	1	-	1	12,789	36,091,389
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,789	36,091,389
90,001	91,000	-	-	1	-	-	-	-	-	-	-	-	-	1	12,790	36,181,890
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12,790	36,181,890
102,880	102,880	-	-	-	1	-	-	-	-	-	-	-	-	1	12,791	36,284,770
129,680	129,680	-	-	-	-	-	-	1	-	-	-	-	-	1	12,792	36,414,450
121,930	121,930	-	-	-	-	-	-	-	-	-	-	-	1	1	12,793	36,536,380

Payson Water Company
Test Year Ended December 31, 2012

Meter Size: 5/8x3/4 Inch (United Systems)

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
	-													-	12,793	36,536,380
	-													-	12,793	36,536,380
	Totals	1,228	1,246	1,238	1,238	1,227	945	942	953	942	948	939	947	12,793		

Average Usage	2,856
Median Usage	2,500
Average # Customers	1,066
Change in Number of Customers	(281)

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 5/8x3/4 Inch (C&S Systems)

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumulative Billing	Cumulative Gallons
-	-	18	16	12	12	14	17	14	18	15	16	13	17	182	182	-
1	1,000	32	29	26	18	18	18	18	19	17	24	24	26	269	451	134,635
1,001	2,000	17	18	24	20	13	7	12	9	14	13	23	20	190	641	419,730
2,001	3,000	16	20	21	11	11	8	5	14	13	14	12	16	161	802	822,310
3,001	4,000	16	9	20	14	10	8	11	9	12	12	8	18	147	949	1,336,884
4,001	5,000	11	16	16	11	11	10	9	9	9	8	15	16	141	1,090	1,971,454
5,001	6,000	8	16	15	13	12	7	7	9	8	9	14	12	130	1,220	2,686,519
6,001	7,000	4	7	6	12	7	6	5	7	8	8	5	8	83	1,303	3,226,061
7,001	8,000	6	5	6	9	10	7	9	6	6	6	5	10	85	1,388	3,863,603
8,001	9,000	7	4	4	11	10	6	2	9	5	7	7	1	73	1,461	4,484,140
9,001	10,000	3	1	4	3	7	2	3	5	6	5	5	6	50	1,511	4,959,165
10,001	11,000	1	4	1	2	5	5	7	2	4	2	3	3	39	1,550	5,368,684
11,001	12,000	2	3	3	2	3	7	5	3	5	4	1	1	39	1,589	5,817,204
12,001	13,000	1	2	-	2	5	3	4	6	3	5	2	-	33	1,622	6,229,720
13,001	14,000	1	2	-	2	2	2	5	3	2	3	4	-	26	1,648	6,580,733
14,001	15,000	-	1	2	-	1	4	4	-	3	4	-	-	19	1,667	6,856,243
15,001	16,000	1	-	-	1	3	3	4	2	3	2	2	1	22	1,689	7,197,254
16,001	17,000	-	-	-	4	1	3	3	4	3	-	3	1	22	1,711	7,560,265
17,001	18,000	-	-	-	-	2	1	-	-	3	3	2	-	11	1,722	7,752,770
18,001	19,000	-	-	-	1	1	3	1	6	1	1	2	2	18	1,740	8,085,779
19,001	20,000	-	1	-	1	1	3	3	3	-	1	-	-	13	1,753	8,339,286
20,001	21,000	1	-	-	1	-	-	1	-	4	3	-	-	10	1,763	8,544,291
21,001	22,000	-	1	1	-	1	2	5	1	2	1	1	-	15	1,778	8,866,798
22,001	23,000	1	2	-	1	1	4	2	-	2	2	2	-	17	1,795	9,249,307
23,001	24,000	-	-	-	-	2	4	-	2	1	-	1	-	10	1,805	9,484,312
24,001	25,000	-	-	-	1	-	1	2	-	-	1	-	-	5	1,810	9,606,814
25,001	26,000	-	-	-	-	-	1	1	2	1	1	1	-	7	1,817	9,785,318
26,001	27,000	-	-	-	-	1	1	2	-	1	1	-	-	6	1,823	9,944,321
27,001	28,000	-	-	-	-	-	1	1	-	-	-	1	2	5	1,828	10,081,823
28,001	29,000	-	-	-	-	2	1	-	1	1	-	-	-	5	1,833	10,224,326
29,001	30,000	-	1	-	-	-	2	2	1	1	1	1	-	9	1,842	10,489,830
30,001	31,000	-	-	-	-	-	-	2	-	1	1	-	-	4	1,846	10,611,832
31,001	32,000	-	-	-	-	-	-	1	-	2	-	1	-	4	1,850	10,737,834
32,001	33,000	-	-	-	-	1	1	1	-	-	-	-	-	3	1,853	10,835,336
33,001	34,000	1	-	-	-	-	-	1	-	-	-	-	-	2	1,855	10,902,337
34,001	35,000	-	-	-	-	-	-	-	1	-	2	-	-	3	1,858	11,005,838
35,001	36,000	-	-	-	-	-	1	-	1	-	-	-	-	2	1,860	11,076,839
36,001	37,000	1	-	-	1	-	-	1	1	1	-	-	-	5	1,865	11,259,342
37,001	38,000	-	-	-	-	1	-	-	1	-	1	-	1	4	1,869	11,409,344
38,001	39,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,870	11,447,844
39,001	40,000	-	-	-	-	-	-	1	-	-	-	1	-	2	1,872	11,526,845
40,001	41,000	-	-	-	-	-	1	1	-	-	-	-	-	2	1,874	11,607,846
41,001	42,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,875	11,649,347
42,001	43,000	-	-	-	-	1	1	-	-	-	-	-	-	2	1,877	11,734,348
43,001	44,000	-	-	-	-	-	1	1	1	-	1	-	-	4	1,881	11,908,350
44,001	45,000	-	-	1	-	-	-	-	-	-	-	-	-	1	1,882	11,952,850
45,001	46,000	-	-	-	-	1	-	-	-	-	-	-	-	1	1,883	11,998,351
46,001	47,000	1	-	-	-	-	-	-	1	-	-	-	-	2	1,885	12,091,352
47,001	48,000	-	-	-	-	-	1	-	1	1	-	-	-	3	1,888	12,233,853
48,001	49,000	-	-	-	-	-	1	-	-	2	-	-	-	3	1,891	12,379,355
49,001	50,000	-	-	-	1	-	-	-	1	-	-	-	-	2	1,893	12,478,356
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,893	12,478,356

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 5/8x3/4 Inch (C&S Systems)

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,893	12,478,356
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,893	12,478,356
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,893	12,478,356
54,001	55,000	-	-	-	-	1	-	-	-	-	-	-	-	1	1,894	12,532,856
55,001	56,000	-	-	-	-	-	2	-	1	-	-	-	-	3	1,897	12,699,358
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,897	12,699,358
57,001	58,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,898	12,756,858
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,898	12,756,858
59,001	60,000	-	-	-	1	-	1	1	-	-	-	-	-	3	1,901	12,935,360
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,901	12,935,360
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,901	12,935,360
62,001	63,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,902	12,997,860
63,001	64,000	-	-	-	-	-	-	1	1	-	-	-	-	2	1,904	13,124,861
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,904	13,124,861
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,904	13,124,861
66,001	67,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,905	13,191,362
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,905	13,191,362
75,001	76,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,906	13,266,862
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,906	13,266,862
357,300	357,300													-	1,906	13,266,862
118,400	118,400													-	1,906	13,266,862
327,400	327,400													-	1,906	13,266,862

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 5/8x3/4 Inch (C&S Systems)

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
102,162	102,162													-	1,906	13,266,862
109,400	109,400													-	1,906	13,266,862
232,400	232,400													-	1,906	13,266,862
164,900	164,900													-	1,906	13,266,862
119,700	119,700													-	1,906	13,266,862
514,226	514,226													-	1,906	13,266,862
103,700	103,700													-	1,906	13,266,862
110,600	110,600													-	1,906	13,266,862
181,100	181,100													-	1,906	13,266,862
	-													-	1,906	13,266,862
	-													-	1,906	13,266,862
	-													-	1,906	13,266,862
Totals		149	158	162	155	159	159	161	160	161	162	159	161	1,906		

Average Usage	6,961
Median Usage	4,500
Average # Customers	159
Change in Number of Customer	12

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 3/4 Inch (United Systems)

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
-	-	-	-	-	-	-	-	-	-	-	1	1	-	2	2	-
1	1,000	-	-	-	-	-	-	1	-	1	-	-	1	3	5	1,502
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	1,502
2,001	3,000	1	-	-	-	-	-	-	-	-	-	-	-	1	6	4,002
3,001	4,000	-	-	1	-	2	-	-	-	-	-	-	-	3	9	14,504
4,001	5,000	2	2	-	1	-	1	-	-	-	-	-	1	7	16	46,007
5,001	6,000	1	1	2	1	-	-	-	-	-	-	1	-	6	22	79,010
6,001	7,000	1	2	2	1	1	-	-	-	1	1	-	1	10	32	144,015
7,001	8,000	-	-	-	1	-	-	-	1	-	-	-	1	3	35	166,517
8,001	9,000	-	-	-	-	1	-	-	-	-	-	1	-	2	37	183,518
9,001	10,000	-	-	-	1	-	1	-	-	1	1	1	-	5	42	231,020
10,001	11,000	-	-	-	-	-	-	1	-	-	-	-	-	1	43	241,521
11,001	12,000	-	-	-	-	1	-	-	1	1	1	-	-	4	47	287,523
12,001	13,000	-	-	-	-	-	-	-	1	-	-	-	-	1	48	300,023
13,001	14,000	-	-	-	-	-	-	1	-	-	-	-	-	1	49	313,524
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	49	313,524
15,001	16,000	-	-	-	-	-	1	-	-	-	-	-	-	1	50	329,024
16,001	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	329,024
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	50	329,024
18,001	19,000	-	-	-	-	-	1	-	-	-	-	-	-	1	51	347,525
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	347,525
20,001	21,000	-	-	-	-	-	-	1	-	-	-	-	-	1	52	368,025
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 3/4 Inch (United Systems)

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	368,025
	-													-	52	368,025

Payson Water Company
Test Year Ended December 31, 2012

Meter Size: 3/4 Inch (United Systems)

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
	-													-	52	368,025
	Totals	5	5	5	5	5	4	4	3	4	4	4	4	52		

Average Usage	7,077
Median Usage	6,500
Average # Customers	4
Change in Number of Customers	(1)

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 1 Inch (United Systems)

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
-	-	3	8	5	-	2	-	-	-	-	-	-	-	18	18	-
1	1,000	3	7	7	9	10	-	-	-	-	-	-	-	36	54	18,018
1,001	2,000	5	3	8	5	10	-	1	1	-	1	1	1	36	90	72,036
2,001	3,000	6	11	9	11	7	1	-	-	-	-	-	-	45	135	184,559
3,001	4,000	2	7	8	2	5	-	-	-	1	1	1	1	28	163	282,573
4,001	5,000	1	11	3	6	4	-	-	-	-	-	-	-	25	188	395,085
5,001	6,000	(1)	4	5	3	4	-	-	-	-	-	-	-	15	203	477,593
6,001	7,000	2	2	1	4	4	-	-	-	1	-	-	-	14	217	568,600
7,001	8,000	(2)	1	-	3	2	-	-	-	-	-	-	-	4	221	598,602
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	221	598,602
9,001	10,000	-	1	-	-	3	-	-	-	-	-	-	-	4	225	636,604
10,001	11,000	-	-	-	2	(1)	-	-	-	-	-	-	-	1	226	647,104
11,001	12,000	-	-	1	3	-	-	-	1	-	-	-	-	5	231	704,607
12,001	13,000	-	-	1	-	-	-	-	-	-	-	-	-	1	232	717,107
13,001	14,000	1	-	1	1	-	1	-	-	-	-	-	-	4	236	771,109
14,001	15,000	-	-	1	-	-	-	-	-	-	-	-	-	1	237	785,610
15,001	16,000	-	-	-	-	1	-	-	-	-	-	-	-	1	238	801,110
16,001	17,000	-	-	1	1	1	-	-	-	-	-	-	-	3	241	850,612
17,001	18,000	-	-	1	-	-	-	1	-	-	-	-	-	2	243	885,613
18,001	19,000	-	-	-	1	-	-	-	-	-	-	-	-	1	244	904,113
19,001	20,000	-	1	-	-	-	-	-	-	-	-	-	-	1	245	923,614
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245	923,614
28,001	29,000	-	-	-	1	-	-	-	-	-	-	-	-	1	246	952,114
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 1 Inch (United Systems)

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumulative Billing	Cumulative Gallons
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 1 Inch (United Systems)

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
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	-													-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
	-													-	246	952,114
Totals		20	56	52	52	52	2	2	2	2	2	2	2	246		

Average Usage	3,870
Median Usage	2,500
Average # Customers	21
Change in Number of Customers	(18)

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 1 Inch (C&S Systems)

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,001	2,000	-	-	-	-	1	-	-	-	-	-	-	1	2	2	3,001
2,001	3,000	1	1	1	-	-	-	-	-	-	2	1	-	6	8	18,004
3,001	4,000	-	-	-	1	-	1	1	1	1	-	1	1	7	15	42,508
4,001	5,000	-	-	1	-	-	-	-	-	1	-	-	-	2	17	51,509
5,001	6,000	1	-	-	-	-	-	-	1	-	-	-	-	2	19	62,510
6,001	7,000	-	1	-	1	1	-	-	-	-	-	-	-	3	22	82,011
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	82,011
8,001	9,000	-	-	-	-	-	-	1	-	-	-	-	-	1	23	90,512
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	90,512
10,001	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	90,512
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	90,512
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	90,512
13,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	90,512
14,001	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	90,512
15,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	90,512
16,001	17,000	-	-	-	-	-	1	-	-	-	-	-	-	1	24	107,012
17,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
18,001	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
19,001	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
20,001	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
21,001	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
22,001	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
24,001	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
25,001	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
27,001	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
28,001	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
40,001	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 1 Inch (C&S Systems)

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012

Payson Water Company
Test Year Ended December 31, 2012
Meter Size: 1 Inch (C&S Systems)

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-12	Month of Feb-12	Month of Mar-12	Month of Apr-12	Month of May-12	Month of Jun-12	Month of Jul-12	Month of Aug-12	Month of Sep-12	Month of Oct-12	Month of Nov-12	Month of Dec-12	Total Year	Cumul-ative Billing	Cumul-ative Gallons
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	24	107,012
	-													-	24	107,012
	-													-	24	107,012
	-													-	24	107,012
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	-													-	24	107,012
	-													-	24	107,012
	-													-	24	107,012
	-													-	24	107,012
Totals		2	2	2	2	2	2	2	2	2	2	2	2	24		

Average Usage	4,459
Median Usage	3,500
Average # Customers	2
Change in Number of Customers	-

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-_____

DIRECT TESTIMONY OF
THOMAS J. BOURASSA

COST OF CAPITAL

April 22, 2013

EXHIBIT
A-7
ADMITTED

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. ARE YOU THE SAME THOMAS J. BOURASSA THAT CONCURRENTLY FILED DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS DOCKET?

A. Yes, and all of my background information and testimony regarding my qualifications are contained in that portion of my direct testimony.

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

Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT TESTIMONY?

A. This portion of my direct testimony focuses on cost of capital issues. I will testify in support of Payson Water Company's ("PWC" or the "Company") proposed rate of return on its fair value rate base ("FVRB"). I am sponsoring the Company's D Schedules, which are attached to this testimony. There are 22 schedules that support my cost of capital testimony. As noted above, I am also sponsoring direct testimony that addresses the Company's rate base, income statement (revenue and operating expenses), required increase in revenue, and its rate design and proposed rates and charges for service. For convenience, that testimony and my related schedules are contained in a separate volume.

Q. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.

A. I have determined that the cost of equity for the publicly traded water utilities falls in the range of 8.5 percent to 11.4 percent with the midpoint of the range at 9.9 percent. After considering the difference in financial risk and company size

between PWC and the publicly traded water utilities, I am recommending a return on equity ("ROE") of 11.0 percent for the Company.

My recommendation is based on consideration of (i) cost of equity estimates using constant growth and multi-stage growth discounted cash flow ("DCF") models, the capital asset pricing model ("CAPM") and the Build-up Method for a sample group of publicly traded water utilities; (ii) my review of the economic conditions expected to prevail during the period in which new rates will be in effect; (iii) my judgments about the risks associated with relatively small utilities like PWC that are not captured by the market data of publicly-traded water utilities; (iv) the financial risk associated with the high level of debt in PWC's capital structure; and (v) additional specific business and operational risks faced by PWC.

Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR PWC?

A. I am recommending a capital structure consisting of 0 percent debt and 100 percent equity. My recommendation is based upon the adjusted capital structure of the Company at the end of the test year (December 31, 2012).

Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?

A. The weighted cost of capital ("WACC") based upon a capital structure consisting of 0 percent debt and 100 percent equity, and a cost of equity of 11.0 percent, is 11.0 percent as shown on Schedule D-1.

Q. PLEASE SUMMARIZE THE APPROACHES YOU USED TO ESTIMATE THE COST OF EQUITY FOR THE COMPANY.

A. The cost of equity for PWC cannot be estimated directly because the Company's equity is not in the form of a publicly traded security so there is no market data for PWC. Consequently, I have assessed the market-based common equity cost rates of companies of relatively similar, but not necessarily identical risk for insight into a recommended common equity cost rate applicable to PWC. The DCF, CAPM,

and Build-up models using data from a sample of publicly traded water utilities, or proxy group, selected from the *Value Line Investment Survey* serve as starting point in my analysis. Analysis of a proxy group serves as a starting point because no proxy group can be selected to be identical in risk to PWC. Therefore, the proxy group's results must be adjusted to reflect the unique relative financial and/or business risks of PWC, as I will discuss in detail.

There are six water utilities in my sample: American States Water (AWR), Aqua America (WTR), California Water Company (CWT), Connecticut Water (CTWS), Middlesex Water (MSEX), and SJW Corp. (SJW). As explained later in my testimony, these companies aren't directly comparable to PWC, but they are water utilities for which market data is available, and the Utilities Division Staff has relied on data for these water utilities for their proxy group in a number of recent water and sewer utility rate cases.

My DCF analyses of my proxy group indicate ROEs in the range of 8.7 percent to 9.7 percent with a midpoint of 9.2 percent. My CAPM analysis, again using the proxy group, indicates ROEs in the range of 8.7 percent to 12.4 percent are appropriate with a midpoint of 10.5 percent. My Build-up Method analysis, also using the same proxy group, indicates ROEs in the range of 8.1 percent to 12.1 percent are appropriate with a midpoint of 10.1 percent. The average of the midpoint estimates is 9.9 percent. The DCF, CAPM, and Build-up results are before consideration of financial risk and company-specific risks such as size.

Given PWC's proposed capital structure and relatively small size compared to the larger publicly-traded utilities used in my sample, the regulatory methods and policies used in this jurisdiction, and other company-specific factors, it is my

opinion that at the present time a cost of equity of at least 11.0 percent is warranted.

My recommendation of an 11.0 percent ROE balances my judgment about the degree of financial and business risk associated with an investment in PWC, as well as consideration of the current economic environment. A summary of my cost of equity analysis result is shown on Schedule D-4.1.

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT

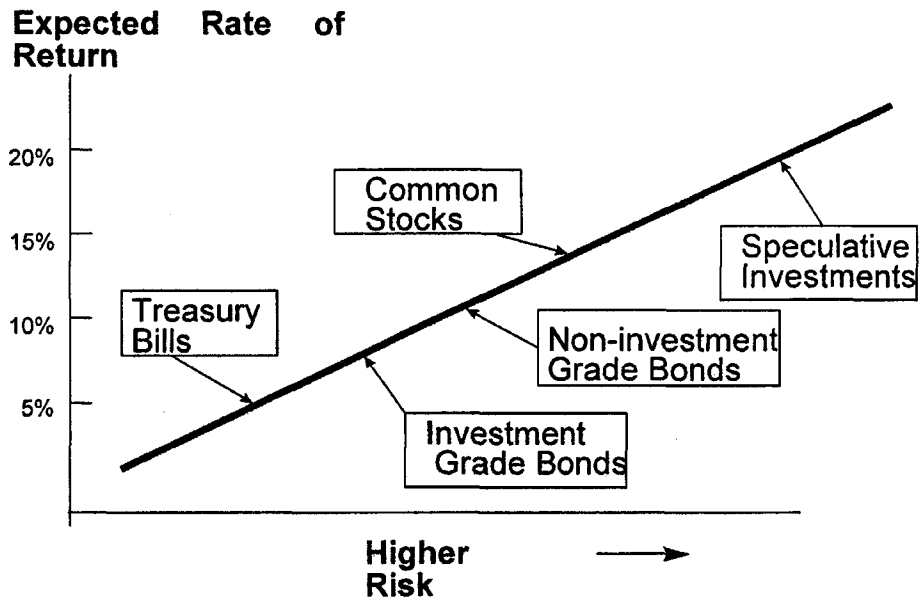
Q. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

A. The cost of equity is the rate of return that equity investors expect to receive on their investment. Investors can choose from numerous investment options, not simply publicly traded stock. Investments have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their investment. Finance models that are used to estimate the cost of equity often rely on this basic concept.

Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?

A. Yes. The following graph depicts the risk-return relationship that has become widely known as the Capital Market Line ("CML"). The CML illustrates in a general way the risk-return relationship.

The Capital Market Line (CML)



The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases move upward and to the right along the CML. Again, the return required by investors increases with the risk.

Q. HOW DOES THE RISK-RETURN TRADE OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As indicated by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return investors will require to compensate them for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and to the right on the CML continuum because they are exposed to more risk. Common stock risk includes the nature of the underlying business and financial strength of the issuing corporation as well as market-wide factors, such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment relative to others. While the example provided above seems straightforward, returns on common stocks are not directly observable in advance, in contrast to debt or preferred stocks with fixed payment terms. This means that these returns must be estimated from market data. Estimating the cost of equity capital should be a matter of informed judgment about the relative risk of the company in question and the expected rate of return characteristics of other alternative investments.

Q. HOW IS THE COST OF EQUITY TO BE DETERMINED FOR A PARTICULAR UTILITY?

A. The estimation of a utility's cost of equity is complex. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common equity. The data for such an analysis comes from highly competitive capital markets, where the firm raises funds by issuing common stock, selling bonds, and borrowing (both long- and short-term) from banks and other financial institutions. In the capital markets,

the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors:

1) The pure or real rate of interest, often called the risk-free rate of interest; and,

2) The uncertainty or risk premium (the compensation the investor requires over and above the real or pure rate of interest for subjecting his capital to additional risk).

Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.

A. The pure rate of interest essentially reflects both the time preference for and the productivity of capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forgo present consumption and offer the funds thus saved to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the investment undertaken by the individual, i.e., there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time period. In reality, investments without any risk do not exist. Every commitment of funds involves some degree of uncertainty.

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher the cost of capital. Investors are regarded as risk adverse and require that the rate of return increase as the risk(s) (uncertainty) associated with an investment increase(s).

Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?

A. Yes. Conceptually,

[1]	Required Return for Common Stocks	=	Return on a risk-free asset	+	Risk Premium

where the risk premium investors require for common stocks will be higher than the risk premium they require for investment grade bonds. This relationship is depicted in the graph of the CML above. As I will discuss later in this testimony, this concept is the basis of risk premium methods, such as the CAPM, that are used to estimate the cost of equity.

Q. WHAT HAS BEEN THE RECENT EXPERIENCE IN THE U.S. CAPITAL MARKETS AND THE ECONOMY IN GENERAL?

A. In the past few years, and subsequent to the market turmoil and recession of the 2007-2009 time frame, inflation and capital market costs have generally declined. Interest rates have been lower than in previous decades, and inflation, as measured by the Consumer Price Index, has been at relatively low levels in the past ten years.

Since emerging from the recent recession of 2007-2009, the economy has grown at a modest and tepid pace. GDP growth for 2010 and 2011 was 3.0 percent and 2.0 percent, respectively. GDP growth slowed for 2012 to 1.6 percent. However, economists view the recent fourth quarter GDP growth for 2012 of a negative 0.1 percent as a relatively short-term soft patch. More specifically, economists view fourth quarter GDP growth setback as the result of such unusual items as the largest cutback in defense spending in 40 years, a decline in exports, and a pullback in manufacturing and inventories. Against these headwinds were rising business investment, consumer spending and housing. While there are still risks to economic growth arising out of Washington (debt ceiling, spending sequestrations, and tax increases), economists see business investment and housing continuing to improve. With this backdrop, economists see the economy growing at a modest pace with GDP growth in the range of 2.1 to 2.8 percent over the next year.

Q. WHAT ABOUT INTEREST RATES AND THE STATUS OF THE STOCK MARKET?

A. With respect to interest rates, the Federal Reserve lowered the Federal Funds target rate to near zero during the depths of the 2007-2009 recession where it continues to stand at zero to .25 percent. While the move to lower interest rates may have been necessary at the time, the Federal Reserve is left with little latitude to affect new monetary moves going forward. In August 2011, the Federal Reserve announced that it intended to keep interest rates low well into 2013 due, in part, to the expected economic conditions going forward. This news met with mixed reactions from investors. On the one hand, investors and businesses received some level of certainty regarding interest rates over the next few years. On the other hand, the need to keep interest rates low reflects that the Federal Reserve did not expect economic conditions to improve much over the same period.

Thereafter, in January 2012, the Federal Reserve said it was likely to raise interest rates at the end of 2014, but not until then. This announcement continued to reflect that the Federal Reserve did not expect the economy to complete its recovery over the next few years. In October 2012, the Federal Reserve indicated that it anticipated the exceptionally low levels for the federal funds rate were likely to be warranted at least through mid-2015. More recently, the Federal Reserve has stated that it would continue to move forward with its efforts to keep interest rates low through its bond buying program (QE4[1]) and through the purchasing of mortgage backed securities (QE3[2]), at least as long the unemployment rate remains

[1] QE4 - Quantitative Easing program 4 announced by Fed December 2012, the Fed announced plans to purchase $40 billion worth of agency mortgage-backed securities per month, and $45 billion worth of longer-term Treasury securities.

[2] QE3 - Quantitative Easing program 3 announced by Fed in September 2012. The Fed plans to purchase mortgage backed securities at a pace of about $40 billion per month until the labor market "improves substantially."

above 6 ½ percent, inflation remains within their target range of 1 to 2 percent, and long-term inflation expectations remain well anchored.

The stock market has recovered from the market lows during the 2007-2008 timeframe. Prior to 2007, the Dow Jones Industrial Average rose to over 14,000 only to fall more than 50 percent—to the mid-6000 range—during the long bear market which followed. Since then, the DOW has reached and even surpassed the 14,000 level. Improved earnings, low inflation, modest but sustained economic growth, and a highly supportive Federal Reserve are considered key forces in keeping the markets advances in place. Despite the improvement in the stock market, the market remains volatile and many individual investors, stung by the market downturn in 2008, remain on the sidelines for the most part.

Q. IS THERE A RELATIONSHIP BETWEEN THE COST OF EQUITY AND INTEREST RATES?

A. Yes. All things being equal, the cost of equity moves in the same direction as interest rates. Lower interest rates on U.S Treasuries ("risk-free" rate) imply lower equity returns and visa versa. However, as indicated by Equation [1] above,[3] the risk premium required to compensate investors also impacts the cost of equity. Higher risk premiums required by investors imply higher equity costs and vice versa. Risk premiums are impacted by uncertainty not only with respect to future interest rates, but uncertainty with respect to business and economic conditions, and inflation (or deflation). Risk premiums also reflect other investment specific risk factors such business and operation risk, regulatory risk, financial risk, construction risk, and liquidity risk.

[3] See page 7, *supra*.

Q. IS PWC AFFECTED BY THESE SAME MARKET UNCERTAINTIES AND CONCERNS?

A. Yes, in general, all investors are impacted by economic uncertainty, including the Company's investors. Smaller utilities like PWC generally feel the impact worse because of their size, with a relatively small customer base, limited service territory, and a general fact that the water and wastewater industry is very capital intensive. Smaller utilities have a limited or an inability to attract capital. However, even those that have parent companies with access to the capital markets still face the problem of the parent's willingness to infuse capital where alternatives for better returns exist.

Q. DOES THE COMPANY'S PARENT HAVE ACCESS TO THE CAPITAL MARKETS?

A. No.

Q. WHAT RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY ARE AFFECTING INVESTMENTS?

A. On the whole, the water and wastewater utility industry is expected to continue to confront an increasing need for infrastructure upgrades and replacement, as well as possible additional demand. *Value Line Investment Survey* (January 18, 2013) continues to stress that many utilities have facilities that are decades old and in need of significant maintenance and, in some cases, massive renovation and replacement. As infrastructure costs continue to climb, many smaller companies are at a serious disadvantage. *Value Line* notes that most of the companies in this sector lack the finances necessary to fund improvements on their own. This will require outside financing largely from more debt and higher associated interest expense, which will thwart share-earnings and dilute shareholder gains.

Q. THANK YOU. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS.

A. With reference to specific utilities, risk is often discussed as consisting of two separate types of risk: business risk and financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence, it is a function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business product and its cost of production. For utilities, business risk also includes the volatility of revenues due to abnormal weather conditions, degree(s) of operational leverage, and regulatory climate.

Q. BUT HASN'T THE COMMISSION IGNORED BUSINESS RISK IN THE DETERMINATION OF COST OF CAPITAL OF WATER AND SEWER COMPANIES?

A. Yes, but that does not mean business risk does not exist or that it doesn't impact the cost of capital. Regulation, for example, can compound the business risk if it is unpredictable in reacting to cost increases both in terms of the time lag and magnitude for recovery of such increases. Regulatory lag makes it difficult to earn a reasonable return, particularly in an inflationary environment and/or when there is significant lag between the timing of investment in capital projects and its recognition in rates. Put simply, the greater the degree of uncertainty regarding the various factors affecting a company's business, the greater the risk of an investment in that company and the greater the compensation required by the investor.

Q. HOW WOULD YOU CONTRAST FINANCIAL RISK?

A. Financial risk concerns the distribution of business risk among the various capital investors in the utility. As I discussed earlier, permanent capital is normally divided into three categories: long-term debt, preferred stock, and common equity. Because common equity owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital structure. Thus, a decision by management to raise additional capital by issuing additional debt concentrates even more of the financial risk of the utility in the common equity owners.

An important component of financial risk is construction risk. Construction risk refers to the magnitude of a company's capital budget. If a company has a large construction budget relative to internally generated cash flows it will require external financing, and it is important that such companies have access to capital funds on reasonable terms and conditions. Utilities are more susceptible to construction risk for two reasons. First, water and wastewater utilities generally have high capital requirements to build plant to serve customers. Second, utilities have a mandated obligation to serve demand within their service areas, leaving less flexibility both in the timing and discretion of scheduling capital projects since demand is largely influenced by external factors or events. This is compounded by the limited ability to wait for more favorable market conditions to raise the capital necessary to fund the capital projects.

Although often discussed separately, the two types of risks (business and financial) are interrelated. Specifically, a common equity investor may seek to offset exposure to high financial risk by investing in a firm perceived to have a low degree of business risk. In other words, the total risk to an investor would be high if the enterprise was characterized as a high business risk with a large portion of its

permanent capital financed with senior debt. To attract capital under these circumstances, the firm would have to offer higher rates of return to its common equity investors.

Q. THEN HOW HAS THE COMMISSION IGNORED BUSINESS RISK IN THE COST OF CAPITAL ANALYSIS?

A. In almost every case of which I am aware, the cost of equity is almost entirely a reflection of the utility's financial risk relative to the large publicly traded water companies. What the Commission generally does not do is look at the utility's business risk relative to the proxy group(s) used to analyze the cost of equity, or relative to other utilities that may be more similar but not share unique risks. That is, the specific problems each utility faces and how those things impact its ability to attract capital. In this regard, the Commission typically takes a one-size fits all approach and assumes, whether you serve water and sewer to 1 or 1 million customers, you generally face the same risks.

Q. IF THE COMMISSION HAS CONSISTENTLY IGNORED BUSINESS RISK, WHY ARE YOU RAISING IT?

A. Because, as I said, business risk exists and impacts the cost of capital, even if the strict and unfortunate adherence to Staff's current "plug and play" models gives no room for consideration of this risk. Besides, things actually do change. In the past few years, the Commission has ceased to deduct restricted cash (hook-up fees) in bank accounts from rate base, approved income tax recovery for tax efficient pass-through entities, and approval of a DSIC-like mechanism is forthcoming. So, I will continue to explain that business risk impacts the cost of capital and continue to hope the Commission gives it due consideration.

Q. SO YOU WANT THE COMMISSION TO DO SOMETHING ELSE TO BENEFIT SHAREHOLDERS AT THE EXPENSE OF RATEPAYERS?

A. No, all these things have done—proper recognition of hook-up fees, recovery of taxes, a DSIC like mechanism—is bring the scale back closer to "in balance." Utilities want these things so they can attract capital, provide good quality service, and actually have a reasonable opportunity to earn their authorized returns. Likewise, to be just and reasonable, that return should consider the unique business risks the utility faces. Like the Company, whose customers cannot afford the risk and cost associated with finding new water supplies.[4]

IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN

Q. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?

A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for determining whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertakings which are attended by corresponding risks and uncertainties .... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

[4] *See* Direct Testimony of Robert T. Hardcastle at 7 – 9.

In *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944), the U.S. Supreme Court stated the following regarding the return to owners of a company:

> [T]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

In summary, under *Hope* and *Bluefield*:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and

(3) The return should be sufficient to maintain and support the utility's credit.

Q. HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS; AND, IF SO, WITH WHAT RESULTS?

A. Yes, but the application of the "reasonableness" criteria laid down by the Supreme Court has resulted in controversy. The typical method of computing the overall cost of capital is quite straightforward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity) used by the utility. The weighting is done by calculating the proportion that each class of capital bears to total capital. However, there is no consensus regarding the best method of estimating the cost of equity capital. The increasing regulatory use of market-based finance models in equity return determination has not led to a universally accepted means of estimating the ROE. In addition, the market-based results are applied to a book-value investment base, which, as I will discuss,

understates the return expected by investors who invest in real markets based on "real time" or current market values.

V. THE ESTIMATED COST OF EQUITY FOR PWC

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company's Cost of Equity

Q. PLEASE DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR PWC.

A. Again, just to summarize, estimating the cost of equity is a matter of informed judgment. The development of an appropriate rate of return for a regulated enterprise involves a determination of the level of risk associated with that enterprise and the determination of an appropriate return for that risk level. Practitioners employ various techniques that provide a link to actual capital market data and assist in defining the various relationships that underlie the equity cost estimation process.

Since PWC is not publicly traded, the information required to directly estimate its cost of equity is not available. Accordingly, as previously noted, I used a sample group of water utilities as a *starting point* to develop an appropriate cost of equity for PWC. There are six water utilities included in the sample group: American States Water (AWR), Aqua America (WTR), California Water (CWT), Connecticut Water (CTWS), Middlesex Water (MSEX), and SJW Corp. (SJW). All these companies are followed by the *Value Line Investment Survey.*

Q. ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY COMPARABLE TO PWC?

A. No, nor are they readily comparable on an indirect basis given the huge difference in size and scope of service. But, they are utilities for which market data is available. All of them are regulated, they primarily provide water service, although

some provide both water and wastewater services, and their primary source of revenues is from regulated services. Therefore, they provide a useful *starting point* for developing a cost of equity for the Company. I emphasized "starting point" because PWC is *not publicly traded*; there is no market data available for smaller utilities, like PWC, that can be used to more directly develop cost of equity estimates. Therefore, we can't just glue the results for the large publicly traded companies onto smaller firms like PWC and call it a day. That's generally the difference between my approach and Staff's.

Q. BRIEFLY, WHY IS A PROXY GROUP NECESSARY IN A COST OF CAPITAL ANALYSIS AND HOW IS IT SELECTED?

A. The comparable earnings standard set forth in the *Hope* and *Bluefield* decisions requires the rate of return afforded to utilities be similar to the return in businesses with similar or comparable risks.[5] A proxy group of companies with comparable risk is therefore the starting point in a cost of capital analysis.

There are two broad approaches to choosing a proxy group.[6] The first approach consists of selecting pure-play companies that are *directly* comparable in risk to the subject utility. The companies are chosen using strict criteria with an attempt to identify companies with the *same* investment risk as the subject utility. There are several qualitative measures that influence investors' assessment of risk that can be used to screen companies. These include SIC classification, bond ratings, beta risk, business risk scores, size, percentage of revenues from regulated operations, common equity ratio, geographical location, etc.[7]

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[5] See pages 13 – 14, *supra.*

[6] Roger A. Morin. *New Regulatory Finance* (2006) at 400.

[7] *Id.*

The second approach is to select as large a group of utilities as possible that is representative of the utility industry average and make adjustments for any differences between the subject utility and the industry average. Whether one employs the direct approach or the indirect approach, the selection of companies for a proxy group always raises the question of whether it is possible to select a group that is of comparable risk. Further, there is always the question of identifying any differences in investment risk. The electric, natural gas, and water utility industries have witnessed numerous takeovers, restructuring, corporate reorganizations, unbundling, and increased competition over the last decade or so, all of which has made selections of proxy groups more difficult.[8]

The approach adopted for the Company utilizes an indirect method. The water companies selected derive the vast majority of their revenues from regulated operations. As shown in Schedule D-4.2, the six water utilities on average derive over 90 percent of the revenues from regulated activities. These companies were also chosen because they are publicly traded, are not in financial distress, and there is a sufficiently long financial and market history from which to perform an analysis.

The bottom line is that the water utility companies in my proxy group are considered representative of the average of the industry, and, as I have stated throughout my testimony, must be adjusted for differences in investment risk relative to a small water company in rural Arizona with limited access to water supplies.

[8] *Id.*

Q. DOES THE MARKET DATA PROVIDED BY THE WATER PROXY GROUP CAPTURE ALL OF THE MARKET RISKS THAT PWC MIGHT FACE IF IT WERE PUBLICLY TRADED?

A. In my opinion, no. As I stated, there is no directly comparable market data for utility companies the size of PWC. For example, the average revenue of the water utility sample companies is over 1219 times that of PWC, and the average net plant of the water utility sample companies is over 1600 times that of PWC. Even the smallest company in the sample group, Connecticut Water, has over 511 times the net plant of PWC, and over 266 times the revenues.

Putting aside the size aspect, an investment in the Company is not a liquid investment. If an investor invests in any of the publicly traded utilities and is not happy with the returns, he/she may sell his/her stock within minutes while liquidating an investment in PWC could take years. This is liquidity risk—a significant risk to an investment in non-publicly traded companies like PWC. Some researchers believe that the size premium phenomenon for smaller companies in the public markets is, in part, a reflection of liquidity risk.

Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE.

A. Schedule D-4.2 lists the current operating revenues and net plant for the six water utilities as reported by AUS Utility Reports (formerly C.A. Turner Utility Reports) and PWC, respectively. The six sample companies may be generally described as follows:

(1) American States Water (AWR) primarily serves the California market through Golden State Water Company, which provides water services to nearly 256,000 customers within 75 communities in 10 counties in the State of California, primarily in Los Angeles,

San Bernardino, and Orange counties. AWR also owns an electric utility service provider with over 23,000 customers, but approximately 72 percent of its revenues were derived from commercial and residential water customers. Revenues for AWR were nearly $467 million in 2012 and net plant was nearly $918 million at the end of 2012.

(2) Aqua America (WTR) owns regulated utilities in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and Virginia, serving nearly 931,000 customers at the end of 2012. WTR's utility base is diversified among residential water, commercial water, fire protection, industrial water, other water, and wastewater customers. Total revenues for WTR were nearly $758 million in 2012 and net plant was over $3.9 billion at the end of 2012.

(3) California Water Service Group (CWT) owns subsidiaries in California, New Mexico, Washington, and Hawaii, serving nearly 501,000 customers. Revenues for CWT were over $559 million in 2012 and net plant nearly $1.5 billion at the end of 2012.

(4) Connecticut Water Services (CTWS) owns subsidiaries in Connecticut, Maine, Massachusetts, and Rhode Island, serving nearly 122,000 customers. Revenues for CTWS were nearly $84 million in 2012 and net plant nearly $448 million at the end of 2012.

(5) Middlesex Water (MSEX) owns subsidiaries in New Jersey, Delaware and Pennsylvania, serving over 112,000 customers, and provides water service under contract to municipalities in central New Jersey serving a population of over 303,000. Revenues for

MSEX were over $110 million in 2012 and net plant was over $435 million at the end of 2012.

(6) SJW Corp. (SJW) owns San Jose Water, which provides water service in a 138 square mile area in San Jose, California, and surrounding communities serving nearly 238,000 customers. Revenues for SJW were nearly $262 million in 2012 and net plant was nearly $832 million at the end of 2012.

Q. HOW DOES PWC COMPARE TO THE SAMPLE WATER UTILITIES?

A. It is much smaller. At the end of the test year, the Company had approximately 1,100 water customers. Its revenues totaled approximately $400,000, and net plant-in-service was approximately $826,000. PWC is located in Gila County, Arizona, and has a very small service territory compared to the sample water companies.

Q. ARE THERE OTHER CHARACTERISTICS OF SMALLER UTILITIES, LIKE PWC, THAT INCREASE RISK?

A. Yes. Water and sewer utilities are also capital intensive and typically have relatively large construction budgets. As I have previously discussed in this testimony, firms with large capital budgets face construction risk (a form of financial risk). The size of a utility's capital budget relative to the size of the utility itself often increases construction risk. Large utilities are more able to fund their capital budgets from their earnings, cash flows, and short-term borrowings. For smaller utilities, like PWC, the ability to fund relatively large capital budgets from earnings, cash flows, and short-term debt is difficult, if not impossible, without reliance upon additional outside capital.

Q. WHAT OTHER RISK FACTORS DISTINGUISH PWC FROM THE LARGER SAMPLE WATER UTILITIES?

A. There are a number of factors including the differences in regulatory environments, differences in the type of test year used for rate making, and differences in the available regulatory mechanisms for recovery of costs outside of a rate case. All these factors have an impact on the ability of a utility to actually earn its authorized return.

Business risk, or the uncertainty of earnings, is a direct reflection of these and the other factors I have discussed. There are two quantitative measures for measuring business risk. The first is the co-efficient of variance of earnings and the second is operating leverage.

The co-efficient of variance of earnings is a reflection of the distributions of earnings. It is meaningful when measured against the distribution of earnings of alternative investments, like the water utilities in my water proxy group. The co-efficient of variance of earnings can be quantified using a relatively simple formula:[9]

[1] Co-efficient of Variance of Earnings = Standard Deviation of Operating Income[10]/Mean of Operating Income

Using this measure, the greater the co-efficient of variance of earnings, the greater the risk to investors of not receiving expected returns.[11] Below are the computed

[9] Tuller, Lawrence W., *The Small Business Valuation Book*, Adams Media Corporation, 1994. p.89.
[10] Operating income is defined as earnings before interest and taxes (EBIT).
[11] *Tuller* at 89.

co-efficient of variance of earnings results using the most recent 5 years of historical data for my water proxy group and PWC:

Company	Symbol	Business Risk Co-efficient of variance of earnings
American States	AWR	0.282
Aqua America	WTR	0.144
California Water	CWT	0.055
Connecticut Water	CTWS	0.211
Middlesex	MSEX	0.127
SJW Corp.	SJW	0.171
Average of Water Utilities		0.165
PWC		0.762

What these results show is that when using the co-efficient of variance of earnings as a measure of business risk, PWC carries 4.6 times the risk compared to the average water utility in my proxy group (0.762 divided by 0.165).

The second method of measuring business risk, or operating leverage, reflects both the sales fluctuations and the impact of operating costs on earnings. Operating leverage is expressed as: [12]

[2] Operating leverage = Percent Change in Operating Income[13]/ Percent Change in Sales

Using this measure, the greater the operating leverage, the greater the business risk.[14] Below are the computed operating leverage results using the most recent 5 years of historical data for my water proxy group and PWC:

[12] *Id.*

[13] Operating income is defined as earnings before interest and taxes (EBIT).

Company	Symbol	Operating Leverage
American States	AWR	2.58
Aqua America	WTR	0. 44
California Water	CWT	0.51
Connecticut Water	CTWS	2.01
Middlesex	MSEX	4.06
SJW Corp.	SJW	1.92
Average of Water Utilities		1.92
PWC		28.52

To interpret these results, with respect to the water proxy group, a 1.0 percent change in sales revenue results in a 1.92 percent change in operating income whereas for PWC, a 1.0 percent change in sales results in a 28.52 percent change in operating income. What these results show is that the operating leverage of PWC creates a greater business risk compared to the average water utility in my proxy group.

Q. SO PWC REALLY ISN'T COMPARABLE TO THE SAMPLE WATER UTILITIES?

A. It really isn't, for the reasons I have stated. Besides the obvious difference in size, business risk, operating leverage, and financial risk, constraints on the rate making process in Arizona, coupled with lower returns over the past decade than in most states, makes it difficult to obtain approval of rates that allow Arizona water and wastewater utilities to recover their costs of service let alone their authorized returns. As a result, risks are higher for PWC compared to the sample companies that do not operate in Arizona. Thus, the required return on equity should be higher too. Unfortunately, as I have testified, the approaches commonly used to estimate a utility's cost of equity require market data, which is not available for

[14] *Tuller* at 90 – 91.

smaller companies and utilities operating exclusively in Arizona, like PWC, so much larger, public companies must be used as *proxies*.

The emphasis on *proxy* is very important. The criteria established by the Supreme Court in decisions such as *Hope* and *Bluefield Water Works* require the use of comparable companies, i.e., companies that would be viewed by investors as having similar risks. A rational investor would not regard PWC as having the same level of risk as WTR or even CTWS—even with PWC's lower financial risk—because of the previously mentioned small size characteristics and the regulatory constraints in Arizona. Consequently, the results produced by the DCF and CAPM methodologies, utilizing data for the sample utilities, often understate the appropriate return on equity for a regulated water and wastewater utility provider such as PWC.

Q. THANK YOU. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A. Yes. Generally speaking, when a firm engages in debt financing, it exposes itself to greater risk. Once debt becomes significant relative to the total capital structure, the risk increases in a geometric fashion compared to the linear percentage increase in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects. First, equity earnings decline rapidly and may even disappear. Second, the "cushion" of equity protection for debt falls. A decline in the protection afforded debt holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. Therefore, one may conclude that each new financing, whether through debt or equity, impacts the marginal cost of future financing by any alternative method. For a firm already perceived as being over-leveraged, this additional borrowing

would cause the marginal cost of both equity and debt to increase. On the other hand, if the same firm instead successfully employed equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance occurred at a higher unit cost than an equivalent amount of debt.

Q. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES COMPARE TO PWC?

A. Schedule D-4.3 shows that the capital structure of PWC for this rate case contains 0 percent debt and 100 percent equity, compared to the average of the water utility sample of 52 percent debt and 48 percent equity.

The 0 percent of debt in the Company's capital structure is much lower than the publicly traded water utilities. Having more debt in its capital structure implies that PWC has more financial risk than the sample water utilities. One way to measure financial risk is by calculating the degree of financial leverage. This is expressed by the formula:[15]

[3] Degree of financial leverage = Percent Change in Net Income/Percent Change in Operating Income

Using this measure, the greater the degree of financial leverage, the greater the financial risk.[16] Below are the computed financial leverage results using the most recent 5 years of historical data for my water proxy group and PWC:

[15] *Tuller* at 91.
[16] *Id.* at 90 – 91.

Company	Symbol	Degree of Financial Leverage
American States	AWR	1.57
Aqua America	WTR	2.15
California Water	CWT	1.90
Connecticut Water	CTWS	0.18
Middlesex	MSEX	0.79
SJW Corp.	SJW	1.34
Average of Water Utilities		1.32
PWC		1.00

To interpret these results, with respect to the water proxy group, a 1.0 percent change in operating income results in a 1.32 percent change in net income whereas for PWC, a 1.0 percent change in operating income results in a 1.0 percent change in net income. What these results show is that financial leverage has less effect on the shareholders of PWC compared to the average water utility in my proxy group. This makes sense as PWC has no debt in its capital structure.

B. Overview of the DCF and CAPM Methodologies

Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE COST OF CAPITAL.

A. These two broad approaches:

1) identify comparable-risk sample companies and estimate the cost of capital directly; or,

2) find the location of the CML and estimate the relative risk of the company, which jointly determines the cost of capital.

The DCF model is an example of a method falling into the first general approach. It is a direct method, but uses only a subset of the total capital market evidence. The DCF model rests on the premise that the fundamental value of an

asset (stock) is its ability to generate future cash flows to the owner of that asset (stock). I will explain the DCF model in detail in a moment, but for now, the DCF is simply the sum of a stock's expected dividend yield and the expected long-term growth rate. Dividend yields are readily available, but long-term growth estimates are not.

The CAPM is an example of a method falling into the second general approach. It uses information on all securities rather than a small subset. I will explain the CAPM in more detail later. For now, the CAPM is a risk-return relationship, often depicted graphically as the CML. The CAPM is the sum of a risk-free return and a risk premium.

The Build-up Method is another example of a method falling into the second general approach. I will explain the Build-up Method in more detail later. For now, the Build-up Method, like the CAPM, is a risk-return relationship. The Build-up Method is the sum of a risk-free return and a risk premium. However, rather than a single risk premium as is used in the CAPM, the risk premium in the Build-up Method is made up of one or more risk premia. Each risk premium represents the reward an investor receives for taking on a specific risk.

Each of these three methods has its own way of measuring investor expectations. In the final analysis, ROE estimates are subjective and should be based on sound, informed judgment rationally articulated and supported by competent evidence. I have applied several versions of the DCF, two versions of the CAPM, and a Build-up Method to "bracket" the fair cost of equity capital for PWC, but without taking into account the additional risks that PWC possesses.

C. Explanation of the DCF Model and Its Inputs

Q. PLEASE EXPLAIN IN DETAIL THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A. The DCF model is based on the concept that the current price of a share of stock is equal to the present value of future cash flows from the purchase of the stock. In other words, the DCF model is an attempt to replicate the market valuation process that sets the price investors are willing to pay for a share of a company's stock. It rests on the assumption that investors rely on the expected returns (i.e., cash flow they expect to receive) to set the price of a security. The DCF model in its most general form is:

[2] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + CF_n/(1+k)^n$

where k is the cost of equity; n is a very large number; P_0 is the current stock price; and $CF_1, CF_2, \ldots CF_n$ are all the expected future cash flows expected to be received in periods 1, 2, ... n.

Equation (2) can be written to show that the current price (P_0) is also equal to

[3] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + P_t/(1+k)^t$

where P_t is the price expected to be received at the end of the period t. If the future price (P_t) included a premium (an expected increase in the stock price or capital gain), the price the investor would pay today (in anticipation of receiving that premium) would increase. In other words, by estimating the cash flows from the purchase of a stock in the form of dividends and capital gains, we can calculate the investor's required rate of return, i.e., the rate of return an investor presumptively used in bidding the current price to the stock (P_0) to its current level.

Equation [3] is a Market Price version of the DCF model. As with the general form of the DCF model in equation [2], in the Market Price approach the

current stock price (P_0) is the present value of the expected cash inflows. The cash flows are comprised of dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate of return investors expect if they bought the stock at today's price, held the stock and received dividends through the transition period, and then sold it for price (P_t).

Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE VERSION OF THE DCF MODEL?

A. Yes. Assume an investor buys a share of common stock for $40. If the expected dividend during the coming year is $2.00, then the expected dividend yield is 5 percent ($2.00/$40 = 5.0 percent). If the stock price is also expected to increase to $43.00 after one year, this $3.00 expected gain adds an additional 7.5 percent to the expected total rate of return ($3.00/$40 = 7.5 percent). Thus, the investor buying the stock at $40 per share expects a total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the appropriate measure of the cost of capital because this is the rate of return that caused the investor to commit $40 of his capital by purchasing the stock.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A. Under the assumption that future cash flows are expected to grow at a constant rate ("g"), equation [2] can be solved for k and rearranged into the simple form:

$$[4] \quad k = CF_1/P_0 + g$$

where CF_1/P_0 is the expected dividend yield and g is the expected long-term dividend (price) growth rate ("g"). The expected dividend yield is computed as the ratio of next period's expected dividend ("CF_1") divided by the current stock price ("P_0"). This form of the DCF model is known as the constant growth DCF model and recognizes that investors expect to receive a portion of their total return in the

form of current dividends and the remainder through future dividends and capital (price) appreciation. A key assumption of this form of the model is that investors expect that same rate of return (k) every year and that market price grows at the same rate as dividends. This has not been historically true for the water utility sample, as shown by the data in Schedule D-4.4 and Schedule D.4.5. As a result, estimates of long-term growth rates (g) should take this into account.

Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE DCF MODEL TO UTILITY STOCKS?

A. There are a number of reasons why caution must be used when applying the DCF model to utility stocks. First, the stock price and dividend yield components may be unduly influenced by structural changes in the industry, such as mergers and acquisitions, which influence investor expectations. Second, the DCF model is based on a number of assumptions that may not be realistic given the current capital market environment. The traditional DCF model assumes that the stock price, book value, dividends, and earnings all grow at the same rate. This has not been historically true for the sample water utility companies.

Third, the application of the DCF model produces estimates of the cost of equity that are consistent with investor expectations *only* when the market price of a stock and the stock's book value are approximately the same. The DCF model will understate the cost of equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is that the market-derived return produced by the DCF is often applied to book value rate base by regulators. Fourth, the assumption of a constant growth rate may be unrealistic, and there may be difficulty in finding an adequate proxy for the growth rate. Historical growth rates can be downward biased as a result of the impact of anemic historical growth rates in earnings,

mergers and acquisitions, restructuring, unfavorable regulatory decisions, and even abnormal weather patterns. Further, by placing too much emphasis on the past, the estimation of future growth becomes circular.

Q. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR DCF MODELS. WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?

A. First, I computed a current dividend yield (CF_0/P_0). The expected dividend yield (CF_1/P_0) is the current dividend yield (CF_0/P_0) times one plus the growth rate (g). I used the spot price for each of the stocks of the water utilities in the sample group on as reported by the *Value Line Investment Analyzer* for March 6, 2013 for P_0. The current dividend (CF_0) is the dividend for the next year as reported by Value Line. In my schedules, the current dividend yield is denoted as (D_0/P_0), where D_0 is the current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the expected dividend yield in the schedules.

Q. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A. For my primary DCF growth estimate, I have used analyst growth forecasts, where available, from four different, widely-followed sources: *Reuters, Zacks, Yahoo Finance*,[17] and *Value Line*. Schedule D-4.6 reflects the analyst estimates of growth. The currently available estimates from these four sources provide at least two estimates for each of the sample water utility companies. When there is no estimate of forward-looking growth for a utility in the water utilities sample, I have assumed investors expect the growth for that utility to equal the average of growth rates for the other water utilities in the sample.

[17] Yahoo Finance analyst estimates provided by Thompson Financial.

Q. WHY DID YOU USE FORECASTED GROWTH RATES AS YOUR PRIMARY ESTIMATE OF GROWTH?

A. The DCF model requires estimates of growth that investors expect in the future and not past estimates of growth that have already occurred. Accordingly, I use analysts' forecasts of growth as a primary estimate of growth. Logically, in estimating future growth, financial institutions and analysts have taken into account all relevant historical information on a company as well as other more recent information.[18] To the extent that past results provide useful indications of future growth prospects, analysts' forecasts would already incorporate that information. In addition, a stock's current price reflects known historic information on that company, including its past earnings history. Any further recognition of the past will double count what has already occurred. Therefore, forward-looking growth rates should be used.

Q. WHAT OTHER ESTIMATES OF GROWTH DID YOU USE?

A. I use the 5-year historical average growth rates in the stock price, book value per share ("BVPS"), earnings per share ("EPS") and dividends per share ("DPS") along with the average of analyst expectations. Using the historical average of growth in price, BVPS, EPS, and DPS is reasonable because investors know that, in equilibrium, common stock prices, BVPS, EPS and DPS will all grow at the same rate and would take information about changes in stock prices and growth in BVPS into account when they price utilities' stocks. As I stated either, a basic

[18] David A. Gordon, Myron J. Gordon and Lawrence I Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55. Gordon, Gordon and Gould found that a consensus of analysts' forecasts of earnings per share growth for the next five years provides a more accurate estimate of growth required in the DCF model than three different historical measures of growth (historical EPS, historical DPS, and historical retention growth). They explain that this result makes sense because analysts would take into account such past growth as indicators of future growth as well as any new information.

assumption of the DCF model is that the stock price, BVPS, EPS and DPS all grow at the same rate. While I believe the use of historical growth rates gives added recognition to the past that is already incorporated into analyst estimates of growth, I have been criticized in the past for not giving direct consideration to past growth rates in my estimate of growth. So, I have endeavored to remove any basis for the criticism in this case. However, I do so reluctantly because the empirical evidence indicates that analyst estimates of growth are the best measure of growth for use in the DCF for utility stocks.[19]

Q. HAVE YOU USED ANALYST ESTIMATES OF DPS GROWTH?

A. No. While I did not use analyst estimates of DPS growth, the average projected DPS growth rate of 3.8 percent is higher than the historical DPS growth rate of 3.33 percent. Putting this aside, I did not use analyst estimates of dividend growth primarily because there are analyst estimates for dividend growth for only three of the six sample companies. Further, only one source (*Value Line*) provides DPS growth estimates. The wide availability of earnings growth estimates compared to dividend growth estimates indicates a greater reliance by investors on earnings rather than dividends for their investment decisions.

D. Explanation of the CAPM and Its Inputs

Q. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. As I already indicated, the CAPM is a type of risk premium methodology that is often depicted graphically in a form identical to the CML. Put simply, the CAPM formula is the sum of a risk-free rate plus a risk premium. It quantifies the additional return required by investors for bearing incremental risk. The risk-free

[19] Gordon, Gordon, and Gould.

rate is the reward for postponing consumption by investing in the market. The risk premium is the additional return compensation for assuming risk.

The CAPM formula provides a formal risk-return relationship premised on the idea that only market risk matters, as measure by beta. The CAPM formula is:

$$(7) \quad k = R_f + \beta(R_m - R_f)$$

where k is the expected return, R_f is the risk-free rate, R_m is the market return, $(R_f - R_m)$ is the market risk premium, and β is beta.

The difficulty with the CAPM is that it is a prospective or forward-looking model while most of the capital market data required to match the input variables above is historical.

Q. WHAT IS THE RISK-FREE RATE?

A. It is the return on an investment with no risk. The U.S. Treasury rate serves as the basis for the risk-free rate because the yields are directly observable in the market and are backed by the U.S. government. Practically speaking, short-term rates are volatile, fluctuate widely and are subject to more random disturbances than long-term rates. In short, long-term Treasury rates are preferred for these reasons, and because long-term rates are more appropriately matched to securities with an indefinite life or long-term investment horizon.

Q. WHAT IS BETA AND WHAT DOES IT MEASURE?

A. Beta is a measure of the relative risk of a security in relation to the market. In other words, it is a measure of the sensitivity of a security to the market as a whole. This sensitivity is also known as systematic risk. It is estimated by regressing a security's excess returns against a market portfolio's excess returns. The slope of the regression line is the beta.

Beta for the market is 1.0. A security with a beta greater than 1.0 is considered riskier than the market. A security with a beta less than 1.0 is considered less risky than the market.

There are computational problems surrounding beta. It depends on the return data, the time period used, its duration, the choice of the market index, and whether annual, monthly, or weekly return figures are used. Betas are estimated with error. Based on empirical evidence, high betas will tend to have a positive error (risk is overestimated) and low betas will have a negative error (risk is underestimated).[20]

Q. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR PWC?

A. I used the average beta of the sample water utility companies. Betas were obtained from *Value Line Investment Analyzer* (March 6, 2013). *Value Line* is the source for estimated betas that I regularly employ, along with Staff, and it is widely accepted by financial analysts. The average beta as shown on Schedule D-4.9 is 0.71. I should note that because PWC is not publicly traded, PWC has no beta. I believe that PWC, if it were publicly traded, would have a higher beta than the sample water utility companies.

Q. WHY WOULD PWC HAVE A HIGHER BETA?

A. As previously indicated, smaller companies are inherently more risky than larger companies. In Chapter 7 of Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook*, for example, Ibbotson reports that when betas (a measure of market risk) are properly estimated, betas are larger for small companies than for larger companies. As I will explain later, Ibbotson also finds that even after accounting

[20] Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

for differences in beta risk, small firms require an additional risk premium over and above the added risk premium indicated by differences in beta risk.

Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM.

A. The market-risk premium (R_m-R_f) is the return an investor expects to receive as compensation for market risk. It is the expected market return minus the risk-free rate. Approaches for estimating the market risk premium can be historical or prospective.

Since expected returns are not directly observable, historical realized returns are often used as a proxy for expected returns on the basis that the historical market risk premium follows what is known in statistics as a "random walk." If the historical risk premium does follow the random walk, then one should expect the risk premium to remain at its historical mean. Based on this argument, the best estimate of the future market risk premium is the historical mean. Morningstar's *SBBI Valuation Edition 2013 Yearbook* provides historical market returns for various asset classes from 1926 to 2012. This publication also provides market risk premiums over U.S. Treasury bonds, which make it an excellent source for historical market risk premiums.

Prospective market risk premium estimation approaches necessarily require examining the returns expected from common equities and bonds. One method employs applying the DCF model to a representative market index such as the Value Line 1700 stocks (the *Value Line* Composite Index). The expected return from the DCF is measured for a number of periods of time, and then subtracted from the prevailing risk-free rate for each period to arrive at market risk premium for each period. The market risk premium subsequently employed in the CAPM is the average market risk premium of the overall period.

Q. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR PWC?

A. I prepared two market risk premium estimates: An historical market risk premium and a current market risk premium.

Q. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK PREMIUM?

A. I used the Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* measure of the average premium of the market over long-term treasury securities from 1926 through 2012. The average historical market risk premium over long-term treasury securities is 6.7 percent.

Q. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?

A. I derived a market risk premium by first using the DCF model to compute an expected market return for each of the past 12 months using *Value Line's* projections of the average dividend yield and average 3-5 year price appreciation (growth) on the *Value Line* 1700 Composite Index. I then subtracted the average 30-year Treasury yield for each month from the expected market returns to arrive at the expected market risk premiums. Finally, I averaged the computed market risk premiums to determine the current market risk premium. The data and computations are shown on Schedule D-4.11. The recent 3-month average current market risk premium is 12.01 percent. Estimates of the current market risk premium have ranged from 11.52 percent to 18.80 percent over the past 12 months averaging 15.11 percent. My 3-month average estimate at 12.01 percent is near the bottom of the 12-month range.

Q. HAS STAFF EMPLOYED A CURRENT MARKET RISK PREMIUM IN THE PAST?

A. Yes. However, their estimation of the current market risk premium was somewhat different. Staff uses a DCF model to compute the current market risk premium as I do. However, Staff also uses a single spot estimate using the median annualized projected 3-5 year price appreciation on the *Value Line* 1700 stocks in conjunction the median dividend yield on the *Value Line* 1700 stocks.

Q. WHY DO YOU BELIEVE THAT YOUR APPROACH IS MORE APPROPRIATE?

A. Staff typically computes a market risk premium based on a single point in time, which makes estimates extremely volatile, so much so that the expected market risk premium estimate can change by as much as 700 basis points (or more) each time it is estimated. The accuracy of the expected risk premium is greatly enhanced by increasing the number of periods used to estimate it.

Q. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?

A. I use long-term expected Treasury bond rates as the measure of the risk-free return for use with both CAPM cost of equity estimates from two sources: the *Blue Chip Financial Forecast* and *Value Line*. Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* explains on page 55 that the appropriate choice for the risk-free rate is the *expected* return for long-term Treasury securities. Thus, when determining an estimate of the risk-free rate, it is appropriate to adopt a return that is no less than the expected return on the long-term Treasury bond rate. Both of my CAPM estimates are based on expected interest rates using a recent month average (March 6, 2013) and projected estimates of the long-term treasury rates for 2014 and 2015 (from *Blue Chip Financial Forecasts* and *Value Line Selection and*

Opinion). The 2014 to 2015 timeframe and beyond is the period when new rates will be in effect for the Company.

E. Explanation of the Build-Up Method and Its Inputs

Q. PLEASE EXPLAIN THE BUILD-UP METHOD FOR ESTIMATING THE COST OF EQUITY.

A. As I already indicated, like the CAPM, the Build-up Method, is a type of risk premium methodology. This is a common and effective method used by appraisers and valuation experts.[21] The Build-up Method is an additive model in which the return on a security is the sum of a risk-free rate and one or more risk premia. Each premium represents the reward an investor receives for taking on a specific risk. The elegance of the Build-up Method is that it does not require an estimate of market beta, which is problematic for non-publicly traded companies such as PWC. The Build-up Method can be stated as follows:

[1] $k = R_f + RP_m + RP_s +/- RP_u$

where k = the expected return

R_f = risk-free rate

RP_m = equity risk premium for the market

RP_s = equity risk premium for size

RP_u = risk premium attributed to the specific company or to the industry (often called the company specific risk premium)

Or alternatively as:

[2] $k = R_f + RP_{ms} +/- RP_u$

where k = the expected return

R_f = risk-free rate

[21] Morningstar *Ibbotson SBBI 2013 Valuation Yearbook*, Chapter 3.

RP_{m+s} = equity risk premium for the market and size

RP_u = risk premium attributed to the specific company or to the industry (often call the company specific risk premium)

The data for the equity risk premium for the market (RP_m), the equity risk premium for size (RP_s), and the company specific or industry risk premium (RP_u) can be readily obtained from *Morningstar* and/or other size premium studies such as the *Duff & Phelps* study.[22] *Morningstar* quantifies the size premium separate from the market risk premium by market capitalization as a measure of size, whereas *Duff & Phelps* study quantifies the risk premium (RP_{m+s}) (market premium (RP_m) plus the size premium (RP_s)) by book value of common equity, 5-year average net income, market value of invested capital, total assets (as reported on balance sheet), 5-year average of earnings before interest, income taxes, depreciation and amortization (EBITDA), sales, and number of employees in addition to market capitalization, all of which have been shown to be highly correlated with market returns. I should note that the authors of the *Duff & Phelps* study conclude that, by whatever measures of size are used, the results are clear that there is an inverse relationship between size and historical equity returns—small companies have higher returns than larger companies.[23]

Q. ARE THERE ADVANTAGES TO THE USE OF THE BUILD-UP METHOD OVER THE CAPM FOR ESTIMATING THE COST OF EQUITY?

A. Yes. First, as I mentioned earlier, the Build-up Method does not require a market beta estimate, which is not available for non-public firms. I use the average beta of the large publicly traded water utilities as a *proxy* for the beta of PWC. However, as I also discussed, there are computation problems surrounding beta and

[22] *Duff & Phelps* LLC, *Risk Premium Report 2013.*

[23] *Id.* at 26.

empirical financial data show that beta does not account for all of the risks associated with smaller firms. Second, each of the risk premia used in the Build-up Method can be quantified using data from the equity markets. Third, the various measures of size, including fundamental accounting measures, have a practical benefit of eliminating the need to make a "guesstimate" of size for comparative purposes where market data for determining market value measures of size is not available, particularly for non-public firms.

F. Financial Risk Adjustment

Q. PLEASE EXPLAIN YOUR FINANCIAL RISK ADJUSTMENT TO REFLECT THE COMPANY'S LOWER LEVEL OF DEBT IN ITS CAPITAL STRUCTURE AS COMPARED TO THE SAMPLE WATER UTILITIES.

A. My financial risk estimation is based upon the methodology developed by Professor Hamada of the University of Chicago, which incorporates the beta of a levered firm to that of its unlevered counterpart. The equation is

$$\beta_L = \beta_U[1 + (1 - T)\varphi]$$

where β_L and β_U are the levered and unlevered betas, respectively, T is the tax rate, and φ the leverage, defined as the ratio of debt and equity of the firm. In simple terms, I un-lever the average beta of the six publicly-traded water utilities in my sample using a ratio of the market value of debt and the market value of equity. While I can compute the market value of equity of the sample water utilities based on the current number of shares outstanding and the current stock price, estimating the market value of debt is much more difficult. For purposes of my analysis, I assume the market value of debt is the book value. This is a customary and realistic assumption.[24] Once the unlevered beta is determined, I re-lever the beta

[24] *Morin* at 224.

using the capital structure of PWC. For the market value of equity, I multiplied PWC's book value of equity times the average market-to-book ratio of the sample water utilities. For PWC's debt, I assume the market value of debt is equal to the book value.

The re-levered beta is then used in my CAPM models, and the new CAPM results are compared to my original CAPM results. The computed difference is the basis of my financial risk adjustment.

Q. WHAT IS THE COMPUTED FINANCIAL RISK ADJUSTMENT?

A. A downward adjustment of no less than 90 basis points. Again, however, in my opinion, the beta for PWC would be higher than that of the sample water utilities that would have resulted in a lower downward financial risk adjustment. But I have to make some assumptions to work with an approach used by Staff and approved by the Commission in past cases.

G. Company Specific Risk Premium

Q. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.

A. As I testified earlier, PWC is not directly comparable to the sample water utilities because of its small size and because of the regulatory environment in Arizona. The characteristics associated with small size such as the lack of diversification, limited revenue and cash flow, small customer base, lack of liquidity, as well as the magnitudes of regulatory and construction risk are common to smaller water and wastewater utilities regardless of the regulatory jurisdiction. These characteristics and magnitudes of risk are unique only in the sense that the large publicly-traded water utilities (including the companies in the proxy group) do not possess these same characteristics and magnitudes of risk. With respect to Arizona regulation, the use of an historical test year, with limited out-of-period adjustments, and the

historic limited availability of automatic adjuster mechanisms increase the risk of PWC as an investment.

Q. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.

A. Investment risk increases as the firm size decreases, all else remaining constant. There is a great deal of empirical evidence that the firm size phenomenon exists. Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* (Chapter 7) reports that smaller companies have experienced higher returns that are not fully explainable by their higher betas and that beta is inversely related to company size. In other words, smaller companies not only have higher betas but higher returns than larger ones. Even after accounting for differences in beta risk, small companies require an additional risk premium over and above the added risk premium indicated by differences in beta risk. Dr. Zepp also reported evidence that the stocks of small water or wastewater utilities are more risky than the stocks of larger water utilities, such as those in the water utilities sample.[25] Even the California PUC conducted a study that showed smaller water utilities are more risky than larger ones.[26] Based on the evidence, it is clear that investors require higher returns on small company stocks than on large company stocks.

I have included in Schedule D-4.22 the results of a *Morningstar* study using annual data reporting the size premium based upon firm size and return data (i) provided in Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* and information, and (ii) contained in Dr. Thomas M. Zepp's 2003 article in The Quarterly Review Economic and Finance. I have estimated that a small company risk premium in the range of 99 to 365 basis points is appropriate for PWC.

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[25] Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited," The Quarterly Review Economics and Finance, Vol. 43, Issue 3, Autumn 2003, 578-582.

[26] Staff Report on Issues Related to Small Water Utilities, dated June 10, 1991; CPUC Decision 92-03-093.

Q. WHAT COMPANY SPECIFIC-RISK PREMIUM DO YOU RECOMMEND FOR PWC?

A. To be conservative, I recommend a risk premium of at least 200 basis points, which is lower end of the range of my risk premium estimates for small firms.

VI. SUMMARY AND CONCLUSIONS

Q. HAVE YOU PREPARED A SCHEDULE THAT SUMMARIZES YOUR EQUITY COST ESTIMATES AND PRESENTS YOUR RECOMMENDATIONS?

A. Yes. The equity cost estimates and my recommendations are summarized in Schedule D-4.1.

In the first part of my analysis, I applied two versions of the constant growth DCF model. One uses analyst estimates of growth and the other uses historical growth and analyst expectations. See Schedule D-4.8. The DCF models produce an indicated equity cost in the range of 8.7 percent to 9.7 percent, with a midpoint of 9.2 percent.

In the second part of my analysis, I applied two versions of the CAPM – a historical risk premium CAPM and a current market risk premium CAPM. The CAPM analyses appear in Schedule D-4.12 and produce an indicated cost of equity in the range of 8.7 percent to 12.4 percent, with a midpoint of 10.5 percent.

In the third part of my analysis, I applied the Build-up Method using the *Duff & Phelps* risk premium study data. The Build-up Method analysis appears on Schedule D-4.18 and produces an indicated cost of equity in the range of 8.1 percent to 12.1 percent, with a mid-point of 10.1 percent.

In the fourth part of my analysis, I compute a financial risk adjustment to account for the lower level of debt in PWC's pro forma capital structure compared to the sample water utilities. My recommendation is that a downward financial risk

adjustment of no more than 90 basis points be applied to PWC's cost of equity. My financial risk adjustment analysis is shown in schedules D-4.19, D-4.20, and D-4.21.

In the fifth part of my analysis, I reviewed the financial literature on the small firm size effect and determined that an appropriate risk premium for small utilities like PWC that should be applied to the DCF and CAPM results is the range of 99 to 365 basis points. See Schedule D-4.22. I also considered the risks for PWC from Arizona regulation. My recommendation is that an upward adjustment for company-specific risk of no less than 200 basis points be applied to PWC's cost of equity.

The range of results of my DCF, CAPM, and Build-up analyses and other risk adjustments is 9.6 percent to 12.5 percent, with a mid-point of 11.0 percent. See Schedule D-4.1.

Q. WHAT EQUITY RETURN DO YOU RECOMMEND?

A. My recommended return on equity for PWC is 11.0 percent.

Q. HAVE YOU PREPARED AN ESTIMATE OF THE COST OF EQUITY USING THE BUILD-UP METHOD FOR PWC USING DATA FROM MORNINGSTAR?

A. Yes. This Build-up Method using *Morningstar* data is one check on the reasonableness of my recommendation for PWC. I estimate the cost of equity for PWC to be at least 10.2 percent and up to 15.9 percent. These results are based upon the data from *Morningstar* as contained Table C-1 (the risk-rate would be 2.4 percent,[27] the equity risk premium would be 6.7 percent,[28] the small company risk

[27] Long-term (20 year) U.S. Treasury Bond Yield as of March 6, 2013.

[28] Long-horizon historical equity risk premium – Table A-1 1928-2012.

premium of 6.0 percent[29]) and data contained in Table 3-5, Industry Premia Estimates (negative 4.9 for the water supply industry SIC code 494). The calculation is shown as follows:

[1] $k = R_f + RP_m + RP_s +/- RP_u$

[2] $k = 2.4\% + 6.7\% + 6.0\% - 4.9\%$

[3] $k = 10.2\%$

The computed 10.2 percent is at the low end. Using more refined data provided by *Morningstar* with respect to the 10th decile firm size based upon market value, the indicated cost of equity would be 15.9 percent for PWC.[30]

Q. HAVE YOU PREPARED A COST OF EQUITY ESTIMATE FOR PWC USING THE *DUFF & PHELPS* STUDY DATA?

A. Yes. Please see Schedule D-4.18. The estimate for PWC has been adjusted for leverage (financial risk) differences between the companies in the size portfolios contained in the study and the water sample companies and PWC. Further, like the Build-up Method cost of equity estimate using the *Morningstar* data, the cost of equity estimates includes a downward water industry risk premium adjustment.[31] The indicated cost of equity for PWC using the same Build-up Method I employed for my analysis of my water proxy group is 15.7 percent; well above my recommendation of 11.0 percent. Accordingly, I find my recommendation of 11.0 percent appropriately conservative.

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[29] Decile 10z – smallest, market capitalization of $1.139 million to $96.164 million. See Appendix C.

[30] *Morningstar* splits the 10th decile portfolio into four groups: Decile 10w (up to $253.761 million in market capitalization); Decile 10x (up to $212.031 million in market capitalization); Decile 10y (up to $165.600 million in market capitalization); and Decile 10z (up to $96.164 million in market capitalization). If publicly traded, PWC would likely fall into the latter group (10z) which has an indicated size premium of 11.65 percent (see Appendix C). Substituting the 11.65 percent size premium for the 6.0 percent in the Build-up formula the result would be 15.85 percent (2.4%+6.7%+11.65%-4.9%).

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

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON COST OF CAPITAL?

A. Yes.

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PAYSON WATER CO., INC.

THOMAS J. BOURASSA
DIRECT TESTIMONY

COST OF CAPITAL

APRIL 22, 2013

SCHEDULES

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

Exhibit
Schedule D-1
Page 1
Witness: Bourassa

Capital Structure

Line No.	Item of Capital	Adjusted End of Test Year Dollar Amount	Adjusted End of Test Year Percent of Total	Adjusted End of Test Year Cost Rate	Adjusted End of Test Year Weighted Cost	Projected Capital Structure Dollar Amount	Projected Capital Structure Percent of Total	Projected Capital Structure Cost Rate	Projected Capital Structure Weighted Cost
1	Long-Term Debt	-	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%
2									
3	Stockholder's Equity	1,054,974	100.00%	11.00%	11.00%	852,591	100.00%	11.00%	11.00%
4									
5	Totals	1,054,974	100.00%		11.00%	852,591	100.00%		11.00%
6									
7									
8	**A/D adjustment**		**$ 91,415**						
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22	SUPPORTING SCHEDULES:					RECAP SCHEDULES:			
23	D-1					A-3			
24	D-3								
25	D-4								
26	E-1								
27	Testimony								
28									
29									
30									

Payson Water Company
Test Year Ended December 31, 2012
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost
1									
2		-	-	0.000%	0.000%		-	0.000%	0.000%
3			-	0.000%	0.000%		-	0.000%	0.000%
4			-	0.000%	0.000%		-	0.000%	0.000%
5			-	0.000%	0.000%		-	0.000%	0.000%
6			-	0.000%	0.000%		-	0.000%	0.000%
7			-	0.000%	0.000%		-	0.000%	0.000%
8			-	0.000%	0.000%		-	0.000%	0.000%
9			-	0.000%	0.000%		-	0.000%	0.000%
10			-	0.000%	0.000%		-	0.000%	0.000%
11									
12									
13	Totals	$ -	-		0.000%	$ -	-		0.000%
14									
15									
16	Supporting Schdules:								
17	E-1								
18	E-2								
19	Work papers								
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
Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
22	E-1			D-1			
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

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

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	11.00% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	D-4.1 to D-4.22	D-1
19		
20		

Payson Water Company
Summary of Results

Exhibit
Schedule D-4.1
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
1				
2				
3				
4	Method	Low	High	Midpoint
5				
6	Range DCF Constant Growth Estimates[1]	8.7%	9.7%	9.2%
7				
8	Range of CAPM Estimates[2]	8.7%	12.4%	10.5%
9				
10	Build-up Method[3]	8.1%	12.1%	10.1%
11				
12	Average of midpoint estimates	8.5%	11.4%	9.9%
13				
14				
15	Financial Risk Adjustment[4]	-0.9%	-0.9%	-0.9%
16				
17	Small Company Risk Premium[5]	2.0%	2.0%	2.0%
18				
19	Indicated Cost of Equity	9.6%	12.5%	11.0%
20				
21				
22				
23	Recommended Cost of Equity			10.5%
24				
25				
26	[1] See Schedule D-4-8			
27	[2] See Schedule D-4.12			
28	[3] See Schedule D-4.18			
29	[4] See Schedule D-4.21, Testimony			
30	[5] See Schedule D-4.22, Testimony			

Payson Water Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
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	68%	$ 449.7	$ 912.0	A+	A2	9.99
2	2. Aqua America	96%	$ 755.7	$ 3,863.4	AA-	NR	10.33
3	3. California Water	100%	$ 541.5	$ 1,443.1	AA-	NR	9.99
4	4. Connecticut Water	100%	$ 79.8	$ 422.6	A	NR	9.75
5	5. Middlesex	89%	$ 106.6	$ 433.3	A	NR	10.15
6	6. SJW Corp.	96%	$ 261.4	$ 870.5	A	NR	9.99
7							
8	Average	92%	$ 365.8	$ 1,324.2			10.03
9							
10	Payson Water Company (Adjusted as of December 31, 2012)	100%	$ 0.3	$ 0.8	NR	NR	

[1]AUS Utility Reports (March 2013).

Payson Water Company
Capital Structures

Exhibit
Schedule D-4.3
Witness: Bourassa

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
4	1. American States	45.5%	54.5%	24.7%	75.3%
5	2. Aqua America	52.7%	47.3%	25.3%	74.7%
6	3. California Water	51.7%	48.3%	35.8%	64.2%
7	4. Connecticut Water	53.2%	46.8%	34.2%	65.8%
8	5. Middlesex	42.8%	57.2%	29.9%	70.1%
9	6. SJW Corp.	56.6%	43.4%	39.9%	60.1%
11	Average	50.4%	49.6%	31.6%	68.4%
13	Payson Water Company (Adjusted as of Deceomber 31, 2012)	100.0%	0.0%	N/A	N/A

[1] Value Line Analyzer Data (March 6, 2013)
[2] Adjusted Per Schedule D-1

Payson Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	9.12%	5.50%	10.50%	3.00%	7.03%	5.88%	6.45%
9	2. Aqua America	5.40%	6.00%	6.00%	8.00%	6.35%	6.27%	6.31%
10	3. California Water	2.03%	5.00%	5.00%	1.00%	3.26%	5.75%	4.50%
11	4. Connecticut Water	7.90%	3.00%	4.00%	1.50%	4.10%	6.80%	5.45%
12	5. Middlesex	4.56%	5.00%	2.00%	1.50%	3.26%	4.85%	4.06%
13	6. SJW Corp.	NMF	4.50%	NMF	5.00%	4.75%	11.00%	7.88%
16	GROUP AVERAGE	5.80%	4.83%	5.50%	3.33%	4.79%	6.76%	5.77%
17	GROUP MEDIAN	5.40%	5.00%	5.00%	2.25%	4.43%	6.07%	5.88%

[1] Average of changes in annual stock prices ending on December 31 through 2012. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, March 6, 2013
[3] See Schedule D-4.6.

Exhibit
Schedule D-4.5
Witness: Bourassa

Payson Water Company
Comparisons of Past and Future Estimates of Growth

Line No.		[1]	[2]	[3]	[4]	[5]	[6]	[7]
1								Average of Future and Historical Growth
2								
3								
4		Ten-year historical average annual changes					Average Future	
5			Book			Average		
6	Company	Price[1]	Value[2]	EPS[2]	DPS[2]	Col 1-4	Growth[3]	Col 5-6
7	1. American States	10.41%	5.00%	5.00%	2.00%	5.60%	5.88%	5.74%
8	2. Aqua America	7.70%	8.50%	7.00%	7.50%	7.68%	6.27%	6.97%
9	3. California Water	6.27%	5.00%	4.00%	1.00%	4.07%	5.75%	4.91%
10	4. Connecticut Water	4.80%	4.00%	0.50%	1.50%	2.70%	6.80%	4.75%
11	5. Middlesex	5.14%	4.50%	2.50%	1.50%	3.41%	4.85%	4.13%
12	6. SJW Corp.	6.99%	5.50%	2.00%	5.00%	4.87%	11.00%	7.94%
13								
14								
15	GROUP AVERAGE	6.88%	5.42%	3.50%	3.08%	4.72%	6.76%	5.74%
16	GROUP MEDIAN	6.63%	5.00%	3.25%	1.75%	4.47%	6.07%	5.32%
17								
18								
19								
20	[1] Average of changes in annual stock prices ending December 31, 2012. Data from Yahoo Finance website.							
21	[2] Value Line Analyzer Data, March 6, 2013.							
22	[3] See Schedule D-4.6.							
23								
24								
25								
26								
27								
28								

Payson Water Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Schedule D-4.6
Witness: Bourassa

Line No.		[1]	[2]	[3]	[4]	[5]
		ESTIMATES OF EARNINGS GROWTH				Average Growth (G)
	Company	Reuters[1]	Yahoo[1]	Zacks[1]	Value Line[1]	(Cols 1-4)[2]
	1. American States	6.00%	6.00%	6.00%	5.50%	5.88%
	2. Aqua America	6.27%	4.90%	6.90%	7.00%	6.27%
	3. California Water	6.00%	6.00%	5.00%	6.00%	5.75%
	4. Connecticut Water		6.10%		7.50%	6.80%
	5. Middlesex	neg	2.70%		7.00%	4.85%
	6. SJW Corp.		14.00%		8.00%	11.00%
	GROUP AVERAGE	6.09%	6.62%	5.97%	6.83%	6.76%
	GROUP MEDIAN					6.07%

[1] Data as of March 6, 2013
[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Exhibit
Schedule D-4.7
Witness: Bourassa

Payson Water Company
Current Dividend Yields for Water Utility Sample Group

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1					
2					
3					
4					
5					
6	1. American States	$ 55.29	$ 1.10	1.99%	3.20%
7	2. Aqua America	$ 29.73	$ 0.63	2.12%	2.85%
8	3. California Water	$ 20.63	$ 0.62	3.01%	3.36%
9	4. Connecticut Water	$ 29.54	$ 0.94	3.18%	3.62%
10	5. Middlesex	$ 19.75	$ 0.73	3.70%	4.02%
11	6. SJW Corp.	$ 27.79	$ 0.69	2.48%	2.94%
12					
13	Average			2.75%	3.33%
14	Median			2.74%	3.28%
15					
16	[1] Value Line Analyzer Data. Stock prices as of March 6, 2013.				
17	[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,				
18	expressed as a percentage. For comparison purposes only.				
19					
20					
21					
22					
23					
24					
25					

Payson Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
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=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	2.75%	2.90%	5.77% [3]	8.7%
10	DCF - Future Growth	2.75%	2.93%	6.76% [4]	9.7%
13	Average	2.75%	2.92%	6.27%	9.2%

[1] Spot Dividend Yield = D_0/P_0. See Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Schedule D-4.4, column 7
[4] Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Payson Water Company
Market Betas

Exhibit
Schedule D-4.9
Witness: Bourassa

Line No.	Company	Beta (β)[1]
1		
2	1. American States	0.70
3	2. Aqua America	0.60
4	3. California Water	0.65
5	4. Connecticut Water	0.75
6	5. Middlesex	0.70
7	6. SJW Corp.	0.85
8		
9	Average	**0.71**
10		
11		
12		
13	[1] *Value Line Investment Analyzer data* (March 6, 2013)	
14	Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15	in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16	(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17	derived from a regression analysis of the relationship between weekly percent-age changes in the	
18	price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19	the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20	The Betas are adjusted for their long-term tendency to converge toward 1.00.	

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

Exhibit
Schedule D-4.10
Witness: Bourassa

Line No.	Description	Spot Feb-13	2014	2015	Average
1					
2					
3					
4	Description	Spot Feb-13	2014	2015	Average
5					
6	Blue Chip Consensus Forecasts[1]	3.2%	3.6%	4.3%	3.7%
7					
8	Value Line[2]	3.2%	4.6%	4.5%	4.1%
9					
10	Average				3.9%
11					
12					
13					
14					
15	[1] December 2012 Blue Chip Financial Forecasts consensus long-term forecast of 30 Year U.S.Treasury				
16	[2] Value Line Quarterly forecast, dated February 22, 2013, Long-term Treasury				
17					
18					
19					
20					
21					
22					
23					
24					

Payson Water Company
Computation of Current Market Risk Premium

Exhibit
Schedule D-4.11
Witness: Bourassa

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
1											
2											
3	**Month**										
4	Dec 2011	2.70%	3.17%	+	17.41%	=	20.58%	-	2.98%	=	17.60%
5	Jan 2012	2.61%	2.98%	+	14.18%	=	17.16%	-	3.03%	=	14.13%
6	Feb	2.60%	2.99%	+	15.01%	=	18.00%	-	3.11%	=	14.89%
7	Mar	2.36%	2.73%	+	15.68%	=	18.41%	-	3.28%	=	15.13%
8	April	2.62%	3.02%	+	15.27%	=	18.29%	-	3.18%	=	15.11%
9	May	2.86%	3.38%	+	18.12%	=	21.50%	-	2.93%	=	18.57%
10	June	2.73%	3.18%	+	16.59%	=	19.77%		2.70%	=	17.07%
11	July	2.79%	3.29%	+	18.10%	=	21.39%		2.59%	=	18.80%
12	Aug	2.73%	3.17%	+	16.23%	=	19.40%		2.77%	=	16.63%
13	Sept	2.67%	3.07%	+	14.95%	=	18.02%		2.88%	=	15.14%
14	Oct	2.71%	3.14%	+	15.81%	=	18.95%		2.90%	=	16.05%
15	Nov	2.74%	3.15%	+	14.88%	=	18.03%		2.80%	=	15.23%
16	Dec 2012	2.62%	2.95%	+	12.63%	=	15.58%		2.88%	=	12.70%
17	Jan 2013	2.56%	2.86%	+	11.74%	=	14.60%		3.08%	=	11.52%
18	Feb	2.60%	2.94%	+	13.13%	=	16.07%		3.17%	=	12.90%
19	Mar	2.52%	2.82%	+	11.94%	=	14.76%		3.16%	=	11.60%
20											
21	Recommended	2.56%	2.87%	+	12.27%	=	15.14%	-	3.14%	=	12.01%
22											
23	Short-term Trends										
24	Recent Twelve Months Avg	2.68%	3.08%	+	14.95%	=	18.03%	-	2.92%	=	15.11%
25	Recent Nine Months Avg	2.66%	3.04%	+	14.38%	=	17.42%	-	2.91%	=	14.51%
26	Recent Six Months Avg	2.63%	2.98%	+	13.36%	=	16.33%	-	3.00%	=	13.33%
27	Recent Three Months Avg	2.56%	2.87%	+	12.27%	=	15.14%	-	3.14%	=	12.01%

28
29
30 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
31 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).
32 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
33 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.
34

Payson Water Company
Capital Asset Pricing Model (CAPM)

Exhibit
Schedule D-4.12
Witness: Bourassa

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	3.9%	+	0.71	x	6.7%	[4]	=	8.7%
4									
5	Current Market Risk Premium CAPM	3.9%	+	0.71	x	12.0%	[5]	=	12.4%
6									
7	Average								10.5%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Schedule D-4.10.								
13	[2] Value Line Investment Analyzer data. See Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2013 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2012.								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.								
17									
18									
19									
20									

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

Schedule D-4.13
Witness: Bourassa

	Company	Symbol	Measures of size (Millions) MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income	Total Assets[2]	5 Yr Avg. EBITDA[3]
1.	American States	AWR	$ 1,039	$ 408	$ 1,380	$ 37	$ 1,281	$ 130
2.	Aqua America	WTR	$ 4,129	$ 1,251	$ 5,525	$ 133	$ 4,859	$ 422
3.	California Water	CWT	$ 862	$ 450	$ 1,344	$ 41	$ 1,996	$ 140
4.	Connecticut Water	CTWS	$ 260	$ 119	$ 395	$ 11	$ 579	$ 24
5.	Middlesex	MSEX	$ 310	$ 177	$ 442	$ 13	$ 562	$ 38
6.	SJW Corp.	SJW	$ 517	$ 264	$ 861	$ 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	Symbol	2012	2011	2010	2009	2008	Average
American States	AWR	$ 54.0	$ 45.9	$ 33.2	$ 29.5	$ 22.0	$ 36.9
Aqua America	WTR	$ 197.0	$ 143.1	$ 124.0	$ 104.4	$ 97.9	$ 133.3
California Water	CWT	$ 49.0	$ 37.7	$ 37.7	$ 40.6	$ 39.8	$ 40.9
Connecticut Water	CTWS	$ 14.0	$ 11.3	$ 9.8	$ 10.2	$ 9.4	$ 10.9
Middlesex	MSEX	$ 14.0	$ 13.4	$ 14.3	$ 10.0	$ 12.2	$ 12.8
SJW Corp.	SJW	$ 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	Symbol	2012	2011	2010	2009	2008	Average
American States	AWR	$ 154.0	$ 133.3	$ 134.4	$ 122.6	$ 105.9	$ 130.0
Aqua America	WTR	$ 439.0	$ 397.8	$ 473.2	$ 415.2	$ 384.7	$ 422.0
California Water	CWT	$ 151.0	$ 143.3	$ 155.7	$ 125.5	$ 122.1	$ 139.5
Connecticut Water	CTWS	$ 30.0	$ 24.2	$ 22.5	$ 20.3	$ 21.1	$ 23.6
Middlesex	MSEX	$ 39.0	$ 34.6	$ 43.3	$ 34.6	$ 38.6	$ 38.0
SJW Corp.	SJW	$ 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

Schedule D-4.14
Witness: Bourassa

MRP_{m+s} Estimates Using Duff & Phelps Study (Unlevered)
Assumes 100% Equity and 0% debt
Data Smoothing with Regression Analysis
Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevent Metric)

$RPun_{relevered} = RP_{levered} - W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{levered}$ = levered realized risk premium

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	18.448%	15.453%	18.701%	13.312%	17.363%	14.836%
X Coefficient(s)	-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	8.82%	8.84%	8.74%	9.24%	8.68%	9.09%	8.90%
2.	Aqua America	WTR	6.90%	7.61%	6.83%	7.79%	7.07%	7.70%	7.32%
3.	California Water	CWT	9.07%	8.73%	8.77%	9.12%	8.15%	9.01%	8.81%
4.	Connecticut Water	CTWS	10.74%	10.20%	10.46%	10.61%	9.65%	11.11%	10.46%
5.	Middlesex	MSEX	10.49%	9.76%	10.31%	10.43%	9.68%	10.54%	10.20%
6.	SJW Corp.	SJW	9.78%	9.32%	9.39%	9.89%	8.88%	9.54%	9.47%
	Average (unlevered)		9.30%	9.08%	9.08%	9.51%	8.68%	9.50%	9.19%
	Payson Water Company		NA	15.98%	NA	NMF	16.22%	NMF	16.10%

Indicated size premium 6.91%

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

Schedule D-4.15
Witness: Bourassa

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

	Company	Symbol	Unlevered Portfolio Beta (β_u)						
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	Average
1.	American States	AWR	0.94	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

Schedule D-4.16
Witness: Bourassa

MRP Estimates Using Duff & Phelps Study (Relevered)
Relevered Realized Risk Premium
$RP_{relevered} = RP_{unlevered} + W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{unlevered}$ = unlevered realized risk premium from Scehdule D-4.14
RP_{market} = general equity risk premium for the market since 1963.

			MRP_{m+s} (Relevered)							
	Company	Symbol	W_d/W_e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	32.7%	10.05%	10.11%	9.99%	10.49%	9.97%	10.34%	10.16%
2.	Aqua America	WTR	33.8%	8.07%	8.81%	7.98%	8.97%	8.18%	8.80%	8.47%
3.	California Water	CWT	55.8%	11.29%	10.89%	10.91%	11.26%	10.26%	11.17%	10.96%
4.	Connecticut Water	CTWS	52.0%	12.75%	12.26%	12.50%	12.65%	11.73%	13.28%	12.53%
5.	Middlesex	MSEX	42.6%	12.14%	11.49%	11.99%	12.10%	11.39%	12.25%	11.89%
6.	SJW Corp.	SJW	66.5%	12.42%	11.95%	12.02%	12.55%	11.49%	12.08%	12.09%
	Average MRP (Relevered)		47.26%	11.12%	10.92%	10.90%	11.34%	10.50%	11.32%	11.02%
	Payson Water Company		0.00%	NA	15.98%	NA	NMF	16.22%	NMF	16.10%

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 meterics used in Build-up Method

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 (relevered) for publicly traded water companies (from Schedule D-4.16)	11.02%	
[5] MRP (relevered) for publicly traded water companies (RP_{m+s}) ([3] + [4])	11.52%	
[6] Equity Risk Premium Adjustment ([3])	0.50%	
[7] Average MRP (relevered) for subject utility company (from Table 4)	16.10%	
[8] MRP (relevered) for subject utility company (RP_{m+s}) ([6] + [7])	16.60%	
[9] Industry Risk Premium (From *Ibbotson* 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]	2.77%	

[1] From Duff and Phelps Risk Premium Report 2013.
[2] Yield on 20 Yr U.S. Treasury March 6, 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

Schedule D- 4.18
Witness: Bourassa

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 Schedule D-4-17.
RP_{m+s} = Market risk premium including size premium. See ScheduleD- 4.16
RP_i = Industry risk premium (adjusted). See Schedule D-4.17.
RP_u = Company-specific risk premium

	Sample Publicly Traded Water Utilities	Payson Water Company
R_f =	2.77%	2.77%
RP_{m+s} =	See Table 4	See Table 4
RP_i =	-3.67%	-3.67%
RP_u =	0.00%	0.00%

Indicated COE $E(R_i)$

	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	9.65%	9.71%	9.59%	10.09%	9.56%	9.94%	9.76%
2.	Aqua America	WTR	7.67%	8.41%	7.58%	8.57%	7.77%	8.40%	8.07%
3.	California Water	CWT	10.88%	10.49%	10.51%	10.85%	9.86%	10.77%	10.56%
4.	Connecticut Water	CTWS	12.35%	11.86%	12.10%	12.25%	11.33%	12.88%	12.13%
5.	Middlesex	MSEX	11.74%	11.08%	11.59%	11.70%	10.99%	11.85%	11.49%
6.	SJW Corp.	SJW	12.02%	11.55%	11.62%	12.15%	11.09%	11.68%	11.68%
	Average COE estimate		10.72%	10.52%	10.50%	10.94%	10.10%	10.92%	10.61%
	Payson Water Company		NA	15.58%	NA	NMF	15.81%	NMF	15.70%

Payson Water Company
Financial Risk Computation
Unlevered Beta

Exhibit
Schedule D-4.19
Witness: Bourassa

Line No.	Company	VL Beta β_L [1]	Raw Beta Raw β_L [2]	Tax Rate t [3]	MV Debt D [4]	MV Equity E [4]	Unlevered Raw Beta β_U [5]
5	1. American States	0.70	0.55	41.7%	24.7%	75.3%	0.46
6	2. Aqua America	0.60	0.40	32.9%	25.3%	74.7%	0.33
7	3. California Water	0.65	0.48	40.5%	35.8%	64.2%	0.36
8	4. Connecticut Water	0.75	0.63	41.3%	34.2%	65.8%	0.48
9	5. Middlesex	0.70	0.55	32.7%	29.9%	70.1%	0.43
10	6. SJW Corp.	0.85	0.78	41.1%	39.9%	60.1%	0.56
13	Sample Water Utilitie:	0.71	0.57	38.4%	31.6%	68.4%	0.44

[1] Value Line Investment Analyzer data. See 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 = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2011.
[4] See Schedule D-4.3
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Exhibit
Schedule D-4.20
Witness: Bourassa

Payson Water Company
Financial Risk Computation
Relevered Beta

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC)$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
1							
2							
3							
4							
5	Payson Water Company	0.44	0.0%	100.0%	22.47%	0.44	0.62
6							
7							
8							
9							
10							
11							
12							
13	[1] Unlevered Beta from Schedule D-4.14.						
14	[2] Proforma Capital Structure of Company						

15		BV (in Thousands)		MV (in Thousands)	MV %
16					
17	Long-term Debt	$ -	1.00	$ -	0.00%
18	Preferred Stock	$ -	1.00	-	0.0%
19	Common Stock	$ 1,055	2.28	(a) 2,403	100.0%
20	Total Capital	$ 1,055		$ 2,403	100.0%

21
22 (a) Current market-to-book ratio of sample water utilities. See work papers.
23
24 [3] Current Tax rate based on test year ending 12/31/2012. See Schedule D-1.
25
26

Payson Water Company
Financial Risk Computation

Exhibit
Schedule D-4.21
Witness: Bourassa

Line No.											
1	**CAPM**										
2		Rf		+	β		x	(Rp)			k
3	Historical Market Risk Premium	3.9%	1	+	0.71	2	x	6.7%	3	=	8.7%
4	Current Market Risk Premium	3.9%	1	+	0.71	2	x	12.0%	4	=	12.4%
5											
6	Average										10.6%
7											
8											
9	**CAPM Relevered Beta**										
10		Rf		+	β		x	(Rp)			k
11	Historical Market Risk Premium	3.9%	1	+	0.62	5	x	6.7%	3	=	8.1%
12	Current Market Risk Premium	3.9%	1	+	0.62	5	x	12.0%	4	=	11.3%
13											
14	Average										9.7%
15											
16	Financial Risk Adjustment										**-0.9%**
17											
18											
19	[1] Forecast of long-term treasury yields. See Schedule D-4.10										
20	[2] Value Line Investment Analyzer data. See Schedule D-4.9										
21	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2012 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2011										
22	[4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks										
23	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11										
24	[5] Relevered bata found on Schedule D-4.15										
25											

Payson Water Company
Size Premium[1]

Exhibit
Schedule D-4.22
Witness: Bourassa

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.12	1.12%	
8	Low-Cap Companies[3]	1.23	1.85%	
10	Micro-Cap Companies[4]	1.36	3.81%	
12	Decile 10[5]	1.42	6.03%	3.65%

		Risk Premium for Small Water Utilities
20	Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-8 of Morningstar, *Ibbotson SBBI 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 inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 1,039	Low-Cap	1.85%	4.18%	0.166667	0.70%
2.	Aqua America	$ 4,129	Mid-Cap	1.14%	4.89%	0.166667	0.82%
3.	California Water	$ 862	Low-Cap	1.85%	4.18%	0.166667	0.70%
4.	Connecticut Water	$ 260	Micro-Cap	3.81%	2.22%	0.166667	0.37%
5.	Middlesex	$ 310	Micro-Cap	3.81%	2.22%	0.166667	0.37%
6.	SJW Corp.	$ 517	Low-Cap	1.85%	4.18%	0.166667	0.70%
	Weighted Size Premium for Small Companies						3.65%

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-0111
IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,238,000 IN CONNECTION WITH INFRASTRUCTURE IMPROVEMENTS TO THE UTILITY SYSTEM; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO: W-03514A-13-0142

REBUTTAL TESTIMONY OF THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

December 6, 2013

EXHIBIT
A-8
ADMITTED

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

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

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

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

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

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

II. SUMMARY OF THE COMPANY'S REBUTTAL POSITION

Q. WHAT IS THE REVENUE INCREASE THE COMPANY IS PROPOSING IN THIS REBUTTAL TESTIMONY?

A. The Company proposes a total revenue requirement of $680,797, which constitutes an increase in revenues of $360,272, or 112.40 percent over adjusted test year revenues.

Q. HOW DOES THIS COMPARE WITH THE COMPANY'S DIRECT FILING?

A. It is lower. In the direct filing, the Company requested a total revenue requirement of $720,310, which required an increase in revenues of $399,785, or 124.73 percent.

Q. WHAT'S DIFFERENT?

A. In its rebuttal filing, PWC has adopted a number of rate base and revenue/expense adjustments recommended by Staff, as well as proposed a number of adjustments of its own based on known and measurable changes to the test year. The net result of these adjustments is the Company's proposed operating expenses have decreased by $20,785, from $503,004 in the direct filing to $482,220. There is also a small increase of $784 in rate base from the direct filing of $659,457 to $660,266 due to a proposed change in the state income tax rate that impacts the accumulated deferred income tax balance in rate base.

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

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

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	$720,310	$399,785	124.73%
Staff	$561,246	$240,721	75.10%
Company-Rebuttal	$680.787	$360,272	112.40%

III. RATE BASE

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

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

	OCRB	FVRB
Company-Direct	$ 659,457	$ 659,457
Staff	$ 425,129	$ 425,129
Company Rebuttal	$ 660,266	$ 660,266

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

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

A. Plant-in-Service (PIS)

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO PLANT-IN-SERVICE FOR AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

A. The Company is not proposing any adjustments to PIS. Both the Company and Staff agree on a PIS balance of $2,159,387.[1]

[1] *See* Payson Schedule B-2, page 1 and Staff Schedule CSB-3.

B. Accumulated Depreciation (A/D)

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED REBUTTAL ADJUSTMENTS TO ACCUMULATED DEPRECIATION FOR AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?

A. The Company is not proposing any adjustments to A/D. Both the Company and Staff agree on an A/D balance of $1,332,825.[2]

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

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

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

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

A. Staff is proposing CIAC and AA balances of $916,069 and $537,795, respectively, an increase over the Company proposed CIAC and AA balances of $541,033 and A.A. by $306,705, respectively.[3] Staff's proposed increases to CIAC and AA are based upon two separate adjustments. The first is for so-called unsupported plant for which Staff adds $70,120 to CIAC and $11,455 to AA.[4] The second is for the

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[2] *See* Payson Schedule B-2, page 1 and Staff Schedule CSB-3.

[3] *See* Staff Schedule CSB-3.

[4] *See* Direct Testimony of Crystal S. Brown ("Brown Dt.") at 10.

allegedly unsupported removal of CIAC related to the condemnation of the Star/Quail Valley system for which Staff adds $470,913 to CIAC and $295,250 to AA.[5]

Q. PLEASE COMMENT ON THE FIRST OF THE TWO STAFF'S RATE BASE REDUCTIONS?

A. As discussed in Mr. Williamson's rebuttal testimony, the Company was unable to provide some invoices requested by Staff for some plant items.[6] However, we did provide other evidence of the plant costs and the source of payment, including the affidavits affirming payment that were requested by Staff in Ms. Brown's direct testimony.[7] All of this is evidence that the Company paid for the plant and we believe Staff will now reverse the first of its two adjustments. Doing so would increase PWC's rate base by $58,665.

Q. THANK YOU. WHAT ABOUT THE OTHER ADJUSTMENT BY STAFF?

A. In this adjustment, which reduces rate base by another $175,663, Ms. Brown questions whether the CIAC removed from the CIAC balance after the condemnation was really CIAC.[8] As an initial point, I have to say that there is some irony between these two adjustments. In her first adjustment, Ms. Brown assumed plant for which there are no invoices was CIAC; then, in her second adjustment, she assumed that plant that was funded by CIAC wasn't.

Q. BASED ON THE EVIDENCE YOU DISCUSSED ABOVE WE KNOW THAT THE SO-CALLED UNSUPPORTED PLANT WASN'T CIAC. DO WE ALSO KNOW THAT THE STAR VALLEY PLANT WAS CIAC?

A. With regard to the Star/Quail Valley system related CIAC adjustments,

---

[5] Brown Dt. at 13.

[6] Rebuttal Testimony of Jason Williamson ("Williamson Rb.") at 4.

[7] Brown Dt. at 10:14-19.

[8] *Id.* at 12.

the Company's internal records all reflect the CIAC and AA that were removed were for the Star/Quail Valley systems. The Company records include a CIAC schedule detailing the source of the CIAC and the balance of CIAC and AA. On this schedule, which was provided to Staff, you will find that nearly all of the CIAC was recorded before Brooke Utilities, Inc. ("BUI") acquired the predecessor utilities, United Utilities and C&S Water, in 1996. These records continued to reflect this CIAC on PWC's books and records, consistent with the predecessor's, until the CIAC was removed from the CIAC balance following the condemnation.

Q. WERE YOU INVOLVED AT THAT TIME?

A. No, but while I don't know the whole story on the acquisitions, the CIAC schedule had to have come from somewhere based upon something. Remember, there are limited sources for CIAC (hook-up fees (HUFs) and expired LXAs, generally, and utilities do not just make up CIAC because without the corresponding plant, they are reducing their own rate base. Neither the Company, nor its predecessors appear to have ever had a HUF tariff, and the only place the Company has ever done any type of extension agreements is the Star Valley system.[9] So I take these as facts, and have no reason to question the Company's removal of CIAC after the condemnation.

D. <u>Accumulated Deferred Income Tax</u>

Q. PLEASE DISCUSS THE COMPANY PROPOSED A REBUTTAL ADJUSTMENT TO DEFERRED INCOME TAX.

A. In rebuttal B-2 adjustment 4, as shown on Schedule B-2, page 2, the Company proposes to reduce accumulated deferred income taxes ("ADIT") by $794. While the Company's proposed PIS, A/D, AIAC, and CIAC balance have not changed,

[9] Williamson Rb. at 4-5.

the Company is proposing a reduction to the state income tax rate. This is the cause of the reduction in the ADIT balance. The details of the computation are shown on Schedule B-2, page 6.0 and 6.1.

Q. DID STAFF PROPOSE AN ADJUSTMENT TO THE ACCUMULATED DEFERRED INCOME TAX BALANCE?

A. No. But, Staff should have. The ADIT balance in PWC's direct filing reflected the Company's proposed PIS, A/D, AIAC, and CIAC balances. Staff proposed to increase the CIAC and accumulated amortization balances, which has an impact on ADIT. Staff's ADIT balance should be a net deferred tax asset and an increase to rate base rather than a net deferred tax liability and a reduction to rate base. The failure to adjust the ADIT balance causes an understatement of Staff's rate base.

Q. BASED ON THE STAFF PROPOSED PIS, A/D, CIAC, AND AIC BALANCES, WHAT SHOULD STAFF'S ADIT BALANCE BE?

A. It should be a deferred tax asset of $56,216, not a net deferred liability of $23,339 as shown on Staff Schedule CSB-3. A net deferred tax asset is an addition to rate base rather than a reduction. I have included at Rebuttal **Exhibit TJB-RB1** a schedule showing the computation of the correct ADIT balance. The change in the Staff rate base should be an increase of $79,555 ($56,216 tax asset less -$23,330 tax liability).

Q. WHAT SHOULD THE RATE BASE BE USING THE CORRECTED ADIT BALANCE?

A. The Staff rate base should be $504,684 and not $425,129 if the corrected ADIT balance is used. It is computed as follows:

Staff Proposed Rate Base	$425,129
Plus: Change in ADIT Balance	79,555
Corrected Rate Base	$504,684

Q. DOES THIS CORRECTED NUMBER INCORPORATE BOTH OF THE STAFF ADJUSTMENTS YOU DISCUSSED ABOVE?

A. Yes. Hopefully, in its surrebuttal filing Staff will correct this inadvertent oversight and put back the rate base in dispute by reversing its two adjustments.

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

A. No.

IV. INCOME STATEMENT (C SCHEDULES)

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

A. The Company rebuttal adjustments to revenues and/or expenses are detailed on Rebuttal Schedule C-2, pages 1-10. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, page 1-2.

Rebuttal adjustment 1 reflects the annualized depreciation and amortization expense based on the Company proposed PIS and CIAC balances. There is no change to depreciation and amortization expense at this stage because the Company is not proposing changes to either its PIS or CIAC balances. The Staff recommend depreciation and amortization expense level is lower because Staff is proposing to increase the CIAC balance as I discussed above.

Rebuttal adjustment number 2 reflects property tax expense at the Company rebuttal proposed revenue level. The Company proposes a reduction to property

taxes based upon a lower assessment ratio of 19 percent compared to its direct filing of 20 percent. The Company is proposing an assessment ratio of 19 percent because it reflects the recently passed House Bill 2001 ("H.B. 2001"), which enacts a known and measurable change commencing in 2014.

Q. DOES STAFF RECOMMEND AN ASSESSMENT RATIO OF 19 PERCENT?

A. No. The Staff schedules reflect an assessment ratio of 20 percent.[10]

Q. DO THE COMPANY AND STAFF AGREE ON THE METHODOLOGY FOR COMPUTING PROPERTY TAXES?

A. Yes. Staff and the Company are in agreement on the method of computing property taxes. This method utilizes the modified ADOR formula. For the adjusted test year property taxes I used three years of adjusted test year revenues. For computing property taxes at proposed rates, I use two years of adjusted revenues plus one year of proposed revenues.

Q. ARE THE PARTIES USING THE SAME PROPERTY TAX RATES?

A. Yes.[11]

Q. THANK YOU. PLEASE CONTINUE.

A. Rebuttal adjustment number 3 reduced Contractual Services expense by $1,683. This adjustment reflects the adoption of the Staff proposed adjustment to contractual services.[12]

Rebuttal adjustment number 4 reflects the Company's proposal to remove from Miscellaneous expense the overhead allocation expense from BUI totaling

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[10] *See* Staff Schedule CSB-16.

[11] *See* Rebuttal Schedule C-2, page 3 and Staff Schedule CSB-16.

[12] Brown Dt. at 15.

$197,722. Since BUI is no longer the owner of PWC, its overhead allocation is no longer recurring expense going forward.

Rebuttal adjustment number 5 reflects the Company's proposal to include in Contractual Services – Management expense management costs from its new owner, JW Water Holdings, LLC. ("JW Water"), totaling $173,903. Since JW Water's costs are more reflective of the costs PWC will incur when new rates are in effect.

Q. DOES STAFF PROPOSE TO REMOVE ALL OF THE BUI OVERHEAD ALLOCATION?

A. No. Staff retains the BUI overhead allocation amount after making some adjustments to it. Specifically, Staff adjusts the BUI overhead allocation of $197,722 for disallowed "bonuses" and Star Valley related costs totaling $43,260, resulting in a total expense of $148,678 ($197,722 minus $43,260).[13]

Q. DIDN'T THE COMPANY PROVIDE AN ESTIMATE OF SIMILAR COSTS UNDER THE NEW OWNERSHIP OF JW WATER?

A. Yes. Attached as Rebuttal **Exhibit TJB-RB2** is the response to Staff data request CSB 2.8 providing the details of the new management costs from JW Water.

Q. PLEASE COMMENT ON STAFF'S EXPLANATION AS TO WHY IT IS RETAINING THE BUI CORPORATE ALLOCATION AMOUNT.

A. Staff explains that the corporate office allocation (management fee) from JW Water is not known and measureable and therefore Staff retained the BUI overhead costs.[14] However, the BUI overhead allocation is clearly non-recurring. We know that PWC will not incur the BUI costs in the future and therefore they do not serve as the best representation of these types of cost going forward. The best

[13] Brown Dt. at 17.

[14] *Id.*

estimate of cost that PWC will incur when new rates are in effect is the management fee amount provided by JW Water. The amount is based on contract.

Q. HAS THE SUBSTITUTION OF OVERHEAD AND OTHER OPERATING COSTS BEEN ALLOWED BY THIS COMMISSION IN THE PAST WHEN A UTILITY IS NO LONGER OWNED BY THE SAME COMPANY?

A. Yes.[15] In Decision 67093 for Arizona-American Water Company ("Arizona-American") the Commission adopted Arizona-American's pro forma adjustment to remove Citizens Utility Company's 2001 test year corporate allocations and salaries and wages and replace them with Arizona Water Works overhead, service company charges, and salaries and wages.

Q. ASSUMING THE COMMISSION AGREED WITH THE STAFF POSITION IN THIS CASE, DOES THE COMPANY AGREE WITH STAFF'S RECOMMENDED $148,678 ADJUSTED BUI OVERHEAD ALLOCATION AMOUNT?

A. No. First, to be clear, we are fighting over the way the past owners compensated employees. That's because Ms. Brown recommends removing $33,545 for so-called bonuses as part of its $43,260 downward adjustment to the BUI overhead allocation.[16] However, this was base compensation, which was not optional – it had to be paid. So, Staff's downward adjustment to the BUI overhead allocation of $197,722 should be just $9,715 ($43,260 minus $33,545). The BUI overhead allocation included in operating expenses should be $188,007 ($197,722 minus $9,715) and not $148,678.

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[15] *See* Decision No. 67093 (June 30, 2004) at 17.

[16] Brown Dt. at 17.

Q. THANK YOU. PLEASE CONTINUE WITH YOUR EXPLANATION OF THE COMPANY PROPOSED REBUTTAL ADJUSTMENTS TO REVENUES AND EXPENSES.

A. Rebuttal adjustment number 6 reflects the Company's proposal to remove from Miscellaneous expense Beaver Dam write-off expenses totaling $7,857. This adjustment reflects the Company's adoption of Staff's recommendation.[17]

Rebuttal adjustment number 7 reflects the Company's proposal to remove from Miscellaneous expense $825 of cost related to Star Valley, $1,076 of sales taxes paid to the Arizona Department of Revenue, and $1,018 of Arizona Corporation Commission assessment fees. This adjustment also reflects the adoption of the Staff recommendations.[18] The Company does not agree with Staff's recommendation to remove $2,438 related to chemicals expense or $1,650 of costs related to consumption report reporting for augmentation costs.[19] These two costs are ongoing and will be incurred in the future.

Adjustments 8 is intentionally left blank.

Adjustment 9 adjusts income taxes to reflect the Company proposed adjusted test year revenues and expenses.

Q. DOES THE COMPANY'S PROPOSED INCOME TAX EXPENSE REFLECT THE REDUCTION IN THE STATE INCOME TAX RATE?

A. Yes, the state income tax rate is reduced from 6.968 percent to 6.50 percent, which a reflection of the enacted H.B. 2001's reduction to the income tax rate for 2014.

Q. DOES STAFF PROPOSE A 6.5 PERCENT STATE INCOME TAX RATE?

A. No, Staff proposes a state income tax rate of 6.968 percent.[20]

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[17] Brown Dt. at 19.

[18] *Id.* at 20.

[19] *Id.*

[20] *See* Staff Schedule DWC-W2.

1. Remaining Revenue and Expense Issues

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

A. Yes. Staff proposes to reduce salaries and wages by $2,507.[21] Staff explains that this is the share of salaries and wages attributed to the Star/Quail Valley system which has been sold.[22] However, the salaries and wages paid during the test year will remain the same, it will just be allocated over fewer systems. The Town did not condemn a portion of an employee, and the Company did not reduce salaries because its system is smaller. So, removing any salary and wage amount only serves to deprive PWC from recovering all of the salaries and wages it will pay going forward.

V. RATE DESIGN (H SCHEDULES)

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

A. The Company's proposed base rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meters	$25.42
3/4" Meters	$38.12
1" Meters	$63.54
1 1/2" Meters	$127.08
2" Meters	$203.32
3" Meter	$406.64
4" Meters	$635.38
6" Meter	$1270.75

[21] Brown Dt. at 14.

[22] *Id.*

8" Meters		$2,033.20
COMMODITY RATES		
5/8" x ¾" Meters	1 to 3,000	$5.90
	3,001 to 10,000	$7.65
	Over 10,000	$9.15
¾" Meters (Residential)	1 to 3,000	$5.90
	3,001 to 10,000	$7.65
	Over 10,000	$9.15
1" Meters	1 to 18,000	$7.65
	Over 18,000	$9.15
1 ½" Meters	1 to 40,000	$7.65
	Over 40,000	$9.15
2" Meters	1 to 60,000	$7.65
	Over 60,000	$9.15
3" Meters	1 to 120,000	$7.65
	Over 120,000	$9.15
4" Meters	1 to 200,000	$7.65
	Over 200,000	$9.15
6" Meters	1 to 450,000	$7.65
	Over 450,000	$9.15
8" Meters	1 to 750,000	$7.65
	Over 750,000	$9.15

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

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8x3/4 inch metered customer (former United Systems) using an average 2,856 gallons is $42.27 – a $20.75 increase over the present monthly bill or a 96.47 percent increase. The average monthly bill under proposed rates for a 5/8x3/4 inch metered customer (former C&S Systems) using an average 6,961 gallons is $46.11 – a $46.11 increase over the present monthly bill or a 168.90 percent increase.

Q. HAVE YOU CHANGED THE COMPANY PROPOSED RATE DESIGN?

A. Yes. To help eliminate issues between the parties, I have lowered the monthly minimums, increased the commodity rates, and adopted the Staff break-over points to reflect similar revenue recovery from the monthly minimums. Attached as Rebuttal **Exhibit TJB-RB3** are schedules showing the revenue recovery from the monthly minimums and the commodity rates under the Company and the Staff rate designs. The percentage recovery from the monthly minimums for the Company and Staff are 50.89 percent and 49.08 percent, respectively.

Q. WHAT IS THE MAJOR DIFFERENCE IN RATE DESIGNS?

A. The Company's rate design balances the recovery from the commodity rate differently. The percentage revenue recovery at the highest commodity rate is lower that Staff's. The Company's rate design recovers 10.84 percent at the highest commodity rate while the Staff rate design recovers 13.06 percent. To make up for less recovery from the highest commodity rate, the Company's rate design recovers more from the first tier commodity rates. The Company proposes to recover 19.59 of revenues from the first commodity rate whereas Staff proposes to recover 16.33 percent the first commodity rate. I believe that a lower level of

recovery from the highest commodity rate is warranted because it will expose the Company to less revenue erosion when conservation occurs. The greatest amount of conservation is more likely from higher water users than lower water users because high water users typically have the greatest amount of discretionary water.

PWC cannot afford to absorb much revenue erosion. If excessive revenue erosion takes place, the Company will be back in for new rates very shortly and spend money it cannot afford on another rate case. Revenue erosion will also lead to higher rate increases in the future, which is something the Commission should consider when adopting a rate design.

Q. DOES THE COMPANY KNOW HOW MUCH REVENUE EROSION HAS OCCURRED IN THE PAST?

A. No. This is the first rate case for PWC, and the first for the systems in quite some time. It is also the first time an inverted three-tier conservation oriented rate design is being proposed. Given problem that Arizona utilities more often than not are unable to recover their revenue requirements (cost of service),[23] I am concerned that revenue erosion will be a problem for PWC, even under the Company's proposed rates.

1. Miscellaneous Charges

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

A. Yes.

[23] Regulatory Reports Ed. 2013-1, June 2013 at 7.

2. Service Line and Meter Charges

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

A. Yes.

3. Debt Recovery Surcharge

Q. DOES THE COMPANY AGREE WITH STAFF ON THE DEBT RECOVERY SURCHARGE MECHANISM FOR THE SECOND PHASE OF THE CRAGIN PIPELINE PROJECT AS OUTLINED BY STAFF IN MR. CASSIDY'S TESTIMONY?

A. Not entirely. There are two recommendations Staff makes that concern the Company. First, in recommendation number 8 (on page 9), Staff recommends that if PWC does not draw down the funds within one year of the date of the decision that the loan and surcharge be rescinded. At this point, the Company believes the project will be delayed until sometime in 2016, which is well beyond the one year period contemplated by the Staff recommendation.[24] In fact, a big reason behind the Phase 1 financing was to try to solve the Mesa del Caballo system water supply problems sooner because of the delay in the Cragin project. The Company can certainly file status reports, but the Company does not control this project and must be ready when the Town says it is time to pay.

Q. WHY CAN'T THE COMPANY COME IN FOR RATE RELIEF AFTER THE LOAN IS TAKEN DOWN AND THE PAYMENT FOR THE COMPANY'S SHARE OF THE CRAGIN PROJECT IS MADE?

A. Because PWC could not afford to pay the debt service. Ideally, a utility is able to service its debt from the revenue requirement it is authorized. In other words, the utility pays its principal, interest, and any other debt payment requirements such as

[24] *See* Responsive Testimony of Jason Williamson (filed September 23, 2013) ("Williamson Rt.") at 9.

debt reserve payments out of the revenues it receives. However, when future plant is needed and the utility does not have the revenues to service the new debt (or even quality for the loan), the Commission can provide the revenues the utility needs to service the debt through a debt surcharge. This is particularly true of a small company like PWC.

Q. WHAT HAPPENS TO THE SURCHARGE IN A SUBSEQUENT RATE CASE?

A. Eventually, like all debt surcharges, they are eliminated in the next rate case and the necessary revenues (return on and of the plant investment in rate base) is embedded in new rates. In short, the debt surcharge revenues are the revenues the utility would otherwise be allowed to recover but for the plant not being completed and the utility not being able to service the debt from existing revenues. And here, the approvals and surcharge need to be ready when the Town tells the Company it is time, something over which the Company has no control.

Q. WHAT IS THE OTHER RECOMMENDATION THAT CONCERNS THE COMPANY?

A. Recommendation number 10 (on page 9 and 10), is Staff's recommendation that the debt service reserve portion of the debt recovery surcharge be treated as a regulatory liability, amortized over 20 years, and deducted from rate base. However, while the Commission decided that the debt reserve fund payments were to be treated as a deferred regulatory liability in Phase 1, when a very small amount of money was at issue, it did not specify how it would be treated on a long term basis. Nor did the Commission authorize the deferred regulatory liability be amortized over 20 years. In short, Staff's recommendation assumes the deferred regulatory liability will be treated just like CIAC, which is deducted from rate base and amortized over the life of the assets the contributions fund.

The Company objects to CIAC or any CIAC-like treatment because 1) the revenues collected under that surcharge are no more CIAC than the revenues required to provide a return on and of any other plant investment funded with debt and/or equity, and 2) it will have adverse future impacts on earnings (not allowing the Company to recover its full cost of capital) and cash flows (reducing the Company's ability to pay its debt service).

Q. WHAT HAPPENS IF THE SURCHARGE REVENUES ARE TREATED AS CIAC OR CIAC LIKE?

A. Treatment of the debt surcharge revenues collected from customers as CIAC or CIAC-like will have the unintended consequence of depriving the Company of the ability to fully recover its investment and its cost of capital on the debt funded investment in the future. Rate base will be reduced (because the CIAC or CIAC like collections will be a deduction from rate base). This will lead to lower earnings than are necessary to cover capital costs and lower depreciation recovery that reduces the cash flow needed to service the loan. The future WIFA loan payments on the approximately $905,000 will stay the same, but the Company will have less cash flow (depreciation and operating income) to service the WIFA loan.

Q. CAN YOU ILLUSTRATE YOUR POINT THAT THE OPERATING INCOME AND DEPRECIATION IN A FUTURE RATE CASE WILL BE LOWER, RESULTING IN THE COMPANY'S INABILITY TO COVER ITS COST OF CAPITAL AND SERVICE ITS DEBT?

A. Yes. Let's assume the Company obtains the loan, builds the plant and files its next rate case five years later. Also assume the annual $14,239 of debt service reserve payments[25] collected through the debt surcharge will be in place for the five years.

[25] *See* Schedule JAC-2 for Staff computed annual debt service reserve payment of $14,328.70 or $14,329.

Also assume the depreciation rate is 5.0 percent and the interest rate is 4.2 percent. Considering only the $905,000 plant investment, the rate base with and without the debt service reserve payment proceeds treated as CIAC at the end of the fifth year would be as follows:

Table 1

	Surcharge Not Treated as CIAC	Surcharge Treated as CIAC
Plant-in-Service	$ 905,000	$ 905,000
A/D[26]	(203,625)	(203,625)
Net Plant	$ 701,375	$ 701,375
Less: CIAC[27]	$ -	$ 71,645
A.A. CIAC		(8,955)
Rate Base	$ 701,375	$ 638,685

As can be seen, the rate base is significantly less if the surcharge revenues are treated as CIAC. This will result in less operating income (earnings) being afforded to the Company is the next rate case. Operating income will be significantly much less than interest expense (the capital cost).

To illustrate, the Year 5 required operating income, interest expense for following year, and net income would be as follows:

[26] Accumulated depreciation at 5% for 5 years using half-year convention for first year is $905,000 times 5% times 4.5.

[27] CIAC balance equals 5 years of $14,239 of debt service reserve payments.

Table 2

	Surcharge Not Treated as CIAC	Surcharge Treated as CIAC
Cost of Debt	4.2%	4.2%
Required Operating Income (Rate Base x Cost of Debt)	$ 29,458	$ 26,825
Less: Interest Expense (year 6)	$ (29,982)	$ (29,982)
Net Income	$ (524)	$ (3,157)

The operating income determined from the rate base that includes CIAC is much lower and significantly less than the interest expense. In fact, the operating income of $26,825 covers only about 90 percent of the interest expense. The operating income determined from the rate base that does not include CIAC covers nearly 100 percent of the interest expense. Remember, the interest expense is the cost of capital.

Q. WHAT ABOUT CASH FLOW?

A. The following is a year 6 cash flow computation:

Table 3

	Surcharge Not Treated as CIAC	Surcharge Treated as CIAC
Operating Income	$ 29,458	$ 26,825
Depreciation, net of amortization[28]	$ 45,250	$ 41,668
Cash Flow	$ 74,708	$ 68,493
Annual Debt Service (principal + interest)	$ 71,643	$ 71,643
Debt Service Coverage Ratio	1.04	0.96

[28] Amortization equals the CIAC balance of $71,645 times 5 percent.

This illustrates that the lower operating income and depreciation that will be afforded the Company when the debt surcharge is treated as CIAC provides significantly less cash flow. In the example above, the debt service coverage ratio is below 1, meaning there is not enough cash flow in order to pay the annual debt service.

Q. SHOULD ANY PART OF THE WIFA LOAN SURCHARGE BE TREATED AS CIAC?

A. No, for the reasons I discussed above. CIAC is someone else's money being used to fund plant. This is still the Company's money, it is just earmarked until the next rate case so that the Commission and the utility and the lender can ensure the money is there to pay the loan. Taking away rate base because the Company cannot afford to finance plant without the surcharge seems punitive and inequitable.

4. O&M Cost Recovery Surcharge

Q. PLEASE COMMENT ON THE STAFF RECOMMENDATION REGARDING THE COMPANY'S PROPOSAL FOR AN O&M RECOVERY SURCHARGE MECHANISM.

A. Staff recommends denial of the Company proposed O&M surcharge mechanism.[29] Staff explains that approval of the mechanism is premature because the costs are not known and measurable at this time.[30] The Staff explanation would make sense if the Company were asking for a specific surcharge amount at this time. But, the Company is not. The Company is seeking a surcharge mechanism such that when the O&M costs for PWC's share of the Cragin Pipeline operation and maintenance (O&M) expenses from Salt River Project ("SRP") and the Town are known and

[29] Brown Dt. at 22.

[30] *Id.*

measurable, the Company would submit its computation of the surcharge and request approval from the Commission, as outline in my direct testimony at pages 20 and 21. The Company's request for approval of a surcharge mechanism is no different than the debt recovery surcharge mechanism that simply defines the mechanism and requires the Company to submit its computation for approval by the Commission.[31]

Q. CAN PWC AFFORD TO PAY THE O&M COSTS CHARGED TO THE COMPANY FROM SRP AND TOP?

A. No. The Company currently anticipates the O&M costs to be $65,000 annually.[32] This is a significant amount of money and the Company cannot afford without recovery.

B. <u>Town of Payson Commodity Cost Recovery Surcharge</u>

Q. PLEASE COMMENT ON THE STAFF TESTIMONY REGARDING COMPANY TOWN OF PAYSON COMMODITY COST RECOVERY SURCHARGE.

A. Staff has not commented on the Company's proposal for a commodity cost recovery surcharge (purchased water surcharge) in its Phase 2 testimony. I assume the testimony provided by Staff on Phase 1 of this proceeding is the current Staff position.

Q. CAN YOU BRIEFLY STATE YOUR UNDERSTANDING OF THE STAFF POSITION IS BASED ON THE STAFF TESTIMONY IN PHASE 1?

A. Yes. Staff recommended approval of the TOP commodity cost recovery surcharge and made recommendations on how it was to be computed.[33] The Company's

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[31] Direct Testimony of John A. Cassidy's (regarding the WIFA loan surcharge) at Recommendation No 6.

[32] Bourassa Dt. at 20.

[33] Staff's Phase 1 Report (filed September 18, 2013) at 4.

disagreement on how the surcharge would be computed focused on Staff's recommendation that the commodity rate revenue be deducted from the surcharge amount.[34] The Company objected to deducting all of the commodity rate revenue from the surcharge because the commodity rates are designed to recover a portion of the Company's cost of service through the commodity rates and the rest through the monthly fixed charges, and that cost of service will not include the TOP charges for water. Those costs will be recovered under the proposed surcharge. There are no TOP water charges in either the Staff's or the Company's proposed revenue requirements in the instant case. In fact, there are no purchased water costs of any kind in the parties proposed revenue requirements. The TOP purchased water cost is an incremental expense over and above the cost of service that will be embedded in the rates approved in the instant case. Therefore, deducting the commodity rate revenue only serves to deprive the Company of recovering its full cost of service.

Q. HAS THE COMPANY PREPARED A PROPOSED TARIFF THAT SHOWS HOW COMPUTATION OF THE TOP COMMODITY COST SURCHARGE SHOULD BE MADE?

A. Yes.[35]

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

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[34] Responsive Testimony of Thomas J. Bourassa (filed September 23, 2013) at 7.

[35] Williamson Rt. at Exhibit JW-RT1.

EXHIBIT
TJB-RB1

Payson Water Company
Test Year Ended December 31, 2012
Staff Corrected ADIT Computation

Line No.			Staff Proposed 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		**Deferred Income Tax as of December 31, 2012**									
6		Plant-in-Service	$ 2,159,387 [1]								
7		Accum. Deprec.	(1,332,825) [1]								
8		CIAC	(378,094) [3]								
9	Fed.	Fixed Assets	$ 448,467	$ 615,700 [2]	100.0%	$ 167,233	27.08%		45,285		-
11	State	Fixed Assets	$ 448,467	$ 615,700 [2]	100.0%	$ 167,233	6.50%		10,870		-
13	Fed &St	AIAC		- [4]	100.0%	$ - [4]	33.58%		$ -		
15								$ -	$ 56,155	$ -	$ -
17		Net Asset (Liability)						$ 56,155			
21		Net Asset (Liability)						$ 56,155			
23		DIT Asset (Liability) per Books						$ (23,339)			
25		Adjustment to DIT						$ (79,494)			
32		Footnotes - See page 2									

Payson Water Company
Test Year Ended December 31, 2012
Staff Corrected ADIT Computation

Line No.		FEDERAL			STATE		
1	[1] **Per Rebuttal Adjusted Balances**						
2	[2] **Computation of Net Tax Value December 31, 2012**						
3	Based on 2012 Tax Depreciation report (December 31, 2012)						
4	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report	$ 2,159,341			$ 2,159,341		
5	Reconciling Items not on tax report:						
6					-		
7					-		
8					-		
9					-		
					-		
10					-		
11	Net Unadjusted Cost tax Basis at December 31, 2012			$ 2,159,341			$ 2,159,341
12							
13	Reductions						
14	Basis Reduction 2012 and Prior Years per federal and state tax depr. report	$ -			$ -		
15	Accumulated Depreciation 2012 and prior per federal and state tax depr. report	(1,543,641)			(1,543,641)		
16					-		
17					-		
18					-		
19					-		
20		-			-		
21		-			-		
22	Net Reductions through December 31, 2012			(1,543,641)			(1,543,641)
23	Net tax value of plant-in-service at December 31, 2012			$ 615,700			$ 615,700
24							
25	[3] **CIAC (including impact of change to probability of realization)**						
26							
27	Gross CIAC per Adjusted Balances		$ 916,069				
28	CIAC reductions/addtions						
29	A.A perAdjusted Balances	$ (537,975)					
30							
31			(537,975)				
32	Net CIAC before unrealized AIAC			$ 378,094			
33							
34	Unrealized AIAC Component						
35	Adjusted Net AIAC (see footnote 5 below)		$ -				
36	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%				
37				$ -			
38	Total realizable CIAC			$ 378,094			
39							
40	[4] **AIAC (including impact of change in probability of realization)**						
41	AIAC per adjusted book balances		$ -				
42	AIAC reductions/additions						
43	Net AIAC before unrealized portion			$ -			
44	Less: Unrealized AIAC (from Note 3, above)			$ -			
45	Net realizable AIAC			$ -			
46	Meter and Service Line Installation Charges per Adjusted Balances			-			
47	Total AIAC			$ -			
48							

EXHIBIT
TJB-RB2

PAYSON WATER COMPANY
DOCKET NO. W-03514A-13-0111
RESPONSE TO STAFF'S SECOND SET OF DATA REQUESTS

September 23, 2013

Response provided by: Thomas J. Bourassa, CPA

Title: Rate Consultant

Address: 139 W. Wood Drive
Phoenix, Arizona 85029

Company Response Number: CSB – 2.8

Q. Company Proposed Adjustment(s) Related to $197,722 Overhead Allocation – This is a follow-up to CSB 1.16 (b). In your response you stated, *"During the test year, the Company received an overhead allocation from its parent company. However, after the test year, the stock of the Company was sold and the Company no longer receives this allocation . . . the Company suggests that a proforma adjustment is necessary to reflect the current costs . . ."* In regards to your response, please answer or provide the following:

a. The amount of and the NARUC account(s) to be charged for the proforma adjustment(s) that the Company proposes.

b. An explanation for each proforma adjustment made including a schedule showing the calculation of each proforma adjustment.

c. Documentation to support the actual costs or estimates used in the calculation of the proforma adjustment(s).

RESPONSE:

a. The Company expects to record management fees in NARUC account 634 – Contractual Services – Management Fees.

b. The Company intends to remove the Brooke Utilities overhead allocation of $197,712 included in 675 - Miscellaneous Expense for Payson Water Company. The Company further intends to reflect management fees

totaling $173,903 from JW Water Holdings, LLC in 634 - Contractual Services – Management Fees. The following is a computation of the estimated management fees Payson Water Company expects to incur:

Management Fee Computation

		Annual Estimate
Expense		
Bank Fees and Charges		$ 211.36
Computer and Internet Expenses		$ 460.00
Dues and Subscriptions		$ 348.00
Insurance Expense		$ 9,664.00
Meals and Entertainment		$ 373.96
Office Supplies		$ 900.00
Payroll Expenses		$ 22,149.97
Postage and Delivery		$ 211.12
Printing and Reproduction		$ 563.04
Professional Fees		$ -
	Accounting	$ 3,659.68
	Billing & Customer Service	$ 124,578.00
	Legal Expenses	$ 10,484.00
	Management	$ 166,104.00
	Other Consulting	$ 4,500.00
Total Professional Fees		$ 309,325.68
Rent Expense		$ 9,000.00
Travel Expense		$ 6,930.92
Total Expense		$ 360,138.05

Management Fee Calculation

Utility	Customer count	% of total	Allocated Cost	Annual Cost Per Cust.	Monthly Cost per Cust.
Navajo	307	13.31%	$ 47,924.74	$ 156.11	$ 13.01
Payson	1114	48.29%	$ 173,902.81	$ 156.11	$ 13.01
Tonto Basin	886	38.40%	$ 138,310.49	$ 156.11	$ 13.01
	2307	100.00%	$ 360,138.05		

c. See response to (b) above. The management fees are an estimate because at this time there is very little ownership experience with the utilities acquired from Brooke Utilities.

EXHIBIT
TJB-RB3

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	$ 288,816	$ 104,773	$ 87,353	$ 32,791	$ 513,732
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	$ 1,525	$ 737	$ 114	$ -	$ 2,377
1 Inch C&S	$ 1,525	$ 819	$ -	$ -	$ 2,344
TOTALS	$ 342,798	$ 131,948	$ 125,892	$ 73,028	$ 673,665
Percent of Total	50.89%	19.59%	18.69%	10.84%	100.00%
Cummulative %	50.89%	70.47%	89.16%	100.00%	

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

	Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch US	$ 227,280	$ 71,032	$ 82,214	$ 32,286	$ 412,812
5/8x3/4 Inch C&S	$ 38,640	$ 16,849	$ 34,855	$ 39,279	$ 129,623
3/4 Inch US	$ 1,584	$ 520	$ 1,310	$ 338	$ 3,752
1 Inch US	$ 1,320	$ 694	$ 113	$ -	$ 2,127
1 Inch C&S	$ 1,320	$ 770	$ -	$ -	$ 2,090
TOTALS	$ 270,144	$ 89,866	$ 118,491	$ 71,903	$ 550,404
Percent of Total	49.08%	16.33%	21.53%	13.06%	100.00%
Cummulative %	49.08%	65.41%	86.94%	100.00%	

PAYSON WATER COMPANY

THOMAS BOURASSA
REBUTTAL TESTIMONY

DECEMBER 6, 2013

REBUTTAL SCHEDULES

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

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	660,266
2			
3	Adjusted Operating Income		(161,695)
4			
5	Current Rate of Return		-24.49%
6			
7	Required Operating Income	$	72,629
8			
9	Required Rate of Return on Fair Value Rate Base		11.00%
10			
11	Operating Income Deficiency	$	234,324
12			
13	Gross Revenue Conversion Factor		1.5375
14			
15	Increase in Gross Revenue		
16	Requirement	$	360,272
17			
18	Adjusted Test Year Revenues	$	320,525
19	Increase in Gross Revenue Revenue Requirement	$	360,272
20	Proposed Revenue Requirement	$	680,797
21	% Increase		112.40%
22			

	Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
23					
24					
25	5/8x3/4 Inch US	$ 287,143	$ 572,318	$ 285,175	99.31%
26	5/8x3/4 Inch C&S	52,037	149,234	97,197	186.78%
27	3/4 Inch US	1,860	4,605	2,745	147.63%
28	1 Inch US	7,430	22,933	15,502	208.64%
29	1 Inch C&S	1,178	2,344	1,165	98.88%
30					
31	Revenue Annualization	(36,021)	(77,768)	(41,747)	115.90%
32	**Subtotal**	$ 313,627	$ 673,665	$ 360,038	114.80%
33					
34	Other Water Revenues	6,966	6,966	-	0.00%
35	Reconciling Amount	(68)	165	233	-342.65%
36	Rounding			1	0.00%
37	**Total of Water Revenues**	$ 320,525	$ 680,796	$ 360,272	112.40%
38					
39					
40					

41 SUPPORTING SCHEDULES:
42 B-1
43 C-1
44 C-3
45 H-1

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

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 2,159,387	$ 2,159,387
3	Less: Accumulated Depreciation	1,332,825	1,332,825
4			
5	Net Utility Plant in Service	$ 826,561	$ 826,561
6			
7	Less:		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	375,036	375,036
11			
12	Accumulated Amortization of CIAC	(231,270)	(231,270)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	22,530	22,530
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Working Capital	-	-
25			
26			
27			
28	Total Rate Base	$ 660,266	$ 660,266
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43	SUPPORTING SCHEDULES:		
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
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 2,159,387	-	$ 2,159,387
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	1,332,825	-	1,332,825
7				
8				
9	Net Utility Plant			
10	in Service	$ 826,561		$ 826,561
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	(809)	22,530
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		$ 660,266
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47	E-1			
48				
49				
50				

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

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 ADIT	5 Intentionally Left Blank	Rebuttal Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 2,159,387	-					$ 2,159,387
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	1,332,825		-				1,332,825
7								
8								
9	Net Utility Plant							
10	in Service	$ 826,561	$ -	$ -	$ -	$ -	$ -	$ 826,561
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	-						-
15								
16	Contributions in Aid of							
17	Construction (CIAC)	375,036			-			375,036
18								
19	Accumulated Amort of CIAC	(231,270)			-			(231,270)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	23,339				(809)		22,530
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						-
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-			-			-
31								
32	Total	$ 659,457	$ -	$ -	$ -	$ 809	$ -	$ 660,266
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38								
39								
40								

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

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Actual Orginal Cost	A Reconciliation Adjustments to Reconcile PIS to Reconstruction	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Original Cost
				Adjustments					
6	301	Organization Cost	221	-					221
7	302	Franchise Cost	-	-					-
8	303	Land and Land Rights	16,500	-					16,500
9	304	Structures and Improvements	300,078	-					300,078
10	305	Collecting and Impounding Res.	2,531	-					2,531
11	306	Lake River and Other Intakes	-	-					-
12	307	Wells and Springs	273,013	-					273,013
13	308	Infiltration Galleries and Tunnels	-	-					-
14	309	Supply Mains	3,681	-					3,681
15	310	Power Generation Equipment	8,310	-					8,310
16	311	Electric Pumping Equipment	217,608	-					217,608
17	320	Water Treatment Equipment	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
21	330.1	Storage tanks	-	-					-
22	330.2	Pressure Tanks	-	-					-
23	331	Trans. and Dist. Mains	439,972	-					439,972
24	333	Services	81,823	-					81,823
25	334	Meters	199,952	-					199,952
26	335	Hydrants	1,171	-					1,171
27	336	Backflow Prevention Devices	-	-					-
28	339	Other Plant and Misc. Equip.	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
34	344	Laboratory Equipment	-	-					-
35	345	Power Operated Equipment	-	-					-
36	346	Communications Equipment	9,267	-					9,267
37	347	Miscellaneous Equipment	-	-					-
38	348	Other Tangible Plant	-	-					-
39		Plant Held for Future Use							-
40		TOTALS	$ 2,159,387	$ -	$ -	$ -	$ -	$ -	$ 2,159,387
41									
42	Plant-in-Service per Books								$ 2,159,387
43									
44	Increase (decrease) in Plant-in-Service								$ -
45									
46	Adjustment to Plant-in-Service								$ -
47									
48	SUPPORTING SCHEDULES								
49	B-2, pages 3.1								
50									

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

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.	Acct. No.	Description	Adjusted Orginal Cost	Plant Per Reconstruction	Difference
1					
2					
3					
4					
5					
6	301	Organization Cost	221	221	-
7	302	Franchise Cost	-	-	-
8	303	Land and Land Rights	16,500	16,500	-
9	304	Structures and Improvements	300,078	300,078	-
10	305	Collecting and Impounding Res.	2,531	2,531	-
11	306	Lake River and Other Intakes	-	-	-
12	307	Wells and Springs	273,013	273,013	-
13	308	Infiltration Galleries and Tunnels	-	-	-
14	309	Supply Mains	3,681	3,681	-
15	310	Power Generation Equipment	8,310	8,310	-
16	311	Electric Pumping Equipment	217,608	217,608	-
17	320	Water Treatment Equipment	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	-
21	330.1	Storage tanks	-	-	-
22	330.2	Pressure Tanks	-	-	-
23	331	Trans. and Dist. Mains	439,972	439,972	-
24	333	Services	81,823	81,823	-
25	334	Meters	199,952	199,952	-
26	335	Hydrants	1,171	1,171	-
27	336	Backflow Prevention Devices	-	-	-
28	339	Other Plant and Misc. Equip.	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	-
34	344	Laboratory Equipment	-	-	-
35	345	Power Operated Equipment	-	-	-
36	346	Communications Equipment	9,267	9,267	-
37	347	Miscellaneous Equipment	-	-	-
38	348	Other Tangible Plant	-	-	-
39		Plant Held for Future Use			-
40		TOTALS	$ 2,159,387	$ 2,159,387	$ -
41					
42					
43	SUPPORTING SCHEDULE				
44	B-2, pages 3.2 - 3.17				
45					

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.2
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	Per Decision 62320 Order Plant at 6/30/1998	Per Decision 62320 Accum. Deprec. At 6/30/1998	Per Decision 62401 Order Plant at 6/30/1998	Per Decision 62401 Accum. Deprec. At 6/30/1998	Per Decisions 62320 & 62401 Plant at 6/30/1998	Per Decisions 62320 & 62401 Accum. Deprec. At 6/30/1998
1	301	Organization Cost	0.00%	0.00%	300				300	-
2	302	Franchise Cost	0.00%	0.00%					-	-
3	303	Land and Land Rights	0.00%	0.00%	4,000		25,566		29,566	-
4	304	Structures & Improvements	5.00%	3.18%	275	163	265,810	98,799	266,085	98,961
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%	4,000	2,367	448,232	166,603	452,232	168,970
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%	11,615	6,873	157,874	58,680	169,489	65,553
12	320	Water Treatment Equipment	5.00%	3.18%	869	514	4,663	1,733	5,532	2,247
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%	10,384	6,144	322,244	119,775	332,628	125,919
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%	58,515	34,624	641,234	238,340	699,749	272,964
19	333	Services	5.00%	3.18%	13,925	8,240	132,857	49,382	146,782	57,621
20	334	Meters	5.00%	3.18%	11,741	6,947	115,170	42,807	126,911	49,755
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%			569,795	211,787	569,795	211,787
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			115,624	65,872	2,683,445	987,905	2,799,069	1,053,777

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.3
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	1998 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%			-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-			-	29,566	-
4	304	Structures & Improvements	5.00%	3.18%			-			6,652	266,085	105,614
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%			-			11,306	452,232	180,276
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%			-			4,237	169,489	69,790
12	320	Water Treatment Equipment	5.00%	3.18%			-			138	5,532	2,386
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%			-			8,316	332,628	134,235
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%			-			17,494	699,749	290,458
19	333	Services	5.00%	3.18%			-			3,670	146,782	61,291
20	334	Meters	5.00%	3.18%			-			3,173	126,911	52,928
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%			-			14,245	569,795	226,032
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			-	-	-	-	-	69,230	2,799,069	1,123,007

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	1999 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%			-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-			-	29,566	-
4	304	Structures & Improvements	5.00%	3.18%			-			13,304	266,085	118,918
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%			-			16,631	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%			-			34,987	699,749	325,445
19	333	Services	5.00%	3.18%			-			7,339	146,782	68,630
20	334	Meters	5.00%	3.18%			-			6,346	126,911	59,273
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%			-			28,490	569,795	254,521
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2000 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%			-				-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-		(7,175)		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%			-		(71,733)	(38,532)	8,368	194,352	88,754
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%			-				-		
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%			-		(52,367)	(47,035)	11,139	280,261	114,970
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%			-		(145,056)	(94,460)	22,799	554,693	253,784
19	333	Services	5.00%	3.18%			-		(37,285)	(19,942)	4,658	109,497	53,346
20	334	Meters	5.00%	3.18%	35,491		35,491				5,258	162,402	50,267
21	335	Hydrants	5.00%	3.18%	1,589		1,589				29	1,589	172
22	336	Backflow Prevention Devices	5.00%	3.18%			-				-		
23	339	Other Plant & Misc Equipment	5.00%	3.18%			-		(159,906)	(82,907)	17,806	409,889	189,420
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.6
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2001 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%	-		-	-		-	-	-
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	-		10,618	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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	24,296		24,296	-		9,299	304,557	124,269
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	-		17,890	570,484	271,675
19	333	Services	5.00%	3.18%	-		-	-		3,482	109,497	56,828
20	334	Meters	5.00%	3.18%	11,723		11,723	-		5,351	174,124	55,618
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	222
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-	-		13,034	409,889	202,455
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2002 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,180	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%	-		-	-		10,824	340,366	173,102
8	308	Infiltration Galleries	5.00%	3.18%	-		-	-		-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-		-	-		16	495	46
10	310	Power Generation Equipment	5.00%	3.18%	-		-	-		216	6,793	839
11	311	Pumping Equipment	5.00%	3.18%	12,580		12,580	-		5,214	170,241	70,813
12	320	Water Treatment Equipment	5.00%	3.18%	2,416		2,416	-		381	13,203	2,983
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%	31,220		31,220	-		10,181	335,776	134,450
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%	19,233		19,233	-		18,447	589,717	290,122
19	333	Services	5.00%	3.18%	-		-	-		3,482	109,497	60,310
20	334	Meters	5.00%	3.18%	18,215		18,215	-		5,827	192,339	61,445
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		TOTALS			83,664	-	83,664	-	-	73,853	2,386,949	1,110,986

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.8
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2003 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%	-		-	-		-	-	-
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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	42,968		42,968	19,250		-	359,495	115,200
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 3.9
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2004 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%	-		-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%	(0)		(0)			-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	0		0			6,180	194,352	107,295
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)			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)			16	495	61
10	310	Power Generation Equipment	5.00%	3.18%	(0)		(0)			216	6,793	1,055
11	311	Pumping Equipment	5.00%	3.18%	6,241		6,241			5,673	181,515	76,486
12	320	Water Treatment Equipment	5.00%	3.18%	0		0			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	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	597,066	309,103
19	333	Services	5.00%	3.18%	-		-			3,482	109,497	63,792
20	334	Meters	5.00%	3.18%	8,741		8,741			6,996	224,364	68,440
21	335	Hydrants	5.00%	3.18%	-		-			51	1,589	323
22	336	Backflow Prevention Devices	5.00%	3.18%	-		-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-			13,034	409,889	228,524
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%	4,361		4,361			178	7,778	178
32	347	Miscellaneous Equipment	5.00%	3.18%	-		-			-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-		-			-	-	-
34							-			-	-	-
35												
36		TOTALS			19,909	-	19,909	-	-	77,485	2,469,289	1,169,221

[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

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2005 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,180	194,352	113,476
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	409,889	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

[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

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2006 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	4,919		4,919	-		6,259	199,271	119,734
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%	-		-	-		11,438	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%	-		-	-		18,987	597,066	347,076
19	333	Services	5.00%	3.18%	751		751	-		3,494	110,248	70,768
20	334	Meters	5.00%	3.18%	16,339		16,339	-		7,760	252,193	83,518
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	424
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-	-		13,034	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%	-		-	-		247	7,778	673
32	347	Miscellaneous Equipment	5.00%	3.18%			-			-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-		-	-		-	-	-
34							-			-	-	-
35												
36		TOTALS			43,967	-	43,967	-	-	79,245	2,536,648	1,325,960

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.12
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2007 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%	-		-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%	0		0			-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	12,811		12,811			6,541	212,082	126,275
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			19	612	114
10	310	Power Generation Equipment	5.00%	3.18%	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%	-		-			-		-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	0		0			11,438	359,691	160,949
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			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%	3,703		3,703			13,093	413,592	267,686
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	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												
36		TOTALS			56,829	-	56,829	-	-	80,847	2,593,477	1,406,807

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.13
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2008 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	4,523		4,523	-		6,816	216,605	133,091
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	3,435		3,435	-		55	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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	11,870		11,870	-		11,627	371,561	172,576
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												
36		TOTALS			60,749	-	60,749	-	-	82,717	2,654,226	1,489,524

[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]	2009 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,888	216,605	139,979
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-		-	-		109	3,435	164
6	306	Lake, River, Canal Intakes	5.00%	3.18%			-			-	-	-
7	307	Wells & 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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-		-	-		11,816	371,561	184,392
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	404,036
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	81,349
20	334	Meters	5.00%	3.18%	2,576		2,576	-		8,470	267,629	108,585
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	576
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.15
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2010 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,888	216,605	146,867
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-		-	-		109	3,435	273
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%	-		-	-		-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-		-	-		19	612	173
10	310	Power Generation Equipment	5.00%	3.18%	-		-	-		274	8,628	2,522
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%	-		-	-		18,987	597,066	423,023
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	84,880
20	334	Meters	5.00%	3.18%	293		293	-		8,515	267,923	117,100
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	626
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	9,689		9,689	-		13,563	431,362	307,918
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	13
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	2,196
32	347	Miscellaneous Equipment	5.00%	3.18%			-			-	-	-
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.16
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2011 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%	-		-	-		-	-	-
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%	-		-	-		18,987	597,066	442,010
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	88,411
20	334	Meters	5.00%	3.18%	2,462		2,462	-		8,559	270,384	125,659
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	677
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
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	-	-	85,668	2,726,138	1,744,004

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.17
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2012 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%	-		-		(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%			-				-	-	-
7	307	Wells & Springs	5.00%	3.18%	-		-		(97,481)	(73,245)	10,232	273,013	200,653
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%			-				-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-		-		(97,762)	(58,120)	10,261	273,800	160,164
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%	-		-		(157,094)	(122,207)	16,489	439,972	336,291
19	333	Services	5.00%	3.18%	-		-		(29,215)	(24,363)	3,066	81,823	67,115
20	334	Meters	5.00%	3.18%	753		753		(71,186)	(34,665)	7,478	199,952	98,472
21	335	Hydrants	5.00%	3.18%	-		-		(418)	(197)	44	1,171	524
22	336	Backflow Prevention Devices	5.00%	3.18%			-				-	-	-
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	2,159,387	1,332,825

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

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

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Per Books Accum. Depr.	A Reconciliation Adjustments to Reconcile A/D to Reconstruction	B Intentionally Left Blank	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
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
41									
42	Accumulated Depreciation per Books								$ 1,332,825
43									
44	Increase (decrease) in Accumulated Depreciation								$ -
45									
46	Adjustment to Accumulated Depreciation								$ -
47									
48	SUPPORTING SCHEDULES								
49	B-2, pages 4.1								
50									

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

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.	Acct. No.	Description	Recorded 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	$ -
41					
42					
43	SUPPORTING SCHEDULE				
44	B-2, pages 3.2 - 3.17				
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	$ 375,036	$ 231,270
8			
9	Increase (decrease)	$ -	$ -
10			
11			
12	Adjustment to CIAC/AA CIAC	$ -	$ -
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1		
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Payson Water Company
Test Year Ended December 31, 2012
Contributions-in-aid of Construction (CIAC)

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Rebuttal Schedule B-2
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Line No.		Dec. No. 62401 Balance 6/30/1998	1998 Additions	1998 Balance 9/30/2009	1999 Additions	1999 Balance 10/30/2009	2000 Additions	2000 Balance 9/30/2011	2001 Additions	2001 Balance 9/30/2012	2002 Additions	2002 Balance	2003 Additions	2003 Balance
5	CIAC	960,903		960,903		960,903	(77,129)	883,774		883,774		883,774		883,774
7	Amortization	192,220												
8	Amortization Rate			5.00%		5.00%		3.65%		3.20%		3.20%		3.20%
9	Amortization (1/2 yr convention)			48,045		48,045		33,665		28,281		28,281		28,281
10	Accumulated Amortization			240,265		288,310	(77,129)	244,847		273,127		301,408		329,689
12	Net CIAC	768,683	-	720,638	-	672,593	-	638,927	-	610,647	-	582,366	-	554,085

Line No.		2004 Additions	2004 Balance 12/31/1993	2005 Additions	2005 Balance 12/31/1993	2006 Additions	2006 Balance 12/31/1993	2007 Additions	2007 Balance 12/31/1993	2008 Additions	2008 Balance 12/31/1993	2009 Additions	2009 Balance 12/31/1993
20	CIAC												
21			883,774	-	883,774	-	883,774	-	883,774	(6,492)	877,282	-	877,282
23	Amortization Rate												
24	Amortization (1/2 yr convention)		3.20%		3.20%		3.20%		3.20%		3.20%		3.20%
25	Accumulated Amortization		28,281		28,281		28,281		28,281		28,177		28,073
			357,970		386,250		414,531		442,812	-	470,989		499,062
27	Net CIAC												
28		-	525,804	-	497,524	-	469,243	-	440,962	(6,492)	406,293	-	378,220

Line No.		2010 Additions	2010 Balance 12/31/1993	2011 Additions	2011 Balance 12/31/1993	2012 Additions	2012 Balance 12/31/1993
37	CIAC	-	877,282	-	877,282	(502,246)	375,036
40	Amortization Rate		3.20%		3.20%		3.20%
41	Amortization (1/2 yr convention)		28,073		28,073		20,037
42	Accumulated Amortization		527,135		555,208	(343,975)	231,270
44	Net CIAC	-	350,147	-	322,074	(158,271)	143,766

Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 6.0
Witness: Bourassa

Deferred Income Tax as of December 31, 2012

Line No.			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
6		Plant-in-Service	$ 2,159,387 [1]								
7		Accum. Deprec.	(1,332,825) [1]								
8		CIAC	(143,766) [3]								
9	Fed.	Fixed Assets	$ 682,796	$ 615,700 [2]	100.0%	$ (67,096)	27.08%		-		(18,169)
11	State	Fixed Assets	$ 682,796	$ 615,700 [2]	100.0%	$ (67,096)	6.50%		-		(4,361)
13	Fed &St	AIAC		- [4]	100.0%	$ - [4]	33.58%		$ -		
15								$ -	$ -	$ -	$ (22,530)
17		Net Asset (Liability)						$ (22,530)			
21		Net Asset (Liability)						$ (22,530)			
23		DIT Asset (Liability) per Books						$ (23,339)			
25		Adjustment to DIT						$ (809)			

Footnotes - See page 2

Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 6.1
Witness: Bourassa

Line No.		FEDERAL			STATE		
1	[1] **Per Rebuttal Adjusted Balances**						
2	[2] **Computation of Net Tax Value December 31, 2012**						
3	Based on 2012 Tax Depreciation report (December 31, 2012)						
4	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report	$ 2,159,341			$ 2,159,341		
5	Reconciling Items not on tax report:						
6					-		
7					-		
8					-		
9					-		
					-		
10							
11	Net Unadjusted Cost tax Basis at December 31, 2012			$ 2,159,341			$ 2,159,341
12							
13	Reductions						
14	Basis Reduction 2012 and Prior Years per federal and state tax depr. report	$ -			$ -		
15	Accumulated Depreciation 2012 and prior per federal and state tax depr. report	(1,543,641)			(1,543,641)		
16					-		
17					-		
18					-		
19					-		
20		-			-		
21		-			-		
22	Net Reductions through December 31, 2012			(1,543,641)			(1,543,641)
23	Net tax value of plant-in-service at December 31, 2012			$ 615,700			$ 615,700
24							
25	[3] **CIAC (including impact of change to probability of realization)**						
26							
27	Gross CIAC per Adjusted Balances		$ 375,036				
28	CIAC reductions/addtions						
29	A.A perAdjusted Balances	$ (231,270)					
30							
31			(231,270)				
32	Net CIAC before unrealized AIAC			$ 143,766			
33							
34	Unrealized AIAC Component						
35	Adjusted Net AIAC (see footnote 5 below)		$ -				
36	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%				
37				$ -			
38	Total realizable CIAC			$ 143,766			
39							
40	[4] **AIAC (including impact of change in probability of realization)**						
41	AIAC per adjusted book balances		$ -				
42	AIAC reductions/additions						
43	Net AIAC before unrealized portion			$ -			
44	Less: Unrealized AIAC (from Note 3, above)			$ -			
45	Net realizable AIAC			$ -			
46	Meter and Service Line Installation Charges per Adjusted Balances			-			
47	Total AIAC			$ -			
48							

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

Exhibit
Rebuttal 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	$	54,420
10			
11			
12	**Working Capital Requested**	**$**	**-**
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	482,220
19	Less:		
20	Income Tax	$	(92,438)
21	Property Tax		19,978
22	Depreciation		85,632
23	Purchased Water		-
24	Pumping Power		50,533
25	Allowable Expenses	$	418,515
26	1/8 of allowable expenses	$	52,314
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Docket No. W-03514A-13-0111

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

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 313,559	$ -	$ 313,559	$ 360,272	$ 673,831
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	6,966	-	6,966		6,966
5		$ 320,525	$ -	$ 320,525	$ 360,272	$ 680,797
6	**Operating Expenses**					
7	Salaries and Wages	$ 55,097	-	$ 55,097		$ 55,097
8	Purchased Water	-	-	-		-
9	Purchased Power	50,533	-	50,533		50,533
10	Fuel For Power Production	-	-	-		-
11	Chemicals	2,181	-	2,181		2,181
12	Repairs and Maintenance	28,089	-	28,089		28,089
13	Office Supplies and Expense	-	-	-		-
14	Contractual Services	58,481	(1,683)	56,798		56,798
15	Contractual Services - Management Fees	-	173,903	173,903		173,903
16	Water Testing	11,000	-	11,000		11,000
17	Rents	-	-	-		-
18	Transportation Expenses	-	-	-		-
19	Insurance - General Liability	-	-	-		-
20	Insurance - Health and Life	266	-	266		266
21	Reg. Comm. Exp. - Other	-	-	-		-
22	Reg. Comm. Exp. - Rate Case	65,000	-	65,000		65,000
23	Miscellaneous Expense	235,253	(209,072)	26,181		26,181
24	Depreciation and Amortization Expense	85,632	-	85,632		85,632
25	Taxes Other Than Income	-	-	-		-
26	Property Taxes	21,030	(1,051)	19,978	7,485	27,463
27	Income Tax	(109,557)	17,119	(92,438)	118,463	26,025
28			-	-		-
29	**Total Operating Expenses**	$ 503,004	$ (20,785)	$ 482,220	$ 125,948	$ 608,168
30	**Operating Income**	$ (182,479)	$ 20,785	$ (161,695)	$ 234,324	$ 72,629
31	**Other Income (Expense)**					
32	Interest Income	-	-	-		-
33	Other income	-	-	-		-
34	Interest Expense	-	-	-		-
35	Other Expense	-	-	-		-
36	Gain(loss) on Disposal of Fixed Assets	-	-	-		-
37	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -
38	**Net Profit (Loss)**	$ (182,479)	$ 20,785	$ (161,695)	$ 234,324	$ 72,629
39						
40	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
41	C-1, page 2				A-1	
42	E-2					
43						

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

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

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

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

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		6 Misc. Expense Beaver Dam Write-off	7 Misc. Expense Non-Recurring	8 Intentionally Left Blank	9 Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**							
2	Metered Water Revenues					$ 313,559	$ 360,272	$ 673,831
3	Unmetered Water Revenues					-		-
4	Other Water Revenues					6,966		6,966
5		$ -	$ -	$ -	$ -	$ 320,525	$ 360,272	$ 680,797
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					85,632		85,632
25	Taxes Other Than Income					-		-
26	Property Taxes					19,978	7,485	27,463
27	Income Tax				17,119	(92,438)	118,463	26,025
28								
29	**Total Operating Expenses**	$ (7,857)	$ (3,493)	$ -	$ 17,119	$ 482,220	$ 125,948	$ 608,168
30	**Operating Income**	$ 7,857	$ 3,493	$ -	$ (17,119)	$ (161,695)	$ 234,324	$ 72,629
31	**Other Income (Expense)**							
32	Interest Income					-		-
33	Other income		-			-		-
34	Interest Expense		-			-		-
35	Other Expense		-			-		-
36	Gain(loss) on Disposal of Fixed Assets		-			-		-
37	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38	**Net Profit (Loss)**	$ 7,857	$ 3,493	$ -	$ (17,119)	$ (161,695)	$ 234,324	$ 72,629
39								
40	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
41	C-2						C-1, page 1	
42	E-2							

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

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
		Depreciation Expense	Property Taxes	Contractual Services	Misc. Expense Brooke Utilites OH	Management Fees JW Holdings	Misc. Expense Beaver Dam Write-off	
4	Revenues							-
6	Expenses	-	(1,051)	(1,683)	(197,722)	173,903	(7,857)	(34,410)
8 9	Operating Income	-	1,051	1,683	197,722	(173,903)	7,857	34,410
11 12	Interest Expense							-
13 14 15	Other Income / Expense							-
17	Net Income	-	1,051	1,683	197,722	(173,903)	7,857	34,410

Line No.		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		Misc. Expense Non-Recurring	Intentionally Left Blank	Income Taxes	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							-
27	Expenses	(3,493)	-	17,119	-	-	-	(20,785)
29 30	Operating Income	3,493		(17,119)	-	-	-	20,785
32 33	Interest Expense							-
34 35 36	Other Income / Expense							-
38	Net Income	3,493	-	(17,119)	-	-	-	20,785

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

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
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	439,972		439,972	2.00%	8,799
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	$ 2,159,387	$ (16,721)	$ 2,142,666		$ 103,800
39							
40					Gross CIAC	Amort. Rate	
41	Less: Amortization of Contributions				$ 375,036	4.8444%	$ (18,168)
42	Total Depreciation Expense						$ 85,632
43							
44	Adjusted Test Year Depreciation Expense						85,632
45							
46	Increase (decrease) in Depreciation Expense						-
47							
48	Adjustment to Revenues and/or Expenses						$ -
49							
50	SUPPORTING SCHEDULE						
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
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	$ 320,525	$ 320,525
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	641,050	641,050
4	Company Recommended Revenue	320,525	680,797
5	Subtotal (Line 4 + Line 5)	961,575	1,321,847
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	320,525	440,616
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	641,050	881,231
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	881,231
13	Assessment Ratio	19.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	121,799	167,434
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	$ 27,463
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 19,978	
19	Test Year Property Taxes	$ 21,030	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (1,051)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 27,463
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 19,978
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 7,485**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 7,485
27	Increase in Revenue Requirement		$ 360,272
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
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Contractual Services

Line No.			
1			
2			
3	Remove Legal Expense Related to Condemnation	$	(1,683)
4			
5			
6			
7			
8			
9			
10			
11	Increase(decrease) Contractual Services	$	(1,683)
12			
13	Adjustment to Revenue and/or Expense	$	(1,683)
14			
15			
16	Reference		
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
Rebuttal 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	$	(197,722)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(197,722)
11			
12	SUPPORTING SCHEDULES		
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
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Contractual Services - Management

Line No.			
1	Management Fees - JW Holdings		
2			
3	Management Fee	$	173,903
4			
5			
6			
7			
8	Total Increase (decrease) in Contractual Services - Management	$	173,903
9			
10			
11	Adjustment to Revenue and/or Expense	$	173,903
12			
13	SUPPORTING SCHEDULES		
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
Rebuttal 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, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

Miscellaneous Expense

Line No.			
1			
2	Remove Non-Recurring Expenses		
3			
4	Cogsdale - Star Valley Deposit Sort	$	(825)
5	Arizona Department of Revenue		(1,650)
6	ACC Annual Assessment		(1,018)
7	Total		(3,493)
8			
9			
10	Increase (decrease) to Miscellaneous Expense	$	(3,493)
11			
12			
13	Adjustment to Revenue and/or Expense	$	(3,493)
14			
15	Reference		
16	Testimony		
17			
18			
19			
20			

Payson Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Intentionally Left Blank

Line No.
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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	Fair Value Rate Base	$	660,266	
5	Weighted Cost of Debt		0.00%	
6	Interest Expense			$ -
7				
8	Test Year Interest Expense			$ -
9				
10	Increase (decrease) in Interest Expense			-
11				
12				
13				
14	Adjustment to Revenue and/or Expense			$ -
15				
16				
17	Weighted Cost of Debt Computation			
18				Weighted
19		Percent	Cost	Cost
20	Debt	0.00%	0.00%	0.00%
21	Equity	100.00%	11.00%	11.00%
22	Total	100.00%		11.00%
23				
24				
25				
26				
27				
28				
29				
30				

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

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Line No.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Compauted Income Tax	$ (92,438)	$ 26,025
5	Test Year Income tax Expense	-	(92,438)
6	Adjustment to Income Tax Expense	$ (92,438)	$ 118,463
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
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	33.579%
2		
3	Property Taxes	1.380%
4		
5		
6	Total Tax Percentage	34.959%
7		
8	Operating Income % = 100% - Tax Percentage	65.041%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.5375
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
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Payson Water Company
Test Year Ended December 31, 2012

Exhibit
Rebuttal Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	34.9591%					
5	Subtotal (L3 - L4)	65.0409%					
6	**Revenue Conversion Factor (L1 / L5)**	1.537495					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	33.5791%					
9	One Minus Combined Income Tax Rate (L7 - L8)	66.4209%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.5000%					
14	Federal Taxable Income (L12 - L13)	93.5000%					
15	Applicable Federal Income Tax Rate (L55 Col F)	28.9617%					
16	Effective Federal Income Tax Rate (L14 x L15)	27.0791%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		33.5791%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	33.5791%					
20	One Minus Combined Income Tax Rate (L18-L19)	66.4209%					
21	Property Tax Factor	2.0776%					
22	Effective Property Tax Factor (L20*L21)		1.3800%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			34.9591%			
24	Required Operating Income	$ 72,629					
25	AdjustedTest Year Operating Income (Loss)	$ (161,695)					
26	Required Increase in Operating Income (L24 - L25)		$ 234,324				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 26,025					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ (92,438)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 118,463				
30	Recommended Revenue Requirement	$ 680,797					
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	$ 27,463					
36	Property Tax on Test Year Revenue	$ 19,978					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 7,485				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 360,272				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
	Calculation of Income Tax:	Total		Water	Total		Water
39	Revenue	$ 320,525		$ 320,525	$ 680,797		$ 680,797
40	Operating Expenses Excluding Income Taxes	574,658		574,658	582,143		582,143
41	Synchronized Interest (L47)	-		-	-	-	-
42	Arizona Taxable Income (L39 - L40 - L41)	$ (254,133)	$ -	$ (254,133)	$ 98,654	$ -	$ 98,654
43	Arizona State Effective Income Tax Rate (see work papers)	6.5000%		6.5000%	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	$ (16,519)	$ -	$ (16,519)	$ 6,412	$ -	$ 6,412
45	Federal Taxable Income (L42- L44)	$ (237,614)	$ -	$ (237,614)	$ 92,241	$ -	$ 92,241
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)	$ 5,862		$ 5,862
50	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ (53,670)	$ -	$ (53,670)	$ -		$ -
51	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -	$ -	$ -	$ -		$ -
52							
53	Total Federal Income Tax	$ (75,920)	$ -	$ (75,920)	$ 19,612	$ -	$ 19,612
54	Combined Federal and State Income Tax (L35 + L42)	$ (92,438)	$ -	$ (92,438)	$ 26,025	$ -	$ 26,025

55 COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45] 28.9617%

56

57 WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45] 28.9617%

	Calculation of Interest Synchronization:		Water
58	Rate Base	$ -	$ 660,266
59	Weighted Average Cost of Debt	0.0000%	0.0000%
60	Synchronized Interest (L59 X L60)	$ -	$ -

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

Exhibit
Rebuttal 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	$ 287,143	$ 572,318	$ 285,175	99.31%	89.59%	84.07%
2	5/8x3/4 Inch C&S	52,037	149,234	97,197	186.78%	16.23%	21.92%
3	3/4 Inch US	1,860	4,605	2,745	147.63%	0.58%	0.68%
4	1 Inch US	7,430	22,933	15,502	208.64%	2.32%	3.37%
5	1 Inch C&S	1,178	2,344	1,165	98.88%	0.37%	0.34%
6							
7							
8	Total Revenuers before Annualization	$ 349,648	$ 751,433	$ 401,785	114.91%	109.09%	110.38%
9							
10							
11	Meter Size	Company Present Revenues	Staff Proposed Revenues	Dollar Change	Percent Change	Percent of Present	Percent of Proposed	Schedule
12								
13			Revenue Annualization					
14	5/8x3/4 Inch US	$ (30,152)	$ (58,586)	$ (28,435)	94.31%	-9.41%	-8.61%	C-2, page 5.1
15	5/8x3/4 Inch C&S	659	1,647	989	150.12%	0.21%	0.24%	C-2, page 5.2
16	3/4 Inch US	(112)	(273)	(161)	143.23%	-0.04%	-0.04%	C-2, page 5.3
17	1 Inch US	(6,416)	(20,556)	(14,140)	220.40%	-2.00%	-3.02%	C-2, page 5.4
18	1 Inch C&S	-	-	-	0.00%	0.00%	0.00%	
19								
20								
21	Total Revenue Annualization	$ (36,021)	$ (77,768)	$ (41,747)	115.90%	-11.24%	-11.42%	
22								
23	Total Revenues with Rev. Annual.	$ 313,627	$ 673,665	$ 360,038	114.80%	97.85%	98.95%	
24								
25	Misc. Serv. Rev.	6,966	6,966	-	0.00%	2.173%	1.023%	
26	Star Valley/Quail Valley Misc. Serv. Rev.	-	-	-	0.00%	0.000%	0.000%	
27	Unreconciled Difference to C-1	(68)	165	233	-342.65%	-0.021%	0.024%	
28								
29	Total Revenues	$ 320,525	$ 680,796	$ 360,271	112.40%	100.00%	100.00%	
30								

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

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

Line No.	Meter Size	(a) Average Number of Customers at 12/31/2012	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch US	1,066	2,856	$ 21.51	$ 42.27	$ 20.75	96.47%
2	5/8x3/4 Inch C&S	159	6,961	27.30	73.41	46.11	168.90%
3	3/4 Inch US	4	7,077	35.32	87.01	51.69	146.35%
4	1 Inch US	21	3,870	28.75	93.15	64.40	223.99%
5	1 Inch C&S	2	4,459	49.10	97.65	48.55	98.88%
16	Totals	1,252					

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

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

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

Line No.	Meter Size and Class	(a) Average Number of Customers at 12/31/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8x3/4 Inch US	1,066	2,500	$ 20.83	$ 40.17	$ 19.34	92.87%
	5/8x3/4 Inch C&S	159	4,500	23.66	54.59	30.93	130.73%
2	3/4 Inch US	4	6,500	33.60	82.60	49.00	145.86%
3	1 Inch US	21	2,500	26.11	82.66	56.56	216.65%
4	1 Inch C&S	2	3,500	47.68	90.31	42.63	89.41%
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15	Totals	-					
16							
17							

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

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

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Bourassa

Line No.		United Systems Present Rates	C&S Systems Present Rates	Consolidated Proposed Rates
1				
2				
3	**Monthly Usage Charge for:**			
4	Meter Size :			
5	5/8 Inch	$ 16.00	$ 17.00	$ 25.42
6	3/4 Inch	18.40	$ 25.50	38.12
7	1 Inch	21.28	$ 42.50	63.54
8	1 1/2 Inch	32.00	$ 85.00	127.08
9	2 Inch	56.00	$ 136.00	203.32
10	3 Inch	80.00	$ 255.00	406.64
11	4 Inch	128.00	$ 425.00	635.38
12	6 Inch	NT	$ 850.00	1,270.75
13	8 Inch	NT	NT	2,033.20
14				
15				
16				
17				
18				
19				
20	Gallons In Minimum	-	-	
21				

(Per 1,000 gallons)

Line No.	Commodity Rates	Block	United Systems Present Rate	C&S Systems Present Rate	Consolidated Proposed Rate
22					
23					
24					
26	All Meter Sizes	0 gallons to 4,000 gallons	$ 1.93	[redacted]	[redacted]
27		over 4,000 gallons	$ 2.99		
28					
29	All Meter Sizes	All gallons	[redacted]	$ 1.48	[redacted]
30					
31	5/8 Inch and 3/4 Inch	0 gallons to 3,000 gallons	[redacted]		$ 5.90
32		3,001 gallons to 10,000 gallons			$ 7.65
33		over 10,000 gallons			$ 9.15
34					
35	1 Inch	0 gallons to 18,000 gallons	[redacted]		$ 7.65
36		over 18,000 gallons			$ 9.15
37					
38	1 1/2 Inch	0 gallons to 40,000 gallons	[redacted]		$ 7.65
39		over 40,000 gallons			$ 9.15
40					
41	2 Inch	0 gallons to 60,000 gallons	[redacted]		$ 7.65
42		over 60,000 gallons			$ 9.15
43					

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	United Systems Present Rate (Per 1,000 gallons)	C&S Systems Present Rate (Per 1,000 gallons)	Consolidated Proposed Rate (Per 1,000 gallons)
6	3 Inch	0 gallons to 120,000 gallons	[redacted]	[redacted]	$ 7.65
7		over 120,000 gallons	[redacted]	[redacted]	$ 9.15
9	4 Inch	0 gallons to 200,000 gallons	[redacted]	[redacted]	$ 7.65
10		over 2500,000 gallons	[redacted]	[redacted]	$ 9.15
12	6 Inch	0 gallons to 450,000 gallons	[redacted]	[redacted]	$ 7.65
13		over 450,000 gallons	[redacted]	[redacted]	$ 9.15
15	8 Inch	0 gallons to 750,000 gallons	[redacted]	[redacted]	$ 7.65
16		over 750,000 gallons	[redacted]	[redacted]	$ 9.15

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

Exhibit
Rebuttal Schedule H- 3
Page 3
Witness: Bourassa

Line No.	Other Service Charges	United Systems Present Rates	C&S Systems Present Rates	Consolidated Proposed Rates
1				
2				
3				
4	Establishment	$ 25.00	$ 25.00	$ 25.00
5	Establishment (After Hours)	35.00	35.00	remove
6	Reconnection (Delinquent)	20.00	20.00	20.00
7	Reconnection (Delinquent and after hours)	30.00	30.00	remove
8	Meter Test	25.00	20.00	25.00
9	Deposit	*	*	*
10	Deposit Interest*	6.00%	6.00%	6.00%
11	Re-Establishment (With-in 12 Months)	**	**	**
12	NSF Check	$ 17.50	$ 10.00	$ 17.50
13	Deferred Payment, Per Month	1.50%	1.50%	1.50%
14	Meter Re-Read (if correct)	$ 15.00	$ 10.00	$ 15.00
15	Late Charge per month (per R-14-2-409G(6))	1.50%	1.50%	1.50%
16	After Hours Service Charge (at customer request)	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
Rebuttal Schedule H-3
Page 4
Witness: Bourassa
REVISED

Line No.		United Systems Present Total Charge	C&S Systems Present Total Charge	Proposed Service Line Charge*	Proposed Meter Install-ation Charge*	Total Proposed Charge*
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

*Based on Staff update of typical service line and meter installation charges dated February 21, 2008.

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-0111
IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,238,000 IN CONNECTION WITH INFRASTRUCTURE IMPROVEMENTS TO THE UTILITY SYSTEM; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO: W-03514A-13-0142

REBUTTAL TESTIMONY OF THOMAS J. BOURASSA

COST OF CAPITAL

December 6, 2013

EXHIBIT
A-9
ADMITTED

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

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

Q. YOU ARE THE SAME TOM BOURASSA THAT FILED DIRECT TESTIMONY IN THIS CASE?

A. Yes, in two volumes, one addressing only cost of capital.

Q. DID YOU ALSO PREPARE REBUTTAL TESTIMONY ON THE OTHER, ISSUES IN THIS DOCKET?

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

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

A. Summary of Company's Rebuttal Recommendation

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

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

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

A. Yes, but not significantly. I continue to recommend a return on equity ("ROE") of 11.0 percent for PWC. The table below summarizes the results of my updated analysis:

Method	Low	High	Midpoint
Range DCF Constant Growth Estimates	8.5%	9.1%	8.8%
Range of CAPM Estimates	8.7%	10.7%	9.7%
Range of Build Up Method	8.9%	12.4%	10.7%
Average of DCF and CAPM midpoint estimates	8.7%	10.7%	9.7%
Financial Risk Adjustment	-0.6%	-0.6%	-0.6%
Specific Company Risk Premium	2.0%	2.0%	2.0%
Indicated Cost of Equity	**10.7%**	**12.1%**	**11.1%**

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

To summarize, my 11.0 percent ROE recommendation balances my judgment about the degree of financial and business risk associated with an investment in PWC, as well as consideration of the current economic environment.

Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR PWC?

A. I am recommending a capital structure consisting of 0 percent debt and 100 percent equity. My recommendation is based upon the adjusted capital structure of the Company at the end of the test year (December 31, 2012).

Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?

A. The weighted cost of capital ("WACC") is 11 percent based upon a capital structure consisting of 0 percent debt and 100 percent equity, and a cost of equity of 11.0 percent, as shown on Schedule D-1.

Q. ISN'T PWC A LOT MORE RISKY THAN THE SAMPLE COMPANIES, AND EVEN MOST OF THE OTHER WATER UTILITIES REGULATED BY THE COMMISSION?

A. Yes, unless you are only looking at one thing – financial risk. By every other measure, PWC is a very risky investment. PWC is a very small water company operating in an area that is chronically water starved, with some specific systems that face severe water supply problems. To the extent additional supplies may be available, they are too uncertain, too expensive for such a small customer base and/or run afoul of SRP's water interests. And, to make matters worse, the Company is losing money at a very rapid pace. This Company and its new shareholders face significant risk.

Q. BUT DIDN'T THEY JUST BUY THE COMPANY, MEANING IT IS AT LEAST A FAIRLY LIQUID ASSET?

A. Not necessarily. Yes, there recently was a sale. I won't comment on the purchase price and whether it reflected all of this utility's current issues, because I simply don't know and do not think it matters now. Given the problems the new owners have discovered, and the current financial picture, I doubt the new owners could sell it right now for less than they paid.

Q. ARE YOU SUGGESTING THEY WANT OUT ALREADY?

A. Not at all. I am merely explaining why this Company is currently a very high risk utility and why the ROE should reflect those risks. Actually, the new owners want

very much to turn this utility around and they are working very hard to do it. Unfortunately, as I discuss below, Staff's recommended ROE will strongly discourage the investment this utility needs to become a profitable enterprise.

B. <u>Summary of the Staff Recommendations</u>

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

A. Staff is recommending a pro forma capital structure consisting of 52.8 percent debt and 47.2 percent equity, with a 9 percent recommended ROE.[1] Staff bases its pro forma capital structure on the imputation of $1.179 million of WIFA funding future plant into the capital structure of PWC.[2] As a result of this pro forma adjustment, Staff's determined cost of equity of 9.0 percent is reduced to an actual return on equity equal to only 6.4 percent.

Q. IS THIS A REASONABLE RETURN ON RATE BASE?

A. No, whether it is 9 percent or 6.4 percent, such a return falls well below any possible reasonable return for a utility with PWC's current risk profile. As usual, Staff used its strict application of its CAPM and DCF and came up with an average cost of equity of 8.4 percent.[3] Staff did not consider firm size or firm-specific risks in its analysis. So, if it wasn't for Staff's made up economic assessment adjustment (EAA) of 60 basis points,[4] Staff would have the Company earn an even lower return on equity, equal to 8.4 percent, which under Staff's approach would have resulted in a WACC under 6 percent. This just shows that Staff's recommendations fall far short of being reasonable in this case.

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[1] Direct Testimony of John A. Cassidy ("Cassidy Dt.") at 33.
[2] *Id.* at 6-7.
[3] *Id.* at 39.
[4] *Id.* at 33.

Q. OKAY, CAN YOU ILLUSTRATE AND SUMMARIZE THE PARTIES' RESPECTIVE COST OF EQUITY ESTIMATES AND RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING.

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

Party	DCF	CAPM	Build-Up	Average	Financial Risk/EAA /SC	Adjusted	Recommended
PWC	8.8%	9.7%	10.7%	9.7%	1.4%	11.1%	11.0%
Staff	8.8%	8.0%	N/A	8.4%	0.6%	9.0%	9.0%

Q. PLEASE SUMMARIZE YOUR CONCERNS WITH STAFF'F RECOMMENDATIONS

A. I find the following with respect to the Staff recommendations in the instant case:

- Staff's Pro Forma Capital Structure Creates a Mismatch Between Rate Base and Invested Equity Capital - Staff effectively provided a 6.4 percent return on PWC's equity capital invested in rate base. This is 260 basis points below Staff's illusory 9.0 percent ROE. Staff's anemic 6.4 percent ROE will place PWC in a financial death spiral.
- Staff's Recommendation Fails to Recognize the Risks Associated with an Investment in PWC - Because Staff fails to account for the differences in risk between the publicly traded utilities and PWC. If the Staff recommendations are adopted PWC will not be able to attract capital as it won't be able to ensure confidence in its financial integrity, and maintain and support its credit

I have limited my testimony to these two findings as nothing more needs to be said. Debating the inputs to the financial models, as I have done in numerous other proceeding before this Commission,[5] is not productive and a waste of resources in

[5] *See, e.g.*, *Chaparral City Water Company*, Docket No. W-021138A-07-0551; *Litchfield Park Service Company*, Docket No. SW-01428A-09-0103, *et al.*; *Liberty Utilities (Bella Vista Water) Corp.*, Docket No., W-02465A-09-0411, *et al.*; *Pima Utility Company*, Docket No. W-021198-11-0329, *et al.*;

this case. Simple common sense should prevail. Providing a 6.4 percent on equity capital invested in rate base when other water utilities in Arizona are allowed to earn significantly more is simply not fair or reasonable, or realistic.

C. Rebuttal to the Cost of Equity Recommendations of Staff

1. The Staff Pro Forma Capital Structure Creates a Mismatch Between Rate Base and PWC's Invested Equity Capital

Q. PLEASE COMMENT ON THE STAFF RECOMMENDED PRO FORMA CAPITAL STRUCTURE.

A. The Staff pro forma capital structure creates a mismatch between rate base and PWC's invested capital funding the Staff recommended rate base.

Q. CAN YOU EXPLAIN WHAT YOU MEAN BY A MISMATCH?

A. Yes. At the end of the test year, PWC's capital structure consisted of 100 percent equity. Total invested capital in the capital structure was approximately $1.05 million, all of which was equity capital. The Staff rate base is also a test year-end rate base, and is therefore funded with 100 percent equity. Ignoring this reality, Staff adds future debt capital of $1.179 million but its rate base does not reflect any additional plant investment which would be funded by this debt.

Q. WHAT DO YOU MEAN BY FUTURE DEBT CAPITAL?

A. The Company has preliminarily made arrangements with WIFA to borrow money to fund its share of the construction of the Cragin Pipeline project. While $275,000 of that amount is scheduled to be funded early next year for the construction of the TOP-MDC interconnect, none of the debt existed at the end of the test year, none of the debt exists now, and most of the debt will borrowed at least a couple years in the future, if ever.

Rio Rico Utilities, Inc., Docket No. WS-02676A-12-0196; *Litchfield Park Service Company*, Docket No. SW-01428A-13-0042, *et al.*

Q. WAIT, ARE YOU SAYING THE COMPANY MAY NOT GO THROUGH WITH THE CRAGIN PROJECT?

A. No, not at all. I am saying that it has not yet borrowed almost a million dollars and it does not know for sure when it will borrow that money. Until it does, there is no basis to include it in the capital structure and create a mismatch. Under the Staff recommendation, PWC effectively has $2.2 million of invested capital, 52.8 percent of which is debt and 47.2 percent of which is equity. However, the rate base is still only funded with equity capital because the future projected cost of the Cragin Pipeline is not in rate base.

Q. WHAT IS THE RESULT OF ADDING FUTURE DEBT TO THE INVESTED CAPITAL OF PWC AND PROPOSING A STRUCTURE CONSISTING OF 52.8 PERCENT DEBT AND 47.2 PERCENT EQUITY?

A. As discussed above, by treating 52.8 percent of PWC's existing equity capital as lower cost debt capital, Staff effectively provides a 6.4 percent return on equity capital, which is 260 basis points below Mr. Cassidy's recommended 9.0 percent ROE. In other words, Mr. Cassidy's 9.0 percent ROE recommendation, which is already unreasonably low for this utility, is merely an illusion. The shareholder will only get the opportunity to earn an effective return of 6.4 percent.

Q. WHY DO YOU SAY THE 9.0 PERCENT IS ALREADY TOO LOW?

A. In contrast, recent ROEs authorized by the Commission for much larger water utilities averaged 9.7 percent.[6] Further, the projected and authorized ROE of the much larger and less risky publicly traded utilities in Mr. Cassidy' water proxy

[6] *Arizona Water Company (Northern Group)*, Decision No. 74081 (September 23, 2013) ROE 10.00%; Far West Water & Sewer, Inc., Decision No. 74097 (September 23, 2013) ROE 9.50%; *Ray Water Company, Inc.*, Decision No. 74084 (September 23, 2013) ROE 9.10%; *Rio Rico Utilities, Inc.*, Decision No. 73996 (July 30, 2013) ROE 9.20%; *Arizona Water Company (Eastern Group)*, Decision No. 73736 (February 20, 2013) ROE 10.50%.

group are 9.9 percent and 10.03 percent, respectively.[7] These three comparable earnings measures are well above Staff's 9.0 ROE, and hundreds of basis points above Staff's effective ROE of 6.4 percent.

Q. IS THAT ALL?

A. If providing a return of only 6.4 percent on equity capital investment isn't enough, to add insult to injury, Staff creates a fictitious income tax deduction through interest synchronization in the computation of its income tax expense.[8] This results in an understatement of income taxes in the revenue requirement. Since PWC's actual income tax expense will be higher, the actual net income to the equity investment will be less than 6.4 percent.

Q. HASN'T THE COMMISSION APPROVED HYPOTHETICAL CAPITAL STRUCTURES WITH SYNCHRONIZED INTEREST IN OTHER CASES?

A. Yes, in some cases, but it is not a common practice and usually there is some compelling reason given for rejecting the actual capital structure. Here, Staff is simply bringing future possible debt into the picture and I can't see any good reason for it, unless they are trying to lower the Company's effective return, which is not a good reason.

Q. COULD PWC EVEN QUALIFY FOR THE $1.179 MILLION LOAN STAFF IMPUTES INTO ITS CAPITAL STRUCTURE?

A. No. Based on the Staff recommendations, PWC would have a DSC of just 1.03. The WIFA minimum requirement is 1.2.[9] But it is worse. PWC would not have enough cash flow to meet other WIFA requirements such as payments to the WIFA debt payment reserve. In other words, under Staff's rates PWC would default on

[7] Rebuttal Testimony of Thomas J. Bourassa – Cost of Capital (filed October 23, 2013 in Docket No. SW-01428A-13-0042, et al.) at 9-10.

[8] *See* Staff Schedule CSB-2, line 41.

[9] Direct Testimony of John A. Cassidy Dt. (regarding the WIFA loan surcharge) at 4.

the debt Staff has introduced on a pro forma basis.

Q. WASN'T EXPECTED FUTURE DEBT USED IN THE RECENT PIMA UTILITY COMPANY RATE CASE TO DEVELOP A PRO FORMA CAPITAL STRUCTURE?

A. Yes, however, the circumstances in the Pima Utility Company ("Pima") rate case were much different.[10]

Q. HOW ARE THE TWO SITUATIONS DIFFERENT?

A. In the Pima case, the expected future debt was used to determine a capital structure using an equity-for-debt exchange and a debt-for-debt exchange methodology. After the exchanges there was approximately the same amount of total capital in the pro forma capital structure as there was in the test year-end capital structure. Here, Staff's exchange results in a more than doubling of the total capital in PWC's capital structure.

Q. CAN YOU PLEASE EXPLAIN HOW THE PRO FORMA CAPITAL STRUCTURE WAS DETERMINED IN THE PIMA RATE CASE?

A. Yes. Rebuttal Exhibit **TJB-COC-RB1** is Pima's Rejoinder Schedule D-1, page 2 (Docket No. W-02199A-11-0329, et al.) and it shows how the pro forma capital structure consisting of 35.36 percent debt and 64.64 percent equity was determined in that rate case.[11] The adjusted equity capital at the end of the test year was $17,801,736 (line 6 in exhibit) and the total debt capital at the end of the test year was $6,125,000 (line 11 in the exhibit) for total capital of $23,926,736 ($17,801,716 plus $6,125,000). After the exchange of equity-for debt and debt-for debt, the total capital equaled $23,671,736, which was within 1 percent of the adjusted test year-end capital in the capital structure of PIMA.

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[10] *See* Decision No. 73573 (November 21, 2012).

[11] *See id.* at 30.

Q. BUT WEREN'T SOME OF THE DEBT PROCEEDS IN THE PIMA RATE CASE INTENDED TO BE USED FOR FUTURE CAPITAL IMPROVEMENTS?

A. Yes. But, the debt was already incurred by the time the rates went into effect. Moreover, the methodology used to determine the pro forma capital structure for Pima didn't add additional capital to the test year-end capital structure. Had Staff proposed a methodology in the Pima rate case that added capital to the capital structure, I am sure Pima would have objected. I was the rate consultant in that case and I certainly would have recognized the inequity of doing so, just as I am doing in the instant case.

2. Relative Risks

Q. PLEASE COMMENT ON THE DIFFERENCES IN RISK BETWEEN PWC AND THE PUBLICLY TRADED WATER UTILITIES.

A. One obvious difference in risk is business risk. PWC has nearly 5 times more business risk compared to the publicly traded water utilities as measured by the co-efficient of variance of earnings.[12] Uncertainty in earnings is risk to an investor. The business risk is also apparent from a simple common sense perspective. The Company can't pay its bills, is being sued by its customers over past events, has water supply shortages, limited, risky, high-cost solutions and a small number of customers over which to spread the cost. I mean no disrespect to Mr. Cassidy, but the notion that the Company is substantially less risky than Aqua America is ludicrous.

A second difference in risk is operating leverage. Changes in expenses have a much greater impact on operating income for PWC than the publicly traded

[12] Direct Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC") at 25.

utilities.[13] A large publicly traded water utility can more easily handle changes in operating expenses without having a disproportional impact on earnings. PWC earnings are more volatile and therefore PWC is more risky in the eyes of investors. And, because PWC is affected by changes in operating expenses and revenue to a greater extent it is more vulnerable to financial distress. That is, it can't pay its vendors in a timely way or at all.

Q. IS THAT OCCURRING NOW WITH THIS COMPANY?

A. Yes, I can certainly testify that PWC currently cannot pay its consultant and attorneys the amounts it is being billed. Although it is making some small payments, it will be next year after new rates are approved before it can finish paying its rate case expense. Cash flow problems are also impacting PWC's ability to pay other necessary expenses.

A third difference risk is PWC's small service territory itself. While PWC may have a monopoly, it has very limited growth potential. The publicly traded water utilities have much larger service territories, are more geographically diverse, and have much greater growth potential. Being more geographically diverse the publicly traded water utilities are less impacted by regional economic downturns and/or weather that could impact water sales. Further, the publicly traded water utilities are not subject to one regulatory jurisdiction. A poor decision in one jurisdiction has a smaller impact on the publicly traded water utilities than it does for PWC.

A fourth difference in risk is construction risk, which I have already discussed some in my testimony. PWC has water supply problems that require significantly higher investment relative to its size than the large publicly traded

[13] Bourassa COC Dt. at 26.

water utilities. Staff even admits PWC's water system is "fragile."[14] That said, as I mentioned in my direct testimony, the size of a utility's capital budget relative to the size of the utility itself often increases construction risk. Large utilities are more able to fund their capital budgets from their earnings, cash flows, and short-term borrowings. For smaller utilities, like PWC, the ability to fund relatively large capital budgets from earnings, cash flows, and short-term debt is difficult, if not impossible, without reliance upon additional outside capital.[15]

A final difference is liquidity. Risk-averse investors require higher expected returns if the asset's liquidity risk is greater.[16] Since PWC is not publicly traded, an investment in PWC is illiquid compared to an investment in a publicly traded company and therefore has greater liquidity risk and a higher cost of capital.

All of these additional risks compared to the publicly traded water utilities are simply ignored by Staff. Again, a rational investor is not going to view an equity investment in PWC as having the same risk as the purchase of publicly traded stock in a substantially larger utility such as Aqua America, American States Water or California Water Service. If the differences in risk between small utilities like PWC and the large publicly traded water utilities used to estimate the cost of equity are ignored, PWC's equity cost will be understated and unreasonable. PWC will not be able to attract capital, ensure confidence in its financial integrity, and maintain and support its credit.

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[14] Direct Testimony of Jian W. Liu, Engineering Report at 12.

[15] Bourassa COC Dt. at 23.

[16] Yakov Amihud and Haim Mendelson, "Asset Pricing and the Bid-Ask Spread." Journal of Financial Economics 17, 1986. Viral Acharya and Lasse Heje Pedersen, "Asset pricing with liquidity risk." Journal of Financial Economics 77, 2005.

Q. WILL PWC HAVE SUFFICIENT EARNINGS TO PAY DIVIDENDS AT A LEVEL COMPARABLE TO THE PUBLICLY TRADED WATER UTILITY COMPANIES IF STAFF'S RETURN ON EQUITY IS ADOPTED?

A. No. In fact, the dividend payout ratio will need to be 388 percent of earnings, which far exceeds the 67 percent recent three year historical average payout ratio for the publicly traded utilities and the projected 3-5 year average payout ratio of 62 percent. I have illustrated this in the table below:

Table 1 – Staff Recommendations and Actual Equity in Capital Structure

[1]	Book Value of Equity per PWC Schedule D-1	$1,050,247
[2]	Expected Dividend Yield per Staff Schedule JAC-3	3.00%
[3]	Current market-to-book ratio publicly traded water utilities Staff Schedule JAC-7	2.2
[4]	Book Value Dividend Yield [2] x [3]	6.60%
[5]	Cash Dividend [1] x[4]	$69,316
[6]	Staff Recommended Operating Income per Staff Schedule CSB-7	$27,209
[7]	Less: Annual Interest Expense per Staff - Interest Synchronized Per Staff Schedule CSB-2	$9,353
[8]	Earnings Available for Dividends [6] - [7]	$17,856
[9]	Less: Dividends [5]	$69,316
[10]	Retained Earnings [8] - [9]	($51,460)
[11]	Pay-out ratio [9]/[8]	388%

Q. BUT, MR. BOURASSA, ISN'T IT THE RATE BASE WE RECOGNIZE AS THE COMPANY'S INVESTMENT IN RATE MAKING?

A. Yes. Putting aside the importance of servicing all of a utility's invested capital in order to maintain its credit and attract capital, the dividend payout ratio just using rate base would still need to be 157 percent of earnings. I have illustrated this in the table below:

Table 1 – Staff Recommendations and Staff Rate Base

[1]	Rate Base per Staff Schedule CSB-1	$425,127
[2]	Expected Dividend Yield per Staff Schedule JAC-3	3.00%
[3]	Current market-to-book ratio publicly traded water utilities Staff Schedule JAC-7	2.2
[4]	Book Value Dividend Yield [2] x [3]	6.60%
[5]	Cash Dividend [1] x[4]	$28,059
[6]	Staff Recommended Operating Income per Staff Schedule CSB-7	$27,209
[7]	Less: Annual Interest Expense per Staff - Interest Synchronized Per Staff Schedule CSB-2	$9,353
[8]	Earnings Available for Dividends [6] - [7]	$17,856
[9]	Less: Dividends [5]	$28,058
[10]	Retained Earnings [8] - [9]	($10,362)
[11]	Pay-out ratio [9]/[8]	157%

Q. DOES IT MAKE A DIFFERENCE WHETHER PWC CAN OR CANNOT PAY DIVIDENDS?

A. It certainly does. According to Mr. Cassidy, an investment in PWC is comparable to the risk of an investment in of the publicly traded water utilities in his proxy group.[17] If that is the case, then PWC should pay dividends and at a rate comparable to the publicly traded utilities in his proxy group. If PWC can't or doesn't pay dividends, an investor would be better off investing in one of Mr. Cassidy water proxy group companies.

Q. WHAT WOULD THE RATE OF RETURN THAT IS APPLIED TO STAFF'S PROPOSED RATE BASE NEED TO BE IN ORDER FOR THE COMPANY TO BE COMPARABLE TO THE OTHER PUBLICLY TRADED WATER COMPANIES?

A. At least 9.85 percent. Putting aside the importance of servicing all of a utility's invested capital in order to maintain its credit and attract capital, and determining

[17] Cassidy Dt. at 3, 44.

the required earnings on rate base, then the required return on rate base must be 9.8 percent which translates to a cost of equity of 9.8 percent since this rate base is funded entirely with equity capital. Using the Staff recommended rate base from Table 2 instead of the equity balance as the starting point, the derivation of the 9.8 percent would be as follows:

[1] Staff Rate Base per Schedule CSB-1	$425,129
[2] Percent equity	100%
[3] Equity portion funding rate base	$425,129
[4] Book Dividend Rate	6.6%
[5] Required Dividend Payout Ratio	0.67
[6] Required Net Income [3] times [4] divided by [5]	$41,878
[7] Interest Expense	$0
[8] Required Operating Income [4] plus [5]	$41,878
[9] Recommended Rate Base	$425,129
[10] Required Return on Rate Base [8] divided by [9] times 100	9.85%

Q. BASED ON YOUR PAYOUT RATIO ANALYSIS, WHAT SHOULD BE THE RETURN ON EQUITY?

A. It should be at least 9.80 percent. However, 9.8 percent would still be too low to service all of PWC's equity capital of approximately $1.05 million.

Q. DOES A UTILITY HAVE TO SUPPORT ITS CAPITAL WITH ITS EARNINGS?

A. Yes. All invested capital must be supported as each dollar of capital has an earnings requirement. Whether each dollar is recognized in rate base, it nevertheless has capital costs. Earnings from existing investments must absorb

these costs. As Dr. Morin states:

> The totality of a company's capital has to be serviced... Therefore, the allowed rate of return on common equity is applicable to the total common equity component of the total investments of the utility company. Anything less than that has the direct and immediate effect of reducing common equity return below the level needed to meet the capital attraction and the comparable earnings standards articulated in the Hope and Bluefield decisions. *To apply an allowed rate of return to a rate base that does not maintain the integrity of that capital does not enable the company to attract capital.*[18] (emphasis added)

Q. WHAT WOULD HAPPEN TO THE VALUE OF AN INVESTMENT IN PWC, USING THE STAFF RECOMMENDATIONS, IF PWC PAID DIVIDENDS IN THE SAME PROPORTION OF EARNINGS AS THE PUBLICLY TRADED UTILITIES?

A. The value of the equity investment in PWC would necessarily decrease. Under the Staff recommendations, the value of equity would decrease by over $1.7 million, which means the Company's value would drop below book value.

Q. CAN YOU EXPLAIN THAT PLEASE, MR. BOURASSA?

A. Yes. If PWC paid out 67 percent of its net earnings, comparable to the publicly traded water utilities, it would pay dividends totaling about $18,229 (Staff's net earnings income $27,208 times 67 percent). This would translate to a dividend yield of only 0.79 percent ($18,229 cash divided by $1,050,247 book equity divided by 2.2 market-book ratio). However, investors expect a dividend yield of 3.0 percent according to Staff (*see* Staff Schedule JAC-3), so the value of an investment in PWC would need to decrease to $607,633 ($18,229 divided by

[18] Roger A. Morin, *New Regulatory Finance* at 495-496 (Public Utility Reports, Inc. 2006) ("Morin").

3.0 percent) from a market value of $2,310,543 ($1,050,247 book equity times 2.2 market-to-book ratio). In other words, PWC's investors will lose approximately $1,702,910 of investment value ($2,310,543 minus $607,633), a loss of nearly three-quarters of the value of their investment. The market-to-book ratios would immediately drop from the 2.2 of the publicly traded water utilities to 0.58 ($607,633 divided by $1,050,247).

Q. WHAT CONCLUSIONS CAN BE DRAWN FROM THE DIVIDEND PAYOUT RATIO ANALYSIS?

A. This analysis further supports why the recommendation of the Staff would diminish PWC's ability to attract capital and ensure the confidence in its financial integrity. It is a mixed message to compare PWC to a proxy group and then expect PWC to pay out dividends at a rate far greater than the publicly traded utilities in order to attract capital on the same terms or otherwise face a devaluation of the value of the shareholder's investment. It is also further evidence of why Staff's recommendation, at 9.0 percent or 6.4 percent, is plainly unreasonable.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY ON COST OF CAPITAL?

A. Yes.

EXHIBIT
TJB COC-RB1

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule D-1
Page 2
Witness: Bourassa

Computation of Consolidated Capital Structure

Line No.			
1	Equity Distribution		
2	Per E-1 Water	$	12,160,028
3	Per E-1 Wastewater		7,272,375
4	Water A/D Adjustments per Direct		588,942
5	Sewer A/D Adjustments per Direct		(2,219,610)
6	Subtotal		17,801,736
7	Equity Distribution		(2,500,000)
8	Net Equity Balance	$	15,301,736
9			
10	Debt		
11	Balance end of Test year	$	6,125,000
12	2011 principal payments		(1,755,000)
13	Subtotal		4,370,000
14	Increase in Debt		4,000,000
15	Net Debt Balance	$	8,370,000
16			
17	Total Capital	$	23,671,736
18	% Debt		35.36%
19	% Equity		64.64%
20			

PAYSON WATER COMPANY

THOMAS BOURASSA
REBUTTAL TESTIMONY

DECEMBER 6, 2013

REBUTTAL D SCHEDULES

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

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Capital Structure

Line No.	Item of Capital	Adjusted End of Test Year Dollar Amount	Adjusted End of Test Year Percent of Total	Adjusted End of Test Year Cost Rate	Adjusted End of Test Year Weighted Cost	Projected Capital Structure Dollar Amount	Projected Capital Structure Percent of Total	Projected Capital Structure Cost Rate	Projected Capital Structure Weighted Cost
1	Long-Term Debt	-	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%
2									
3	Stockholder's Equity	1,050,247	100.00%	11.00%	11.00%	867,768	100.00%	11.00%	11.00%
4									
5	Totals	1,050,247	100.00%		11.00%	867,768	100.00%		11.00%
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22	SUPPORTING SCHEDULES:					RECAP SCHEDULES:			
23	Direct D-1								
24	Testimony								
25									
26									
27									
28									
29									
30									

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

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	11.00% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	D-4.1 to D-4.22	D-1
19		
20		

Payson Water Company
Summary of Results

Exhibit
Rebuttal Schedule D-4.1
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
6	Range DCF Constant Growth Estimates[1]	8.5%	9.1%	8.8%
8	Range of CAPM Estimates[2]	8.7%	10.7%	9.7%
10	Build-up Method[3]	8.9%	12.4%	10.7%
12	Average of midpoint estimates	8.7%	10.7%	9.7%
15	Financial Risk Adjustment[4]	0.1%	0.1%	0.1%
17	Small Company Risk Premium[5]	2.0%	2.0%	2.0%
19	Indicated Cost of Equity	10.8%	12.8%	11.8%
23	Recommended Cost of Equity			11.0%

1 See Rebuttal Schedule D-4-8
2 See Rebuttal Schedule D-4.12
3 See Rebuttal Schedule D-4.18
4 See Rebuttal Schedule D-4.21, Testimony
5 See Rebuttal Schedule D-4.22, Testimony

Payson Water Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rebuttal 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
7							
8	Average	90%	$ 381.9	$ 1,367.1			10.03
9							
10	Payson Water Company	100%	$ 0.3	$ 0.8	NR	NR	
11	(Adjusted as of December 31, 2012)						

[1]AUS Utility Reports (October 2013).

Payson Water Company
Capital Structures

Exhibit
Rebuttal Schedule D-4.3
Witness: Bourassa

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

[1] Value Line Analyzer Data (November 29, 2013)
2 Adjusted Per Rebuttal Schedule D-1

Payson Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.4
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	9.12%	5.50%	11.50%	4.50%	7.66%	3.33%	5.49%
9	2. Aqua America	5.40%	6.00%	7.50%	7.50%	6.60%	7.03%	6.82%
10	3. California Water	2.03%	4.50%	5.50%	1.50%	3.38%	6.17%	4.77%
11	4. Connecticut Water	7.90%	4.50%	6.50%	2.00%	5.23%	5.33%	5.28%
12	5. Middlesex	4.56%	4.00%	2.50%	1.50%	3.14%	3.35%	3.24%
13	6. SJW Corp.	NMF	3.50%	NMF	4.00%	3.75%	10.75%	7.25%
16	GROUP AVERAGE	5.80%	4.67%	6.70%	3.50%	4.96%	5.99%	5.48%
17	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 Rebuttal Schedule D-4.6.

Payson Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.5
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Ten-year historical average annual changes						
7	1. American States	10.41%	5.00%	6.50%	3.00%	6.23%	3.33%	4.78%
8	2. Aqua America	7.70%	8.50%	7.00%	7.50%	7.68%	7.03%	7.35%
9	3. California Water	6.27%	5.00%	5.00%	1.00%	4.32%	6.17%	5.24%
10	4. Connecticut Water	4.80%	4.50%	1.50%	1.50%	3.07%	5.33%	4.20%
11	5. Middlesex	5.14%	4.50%	3.50%	1.50%	3.66%	3.35%	3.50%
12	6. SJW Corp.	6.99%	5.50%	4.00%	5.00%	5.37%	10.75%	8.06%
15	GROUP AVERAGE	6.88%	5.50%	4.58%	3.25%	5.05%	5.99%	5.52%
16	GROUP MEDIAN	6.63%	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 Rebuttal Schedule D-4.6.

Payson Water Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rebuttal Schedule D-4.6
Witness: Bourassa

Line No.		[1]	[2]	[3]	[4]	[5]
1						
2						
3						
4		ESTIMATES OF EARNINGS GROWTH				Average
5					Value	Growth (G)
6	Company	Reuters[1]	Yahoo[1]	Zacks[1]	Line[1]	(Cols 1-4)[2]
7	1. American States		2.00%	2.00%	6.00%	3.33%
8	2. Aqua America		5.80%	5.30%	10.00%	7.03%
9	3. California Water		6.00%	6.00%	6.50%	6.17%
10	4. Connecticut Water		5.00%	5.00%	6.00%	5.33%
11	5. Middlesex		2.70%		4.00%	3.35%
12	6. SJW Corp.		14.00%		7.50%	10.75%
13						
14						
15	GROUP AVERAGE	0.00%	5.92%	4.58%	6.67%	5.99%
16	GROUP MEDIAN					5.75%
17						
18						
19	[1] Data as of November 29, 2013					
20	[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.					
21						
22						
23						
24						
25						
26						
27						
28						

Payson Water Company
Current Dividend Yields for Water Utility Sample Group

Exhibit
Rebuttal Schedule D-4.7
Witness: Bourassa

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
6	1. American States	$ 29.18	$ 0.82	2.81%	3.20%
7	2. Aqua America	$ 24.07	$ 0.62	2.58%	2.85%
8	3. California Water	$ 22.86	$ 0.67	2.93%	3.36%
9	4. Connecticut Water	$ 34.75	$ 0.99	2.85%	3.62%
10	5. Middlesex	$ 21.98	$ 0.76	3.46%	4.02%
11	6. SJW Corp.	$ 27.46	$ 0.74	2.69%	2.94%
12					
13	Average			2.89%	3.33%
14	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.

Payson Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rebuttal 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=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	2.89%	3.04%	5.48% [3]	8.5%
10	DCF - Future Growth	2.89%	3.06%	5.99% [4]	9.1%
13	Average	2.89%	3.05%	5.74%	8.8%

1 Spot Dividend Yield = D_0/P_0. See Rebuttal 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 Rebuttal Schedule D-4.4, column 7
4 Growth rate (g). Average of Analyst Estimates Future Growth. See Rebuttal Schedule D-4.6.

Payson Water Company
Market Betas

Exhibit
Rebuttal Schedule D-4.9
Witness: Bourassa

Line No.		Company	Beta (β)[1]
1		Company	Beta (β)[1]
2	1.	American States	0.65
3	2.	Aqua America	0.60
4	3.	California Water	0.60
5	4.	Connecticut Water	0.75
6	5.	Middlesex	0.75
7	6.	SJW Corp.	0.85
8			
9		Average	**0.70**
10			
11			
12			
13		[1] Value Line Investment Analyzer data (November 29, 2013)	
14		Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15		in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16		(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17		derived from a regression analysis of the relationship between weekly percent-age changes in the	
18		price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19		the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20		The Betas are adjusted for their long-term tendency to converge toward 1.00.	

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

Exhibit
Rebuttal Schedule D-4.10
Witness: Bourassa

Line No.	Description	Spot October 2013[3]	2014	2015	Average
1					
2					
3					
4					
5					
6	Blue Chip Consensus Forecasts[1]	3.7%	4.0%	4.2%	4.0%
7					
8	Value Line[2]	3.7%	4.0%	4.3%	4.0%
9					
10	Average				4.0%
11					
12					
13					
14					
15	[1] December 2012 Blue Chip Financial Forecasts consensus long-term forecast of 30 Year U.S.Treasury				
16	[2] Value Line Quarterly forecast, dated Novermber 22, 2013, Long-term Treasury				
17	[3] Federal Reserve Monhtly Average - 30-Year U.S. Treasury				
18					
19					
20					
21					
22					
23					
24					

Payson Water Company
Computation of Current Market Risk Premium

Exhibit
Rebuttal Schedule D-4.11
Witness: Bourassa

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Jan 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_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
38 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).
39 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
40 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.
41

Payson Water Company
Capital Asset Pricing Model (CAPM)

Exhibit
Rebuttal 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%	[4]	=	8.7%
4									
5	Current Market Risk Premium CAPM	4.0%	+	0.70	x	9.5%	[5]	=	10.7%
6									
7	Average								9.7%
8									
9									
10									
11									
12	1 Forecasts of long-term treasury yields. See Rebuttal Schedule D-4.10.								
13	2 Value Line Investment Analyzer data. See Rebuttal Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2013 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2012.								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.11.								
17									
18									
19									
20									

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

Rebuttal Schedule D-4.13
Witness: Bourassa

	Company	Symbol	Measures of size (Millions) MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income	Total Assets[2]	5 Yr Avg. EBITDA[3]
1.	American States	AWR	$ 1,123	$ 454	$ 1,456	$ 37	$ 1,281	$ 130
2.	Aqua America	WTR	$ 4,222	$ 1,386	$ 5,766	$ 133	$ 4,859	$ 422
3.	California Water	CWT	$ 960	$ 474	$ 1,395	$ 41	$ 1,996	$ 140
4.	Connecticut Water	CTWS	$ 379	$ 185	$ 557	$ 11	$ 579	$ 24
5.	Middlesex	MSEX	$ 347	$ 181	$ 479	$ 13	$ 562	$ 38
6.	SJW Corp.	SJW	$ 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	Symbol	2012	2011	2010	2009	2008	Average
American States	AWR	$ 54.0	$ 45.9	$ 33.2	$ 29.5	$ 22.0	$ 36.9
Aqua America	WTR	$ 197.0	$ 143.1	$ 124.0	$ 104.4	$ 97.9	$ 133.3
California Water	CWT	$ 49.0	$ 37.7	$ 37.7	$ 40.6	$ 39.8	$ 40.9
Connecticut Water	CTWS	$ 14.0	$ 11.3	$ 9.8	$ 10.2	$ 9.4	$ 10.9
Middlesex	MSEX	$ 14.0	$ 13.4	$ 14.3	$ 10.0	$ 12.2	$ 12.8
SJW Corp.	SJW	$ 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	Symbol	2012	2011	2010	2009	2008	Average
American States	AWR	$ 154.0	$ 133.3	$ 134.4	$ 122.6	$ 105.9	$ 130.0
Aqua America	WTR	$ 439.0	$ 397.8	$ 473.2	$ 415.2	$ 384.7	$ 422.0
California Water	CWT	$ 151.0	$ 143.3	$ 155.7	$ 125.5	$ 122.1	$ 139.5
Connecticut Water	CTWS	$ 30.0	$ 24.2	$ 22.5	$ 20.3	$ 21.1	$ 23.6
Middlesex	MSEX	$ 39.0	$ 34.6	$ 43.3	$ 34.6	$ 38.6	$ 38.0
SJW Corp.	SJW	$ 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

Rebuttal Schedule D-4.14
Witness: Bourassa

MRP_{m+s} Estimates Using Duff & Phelps Study (Unlevered)
Assumes 100% Equity and 0% debt
Data Smoothing with Regression Analysis
Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevent Metric)

$RPun_{relevered} = RP_{levered} - W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{levered}$ = levered realized risk premium

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	18.448%	15.453%	18.701%	13.312%	17.363%	14.836%
X Coefficient(s)	-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 Portfilio Beta
(from 2012 Duff & Phelps RP Study - Table C)

Rebuttal Schedule D-4.15
Witness: Bourassa

	Company	Symbol	Unlevered Portfolio Beta (β_u)						
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	Average
1.	American States	AWR	0.94	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

Rebuttal Schedule D-4.16
Witness: Bourassa

MRP Estimates Using Duff & Phelps Study (Relevered)
Relevered Realized Risk Premium
$RP_{relevered} = RP_{unlevered} + W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{unlevered}$ = unlevered realized risk premium from Scehdule D-4.14
RP_{market} = general equity risk premium for the market since 1963.

			MRP_{m+s} (Relevered)							
	Company	Symbol	W_d/W_e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	29.6%	9.83%	9.87%	9.80%	10.37%	9.84%	10.22%	9.99%
2.	Aqua America	WTR	36.6%	8.14%	8.80%	8.02%	9.07%	8.27%	8.89%	8.53%
3.	California Water	CWT	45.3%	10.72%	10.43%	10.45%	10.85%	9.86%	10.76%	10.51%
4.	Connecticut Water	CTWS	47.1%	12.04%	11.58%	11.83%	12.46%	11.53%	13.08%	12.09%
5.	Middlesex	MSEX	37.9%	11.80%	11.27%	11.70%	11.92%	11.20%	12.06%	11.66%
6.	SJW Corp.	SJW	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		50.17%	NA	17.97%	NA	NMF	18.36%	NMF	18.16%

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 meterics used in Build-up Method

Rebuttal 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 (relevered) for publicly traded water companies (from Rebuttal Schedule D-4.16)	10.80%	
[5] MRP (relevered) for publicly traded water companies (RP_{m+s}) ([3] + [4])	11.30%	
[6] Equity Risk Premium Adjustment ([3])	0.50%	
[7] Average MRP (relevered) for subject utility company (from Table 4)	18.16%	
[8] MRP (relevered) for subject utility company (RP_{m+s}) ([6] + [7])	18.66%	
[9] Industry Risk Premium (From *Ibbotson* 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

Rebuttal Schedule D- 4.18
Witness: Bourassa

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
- Rf = Risk-free rate of return. See Rebuttal Schedule D-4-17.
- RP_{m+s} = Market risk premium including size premium. See ScheduleD- 4.16
- RPi = Industry risk premium (adjusted). See Rebuttal Schedule D-4.17.
- RP_u = Company-specific risk premium

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

Indicated COE $E(R_i)$

	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	10.17%	10.22%	10.14%	10.72%	10.19%	10.57%	10.34%
2.	Aqua America	WTR	8.49%	9.14%	8.37%	9.42%	8.62%	9.24%	8.88%
3.	California Water	CWT	11.07%	10.78%	10.80%	11.20%	10.20%	11.11%	10.86%
4.	Connecticut Water	CTWS	12.39%	11.93%	12.18%	12.80%	11.88%	13.43%	12.43%
5.	Middlesex	MSEX	12.15%	11.61%	12.04%	12.27%	11.55%	12.41%	12.00%
6.	SJW Corp.	SJW	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	18.32%	NA	NMF	18.71%	NMF	18.51%

Payson Water Company
Financial Risk Computation
Unlevered Beta

Exhibit
Rebuttal Schedule D-4.19
Witness: Bourassa

Line No.		Company	VL Beta β_L[1]	Raw Beta Raw β_L[2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]	Unlevered Raw Beta β_U[5]
5	1.	American States	0.65	0.45	39.9%	22.8%	77.2%	0.38
6	2.	Aqua America	0.60	0.37	39.0%	26.8%	73.2%	0.30
7	3.	California Water	0.60	0.37	37.5%	31.2%	68.8%	0.29
8	4.	Connecticut Water	0.75	0.60	32.0%	32.0%	68.0%	0.45
9	5.	Middlesex	0.75	0.60	33.9%	27.5%	72.5%	0.48
10	6.	SJW Corp.	0.85	0.75	41.1%	39.5%	60.5%	0.54
13		Sample Water Utilities	0.70	0.52	37.2%	30.0%	70.0%	0.41

[1] Value Line Investment Analyzer data. See Rebuttal 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) * Raw beta
[2] Raw Beta = (VL beta - .35)/(.67)
[3] Effective tax rates for year ended December 31, 2012.
4 See Rebuttal Schedule D-4.3
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Payson Water Company
Financial Risk Computation
Relevered Beta

Exhibit
Rebuttal Schedule D-4.20
Witness: Bourassa

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC)$ β_{RL}	VL Adjusted Relevered Beta .35 + .67(Raw Beta) β_{RL}
1							
2							
3							
4							
5	Payson Water Company	0.41	33.4%	66.6%	36.21%	0.54	0.71
6							
7							
8							
9							
10							
11							
12							

13 1 Unlevered Beta from Rebuttal Schedule D-4.14.
14 [2] Proforma Capital Structure of Company

	BV (in Thousands)			MV (in Thousands)	MV %
15					
16					
17 Long-term Debt	$ 52.8	1.00		$ 53	33.40%
18 Preferred Stock	$ -	1.00		-	0.0%
19 Common Stock	$ 47.2	2.23	(a)	105	66.6%
20 Total Capital	$ 100			$ 158	100.0%

21
22 (a) Current market-to-book ratio of sample water utilities. See work papers.
23
24 3 Current Tax rate based on test year ending 12/31/2012. See Rebuttal Schedule D-1.
25
26

Payson Water Company
Financial Risk Computation

Exhibit
Rebuttal Schedule D-4.21
Witness: Bourassa

Line No.											
1	**CAPM**										
2		**Rf**		+	**β**		x	**(Rp)**			**k**
3	Historical Market Risk Premium	4.0%	1	+	0.70	2	x	6.7%	3	=	8.7%
4	Current Market Risk Premium	4.0%	1	+	0.70	2	x	9.5%	4	=	10.7%
5											
6	Average										9.7%
7											
8											
9	**CAPM Relevered Beta**										
10		**Rf**		+	**β**		x	**(Rp)**			**k**
11	Historical Market Risk Premium	4.0%	1	+	0.71	5	x	6.7%	3	=	8.8%
12	Current Market Risk Premium	4.0%	1	+	0.71	5	x	9.5%	4	=	10.8%
13											
14	Average										9.8%
15											
16	Financial Risk Adjustment										**0.1%**
17											
18											

19 [1] Forecast of long-term treasury yields. See Rebuttal Schedule D-4.10
20 [2] Value Line Investment Analyzer data. See Rebuttal Schedule D-4.9
21 [3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2013 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2012
22 [4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
23 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.11
24 [5] Relevered bata found on Rebuttal Schedule D-4.15
25

Payson Water Company
Size Premium[1]

Exhibit
Rebuttal Schedule D-4.22
Witness: Bourassa

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.12	1.12%	
8	Low-Cap Companies[3]	1.23	1.85%	
10	Micro-Cap Companies[4]	1.36	3.81%	
12	Decile 10[5]	1.42	6.03%	3.65%

		Risk Premium for Small Water Utilities
20	Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-8 of Morningstar, *Ibbotson SBBI 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 inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

	Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1. American States	$ 1,123	Low-Cap	1.85%	4.18%	0.1666667	0.70%
2. Aqua America	$ 4,222	Mid-Cap	1.14%	4.89%	0.1666667	0.82%
3. California Water	$ 960	Low-Cap	1.85%	4.18%	0.1666667	0.70%
4. Connecticut Water	$ 379	Micro-Cap	3.81%	2.22%	0.1666667	0.37%
5. Middlesex	$ 347	Micro-Cap	3.81%	2.22%	0.1666667	0.37%
6. SJW Corp.	$ 514	Low-Cap	1.85%	4.18%	0.1666667	0.70%
Weighted Size Premium for Small Companies						3.65%

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-0111
IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,238,000 IN CONNECTION WITH INFRASTRUCTURE IMPROVEMENTS TO THE UTILITY SYSTEM; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY 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

EXHIBIT
A-10
ADMITTED

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

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

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

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

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

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

II. SUMMARY OF THE COMPANY'S REJOINDER POSITION

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

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

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

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

Q. WHY IS THE REJOINDER REVENUE REQUIREMENT HIGHER?

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

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

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

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

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

is in place and in service once construction is finished.

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

A. The Company is borrowing $275,000 from WIFA this month to build the line, an amount which Staff agreed and the Commission concluded was reasonable.[1] Between the estimated construction costs and the related costs of needed approvals, the costs will likely exceed the $275,000. Of course, support for the actual costs will be provided as soon as available. Besides, Staff must feel that number is highly certain. Not only was it used to develop the Phase 1 DSR Surcharge, but Staff also has increased the debt in the Company's capital structure by $275,000.[2]

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

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

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

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

---

[1] Phase 1 Decision at 7, 15.

[2] Direct Testimony of John A. Cassidy (Cost of Capital) at 7. The $1,179,650 Staff inputs into PWC's capital 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.

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

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

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

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

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

[4] Cassidy Financing Dt. at 9-10.

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

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

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

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

	Revenue Requirement	Revenue Incr.	% Increase
Company-Rebuttal	$680.787	$360,272	112.40%
Staff	$561,246	$240,721	75.10%
Company-Rejoinder	$713,624	$393,099	122.64%

III. RATE BASE

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

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

	OCRB	FVRB
Company-Rebuttal	$ 660,266	$ 660,266
Staff	$ 425,129	$ 425,129
Company-Rebuttal	$ 932,837	$ 932,837

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

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

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

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

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

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

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

A. The Company is not proposing any adjustments to A/D. Both the Company and Staff agree on an A/D balance of $1,332,825.[6]

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

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

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

[6] *See* Payson Rejoinder Schedule B-2, page 1 and Staff Surrebuttal Schedule CSB-3.

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

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

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

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

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

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

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

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

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[11] Brown Sb. at 4.

[12] Brown Dt. at 10.

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

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

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

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

Q. DOES THE NARUC MANUAL SET FORTH MANDATORY REQUIREMENTS?

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

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

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

[14] Brown Sb. at 4.

> the most common, basic regulatory principles, processes, and procedures used by many regulatory commissions to examine and investigate general rate applications....
>
> We offer one caution to those who are concerned about the use of the phrase "audit manual." We make use of the word "audit" as it is commonly referred to in regulatory circles. We do not mean it in the purist sense of the word, where one might assume a verification of 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 presentation for regulatory purposes. Clearly, the reader should distinguish a regulatory audit from financial audits performed by independent certified public accountants.

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

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

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

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

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

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

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

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

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[15] Brown Sb. at 4.

[16] *See* Bourassa Rb. at 5-6.

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

D. <u>Accumulated Deferred Income Tax</u>

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

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

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

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

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

A. This testimony is contradicted by the fact that the ADIT balance she adopted from the Company's direct filing includes consideration of the CIAC balance in the calculation of the ADIT balance.[18] Ms. Brown can't have it both ways. By adding CIAC, as Staff recommends, the difference between the book and tax basis changes. There will be no depreciation for book purposes on the additional CIAC Staff proposes to add, but the Company does have a tax basis in the plant and will have tax depreciation. This book-tax testimony difference creates a future tax asset. Thus, her computation set forth at page 9 of her surrebuttal testimony is wrong. The bottom line is if the CIAC balance is increased, as Staff proposes, then the difference between the book and tax basis in plant changes and ADITs will be impacted. Based upon Staff's proposed CIAC balance, the ADIT should be a net deferred tax asset of $56,216 and Staff's rate base should be $504,684.[19]

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

A. No.

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[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.

[19] *See* Bourassa Rb. at 15.

IV. INCOME STATEMENT (C SCHEDULES)

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

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

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

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

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

[20] Brown Sb. at 15.

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

1. Remaining Revenue and Expense Issues

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

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

> ...In general, the pro forma adjustments can be viewed as a ratemaking attempt to transform the relationship between that exists between the elements of cost of service (revenues, 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.

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

A. Yes.

Q. ANY OTHER REMAINING ISSUES?

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

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[21] Bourassa Rb. at 12.

[22] Brown Sb. at 4.

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

V. RATE DESIGN (H SCHEDULES)

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

A. The Company's proposed base rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meters	$25.42
5/8" x 3/4" Meters – MDC customers only	$32.95
3/4" Meters	$38.12
1" Meters	$63.54
1" Meters – MDC customers only	$82.38
1 1/2" Meters	$127.08
2" Meters	$203.32
3" Meter	$406.64
4" Meters	$635.38
6" Meter	$1270.75
8" Meters	$2,033.20

COMMODITY RATES

5/8" x ¾" Meters	1 to 3,000	$5.90
	3,001 to 10,000	$7.65
	Over 10,000	$9.15
¾" Meters (Residential)	1 to 3,000	$5.90

	3,001 to 10,000	$7.65
	Over 10,000	$9.15
1" Meters	1 to 18,000	$7.65
	Over 18,000	$9.15
1 ½" Meters	1 to 40,000	$7.65
	Over 40,000	$9.15
2" Meters	1 to 60,000	$7.65
	Over 60,000	$9.15
3" Meters	1 to 120,000	$7.65
	Over 120,000	$9.15
4" Meters	1 to 200,000	$7.65
	Over 200,000	$9.15
6" Meters	1 to 450,000	$7.65
	Over 450,000	$9.15
8" Meters	1 to 750,000	$7.65
	Over 750,000	$9.15

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

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

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

increase.

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

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

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

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

1. Miscellaneous Charges

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

A. Yes.

2. Service Line and Meter Charges

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

A. Yes.

3. Debt Recovery Surcharge

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

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

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

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

4. O&M Cost Recovery Surcharge

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

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

5. PWAM

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

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

[23] Williamson Rj. at 2-4.

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

Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes

[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

FOR COMMISSION USE

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	$ 646,630
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

12

Contractee	Date Opened	Expiration Dates	Amort Rate	Contributions in Aid of Construction Balance 12/31/07	Additions	(Deletions)	Balance 12/31/08	CIAC Amortization 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 - Mrtyle 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 differnce			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 Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12	CIAC Amortization 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 Mrtyle 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

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Contractee	Date Opened	Expiration Dates	Amort Rate	Contributions in Aid of Construction: Balance 12/31/08	Additions	(Deletions)	Balance 12/31/09	CIAC Amortization: Balance 12/31/08	Additions	(Deletions)	Balance 12/31/09
Pre-acquisition CIAC - Mesa Del	1983	2013	3.2%	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - Flow Sprs	1983	2013	3.2%	(180.00)			(180.00)	(102.00)	(5.76)		(107.76)
Pre-acquisition CIAC - Quail Valley	1983	2013	3.2%	970.00			970.00	549.00	31.04		580.04
Pre-acquisition CIAC - Geronimo	1983	2013	3.2%	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - E V Park	1983	2013	3.2%	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - Mrtyle Rdg.	1983	2013	3.2%	395.00			395.00	224.00	12.64		236.64
Pre-acquisition CIAC - Quail Valley	1993	2023	3.2%	67,114.00			67,114.00	37,955.00	2,147.65		40,102.65
Pre-acquisition CIAC - Deer Creek	1993	2023	3.2%	249,737.00			249,737.00	141,234.00	7,991.58		149,225.58
Pre-acquisition CIAC - Deer Creek	1995	2025	3.2%	4,306.00			4,306.00	2,435.00	137.79		2,572.79
Mark Boroski	05/01/89	05/01/19	3.2%	23,169.92			23,169.92	13,103.00	741.44		13,844.44
Star Valley Ltd Partnership	01/20/94	01/20/24	3.2%	318,538.07			318,538.07	183,797.00	10,193.22		193,990.22
David Glen Spurlock	01/26/94	01/26/24	3.2%	120,000.00			120,000.00	67,864.00	3,840.00		71,704.00
Star Valley Ltd Partnership	11/25/95	11/25/25	3.2%	115,624.27			115,624.27	65,389.00	3,699.98		69,088.98
Prior AIAc's not valid contract			3.2%	(23,589.13)			(23,589.13)	(13,341.57)	(754.85)		(14,096.42)
Unlocated differnce			3.2%	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: Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12	CIAC Amortization: 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 Mrtyle 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

12

Contractee	Date Opened	Expiration Dates	Amort Rate	Contributions in Aid of Construction: Balance 12/31/09	Additions	(Deletions)	Balance 12/31/10	CIAC Amortization: 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 Sprs	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 - Mrtyle 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 differnce			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: Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12	CIAC Amortization: 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 Mrtyle 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 Balance 12/31/10	Additions	(Deletions)	Balance 12/31/11	CIAC Amortization Balance 12/31/10	Additions	(Deletions)	Balance 12/31/11
Pre-acquisition CIAC - Mesa Del	1983	2013	3.2%	395.00			395.00	249.28	12.64		261.92
Pre-acquisition CIAC - Flow Sprs	1983	2013	3.2%	(180.00)			(180.00)	(113.52)	(5.76)		(119.28)
Pre-acquisition CIAC - Quail Valley	1983	2013	3.2%	970.00			970.00	611.08	31.04		642.12
Pre-acquisition CIAC - Geronimo	1983	2013	3.2%	395.00			395.00	249.28	12.64		261.92
Pre-acquisition CIAC - E V Park	1983	2013	3.2%	395.00			395.00	249.28	12.64		261.92
Pre-acquisition CIAC - Mrtyle Rdg.	1983	2013	3.2%	395.00			395.00	249.28	12.64		261.92
Pre-acquisition CIAC - Quail Valley	1993	2023	3.2%	67,114.00			67,114.00	42,250.30	2,147.65		44,397.95
Pre-acquisition CIAC - Deer Creek	1993	2023	3.2%	249,737.00			249,737.00	157,217.16	7,991.58		165,208.74
Pre-acquisition CIAC - Deer Creek	1995	2025	3.2%	4,306.00			4,306.00	2,710.58	137.79		2,848.37
Mark Boroski	05/01/89	05/01/19	3.2%	23,169.92			23,169.92	14,585.88	741.44		15,327.32
Star Valley Ltd Partnership	01/20/94	01/20/24	3.2%	318,538.07			318,538.07	204,183.44	10,193.22		214,376.66
David Glen Spurlock	01/26/94	01/26/24	3.2%	120,000.00			120,000.00	75,544.00	3,840.00		79,384.00
Star Valley Ltd Partnership	11/25/95	11/25/25	3.2%	115,624.27			115,624.27	72,788.96	3,699.98		76,488.94
Prior AIAc's not valid contract			3.2%	(23,589.13)			(23,589.13)	(14,851.27)	(754.85)		(15,606.12)
Unlocated differnce			3.2%	11.75			11.75	6.76	0.38		7.14
				877,281.88	-	-	877,281.88	555,930.49	28,073.03	-	584,003.52
										G / L	584,003.52
										Net Chang	(0.00)

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

Payson Water co.

Contributions in Aid of Construction

December 31st, 2012

12

Contractee	Date Opened	Expiration Dates	Amort Rate	Contributions in Aid of Construction: Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12	CIAC Amortization: Balance 12/31/11	Additions	(Deletions)	Balance 12/31/12
Pre-acquisition CIAC - Mesa Del	1983	2013	3.2%	395.00			395.00	261.92	12.64		274.56
Pre-acquisition CIAC - Flow Sprs	1983	2013	3.2%	(180.00)			(180.00)	(119.28)	(5.76)		(125.04)
Pre-acquisition CIAC - Quail Valley	1983	2013	3.2%	970.00		(970.00)	-	642.12	12.93	(655.05)	-
Pre-acquisition CIAC - Geronimo	1983	2013	3.2%	395.00			395.00	261.92	12.64		274.5
Pre-acquisition CIAC - E V Park	1983	2013	3.2%	395.00			395.00	261.92	12.64		274.[illegible]
Pre-acquisition CIAC - Mrtyle Rdg.	1983	2013	3.2%	395.00			395.00	261.92	12.64		274.56
Pre-acquisition CIAC - Quail Valley	1983	2023	3.2%	67,114.00		(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	7,991.58		173,200.32
Pre-acquisition CIAC - Deer Creek	1995	2025	3.2%	4,306.00			4,306.00	2,848.37	137.79		2,986.16
Mark Boroski	05/01/89	05/01/19	3.2%	23,169.92			23,169.92	15,327.32	741.44		16,068.76
Star Valley Ltd partnership	01/20/94	01/20/24	3.2%	318,538.07		(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		(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	3,840.00		83,224.00
Prior AIAc's not valid contract			3.2%	(23,589.13)			(23,589.13)	(15,606.12)	(754.85)		(16,360.97)
Unlocated differnce			3.2%	11.75			11.75	7.14	0.38		7.52
Circle K (Star/Quail)		1/1/2037	4.0%		82,382.12	(82,382.12)	-	-	1,373.04	(1,373.04)	-
				877,281.88	82,382.12	(584,628.46)	375,035.54	584,003.52	20,070.79	(343,975.32)	260,098.99
										G / L	260,098.99
										Net Change	(0.00)

SYSTEM SUMMARY

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

	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%
22			

23	**Customer**	**Present**	**Proposed**	**Dollar**	**Percent**
24	**Classification**	**Rates**	**Rates**	**Increase**	**Increase**
25	5/8x3/4 Inch US	$ 189,890	$ 377,796	$ 187,905	98.95%
26	5/8x3/4 Inch US - MDC	97,253	227,134	129,881	133.55%
27	5/8x3/4 Inch C&S	52,037	149,234	97,197	186.78%
28	3/4 Inch US	1,860	4,605	2,745	147.63%
29	1 Inch US	7,113	21,925	14,812	208.24%
30	1 Inch US - MDC	317	1,233	916	288.91%
31	1 Inch C&S	1,178	2,344	1,165	98.88%
32					
33	Revenue Annualization	(35,742)	(76,704)	(40,962)	114.60%
34	**Subtotal**	$ 313,906	$ 707,567	$ 393,661	125.41%
35					
36	Other Water Revenues	5,901	5,901	-	0.00%
37	Reconciling Amount	718	157	(561)	-78.13%
38	Rounding			(1)	0.00%
39	**Total of Water Revenues**	$ 320,525	$ 713,625	$ 393,099	122.64%
40					
41					
42					

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.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 2,433,712	$ 2,433,712
3	Less: Accumulated Depreciation	1,332,825	1,332,825
4			
5	Net Utility Plant in Service	$ 1,100,886	$ 1,100,886
6			
7	Less:		
8	Advances in Aid of Construction	-	-
9			
10	Contributions in Aid of Construction	375,036	375,036
11			
12	Accumulated Amortization of CIAC	(231,270)	(231,270)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	24,283	24,283
16			
17			
18			
19	Plus:		
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	$ 932,837
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43	SUPPORTING SCHEDULES:		
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 Test Year	Proforma Adjustment	Rejoinder Adjusted at end of Test Year
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
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47	E-1			
48				
49				
50				

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

Exhibit
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 ADIT	5 Intentionally Left Blank	Rejoinder Adjusted at end of Test Year
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	$ 274,325	$ -	$ -	$ -	$ -	$ 1,100,886
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	-						-
15								
16	Contributions in Aid of							
17	Construction (CIAC)	375,036			-			375,036
18								
19	Accumulated Amort of CIAC	(231,270)			-			(231,270)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	23,339				944		24,283
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						-
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-			-			-
31								
32	Total	$ 659,457	$ 274,325	$ -	$ -	$ (944)	$ -	$ 932,837
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-6						B-1	
38								
39								
40								

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

Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Adjusted Original Cost	A Post Test Year Plant	B Reconciliation Adjustments to Reconcile PIS to Reconstruction	Adjustments C Post Test Year Plant	D Intentionally Left Blank	E Intentionally Left Blank	Rejoinder Adjusted Original Cost
6	301	Organization Cost	221	-	-				221
7	302	Franchise Cost	-	-	-				-
8	303	Land and Land Rights	16,500	-	-				16,500
9	304	Structures and Improvements	300,078	-	-				300,078
10	305	Collecting and Impounding Res.	2,531	-	-				2,531
11	306	Lake River and Other Intakes	-	-	-				-
12	307	Wells and Springs	273,013	-	-				273,013
13	308	Infiltration Galleries and Tunnels	-	-	-				-
14	309	Supply Mains	3,681	-	-				3,681
15	310	Power Generation Equipment	8,310	-	-				8,310
16	311	Electric Pumping Equipment	217,608	-	-				217,608
17	320	Water Treatment Equipment	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
21	330.1	Storage tanks	-	-	-				-
22	330.2	Pressure Tanks	-	-	-				-
23	331	Trans. and Dist. Mains	439,972	274,325	-				714,297
24	333	Services	81,823	-	-				81,823
25	334	Meters	199,952	-	-				199,952
26	335	Hydrants	1,171	-	-				1,171
27	336	Backflow Prevention Devices	-	-	-				-
28	339	Other Plant and Misc. Equip.	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
34	344	Laboratory Equipment	-	-	-				-
35	345	Power Operated Equipment	-	-	-				-
36	346	Communications Equipment	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
41									
42		Plant-in-Service per Books							$ 2,159,387
43									
44		Increase (decrease) in Plant-in-Service							$ 274,325
45									
46		Adjustment to Plant-in-Service							$ 274,325
47									
48		SUPPORTING SCHEDULES							
49		B-2, pages 3.1							
50									

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	Acct.		Phase 1
5	No.	Description	Costs
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	SUPPORTING SCHEDULE		
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 Orginal Cost	Post Test Year Plant	Rejoinder Adjusted Orginal 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	$ -
41							
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 Order Plant at 6/30/1998	Per Decision 62320 Accum. Deprec. At 6/30/1998	Per Decision 62401 Order Plant at 6/30/1998	Per Decision 62401 Accum. Deprec. At 6/30/1998	Per Decisions 62320 & 62401 Plant at 6/30/1998	Per Decisions 62320 & 62401 Accum. Deprec. At 6/30/1998
1	301	Organization Cost	0.00%	0.00%	300				300	-
2	302	Franchise Cost	0.00%	0.00%					-	-
3	303	Land and Land Rights	0.00%	0.00%	4,000		25,566		29,566	-
4	304	Structures & Improvements	5.00%	3.18%	275	163	265,810	98,799	266,085	98,961
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%	4,000	2,367	448,232	166,603	452,232	168,970
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%	11,615	6,873	157,874	58,680	169,489	65,553
12	320	Water Treatment Equipment	5.00%	3.18%	869	514	4,663	1,733	5,532	2,247
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%	10,384	6,144	322,244	119,775	332,628	125,919
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%	58,515	34,624	641,234	238,340	699,749	272,964
19	333	Services	5.00%	3.18%	13,925	8,240	132,857	49,382	146,782	57,621
20	334	Meters	5.00%	3.18%	11,741	6,947	115,170	42,807	126,911	49,755
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%			569,795	211,787	569,795	211,787
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			115,624	65,872	2,683,445	987,905	2,799,069	1,053,777

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	1998 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%			-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-			-	29,566	-
4	304	Structures & Improvements	5.00%	3.18%			-			6,652	266,085	105,614
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%			-			11,306	452,232	180,276
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%			-			4,237	169,489	69,790
12	320	Water Treatment Equipment	5.00%	3.18%			-			138	5,532	2,386
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%			-			8,316	332,628	134,235
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%			-			17,494	699,749	290,458
19	333	Services	5.00%	3.18%			-			3,670	146,782	61,291
20	334	Meters	5.00%	3.18%			-			3,173	126,911	52,928
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%			-			14,245	569,795	226,032
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			-	-	-	-	-	69,230	2,799,069	1,123,007

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	1999 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%			-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-			-	29,566	-
4	304	Structures & Improvements	5.00%	3.18%			-			13,304	266,085	118,918
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%			-			16,631	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%			-			34,987	699,749	325,445
19	333	Services	5.00%	3.18%			-			7,339	146,782	68,630
20	334	Meters	5.00%	3.18%			-			6,346	126,911	59,273
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%			-			28,490	569,795	254,521
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.6
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2000 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%			-				-	-	-
3	303	Land and Land Rights	0.00%	0.00%			-		(7,175)		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%			-		(71,733)	(38,532)	8,368	194,352	88,754
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%			-				-		
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%			-		(52,367)	(47,035)	11,139	280,261	114,970
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%			-		(145,056)	(94,460)	22,799	554,693	253,784
19	333	Services	5.00%	3.18%			-		(37,285)	(19,942)	4,658	109,497	53,346
20	334	Meters	5.00%	3.18%	35,491		35,491				5,258	162,402	50,267
21	335	Hydrants	5.00%	3.18%	1,589		1,589				29	1,589	172
22	336	Backflow Prevention Devices	5.00%	3.18%			-				-		
23	339	Other Plant & Misc Equipment	5.00%	3.18%			-		(159,906)	(82,907)	17,806	409,889	189,420
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2001 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%	-		-	-		-	-	-
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	-		10,618	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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	24,296		24,296	-		9,299	304,557	124,269
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	-		17,890	570,484	271,675
19	333	Services	5.00%	3.18%	-		-	-		3,482	109,497	56,828
20	334	Meters	5.00%	3.18%	11,723		11,723	-		5,351	174,124	55,618
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	222
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-	-		13,034	409,889	202,455
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.8
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2002 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,180	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%	-		-	-		10,824	340,366	173,102
8	308	Infiltration Galleries	5.00%	3.18%	-		-	-		-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-		-	-		16	495	46
10	310	Power Generation Equipment	5.00%	3.18%	-		-	-		216	6,793	839
11	311	Pumping Equipment	5.00%	3.18%	12,580		12,580	-		5,214	170,241	70,813
12	320	Water Treatment Equipment	5.00%	3.18%	2,416		2,416	-		381	13,203	2,983
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%	31,220		31,220	-		10,181	335,776	134,450
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%	19,233		19,233	-		18,447	589,717	290,122
19	333	Services	5.00%	3.18%	-		-	-		3,482	109,497	60,310
20	334	Meters	5.00%	3.18%	18,215		18,215	-		5,827	192,339	61,445
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		TOTALS			83,664	-	83,664	-	-	73,853	2,386,949	1,110,986

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.9
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2003 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%	-		-	-		-	-	-
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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	42,968		42,968	19,250		-	359,495	115,200
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

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2004 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%	-		-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%	(0)		(0)			-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	0		0			6,180	194,352	107,295
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)			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)			16	495	61
10	310	Power Generation Equipment	5.00%	3.18%	(0)		(0)			216	6,793	1,055
11	311	Pumping Equipment	5.00%	3.18%	6,241		6,241			5,673	181,515	76,486
12	320	Water Treatment Equipment	5.00%	3.18%	0		0			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	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	597,066	309,103
19	333	Services	5.00%	3.18%	-		-			3,482	109,497	63,792
20	334	Meters	5.00%	3.18%	8,741		8,741			6,996	224,364	68,440
21	335	Hydrants	5.00%	3.18%	-		-			51	1,589	323
22	336	Backflow Prevention Devices	5.00%	3.18%	-		-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-			13,034	409,889	228,524
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%	4,361		4,361			178	7,778	178
32	347	Miscellaneous Equipment	5.00%	3.18%	-		-			-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-		-			-	-	-
34							-			-	-	-
35												
36		TOTALS			19,909	-	19,909	-	-	77,485	2,469,289	1,169,221

[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

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2005 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,180	194,352	113,476
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	409,889	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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.12
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2006 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	4,919		4,919	-		6,259	199,271	119,734
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%	-		-	-		11,438	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%	-		-	-		18,987	597,066	347,076
19	333	Services	5.00%	3.18%	751		751	-		3,494	110,248	70,768
20	334	Meters	5.00%	3.18%	16,339		16,339	-		7,760	252,193	83,518
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	424
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	-		-	-		13,034	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%	-		-	-		247	7,778	673
32	347	Miscellaneous Equipment	5.00%	3.18%			-			-	-	-
33	348	Other Tangible Plant	5.00%	3.18%	-		-	-		-	-	-
34							-			-	-	-
35												
36		TOTALS			43,967	-	43,967	-	-	79,245	2,536,648	1,325,960

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.13
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2007 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%	-		-			-	-	-
3	303	Land and Land Rights	0.00%	0.00%	0		0			-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	12,811		12,811			6,541	212,082	126,275
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			19	612	114
10	310	Power Generation Equipment	5.00%	3.18%	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%	-		-			-		-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	0		0			11,438	359,691	160,949
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			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%	3,703		3,703			13,093	413,592	267,686
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	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												
36		TOTALS			56,829	-	56,829	-	-	80,847	2,593,477	1,406,807

[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 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	4,523		4,523	-		6,816	216,605	133,091
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	3,435		3,435	-		55	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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	11,870		11,870	-		11,627	371,561	172,576
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												
36		TOTALS			60,749	-	60,749	-	-	82,717	2,654,226	1,489,524

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.15
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2009 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,888	216,605	139,979
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-		-	-		109	3,435	164
6	306	Lake, River, Canal Intakes	5.00%	3.18%			-			-	-	-
7	307	Wells & 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%			-			-	-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-		-	-		11,816	371,561	184,392
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	404,036
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	81,349
20	334	Meters	5.00%	3.18%	2,576		2,576	-		8,470	267,629	108,585
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	576
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.16
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2010 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%	-		-	-		-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-		-	-		-	22,391	-
4	304	Structures & Improvements	5.00%	3.18%	-		-	-		6,888	216,605	146,867
5	305	Collecting & Impounding Reservoirs	5.00%	3.18%	-		-	-		109	3,435	273
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%	-		-	-		-	-	-
9	309	Raw Water Supply Mains	5.00%	3.18%	-		-	-		19	612	173
10	310	Power Generation Equipment	5.00%	3.18%	-		-	-		274	8,628	2,522
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%	-		-	-		18,987	597,066	423,023
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	84,880
20	334	Meters	5.00%	3.18%	293		293	-		8,515	267,923	117,100
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	626
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
23	339	Other Plant & Misc Equipment	5.00%	3.18%	9,689		9,689	-		13,563	431,362	307,918
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	13
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	2,196
32	347	Miscellaneous Equipment	5.00%	3.18%			-			-	-	-
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

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.17
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2011 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%	-		-	-		-	-	-
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%	-		-	-		18,987	597,066	442,010
19	333	Services	5.00%	3.18%	-		-	-		3,531	111,038	88,411
20	334	Meters	5.00%	3.18%	2,462		2,462	-		8,559	270,384	125,659
21	335	Hydrants	5.00%	3.18%	-		-	-		51	1,589	677
22	336	Backflow Prevention Devices	5.00%	3.18%			-			-	-	-
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	-	-	85,668	2,726,138	1,744,004

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

Payson Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.18
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate Before	Allowed Deprec. Rate After[1]	2012 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.
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%			-				-		-	-
7	307	Wells & Springs	5.00%	3.18%	-		-		(97,481)	(73,245)	10,232		273,013	200,653
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%			-				-		-	-
15	330	Distribution Reservoirs & Standpipes	5.00%	3.18%	-		-		(97,762)	(58,120)	10,261		273,800	160,164
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%	-		-		(157,094)	(122,207)	16,489	274,325	714,297	336,291
19	333	Services	5.00%	3.18%	-		-		(29,215)	(24,363)	3,066		81,823	67,115
20	334	Meters	5.00%	3.18%	753		753		(71,186)	(34,665)	7,478		199,952	98,472
21	335	Hydrants	5.00%	3.18%	-		-		(418)	(197)	44		1,171	524
22	336	Backflow Prevention Devices	5.00%	3.18%			-				-		-	-
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

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

Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Adjusted Accum. Depr.	A Reconciliation Adjustments to Reconcile A/D to Reconstruction	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Rejoinder Adjusted Accum. Depr.
				Adjustments					
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
41									
42		Accumulated Depreciation per Books							$ 1,332,825
43									
44		Increase (decrease) in Accumulated Depreciation							$ -
45									
46		Adjustment to Accumulated Depreciation							$ -
47									
48		SUPPORTING SCHEDULES							
49		B-2, pages 4.1							
50									

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	$ -
41					
42					
43	SUPPORTING SCHEDULE				
44	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	$ 375,036	$ 231,270
8			
9	Increase (decrease)	$ -	$ -
10			
11			
12	Adjustment to CIAC/AA CIAC	$ -	$ -
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1		
22			
23			
24			
25			
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37			
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39			
40			

Payson Water Company
Test Year Ended December 31, 2012
Contributions-in-aid of Construction (CIAC)

Exhibit
Rejoinder Schedule B-2
Page 5.1
Witness: Bourassa

Line No.		Dec. No. 62401 Balance 6/30/1998	1998 Additions	1998 Balance 9/30/2009	1999 Additions	1999 Balance 10/30/2009	2000 Additions	2000 Balance 9/30/2011	2001 Additions	2001 Balance 9/30/2012	2002 Additions	2002 Balance	2003 Additions	2003 Balance
5	CIAC	960,903		960,903		960,903	(77,129)	883,774		883,774		883,774		883,774
7	Amortization	192,220												
8	Amortization Rate			5.00%		5.00%		3.65%		3.20%		3.20%		3.20%
9	Amortization (1/2 yr convention)			48,045		48,045		33,665		28,281		28,281		28,281
10	Accumulated Amortization			240,265		288,310	(77,129)	244,847		273,127		301,408		329,689
12	Net CIAC	768,683	-	720,638	-	672,593	-	638,927	-	610,647	-	582,366	-	554,085

Line No.		2004 Additions	2004 Balance 12/31/1993	2005 Additions	2005 Balance 12/31/1993	2006 Additions	2006 Balance 12/31/1993	2007 Additions	2007 Balance 12/31/1993	2008 Additions	2008 Balance 12/31/1993	2009 Additions	2009 Balance 12/31/1993
20	CIAC		883,774	-	883,774	-	883,774	-	883,774	(6,492)	877,282	-	877,282
23	Amortization Rate												
24	Amortization (1/2 yr convention)		3.20%		3.20%		3.20%		3.20%		3.20%		3.20%
25	Accumulated Amortization		28,281		28,281		28,281		28,281		28,177		28,073
27	Net CIAC		357,970		386,250		414,531		442,812	-	470,989		499,062
		-	525,804	-	497,524	-	469,243	-	440,962	(6,492)	406,293	-	378,220

Line No.		2010 Additions	2010 Balance 12/31/1993	2011 Additions	2011 Balance 12/31/1993	2012 Additions	2012 Balance 12/31/1993
37	CIAC	-	877,282	-	877,282	(502,246)	375,036
40	Amortization Rate		3.20%		3.20%		3.20%
41	Amortization (1/2 yr convention)		28,073		28,073		20,037
42	Accumulated Amortization		527,135		555,208	(343,975)	231,270
44	Net CIAC	-	350,147	-	322,074	(158,271)	143,766

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			
2			
3			
4	Computed balance at 09/30/2012	$	82,962
5			
6	Book balance at 09/30/2012	$	82,962
7			
8	Increase (decrease)	$	(0)
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 6.1		
22			
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35			

Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rejoinder Schedule B-2
Page 6.0
Witness: Bourassa

Deferred Income Tax as of December 31, 2012

Line No.			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
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)
11	State	Fixed Assets	$ 957,121	$ 890,025 [2]	100.0%	$ (67,096)	6.50%		-		(4,361)
13	Fed &St	AIAC		- [4]	100.0%	$ - [4]	34.26%	$	-		
16								$ -	$ -	$ -	$ (24,283)
17		Net Asset (Liability)						$ (24,283)			
21		Net Asset (Liability)						$ (24,283)			
23		Adjusted DIT Asset (Liability)						$ (23,339)			
25		Adjustment to DIT						$ 944			

Footnotes - See page 2

Payson Water Company
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rejoinder Schedule B-2
Page 6.1
Witness: Bourassa

Line No.						
1	[1] **Per Rebuttal Adjusted Balances**					
2	[2] **Computation of Net Tax Value December 31, 2012**					
3	Based on 2012 Tax Depreciation report (December 31, 2012)					
4	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report	$ 2,159,341			$ 2,159,341	
5	Reconciling Items not on tax report:					
6	Post Test Year Plant	274,325			274,325	
7					-	
8					-	
9					-	
10					-	
11	Net Unadjusted Cost tax Basis at December 31, 2012				-	
12				$ 2,433,666		$ 2,433,666
13	Reductions					
14	Basis Reduction 2012 and Prior Years per federal and state tax depr. report	$ -			$ -	
15	Accumulated Depreciation 2012 and prior per federal and state tax depr. report	(1,543,641)			(1,543,641)	
16					-	
17					-	
18					-	
19					-	
20					-	
21		-			-	
22	Net Reductions through December 31, 2012	-			-	
23	Net tax value of plant-in-service at December 31, 2012			(1,543,641)		(1,543,641)
24				$ 890,025		$ 890,025
25	[3] **CIAC (including impact of change to probability of realization)**					
26						
27	Gross CIAC per Adjusted Balances		$ 375,036			
28	CIAC reductions/addtions					
29	A.A perAdjusted Balances	$ (231,270)				
30						
31						
32	Net CIAC before unrealized AIAC		(231,270)			
33				$ 143,766		
34	Unrealized AIAC Component					
35	Adjusted Net AIAC (see footnote 5 below)		$ -			
36	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%			
37				$ -		
38	Total realizable CIAC			$ 143,766		
39						
40	[4] **AIAC (including impact of change in probability of realization)**					
41	AIAC per adjusted book balances		$ -			
42	AIAC reductions/additions					
43	Net AIAC before unrealized portion			$ -		
44	Less: Unrealized AIAC (from Note 3, above)			$ -		
45	Net realizable AIAC			$ -		
46	Meter and Service Line Installation Charges per Adjusted Balances			-		
47	Total AIAC			$ -		
48						

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	$	54,420
10			
11			
12	**Working Capital Requested**	**$**	**-**
13			
14			
15			
16			
17		Adjusted Test Year	
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	$	418,515
26	1/8 of allowable expenses	$	52,314
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
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Docket No. W-03514A-13-0111

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	Metered Water Revenues	$ 313,559	$ -	$ 313,559	$ 393,099	$ 706,658
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	6,966	-	6,966		6,966
5		$ 320,525	$ -	$ 320,525	$ 393,099	$ 713,624
6	**Operating Expenses**					
7	Salaries and Wages	$ 55,097	-	$ 55,097		$ 55,097
8	Purchased Water	-	-	-		-
9	Purchased Power	50,533	-	50,533		50,533
10	Fuel For Power Production	-	-	-		-
11	Chemicals	2,181	-	2,181		2,181
12	Repairs and Maintenance	28,089	-	28,089		28,089
13	Office Supplies and Expense	-	-	-		-
14	Contractual Services	58,481	(1,683)	56,798		56,798
15	Contractual Services - Management Fees	-	173,903	173,903		173,903
16	Water Testing	11,000	-	11,000		11,000
17	Rents	-	-	-		-
18	Transportation Expenses	-	-	-		-
19	Insurance - General Liability	-	-	-		-
20	Insurance - Health and Life	266	-	266		266
21	Reg. Comm. Exp. - Other	-	-	-		-
22	Reg. Comm. Exp. - Rate Case	65,000	-	65,000		65,000
23	Miscellaneous Expense	235,253	(209,072)	26,181		26,181
24	Depreciation and Amortization Expense	85,632	6,697	92,329		92,329
25	Taxes Other Than Income	-	-	-		-
26	Property Taxes	21,030	(1,051)	19,978	8,167	28,145
27	Income Tax	(109,557)	9,593	(99,964)	131,886	31,922
28			-	-		-
29	**Total Operating Expenses**	$ 503,004	$ (21,613)	$ 481,391	$ 140,053	$ 621,445
30	**Operating Income**	$ (182,479)	$ 21,613	$ (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)**	$ (182,479)	$ 10,794	$ (171,685)	$ 253,046	$ 81,361
39						
40	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
41	C-1, page 2				A-1	
42	E-2					
43						

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

Exhibit
Rejoinder Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Adjusted Results	1 Depreciation	2 Property Taxes	3 Contractual Services	4 Misc. Expense Brooke Utilites OH	5 Management Fees JW Holdings
1	**Revenues**						
2	Metered Water Revenues	$ 313,559					
3	Unmetered Water Revenues	-					
4	Other Water Revenues	6,966					
5							
6	**Operating Expenses**	$ 320,525	$ -	$ -	$ -	$ -	$ -
7	Salaries and Wages	$ 55,097					
8	Purchased Water	-					
9	Purchased Power	50,533					
10	Fuel For Power Production	-					
11	Chemicals	2,181					
12	Repairs and Maintenance	28,089					
13	Office Supplies and Expense	-					
14	Contractual Services	58,481			(1,683)		
15	Contractual Services - Management						
16	Water Testing	11,000					173,903
17	Rents	-					
18	Transportation Expenses	-					
19	Insurance - General Liability	-					
20	Insurance - Health and Life	266					
21	Reg. Comm. Exp. - Other	-					
22	Reg. Comm. Exp. - Rate Case	65,000					
23	Miscellaneous Expense	235,253					
24	Depreciation and Amortization Expense	85,632	6,697			(197,722)	
25	Taxes Other Than Income	-					
26	Property Taxes	21,030		(1,051)			
27	Income Tax	(109,557)					
28							
29	**Total Operating Expenses**	$ 503,004	$ 6,697	$ (1,051)	$ (1,683)	$ (197,722)	$ 173,903
30	***Operating Income***	$ (182,479)	$ (6,697)	$ 1,051	$ 1,683	$ 197,722	$ (173,903)
31	**Other Income (Expense)**						
32	Interest Income	-					
33	Other income	-					
34	Interest Expense	-					
35	Other Expense	-					
36	Gain(loss) on Disposal of Fixed Assets	-					
37	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ -
38	**Net Profit (Loss)**	$ (182,479)	$ (6,697)	$ 1,051	$ 1,683	$ 197,722	$ (173,903)
39							
40	SUPPORTING SCHEDULES:						
41	C-2						
42	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.		6 Misc. Expense Beaver Dam Write-off	7 Misc. Expense Non-Recurring	8 Interest Expense	9 Income Taxes	Rejoinder Test Year Adjusted Results	Proposed Rate Increase	Rejoinder Adjusted with Rate Increase
1	**Revenues**							
2	Metered Water Revenues					$ 313,559	$ 393,099	$ 706,658
3	Unmetered Water Revenues					-		-
4	Other Water Revenues					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					19,978	8,167	28,145
27	Income Tax				9,593	(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								
40	SUPPORTING SCHEDULES:							
41	C-2							
42	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						
		1	2	3	4	5	6	Subtotal
		Depreciation Expense	Property Taxes	Contractual Services	Misc. Expense Brooke Utilites OH	Management Fees JW Holdings	Misc. Expense Beaver Dam Write-off	
4	Revenues							-
6	Expenses	6,697	(1,051)	(1,683)	(197,722)	173,903	(7,857)	(27,713)
8 9	Operating Income	(6,697)	1,051	1,683	197,722	(173,903)	7,857	27,713
11 12	Interest Expense							-
13 14 15	Other Income / Expense							-
17	Net Income	(6,697)	1,051	1,683	197,722	(173,903)	7,857	27,713

Line No.		Adjustments to Revenues and Expenses						
		7	8	9	10	11	12	Subtotal
		Misc. Expense Non-Recurring	Interest Syncrhonization	Income Taxes	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							-
27	Expenses	(3,493)	-	9,593	-	-	-	(21,613)
29 30	Operating Income	3,493		(9,593)	-	-	-	21,613
32 33	Interest Expense		(10,819)					(10,819)
34 35 36	Other Income / Expense							-
38	Net Income	3,493	(10,819)	(9,593)	-	-	-	10,794

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 No.	Acct. No.	Description	Adjusted Original Cost	Non-depreciable/ Fully Depreciated	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
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					Gross CIAC	Amort. Rate	
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	SUPPORTING SCHEDULE						
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)	641,050	641,050
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 Mutilplier	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)	$ 19,978	
19	Test Year Property Taxes	$ 21,030	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (1,051)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 28,145
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 19,978
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 8,167**
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 No.			
1			
2			
3	Remove Legal Expense Related to Condemnation	$	(1,683)
4			
5			
6			
7			
8			
9			
10			
11	Increase(decrease) Contractual Services	$	(1,683)
12			
13	Adjustment to Revenue and/or Expense	$	(1,683)
14			
15			
16	Reference		
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	$	(197,722)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(197,722)
11			
12	SUPPORTING SCHEDULES		
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	Management Fees - JW Holdings		
2			
3	Management Fee	$	173,903
4			
5			
6			
7			
8	Total Increase (decrease) in Contractual Services - Management	$	173,903
9			
10			
11	Adjustment to Revenue and/or Expense	$	173,903
12			
13	SUPPORTING SCHEDULES		
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	Remove Non-Recurring Expenses		
3			
4	Cogsdale - Star Valley Deposit Sort	$	(825)
5	Arizona Department of Revenue		(1,650)
6	ACC Annual Assessment		(1,018)
7	Total		(3,493)
8			
9			
10	Increase (decrease) to Miscellaneous Expense	$	(3,493)
11			
12			
13	Adjustment to Revenue and/or Expense	$	(3,493)
14			
15	Reference		
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	Fair Value Rate Base	$ 932,837	
5	Weighted Cost of Debt ·	1.16%	
6	Interest Expense		$ 10,819
7			
8	Test Year Interest Expense		$ -
9			
10	Increase (decrease) in Interest Expense		10,819
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ (10,819)
15			
16			
17	Weighted Cost of Debt Computation		
18			Weighted
19		Percent	Cost Cost
20	Debt	20.71%	5.60% 1.16%
21	Equity	79.29%	11.00% 8.72%
22	Total	100.00%	9.88%
23			
24			
25			
26			
27			
28			
29			
30			

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.		Test Year at Present Rates	Test Year at Proposed Rates
1	Income Taxes		
2			
3			
4	Compauted Income Tax	$ (99,964)	$ 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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30			

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.	Description	Percentage of Incremental Gross Revenues
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	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.5535
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
29		
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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)
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	35.6280%					
5	Subtotal (L3 - L4)	64.3720%					
6	**Revenue Conversion Factor (L1 / L5)**	1.553470					
	Calculation of Uncollectible Factor:						
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%				
	Calculation of Effective Tax Rate:						
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%				
	Calculation of Effective Property Tax Factor						
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	AdjustedTest Year Operating Income (Loss)	$ (160,866)					
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
	Calculation of Income Tax:						
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%
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%

	Calculation of Interest Synchronization:		Water
58	Rate Base	$ -	$ 932,837
59	Weighted Average Cost of Debt	0.0000%	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 Revenuers before Annualization	$ 349,648	$ 784,271	$ 434,623	124.30%	109.09%	109.90%
11							
12							
13	Meter	Company Present	Staff Proposed	Dollar	Percent	Percent of	Percent of
14	Size	Revenues	Revenues	Change	Change	Present	Proposed
15			Revenue Annualization				
16	5/8x3/4 Inch US	$ (30,473)	$ (58,915)	$ (28,443)	93.34%	-9.51%	-8.26%
17	5/8x3/4 Inch US - MDC	613	1,434	821	133.84%	0.19%	0.20%
18	5/8x3/4 Inch C&S	659	1,647	989	150.12%	0.21%	0.23%
19	3/4 Inch US	(112)	(273)	(161)	143.23%	-0.04%	-0.04%
20	1 Inch US	(6,429)	(20,597)	(14,168)	220.38%	-2.01%	-2.89%
21	1 Inch US - MDC	-	-	-	0.00%	0.00%	0.00%
22	1 Inch C&S	-	-	-	0.00%	0.00%	0.00%
23							
24							
25	Total Revenue Annualization	$ (35,742)	$ (76,704)	$ (40,962)	114.60%	-11.15%	-10.75%
26							
27	Total Revenues with Rev. Annual.	$ 313,906	$ 707,567	$ 393,661	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	$ 320,525	$ 713,625	$ 393,100	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 Number of Customers at 12/31/2012	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase 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							
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16							
17							
18	Totals	1,252					
19							

20 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
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22 MDC = Mesa Del Caballo
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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) Average Number of Customers at 12/31/2012	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase 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	1,252					
19							
20							

21 (a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
22
23
24 MDC = Mesa Del Caballo
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Payson Water Company
Test Year Ended December 31, 2012
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Bourassa

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				

(Per 1,000 gallons)

Line No.		Block	United Systems Present Rate	C&S Systems Present Rate	Consolidated Proposed Rate
27	**Commodity Rates**				
28	All Meter Sizes	0 gallons to 4,000 gallons	$ 1.93	[redacted]	
29		over 4,000 gallons	$ 2.99		
30					
31	All Meter Sizes	All gallons	[redacted]	$ 1.48	[redacted]
32					
33	5/8 Inch and 3/4 Inch	0 gallons to 3,000 gallons	[redacted]		$ 5.90
34		3,001 gallons to 10,000 gallons			$ 7.65
35		over 10,000 gallons			$ 9.15
36					
37	1 Inch	0 gallons to 18,000 gallons	[redacted]		$ 7.65
38		over 18,000 gallons			$ 9.15
39					
40	1 1/2 Inch	0 gallons to 40,000 gallons	[redacted]		$ 7.65
41		over 40,000 gallons			$ 9.15
42					
43	2 Inch	0 gallons to 60,000 gallons	[redacted]		$ 7.65
44		over 60,000 gallons			$ 9.15
45					

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

Exhibit
Schedule H-3
Page 2
Witness: Bourassa

(Per 1,000 gallons)

Line No.	Commodity Rates (Residential, Commercial, Industrial)	Block	United Systems Present Rate	C&S Systems Present Rate	Consolidated Proposed Rate
1					
2					
3					
4					
5					
6	3 Inch	0 gallons to 120,000 gallons	[redacted]	[redacted]	$ 7.65
7		over 120,000 gallons	[redacted]	[redacted]	$ 9.15
8					
9	4 Inch	0 gallons to 200,000 gallons	[redacted]	[redacted]	$ 7.65
10		over 2500,000 gallons	[redacted]	[redacted]	$ 9.15
11					
12	6 Inch	0 gallons to 450,000 gallons	[redacted]	[redacted]	$ 7.65
13		over 450,000 gallons	[redacted]	[redacted]	$ 9.15
14					
15	8 Inch	0 gallons to 750,000 gallons	[redacted]	[redacted]	$ 7.65
16		over 750,000 gallons	[redacted]	[redacted]	$ 9.15
17					
18					
19					
20					
21					
22					
23					
24					
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27					
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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.	Other Service Charges	United Systems Present Rates	C&S Systems Present Rates	Consolidated Proposed Rates
1				
2				
3				
4	Establishment	$ 25.00	$ 25.00	$ 25.00
5	Establishment (After Hours)	35.00	35.00	remove
6	Reconnection (Delinquent)	20.00	20.00	20.00
7	Reconnection (Delinquent and after hours)	30.00	30.00	remove
8	Meter Test	25.00	20.00	25.00
9	Deposit	*	*	*
10	Deposit Interest*	6.00%	6.00%	6.00%
11	Re-Establishment (With-in 12 Months)	**	**	**
12	NSF Check	$ 17.50	$ 10.00	$ 17.50
13	Deferred Payment, Per Month	1.50%	1.50%	1.50%
14	Meter Re-Read (if correct)	$ 15.00	$ 10.00	$ 15.00
15	Late Charge per month (per R-14-2-409G(6))	1.50%	1.50%	1.50%
16	After Hours Service Charge (at customer request)	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 Total Charge	C&S Systems Present Total Charge	Proposed Service Line Charge*	Proposed Meter Install-ation Charge*	Total Proposed Charge*
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

*Based on Staff update of typical service line and meter installation charges dated February 21, 2008.

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-0111
IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,238,000 IN CONNECTION WITH INFRASTRUCTURE IMPROVEMENTS TO THE UTILITY SYSTEM; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO: W-03514A-13-0142

REJOINDER TESTIMONY OF THOMAS J. BOURASSA

COST OF CAPITAL

January 6, 2014

EXHIBIT
A-11
ADMITTED

Table of Contents

I. INTRODUCTION AND QUALIFICATIONS 1
II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY 2
A. Summary of Company's Rebuttal Recommendation 2
B. Rejoinder to Staff 3

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

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

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

A. Yes.

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

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

Q. HAVE YOU UPDATED YOUR COST OF CAPITAL ANALYSIS?

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

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

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

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

A. Summary of Company's Rebuttal Recommendation

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

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

Q. WHY IS THE COMPANY IS RECOMMENDING THIS CAPITAL STRUCTURE?

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

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

Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?

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

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

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

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

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

B. <u>Rejoinder to Staff</u>

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

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

[2] Surrebuttal Testimony of John A. Cassidy ("Cassidy Sb.") at 2.

[3] *Id.*

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

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

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

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

[4] Rebuttal Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC Rb.") at 6.

[5] Cassidy Sb. at 2.

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

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

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

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

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

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

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

[6] Bourassa COC Rb. at 10.

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

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

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

A. Yes

---

[7] Bourassa COC Rb. at 5.

[8] Bourassa COC Rb. at 12-13.

[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

Exhibit
Rejoinder Schedule D-1
Page 1
Witness: Bourassa

Capital Structure

Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
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					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22	SUPPORTING SCHEDULES:				RECAP SCHEDULES:
23	Testimony				
24					
25					
26					
27					
28					
29					
30					

Payson Water Company
Test Year Ended December 31, 2012
Cost of Long Term Debt

Exhibit
Rejoinder Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost
1									
2	WIFA Debt	-	-	0.000%	0.000%	274,325	15,362	5.600%	5.600%
3			-	0.000%	0.000%		-	0.000%	0.000%
4			-	0.000%	0.000%		-	0.000%	0.000%
5			-	0.000%	0.000%		-	0.000%	0.000%
6			-	0.000%	0.000%		-	0.000%	0.000%
7			-	0.000%	0.000%		-	0.000%	0.000%
8			-	0.000%	0.000%		-	0.000%	0.000%
9			-	0.000%	0.000%		-	0.000%	0.000%
10			-	0.000%	0.000%		-	0.000%	0.000%
11									
12									
13	Totals	$ -	-		0.000%	$ 274,325	15,362		5.600%
14									
15									
16	Supporting Schdules:								
17	E-1								
18	E-2								
19	Work papers								
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 No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:				RECAP SCHEDULES:		
22	E-1				D-1		
23							
24							
25							
26							
27							
28							
29							
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31							
32							
33							
34							
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36							
37							
38							
39							
40							

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

Exhibit
Rejoinder Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	11.00% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	D-4.1 to D-4.22	D-1
19		
20		

Payson Water Company
Summary of Results

Exhibit
Rejoinder Schedule D-4.1
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
1				
2				
3				
4	Method	Low	High	Midpoint
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	1 See Rejoinder Schedule D-4-8			
27	2 See Rejoinder Schedule D-4.12			
28	3 See Rejoinder Schedule D-4.18			
29	4 See Rejoinder Schedule D-4.21, Testimony			
30	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 (%)
4	1. American States	59%	$ 477.2	$ 946.7	A+	A2	9.99
5	2. Aqua America	96%	$ 777.7	$ 4,025.1	AA-	NR	10.29
6	3. California Water	100%	$ 565.7	$ 1,490.3	AA-	NR	9.99
7	4. Connecticut Water	100%	$ 86.2	$ 455.4	A	NR	9.75
8	5. Middlesex	88%	$ 115.6	$ 440.8	A	NR	10.15
9	6. SJW Corp.	96%	$ 269.2	$ 844.4	A	NR	9.99
11	Average	90%	$ 381.9	$ 1,367.1			10.03
13	Payson Water Company	100%	$ 0.3	$ 0.8	NR	NR	
14	(Adjusted as of December 31, 2012)						

[1]AUS Utility Reports (October 2013).

Payson Water Company
Capital Structures

Exhibit
Rejoinder Schedule D-4.3
Witness: Bourassa

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1					
2					
3					
4	1. American States	42.3%	57.7%	22.8%	77.2%
5	2. Aqua America	52.7%	47.3%	26.8%	73.2%
6	3. California Water	47.8%	52.2%	31.2%	68.8%
7	4. Connecticut Water	49.2%	50.8%	32.0%	68.0%
8	5. Middlesex	42.0%	58.0%	27.5%	72.5%
9	6. SJW Corp.	55.0%	45.0%	39.5%	60.5%
10					
11	Average	48.2%	51.8%	30.0%	70.0%
12					
13	Payson Water Company	100.0%	0.0%	N/A	N/A
14	(Adjusted as of Deceomber 31, 2012)				
15					
16					
17	[1] Value Line Analyzer Data (November 29, 2013)				
18	2 Adjusted Per Rejoinder Schedule D-1				
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					

Payson Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.4
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	9.12%	5.50%	11.50%	4.50%	7.66%	3.33%	5.49%
9	2. Aqua America	5.40%	6.00%	7.50%	7.50%	6.60%	7.03%	6.82%
10	3. California Water	2.03%	4.50%	5.50%	1.50%	3.38%	6.17%	4.77%
11	4. Connecticut Water	7.90%	4.50%	6.50%	2.00%	5.23%	5.33%	5.28%
12	5. Middlesex	4.56%	4.00%	2.50%	1.50%	3.14%	3.35%	3.24%
13	6. SJW Corp.	NMF	3.50%	NMF	4.00%	3.75%	10.75%	7.25%
16	GROUP AVERAGE	5.80%	4.67%	6.70%	3.50%	4.96%	5.99%	5.48%
17	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]
1								
2								Average of Future and Historical Growth
3								
4		**Ten-year historical average annual changes**					Average Future	
5			Book			Average		
6	Company	Price[1]	Value[2]	EPS[2]	DPS[2]	Col 1-4	Growth[3]	Col 5-6
7	1. American States	10.41%	5.00%	6.50%	3.00%	6.23%	3.33%	4.78%
8	2. Aqua America	7.70%	8.50%	7.00%	7.50%	7.68%	7.03%	7.35%
9	3. California Water	6.27%	5.00%	5.00%	1.00%	4.32%	6.17%	5.24%
10	4. Connecticut Water	4.80%	4.50%	1.50%	1.50%	3.07%	5.33%	4.20%
11	5. Middlesex	5.14%	4.50%	3.50%	1.50%	3.66%	3.35%	3.50%
12	6. SJW Corp.	6.99%	5.50%	4.00%	5.00%	5.37%	10.75%	8.06%
13								
14								
15	GROUP AVERAGE	6.88%	5.50%	4.58%	3.25%	5.05%	5.99%	5.52%
16	GROUP MEDIAN	6.63%	5.00%	4.50%	2.25%	4.84%	5.75%	5.01%
17								
18								
19								
20	[1] Average of changes in annual stock prices ending December 31, 2012. Data from Yahoo Finance website.							
21	[2] Value Line Analyzer Data, November 29, 2013.							
22	3 See Rejoinder Schedule D-4.6.							
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]
1						
2						
3						
4		ESTIMATES OF EARNINGS GROWTH				Average
5					Value	Growth (G)
6	Company	Reuters[1]	Yahoo[1]	Zacks[1]	Line[1]	(Cols 1-4)[2]
7	1. American States		2.00%	2.00%	6.00%	3.33%
8	2. Aqua America		5.80%	5.30%	10.00%	7.03%
9	3. California Water		6.00%	6.00%	6.50%	6.17%
10	4. Connecticut Water		5.00%	5.00%	6.00%	5.33%
11	5. Middlesex		2.70%		4.00%	3.35%
12	6. SJW Corp.		14.00%		7.50%	10.75%
13						
14						
15	GROUP AVERAGE	0.00%	5.92%	4.58%	6.67%	5.99%
16	GROUP MEDIAN					5.75%
17						
18						
19	[1] Data as of November 29, 2013					
20	[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.					
21						
22						
23						
24						
25						
26						
27						
28						

Exhibit
Rejoinder Schedule D-4.7
Witness: Bourassa

Payson Water Company
Current Dividend Yields for Water Utility Sample Group

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1					
2					
3					
4					
5					
6	1. American States	$ 29.18	$ 0.82	2.81%	3.20%
7	2. Aqua America	$ 24.07	$ 0.62	2.58%	2.85%
8	3. California Water	$ 22.86	$ 0.67	2.93%	3.36%
9	4. Connecticut Water	$ 34.75	$ 0.99	2.85%	3.62%
10	5. Middlesex	$ 21.98	$ 0.76	3.46%	4.02%
11	6. SJW Corp.	$ 27.46	$ 0.74	2.69%	2.94%
12					
13	Average			2.89%	3.33%
14	Median			2.83%	3.28%
15					
16	[1] Value Line Analyzer Data. Stock prices as of November 29, 2013.				
17	[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,				
18	expressed as a percentage. For comparison purposes only.				
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]	[2]	[3]	[4]
		Average Spot Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	Growth (g)	Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	2.89%	3.04%	5.48% [3]	8.5%
10	DCF - Future Growth	2.89%	3.06%	5.99% [4]	9.1%
13	Average	2.89%	3.05%	5.74%	8.8%

1 Spot Dividend Yield = D0/P0. 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 No.		Company	Beta (β)[1]
1		Company	Beta (β)[1]
2	1.	American States	0.65
3	2.	Aqua America	0.60
4	3.	California Water	0.60
5	4.	Connecticut Water	0.75
6	5.	Middlesex	0.75
7	6.	SJW Corp.	0.85
8			
9		Average	**0.70**
10			
11			
12			
13		[1] Value Line Investment Analyzer data (November 29, 2013)	
14		Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15		in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16		(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17		derived from a regression analysis of the relationship between weekly percent-age changes in the	
18		price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19		the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20		The Betas are adjusted for their long-term tendency to converge toward 1.00.	

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

Exhibit
Rejoinder Schedule D-4.10
Witness: Bourassa

Line No.	Description	Spot October 2013[3]	2014	2015	Average
1					
2					
3					
4					
5					
6	Blue Chip Consensus Forecasts[1]	3.7%	4.0%	4.2%	4.0%
7					
8	Value Line[2]	3.7%	4.0%	4.3%	4.0%
9					
10	Average				4.0%
11					
12					
13					
14					
15	[1] December 2012 Blue Chip Financial Forecasts consensus long-term forecast of 30 Year U.S.Treasury				
16	[2] Value Line Quarterly forecast, dated Novermber 22, 2013, Long-term Treasury				
17	[3] Federal Reserve Monhtly Average - 30-Year U.S. Treasury				
18					
19					
20					
21					
22					
23					
24					

Payson Water Company
Computation of Current Market Risk Premium

Exhibit
Rejoinder Schedule D-4.11
Witness: Bourassa

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Jan 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_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
38 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).
39 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
40 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.
41

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%	[4]	=	8.7%
4									
5	Current Market Risk Premium CAPM	4.0%	+	0.70	x	9.5%	[5]	=	10.7%
6									
7	Average								9.7%
8									
9									
10									
11									
12	1 Forecasts of long-term treasury yields. See Rejoinder Schedule D-4.10.								
13	2 Value Line Investment Analyzer data. See Rejoinder Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2013 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2012.								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rejoinder Schedule D-4.11.								
17									
18									
19									
20									

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	Symbol	MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income	Total Assets[2]	5 Yr Avg. EBITDA[3]
			Measures of size (Millions)					
1.	American States	AWR	$ 1,123	$ 454	$ 1,456	$ 37	$ 1,281	$ 130
2.	Aqua America	WTR	$ 4,222	$ 1,386	$ 5,766	$ 133	$ 4,859	$ 422
3.	California Water	CWT	$ 960	$ 474	$ 1,395	$ 41	$ 1,996	$ 140
4.	Connecticut Water	CTWS	$ 379	$ 185	$ 557	$ 11	$ 579	$ 24
5.	Middlesex	MSEX	$ 347	$ 181	$ 479	$ 13	$ 562	$ 38
6.	SJW Corp.	SJW	$ 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	Symbol	2012	2011	2010	2009	2008	Average
American States	AWR	$ 54.0	$ 45.9	$ 33.2	$ 29.5	$ 22.0	$ 36.9
Aqua America	WTR	$ 197.0	$ 143.1	$ 124.0	$ 104.4	$ 97.9	$ 133.3
California Water	CWT	$ 49.0	$ 37.7	$ 37.7	$ 40.6	$ 39.8	$ 40.9
Connecticut Water	CTWS	$ 14.0	$ 11.3	$ 9.8	$ 10.2	$ 9.4	$ 10.9
Middlesex	MSEX	$ 14.0	$ 13.4	$ 14.3	$ 10.0	$ 12.2	$ 12.8
SJW Corp.	SJW	$ 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	Symbol	2012	2011	2010	2009	2008	Average
American States	AWR	$ 154.0	$ 133.3	$ 134.4	$ 122.6	$ 105.9	$ 130.0
Aqua America	WTR	$ 439.0	$ 397.8	$ 473.2	$ 415.2	$ 384.7	$ 422.0
California Water	CWT	$ 151.0	$ 143.3	$ 155.7	$ 125.5	$ 122.1	$ 139.5
Connecticut Water	CTWS	$ 30.0	$ 24.2	$ 22.5	$ 20.3	$ 21.1	$ 23.6
Middlesex	MSEX	$ 39.0	$ 34.6	$ 43.3	$ 34.6	$ 38.6	$ 38.0
SJW Corp.	SJW	$ 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

Rejoinder Schedule D-4.14
Witness: Bourassa

MRP_{m+s} Estimates Using Duff & Phelps Study (Unlevered)
Assumes 100% Equity and 0% debt
Data Smoothing with Regression Analysis
Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevent Metric)

$RPun_{relevered} = RP_{levered} - W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{levered}$ = levered realized risk premium

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	18.448%	15.453%	18.701%	13.312%	17.363%	14.836%
X Coefficient(s)	-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 Portfillo Beta
(from 2012 Duff & Phelps RP Study - Table C)

Rejoinder Schedule D-4.15
Witness: Bourassa

	Company	Symbol	Unlevered Portfolio Beta (β_u)						
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	Average
1.	American States	AWR	0.94	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

Rejoinder Schedule D-4.16
Witness: Bourassa

MRP Estimates Using Duff & Phelps Study (Relevered)
Relevered Realized Risk Premium
$RP_{relevered} = RP_{unlevered} + W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{unlevered}$ = unlevered realized risk premium from Scehdule D-4.14
RP_{market} = general equity risk premium for the market since 1963.

			MRP_{m+s} (Relevered)							
	Company	Symbol	W_d/W_e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	29.6%	9.83%	9.87%	9.80%	10.37%	9.84%	10.22%	9.99%
2.	Aqua America	WTR	36.6%	8.14%	8.80%	8.02%	9.07%	8.27%	8.89%	8.53%
3.	California Water	CWT	45.3%	10.72%	10.43%	10.45%	10.85%	9.86%	10.76%	10.51%
4.	Connecticut Water	CTWS	47.1%	12.04%	11.58%	11.83%	12.46%	11.53%	13.08%	12.09%
5.	Middlesex	MSEX	37.9%	11.80%	11.27%	11.70%	11.92%	11.20%	12.06%	11.66%
6.	SJW Corp.	SJW	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 meterics 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 (relevered) for publicly traded water companies (from Rejoinder Schedule D-4.16)	10.80%	
[5] MRP (relevered) for publicly traded water companies (RP_{m+s}) ([3] + [4])	11.30%	
[6] Equity Risk Premium Adjustment ([3])	0.50%	
[7] Average MRP (relevered) for subject utility company (from Table 4)	16.58%	
[8] MRP (relevered) for subject utility company (RP_{m+s}) ([6] + [7])	17.08%	
[9] Industry Risk Premium (From *Ibbotson* 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)

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-0111
IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,238,000 IN CONNECTION WITH INFRASTRUCTURE IMPROVEMENTS TO THE UTILITY SYSTEM; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO: W-03514A-13-0142

SUPPLEMENTAL REJOINDER TESTIMONY OF THOMAS J. BOURASSA

January 15, 2014

EXHIBIT
A-12
ADMITTED

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8814864.1/073283.0006

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

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

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT, REBUTTAL AND REJOINDER TESTIMONY IN THE INSTANT CASE?

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

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL REJOINDER TESTIMONY?

A. I will provide supplemental rejoinder testimony on the condemnation of the Star/ Quail Valley system. I am filing this testimony because the Company was ordered to address the condemnation, which was raised in Staff's direct testimony and in Intervenor Kathleen Reidhead's ("KMR") surrebuttal testimony.

II. SUMMARY

Q. PLEASE SUMMARIZE YOUR SUPPLEMENTAL TESTIMONY.

A. My supplemental testimony makes the following points:

> 1) The Company's recommended revenue requirement in the instant case does not reflect any costs of service for the Star/Quail Valley system.

2) The condemnation award paid by the Town of Star Valley helped PWC pay its bills, make capital improvements, and provide a dividend to the previous shareholder.

3) Customers do not acquire any interest in the utility's property by virtue of paying for utility service. Therefore, the customers of PWC should not share in any gain/loss resulting from the condemnation of the Star/Quail Valley system.

4) The accounting records of PWC are not materially misstated or misleading.

III. CONDEMNATION OF THE STAR/QUAIL VALLEY SYSTEM

Q. DOES THE COMPANY'S PROPOSED REVENUE REQUIREMENT IN THE INSTANT CASE INCLUDE THE COST OF SERVICE FOR THE STAR/QUAIL VALLEY SYSTEM?

A. No. PWC no longer owns and provides utility service to the system so the related plant-in-service, deferred liabilities, revenues and expenses have been eliminated. The Company's proposed revenue requirement (operating expenses plus depreciation plus taxes plus a return on rate base) reflects only the cost of service for the systems currently served by PWC. The plant assets and the deferred liabilities related to the Star/Quail Valley system are not included in the proposed rate base and therefore there is no return on or of Star/Quail Valley plant investment in the Company's proposed revenue requirement. When the condemnation was recorded on the books of PWC in 2012 all the related assets and deferred credits were eliminated. Attached as Supplemental Rejoinder **Exhibit TJB-SRJ1** is the Company's response to Staff data request CSB 1.18 reflecting the details of the entries booked in 2012. The remaining plant assets and deferred liabilities for the remaining systems owned by PWC form the basis of the Company's proposed rate base in the instant case.[1]

[1] Direct Testimony of Thomas J. Bourassa – Rate Base ("Bourassa Dt.") at 6-8.

Further, all operating expenses and depreciation related to the Star/Quail Valley system are excluded from the proposed cost of service. The Company's proposed adjustments to operating expenses in this case reflect all non-recurring Star/Quail Valley related expenses.[2] The proposed depreciation expense (based upon the adjusted 2012 plant-in-service) reflects only the remaining assets used to provide service to PWC's remaining customers.[3] Proposed property taxes and income taxes reflect only the revenues and the taxable income for the remaining systems served by PWC.[4]

Q. HOW WERE THE PROCEEDS OF THE CONDEMNATION OF THE STAR/QUAIL VALLEY SYSTEM USED?

A. Ultimately, the proceeds were used to by PWC to pay its bills and provide a dividend to its previous shareholder. For example, the Company owed approximately $285,000 to BUI at the end of 2011.[5] The proceeds also helped to pay 2012 operating expenses.[6] In 2012, PWC's operating revenues were less than its cash operating expenses by $128,000. All of this took place before the stock sale; there was little to no cash on hand when the sale closed.

Q. ARE YOU AWARE OF ANY RULES OR LAWS THAT WERE VIOLATED?

A. I am not an attorney, but I have been appearing in ACC rate case for almost 20 years now so I do have some familiarity with the general rules and I certainly have a lot of experience reviewing utility books and records. I do not find any

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[2] Bourassa Dt. at 10; Rebuttal Testimony of Thomas J. Bourassa – Rate Base ("Bourassa Rb.") at 10.

[3] Bourassa Dt. at 8; Rejoinder Testimony of Thomas J. Bourassa – Rate Base ("Bourassa Rj.") at 14.

[4] Bourassa Dt. at 8 and 11; Bourassa Rj. at 14 and 15.

[5] *See* Schedule E-1.

[6] *See* Schedule E-2. Operating expenses (excluding non-cash depreciation and amortization) in 2012 were approximately $523,000 and revenues were approximately $395,000 - a $128,000 difference.

evidence BUI transferred funds or otherwise used funds from the proceeds of the condemnation that broke any laws, rules, and/or regulations of which I am aware.

Q. DO CUSTOMERS OF A UTILITY GAIN AN OWNERSHIP INTEREST IN PWC OR ITS PLANT BY VIRTUE OF PAYING UTILITY RATES?

A. In my professional judgment, no. A fundamental tenant in rate making is that rate payers pay for utility service based on rates set by a regulatory body. Because rate payers only pay for utility service, rate payers do not pay for the property used by the utility to provide utility service, nor do customers acquire any interest in the utility's property by virtue of paying for utility service.

IV. ACCOUNTING RECORDS

Q. PLEASE COMMENT ON KMR'S SURREBUTTAL TESTIMONY (ON PAGE 6) REGARDING "INACCURATE" AND "MISLEADING" ACCOUNTING RECORDS.

A. I have two comments. First, adjustments to rate base elements such as plant-in-service, accumulated depreciation, etc. and revenue/expense elements such as salaries and wages, contractual services, depreciation are not only common in rate cases, they are necessary. Adjustments by themselves do not mean the accounting records are inaccurate or misleading. Rate case adjustments are made to provide a more normal or realistic relationship between rate base, revenue, and expenses on a going forward basis.[7] Second, while the Company has admitted that it could not produce some plant invoices,[8] there is no credible evidence in this case that the accounting records were materially misstated.[9] As far as I am aware, the missing plant invoices and the Star/Quail Valley related CIAC are the only record keeping

[7] A.A.C. Rule 14-2-103(i).

[8] *E.g.*, Rebuttal Testimony of Jason Williamson at 4-5 and Exhibit JW-RB2.

[9] Bourassa Rj. at 8-9.

issues in this case. Staff has not asserted that the actual test year revenues and/or expenses were misleading or materially misstated. There are differences of opinion regarding the support for the plant and CIAC as well as whether the BUI overhead allocation versus JW Water Holdings, LLC's management fees should be used for purposes of setting rates,[10] but these differences are not a basis for asserting that the records of PWC were misleading and/or materially misstated. On that point, I am not aware of any credible testimony being cited by KMR.

Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL REJOINDER TESTIMONY?

A. Yes.

[10] Bourassa Rj. at 15.

EXHIBIT TJB-SRJ1

PAYSON WATER COMPANY
DOCKET NO. W-03514A-13-0111
RESPONSE TO STAFF'S FIRST SET OF DATA REQUESTS

August 21, 2013

Response provided by:	Jason Williamson
Title:	President
Company:	Payson Water Company
Address:	7581 E. Academy Blvd., Suite 229 Denver, CO 80230
Company Response Number:	CSB – 1.18

Q. $755,709 Gain on Disposal of Fixed Assets – Schedule C-1, line reports a $755,709 gain on disposal of fixed assets. Regarding that amount, please answer the following:

a. Please explain why the assets were sold and/or disposed of.
b. Please state whether or not the assets were replaced.
c. Please identify the assets by NARUC account number.
d. Please state the accounts debited and credited in the recording of the gain.
e. Please provide a schedule showing the calculation of the gain.
f. Please state the length of time the Company owned the assets prior to disposal.
g. Please state the actual date (if known, or an estimate if not known) that the assets were placed in service.
h. Please state the amount of depreciation recovered from customers for each asset, through the date the asset was sold.
i. Please state how the assets were originally financed (i.e. equity, AIAC, CIAC, etc.).

RESPONSE:

a. The assets were condemned by the Town of Star Valley.

b. The assets were not replaced because the Company no longer serves the customers in those systems.

c. NARUC accounts, 303, 304, 307, 311, 320, 330, 331, 333, 334, 335, 339, 346, 347 and 348 as represented by attached schedule dated 2012.

d. Please see the attached schedule. The accounts debited were: Cash, Accumulated depreciation of structures and improvements, and accumulated amortization of CIAC. On the other side, the accounts credited were: Structures and Improvements, CIAC's and Gain on sale of disposition.

e. Please see the attached schedule.

f. Since August 1996.

g. Unknown. Various portions of the assets were placed in service dating back to the 1960's and at various times since that date.

h. Please see the attached schedule.

i. The assets were originally financed through a combination of equity, AIAC's and CIAC's.

Payson Water Company

SQV- Detail for Disposition Journal- Accounts & Balances Mapping

Account 1650.00 - Fixed Assets and Depreciation & 2600.30 CIACs

Based on May Balances

June 30, 2012

Acct No.	Description	12/31/2011	Additions	Deletions	5/31/2012	G/L Accounts		DIFFERENCE	In GL/Account	STV Disposition 0.263110138 % Cost	Acc. Depreciat.
301	Intangibles	300.00	0.00	0.00	300.00			300.00	00.00.1650.04	78.93	76.75
302	Franchises	0.00	0.00	0.00	0.00			0.00			0.00
303	Land and Land Rights	22,391.22	0.00	0.00	22,391.22			22,391.22	00.00.1650.04	5,891.36	4,319.70
304	Structures and Improvements	216,604.90	101,835.99	0.00	318,440.89	00.00.1650.04	2,699,836.62	(2,381,395.73)		83,785.03	42,902.73
305	Collecting Reservoirs	3,435.00	0.00	0.00	3,435.00	00.00.1650.05	3,435.00	0.00		903.78	103.78
307	Wells and Springs	370,493.29	0.00	0.00	370,493.29	00.00.1650.07	14,918.76	355,574.53	00.00.1650.04	97,480.54	73,244.67
308	Infiltration Galleries & Tunnels	0.00	0.00	0.00	0.00			0.00			0.00
309	Supply Mains	612.45	0.00	0.00	612.45			612.45	00.00.1650.04	161.14	56.37
310	Power Operated Equipment	8,627.59	0.00	0.00	8,627.59	00.00.1650.10	961.58	7,666.01	00.00.1650.04	2,270.01	816.65
311	Pumping Equipment	289,649.82	3,402.22	0.00	293,052.04	00.00.1650.11	70,367.85	222,684.19	00.00.1650.04	77,104.96	35,267.30
320	Water Treatment Equipment	14,339.38	0.00	0.00	14,339.38	00.00.1650.12	1,074.92	13,264.46	00.00.1650.04	3,772.84	1,792.31
330	Distribution Reservoirs	371,561.44	0.00	0.00	371,561.44	00.00.1650.13	11,870.43	359,691.01	00.00.1650.04	97,761.58	58,120.49
331	Transmission & Distribution Mains	597,066.06	0.00	0.00	597,066.06			597,066.06	00.00.1650.04	157,094.13	122,207.44
333	Services	111,038.33	0.00	0.00	111,038.33			111,038.33	00.00.1650.04	29,215.31	24,362.56
334	Meters	270,384.44	170.54	0.00	270,554.98	00.00.1650.16	7,257.97	263,297.01	00.00.1650.04	71,185.76	34,665.48
335	Hydrants	1,588.87	0.00	0.00	1,588.87			1,588.87	00.00.1650.04	418.05	196.70
339	Other Plant	435,370.97	0.00	0.00	435,370.97	00.00.1650.19	21,778.90	413,592.07	00.00.1650.04	114,550.52	89,482.30
341	Transportation Equipment	0.00	0.00	0.00	0.00			0.00			0.00
343	Tools and Work Equipment	98.18	0.00	0.00	98.18	00.00.1660.04	44.89	53.29	00.00.1650.04	25.83	3.06
345	Power Operated Equipment	0.00	0.00	0.00	0.00			0.00			0.00
346	Communications Equipment	12,576.32	0.00	0.00	12,576.32			12,576.32	00.00.1650.04	3,308.96	690.35
	SUBTOTAL				2,831,547.01		2,831,546.92	0.09		745,008.73	488,308.65
											0.00
348	Other Tangible Plant	0.00	0.00	0.00	0.00						
114	Acquisition Adjustment	0.00	0.00	0.00	0.00						
105	C.W.I.P.	174,380.37	0.00	-109,692.88	64,687.49	00.00.1690.20	64,687.58	(0.09)			
	TOTALS	2,900,518.63	105,408.75	-109,692.88	2,896,234.50		2,896,234.50	0.00			
				G / L	2,896,234.50						

STV Journal Entry disposition

	Debit	Credit
00.00.1750.04	488,308.65	
00.00.1650.04		744,104.94
00.00.1650.05		903.78
00.00.1010.01	771,755.47	
05.05.9030.01		515,055.39
	1,260,064.12	1,260,064.12

Recap of the journal entries:

		Debit	Credit
Cash	00.00.1010.01	771,755.47	
Fixed assets	00.00.1650.04		745,008.73
Accumulated depreciation	00.00.1750.04	488,308.65	
Gain on sale of disposition	05.05.9030.01		755,708.53
Accumulated Amort. CIAC	00.00.2600.30	584,628.46	
CIAC	00.00.2600.31		343,975.32
		1,844,692.58	1,844,692.58

JE 3321

Original posting

	Debit	Credit
00.00.1010.01	771,755.47	
05.05.9030.01		771,755.47
To record deposit of sales proceeds received. Temporary posting.		
	771,755.47	771,755.47

Payson Water Company

SQV- Detail for Disposition Journal- Accounts & Balances Mapping

Based on May Balances

		STV Disposition	
Acct No.	Description	% Cost	Acc. Depreciat.
301	Intangibles	78.93	76.75
302	Franchises		0.00
303	Land and Land Rights	5,891.36	4,319.70
304	Structures and Improvements	83,785.03	42,902.73
305	Collecting Reservoirs	903.78	103.78
307	Wells and Springs	97,480.54	73,244.67
308	Infiltration Galleries & Tunnels		0.00
309	Supply Mains	161.14	56.37
310	Power Operated Equipment	2,270.01	816.65
311	Pumping Equipment	77,104.96	35,267.30
320	Water Treatment Equipment	3,772.84	1,792.31
330	Distribution Reservoirs	97,761.58	58,120.49
331	Transmission & Distribution Mains	157,094.13	122,207.44
333	Services	29,215.31	24,362.56
334	Meters	71,185.76	34,665.48
335	Hydrants	418.05	196.70
339	Other Plant	114,550.52	89,482.30
341	Transportation Equipment		0.00
343	Tools and Work Equipment	25.83	3.06
345	Power Operated Equipment		0.00
346	Communications Equipment	3,308.96	690.35
	GRAND TOTALS	745,008.73	488,308.65

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-_____

DIRECT TESTIMONY OF ROBERT T. HARDCASTLE

April 22, 2013

EXHIBIT
A-13
ADMITTED

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8102342.1/073283.0006

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert T. Hardcastle. My business address is 3101 State Rd., Bakersfield, California 93308.

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

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

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I'm the President of Brooke Utilities, Inc. ("BUI"). BUI is the sole shareholder of PWC.

Q. PLEASE BRIEFLY OUTLINE YOUR RESPONSIBILITIES AS PRESIDENT.

A. As the Executive Officer, I'm generally responsible for managing all operational, administrative, financial, and regulatory matters of BUI and its subsidiaries, PWC, Tonto Basin Water Co., Inc., and Navajo Water Co., Inc. Each of these subsidiaries is a public service corporation providing water utility service under regulation by the Arizona Corporation Commission ("Commission"). I'm also the President of PWC and the other BUI's subsidiaries.

Q. HOW LONG HAVE YOU HELD THIS POSITION?

A. I've overseen BUI's interests in Arizona since August 1996.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes, in a number of proceedings, including several rate cases.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. To support the Company's application for rate relief. Specifically, I will provide background on the Company and its operations. I will also summarize the significant capital improvements and other operating cost changes. Finally, I will address certain aspects of the relief being requested, including rate consolidation.

II. OVERVIEW OF PWC

Q. WHEN DID BUI ACQUIRE PWC?

A. In August 1996, BUI acquired C&S Water Company, Inc. ("C&S") and United Utilities, Inc. ("United"). C&S and United together comprised numerous water systems nine of which eventually became PWC: Deer Creek (owned by C&S), and Mead's Ranch, East Verde Estates, Flowing Springs, Geronimo Estates/Elusive Acres, Mesa del Caballo, Whispering Pines, Gisela/Tonto Creek Shores, and Star Valley/Quail Valley (all owned by United). PWC currently owns and operates eight of the systems. As of May 2012, the Star Valley/Quail Valley system was condemned by the Town of Star Valley. I will discuss this later in my testimony.

Q. WHAT HAPPENED TO C&S AND UNITED?

A. In the late 1990's, BUI reorganized seven separate water companies and more than forty systems it had acquired, including C&S and United, into five separate subsidiaries, one being PWC. The reorganization, along operational and geographic lines, was approved by the Commission in Decision No. 60972 (July 19, 1998). Eventually C&S and United were dissolved.

Q. WHEN DID THE COMPANY'S CURRENT RATES FOR SERVICE GO INTO EFFECT?

A. The Company's current rates were approved in C&S Decision No. 62320 (February 17, 2000) and United Decision No. 62401 (March 30, 2000). C&S's rates went into effect on or about March 1, 2000. United's rates went into effect on or about May 1, 2000.[1]

[1] Although Commission approval came in July 1998, the reorganization of C&S and United was contingent upon their filing copies of their franchises and statements from ADEQ that the water provided met the quality standards of the Safe Drinking Water Act. C&S's and United's rate application filings preceded their compliance with the Commission's order and the ultimate formation of PWC.

Q. HOW MANY CUSTOMERS DOES PWC SERVE?

A. As of December 31, 2012, PWC is serving 1,114 customers.

Q. PLEASE DESCRIBE THE COMPANY'S WATER RESOURCES.

A. PWC's exclusive source of water for utility operations is groundwater pumped from wells located within its service area. But, as the Commission is aware, PWC has been challenged with water supply shortages in its Mesa del Caballo system, and to a lesser extent its East Verde Park Estates system, and has had to seek supplemental supply methods. For most of its years of ownership of these systems, the Company has augmented water supplies by hauling water into the systems. Although water hauling continues at times of high demand, the Company has, for several years, been participating in the C.C. Cragin Pipeline Project (the "Cragin Pipeline") which is being developed by the Town of Payson. Once constructed, the Cragin Pipeline will deliver Salt River Project ("SRP") renewable water supplies from the C.C. Cragin Reservoir to Mesa del Caballo's system. I will discuss this project in further detail later in my testimony in the section concerning Mesa del Caballo.

Q. THANK YOU. HAS THE COMPANY EXPERIENCED ANY GROWTH IN RECENT YEARS?

A. No. In fact, the number of active customers has decreased. In 2007, PWC had 1270 active customers and in 2009 it had 1272 active customers.[2]

Q. WHY IS PWC FILING FOR NEW RATES AT THIS TIME?

A. Because the Commission ordered us to do so.[3]

---

[2] Customer count data has been adjusted for the Star Valley/Quail Valley water system.

[3] *See* Decision No. 73774 (March 21, 2013).

Q. BUT ISN'T THE COMPANY SEEKING A SIGNIFICANT INCREASE IN ITS RATES?

A. Yes, a rate increase is sorely needed. Still, we preferred to wait to file this rate application until we had greater certainty on the cost of the Cragin Pipeline.[4] Last fall, we were still finalizing agreements relating to this project. We were still in the process of determining the projected costs involved. Again, we believed it better to postpone the rate case so that we could focus our efforts on the Cragin Pipeline. Furthermore, we knew we'd need to apply for financing and believed those issues would be inextricably linked to a rate case. Our intention was to avoid additional costs and a filing that expended the resources of the Company and the Commission. The Commission didn't agree. As a result, we are filing now as ordered.

Q. HAS THE COMPANY FILED A FINANCING APPLICATION YET?

A. Not yet, however, we plan to file it in the next 30 days while this application goes through sufficiency. Then we will move to consolidate the two dockets.

III. SUMMARY OF RECENT SIGNIFICANT SYSTEM IMPROVEMENTS AND OTHER CHANGES

A. Plant Improvements

Q. YOU MENTIONED THE CRAGIN PIPELINE, WHICH YOU DISCUSS FURTHER BELOW. HAVE THERE BEEN ANY OTHER SIGNIFICANT CAPITAL IMPROVEMENTS TO UTILITY PLANT IN THE PAST FEW YEARS?

A. Since 2006 PWC has completed 24 capital improvement projects with a budgeted value of approximately $102,219. These projects relate specifically to replacement

[4] *See* PWC's Motion for Extension of Time to Comply with Decision No. 71902 as Amended by Decision No. 72679 (filed November 1, 2012 in Docket No. W-03514A-10-0116, *et al.*).

of water supply infrastructure, pressurizing equipment, system pumps, and various control systems. In addition to the capital expenditure projects, PWC has newly installed or replaced 906 meters in its various water systems as part of its regular meter monitoring and replacement program.

Although related to the Cragin Pipeline, I should also mention the pre-construction budget for the project with a budgeted value of $100,000. These latter costs are related to required engineering, groundwater radiography analysis, brush clearing, hydrological analysis, identifying alternative supplemental water supply alternatives, and permits from the U.S. Forest Service, Gila County, and ADEQ. These are the costs we have had to expend in advance in order to be ready to benefit from the Cragin Pipeline.

B. <u>Operating Expenses</u>

Q. HAVE THERE BEEN ANY RECENT, SIGNIFICANT CHANGES OR INCREASES IN OPERATING EXPENSES?

A. Yes. During the last several years, PWC's costs to do business have increased as other businesses have experienced the same thing. The most notable expense increases are related to electrical utility costs, insurance costs, property taxes, telephone costs, and chemical costs related to water treatment. Otherwise, legal costs and expenses related to customer litigation, in significant part resulting from past Commission recommendations, have caused the Company's costs to increase significantly.

C. **Condemnation of Star/Quail Valley**

Q. **MR. HARDCASTLE, YOU MENTIONED EARLIER THAT THE STAR VALLEY/QUAIL VALLEY WATER SYSTEM WAS CONDEMNED BY THE TOWN OF STAR VALLEY. WHEN DID THIS OCCUR?**

A. The final order of condemnation was issued in May 2012, during the test year and after a roughly six-month process. The Town of Star Valley took all of the water system facilities in Star Valley/Quail Valley, and the wells, pipes, customer deposits, and customers.

Q. **WHAT ABOUT THE CC&N?**

A. I am not a lawyer but my understanding is they took that too, or at least the portion that covered that system and those customers. After the court order, we immediately advised the Commission of the condemnation and were notified a little while after that the relevant portion of the service area was deleted from our CC&N.

IV. WATER SUPPLY AND THE MESA DEL CABALLO SYSTEM

A. Water Supply Limitations and the Water Augmentation Surcharge

Q. **DOES PWC HAVE ADEQUATE WATER SUPPLY FOR THE MESA DEL CABALLO SYSTEM?**

A. It depends. Obviously, there is a seasonal issue, just like in every part of the State of Arizona as far as I know. In addition, it is extremely hard at this point to know how much water is "adequate" for this system.

Q. **PLEASE EXPLAIN.**

A. The customers of Mesa del Caballo have been subject to extreme water saving measures long enough to have developed an extremist water conservation mindset. As a consequence, it is difficult to ascertain with any accuracy how much water is actually needed if Mesa del Caballo's customer are not subject to voluntary and

mandatory water conservation measures, many of which are extreme.

Q. FAIR ENOUGH. SO HOW BAD DOES THE PROBLEM GET DURING HIGH DEMAND?

A. We know that, despite significant water conservation measures, the Mesa del Caballo water system does not have sufficient supplies of water during the high demand months of May through October. During those periods, the Company has had to purchase supplemental water commodities from the Town of Payson and transport the water to the water system to meet peak demand. If we assume all customers in Mesa del Caballo desire to have water supplies similar to those of their Town of Payson neighbors, the Mesa del Caballo water system would require approximately 9 acre feet per month during the peak demand months and lesser amounts during the non-peak demand months. The agreements PWC has successfully negotiated with SRP and the Town of Payson would be sufficient to meet this demand.

Q. WHAT SOURCES OF WATER ARE CURRENTLY AVAILABLE TO SUPPLY MESA DEL CABALLO?

A. Besides hauling, PWC operated seven of its groundwater wells in 2012. Three of these wells typically have little or no production. The remaining Company wells typically produce less than 20 gallons per minute ("GPM"). Additionally, the Company has entered into three private party Water Sharing Agreements ("WSA's"), under which excess water is purchased from private well owners and co-mingled with the Company's own sources. These three WSA's may produce up to an additional 25 GPM. Two of the WSA's are currently under contract and the third WSA is currently being re-negotiated with the property owner.

Q. CAN MORE WELLS BE DRILLED TO ENHANCE SUPPLY?

A. Of course. However, simply drilling more wells is a superficial, uncertain, and misunderstood solution. Because of geological conditions at Mesa del Caballo it is very difficult to discover economically justifiable water supplies. Mesa del Caballo is located on an outcropping of solid granite. Finding water at Mesa del Caballo is a matter of being lucky enough to site a well in a subterranean location that supports underground water flow. There are no large producing water wells.

According to groundwater radiography studies completed for the Company, and the independent analysis of a third party hydrological consultant, there are two or three seismic faults that intersect the Mesa del Caballo area. There *may* be water available in these locations at depths exceeding 1400 feet. It is not known how much water is available from any of these potential sources. The Company, nor its consultant, can ascertain whether or not sufficient supplies of water are likewise available.

The Company's hydrologist projects that at least three *successful* wells would be required to meet customer demand during peak demand periods. It is not known how many well drilling attempts would be required to produce a successful well. Further, the hydrologist can provide no insight or make projections as to the sustainability of any deep groundwater wells developed in Mesa del Caballo. At best, we were told, they may provide sustainable water for a week or a month or a year or a lifetime. Given the very high costs related to deep well exploration and the uncertainty, the Company's position is that it is not reasonable or prudent to drill additional wells.

Q. ISN'T WATER HAULING EXPENSIVE?

A. Yes, very expensive. It's also slow. Frequently, customers consume transported water supplies as fast as they are delivered to Mesa del Caballo. But when we haul

water, we have wet water for our money.

Q. HOW HAS PWC RECOVERED THAT COST?

A. For the period of ownership through 2010 the Company provided the transported water to customers at its own expense and never sought recovery. But we determined that continuing to do so would likely jeopardize the Company's financial viability, so in March 2010 we applied to the Commission for approval of an interim water augmentation surcharge to help absorb some of the cost.[5]

Q. WAS A SURCHARGE APPROVED?

A. Yes. In Decision No. 71902 (September 28, 2010), the Commission approved a surcharge that is based on the prior month's cost of hauling water and the customer's proportional water usage during that month. It's especially designed to allow the Company to recover some of its costs between the months of May and September when there is an increase in customer demand.

Q. IS THE SURCHARGE STILL IN EFFECT?

A. It is.

Q. IS PWC REQUESTING TO CONTINUE THE SURCHARGE?

A. Yes, because the Company continually finds itself in the position of having to haul in water, and it's likely we'll need to continue to haul it in until the Cragin Pipeline is completed and perhaps even still when it's fully operational. What water is delivered through the Cragin Pipeline will depend on the stored reservoir supplies. Historical data indicates that no supply is highly unlikely; however, it's still possible that supplies could be short or non-existent for a period of time. Although the Company is not prohibited from using the water wells it already has during this period, it is possible that the supplemental supply from those wells may have to be

[5] *See* PWC's Application for Approval of Water Augmentation Surcharge Tariff (filed March 31, 2010 in Docket No. W-03514A-10-0116, *et al.*).

further supplemented by hauled water.

B. Cragin Pipeline

Q. PLEASE DESCRIBE THE CRAGIN PIPELINE AND THE ASSOCIATED COSTS FOR PWC.

A. The Cragin Pipeline would deliver renewable water supplies from the C.C. Cragin reservoir, located about 25 miles northeast of Payson. The Cragin Pipeline route passes literally across the street from the Mesa del Caballo system. Analyses show that an interconnection to the associated Town of Payson water treatment plant would give PWC access to as much as 72 acre-feet of renewable water supplies annually. The cost of the interconnection is estimated at roughly $1,238,000.[6]

Q. WHAT IS THE STATUS OF THE PROJECT?

A. The Company has received ADEQ's Approval to Construct and the U.S. Forest Service's approval to excavate Houston Mesa Road to construct the initial piece of the Cragin Pipeline that will connect to the water treatment plant. We refer to this small initial piece of the project as Phase I and should be ready to start within 30 days.

Q. WHEN IS CONSTRUCTION EXPECTED TO BEGIN?

A. We expect to begin the balance of the project (Phases II and II) in the first quarter of 2014.

Q. WHAT IS THE ANTICIPATED COMPLETION DATE OF THE CRAGIN PIPELINE?

A. According to the Town of Payson, completion of the Cragin Pipeline and the water treatment plant are scheduled to go into September of 2015.

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[6] Direct Testimony of Thomas J. Bourassa – Rate Base, Income Statement as Rate Design ("Bourassa Dt.") at 16.

Q. WILL THE COMPANY SEEK FINANCING FOR THIS PROJECT?

A. Yes. We plan to apply to the Water Infrastructure and Finance Authority ("WIFA") and file a financing application with the Commission by the time this rate application reaches sufficiency. The Company has long been discussing the Cragin Pipeline with WIFA and has placed the project on WIFA's Project Priority List for at least three years.

Q. HOW DOES THE COMPANY PLAN TO RECOVER ITS COSTS?

A. The Company will propose a debt surcharge. Mr. Bourassa discusses this further in his direct testimony.[7]

V. RATE CONSOLIDATION

Q. MR. HARDCASTLE, WHY IS THE COMPANY REQUESTING THAT RATES BE CONSOLIDATED?

A. As I testified earlier, PWC was formed from nine systems with differing rate structures. It's time to change that. It's not efficient and doesn't make sense from a management and administrative standpoint, or a regulatory standpoint.

VI. COMPLIANCE, CONSERVATION, AND CUSTOMER SATISFACTION

Q. WHAT IS PWC'S COMPLIANCE STATUS?

A. To the best of my knowledge, we are in compliance with all ADEQ, ADWR, ADOR, and ACC rules and regulations regarding the provision of water service in the State of Arizona.

Q. HOW MANY COMPLAINTS HAS THE COMMISSION RECEIVED FROM PWC CUSTOMERS IN THE LAST YEAR?

A. The Company typically experiences approximately 50-60 informal complaints from customers annually. Most of these are related to Mesa del Caballo's water augmentation surcharge. In 2012, one customer, joined by one non-customer from

[7] *Id.* at 16 – 18.

Mesa del Caballo, filed formal complaints related to the surcharge. These formal complaints remain undecided.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-0111
IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,238,000 IN CONNECTION WITH INFRASTRUCTURE IMPROVEMENTS TO THE UTILITY SYSTEM; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO: W-03514A-13-0142

REBUTTAL TESTIMONY OF
JASON WILLIAMSON

December 6, 2013

EXHIBIT
A-14
ADMITTED

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I. INTRODUCTION, PURPOSE AND SUMMARY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

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

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A. Yes. In Phase I of this consolidated docket, I submitted direct testimony in support of the Company's request to consolidate and expedite the financing and rate applications, and testimony in response to the Staff Report. I also testified at the Phase I hearings in late September 2013.

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

A. To respond to recommendations by Staff in its (Phase 2) direct testimony regarding unsupported plant costs, non-revenue water, and Best Management Practices tariffs. I will also address the ADEQ and ADWR compliance issues Staff raised. In addition, the Company is renewing its request for a water hauling surcharge for the East Verde Park system, which I will explain. Finally, I will respond to Staff's recommendation regarding the portion of the Company's financing request being addressed in this phase of the proceeding.

II. COMPLIANCE MATTERS

Q. MR. LIU RAISES TWO COMPLIANCE ISSUES IN HIS DIRECT TESTIMONY. WOULD YOU PLEASE ADDRESS THESE MATTERS?

A. Yes. Mr. Liu points out that the Company currently has compliance issues with both ADEQ and ADWR. I will address both.

Q. OKAY, WHAT IS THE ISSUE WITH ADWR?

A. This is purely a paperwork issue - ADWR is evidently missing the 2011 and 2009 annual reports.

Q. WHAT IS THE COMPANY DOING TO ADDRESS THIS MATTER?

A. The previous owner believes these have been submitted, and is looking for copies. We are preparing new reports for these years just in case the previous owner is unable to locate them.

Q. WHEN DO YOU EXPECT THIS MATTER TO BE RESOLVED?

A. Within the next 30-45 days.

Q. THANK YOU. LET'S TURN TO THE ISSUE WITH ADEQ. CAN YOU EXPLAIN WHAT IS THE ISSUE THERE?

A. We received a Notice of Violation for some wells located within the Mesa Del Caballo (MDC) community. There were three issues, one of which related to the wrong ADWR well number label that has been resolved already. The other two relate to ADEQ's belief that Approvals to Construct and Approvals of Construction are required for three wells owned by unaffiliated third parties and from which the Company gets water to augment its supply for MDC.

Q. WHAT IS THE COMPANY DOING TO ADDRESS THIS MATTER?

A. We have met with ADEQ and subsequently responded to this issue in a letter to ADEQ dated November 7, 2013, which letter responds to ADEQ's notice and, among other things, expresses our disagreement with ADEQ's findings of a

violation regarding these three wells. I have attached a copy of the letter to my testimony as **Exhibit JW-RB1**.

Q. WHEN DO YOU EXPECT THIS MATTER TO BE RESOLVED?

A. Since we have fulfilled our response obligations, the ball is in ADEQ's court. I hope that the matter will now be resolved in a matter of weeks.

Q. STAFF RECOMMENDS THAT NO RATE INCREASES TAKE EFFECT UNTIL THESE MATTERS ARE RESOLVED. WHAT IMPACT WOULD THAT HAVE ON THE COMPANY?

A. Any delay in an increase in rates will have a dramatic impact on the Company. The Company cannot wait for implementation of rates. Besides the fact that we do not currently have enough revenue to pay all our bills, such a delay will also have an impact on our ability to meet the debt service coverage ratios that are required for the WIFA financing set to close within one month from now. I cannot in good conscience borrow $275,000 from WIFA to construct the TOP-MDC line without at least advising them that if Staff's recommendation is accepted, we may not be able to meet the required debt service requirements to borrow money from them.

Q. BUT SHOULDN'T THE COMMISSION BE CONCERNED ABOUT THE WELFARE OF YOUR CUSTOMERS?

A. Implementation of the new rates is the best means of ensuring the welfare of our customers. None of the issues impact water or service quality. The private well water is tested regularly along with our own well water by ADEQ under our regular MAP testing. Water quality from the privately owned wells has never been an issue that I can find.

III. ADJUSTMENTS FOR UNSUPPORTED PLANT

Q. STAFF MADE TWO SIGNIFICANT RATE BASE ADJUSTMENTS. DO YOU WISH TO ADDRESS THEM?

A. Yes. Mr. Bourassa will also address these two adjustments, and I will leave some of the more specific number details to him. I will try to provide some explanation as to why these issues have arisen. I want to start by thanking Staff for its efforts to work with us regarding support for plant. For a number of reasons, the transition from the Company's prior owners to JW Water, the investment group I formed to acquire the Company from Brooke Utilities Inc. ("BUI"), has been difficult. Access to past recordkeeping has provided one of our biggest challenges. While we may not necessarily agree with Staff's position or the adjustments Ms. Brown recommends, we are extremely grateful for their efforts to work with us.

Q. IS THE AFFIDAVIT REQUESTED BY MS. BROWN ON PAGE 10 OF HER DIRECT TESTIMONY ONE OF THOSE EFFORTS?

A. Yes. Attached as **Exhibit JW-RB2** are two affidavits – one from me and one from the Company's prior owner, Mr. Hardcastle – which detail the Company's efforts to provide support, and affirm that it was the Company who paid for the plant.

Q. HOW CAN YOU BE SURE THAT THE COMPANY PAID FOR THE PLANT IN QUESTION?

A. As reflected in the affidavits, although the Company was unable to provide invoices prior to 2009, the Company did provide annual reports, tax returns, and supporting schedules from the General Ledger. This documentation corresponds with the amounts stated in the Company's rate application. As for the source of funds, the only source available has been investor supplied capital. The Company did not enter into line extension agreements except for those related to homes with

the Star Valley system, and the Company has had no hook-up fee, and there is no debt on the books.

Q. DO YOU AGREE WITH STAFF'S TESTIMONY (BROWN DT AT 9) THAT INADEQUATELY SUPPORTED PLANT HAS TO BE REMOVED TO REMOVE THE RISK THAT RATEPAYERS WILL PAY OVERSTATED COSTS?

A. No, I don't agree. The plant exists, and its cost isn't zero. The Company wasn't able to provide all of the invoices requested by Staff but as I explained above, the Company did provide other documentation that demonstrates the plant at issue was paid for by the Company or its parent, BUI. The ratepayers aren't paying overstated costs.

Q. WHY NOT?

A. The only way ratepayers might pay overstated costs is for the plant cost to have been funded with Advances or Contributions in Aid of Construction and, additionally, be included in rate base. That hasn't happened here. The Company used its own money to pay for plant.

Q. HOW DO YOU RESPOND TO STAFF'S CONTENTION THAT "SOURCE DOCUMENTATION" MEANS INVOICES?

A. I don't understand the notion that an invoice is the only acceptable "source documentation." An invoice details services. But it doesn't actually prove who paid for the service – where the capital came from. I will try to illustrate by a simple example.

I can have my cousin Steve call a supply house and order a new pump for Payson. He can give his name and the supply house can write his name on the invoice. Later, when the pump is installed, PWC sends a check. A week later we get back an invoice marked "Paid in Full," perhaps with a check number written on

it. But the invoice is still in Steve's name. Does this mean the Company did not fund the cost of the tank? Of course not.

This is why I believe the other forms of documentation provided by the Company do a better job of demonstrating it was the Company who provided the capital. General ledger entries are made at the time plant is purchased and placed in service. Tax returns representing what the entity made, owns and spent, are filed making sure that the utility pays the right amount of income tax. An invoice may be helpful, but it is not the only or best proof of who paid for something.

Q. THANK YOU. TURNING TO THE SECOND ADJUSTMENT, THE ONE RELATED TO THE STAR VALLEY CONDEMNATION, STAFF SAYS THEY CAN'T BE SURE THE AMOUNTS DEDUCTED ARE CIAC. DO YOU HAVE ANY RESPONSE?

A. I believe Tom Bourassa has addressed this issue in his rebuttal testimony, but there is a very long record of these amounts being shown on the books and tax returns of the Company as CIAC, going back to before BUI's ownership. This means that most of these amounts were a part of the previous rate case that was approved in 2000. I don't understand why Staff is just ignoring those prior findings of the Commission.

IV. NON-REVENUE WATER

Q. STAFF'S ENGINEER MENTIONED THAT THE PWC SYSTEMS ARE "FRAGILE." WOULD YOU AGREE WITH THAT ASSESSMENT?

A. I don't know that I have enough experience to answer that, as we've only been the owner for six months now. However, as is typical for water systems that are decades old, they tend to show their age in the form of line leaks, equipment breakdown, and non-revenue water (aka water loss).

Q. SPEAKING OF NON-REVENUE WATER, DO YOU SUPPORT THE STAFF'S RECOMMENDATIONS ON POST-DECISION DOCUMENTATION / COMPLIANCE REQUIREMENTS FOR THE FLOWING SPRINGS, GISELA, MEADS RANCH, WHISPERING PINES AND GERONIMO ESTATES SYSTEMS?

A. It depends. In the case of Flowing Springs, the non-revenue water numbers shown in Table 2 of the Engineering Report are incorrect. According to the Company's records and the 2012 annual report, in 2012 1,089,000 gallons were sold and 1,139,000 gallons were pumped. This equals a loss of 4.4 percent. Therefore, the compliance recommendations do not seem appropriate. Similarly for Gisela, the 2012 annual report shows that 12,002,000 gallons were sold and 13,357,000 gallons were pumped. This equals 10 percent. The Engineering Report incorrectly states 16.4 percent. For Geronimo Estates, the numbers are off but only slightly. The 2012 annual report shows 1,501,000 gallons sold and 1,669,000 gallons pumped, which is 10 percent. There are other smaller discrepancies in the table, but the Staff recommendations for non-revenue water reporting for Flowing Springs, Gisela and Geronimo Estates appear to be based on incorrect flow numbers.

Q. ARE YOU OKAY WITH THE STAFF RECOMMENDATIONS FOR WATER LOSS REPORTING ON WHISPERING PINES AND MEADS RANCH?

A. Yes.

V. <u>BEST MANAGEMENT PRACTICES TARIFFS</u>

Q. DOES THE COMPANY ACCEPT STAFF'S RECOMMENDATION?

A. Yes. The Company has agreed to adopt the attached to Mr. Liu's testimony as Attachment JWL. The Company further agrees to notify customers in of their

implementation in a form acceptable to Staff.

VI. REQUEST FOR EAST VERDE PARK HAULING SURCHARGE

Q. STAFF RECOMMENDS THAT THE COMPANY FILE A LONG-TERM PLAN TO ADDRESS WATER SUPPLY ISSUE IN EAST VERDE PARK. DO YOU AGREE THAT THIS SYSTEM HAS A WATER SUPPLY PROBLEM?

A. Yes, but it is nothing like what we experience in MDC. The wells in EVP are like most well sources in this area – they just do not produce a consistently sustainable supply in significant quantities, and it is generally uncertain whether there is more water deeper down. Additionally, SRP, who controls the flow of the East Verde River, which runs adjacent to EVP, has some claims related to all of the water in the area. So, whatever the case, it doesn't appear there are any easy solutions or "low hanging fruit."

Q. STAFF RECOMMENDS THAT THE COMPANY CONDUCT A STUDY REGARDING THE EVP WATER SUPPLY SITUATION. DO YOU BELIEVE THIS IS A PRUDENT INVESTMENT OF TIME AND MONEY?

A. It might be, if for nothing else, to confirm that there really are no good options. So, the Company is not really opposed to doing such a study, but it can't do it without rate relief as we could not even think of funding something like this given our current financial situation and our focus on getting through next summer. Therefore, the time frame for completing this study should be at least one year from a decision in this case.

Q. WHAT DO YOU SUGGEST IN THE NEAR-TERM?

A. We believe the best method to address the unpredictable water supply issues in EVP is to establish an augmentation tariff, like the one utilized in MDC, and proposed by the previous owner for EVP in 2011. This seems most equitable, as it

would allow the Company to provide this extra service and cost for the occasional hauling at EVP to be recovered from the customers that need it. The Company's proposed tariff is attached hereto as **Exhibit JW-RB3.**

Q. WHY DIDN'T THE COMPANY INCLUDE THIS REQUEST IN ITS APPLICATION?

A. I don't know why the prior owner did not include it. But it is the same approach as has been used in the MDC system and it does not increase the revenue requirement, so I do not see why the request cannot be evaluated in this rate case.

Q. WHY SHOULD THE COMMISSION APPROVE A WATER HAULING TARIFF FOR EVP WHEN IT JUST TOOK STEPS TO TERMINATE THE ONE FOR MDC?

A. Primarily to provide a revenue-neutral means to recover the costs for augmenting the water supplies at EVP without impacting the rates for all PWC customers. Keep in mind that the hauling requirements for EVP have historically been minimal in comparison to MDC. In the test year, for example, which was the year with the historically highest water shortages at EVP, hauling costs were around $12,000 (which works out to about $85/ customer). At MDC in 2013 (the worst year yet for hauling), costs have topped $88,000 or about $247 per customer.

VII. COST OF CAPITAL

Q. WITH REGARD TO THE PHASE 2 FINANCING APPROVAL, WHEN DO YOU EXPECT TO PROCEED WITH THAT PROJECT (CRAGIN PIPELINE)?

A. The timing of this project is out of our hands, but the last update we received from the Town of Payson estimated completion of the Cragin pipeline in the third quarter of 2016.

Q. SO WILL STAFF'S RECOMMENDED FINANCING APPROVAL FOR PHASE 2 WORK WITH THAT TIMELINE?

A. No. Staff is recommending that the approval for the Company to take the loan and implement the debt surcharge be rescinded within a year of the final order. Based on a late 2016 completion date, the approvals we need will expire before we need them.

Q. SO SHOULD THE PHASE 2 LOAN AND SURCHARGE APPROVAL BE PERPETUAL?

A. Of course not, but since Staff is recommending we come back in for another rate case using a 2017 test year, why not allow the loan approval to extend until the filing of the next rate case? Otherwise, we'll be into the Commission for two general rate cases and three financing approvals within a 5-year period. That seems onerous and expensive for our customers too.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

EXHIBIT
JW-RB1

November 7, 2013

Daniel Czecholinski
Manager, Water Quality Field Service Unit
Arizona Dept. of Environmental Quality
1110 W. Washington St.
Phoenix, AZ 85007

Subject: Payson Water Co. – Mesa Del Caballo
Response to Notice of Violation dated Aug. 12, 2013

Mr. Czecholinski,

Following up our meeting on October 16, I am writing this letter to respond to the significant violations outlined in the aforementioned NOV.

After reviewing the available files at ADEQ regarding well nos. 55-553798. 55-560398, and 55-585747 (this is the corrected number – previously incorrectly identified as well 55-588967), we have determined that the alleged violations did not occur. A.A.C. section R18-505-B.3. provides a list of exemptions to the rule under which you indicate we are non-compliant. It reads: "An existing public water system shall be exempt from the plan review requirements of this Article if the public water system is in compliance with this Chapter or is making satisfactory progress towards compliance under a schedule approved by the Department if the applicable structural revision, addition, extension, or modification: (a. Has a project cost of $12,500 or less)".

As you can see in the attached invoices from Aero Drilling of Payson, AZ, none of these wells had a project cost of $12,500. The Aero Drilling invoices reflect the well location instead of the well number, so I've provided a table below that summarizes the invoice amounts for each well site:

- Well 55-5532798 ("Gunsight" - 8170 Gunsight Ridge) = $ 7,968.44
- Well 55-560398 ("Lot #289" - 605 W. Arabian) = $ 8,309.66
- Well 55-585747 ("E. Barranca" Well) = $ 6,505.83

In addition to the exemption related to the project cost, we also believe that the rules referenced in the NOV are clearly only applicable to company-owned wells (and not private wells). As we discussed at the meeting, and as has been conveyed to ADEQ during the May, 2013 inspection as well as prior inspections, Payson Water Company does not own any of the wells referenced

above. Payson Water Company maintains well sharing agreements with the private owners of these wells as a means of augmenting supply.

As a result primarily of the project cost exemption, it is clear under the rule that Payson Water Company is not required to obtain Approvals to Construct OR Approvals of Construction for the well numbers listed in the NOV and referenced above.

Please contact me, or the Payson Water Company Engineer, Jeff Bower, P.E. if you have any questions. We look forward to receiving confirmation from ADEQ of our compliance, and closure of the above-referenced NOV.

Regards,

Jason Williamson
President, Payson Water Company
P.O. Box 200595
Denver, CO 80220
P. 720-949-1384

CC: Jeff Bower, P.E.
Tres Rios Consulting Engineers
(602)989-0342

AERO DRILLING & PUMPS, Inc.

P.O. Box 499
Payson, AZ 85547
928-474-2376
Fax: 928-468-6882

FAX TRANSMISSION COVER SHEET

Date: 10/29/13

To: JEFF @ TRCE

Fax: 480-755-1043

Subject: MESA DEL CABALLO WELLS

Sender: CHRIS MILLER

YOU SHOULD RECEIVE 6 PAGE(S), INCLUDING THIS COVER SHEET.
IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL 928-474-2376.

Invoice

AERO DRILLING & PUMPS, INC.
P.O. BOX 499
PAYSON, AZ 85547
(928)474-2376

DATE	INVOICE #
5/20/1996	5175

BILL TO

LISA HARMON
HC 3 BOX 593-I
PAYSON, AZ 85541

SHIP TO

MESA DEL CABALLO
GUNSIGHT

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
	Due on Recpt		4/5/1996			

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
1	10GS15412	Goulds 10GS15 1-1/2HP 230V sub. p S/N B9606489	972.00	972.00T
336	GALV-10	1" Galv. Pipe	1.34	450.24T
200	ESB-104	10-4 Sub Pump Wire	0.89	178.00T
1	PITLESS-12	1-1/4" Pitlees Adpt & Cap	130.00	130.00T
1	WX-302	WX-302 Well-X-Trol Pressure Tank S/N 53427395	523.00	523.00T
1	MAN-10	Control Manifold 1"	125.00	125.00T
60	TRENCH	Trenching	0.75	45.00T
8	LBR-1	Labor	45.00	360.00
1	Misc-E	FREIGHT	25.56	25.56
		Sales Tax	3.90%	94.51

Thank you!

Total $2,903.31

AERO DRILLING & PUMPS, INC.
P.O. BOX 499
PAYSON, AZ 85547
(928)474-2376

Invoice

DATE	INVOICE #
4/1/1996	5129

BILL TO

LISA HARMON
HC 3 BOX 593-I
PAYSON, AZ 85541

SHIP TO

MESA DEL CABALLO
GUNSIGHT

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
	Due on Recpt		4/1/1996			

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
360	WD	Well Drilling	10.00	3,600.00T
21	WDSC06	Steel Casing 6"	7.00	147.00T
360	WDPV4	PVC Casing 4-1/2"	3.00	1,080.00T
20	WDGT	Grout Seal	2.40	48.00T
		Sales Tax	3.90%	190.13

Thank you!

Total $5,065.13

Invoice

AERO DRILLING & PUMPS, INC.
P.O. BOX 499
PAYSON, AZ 85547
(928)474-2376

DATE	INVOICE #
12/31/1996	5428

BILL TO

BROOKE UTILITIES, INC
P.O. BOX 1807
BAKERSFIELD, CA 93303-1807

SHIP TO

MESA DEL CABALLO
LOT#289

CALDWELL

DEAN S.

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
0418	Due on Recpt		12/31/1996			

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
440	WD	Well Drilling	10.00	4,400.00T
21	WDSC06	Steel Casing 6"	7.00	147.00T
440	WDPV4	PVC Casing 4-1/2"	3.00	1,320.00T
20	WDGT	Grout Seal	2.40	48.00T
1	05GS10412	Goulds 5GS10 1HP 230V sub. pump	928.00	928.00T
420	GALV-10	1" Galv. Pipe	1.34	562.80T
430	ESB-104	10-4 Sub Pump Wire	0.89	382.70T
1	AW66-1	6" X 1" Well Seal	36.00	36.00T
4	LBR-1	Labor	45.00	180.00
		Sales Tax	3.90%	305.16

Thank you!

Total $8,309.66

AERO DRILLING & PUMPS, INC.
P.O. BOX 499
PAYSON, AZ 85547
(928)474-2376

Invoice

DATE	INVOICE #
10/1/1996	5310

BILL TO

BROOKE UTILITIES, INC
P.O. BOX 1807
BAKERSFIELD, CA 93303-1807

SHIP TO

MESA DEL CABALLO
E. BARRANCA

COMMUNITY WELL
BY FIRE STATION

DEAN S.

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
00233	Due on Recpt		9/30/1996			

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
400	WDPV4	PVC Casing 4-1/2"	3.00	1,200.00T
1	HF-C	HYDRO FRAC WELL	850.00	850.00T
		Sales Tax	3.90%	79.95

Thank you!

Total $2,129.95

AERO DRILLING & PUMPS, INC.
P.O. BOX 499
PAYSON, AZ 85547
(928)474-2376

Invoice

DATE	INVOICE #
9/19/1996	5306

BILL TO

BROOKE UTILITIES, INC
P.O. BOX 1807
BAKERSFIELD, CA 93303-1807

SHIP TO

MESA DEL CABALLO
EAST BARRANCA

COMMUNITY PREP.
BY FIRE STATION

DEAN S.

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
00233	Due on Recpt		9/18/1996			

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
400	WD	Well Drilling	10.00	4,000.00T
22	WDSC06	Steel Casing 6"	7.00	154.00T
20	WDGT	Grout Seal	2.40	48.00T
1	Misc-P	PERMITTING	10.00	10.00
		Sales Tax	3.90%	163.88

Thank you!

Total $4,375.88

EXHIBIT
JW-RB2

AFFIDAVIT OF ROBERT T. HARDCASTLE

Robert T. Hardcastle, being duly sworn, deposes and says:

1. I am a resident of Kern County, California, over 18 years of age, and make this affidavit based on my own personal knowledge.

2. I am Executive Officer and President of Brooke Utilities, Inc. ("BUI"), which was the sole shareholder of Payson Water Company (the "Company") until June 2013.

3. I am aware that Staff Data Requests CSB 1.3 and CSB 2.15, dated June 27, 2013 and September 12, 2013, respectively, requested "invoices and all other documentation" to support a sampling of costs for plant additions between the years 2000 and 2012, totaling $448,235.

4. The Company's new owner, Mr. Williamson, requested such records from BUI.

5. In response to the first set of Data Requests, BUI provided to the Company invoices for plant additions between 2009 and 2012. BUI indicated at that time that due to a change in their accounting system, locating invoices issued prior to 2009 might prove to be difficult.

6. Despite BUI's exhaustive subsequent search that produced hundreds of pages of additional documents submitted to Mr. Williamson, BUI and Mr. Williamson determined that a complete search for all records for the period 2000 to 2008 could not be completed under the applicable constraints.

7. I am informed that the Company and Staff discussed other ways to support the costs for which there were not invoices. At the request of Mr. Williamson, between October 18 and October 25 BUI provided to the Company copies of BUI's tax returns filed for the 2000 to 2008 calendar years, as well as the supporting schedules from the General Ledger.

8. The Company did not enter into line extension agreements except related to homes with the Star Valley system, and it did not have a hook-up fee. Therefore, there are no other possible sources of funds except investor supplied equity capital and loans, and the Company had

no debt at the end of the test year or at the time BUI sold the stock to Mr. Williamson.

9. Based on the foregoing, I affirm under oath that the plant at issue in Docket No. W-03514A-13-0111, and subject to Staff Rate Base Adjustment 1 was paid for by the Company and/or its shareholder, BUI.

Robert T. Hardcastle

SUBSCRIBED and sworn to before me this 4th day of December, 2013.

CRYSTAL MEADOWS
Commission # 1946505
Notary Public - California
Kern County
My Comm. Expires Aug 1, 2015

Notary Public

My Commission Expires:

August 1, 2015

8705927.1/073283.0006

AFFIDAVIT OF JASON P. WILLIAMSON

Jason P. Williamson, being duly sworn, deposes and says:

1. I am a resident of Denver County, over 18 years of age, and make this affidavit based on my own personal knowledge.

2. I am President of Payson Water Co., Inc. (the "Company") as of June 2013.

3. In Data Requests CSB 1.3 and CSB 2.15, dated June 27, 2013 and September 12, 2013, respectively, Staff requested "invoices and all other documentation" to support a sampling of costs for plant additions between the years 2000 and 2012, totaling $448,235.

4. It was the Company's prior owner, Brooke Utilities Inc. ("BUI"), who maintained control over the records that Staff requested. The Company worked with BUI to locate invoices, specifically, for the plant additions identified in Data Request CSB 1.3.

5. On August 23, 2013, the Company provided to Staff invoices for plant additions between 2009 and 2012. The Company indicated it was continuing the search for invoices issued between 2000 and 2008. Ultimately, the Company determined it was unable to provide many of these invoices.

6. The Company discussed with Staff other ways to support the costs. Consequently, between October 18 and October 29, 2013, the Company provided its annual reports for 2000-2008, BUI's tax returns, and schedules from the General Ledger that corresponded both with the Company's tax return and the annual reports filed with the ACC.

7. After reviewing this information, it became clear that the plant assets were purchased by the Company, and that BUI's accounting practices were sound. The amounts filed in the Company's rate application corresponded to the IRS-filed tax returns as well as the ACC-filed annual reports.

Jason P. Williamson

SUBSCRIBED and sworn to before me this 5th day of December, 2013.

Notary Public

My Commission Expires: 2/17/15

8712284.1/072283.0006

KATHRYN REYNOLDS
NOTARY
PUBLIC
STATE OF COLORADO

My Commission Expires 2/17/15

EXHIBIT
JW-RB3

CURTAILMENT PLAN FOR: PAYSON WATER CO., INC.

ADEQ Public Water System: East Verde Park Water System (#04-026)

APPLICABILITY

Payson Water Company, Inc. (the "Company") is authorized by the Arizona Corporation Commission to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff. As needed, this tariff will be implemented by the Company for customers of the East Verde Park water system ("Water System"). This tariff supersedes the Curtailment Plan approved in Decision No. 67281 (May 5, 2005).

The curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of this tariff.

For the purposes of this curtailment plan the term "Peak Season" shall be defined as the period from May 1 through September 30 annually. The term "Off-Peak Season" shall be defined as all other periods not defined as Peak Season.

The Company shall provide a copy of the curtailment tariff to any EVP customer upon request.

EXEMPTIONS: Customers who use 4,000 gallons or less per month based on a twelve (12) month rolling average are exempt from the mandatory reduction in daily use requirements as outlined in Stage 3, Stage 4 and Stage 5 of this tariff. This is because these customers are already leading a conservative water lifestyle, and mandatory percentage reductions will likely require the loss of use of water essential to health and safety. However, all other restrictions during mandatory conservation periods will still apply.

STAGES

Stage 1 Exists When:

Water System's storage level is 85% or more of capacity and there are no known problems with production or storage.

Restrictions: Under Stage 1 conditions the water system is deemed to be operating normally and no curtailment is necessary, except as follows: (a) no outside watering is permitted on Mondays; (b) outside water is permitted on Tuesdays, Thursdays, and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays, Fridays, and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or any form of irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

Water Augmentation: Under Stage 1 conditions, no water augmentation is required.

Notice: Under Stage 1 conditions, no notice is required.

Stage 2 Exists When:

Water System's storage level is less than 85% of capacity but more than 70% of capacity for at least forty-eight (48) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 2 conditions **voluntary** conservation measures should be employed by customers to reduce water consumption by at least 20% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Monday's, Thursdays, and Fridays; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

Water Augmentation: Under Stage 2 conditions no water augmentation is required.

Notice: Under Stage 2 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 2 conditions, and a need to conserve water.

Stage 3 Exists When:

Water System's storage level is less than 70% of capacity but more than 60% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified-operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 3 conditions **mandatory** conservation measures should be employed by customers to reduce water consumption; by at least 30% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, and Fridays.; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 3 conditions the Company shall inform customers of the Water System of the **mandatory** restriction to employ water conservation measures to reduce daily consumption by 30%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 3 conditions, the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 3 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 3 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 2 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

Notice: Under Stage 3 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 3 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 3 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be:

First offense:	$200
Second offense: (see also Reconnection Fees Section)	$350
Third offense:	$750

If a customer believes their water service has been disconnected in error, the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 4 Exists When:

Water System's storage level is less than 60% of capacity. but more than 50% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 4 conditions **mandatory** conservation measures should be employed by customers to reduce water consumption; by at least 40% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, Fridays, and Sundays; (b) outside watering is permitted on Tuesdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 4 conditions the Company shall inform customers of the Water System's **mandatory** restriction to employ water conservation measures to reduce daily water consumption by 40%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 4 conditions the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein;

(2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 4 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 4 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

Notice: Under Stage 4 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 4 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 4 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 4 curtailment notice shall be:

First offense:	$400
Second offense: (see also Reconnection Fees Section)	$750
Third offense:	$1,500

If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 5 Exists When:

Water System's storage level is less than 50% of capacity for at least twelve (12) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 5 conditions, **mandatory** conservation measures should be employed by customers to reduce water consumption; by at least 50% as measured on a daily use basis. Under Stage 5 conditions no outside watering is permitted. Under Stage 5 conditions the Company shall inform customers of the Water System's **mandatory** restriction to employ water conservation measures to reduce daily consumption by 50%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 5 conditions the following uses of water are strictly prohibited: (1) all outdoor watering; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 5 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 5 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 4 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

Notice: Under Stage 5 conditions, the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 5 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 5 conditions, the failure of a customer to comply with this Curtailment Plan within twelve (12) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2- 410(B)(1)(d). The reconnection fee for a violation of a Stage 5 curtailment notice shall be:

First offense:	$800
Second offense: (see also Reconnect-ion Fees Section)	$1,500
Third offense:	$3,000

If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

NOTICE

If the Company elects to provide customer water conservation-stage notice by use of local sign postings the Company shall post and maintain at least two (2) signs per water system in noticeable locations that include the entrance to major subdivisions indicating the Company is operating under its Curtailment Plan Tariff, beginning with Stage 1. Each signs shall be at least four feet by four feet and color-coded to denote the current stage, as follows:

Stage 1 — Green
Stage 2 — Blue
Stage 3 — Yellow
Stage 4 — Orange
Stage 5 — Red

The Company shall notify the Consumer Services Division of the Utilities Division at least;

- Twelve (12) hours prior to entering Stage 2.
- Six (6) hours prior to entering Stage 3.
- Six (6) hours prior to entering Stage 4.
- Four (4) hours prior to entering Stage 5.

RECONNECTION FEES

All reconnection fees shall be cumulative for a calendar year regardless of the Stage that an offense occurs. For example, if a customer fails to meet the requirements of a water conservation stage, observe required water conservation measures under a Stage 3 condition, and after receiving notice that a water conservation stage is in effect, the reconnection fee will be $200. If the same customer in the same calendar year commits an offense under Stage 5 conditions, the reconnection fee shall be $1,500. By May 15 and October 15 annually, the Company shall provide the Director of the Utilities Division with a list of customers who paid reconnection fees for failure to comply with the mandatory provisions of the Curtailment Plan Tariff.

Any customer who has service disconnected according to this Curtailment Plan Tariff more than once during a calendar year shall have those terminations count against them in the next calendar year for purposes of establishing the reconnection fee, should another disconnection occur.

WATER CONSUMPTION CALCULATION OF "DAILY USE"

For the purpose of calculating "daily use" under the Restriction section of Stage 2, Stage 3, Stage 4, and Stage 5 water conservation conditions, the following definition shall apply:

Daily use is determined by taking the customer water meter reading today and subtracting from the customer's meter reading yesterday. This daily use amount is multiplied by 30 days to obtain a calculated monthly use. This monthly use is then compared to the higher of: (a) the immediately preceding month's actual water consumption, or (b) water consumption for the same month in any one of the two previous years for the same service location, to determine if the customer reduced his/her water consumption by at least the required Stage's percentage. The water customer should reduce their daily water consumption from the higher monthly water consumption of either (a) or (b).

Example: Customer meter reads 986654 today. Customer meter read 986354 yesterday. The difference in meter reads is 300 gallons for one day or 9,000 gallons for 30 days. Customer's actual use in the same month in any one of the two previous years was 6,000 (b) gallons. Customer is in violation of Stage 3 mandatory water conservation conditions because his/her current "daily use" calculation is greater than his/her higher monthly use of (a) 7,000 gallons. Under Stage 3, the customer is required to reduce consumption by 30% of the 7,000 gallons or 2,100 gallons, 7,000 – 2,100 is 4,900. So the customer's daily use needs to be about 165 gallons per day.

EMERGENCY INTERIM

WATER AUGMENTATION SURCHARGE TARIFF

WATER CONSUMPTION CALCULATION OF "DAILY USE"

For the purpose of calculating "daily use" under the Restriction section of Stage 2, Stage 3, Stage 4, and Stage 5 water conservation conditions, the following definition shall apply:

Daily use is determined by taking the customer water meter reading today and subtracting from the customer's meter reading yesterday. This daily use amount is multiplied by 30 days to obtain a calculated monthly use. This monthly use is then compared to the higher of: (a) the immediately preceding month's actual water consumption, or (b) water consumption for the same month in any one of the two previous years for the same service location, to determine if the customer reduced his/her water consumption by at least the required Stage's percentage. The water customer should reduce their daily water consumption from the higher monthly water consumption of either (a) or (b).

Example: Customer meter reads 986654 today. Customer meter read 986354 yesterday. The difference in meter reads is 300 gallons for one day or 9,000 gallons for 30 days. Customer's actual use in the same month in any one of the two previous years was 6,000 (b) gallons. Customer is in violation of Stage 3 mandatory water conservation conditions because his/her current "daily use" calculation is greater than his/her higher monthly use of (a) 7,000 gallons. Under Stage 3, the customer is required to reduce consumption by 30% of the 7,000 gallons or 2,100 gallons, 7,000 – 2,100 is 4,900. So the customer's daily use needs to be about 165 gallons per day.

Applicability – This interim surcharge shall be in effect between May 1 and September 30 of each year, beginning in 2014, until the conclusion of Payson Water Company's next rate proceeding. It shall only apply to customers served on the East Verde Park water system.

Calculation – Each customer's monthly surcharge shall be calculated based on the company's prior month's water hauling costs, and compared to the customer's water usage during that particular month. The only costs recovered by the company through this interim surcharge will be the cost of the water supply and transportation costs; there will be no administrative costs or profit of this surcharge.

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000

Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-03514A-13-0111
IN THE MATTER OF THE APPLICATION OF PAYSON WATER CO., INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,238,000 IN CONNECTION WITH INFRASTRUCTURE IMPROVEMENTS TO THE UTILITY SYSTEM; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO: W-03514A-13-0142

REJOINDER TESTIMONY OF JASON WILLIAMSON

January 6, 2014

EXHIBIT
A-15
ADMITTED

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8784858.1/073283.0006

I. INTRODUCTION, PURPOSE AND SUMMARY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

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

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

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

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

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

II. RELIEF REQUESTED

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

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

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

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

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

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

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

Q. WAS A BOND POSTED AND FILED?

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

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

A. Yes.

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

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

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

[2] *Id.* at Ordering Paragraph 12.

PWC Relief Requested	Purpose	Systems Impacted	Staff Position	PWC RJ Position	Notes
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 NOVs 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.

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

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

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

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

[9] Staff rate base of $425,129 times 2.6% difference on ROR times 1.54 tax factor. Notably, the 2.6% is the difference in return using a 100% equity capital structure with a cost of equity of 9.0% and a WACC of 9.0% 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.

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

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

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

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

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

[12] Liu Sb. at 2.

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

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

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

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

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

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

[13] Decision No. 74175 at 5-8.

and would, under the Company's recommendation, be recovered under the PWAM going-forward. However, when Staff argued in Phase 1 that the approved commodity rates be deducted from the cost of water from Payson under the false conclusion that the approved commodity rates included purchased water costs for PWC the Company dropped its request for a PWAM in Phase 1.[14] Simply put, we punted the issue because we hoped, and still do, that the Commission will approve new rates, with provision to pay the Town for the water, by the time we would like to start using that water in May 2014.

Q. SO WHAT WOULD THE PWAM REQUESTED COVER?

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

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

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

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

A. Maybe, but during the Phase 1 hearing Ms. Brown made it clear that Staff really did not have enough time to fully evaluate the PWAM in Phase 1.[15] I assumed that Staff would at least confirm one way or another whether Mr. Bourassa was right about the flaw in Staff's PWAM approach.[16] Again, I will leave the accounting and ratemaking to Mr. Bourassa, but it is clear from his testimony that all purchased water costs have been removed from his determination of the revenue requirement.[17] If that's the case, I do not know how Staff can continue to have the

[14] *See* Phase 1 transcript at 37:7-20.

[15] Phase 1 transcript at 143:12-24.

[16] Bourassa Rb. at 23-24.

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

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

Q. IS STAFF'S RECOMMENDATION THAT RATE INCREASES BE HELD UP DUE TO OUTSTANDING ADEQ NOVs ALSO RELATED TO THE CRAGIN PROJECT?

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

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

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

[18] Liu Sb. at 2.

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

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

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

Q. IS IT POSSIBLE THAT THE NOVs WILL BE RESOLVED BEFORE THE NEW RATES ARE APPROVED?

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

Q. WHAT WATER WILL BE USED TO SERVE MDC?

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

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

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

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

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

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

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

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[19] Brown Dt. at 10:14-19.

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

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

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

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

Q. WHAT RATIONALE DOES STAFF OFFER FOR ITS ADJUSTMENTS?

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

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

[22] Brown Sb. at 4:22 – 5:4.

[23] Brown Sb. at 10-12.

little sense and is patently unfair to PWC.

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

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

III. REJOINDER TO INTERVENORS

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

A. Yes.

Q. ARE BOTH INTERVENERS CUSTOMERS OF PWC?

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

A. Response to Kathleen M. Reidhead

1. Consolidation of Rates

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

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

Q. WHY?

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

Q. BUT WHAT ABOUT MDC?

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

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

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

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

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

2. Water Augmentation

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

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

Q. HOW MUCH DID IT REALLY COST?

A. Nearly $52,000.[27] About 77% of that cost was for augmenting the supply to MDC. The other portion was for East Verde Park.

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[25] Decision No. 74175 at Ordering Paragraph 7.

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

[27] *See* Bourassa Schedule C-1, page 1.

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

A. Yes. The amount more than doubled between 2010 and 2012.[28] Plus, the Company has needed to haul in more gallons each year to meet customer demand. In 2013, the Company spent over $88,000 for just MDC.[29] So besides the fact that customers are subject to severe limitations on how much water they can use, the costs are annual, considerable and increasing. The costs are also inherently unpredictable from year to year. I am sure this is why the Commission was on the previous owner for some time to find a more permanent solution to the water supply issues in MDC. We are doing that, first with the TOP-MDC line, and then with the Cragin Project.

Q. DO YOU HAVE ANY FURTHER COMMENTS?

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

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[28] *See* Company Schedule E-2, page 1.

[29] Williamson Rb. at 9:15-18.

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

3. PWC's Curtailment Tariff

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

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

Q. WHY NOT?

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

B. <u>Response to Suzanne Nee</u>

1. Rate Consolidation

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

A. I offer the same reasons I did above.[33]

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[31] *See* Company's application filed December 13, 2004 in Docket No. W-03514A-04-0906.
[32] *See* Decision No. 67821 (August 2, 2005).
[33] *See* Section II(A)(1) *supra*.

2. Water Augmentation

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

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

3. Public Notice

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

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

Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes.