



0000153729

1 Steve Wene, No. 019630  
 2 MOYES SELLERS & HENDRICKS LTD.  
 3 1850 N. Central Avenue, Suite 1100  
 4 Phoenix, Arizona 85004  
 5 (602)-604-2189  
 6 swene@law-msh.com  
 7 Attorneys for Mt. Tipton Water Company, Inc.

RECEIVED

JUN -4 P 4. 06

ARIZONA CORP COMMISSION  
DOCKET CONTROL

ORIGINAL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

8  
 9 BOB STUMP, CHAIRMAN  
 10 GARY PIERCE  
 11 BOB BURNS  
 12 SUSAN BITTER SMITH  
 13 BRENDA BURNS

Arizona Corporation Commission

DOCKETED

JUN 04 2014

DOCKETED BY 

14 IN THE MATTER OF THE APPLICATION  
 15 OF MT. TIPTON WATER COMPANY,  
 16 INC. FOR A PERMANENT INCREASE IN  
 17 ITS WATER RATES AND CHARGES

DOCKET NO: W-02105A-13-0415

**NOTICE OF FILING REBUTTAL  
TESTIMONY**

18 Mt. Tipton Water Company, Inc. ("Company") hereby files the following rebuttal  
 19 testimony in support of its rate application:

- 20 ● Rebuttal Testimony of Sonn Rowell (*see* Attachment 1); and
- 21 ● Rebuttal Testimony of Michelle Monzillo (*see* Attachment 2).

22 RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of June, 2014.

**MOYES SELLERS & HENDRICKS LTD.**

26   
 27 \_\_\_\_\_  
 28 Steve Wene

1 Original and thirteen (13) copies  
2 of the foregoing filed this  
3 4<sup>th</sup> day of June, 2014 with:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85007

8 Donnelly, Herbert  
9

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

# **ATTACHMENT 1**

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2  
3 **COMMISSIONERS**

4 **BOB STUMP, CHAIRMAN**

5 **GARY PIERCE**

6 **BRENDA BURNS**

7 **SUSAN BITTER SMITH**

8 **BOB BURNS**

9 **APPLICATION OF MT. TIPTON WATER**  
10 **COMPANY, INC. FOR A PERMANENT**  
11 **INCREASE IN ITS WATER RATES**

12 **REBUTTAL TESTIMONY OF**  
13 **SONN S. ROWELL**

14 **Table of Contents**

|    |                                   |      |
|----|-----------------------------------|------|
| 15 | Rate Base and Adjustments         | p. 1 |
| 16 | Depreciation and Plant in Service | p. 3 |
| 17 | Rate of Return                    | p. 4 |
| 18 | Property Tax Surcharge            | p. 5 |
| 19 | Revised Recommended Rates         | p. 6 |

20  
21 **Q-1 Are you the same Sonn S. Rowell who provided testimony in the application?**

22 **A-1 Yes.**

23 **Q-2 What is the purpose of your rebuttal testimony?**

24 **A-2 The purpose of my rebuttal testimony is to respond to the Staff direct testimony**  
25 **filed on May 21, 2014. I will summarize and highlight areas where the company agrees**  
26 **and disagrees with the Staff recommendations.**

27 **Q-3 Does the Company agree with the Staff adjustments to plant in service?**

1 **A-3** The Company agrees with many, but not all, of them. As reflected on Rebuttal  
2 Schedule E-5, the Company has adopted Staff rate base adjustment 2 and 4 in their  
3 entirety and rate base adjustments 1 and 3 in part. Staff rate base adjustment 5 is a  
4 Company proposed reclassification Staff adopted.

5 **Q-4 Please explain Mt Tipton's agreement and disagreement with Staff rate base**  
6 **adjustment 1?**

7 **A-4** Staff reduced Wells and Springs by \$59,283 as follows:

|  |          |
|--|----------|
| 2009 reclassification to Pumping Equipment | \$ 5,034 |
| 2010 reclassification to Pumping Equipment | 9,878    |
| Church Well retirement                     | 29,012   |
| Spring Well retirement                     | 15,358   |
| Total reduction to Wells and Springs       | \$59,282 |

8  
9  
10  
11  
12  
13  
14 The Company agrees with the two reclassifications to pumping equipment and the  
15 Church Well retirement. Mt. Tipton does not agree with the retirement of the Spring  
16 Well as this well was not destroyed; only the electrical equipment was damaged. The  
17 status and purpose of this well is further discussed in the testimony of Michelle Monzillo.

18 **Q-5 Is that the only Company disagreement with Staff rate base adjustment 1?**

19 **A-5** No. Staff Schedule BAB-4 shows that the complete amount for both wells that  
20 were retired came out of account 307 – Wells and Springs. In addition to disagreeing  
21 with the retirement of the Spring Well, the Company has retired the Church Well per the  
22 distribution of the \$29,012 as reflected on page 12 of the Staff Engineering Report  
23 attached to the testimony as exhibit DMH-1. This is reflected as adjustment 2 on  
24 Rebuttal Schedule E-5.

25 **Q-6 What disagreement did the Company have with Staff rate base adjustment 3?**

26 **A-6** Staff Schedule BAB-7 reflects the reclassification of \$14,913 from Wells and  
27 Springs, but then retires one of those reclassifications, a 40 horsepower pump. The  
28 situation with this retirement is very similar to that of the Spring Well in that neither of

1 these assets is currently being used, but as explained by Ms. Monzillo, they are very  
2 important to constant, reliable service to the customers of the system. The Spring Well  
3 was not destroyed. Without “excess” funds to immediately replace the electrical  
4 equipment, however, Mt. Tipton has no choice but to wait until they either have the cash  
5 flow or the need for the well in a short period of time. Regarding the pump Staff has  
6 retired, this again will be a very important piece of backup equipment in the event of an  
7 equipment failure at a well. Technically this pump is not retired, but serves as backup  
8 equipment. If this asset were to be transferred to inventory it would not be part of rate  
9 base since the cash working capital allowance is not allowed for Class C utilities. Since  
10 this threshold has recently changed, the Company would agree with the reclassification of  
11 this asset to inventory if Staff were to recommend a cash working capital allowance for  
12 Mt. Tipton in its Surrebuttal testimony that included this back up pump.

13 **Q-7 Company rate base adjustment 1 to land is new in the rebuttal testimony?**

14 **A-7** Yes it is. Upon researching the retirement of the mystery solution chemical feeder  
15 equipment recommended in Staff rate base adjustment 4, Attachment 1 was discovered in  
16 the Docket (W-02105A-01-0557, et.al.) regarding the sale of Dolan Springs Water  
17 Company, Inc. (“Dolan”) to Mt. Tipton. As part of that WIFA financed sale approved by  
18 the Commission, Mt. Tipton obtained “115 acres of land around the spring to protect the  
19 water source, well sites, & tank sites” for \$170,000. This amount has never been added  
20 to the books of Mt. Tipton and has never been part of a rate case. Company adjustment 1  
21 on Rebuttal Schedule E-5 corrects this omission.

22 **Q-8 Did Mt. Tipton find any problems with Staff’s recommended amount of**  
23 **accumulated depreciation?**

24 **A-8** Yes. Rebuttal Schedule B-2 reflects the Company updated amount for plant in  
25 service and details the difference between the Staff and Company amounts for  
26 accumulated depreciation. The Company has added back the amounts for the Spring  
27 Well and pump retirements to the Staff recommended amount of accumulated  
28

1 depreciation, as well as adjusting for depreciation expense for half of 2009, and  
2 retirements the Company recorded in 2009, 2010, 2011 and 2012.

3 **Q-9 What are Mt. Tipton's recommendations regarding plant and rate base in its**  
4 **Rebuttal testimony?**

5 **A-9** As reflected on Rebuttal Schedule B-1, Mt. Tipton recommends plant in service of  
6 \$2,051,087, accumulated depreciation of \$1,065,588, and rate base of \$951,309.

7 **Q-10 Has the Company made changes to the original Schedule C-1 and the**  
8 **recommended revenue amount?**

9 **A-10** Yes. As a result of changes to plant in service, depreciation expense changed, and  
10 Mt. Tipton has reduced the amount it is requesting in base rates and proposed its own  
11 property tax surcharge.

12 **Q-11 Please explain how Adjustment D to depreciation expense, and the resulting**  
13 **proposed depreciation expense amount of \$47,323, differs from that of Staff.**

14 **A-11** In total, the dollar amounts are very close to one another, however due to changes  
15 to the Company proposed plant in service, the distribution of the amounts between  
16 accounts differs. Mt. Tipton's proposed depreciation expense is calculated on Rebuttal  
17 Schedule C-2a.

18 **Q-12 Please explain the change to Adjustment E2 to property tax expense as**  
19 **illustrated on Rebuttal Schedule C-2b.**

20 **A-12** Adjustment E2 increases proposed property tax expense by \$673, from the  
21 adjusted test year calculated amount of \$18,279, to \$18,952 at the decreased  
22 recommended revenue level.

23 **Q-13 Rebuttal Schedule D-1 reflects a costs rate of 27% for common equity which**  
24 **results in a 9.17% rate of return. What meaning does that percentage have in this**  
25 **specific case?**

26 **A-13** The 27% cost rate for common equity is merely the variable used to arrive at  
27 reasonable amounts for the analytical results on Rebuttal Schedule A-1, lines 4, 19, 23,  
28 and 27. For Mt. Tipton, a potential cash flow that is 9% of total revenue is as low as

1 practicable. The Company is only recommending this low a percentage of cash flow to  
2 revenue due to the property tax surcharge, and the impact both the base rates and the  
3 surcharge will have on its customers.

4 **Q-14 Does the Company agree with the Staff proposed property tax surcharge?**

5 **A-14** No. Mt. Tipton believes a surcharge in excess of \$18 per month for a 5/8 inch  
6 customer is excessive and would create a hardship on the customer base, resulting in  
7 either further loss of customers or decreased usage. The Company understands Staff's  
8 desire to rapidly pay off the substantial past due property tax balance because of the  
9 interest charges, but Mt. Tipton also feels that if too much of the customer cash flow is  
10 directed toward the property taxes, the everyday operations of the utility will suffer. As  
11 explained in the testimony of Ms. Monzillo, the infrastructure is quite old and is in  
12 danger of failure at any time which could result in a large expenditure. For a utility that  
13 is "owned" by the customers that receive service from it and elect the people to run it, it  
14 is a much better strategy to allow more of an increase to the base rates than recommended  
15 by Staff, and a longer repayment period for the past due property taxes.

16 **Q-15 What is the Company recommending for a surcharge recovery/repayment  
17 period and resulting surcharge amount?**

18 **A-15** As reflected on Rebuttal Schedule C-2c, Mt. Tipton recommends 36 months, and  
19 an \$11.98 monthly surcharge for a 5/8 inch meter.

20 **Q-16 Please summarize the components behind the surcharge calculation.**

21 **A-16** In addition to increasing the repayment period from 18 to 36 months, the  
22 Company has calculated the interest on the past due balance over the life of the  
23 repayment period. Interest accrues now, and will continue to accrue while the surcharge  
24 is collected from the customers. The surcharge will not even be effective until October  
25 2014 at the projected earliest, and those funds will not be collected from customers until  
26 November. In addition, Mt. Tipton will have to accumulate and hold the funds until it  
27 has enough available to pay off the liens one at a time due to the inability to make  
28 monthly payments.

1 **Q-17 Is the Company firm on the base surcharge amount of \$11.98?**

2 **A-17** No. Mt. Tipton would like for the surcharge to be as low as possible, but not less  
3 than \$10 per month for a 5/8 inch meter. The ultimate amount of interest that is paid will  
4 depend on the amount of each lien and how quickly they can be paid off. As funds can  
5 be accumulated, the liens will be paid off one at a time, thus reducing interest. The  
6 Company is in the process of gathering the details of each lien so more accurate  
7 projections of payoff amounts and dates can be made, and intends to present this  
8 information later, however, the basic structure of the calculation contained within  
9 Rebuttal Schedule C-2c is what the Company proposes.

10 **Q-18 What is the impact of the Company's revised recommended rates from the**  
11 **base rates only?**

12 **A-18** Mt. Tipton's revised recommended rates are reflected on Rebuttal Schedule H-3,  
13 Pages 1 and 2. The 5/8 by 3/4 inch residential meters make up the largest class of users.  
14 The 5/8 by 3/4 inch residential meter class will experience an average increase of 11.97%  
15 (without the surcharge) as depicted on Rebuttal Schedule H-1. Based upon average usage  
16 of 3,657 gallons per month, the monthly bill for these customers will increase \$4.38, from  
17 \$33.40 to \$37.79, or 13.12%. That is an increase of \$52.56 per year for the average user  
18 in this meter size. In addition, the Company wishes for simplicity to maintain a tier  
19 structure that is the same for all meter sizes.

20 **Q-19 What is the impact of the Company's revised recommended rates when the**  
21 **property tax surcharge is included?**

22 **A-19** Based upon average usage of 3,657 gallons per month, once the surcharge is  
23 included, the monthly bill for these customers will increase \$16.36, from \$33.40 to  
24 \$49.77, or 48.98%. That is an increase of \$196.32 per year for the average user in this  
25 meter size.

1 **Q-20 Is there another reason why Mt. Tipton wants more revenue in the base**  
2 **rates?**

3 **A-20** Yes. Per Decision 72001, the revenue requirement adopted was \$356,490, of  
4 which \$324,920 was metered water revenue. Mt. Tipton's metered water revenue during  
5 2011, 2012 and the test year was \$322,237, \$310,396 and \$312,811 respectively. The  
6 Company has not met its metered water revenue target since these rates have been in  
7 effect. In fact, Mt. Tipton has not even earned total revenue that hits the revenue target of  
8 \$356,490 including other revenue and the coin machine. There absolutely needs to be  
9 enough projected cash flow for the company to effectively operate when the revenue  
10 requirement established by a Decision is not met, nor is it likely to be met due to tiered  
11 rates.

12 **Q-21 Does this conclude your testimony?**

13 **A-21** Yes.  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

# **SCHEDULES**

**CALCULATION OF INCREASE IN GROSS REVENUE REQUIREMENT**

|   | <u>Original Cost</u> |
|---|----------------------|
| 1 Adjusted Rate Base  | \$ 951,309           |
| 2 Adjusted Operating Income                                     | \$ 50,407            |
| 3 Current Rate of Return  | 5.30%                |
| 4 Required Operating Income                                     | \$ 87,242            |
| 5 Required Rate of Return                                       | 9.17%                |
| 6 Operating Income Deficiency (Line 4 - 2)                      | \$ 36,836            |
| 7 Gross Revenue Conversion Factor                               | 1.0183               |
| 8 <b>Increase in Gross Revenue Requirements (Line 6 x 7)</b>    | <b>\$ 37,509</b>     |
| <i>9 Cash Flow calculation</i>                                  |                      |
| 10 Operating Income   | \$ 87,242            |
| 11 Depreciation Expense   | 47,323               |
| 12 Estimated Operating Cash Available (Line 10 + 11)            | \$ 134,566           |
| 13 Annual USDA loan 1 payments                                  | (7,848)              |
| 14 Annual USDA loan 2 payments                                  | (7,848)              |
| 15 Annual WIFA loan 1 principal/debt service payments           | (83,711)             |
| 16 Annual WIFA loan 2 principal/debt service payments           | (1,208)              |
| 17 <b>Estimated Conditional Cash Flow (Line 12+13+14+15+16)</b> | <b>\$ 33,951</b>     |
| 18 Proposed Revenue   | \$ 377,103           |
| 19 Conditional Cash Flow as Percent of Revenue (Line 17 / 18)   | 9.00%                |
| <i>20 Operating Margin calculation</i>                          |                      |
| 21 Operating Income   | \$ 87,242            |
| 22 Proposed Revenue   | \$ 377,103           |
| 23 <b>Operating Margin (Line 21 / 22)</b>                       | <b>23.13%</b>        |
| <i>24 WIFA DSCR calculation</i>                                 |                      |
| 25 Proposed Operating Income plus Depreciation                  | \$ 134,566           |
| 26 Annual Debt Service Amount                                   | 100,615              |
| 27 <b>Debt Service Coverage Ratio (Line 25 / 26)</b>            | <b>1.34</b>          |

|                  | <b>Customer<br/>Classification</b> | <b>Revenue at<br/>Present Rates</b> | <b>Revenue at<br/>Proposed Rates</b> | <b>Dollar Increase</b> | <b>Percent<br/>Increase</b> |
|------------------|------------------------------------|-------------------------------------|--------------------------------------|------------------------|-----------------------------|
| 28 Residential   |                                    | \$ 264,638                          | \$ 296,310                           | \$ 31,672              | 11.97%                      |
| 29 Commercial    |                                    | 37,240                              | 41,433                               | 4,193                  | 11.26%                      |
| 30 Other Metered |                                    | 10,933                              | 12,577                               | 1,644                  | 15.04%                      |
| 31 Coin Machine  |                                    | 16,341                              | 16,341                               | -                      | 0.00%                       |
| 32 Hook Up Fees  |                                    | 4,450                               | 4,450                                | -                      | 0.00%                       |
| 33 Other Revenue |                                    | 5,992                               | 5,992                                | -                      | 0.00%                       |
| 34 Total         |                                    | <b>\$ 339,594</b>                   | <b>\$ 377,103</b>                    | <b>\$ 37,509</b>       | <b>11.05%</b>               |

**Mt. Tipton Water Company, Inc.**  
Docket No. W-02105A-13-0415  
Test Year Ended June 30, 2013

**Rebuttal Schedule B-1**

**SUMMARY OF ORIGINAL COST RATE BASE**

|  | <b>Original Cost<br/>Rate Base*</b> |
|--|-------------------------------------|
| 1 Gross Utility Plant in Service       | \$ 2,051,087                        |
| 2 Less: Accumulated Depreciation       | <u>(1,065,588)</u>                  |
| 3 Net Utility Plant in Service         | \$ 985,499                          |
| 4 <b>Less:</b>                         |                                     |
| 5 Advances in Aid of Construction      | \$ (16,029)                         |
| 6 Contributions in Aid of Construction | (347,002)                           |
| 7 Customer Security Deposits           | (4,285)                             |
| 8 <b>Add:</b>                          |                                     |
| 9 Amortization of Contributions        | \$ 333,126                          |
| 10 Allowance for Working Capital       | <u>-</u>                            |
| 11 <b>Total Rate Base</b>              | <b><u>\$ 951,309</u></b>            |

\* Including pro forma adjustments

Supporting Schedule:  
B-2

Recap Schedule:  
A-1

## ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS

|  | Actual at End<br>Of Test Year | Pro forma<br>Adjustment | Adjusted at End<br>Of Test Year |
|--|-------------------------------|-------------------------|---------------------------------|
| 1 Gross Utility Plant in Service       | \$ 1,937,095                  | 113,992 A               | \$ 2,051,087                    |
| 2 Less: Accumulated Depreciation       | (1,147,676)                   | 82,088 B                | (1,065,588)                     |
| 3 Net Utility Plant in Service         | \$ 789,419                    | \$ 196,080              | \$ 985,499                      |
| 4 Less:                                |                               |                         |                                 |
| 5 Advances in Aid of Construction      | \$ (16,029)                   |                         | \$ (16,029)                     |
| 6 Contributions in Aid of Construction | (347,002)                     |                         | (347,002)                       |
| 7 Customer Security Deposits           | (4,285)                       |                         | (4,285)                         |
| 8 Plus:                                |                               |                         |                                 |
| 9 Amortization of Contributions        | \$ 333,126                    |                         | \$ 333,126                      |
| 10 Allowance for Working Capital       | -                             |                         | -                               |
| 11 Total Rate Base                     | <u>\$ 755,229</u>             | <u>\$ 196,080</u>       | <u>\$ 951,309</u>               |

A Per the detail on Rebuttal Schedule E-5

|   |                     |
|---|---------------------|
| B Staff Accumulated Depreciation per Schedule BAB-9 | \$ 1,318,860        |
| Depreciation expense from 07/01/2009-12/31/2009     | 33,531              |
| Remove Spring Well retirement                       | 15,358              |
| Remove 40 horsepower pump retirement                | 9,878               |
| 2009 retirements                                    | (4,131)             |
| 2010 retirements                                    | (37,996)            |
| 2011 retirements                                    | (72,154)            |
| 2012 retirements                                    | (197,758)           |
| Adjusted Accumulated Depreciation                   | <u>\$ 1,065,588</u> |

**ADJUSTED TEST YEAR INCOME STATEMENT INCLUDING PROPOSED REVENUE**

| Acct                           | Description                              | Actual for Test<br>Year Ended<br>30-Jun-13 | Proforma<br>Adjustments | Test Year<br>Results After<br>Pro Forma<br>Adjustments | Proposed<br>Rate<br>Increase | Adjusted Test<br>Year With<br>Rate Increase |
|--------------------------------|--|--|-------------------------|--|------------------------------|---|
| <b>Operating Revenues:</b>     |  |  |                         |  |                              |   |
| 1                              | 461 Metered Water Revenue                | \$ 313,207                                 | A (396)                 | \$ 312,811   | H \$ 37,509                  | \$ 350,320                                  |
| 2                              | 461.1 Coin Revenue                       | 16,341                                     |                         | 16,341   |                              | 16,341                                      |
| 3                              | 474.5 Non-Refundable Hook Up Fees        | 4,450                                      |                         | 4,450  |                              | 4,450                                       |
| 4                              | 474 Other Water Revenue                  | 5,992                                      |                         | 5,992  |                              | 5,992                                       |
| 5                              | <b>Total Operating Revenue</b>           | <b>\$ 339,990</b>                          | <b>\$ (396)</b>         | <b>\$ 339,594</b>                                      | <b>\$ 37,509</b>             | <b>\$ 377,103</b>                           |
| <b>Operating Expenses:</b>     |  |  |                         |  |                              |   |
| 6                              | 601 Salaries & Wages                     | \$ 103,268                                 |                         | \$ 103,268   |                              | \$ 103,268                                  |
| 8                              | 610 Purchased Water                      | -  |                         | -  |                              | -   |
| 9                              | 615 Purchased Power                      | 22,461                                     |                         | 22,461   |                              | 22,461                                      |
| 10                             | 618 Chemicals                            | -  |                         | -  |                              | -   |
| 11                             | 620 Repairs & Maintenance                | 15,086                                     |                         | 15,086   |                              | 15,086                                      |
| 12                             | 621 Office Supplies and Expense          | 27,965                                     | B 1,321                 | 29,286   |                              | 29,286                                      |
| 13                             | 630 Outside Services                     | 8,030                                      |                         | 8,030  |                              | 8,030                                       |
| 14                             | 635 Water Testing                        | 3,956                                      |                         | 3,956  |                              | 3,956                                       |
| 15                             | 641 Rental Expense                       | 500  |                         | 500  |                              | 500   |
| 16                             | 650 Transportation Expense               | 9,336                                      |                         | 9,336  |                              | 9,336                                       |
| 17                             | 657 Insurance - General Liability        | 10,691                                     |                         | 10,691   |                              | 10,691                                      |
| 18                             | 659 Insurance - Health and Life          | -  |                         | -  |                              | -   |
| 19                             | 666 Rate Case Expense                    | -  | C 7,000                 | 7,000  |                              | 7,000                                       |
| 20                             | 675 Miscellaneous Expense                | 3,082                                      |                         | 3,082  |                              | 3,082                                       |
| 21                             | 403 Depreciation & Amortization          | 125,612                                    | D (78,289)              | 47,323   |                              | 47,323                                      |
| 22                             | 408 Taxes Other Than Income              | 10,565                                     |                         | 10,565   |                              | 10,565                                      |
| 23                             | 408.11 Property Taxes                    | 13,623                                     | E1 4,656                | 18,279   | E2 673                       | 18,952                                      |
| 24                             | 409 Income Taxes                         | -  |                         | -  |                              | -   |
| 25                             | 427.2 Customer Security Deposit Interest | -  | F 324                   | 324  |                              | 324   |
| 26                             | <b>Total Operating Expenses</b>          | <b>\$ 354,175</b>                          | <b>\$ (64,987)</b>      | <b>\$ 289,187</b>                                      | <b>\$ 673</b>                | <b>\$ 289,860</b>                           |
| 27                             | <b>OPERATING INCOME/(LOSS)</b>           | <b>\$ (14,185)</b>                         | <b>\$ 64,591</b>        | <b>\$ 50,407</b>                                       | <b>\$ 36,836</b>             | <b>\$ 87,242</b>                            |
| <b>Other Income/(Expense):</b> |  |  |                         |  |                              |   |
| 29                             | 419 Interest Income                      | \$ 34                                      |                         | \$ 34  | \$ -                         | \$ 34                                       |
| 30                             | 421 Rental Income                        | 5,721                                      |                         | 5,721  |                              | 5,721                                       |
| 31                             | 421.1 Rental Expense                     | (3,375)                                    |                         | (3,375)  |                              | (3,375)                                     |
| 32                             | 427 Interest Expense                     | (11,770)                                   |                         | (11,770)   |                              | (11,770)                                    |
| 33                             | 430 Loss on Disposition of Equipment     | (63,058)                                   | G 63,058                | -  |                              | -   |
| 34                             | <b>Total Other Income/(Expense)</b>      | <b>\$ (72,448)</b>                         | <b>\$ 63,058</b>        | <b>\$ (9,390)</b>                                      | <b>\$ -</b>                  | <b>\$ (9,390)</b>                           |
| 35                             | <b>NET INCOME/(LOSS)</b>                 | <b>\$ (86,633)</b>                         | <b>\$ 127,649</b>       | <b>\$ 41,017</b>                                       | <b>\$ 36,836</b>             | <b>\$ 77,852</b>                            |

**INCOME STATEMENT PROFORMA ADJUSTMENTS**

| <b>Adjustment</b> | <b>Explanation of Adjustment</b>   | <b>Amount</b> |
|-------------------|--|---------------|
| A                 | Remove sales tax adjustments from revenue  | \$ 444        |
|                   | Decrease revenue for billing adjustments   | (840)         |
|                   | Total Adjustment A   | \$ (396)      |
| B                 | Reclassify QuickBooks annual fee   | \$ 429        |
|                   | Reclassify RVS annual software fee   | 892           |
|                   | Total Adjustment B   | \$ 1,321      |
| C                 | To include recovery of estimated rate case expenses<br>(\$35,000 amortized over 5 years).                | \$ 7,000      |
| D                 | Please refer to Schedule C-2a.   | \$ (78,289)   |
| E1                | Please refer to Schedule C-2b.   | \$ 4,656      |
| E2                | Please refer to Schedule C-2b.   | 673           |
| F                 | Include interest paid on customer security deposits  | \$ 324        |
| G                 | Remove expenses related to retirement of assets - non-recurring.   | \$ 63,058     |
| H                 | Increase Metered Water Revenue to meet the proposed revenue requirement per calculation on Schedule A-1. | \$ 37,509     |

Supporting Schedules:  
C-2a and C-2b

Recap Schedule:  
C-1

**DETAIL OF DEPRECIATION EXPENSE ADJUSTMENT D**

| Acct No.      | Description                               | Depreciation Rate | Plant Amount                                | Proposed Depr Exp  |
|---------------|---|-------------------|---|--------------------|
| 301           | Organization                              | 0.00%             | \$ 17,450                                   | \$ -               |
| 302           | Franchises                                | 0.00%             | 500   | -                  |
| 303           | Land & Land Rights                        | 0.00%             | 179,842                                     | -                  |
| 304           | Structures & Improvements                 | 3.33%             | 64,022                                      | 2,132              |
| 307           | Wells & Springs                           | 3.33%             | 382,076                                     | 12,723             |
| 310           | Power Generation Equipment                | 5.00%             | 27,400                                      | 1,370              |
| 311           | Pumping Equipment                         | 12.50%            | 116,812                                     | 14,602             |
| 320           | Water Treatment Equipment                 | 0.00%             | -   | -                  |
| 320.1         | Water Treatment Plants                    | 3.33%             | -   | -                  |
| 320.2         | Solution Chemical Feeders                 | 20.00%            | -   | -                  |
| 330           | Distribution Reservoirs & Standpipes      | 0.00%             | -   | -                  |
| 330.1         | Storage Tanks                             | 2.22%             | 223,341                                     | 4,958              |
| 330.2         | Pressure Tanks.                           | 5.00%             | -   | -                  |
| 331           | Transmission & Distribution Mains         | 2.00%             | 799,500                                     | 15,990             |
| 333           | Services                                  | 3.33%             | 59,750                                      | 1,990              |
| 334           | Meters & Meter Installations <sup>1</sup> | 8.33%             | 130,798                                     | 5,098              |
| 335           | Hydrants                                  | 2.00%             | 1,230                                       | 25                 |
| 339           | Other Plant and Misc Equipment            | 6.67%             | 1,880                                       | 125                |
| 340           | Office Furniture & Equipment <sup>2</sup> | 6.67%             | 18,094                                      | 42                 |
| 340.1         | Computers and Software <sup>3</sup>       | 20.00%            | 5,686                                       | -                  |
| 341           | Transportation Equipment <sup>3</sup>     | 20.00%            | 11,592                                      | -                  |
| 343           | Tools, Shop, and Garage Equipment         | 5.00%             | 1,274                                       | 64                 |
| 345           | Power Operated Equipment <sup>3</sup>     | 5.00%             | 167   | -                  |
| 347           | Miscellaneous Equipment <sup>3</sup>      | 10.00%            | 8,464                                       | -                  |
| 348           | Other Tangible Plant <sup>3</sup>         | 10.00%            | 1,208                                       | -                  |
| <b>Totals</b> |   |                   | <b>\$ 2,051,087</b>                         | <b>\$ 59,119</b>   |
|               |   |                   | CIAC Amortization                           | \$ (11,796)        |
|               |   |                   | Proposed Depreciation Expense               | \$ 47,323          |
|               |   |                   | Test Year Depreciation Expense              | 125,612            |
|               |   |                   | <b>Adjustment D to Depreciation Expense</b> | <b>\$ (78,289)</b> |

|                                  |                   |
|----------------------------------|-------------------|
| Depreciation Expense             | \$ 59,119         |
| Depreciable Plant                | <u>1,739,120</u>  |
| Composite CIAC Amortization Rate | 3.40%             |
| CIAC                             | <u>\$ 347,002</u> |
| CIAC Amortization                | <u>\$ 11,796</u>  |

<sup>1</sup> \$69,595 of the balance in this account is fully depreciated.  
<sup>2</sup> \$17,463 of the balance in this account is fully depreciated.  
<sup>3</sup> The total amount in these accounts is fully depreciated.

**DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENTS E1 AND E2**

| <u>Line</u>  | <u>Test Year<br/>as Adjusted</u> | <u>Company at<br/>Proposed Rates</u> |
|--|----------------------------------|--------------------------------------|
| 1 Adjusted Test Year Revenue                             | \$ 339,594                       | \$ 339,594                           |
| 2 Weight Factor  | 2                                | 2                                    |
| 3 Subtotal   | \$ 679,189                       | \$ 679,189                           |
| 4 Company Recommended Base Revenue                       | 339,594                          | 377,103                              |
| 5 Subtotal   | \$ 1,018,783                     | \$ 1,056,292                         |
| 6 Number of Years  | 3                                | 3                                    |
| 7 Three Year Revenue Average                             | \$ 339,594                       | \$ 352,097                           |
| 8 AZ Department of Revenue Multiplier                    | 2                                | 2                                    |
| 9 Revenue Base Value                                     | \$ 679,189                       | \$ 704,195                           |
| 10 Plus 10% of CWIP                                      | -                                | -                                    |
| 11 Less: Net Book Value of Licensed Vehicles             | -                                | -                                    |
| 12 <b>Full Cash Value</b>                                | <b>\$ 679,189</b>                | <b>\$ 704,195</b>                    |
| 13 Assessment Ratio                                      | 19.50%                           | 19.50%                               |
| 14 <b>Assessment Value</b>                               | <b>\$ 132,442</b>                | <b>\$ 137,318</b>                    |
| 15 <b>Composite Property Tax Rate *</b>                  | <b>13.8017%</b>                  | <b>13.8017%</b>                      |
| 16 Adjusted Test Year Property Tax Expense               | \$ 18,279                        |                                      |
| 17 Actual Test Year Property Tax Expense                 | 13,623                           |                                      |
| 18 <b>Total Adjustment E1</b>                            | <b>\$ 4,656</b>                  |                                      |
| 19 Projected Property Tax Expense                        |                                  | \$ 18,952                            |
| 20 Adjusted Test Year Property Tax Expense               |                                  | 18,279                               |
| 21 <b>Total Adjustment E2</b>                            |                                  | <b>\$ 673</b>                        |
| 22 * <i>Property tax composite rate calculation:</i>     |                                  |                                      |
| 23 Assessed Value per 2013 Property Tax Notices          | \$ 119,940                       |                                      |
| 24 Property Tax due per 2013 Notices                     | 16,554                           |                                      |
| 25 Composite Property Tax Rate                           | 13.8017%                         |                                      |
| 26 <i>For Gross Revenue Conversion Factor:</i>           |                                  |                                      |
| 27 Change in Property Tax Expense                        | \$ 673                           |                                      |
| 28 Change in Revenue Requirement                         | 37,509                           |                                      |
| 29 Change in Property Tax per Dollar Increase in Revenue | 1.7942%                          |                                      |

**DETAIL OF PROPERTY TAX SURCHARGE CALCULATION**

**Calculation of Equivalent Bills:**

| Line | Meter Size        | NARUC Multiplier | Customers  | Repayment in Months | Equivalent Bills |
|------|-------------------|------------------|------------|---------------------|------------------|
| 1    | 5/8" x 3/4" meter | 1                | 657        | 36                  | 23,652           |
| 2    | 3/4" meter        | 2                | 0          | 36                  | -                |
| 3    | 1" meter          | 3                | 1          | 36                  | 90               |
| 4    | 1 1/2" meter      | 5                | 1          | 36                  | 180              |
| 5    | 2" meter          | 8                | 2          | 36                  | 576              |
| 6    | 3" meter          | 15               | 0          | 36                  | -                |
| 7    | 4" meter          | 25               | 1          | 36                  | 900              |
| 8    | 6" meter          | 50               | 0          | 36                  | -                |
| 9    | Totals            |                  | <u>662</u> |                     | <u>25,398</u>    |

New rates effective October 1st  
10 with collections beginning November-14  
11 Plus collection period in months 36  
12 Projected end of surcharge October-17

**13 Calculation of Property Tax Interest Accruals:**

|    |   |                   |        |                      |
|----|---|-------------------|--------|----------------------|
| 14 | Total amount of past due property taxes (4/22/14) | \$ 197,433        | 15.96% | Annual interest rate |
| 15 | Interest through 12/31/14 (253 days)              | 21,841            |        |                      |
| 16 | Balance as of 12/31/14 (line 15 + 16)             | \$ 219,274        |        |                      |
| 17 | Interest through 12/31/15                         | 34,996            |        |                      |
| 18 | Balance as of 12/31/15 (line 17 + 18)             | \$ 254,271        |        |                      |
| 19 | Interest through 06/30/16                         | 20,291            |        |                      |
| 20 | Balance as of 06/30/16 (line 19 + 20)             | \$ 274,561        |        |                      |
| 21 | Payoff of partial liens 7/1/16                    | (165,000)         |        |                      |
| 22 | Interest through 12/31/16                         | 8,743             |        |                      |
| 23 | Balance as of 12/31/16 (lines 21 + 22 + 23)       | \$ 118,304        |        |                      |
| 24 | Interest through 10/31/17 (303 days)              | 15,674            |        |                      |
| 25 | Projected tax balance at end of collection period | <u>\$ 133,979</u> |        |                      |

**26 Determination of Surcharge Amount:**

|    |   |                 |                               |
|----|---|-----------------|-------------------------------|
| 27 | To be collected for past due amount               | \$ 298,979      | (line 26 + line 22)           |
| 28 | Change in Property Tax per Dollar Incr in Revenue | 1.7942%         | (from Schedule C-2b, Line 29) |
| 29 | Current Property Tax Resulting from Surcharge     | \$ 5,364        | (line 28 times line 29)       |
| 30 | Total to be collected including Property tax incr | \$ 304,343      | (line 28 + line 30)           |
| 31 | Total number of equivalent bills from above       | 25,398          | (from line 10)                |
| 32 | Monthly surcharge for 5/8" x 3/4" customers       | <u>\$ 11.98</u> | (line 31 divided by line 32)  |

**33 Proof of Surcharge Revenue:**

| Line | Meter Size        | NARUC Multiplier | Monthly Surcharge by Meter Size  | Customers | Monthly Surcharge Revenue |
|------|-------------------|------------------|----------------------------------|-----------|---------------------------|
| 34   | Meter Size        | NARUC Multiplier | Monthly Surcharge by Meter Size  | Customers | Monthly Surcharge Revenue |
| 35   | 5/8" x 3/4" meter | 1                | \$ 11.98                         | 657       | \$ 7,873                  |
| 36   | 3/4" meter        | 2                | 17.97                            | 0         | -                         |
| 37   | 1" meter          | 3                | 29.96                            | 1         | 30                        |
| 38   | 1 1/2" meter      | 5                | 59.91                            | 1         | 60                        |
| 39   | 2" meter          | 8                | 95.86                            | 2         | 192                       |
| 40   | 3" meter          | 15               | 179.74                           | 0         | -                         |
| 41   | 4" meter          | 25               | 299.57                           | 1         | 300                       |
| 42   | 6" meter          | 50               | 599.15                           | 0         | -                         |
| 43   |                   |                  | Total Monthly Surcharge Revenue  | \$        | 8,454                     |
| 44   |                   |                  | Assessment period in Months      |           | 36                        |
| 45   |                   |                  | Collected Over Assessment Period | \$        | <u>304,343</u>            |

**COMPUTATION OF GROSS REVENUE CONVERSION FACTOR**

|   | <u>Description</u>                                       | <u>Percentage of<br/>Incremental<br/>Gross Revenues</u> |
|---|--|---|
| 1 | Revenues   | 1.00  |
| 2 | Property Taxes   | 1.794% <u>(0.0179)</u>                                  |
| 3 | Arizona Taxable Income                                   | 0.9821  |
| 4 | Arizona Income Tax                                       | <u>-</u>  |
| 5 | Federal Taxable Income                                   | 0.9821  |
| 6 | Federal Income Tax                                       | <u>-</u>  |
| 7 | Operating Income   | 0.9821  |
| 8 | <b>Gross Revenue Conversion Factor (Line 1 / Line 7)</b> | 1.0183  |

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:  
A-1

Mt. Tipton Water Company, Inc.

Rebuttal Schedule D-1

Docket No. W-02105A-13-0415

Test Year Ended June 30, 2013

**SUMMARY COST OF CAPITAL**

| Invested Capital | End of Test Year  |        |           |                  | End of Projected Year |        |           |                  |
|------------------|-------------------|--------|-----------|------------------|-----------------------|--------|-----------|------------------|
|                  | Amount            | %      | Cost Rate | Composite Cost % | Amount                | %      | Cost Rate | Composite Cost % |
| Long-Term Debt   | \$ 581,695        | 78.84% | 4.39%     | 3.46%            | \$ 581,695            | 78.84% | 4.39%     | 3.46%            |
| Short-Term Debt  | -                 | 0.00%  | 0.00%     | 0.00%            | -                     | 0.00%  | 0.00%     | 0.00%            |
| Common Equity    | 156,080           | 21.16% | 27.00%    | 5.71%            | 156,080               | 21.16% | 27.00%    | 5.71%            |
| Total            | <u>\$ 737,775</u> |        |           | <u>9.17%</u>     | <u>\$ 737,775</u>     |        |           | <u>9.17%</u>     |

**DETAIL OF UTILITY PLANT**

| Account Number | Description                          | Actual Test Year End at 30-Jun-13 | Adjustments       | Ref   | Adjusted Test Year End at 30-Jun-13 |
|----------------|--------------------------------------|-----------------------------------|-------------------|-------|-------------------------------------|
| 301            | Organization                         | \$ 17,450                         |                   |       | \$ 17,450                           |
| 302            | Franchises                           | 500                               |                   |       | 500                                 |
| 303            | Land & Land Rights                   | 9,842                             | 170,000           | 1     | 179,842                             |
| 304            | Structures & Improvements            | 70,621                            | (6,599)           | 2     | 64,022                              |
| 307            | Wells & Springs                      | 407,673                           | (25,597)          | 2 & 4 | 382,076                             |
| 310            | Power Generation Equipment           | -                                 | 27,400            | 3     | 27,400                              |
| 311            | Pumping Equipment                    | 113,628                           | 3,184             | 2 & 4 | 116,812                             |
| 320            | Water Treatment Equipment            | -                                 |                   |       | -                                   |
| 320.1          | Water Treatment Plants               | -                                 |                   |       | -                                   |
| 320.2          | Solution Chemical Feeders            | 53,075                            | (53,075)          | 5     | -                                   |
| 330            | Distribution Reservoirs & Standpipes | -                                 |                   |       | -                                   |
| 330.1          | Storage Tanks                        | 223,341                           |                   |       | 223,341                             |
| 330.2          | Pressure Tanks.                      | -                                 |                   |       | -                                   |
| 331            | Transmission & Distribution Mains    | 799,500                           |                   |       | 799,500                             |
| 333            | Services                             | 59,750                            |                   |       | 59,750                              |
| 334            | Meters & Meter Installations         | 130,798                           |                   |       | 130,798                             |
| 335            | Hydrants                             | 1,230                             |                   |       | 1,230                               |
| 339            | Other Plant and Misc Equipment       | 1,880                             |                   |       | 1,880                               |
| 340            | Office Furniture & Equipment         | 18,094                            |                   |       | 18,094                              |
| 340.1          | Computers and Software               | 7,007                             | (1,321)           | 6     | 5,686                               |
| 341            | Transportation Equipment             | 11,592                            |                   |       | 11,592                              |
| 343            | Tools, Shop, and Garage Equipment    | 1,274                             |                   |       | 1,274                               |
| 345            | Power Operated Equipment             | 167                               |                   |       | 167                                 |
| 347            | Miscellaneous Equipment              | 8,464                             |                   |       | 8,464                               |
| 348            | Other Tangible Plant                 | 1,208                             |                   |       | 1,208                               |
|                | <b>Total Plant In Service</b>        | <b>\$ 1,937,095</b>               | <b>\$ 113,992</b> |       | <b>\$ 2,051,087</b>                 |

| Ref |   | Acct                   | Amt         |
|-----|---|------------------------|-------------|
| 1   | Adoption of land value from Dolan Springs system per Attachment 1   | 303                    | \$ 170,000  |
| 2   | Adoption of Staff Rate Base Adjustment 1 for Church Well only per the Engineering detail on Table 5 of the Staff Report | Chain Fence 304        | \$ (6,599)  |
|     |   | Drilling 307           | (10,684)    |
|     |   | Panel/Pump 311         | (11,729)    |
|     |   | Total Adjustment       | \$ (29,012) |
| 3   | Adoption of Staff Rate Base Adjustment 2 for a generator  | Power Gen Equip 310    | \$ 27,400   |
| 4   | Adoption of Staff Rate Base Adjustment 3 - reclassification   | Wells 307              | \$ (14,913) |
|     | Adoption of Staff Rate Base Adjustment 3 - reclassification   | Pumping 311            | 14,913      |
| 5   | Adoption of Staff Rate Base Adjustment 4 - retirement   | Chemical Feeder 320.2  | \$ (53,075) |
| 6   | Company Rate Base Adjustment 1/Staff Rate Base Adj 5  | reclassification 340.1 | \$ (1,321)  |

**PROJECTED INCOME STATEMENTS - PRESENT AND PROPOSED RATES**

|                                      | Actual<br>Test Year<br>Ended<br>30-Jun-13 | Projected Year                                 |   |
|--------------------------------------|---|--|---|
|                                      |   | At Present<br>Rates<br>Year Ended<br>30-Jun-13 | At Proposed<br>Rates<br>Year Ended<br>30-Jun-13 |
| <b>Operating Revenues:</b>           |   |  |   |
| 461 Metered Water Revenue            | \$ 313,207                                | \$ 312,811                                     | \$ 350,320                                      |
| 461.1 Coin Revenue                   | 16,341                                    | 16,341   | 16,341  |
| 474.5 Non-Refundable Hook Up Fees    | 4,450                                     | 4,450  | 4,450   |
| 474 Other Water Revenue              | 5,992                                     | 5,992  | 5,992   |
| <b>Total Operating Revenue</b>       | <b>\$ 339,990</b>                         | <b>\$ 339,594</b>                              | <b>\$ 377,103</b>                               |
| <b>Operating Expenses:</b>           |   |  |   |
| 601 Salaries & Wages                 | \$ 103,268                                | \$ 103,268                                     | \$ 103,268                                      |
| 610 Purchased Water                  | -   | -  | -   |
| 615 Purchased Power                  | 22,461                                    | 22,461   | 22,461  |
| 618 Chemicals                        | -   | -  | -   |
| 620 Repairs & Maintenance            | 15,086                                    | 15,086   | 15,086  |
| 621 Office Supplies and Expense      | 27,965                                    | 29,286   | 29,286  |
| 630 Outside Services                 | 8,030                                     | 8,030  | 8,030   |
| 635 Water Testing                    | 3,956                                     | 3,956  | 3,956   |
| 641 Rental Expense                   | 500                                       | 500  | 500   |
| 650 Transportation Expense           | 9,336                                     | 9,336  | 9,336   |
| 657 Insurance - General Liability    | 10,691                                    | 10,691   | 10,691  |
| 659 Insurance - Health and Life      | -   | -  | -   |
| 666 Rate Case Expense                | -   | 7,000  | 7,000   |
| 675 Miscellaneous Expense            | 3,082                                     | 3,082  | 3,082   |
| 403 Depreciation & Amortization      | 125,612                                   | 47,323   | 47,323  |
| 408 Taxes Other Than Income          | 10,565                                    | 10,565   | 10,565  |
| 408.11 Property Taxes                | 13,623                                    | 18,279   | 18,952  |
| 409 Income Taxes                     | -   | -  | -   |
| 427 Customer Security Deposits       | -   | 324  | 324   |
| <b>Total Operating Expenses</b>      | <b>\$ 354,175</b>                         | <b>\$ 289,187</b>                              | <b>\$ 289,860</b>                               |
| <b>OPERATING INCOME/(LOSS)</b>       | <b>\$ (14,185)</b>                        | <b>\$ 50,407</b>                               | <b>\$ 87,242</b>                                |
| <b>Other Income/(Expense):</b>       |   |  |   |
| 419 Interest Income                  | \$ 34                                     | \$ 34  | \$ 34   |
| 421 Rental Income                    | 5,721                                     | 5,721  | 5,721   |
| 421.1 Rental Expense                 | (3,375)                                   | (3,375)  | (3,375)   |
| 427 Interest Expense                 | (11,770)                                  | (11,770)                                       | (11,770)  |
| 430 Loss on Disposition of Equipment | (63,058)                                  | -  | -   |
| <b>Total Other Income/(Expense)</b>  | <b>\$ (72,448)</b>                        | <b>\$ (9,390)</b>                              | <b>\$ (9,390)</b>                               |
| <b>NET INCOME/(LOSS)</b>             | <b>\$ (86,633)</b>                        | <b>\$ 41,017</b>                               | <b>\$ 77,852</b>                                |

Mount Tipton Water Company, Inc.  
Docket No. W-02105A-13-0415  
Test Year Ended June 30, 2013

Rebuttal Schedule H-1

**SUMMARY OF REVENUES BY CUSTOMER CLASSIFICATION  
PRESENT AND PROPOSED RATES**

| Customer Classification             | Revenues in the Test Year |                   | Proposed Increase |               |
|-------------------------------------|---------------------------|-------------------|-------------------|---------------|
|                                     | Present Rates             | Proposed Rates    | Amount            | %             |
| <b>Residential</b>                  |                           |                   |                   |               |
| 5/8 x 3/4 inch                      | \$ 263,423                | \$ 294,951        | \$ 31,528         | 11.97%        |
| 1 inch                              | 1,215                     | 1,359             | 144               | 11.85%        |
| <b>Total Residential Revenue</b>    | <b>\$ 264,638</b>         | <b>\$ 296,310</b> | <b>\$ 31,672</b>  | <b>11.97%</b> |
| <b>Commercial</b>                   |                           |                   |                   |               |
| 5/8 x 3/4 inch                      | \$ 21,929                 | \$ 24,627         | \$ 2,698          | 12.30%        |
| 1 inch                              | 1,216                     | 1,373             | 157               | 12.91%        |
| 1.5 inch                            | 1,222                     | 1,361             | 139               | 11.37%        |
| 2 inch                              | 6,198                     | 6,872             | 674               | 10.87%        |
| 4 inch                              | 6,675                     | 7,200             | 525               | 7.87%         |
| <b>Total Commercial Revenue</b>     | <b>\$ 37,240</b>          | <b>\$ 41,433</b>  | <b>\$ 4,193</b>   | <b>11.26%</b> |
| <b>Other</b>                        |                           |                   |                   |               |
| Bulk                                | \$ 10,546                 | \$ 12,169         | \$ 1,623          | 15.39%        |
| Sprinkler                           | 120                       | 120               | -                 | 0.00%         |
| Fire Department Non-Potable         | 267                       | 288               | 21                | 7.87%         |
| <b>Total Other Metered Revenue</b>  | <b>\$ 10,933</b>          | <b>\$ 12,577</b>  | <b>\$ 1,644</b>   | <b>15.04%</b> |
| <b>Total Metered Water Revenues</b> | <b>\$ 312,811</b>         | <b>\$ 350,320</b> | <b>\$ 37,509</b>  | <b>11.99%</b> |
| Coin Machine                        | \$ 16,341                 | \$ 16,341         | \$ -              | 0.00%         |
| Non Refundable Hook Up Fees         | 4,450                     | 4,450             | -                 | 0.00%         |
| Other Water Revenues                | 5,992                     | \$ 5,992          | -                 | 0.00%         |
| <b>Total Revenues</b>               | <b>\$ 339,594</b>         | <b>\$ 377,103</b> | <b>\$ 37,509</b>  | <b>11.05%</b> |

**CHANGES IN REPRESENTATIVE RATE SCHEDULES**

*(Note: Rates apply to both residential and commercial usage)*

| <b>Description</b>                  | <b>Present Rate</b> | <b>Proposed Rate</b> | <b>% change</b> |
|-------------------------------------|---------------------|----------------------|-----------------|
| <b><u>MONTHLY USAGE CHARGE:</u></b> |                     |                      |                 |
| 5/8" x 3/4" Meter                   | \$ 22.25            | \$ 24.00             | 7.87%           |
| 3/4" Meter                          | 33.38               | 36.00                | 7.85%           |
| 1" Meter                            | 55.63               | 60.00                | 7.86%           |
| 1-1/2" Meter                        | 111.25              | 120.00               | 7.87%           |
| 2" Meter                            | 178.00              | 192.00               | 7.87%           |
| 3" Meter                            | 356.00              | 384.00               | 7.87%           |
| 4" Meter                            | 556.25              | 600.00               | 7.87%           |
| 6" Meter                            | 1,112.50            | 1,200.00             | 7.87%           |
| 8" Meter                            | 1,780.00            | 1,800.00             | 1.12%           |

**Commodity Rates (Per 1,000 Gallons):**

**All Meter Sizes**

|                        |         |
|------------------------|---------|
| 0 - 4,000 Gallons      | \$ 3.05 |
| 4,001 to 9,000 Gallons | 4.60    |
| Over 9,000 Gallons     | 5.50    |

**All Meter Sizes**

|                        |         |        |
|------------------------|---------|--------|
| 0 - 3,000 Gallons      | \$ 3.50 | 14.75% |
| 3,001 to 8,000 Gallons | 5.00    | 6.52%  |
| Over 8,000 Gallons     | 6.35    | 10.91% |

| <b>Other Charges</b>           | <b>Present Rate</b> | <b>Proposed Rate</b> | <b>% change</b> |
|--------------------------------|---------------------|----------------------|-----------------|
| Bulk Sales per 1,000 Gallons ≈ | \$ 5.50             | \$ 6.35              | 15.45%          |
| Vending rate for 40 gallons    | \$ 0.25             | \$ 0.25              | 0.00%           |

**Monthly Property Tax Surcharge:**

|                   | <b>Company<br/>Proposed</b> |
|-------------------|-----------------------------|
| 5/8" x 3/4" Meter | \$ 11.98                    |
| 3/4" Meter        | 17.97                       |
| 1" Meter          | 29.96                       |
| 1-1/2" Meter      | 59.91                       |
| 2" Meter          | 95.86                       |
| 3" Meter          | 179.74                      |
| 4" Meter          | 299.57                      |
| 6" Meter          | 599.15                      |

**CHANGES IN REPRESENTATIVE RATE SCHEDULES (CONTINUED)**

**SERVICE LINE AND METER INSTALLATION CHARGES:**

(Refundable Pursuant to AAC R14-2-405)

| Description         | Present Rate |              |              | Proposed Rate | % change |
|---------------------|--------------|--------------|--------------|---------------|----------|
|                     | Service Line | Meter Charge | Total Charge |               |          |
| 5/8" x 3/4" Meter   | \$ 445.00    | \$ 155.00    | \$ 600.00    | No change     | 0.00%    |
| 3/4" Meter          | 445.00       | 255.00       | 700.00       | No change     | 0.00%    |
| 1" Meter            | 495.00       | 315.00       | 810.00       | No change     | 0.00%    |
| 1-1/2" Meter        | 550.00       | 525.00       | 1,075.00     | No change     | 0.00%    |
| 2" Meter - Turbine  | 830.00       | 1,045.00     | 1,875.00     | No change     | 0.00%    |
| 2" Meter - Compound | 830.00       | 1,890.00     | 2,720.00     | No change     | 0.00%    |
| 3" Meter - Turbine  | 1,045.00     | 1,670.00     | 2,715.00     | No change     | 0.00%    |
| 3" Meter - Compound | 1,165.00     | 2,545.00     | 3,710.00     | No change     | 0.00%    |
| 4" Meter - Turbine  | 1,490.00     | 2,670.00     | 4,160.00     | No change     | 0.00%    |
| 4" Meter - Compound | 1,670.00     | 3,645.00     | 5,315.00     | No change     | 0.00%    |
| 6" Meter - Turbine  | 2,210.00     | 5,025.00     | 7,235.00     | No change     | 0.00%    |
| 6" Meter - Compound | 2,330.00     | 6,920.00     | 9,250.00     | No change     | 0.00%    |
| 8" Meter - Turbine  | 3,000.00     | 7,500.00     | 10,500.00    | No change     | 0.00%    |
| 8" Meter - Compound | 3,200.00     | 8,000.00     | 11,200.00    | No change     | 0.00%    |

**SERVICE CHARGES:**

|   | Present Rate | Proposed Rate | % change |
|---|--------------|---------------|----------|
| Establishment   | \$ 25.00     | \$ 30.00      | 20.00%   |
| Establishment (After Hours)                             | 40.00        | N/A           |          |
| Reconnection (Delinquent)                               | 40.00        | 40.00         | 0.00%    |
| Reconnection (After Hours)                              | 40.00        | N/A           |          |
| Meter Test (If Correct)                                 | 40.00        | 40.00         | 0.00%    |
| NSF Check   | 25.00        | 25.00         | 0.00%    |
| Meter Reread (If Correct)                               | 15.00        | 15.00         | 0.00%    |
| Deposit   | *            | *             |          |
| Deposit Interest (Per month)                            | **           | **            |          |
| Deferred Payment (Per Month)                            | ***          | ***           |          |
| Late Charge (Per Month)                                 | ***          | ***           |          |
| Re-establishment (Within 12 Months)                     | ****         | ****          |          |
| Main Extension  | Cost         | N/A           |          |
| After Hours Service Charge                              | \$ -         | \$ 50.00      |          |
| <b><u>Monthly Service Charge for Fire Sprinkler</u></b> |              |               |          |
| All Sizes   | *****        | *****         |          |

\* Per Commission Rule A.A.C. R-14-2-403(B)(7).

\*\* Per Commission Rule A.A.C. R-14-2-403(B)(3).

\*\*\* 1.50% of unpaid monthly balance.

\*\*\*\* Month off system times the monthly minimum A.A.C. R14-2-403(D).

\*\*\*\*\* 2% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable to service lines separate and distinct from the primary water service line.

**TYPICAL BILL ANALYSIS (Without Surcharge)**

5/8" x 3/4" meter - residential and commercial

| <b>Monthly Consumption</b> | <b>Present Bill</b> | <b>Proposed Bill</b> | <b>Percent Increase</b> |
|----------------------------|---------------------|----------------------|-------------------------|
| -                          | \$ 22.25            | \$ 24.00             | 7.87%                   |
| 1,000                      | 25.30               | 27.50                | 8.70%                   |
| 2,000                      | 28.35               | 31.00                | 9.35%                   |
| 3,000                      | 31.40               | 34.50                | 9.87%                   |
| 4,000                      | 34.45               | 39.50                | 14.66%                  |
| 5,000                      | 39.05               | 44.50                | 13.96%                  |
| 6,000                      | 43.65               | 49.50                | 13.40%                  |
| 7,000                      | 48.25               | 54.50                | 12.95%                  |
| 8,000                      | 52.85               | 59.50                | 12.58%                  |
| 9,000                      | 57.45               | 65.85                | 14.62%                  |
| 10,000                     | 62.95               | 72.20                | 14.69%                  |
| 15,000                     | 90.45               | 103.95               | 14.93%                  |
| 20,000                     | 117.95              | 135.70               | 15.05%                  |
| 25,000                     | 145.45              | 167.45               | 15.13%                  |
| 50,000                     | 282.95              | 326.20               | 15.29%                  |
| 75,000                     | 420.45              | 484.95               | 15.34%                  |
| 100,000                    | 557.95              | 643.70               | 15.37%                  |
| 125,000                    | 695.45              | 802.45               | 15.39%                  |
| 150,000                    | 832.95              | 961.20               | 15.40%                  |
| 175,000                    | 970.45              | 1,119.95             | 15.41%                  |
| 200,000                    | 1,107.95            | 1,278.70             | 15.41%                  |

**TYPICAL BILL ANALYSIS (With Surcharge)**

5/8" x 3/4" meter - residential and commercial

| <b>Monthly Consumption</b> | <b>Present Bill</b> | <b>Proposed Bill</b> | <b>Percent Increase</b> |
|----------------------------|---------------------|----------------------|-------------------------|
| -                          | \$ 22.25            | \$ 35.98             | 61.72%                  |
| 1,000                      | 25.30               | 39.48                | 56.06%                  |
| 2,000                      | 28.35               | 42.98                | 51.62%                  |
| 3,000                      | 31.40               | 46.48                | 48.03%                  |
| 4,000                      | 34.45               | 51.48                | 49.44%                  |
| 5,000                      | 39.05               | 56.48                | 44.64%                  |
| 6,000                      | 43.65               | 61.48                | 40.85%                  |
| 7,000                      | 48.25               | 66.48                | 37.79%                  |
| 8,000                      | 52.85               | 71.48                | 35.26%                  |
| 9,000                      | 57.45               | 77.83                | 35.48%                  |
| 10,000                     | 62.95               | 84.18                | 33.73%                  |
| 15,000                     | 90.45               | 115.93               | 28.17%                  |
| 20,000                     | 117.95              | 147.68               | 25.21%                  |
| 25,000                     | 145.45              | 179.43               | 23.36%                  |
| 50,000                     | 282.95              | 338.18               | 19.52%                  |
| 75,000                     | 420.45              | 496.93               | 18.19%                  |
| 100,000                    | 557.95              | 655.68               | 17.52%                  |
| 125,000                    | 695.45              | 814.43               | 17.11%                  |
| 150,000                    | 832.95              | 973.18               | 16.84%                  |
| 175,000                    | 970.45              | 1,131.93             | 16.64%                  |
| 200,000                    | 1,107.95            | 1,290.68             | 16.49%                  |

# **ATTACHMENT 2**

1 Steve Wene, No. 019630  
2 MOYES SELLERS & HENDRICKS LTD.  
3 1850 N. Central Avenue, Suite 1100  
4 Phoenix, Arizona 85004  
5 (602)-604-2189  
6 swene@law-msh.com  
7 Attorneys for Mt. Tipton Water Company, Inc.

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 BOB STUMP, CHAIRMAN  
11 GARY PIERCE  
12 BOB BURNS  
13 SUSAN BITTER SMITH  
14 BRENDA BURNS

15 IN THE MATTER OF THE APPLICATION  
16 OF MT. TIPTON WATER COMPANY,  
17 INC. FOR A PERMANENT INCREASE IN  
18 ITS WATER RATES AND CHARGES

DOCKET NO: W-02105A-13-0415

**REBUTTAL TESTIMONY  
OF MICHELLE MONZILLO**

19 **Table of Contents**

|    |                                  |      |
|----|----------------------------------|------|
| 20 | General Information and Position | p. 1 |
| 21 | Property Tax Surcharge           | p. 2 |
| 22 | Hook-Up Fee Account              | p. 3 |
| 23 | Rate Increase and Adjustments    | p. 3 |
| 24 | BMPs and Water Loss              | p. 5 |

25 **Q. Please state your name and current employment position.**

26 A. Michelle Monzillo, Business Manager of the Mt. Tipton Water Company  
27 (“Company”).  
28

1 **Q. Describe your educational and professional background as it relates to the**  
2 **Company.**

3  
4 A. I have been the Company's Business Manager for nearly five years.

5 **Q. What is the purpose of you testimony?**

6 A. I am the witness offering testimony regarding the management and operation of  
7 the Company.  
8

9 **Q. How is the Company organized?**

10 A. Mt. Tipton is a nonprofit corporation that has members. Staff referred to the  
11 Company as a homeowners association in a few instances, but it is not a homeowners  
12 association.  
13

14 **Q. What is the Company's position regarding the proposed surcharge?**

15 A. A surcharge of \$18.03 per month to pay property taxes owed would create an  
16 extreme hardship for many of our customers. The median income in this area is around  
17 \$25,000 per year. We already have many elderly customers that use an extremely  
18 minimal amount of water & still run behind on their bills. If this surcharge is  
19 implemented, there will be a real risk of people being disconnected for non-payment.  
20 This could be harmful to public safety because many low-income customers use swamp  
21 coolers in the summer. Therefore, the Company is offering an alternative surcharge that  
22 will cause less financial hardship.  
23  
24  
25

26 **Q. What is your opinion regarding Staff's recommendation that the Company be**  
27 **required to enter into discussions with county officials and lien holders regarding a**  
28 **repayment plan?**

1 A. Such discussions are unnecessary. The Company tried this approach years ago  
2 only to find that the county cannot or will not reduce the interest or accept partial  
3 payments on tax liens. Mt. Tipton is willing to collect the funds in a separate account  
4 until there is enough to pay off each lien one at a time. Mt. Tipton is willing to submit a  
5 plan to pay the back taxes for review.  
6

7  
8 **Q. How should the Hook-Up Fee Fund account be handled going forward?**

9 A. Currently, Mt. Tipton is holding more than \$8,000 in the Hook-Up Fee Account.  
10 The Hook-up Fee was intended to be used to connect the Detrital Well to the system,  
11 which would have required a pipeline at least nine miles long. This was literally a  
12 pipedream. Recognizing this fact, the Company let its Detrital Well lease expire. Now  
13 the money is just sitting in an account for no intended purpose earning interest of  
14 approximately 1% a year.  
15  
16

17 Meanwhile, the Company is paying an interest rate of approximately 1.3% a  
18 month on its tax debt. It seems only logical to use the money in the hook-up fee account  
19 to pay the tax debt. Similarly, putting more money into the account while continuing to  
20 incur the debt service expense on taxes does not make financial sense.  
21

22 **Q. Does the Company agree with Staff's proposed rate increase?**

23 A. No. A \$19,529 increase in revenues is insufficient. This number represents the  
24 absolute lowest increase Mt. Tipton needs to receive to comply with the WIFA  
25 requirement that it maintain a debt service coverage ratio of 1.20. Therefore, if the  
26 Company's revenues do not meet Staff's projections, inflation occurs, or there is any  
27 additional expenses incurred, then Mt. Tipton will be in breach of its contract with  
28

1 WIFA. This is unreasonable.

2 **Q. Does the Company agree with Staff's position that the Spring Well should be**  
3 **removed from rate base?**  
4

5 A. No. The Spring Well is a critical backup well. The electric equipment was  
6 damaged by lightening and has not yet been repaired due to a lack of available funds.  
7  
8 The repair cost is estimated to be \$3,000, which includes a motor saver, starter and a  
9 small pump. Four out of five of the Company's operational wells are between 29 and 42  
10 years old. It is increasingly likely with each year that passes that one of these wells will  
11 fail. The Spring Well could quickly and fairly inexpensively be repaired in this event.  
12

13 **Q. Does the Company agree with Staff's position that the 40 horsepower pump**  
14 **should be removed from rate base?**  
15

16 A. No. This is a backup pump for the Office Well, which is the most important well  
17 in the Company's system. The pump in the Office Well is reaching its life expectancy.  
18 But the Company wants to get every bit of use out of it, so it will be used until it fails.  
19  
20 When that occurs, the backup pump will be installed immediately. If Mt. Tipton did not  
21 have the back-up pump on hand, then the Company's customers would be facing  
22 stringent water use restrictions for weeks possibly while waiting for a new pump to be  
23 ordered, delivered, and installed.  
24

25 The alternative would be for the Company to install the new pump before the  
26 pump now being used fails. For a small, underfunded water company, this makes little  
27 sense. The Company's decision to have the backup pump on hand and use the current  
28 well until it fails is the best approach and the backup pump should be included in rate

1 base.

2 **Q. Does the Company agree with Staff's position that BMPs should be required?**

3  
4 A. No. The Company understands that the current Commission does not require  
5 BMPs in most cases and Mt. Tipton does not believe they are necessary here.

6 **Q. Does the Company agree with Staff's position that it should monitor and**  
7 **report on its non-potable water loss?**

8  
9 A. No. This water comes from a free-flowing spring. The water is taken as needed  
10 and the rest continues to flow.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28