

ORIGINAL



0000153953

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

2014 JUN 20 P 4 29  
 ARIZONA CORPORATION COMMISSION  
 DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
 ARIZONA WATER COMPANY, AN  
 ARIZONA CORPORATION, FOR A  
 DETERMINATION OF THE FAIR VALUE OF  
 ITS UTILITY PLANT AND PROPERTY, AND  
 FOR ADJUSTMENTS TO ITS RATES AND  
 CHARGES FOR UTILITY SERVICE  
 FURNISHED BY ITS NORTHERN GROUP  
 AND FOR CERTAIN RELATED APPROVALS

DOCKET NO. W-01445A-12-0348

PLAN OF ADMINISTRATION

At the request of the Arizona Corporation Commission's Utilities Division ("Staff"), Arizona Water Company hereby submits a Plan of Administration for the System Improvement Benefits mechanism approved in Decision No. 74081 (September 23, 2013).

RESPECTFULLY SUBMITTED this 20th day of June, 2014.

Arizona Corporation Commission  
**DOCKETED**

JUN 20 2014

DOCKETED BY	
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ARIZONA WATER COMPANY

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1 **ORIGINAL** and thirteen (13) copies of the foregoing filed this 20th day of June, 2014, with:

2 Docket Control Division  
Arizona Corporation Commission  
3 1200 West Washington Street  
Phoenix, Arizona 85007  
4

5 **COPY** of the foregoing hand-delivered this 20th day of June, 2014, to:

6 Honorable Lyn Farmer  
Chief Administrative Law Judge  
7 Hearing Division  
Arizona Corporation Commission  
8 1200 West Washington Street  
Phoenix, Arizona 85007  
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16 **COPY** of the foregoing e-mailed and/or mailed this 20th day of June, 2014, to:

17 Daniel W. Pozefsky, Chief Counsel  
Residential Utility Consumer Office  
18 1110 West Washington Street, Suite 220  
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## TABLE OF CONTENTS

I. GENERAL DESCRIPTION .....	2
II. DEFINITIONS .....	2
III. SIB RELATED FILINGS .....	4
IV. SIB SURCHARGE CALCULATIONS.....	6
V. ADDING PROJECTS TO SIB PLANT TABLE I UNDER EMERGENCY OR OTHER UNFORESEEN CIRCUMSTANCES .....	8
VI. SIB SURCHARGE RATE DESIGN .....	9
VII. SIB SURCHARGE IMPLEMENTATION.....	10

## EXHIBITS

SIB Plant Table I .....	EXHIBIT 1
SIB Plant Table II .....	EXHIBIT 2
SIB Schedule A.....	EXHIBIT 3
SIB Schedule B .....	EXHIBIT 4
SIB Schedule C.....	EXHIBIT 5
SIB Schedule D.....	EXHIBIT 6

## I. GENERAL DESCRIPTION

This document is the Plan of Administration ("POA") for the System Improvement Benefits ("SIB") mechanism approved for Arizona Water Company ("Company") by the Arizona Corporation Commission ("Commission") in Decision No. 74081 (September 23, 2013). The SIB mechanism provides for the timely recovery of the capital costs (pre-tax return on investment and depreciation expense, net of associated retirements) associated with distribution system improvement projects that: (1) have not been included in rate base for recovery in Decision No. 74081; (2) are listed in the latest Commission approved SIB Plant Table I; (3) have been verified to be completed<sup>1</sup>; and (4) have been placed in service per SIB Plant Table II. Any expenditures offset by contributions in aid of construction or advances in aid of construction are not eligible for inclusion in the SIB mechanism.

## II. DEFINITIONS

- A. NARUC – National Association of Regulatory Utility Commissioners
- B. SIB – System Improvement Benefits mechanism, to be implemented between rate proceedings to support investment in utility plant recorded in SIB Eligible NARUC accounts.
- C. SIB Eligible Plant – Investments in plant recorded in the SIB Eligible NARUC accounts.
- D. SIB Eligible NARUC accounts:
  - 1. NARUC Account No. 309 – Supply Mains
  - 2. NARUC Account No. 343 – Transmission and distribution mains (including fire mains, valves and valve structures)
  - 3. NARUC Account No. 345 – Services (including service connections)
  - 4. NARUC Account No. 346 – Meters (including meter installations)
  - 5. NARUC Account No. 348 – Hydrants
- E. SIB Plant Table I (an excerpt is attached to this POA as Exhibit 1) – The schedule of planned SIB Eligible Plant projects that is either approved in the Company's most recent rate case or updated by a subsequent Commission decision. As used herein, this term refers to the latest Commission approved SIB Plant Table I

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<sup>1</sup> Acceptable forms of verification may include the Arizona Department of Environmental Quality Approval of Construction or signed Construction Placed in Service Notice.

available unless reference is made to a particular Commission decision. As of the date of this POA, the latest Commission approved SIB Plant Table I is attached to Decision No. 74081 as Exhibit D to the Northern Group General Rate Case Settlement Agreement, attached to Decision No. 74081 as Exhibit B.

- F. SIB Plant Table II (an excerpt is attached to this POA as Exhibit 2) – The schedule of completed and verified SIB Eligible Plant projects from the latest Commission approved SIB Plant Table I, including the associated plant retirements.
- G. Total Revenue Requirement – The revenue requirement approved in Decision No. 74081, plus the SIB Revenue Requirement.
- H. SIB Revenue Requirement – The revenue requirement equal to the pre-tax return on investment and depreciation expense, net of associated retirements, necessary to support the SIB Allowed Costs, per SIB Plant Table II.
- I. SIB Revenue Requirement Efficiency Credit – An amount equal to five percent (5%) of the SIB Revenue Requirement.
- J. SIB Authorized Revenue – Amount equal to the SIB Revenue Requirement less the SIB Revenue Requirement Efficiency Credit, plus any SIB True-up Adjustment.
- K. Gross SIB Surcharge – Amount to be shown on customers' bills, based on meter size, without consideration of the SIB Surcharge Efficiency Credit.
- L. SIB Surcharge Efficiency Credit – An amount equal to five percent (5%) of the Gross SIB Surcharge, to be shown on customers' bills.
- M. SIB Surcharge – The amount equal to the Gross SIB Surcharge less the SIB Surcharge Efficiency Credit to be charged, based on meter size, calculated to recover the SIB Authorized Revenue.
- N. SIB True-up Adjustment – The over- or under-collection of the SIB Authorized Revenue, as compared with the total SIB Surcharges collected for the preceding 12-month period. Each SIB True-up Adjustment shall also analyze the cumulative over- or under-collections to include a comparison of all past SIB Authorized Revenues, total SIB Surcharge collections, and prior SIB True-up Adjustments to be used in calculating the individual SIB True-up Adjustment by meter size.

### III. SIB RELATED FILINGS

- A. Status Reports – The Company must file with Docket Control semi-annual status reports delineating the status of all SIB Eligible Plant projects, as listed in the latest Commission approved SIB Plant Table I. The initial semi-annual status report shall include only those projects from the initial SIB Plant Table I which the Company has designated as most likely to be completed and placed in service during the first 12-month SIB Surcharge period.
- B. Reconciliation and True-up – Once a SIB Surcharge is implemented, the Company must file annually to true-up its SIB Surcharge collections over the preceding twelve (12) months with the SIB Authorized Revenue for that period, and establish an individual SIB True-up Adjustment (either a surcharge or credit), by meter size, to true-up any over- or under-collections, regardless of whether it seeks a new surcharge. The filing dates for these annual true-ups shall be established in the Commission's Decision approving the SIB Surcharge.
- C. SIB Surcharge Requests – The Company must file the following with each SIB Surcharge request:
1. SIB Plant Table II (with supporting information and documentation), listing the SIB Eligible Plant projects that have been completed and placed in service, for which the Company seeks cost recovery. Such SIB Eligible Plant must:
    - a. Be projects listed in the latest Commission approved SIB Plant Table I;
    - b. Have been completed and placed in service by the Company;
    - c. Have been verified (*See* footnote 1); and
    - d. Actually be serving customers.
  2. A summary of the Commission approved SIB Eligible Plant projects the Company expects to complete and place in service during the next twelve (12) months for inclusion in the next SIB Surcharge, to enable the Commission to establish the latest SIB Plant Table I.<sup>2</sup>

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<sup>2</sup> Beginning with its SIB Surcharge request for the second 12-month surcharge period, the Company may request a change from the estimated Cost/Unit (shown on the SIB Plant Table I approved in Decision No. 74081) due to inflation using the latest calendar year Consumer Price Index. This may be done only if the original SIB Plant Table I Cost/Unit did not account for inflation.

3. SIB Schedule A (an example is attached to this POA as Exhibit 3), showing a calculation of the SIB Revenue Requirement, SIB Revenue Requirement Efficiency Credit, SIB Authorized Revenue, Gross SIB Surcharge, SIB Surcharge Efficiency Credit and the SIB Surcharge. Schedule A shall be supported by revenue requirement schedules supporting the revenue requirement approved in Decision No. 74081, and the pro-forma revenue requirements including the effect of SIB Eligible Plant.
  4. SIB Schedule B (an example is attached to this POA as Exhibit 4) showing the SIB True-up Adjustment calculation for the prior 12-month SIB Surcharge period, as well as the individual SIB True-up Adjustment by meter size.
  5. SIB Schedule C (an example is attached to this POA as Exhibit 5) showing the effect of the SIB Surcharge on a typical residential customer's monthly bill for both median and average usage.
  6. SIB Schedule D (an example is attached to this POA as Exhibit 6) which shall include an analysis of the impact of completed SIB Eligible Plant projects on the fair value rate base, revenue, and the fair value rate of return. The Company shall also include the following as part of SIB Schedule D:
    - a. A rate review schedule (including the incremental and pro forma effects of the proposed SIB Surcharge);
    - b. The most current balance sheet at the time of the filing;
    - c. The most current income statement;
    - d. An earnings test schedule;
    - e. An adjusted rate base schedule;
    - f. A construction work in progress ("CWIP") ledger for each completed SIB Eligible Plant project, showing the accumulation of charges by month and paid contractor invoices, including a summary page showing the calculation of the SIB eligible rate base and depreciation expense net of associated retirements; and
    - g. A calculation of the Company's 3-factor allocation methodology.
- D. The Company will maintain and provide to the Commission's Utilities Division ("Staff") and the Residential Utility Consumer Office ("RUCO") schedules in

Microsoft Excel format (with all formulae intact) supporting the revenue requirement approved in Decision No. 74081, and the effects of completed SIB Eligible Plant for the current SIB Surcharge request and any previously approved SIB Surcharge and SIB True-up Adjustment requests.

- E. The Company may file its initial SIB Surcharge request with Docket Control no earlier than twelve (12) months after the entry of Decision No. 74081.
- F. The Company may make no more than one SIB Surcharge request every twelve (12) months with no more than five (5) SIB Surcharge requests between rate case decisions. A SIB True-up Adjustment must be filed with each SIB Surcharge request, except the first SIB Surcharge request.
- G. Unless otherwise authorized by the Commission, the Company is required to file its next general rate case for its Northern Group no later than August 31, 2017, with a test year ending no later than December 31, 2016.
- H. Any SIB Surcharges that are in effect shall be reset to zero upon the date new rates become effective in the Company's next general rate case.

#### **IV. SIB SURCHARGE CALCULATIONS**

- A. Calculation of Amounts to Be Collected By the SIB Surcharge
  - 1. The SIB Authorized Revenue shall be equal to the SIB Revenue Requirement minus the SIB Revenue Requirement Efficiency Credit, plus any SIB True-up Adjustment. For purposes of calculating the SIB Revenue Requirement:
    - a. The required rate of return is equal to the overall rate of return authorized in Decision No. 74081.
    - b. The gross revenue conversion factor/tax multiplier is equal to the gross revenue conversion factor/tax multiplier approved in Decision No. 74081; and
    - c. The applicable depreciation rate(s) is equal to the depreciation rate(s) approved in Decision No. 74081.
  - 2. The SIB plant unit cost to be used in calculating the SIB Revenue Requirement shall be the lesser of the installed SIB plant unit cost listed in SIB Plant Table II, or 110 percent (110%) of the SIB plant estimated unit cost listed in the latest Commission approved SIB Plant Table I (See Exhibit 2).

3. The amount to be collected by each SIB Surcharge shall be capped annually at five percent (5%) of the revenue requirement authorized in Decision No. 74081.

B. Reconciliation and True-Ups

1. The revenue collected pursuant to the SIB Surcharge over the preceding twelve (12) months shall be trued-up and reconciled with the SIB Authorized Revenue for that period, consistent with SIB Schedule B (*See Exhibit 4*).
2. Any under- or over-collected SIB Authorized Revenues shall be recovered or refunded, without interest, over a 12-month period by means of a SIB True-up Adjustment.
3. Starting with the second annual SIB Surcharge, where there are over- or under-collected balances, such over- or under-collected balances shall be carried over to the next year, and considered in the calculation of the new SIB True-up Adjustment. If, at the time new rates go into effect in the Company's next rate case, there remains an over- or under-collected balance, such balance shall be reset to zero, and addressed in the next rate case.
4. A new SIB Surcharge shall be combined with an existing SIB Surcharge such that a single SIB surcharge and a single SIB Efficiency Credit are shown on a customer's bill.

C. Earnings Test

1. Once a SIB Surcharge is in effect, the Company is required to perform an annual earnings test calculation for each SIB Surcharge request to determine whether the actual rate of return reflected by the operating income for the affected system or division for the most recent 12-month period is greater than the Commission authorized rate of return for the affected system or division.
2. The earnings test shall be:
  - a. Based on the most recent available operating income;
  - b. Adjusted for any operating revenue and expense adjustments adopted in the most recent general rate case; and

- c. Based on the rate base adopted in the most recent general rate case, updated to recognize changes in plant, accumulated depreciation, contributions in aid of construction, advances in aid of construction, and accumulated deferred income taxes through the most recent available financial statement (quarterly or longer).

**V. ADDING PROJECTS TO SIB PLANT TABLE I UNDER EMERGENCY OR OTHER UNFORESEEN CIRCUMSTANCES**

- A. The Company may seek Commission approval to add projects to SIB Plant Table I under emergency or other unforeseen circumstances. No changes may be made to SIB Plant Table I without Commission approval.
- B. Any addition to SIB Plant Table I must be plant investment that maintains or improves existing customer service, system reliability, integrity and safety. Eligible plant additions are limited to plant replacement projects. The costs of extending facilities or capacity to serve new customers are not recoverable through the SIB mechanism.
- C. To be eligible for SIB treatment, a project must be SIB Eligible Plant.
- D. SIB Eligible Plant must satisfy at least one of the following criteria:
  1. Water loss for the system exceeds ten percent (10%), as calculated by the following formula:  $((\text{volume of water produced and/or purchased}) - (\text{volume of water sold} + \text{volume of water put to beneficial use}))$  divided by  $(\text{volume of water produced and/or purchased})$ . If the volume of water put to beneficial use is not metered, it shall be established in a reliable, verifiable manner.
  2. Plant assets that have remained in service beyond their useful service lives (based on the Company's authorized utility plant depreciation rates) and are in need of replacement due to being worn out or in a deteriorating condition through no fault of the Company;
  3. Any other engineering, operational or financial justification supporting the need for a plant asset replacement, other than the Company's negligence or improper maintenance, including, but not limited to:
    - a. A documented increasing level of repairs to, or failures of, a plant asset justifying its replacement prior to reaching the end of its useful service life (e.g. black poly pipe);

- b. Meter replacements for systems that have implemented a meter testing and maintenance program in compliance with A.A.C. R14-2-408 (E);
- c. Meters replaced in a system for the purpose of complying with the U.S. Environmental Protection Agency's Reduction of Lead in Drinking Water Act of 2010;
- d. Assets that are required to be moved, replaced or abandoned by a governmental agency or political subdivision, if the Company can show that it has made a good faith effort to seek reimbursement for all or part of the costs incurred.

## VI. SIB SURCHARGE RATE DESIGN

A. The SIB Surcharge rate design shall be as follows:

- 1. The SIB Surcharge shall be a fixed monthly surcharge containing a Gross SIB Surcharge and the SIB Surcharge Efficiency Credit as its two components.
- 2. The SIB Surcharge shall be calculated by dividing the SIB Authorized Revenue by the number of active equivalent 5/8 x 3/4-inch meters at the end of the most recent 12-month period, and shall increase with meter size based on the following meter capacity multipliers:

5/8-inch x 3/4-inch	1.0 times
3/4-inch	1.5 times
1-inch	2.5 times
1 1/2-inch	5 times
2-inch	8 times
3-inch	16 times
4-inch	25 times
6-inch	50 times
8-inch	80 times
10-inch & above	115 times

B. The SIB Surcharge shall apply to all of the Company's metered customers, including private fire service customers.

## **VII. SIB SURCHARGE IMPLEMENTATION**

- A. A SIB Surcharge shall not become effective until approved by the Commission.
- B. The Company shall provide a proposed order for the Commission's consideration with each SIB Surcharge filing.
- C. Staff and RUCO shall have 30 days from the date a SIB Surcharge filing is made by the Company to review the amount of the SIB Surcharge or SIB True-up Adjustment, and dispute and/or file a request for the Commission to alter the SIB Surcharge or SIB True-up Adjustment. If no objection is filed to the Company's request within the 30 day timeframe, the request shall be placed on an open meeting agenda at the earliest practicable date.
- D. At least 30 days prior to any SIB Surcharge becoming effective, the Company will provide public notice in the form of a billing insert or customer letter in a form acceptable to Staff. Such notice shall include at least the following information:
  - 1. The individual Gross SIB Surcharge, by meter size;
  - 2. The individual SIB Surcharge Efficiency Credit, by meter size;
  - 3. The SIB Surcharge, by meter size; and
  - 4. Directions to where the customer may obtain a summary of the projects included in the current SIB Surcharge request, including a description of each project and its cost.

# **EXHIBIT 1**

Water System Name and PWS ID No.  
SIB PLANT TABLE I

Information to be included with SIB-Eligible Project Filings

Replacement Plant Description (new plant) (SIB-eligible plant)										
Project No.	NARUC Acct No./ Plant	Units (Quantity)	Diameter/ Size	Material	Cost/Unit (estimated) <sup>1</sup>	Cost/Unit (estimated) <sup>2</sup>	Subtotal Cost (estimated)	Site (location description)	Expected In-Service Date	Project Status
	309 Supply Mains									<p>1. Provide narrative why Replacement Plant is necessary</p> <ul style="list-style-type: none"> <li>- replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility</li> <li>- replacement of existing plant to address excessive water loss (10% or more)</li> <li>- replacement of existing plant for other reasons supported by persuasive showing by utility</li> </ul> <p>2. Provide narrative explaining why this segment of plant is a priority.</p> <p>3. Provide narrative explaining how replacing this plant will benefit existing customers.</p> <p>4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</p> <p>5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Engineering Analysis shall also include narrative explaining the utility's systematic assessment, inspection, maintenance and repair/replacement program.</p>
	343 T&D Mains									
	345 Services									
	346 Meters									
	348 Hydrants									
<b>Estimated Total Cost</b>										

Revised 4/1/2014

<sup>1</sup> Per the Commission approved Initial SIB Table I.  
<sup>2</sup> Beginning with its SIB Surcharge Request filing for Year Two, the Company may request a change from the estimated Cost/Unit (in the Commission approved Initial SIB Table I) due to inflation using the latest calendar year Consumer Price Index. This may be done only if the Initial SIB Plant Table I unit cost did not account for inflation.

# **EXHIBIT 2**























# **EXHIBIT 3**

**ARIZONA WATER COMPANY**

Docket No. W-01/445A-12-0348  
Calculation of Revenue Requirement & Efficiency Credit  
As of March 31, 2014

[A]

Line No.	System Name	
1		
2	Total Authorized Revenue Requirement - Decision No. 74081	\$ 4,282,366
3	SIB Revenue Cap %	5.00%
4	Annual SIB Revenue Cap	\$ 214,118
5	[Ln. 2 x Ln. 3]	
6		
7	Net SIB Rate Base	\$ 121,926
8	[Schedule D (CWIP Ledger Summary), p. 9, Col. E, Ln. 23]	
9		
10		
11		
12	Weighted Average Cost of Equity - Decision No. 74081	5.11%
13	Gross Revenue Conversion Factor - Decision No. 74081	1.6510
14	Pre-Tax Weighted Cost of Equity	8.44%
15	[Ln. 12 x Ln. 13]	
16	Weighted Average Cost of Debt - Decision No. 74081	3.33%
17	Pre-Tax Cost of Capital/Required Return on Rate Base	11.77%
18	[Ln. 14 + Ln. 16]	
19	Required Operating Income/After-Tax Return on Rate Base	\$ 10,295
20	[Ln. 8 x (Ln. 12 + Ln. 16)]	
21		
22		
23	Required Revenue/Pre-Tax Return on Rate Base	\$ 14,351
24	[Ln. 8 x Ln. 17]	
25	Depreciation Expense on SIB Plant (Net of Retirements)	\$ 2,062
26	[Sch. D (CWIP Ledger Summary), p. 9, Col. E, Ln. 32]	
27	Total SIB Capital Costs (Pre-Tax Return & Depreciation)	\$ 16,413
28	[Ln. 23 + Ln. 25]	
29		
30		
31	SIB Revenue Requirement	\$ 16,413
32	[Lesser of Ln. 4 or Ln. 27]	
33		
34		
35	SIB Efficiency Credit %	-5%
36	SIB Revenue Requirement Efficiency Credit	\$ (821)
37	[Ln. 31 x Ln. 35]	
38		
39		
40	SIB True-Up Adjustment	\$ -
41	[Sch. B, p. 1, Col. A, Ln. 16]	
42		
43		
44	SIB Authorized Revenue - Proposed	\$ 15,592
45	[Ln. 31 + Ln. 36 + Ln. 40]	
46		
47		
48		
49		
50		
51		
52		
53		
54		
55		



# **EXHIBIT 4**

[A]

Line No.	System Name	
1		\$ -
2	SIB Revenue Requirement from Prior 12-Month Surcharge Period	\$ -
3		\$ -
4	SIB Revenue Requirement Efficiency Credit from Prior 12-Month Surcharge Period	\$ -
5		\$ -
6	SIB True-up Adjustment from Prior 12-Month Surcharge Period	\$ -
7		\$ -
8	SIB Authorized Revenue from Prior 12-Month Surcharge Period	\$ -
9	[Ln. 2 + Ln. 4 + Ln. 6]	\$ -
10		\$ -
11		\$ -
12	Total Actual SIB Surcharge Revenues from Prior 12-Month Surcharge Period	\$ -
13	[Includes Surcharge, Efficiency Credit & True-up]	\$ -
14		\$ -
15		\$ -
16	SIB True-up Adjustment	\$ -
17	[Ln. 8 - Ln. 12]	\$ -
18		\$ -
19		\$ -
20		\$ -
21		\$ -
22		\$ -
23		\$ -
24		\$ -
25		\$ -
26		\$ -
27		\$ -
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43		\$ -
44		\$ -
45		\$ -
46		\$ -
47		\$ -
48		\$ -
49		\$ -
50		\$ -
51		\$ -
52		\$ -
53		\$ -
54		\$ -
55		\$ -

[A] [B] [C] [D] [E]

Line No.	System Name	[A] Number of Customers - 3/31/2014	[B] Meter Capacity Multiplier	[C] 5/8 x 3/4-inch Equivalent Meters [A x B]	[D] Individual SIB True-up Adjustment by Meter Size [Ln. 25 x Col. B]	[E] Total Annual Surcharge/(Credit) by Meter Size [(A x D) x 12]
7	Customer Meter Size					
8	5/8 x 3/4-inch	6,180	1	6,180	\$ -	\$ -
9	1-inch	183	2.5	458	\$ -	\$ -
10	1 1/2-inch	-	5	-	\$ -	\$ -
11	2-inch	97	8	776	\$ -	\$ -
12	3-inch	7	16	112	\$ -	\$ -
13	4-inch	6	25	150	\$ -	\$ -
14	6-inch	1	80	50	\$ -	\$ -
15	8-inch	-	115	-	\$ -	\$ -
16	10-inch	-	-	-	\$ -	\$ -
17	Totals	6,474		7,726	\$ -	\$ -
21	SIB True-up Adjustment [Sch. B, p. 1, Col. A, Ln. 16]				\$ -	\$ -
24	Individual SIB True-up Adjustment (Per 5/8 x 3/4-inch Equivalent Meter) [(Col. E, Ln. 22 ÷ Col. C, Ln. 18) ÷ 12]				\$ -	\$ -

# **EXHIBIT 5**

**ARIZONA WATER COMPANY**  
 Docket No. W-01445A-12-0348  
 Typical Bill Analysis - Residential 5/8" x 3/4" Meter  
 As of March 31, 2014

Line No.	[A]	[B]	[C]	[D]	[E]	[F]
	System Name					
	SIB Mechanism					
	Present Rates	Gross SIB Surcharge [Sch. A, p. 2]	SIB Surcharge Efficiency Credit [Sch. A, p. 2]	Present Rates Plus SIB [A + B + C]	Net SIB Increase [D - A]	Percent Increase [E ÷ A]
Gallons Used Per Month						
0	\$ 17.00	\$ 0.18	\$ (0.01)	\$ 17.17	\$ 0.17	1.00%
1,000	\$ 18.66	\$ 0.18	\$ (0.01)	\$ 18.83	\$ 0.17	0.91%
2,000	\$ 20.32	\$ 0.18	\$ (0.01)	\$ 20.49	\$ 0.17	0.84%
3,000	\$ 21.98	\$ 0.18	\$ (0.01)	\$ 22.15	\$ 0.17	0.77%
4,000	\$ 27.39	\$ 0.18	\$ (0.01)	\$ 27.56	\$ 0.17	0.62%
5,000	\$ 32.79	\$ 0.18	\$ (0.01)	\$ 32.96	\$ 0.17	0.52%
6,000	\$ 38.20	\$ 0.18	\$ (0.01)	\$ 38.37	\$ 0.17	0.45%
7,000	\$ 43.60	\$ 0.18	\$ (0.01)	\$ 43.77	\$ 0.17	0.39%
8,000	\$ 49.01	\$ 0.18	\$ (0.01)	\$ 49.18	\$ 0.17	0.35%
9,000	\$ 54.41	\$ 0.18	\$ (0.01)	\$ 54.58	\$ 0.17	0.31%
10,000	\$ 59.82	\$ 0.18	\$ (0.01)	\$ 59.99	\$ 0.17	0.28%
11,000	\$ 66.34	\$ 0.18	\$ (0.01)	\$ 66.51	\$ 0.17	0.26%
12,000	\$ 72.87	\$ 0.18	\$ (0.01)	\$ 73.04	\$ 0.17	0.23%
13,000	\$ 79.40	\$ 0.18	\$ (0.01)	\$ 79.57	\$ 0.17	0.21%
14,000	\$ 85.93	\$ 0.18	\$ (0.01)	\$ 86.10	\$ 0.17	0.20%
15,000	\$ 92.46	\$ 0.18	\$ (0.01)	\$ 92.63	\$ 0.17	0.18%
20,000	\$ 125.10	\$ 0.18	\$ (0.01)	\$ 125.27	\$ 0.17	0.14%
25,000	\$ 157.74	\$ 0.18	\$ (0.01)	\$ 157.91	\$ 0.17	0.11%
Average Monthly Usage in Gallons	4,601	4,601	4,601	4,601	4,601	4,601
Monthly Bill at Average Usage	\$ 30.63	\$ 0.18	\$ (0.01)	\$ 30.80	\$ 0.17	0.55%
Median Monthly Usage in Gallons	3,078	3,078	3,078	3,078	3,078	3,078
Monthly Bill at Median Usage	\$ 22.40	\$ 0.18	\$ (0.01)	\$ 22.57	\$ 0.17	0.76%
Monthly Basic Service Charge	\$ 17.00	\$ 0.18	\$ (0.01)	\$ 17.17	\$ 0.17	1.00%
Commodity Charge (per M Gallon)	\$ 1,6600	\$ -	\$ -	\$ 1,6600	\$ -	0.00%
0 to 3,000 Gallons	\$ 5,4050	\$ -	\$ -	\$ 5,4050	\$ -	0.00%
3,001 to 10,000 Gallons	\$ 6,5280	\$ -	\$ -	\$ 6,5280	\$ -	0.00%
Gallons over 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%

# **EXHIBIT 6**

**ARIZONA WATER COMPANY**  
 Docket No. W-01445A-12-0348  
 Fair Value Rate Base, Revenue & Rate of Return - Decision No. 74081  
 As of March 31, 2014

Line No.	System Name	[A]	[B]	[C]	[D]	[E]	[F]	[G]
7	Operating Revenue	\$ 4,282,366	\$ 15,592	\$ -	\$ -	\$ -	\$ -	\$ 4,297,958
9	Operating Expenses							
10	Operations & Maintenance	\$ 2,206,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,206,213
11	Depreciation & Amortization	682,925	2,062	-	-	-	-	684,987
12	Taxes Other than Income	220,441	-	-	-	-	-	220,441
13	Income Taxes	323,177	3,732	-	-	-	-	326,909
14	Total Operating Expenses	\$ 3,432,756	\$ 5,795	\$ -	\$ -	\$ -	\$ -	\$ 3,438,551
15	Operating Income	\$ 849,610	\$ 9,797	\$ -	\$ -	\$ -	\$ -	\$ 859,407
18	Interest Expense							
19	Weighted Avg. Cost of Debt - Decision No. 74081	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%
20	Interest Expense	\$ 335,348	\$ 4,064	\$ -	\$ -	\$ -	\$ -	\$ 339,412
21	[Ln. 19 x Ln. 26]							
22	Net Income	\$ 514,262	\$ 5,733	\$ -	\$ -	\$ -	\$ -	\$ 519,996
24								
25	Original Cost Rate Base	\$ 10,060,534	\$ 121,926	\$ -	\$ -	\$ -	\$ -	\$ 10,182,460
27	[Schedule D (Rate Base), p. 6, Ln. 17]							
28	Return on Rate Base	8.44%	8.04%	0.00%	0.00%	0.00%	0.00%	8.44%
29	[Ln. 16 ÷ Ln. 26]							
31	Authorized Return on Rate Base - Decision No. 74081	8.44%	8.44%	8.44%	8.44%	8.44%	8.44%	8.44%
33	Capital Structure - Decision No. 74081							
34	Debt %	48.90%	48.90%	48.90%	48.90%	48.90%	48.90%	48.90%
35	Equity %	51.10%	51.10%	51.10%	51.10%	51.10%	51.10%	51.10%
36	Portion of Rate Base Financed with Equity	\$ 5,140,933	\$ 62,304	\$ -	\$ -	\$ -	\$ -	\$ 5,203,237
37	[Ln. 26 x Ln. 36]							
39	Return on Equity	10.00%	9.20%	0.00%	0.00%	0.00%	0.00%	9.99%
40	[Ln. 23 ÷ Ln. 38]							
41	Authorized Return on Equity - Decision No. 74081	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
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Line No.	System Name	[A] Actual - 12-Months Ending 3/31/2014	[B] SIB Step-1	[C] SIB Step-2	[D] SIB Step-3	[E] SIB Step-4	[F] SIB Step-5	[G] Actual Results Plus SIB [A+B+C+D+E+F]
7	Operating Revenue	\$ 4,052,375	\$ 15,592	\$ -	\$ -	\$ -	\$ -	\$ 4,067,967
9	Operating Expenses							
10	Operations & Maintenance	\$ 2,158,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,158,691
11	Depreciation & Amortization	525,702	2,062	-	-	-	-	527,764
12	Taxes Other than Income	563,110	-	-	-	-	-	563,110
13	Income Taxes	238,006	3,732	-	-	-	-	241,738
14	Total Operating Expenses	\$ 3,485,510	\$ 5,785	\$ -	\$ -	\$ -	\$ -	\$ 3,491,304
15	Operating Income	\$ 566,865	\$ 9,797	\$ -	\$ -	\$ -	\$ -	\$ 576,663
18	Interest Expense							
19	Weighted Avg. Cost of Debt - Decision No. 74081	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%	3.33%
20	Interest Expense	\$ 280,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280,790
21	[Ln. 19 x Ln. 26]							
22	Net Income	\$ 286,075	\$ 9,797	\$ -	\$ -	\$ -	\$ -	\$ 295,873
23								
24								
25								
26	Original Cost Rate Base	\$ 8,423,791 <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,423,791
27	(Schedule D (Rate Base), p. 6, Ln. 17)							
28	Return on Rate Base	6.73%	0.00%	0.00%	0.00%	0.00%	0.00%	6.85%
29	[Ln. 16 ÷ Ln. 26]							
30	Authorized Return on Rate Base - Decision No. 74081	8.44%	8.44%	8.44%	8.44%	8.44%	8.44%	8.44%
31								
32	Capital Structure - Decision No. 74081	48.90%	48.90%	48.90%	48.90%	48.90%	48.90%	48.90%
33	Debt %	51.10%	51.10%	51.10%	51.10%	51.10%	51.10%	51.10%
34	Equity %							
35	Portion of Rate Base Financed with Equity	\$ 4,304,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,304,557
36	[Ln. 26 x Ln. 36]							
37	Return on Equity	6.65%	0.00%	0.00%	0.00%	0.00%	0.00%	6.87%
38	[Ln. 23 ÷ Ln. 38]							
39	Authorized Return on Equity - Decision No. 74081	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
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<sup>1</sup>includes SIB plant.

**ARIZONA WATER COMPANY**

Docket No. W-01445A-12-0348  
Balance Sheet  
As of March 31, 2014

Line No.	[A]	[B]
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Arizona Water Company System Name'

\$ 445,755,593  
(126,893,871)  
\$ 318,861,722

\$ 3,951,878  
3,697,235  
486,619  
9,547,565  
\$ 17,683,297  
\$ 8,444,096  
\$ 344,989,115

\$ 2,700,000  
19,309,347  
60,973,937  
\$ 82,983,284 \$ 4,424,733  
\$ 75,000,000 \$ 3,999,058  
\$ 157,983,284 \$ 8,423,791

\$ 3,453,077  
3,308,920  
963,706  
\$ 7,725,703

\$ 78,107,337  
62,279,376  
33,986,759  
4,906,656  
\$ 179,280,128  
\$ 344,989,115

Allocated based on ratio of system rate base to total company capitalization.