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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

ORIGINAL

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

DOCKET NO. W-02105A-13-0415

STAFF'S NOTICE OF FILING
SURREBUTTAL TESTIMONY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony
of Briton A. Baxter and Dorothy Hains in the above docket.

RESPECTFULLY SUBMITTED this 13th day of June 2014.

Arizona Corporation Commission

DOCKETED

JUN 13 2014

DOCKETED BY

Brian E. Smith, Attorney
Legal Division

Arizona Corporation Commission
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Phoenix, Arizona 85007

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Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

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A PERMANENT INCREASE IN ITS WATER)
RATES AND CHARGES)
_____)

DOCKET NO. W-02105A-13-0415

SURREBUTTAL

TESTIMONY

OF

BRITON A. BAXTER

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 13, 2014

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**EXECUTIVE SUMMARY
MT. TIPTON WATER COMPANY, INC.
DOCKET NO. W-02105A-13-0415**

Staff's surrebuttal testimony addresses the following issues raised in Mt. Tipton Water Company, Inc.'s ("Mt. Tipton" or "Company") rebuttal testimony:

1. Rate Base
 - a. 40 HP pump
 - b. Accumulated Depreciation
 - c. Dolan Springs Land and Land Rights

2. Operating Income
 - a. Depreciation Expense

3. Hook-Up Fee and Delinquent Property Taxes

In Staff's Direct Testimony, Staff recommended a revenue increase of \$19,529, or a 5.75 percent increase over test year revenue of \$339,594. The total annual revenue of \$359,123 would produce an operating income of \$72,403, or a 14.40 percent rate of return on an original cost rate base of \$502,801.

Staff now recommends a revenue increase of \$24,961, or a 7.35 percent increase over test year revenue of \$339,594. The total annual revenue of \$364,555 produces an operating income of \$77,153, or a 9.75 percent rate of return on an original cost rate base of \$791,309.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Briton A. Baxter. I am a Public Utilities Analyst IV employed by the Arizona
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”). My
5 business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Briton A. Baxter who previously filed direct testimony in this
8 proceeding?**

9 A. Yes.

10
11 **PURPOSE OF SURREBUTTAL TESTIMONY**

12 **Q. What is the purpose of your surrebuttal testimony?**

13 A. The purpose of my surrebuttal testimony in this proceeding is to respond, on behalf of Staff,
14 to the rebuttal testimony of witnesses Sonn Rowell and Michelle Monzillo for Mt. Tipton
15 Water Company (“Mt. Tipton” or “Company”).

16
17 **Q. What issues will you address?**

18 A. I will address the issues listed below that are discussed in the rebuttal testimony of Ms.
19 Monzillo and Ms. Rowell:

- 20 1. Rate Base
21 a. 40 HP pump
22 b. Accumulated Depreciation
23 c. Dolan Springs Land and Land Rights
24 2. Operating Income
25 a. Depreciation Expense
26 3. Hook-Up Fee and Delinquent Property Taxes

1 **Q. Does your silence on any particular issue raised in the Company's rebuttal testimony**
2 **indicate that Staff agrees with the Company's stated rebuttal position?**

3 A. No. If I did not specifically respond, then I have not changed my position from my direct
4 testimony.

5

6 **SUMMARY OF PROPOSED REVENUES**

7 **Q. Please summarize Staff's recommended revenue.**

8 A. Staff recommends a \$24,961, or 7.35 percent, revenue increase from \$339,594 to \$364,555.
9 Staff's recommended revenue increase would produce an operating income of \$77,153 for a
10 9.75 percent rate of return on a Staff adjusted Original Cost Rate Base of \$791,309 as shown
11 on Surrebuttal Schedule BAB-1.

12

13 **Q. How does Staff's recommended revenue compare to the recommended revenue in**
14 **Staff's direct testimony?**

15 A. Staff's recommended revenue has increased by \$5,432, from \$359,123 in its direct testimony
16 to \$364,555 in this testimony.

17

18 **RATE BASE**

19 **Q. What changes did Staff make to Rate Base in surrebuttal testimony?**

20 A. Staff made changes to the following adjustments:

21

22 1. Rate Base Adjustment No. 3 – Pumping Equipment

23 2. Rate Base Adjustment No. 6 – Accumulated Depreciation

24 3. Rate Base Adjustment No. 7 – Land and Land Rights

1 **Q. Please summarize Staff's adjustments to Mt. Tipton's rate base shown on Surrebuttal**
2 **Schedule BAB-3.**

3 A. A summary of the Company's proposed and Staff's recommended rate base follows:
4

TEST YEAR RATE BASE		
Per Company		Per Staff -
<u>Direct</u>	<u>Adjustment</u>	<u>Surrebuttal</u>
\$755,229	\$36,080	\$791,309

5
6 **Q. How does Staff's recommended rate base compare to the recommended rate base in**
7 **Staff's direct testimony?**

8 A. Staff's recommended rate base rate in its direct testimony was \$502,801. Staff's
9 recommended rate base in its surrebuttal testimony is now \$791,309, which includes the
10 adjustments as discussed below for Pumping Equipment, Accumulated Depreciation, and
11 Land and Land Rights.
12

13 *Rate Base Adjustment No. 3 – Pumping Equipment*

14 **Q. Did Staff review the Company's rebuttal testimony concerning the 40 HP pump?**

15 A. Yes.
16

17 **Q. Does Staff agree?**

18 A. Yes, and Staff has changed its schedules accordingly.
19

20 **Q. What is Staff's recommendation?**

21 A. Staff's recommended Pumping Equipment account balance increased by \$9,878 from the
22 direct testimony balance of \$118,662 to the surrebuttal testimony balance of \$128,541 as
23 shown on Surrebuttal Schedules BAB-4 and BAB-7.

1 *Rate Base Adjustment No. 6 – Accumulated Depreciation*

2 **Q. Did Staff review the Company's rebuttal testimony concerning Accumulated**
3 **Depreciation?**

4 A. Yes.

5
6 **Q. What were the Company's primary concerns?**

7 A. The Company's primary concern is that Staff's recommended increase of \$171,184 in
8 Accumulated Depreciation is too high and should have actually resulted in a decrease.

9
10 **Q. Does Staff agree that its recommended increase to Accumulated Depreciation**
11 **account is too high?**

12 A. Yes. Staff now concurs with the Company that the increase to Accumulated Depreciation was
13 overstated.

14
15 **Q. Did Staff make any changes to Accumulated Depreciation in its surrebuttal**
16 **schedules?**

17 A. Yes.

18
19 **Q. What changes did Staff make to Accumulated Depreciation?**

20 A. Staff made corrections to include the 40 HP pump mentioned in my surrebuttal testimony on
21 page 3, lines 14-24. Corrections were also made to Accumulated Depreciation for the 2009,
22 2010, 2011, and 2012 Company retirements totaling \$312,039, and to include the July through
23 December 2009 depreciation of \$33,531. These corrections are reflected on Surrebuttal
24 Schedule BAB-9a.

25

1 **Q. What is the net effect of the changes to Staff's recommended balance for Accumulated**
2 **Depreciation?**

3 A. Staff's recommended Accumulated Depreciation balance was reduced by \$268,630 from the
4 direct testimony balance of \$1,318,860 to the revised surrebuttal testimony balance of
5 \$1,050,230.
6

7 *Rate Base Adjustment No. 7 – Land and Land Rights*

8 **Q. Did Staff review the Company's rebuttal testimony concerning Land and Land**
9 **Rights?**

10 A. Yes.
11

12 **Q. Does Staff agree with including the land from the Dolan Spring purchase?**

13 A. Yes, in part.
14

15 **Q. Please explain.**

16 A. As indicated in the Company's rebuttal testimony, the purchase of Dolan Springs included
17 115 acres of land located around the spring that was intended to act as a barrier to protect the
18 water source, well sites, and tank sites. As shown in Docket W-02105A-01-0557 this land
19 was valued at \$170,000 but, as stated by the Company, was never added to rate base. Staff
20 estimates that only about 7 acres around the well sites has a secure barrier in the form of
21 fences to protect these water sources.
22

23 **Q. How did Staff arrive at the 7 acre estimate?**

24 A. The Company estimated that there are 2 acres of fenced in area around each of the well sites.
25 Instead, based on the site visit, Staff estimates that there is actually about 7 acres that are
26 fenced in around the well sites.

1 **Q. What adjustment is Staff recommending to the Land and Land Rights Account?**

2 A. Staff recommends including 7 acres of the 115 total acres or 5.88 percent of the land. This
3 equates to an adjustment of \$10,000, increasing the Land and Land Rights (Account No. 303)
4 from \$9,842 to \$19,842 as shown on Surrebuttal Schedules BAB-4 and BAB-9b.

5

6 **Q What is the effect of these changes to Rate Base?**

7 A. Rate Base was increased by \$288,508 from \$502,801 to \$791,309.

8

9 **OPERATING INCOME**

10 **Q. What changes did Staff make to Operating Income in surrebuttal testimony?**

11 A. Staff made changes to Income Statement Adjustment No. 3 – Depreciation Expense.

12

13 **Q. What are the results of Staff's analysis of test year revenues, expenses and operating
14 income?**

15 A. As shown on Surrebuttal Schedules BAB-10 and BAB-11, Staff's analysis resulted in test year
16 revenues of \$339,594, expenses of \$287,435, and an operating income of \$52,159.

17

18 *Operating Income Adjustment No. 3 – Depreciation Expense*

19 **Q. Did Staff review the Company's rebuttal testimony concerning Depreciation
20 Expense?**

21 A. Yes.

22

23 **Q. Does Staff agree with the Company's proposal for Depreciation Expense?**

24 A. No. Staff does not agree with the Company's proposal for Depreciation Expense.

25

1 **Q. What are the major differences in Staff's recommended Depreciation Expense and the**
2 **Company's proposed Depreciation Expense?**

3 A. Staff disagrees with the depreciation calculations the Company proposes for several Plant
4 accounts. Staff's adjustments to Depreciation Expense are reflected on Surrebuttal Schedule
5 BAB-14.

6

7 **Q. Did the adjustments made to Depreciation Expense affect any other accounts?**

8 A. Yes. Staff created a surrebuttal set of schedules to reflect the changes shown as Surrebuttal
9 Schedules BAB-1 through BAB-20.

10

11 **Q. What is Staff's recommendation for depreciation expense?**

12 A. Staff recommends depreciation expense of \$49,089.

13

14 **Q. How does Staff's recommended depreciation expense compare to the recommended**
15 **depreciation expense in Staff's direct testimony?**

16 A. Staff's recommended depreciation expense increased by \$1,058 to \$49,089 in its surrebuttal
17 testimony from \$48,031 in its direct testimony.

18

19 **HOOK-UP FEE MONIES**

20 **Q. Did Staff review the Company's rebuttal testimony concerning the use of Hook-Up**
21 **Fee monies to reduce the balance of the delinquent property taxes?**

22 A. Yes.

23

24 **Q. Does Staff agree with the Company's proposed use of the Hook-Up Fee monies to**
25 **reduce the delinquent property taxes?**

26 A. Yes, with two stipulations. Staff recommends:

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1. That the Company be required to reimburse the remaining balance owed for misspent Hook-Up Fees of approximately \$32,700 by depositing \$5,000 per year, or \$420 per month on average, from the recommended revenue increase in these proceedings into the account established to repay the misspent Hook-Up Fees, until the full amount has been repaid.
2. That the Company demonstrate the current balance of Hook-Up Fee monies has been applied to the delinquent property tax balance by filing, as a compliance item with the Commission's Docket Control, verification that these funds went to reduce the balance of the delinquent property taxes. This verification should be in the form of an externally generated document such as a receipt from Mohave County.

Q. What is Staff's recommended Delinquent Property Tax Surcharge after applying the Hook-Up Fee monies to the outstanding balance?

A. Staff recommends an adjusted monthly surcharge of \$17.39. This surcharge would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 2,364 gallons, including Staff's recommended rate increase, from \$29.46 to \$47.60, for a total increase of \$18.14 or 61.58 percent.

Q. Does this conclude Staff's surrebuttal testimony?

A. Yes, it does.

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

SURREBUTTAL TESTIMONY OF BRITON BAXTER

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

Surrebuttal Schedule BAB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Adjusted Rate Base	\$755,229	\$791,309
2	Adjusted Operating Income (Loss)	\$52,725	\$52,159
3	Current Rate of Return (L2 / L1)	6.98%	6.59%
4	Required Rate of Return	12.98%	9.75%
5	Required Operating Income (L4 * L1)	\$98,029	\$77,153
6	Operating Income Deficiency (L5 - L2)	\$45,304	\$24,994
7	Gross Revenue Conversion Factor/Property Tax Factor	1.0183	0.9987
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$46,133	\$24,961
9	Adjusted Test Year Revenue	\$339,594	\$339,594
10	Proposed Annual Revenue (L8 + L9)	\$385,727	\$364,555
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	13.58%	7.35%

References:

Column [A]: Company Schedules A-1

Column [B]: Staff Schedules BAB-2, BAB-3, BAB-10 & BAB-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)
<i>Calculation of Gross Revenue Conversion Factor:</i>				
1	Revenue	100.0000%		
2	Uncollectible Factor (Line 11)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	-0.1295%		
5	Subtotal (L3 - L4)	100.1295%		
6	Revenue Conversion Factor (L1 / L5)	0.998707		
<i>Calculation of Uncollectible Factor:</i>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	0.0000%		
9	One Minus Combined Income Tax Rate (L7 - L8)	100.0000%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)		0.0000%	
<i>Calculation of Effective Tax Rate:</i>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	0.0000%		
14	Federal Taxable Income (L12 - L13)	100.0000%		
15	Applicable Federal Income Tax Rate (Line 50)	0.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	0.0000%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		0.0000%	
<i>Calculation of Effective Property Tax Factor:</i>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (L17)	0.0000%		
20	One Minus Combined Income Tax Rate (L18 - L19)	100.0000%		
21	Property Tax Factor (BAB-15, L24)	-0.1295%		
22	Effective Property Tax Factor (L20 * L21)		-0.1295%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17 + L22)			-0.1295%
24	Required Operating Income (Schedule BAB-1, Line 5)	\$77,153		
25	Adjusted Test Year Operating Income (Loss) (Schedule BAB-10, Line 35)	52,159		
26	Required Increase in Operating Income (L24 - L25)		\$24,994	
27	Income Taxes on Recommended Revenue (Col. (C), L48)	\$0		
28	Income Taxes on Test Year Revenue (Col. (A), L48)	0		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$0	
30	Required Revenue Increase (Schedule BAB-1, Line 10)	\$364,555		
31	Uncollectible Rate (Line 10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	\$0		
33	Adjusted Test Year Uncollectible Expense - N/A	0		
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$0	
35	Property Tax with Recommended Revenue (BAB-15, Line 19)	\$18,247		
36	Property Tax on Test Year Revenue (BAB-15, Col A, L17)	18,279		
37	Increase in Property Tax Due to Increase in Revenue (L35 - L36)		(\$32)	
38	Total Required Increase in Revenue (L26 + L29 + L34+ L37)		\$24,962	

	(A) Test Year	(B)	(C) Staff Recommended
39	Revenue (Sch BAB-10, Col.(C) L4, BAB-1, Col. (D), L10)		\$364,555
40	Operating Expenses Excluding Income Taxes	287,435	287,403
41	Synchronized Interest (L53)	34,738	34,738
42	Arizona Taxable Income (L39 - L40 - L41)	\$17,420	\$42,414
43	Arizona State Income Tax Rate	0	0
44	Arizona Income Tax (L42 x L43)	\$0	\$0
45	Federal Taxable Income (L42 - L44)	17,420	42,414
46	Federal Tax	0	0
47	Total Federal Income Tax	0	0
48	Combined Federal and State Income Tax (L43 + L47)	\$0	\$0

50 Effective Tax Rate

Calculation of Interest Synchronization:

51	Rate Base (Schedule BAB-3, Col. (C), Line 14)	\$791,309
52	Weighted Average Cost of Debt	4.3900%
53	Synchronized Interest (L50 X L51)	\$34,738

RATE BASE - ORIGINAL COST				
LINE NO.	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED	
1	Plant in Service	\$1,937,095	(\$61,366)	\$1,875,729
2	Less: Accumulated Depreciation	1,147,676	(97,446)	1,050,230
3	Net Plant in Service	<u>\$789,419</u>	<u>\$36,080</u>	<u>\$825,499</u>
	<i>LESS:</i>			
4	Advances in Aid of Construction (AIAC)	\$16,029	\$0	\$16,029
5	Service Line and Meter Advances	\$0	\$0	\$0
6	Contributions in Aid of Construction (CIAC)	\$347,002	\$0	\$347,002
7	Less: Accumulated Amortization	333,126	0	333,126
8	Net CIAC	<u>\$13,876</u>	<u>\$0</u>	<u>\$13,876</u>
9	Total Advances and Contributions	<u>\$29,905</u>	<u>\$0</u>	<u>\$29,905</u>
10	Customer Deposits	\$4,285	\$0	\$4,285
11	Accumulated Deferred Income Taxes	\$0	\$0	\$0
	<i>ADD: Working Capital</i>			
12	Prepayments	\$0	\$0	\$0
13	Inventory	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
14	Total Rate Base	<u><u>\$755,229</u></u>	<u><u>\$36,080</u></u>	<u><u>\$791,309</u></u>

References:

Column [A], Company Schedule B-2
Column [B]: Schedule BAB-4
Column [C]: Column [A] + Column [B]

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	PLANT IN SERVICE	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[H]
		COMPANY AS FILED	Adj.No.1 Wells & Springs Ref: Sch BAB-5	Adj.No.2 Power Generation Equipment Ref: Sch BAB-6	Adj.No.3 Pumping Equipment Ref: Sch BAB-7	Adj.No.4 Solution Chemical Feeders Ref: Sch BAB-8a	Adj.No.5 Computers & Software Ref: Sch BAB-8b	Adj.No.6 Accumulated Depreciation Ref: Sch BAB-9a	Adj.No.7 Land and Land Rights Ref: Sch BAB-9b	STAFF AS ADJUSTED
1	Acct. No. Plant Description									
2	301 Organization Cost	\$17,450	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,450
3	302 Franchises	500	0	0	0	0	0	0	0	500
4	303 Land and Land Rights	9,842	0	0	0	0	0	0	10,000	19,842
5	304 Structures and Improvements	70,621	0	0	0	0	0	0	0	70,621
6	305 Collecting and Impounding Reservoirs	0	0	0	0	0	0	0	0	0
7	307 Wells and Springs	407,673	(59,283)	0	0	0	0	0	0	348,390
8	309 Supply Mains	0	0	0	0	0	0	0	0	0
9	310 Power Generation Equipment	0	0	27,400	0	0	0	0	0	27,400
10	311 Pumping Equipment	113,628	0	0	14,913	0	0	0	0	128,541
11	320 Water Treatment Equipment	0	0	0	0	0	0	0	0	0
12	320.1 Water Treatment Plants	0	0	0	0	0	0	0	0	0
13	320.2 Solution Chemical Feeders	53,075	0	0	0	(53,075)	0	0	0	0
14	330 Distribution Reservoirs and Standpipes	0	0	0	0	0	0	0	0	0
15	330.1 Storage Tanks	223,341	0	0	0	0	0	0	0	223,341
16	330.2 Pressure Tanks	0	0	0	0	0	0	0	0	0
17	331 Transmission and Distribution Mains	799,500	0	0	0	0	0	0	0	799,500
18	333 Services	59,750	0	0	0	0	0	0	0	59,750
19	334 Meters and Meter Installations	130,798	0	0	0	0	0	0	0	130,798
20	335 Hydrants	1,230	0	0	0	0	0	0	0	1,230
21	336 Backflow Prevention Devices	0	0	0	0	0	0	0	0	0
22	339 Other Plant and Miscellaneous Equipment	1,880	0	0	0	0	0	0	0	1,880
23	340 Office Furniture and Equipment	18,094	0	0	0	0	0	0	0	18,094
24	340.1 Computers and Software	7,007	0	0	0	0	(1,321)	0	0	5,686
25	341 Transportation Equipment	11,592	0	0	0	0	0	0	0	11,592
26	343 Tools, Shop, and Garage Equipment	1,274	0	0	0	0	0	0	0	1,274
27	344 Laboratory Equipment	0	0	0	0	0	0	0	0	0
28	345 Power Operated Equipment	167	0	0	0	0	0	0	0	167
29	346 Communication Equipment	0	0	0	0	0	0	0	0	0
30	347 Miscellaneous Equipment	8,464	0	0	0	0	0	0	0	8,464
31	348 Other Tangible Equipment	1,208	0	0	0	0	0	0	0	1,208
32	Rounding	1	0	0	0	0	0	0	0	1
33	Total Plant in Service	\$1,937,095	(\$59,283)	\$27,400	\$14,913	(\$53,075)	(\$1,321)	\$0	\$10,000	\$1,875,729
34	Less: Accumulated Depreciation	1,147,676	0	0	0	0	0	(97,446)	0	1,050,230
35	Net Plant in Service	\$789,419	(\$59,283)	\$27,400	\$14,913	(\$53,075)	(\$1,321)	\$97,446	\$10,000	\$825,499
36										
37	LESS:									
38	Advances in Aid of Construction (AIAC)	\$16,029	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,029
39	Meter Deposits - Service Line & Meter Advances	0	0	0	0	0	0	0	0	0
40										
41	Contributions in Aid of Construction (CIAC)	\$347,002								\$347,002
42	Less: Accumulated Amortization of CIAC	333,126								333,126
43	Net CIAC	\$13,876	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,876
44										
45	Total Advances and Net Contributions	\$29,905	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$29,905
46										
47	Customer Deposits	\$4,285	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,285
48	Accumulated Deferred Taxes	0	0	0	0	0	0	0	0	0
49										
50	ADD: Working Capital									
51	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
52		0	0	0	0	0	0	0	0	0
53	Total Rate Base	\$755,229	(\$59,283)	\$27,400	\$14,913	(\$53,075)	(\$1,321)	\$97,446	\$10,000	\$791,309

RATE BASE ADJUSTMENT NO. 1 - WELLS & SPRINGS

LINE NO.	Act. No.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	307	Wells & Springs	\$407,673	(\$59,283)	\$348,390
2					
3					
4					
5					

MISCLASSIFIED				
Act. No.	Description	2009	2010	Total
8	307 Wells & Springs	(\$5,034)	(\$9,878)	(\$14,913)
9	311 Pumping Equipment	5,034	9,878	\$14,913
				\$0

NOT USED AND USEFUL				
15	Church or LDS Well	(\$29,012)		
16	Spring Well	(15,358)	(\$44,370)	

References:

Column [A]: Company Schedules C-2a & E-5

Column [B]: Testimony, BAB, Company Data Request Responses BAB 1.5, DH 5.2 & DH 5.3

Column [C]: Column [A] + Column [B]

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

Surrebuttal Schedule BAB-6

RATE BASE ADJUSTMENT NO. 2 - POWER GENERATION EQUIPMENT

LINE NO.	Act. No.	Description	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1		310 Power Generation Equipment	\$0	\$27,400	\$27,400

References:

Column [A]: Company Schedules C-2a & E-5

Column [B]: Testimony, BAB, Company Data Request Responses BAB 1.5

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - PUMPING EQUIPMENT

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	311	Pumping Equipment	\$113,628	\$14,913	\$128,541
2					
3					
4					
5					
6	MISCLASSIFIED				
7	Act. No.	Description	2009	2010	Total
8	307	Wells & Springs	(\$5,034)	(\$9,878)	(\$14,913)
9	311	Pumping Equipment	5,034	9,878	\$14,913
10				\$0	

References:

Column [A]: Company Schedules C-2a & E-5

Column [B]: Testimony, BAB, Company Data Request Responses BAB 1.5, Rebuttal Schedule E-5

Column [C]: Column [A] + Column [B]

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

Surrebuttal Schedule BAB-8a

RATE BASE ADJUSTMENT NO. 4 - SOLUTION CHEMICAL FEEDERS

LINE NO.	Act. No.	Description	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	320.2	Solution Chemical Feeders	\$53,075	(\$53,075)	\$0

References:

Column [A]: Company Schedules C-2a & E-5

Column [B]: Testimony, BAB, Engineering Staff Report Page 11, Section III C.

Column [C]: Column [A] + Column [B]

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

Surrebuttal Schedule BAB-8b

RATE BASE ADJUSTMENT NO. 5 - COMPUTERS & SOFTWARE

LINE NO.	Act. No.	Description	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	340.1	Computers & Software	\$7,007	(\$1,321)	\$5,686

References:

Column [A]: Company Schedules C-2, C-2a & E-5

Column [B]: Testimony, BAB, Company Data Request Responses BAB 1.5

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Accumulated Deprecation	\$1,147,676	(\$97,446)	\$1,050,230
2				
3	<u>Calculation of Accumulated Deprecation</u>			
4				
5	Balance per Decision No. 72001			\$1,212,673
6	Depreciation Expense - 7/1/2009 - 12/31/2009		\$33,531	
7	Depreciation Expense - 2010		\$66,959	
8	Depreciation Expense - 2011		60,101	
9	Depreciation Expense - 2012		57,437	
10	Depreciation Expense - January 1 through June 30, 2013		29,013	\$247,041
11				
12	Plant Retirement - Church Well		(29,012)	
13	Plant Retirement - Spring Well		(15,358)	
14	Plant Retirement - Solution Chemical Feeders		(53,075)	
15	2009 Retirements		(4,131)	
16	2010 Retirements		(37,996)	
17	2011 Retirements		(72,154)	
18	2012 Retirements		(197,758)	(\$409,484)
19				
20	Total Accumulated Depreciation			<u>\$1,050,230</u>

References:

Column [A]: Company Schedule B-2

Column [B]: Testimony, BAB, Company Data Request Responses BAB 1.5, DH 5.2 & DH 5.3, Decision No. 72001, Rebuttal Schedule B-2

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 7 - LAND AND LAND RIGHTS

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	303	Land and Land Rights	\$9,842	\$10,000	\$19,842
2					
3					
4		Total land in Dolan Springs purchase	115	Acres	
5		Fenced in area per Staff	7	Acres	
6		Used and useful per Staff (L5 / L4)	5.88%		
7		Valuation per dockets W-02105A-01-0557, W-0197A-01-0557, and W-02105A-01-0556	\$170,000		
8		Staff adjustment (L6 * L7)	\$10,000		

References:

- Column [A]: Company Schedules C-2 & E-5
- Column [B]: Surrebuttal Testimony, BAB
- Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR ADJ AS NO. ADJUSTED	[D] STAFF PROPOSED ADJ CHANGES NO.	[E] STAFF RECOMMENDED
REVENUES:						
1	Metered Water Sales	\$312,811		\$312,811	\$24,961	\$337,772
2	Coin Revenue	16,341		16,341		16,341
3	Service Line and Meter Installation Charges	4,450		4,450		4,450
4	Other Operating Revenues	5,992		5,992		5,992
5	Total Revenues	\$339,594	\$0	\$339,594	\$24,961	\$364,555
6						
EXPENSES:						
8	Salaries and Wages	\$103,268	\$0	\$103,268	\$0	\$103,268
9	Purchased Water	0	0	0	0	0
11	Purchased Power	22,461	(3,868) 1	18,593	0	18,593
12	Chemicals	0	0	0	0	0
13	Repairs and Maintenance	15,086	0	15,086	0	15,086
14	Office Supplies & Expense	29,286	0	29,286	0	29,286
15	Outside Services	8,030	0	8,030	0	8,030
16	Water Testing	3,956	350 2	4,306	0	4,306
17	Rental Expense	500	0	500	0	500
18	Transportation Expenses	9,336	0	9,336	0	9,336
19	Insurance - General Liability	10,691	0	10,691	0	10,691
22	Insurance - Health and Life	0	0	0	0	0
24	Rate Case Expense	7,000	0	7,000	0	7,000
25	Miscellaneous Expense	3,082	0	3,082	0	3,082
26	Depreciation Expense	45,005	4,084 3	49,089	0	49,089
27	Taxes Other Than Income	10,565	0	10,565	0	10,565
28	Property Taxes	18,279	0	18,279	(32)	18,247
29	Income Taxes	0	0	0	0	0
30	Customer Security Deposit Interest	324	0	324	0	324
31						
32						
33	Total Operating Expenses	\$286,869	\$566	\$287,435	(\$32)	\$287,403
34						
35	Operating Income (Loss)	\$52,725	(\$566)	\$52,159	\$24,994	\$77,152

References:

- Column [A]: Company Schedule C-1
- Column [B]: Schedules BAB-12, BAB-13 and BAB-14
- Column [C]: Column [A] + Column [B]
- Column [D]: Schedule BAB-15
- Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
		COMPANY AS FILED	ADJ #1	ADJ #2	ADJ #3	STAFF ADJUSTED
			Purchased Power	Water Testing	Depreciation Expense	
			Ref: Sch BAB-12	Ref: Sch BAB-13	Ref: Sch BAB-14	
REVENUES:						
1	Metered Water Sales	\$312,811	\$0	\$0	\$0	\$312,811
2	Coin Revenue	16,341	0	0	0	16,341
3	Service Line and Meter Installation Charges	4,450				4,450
4	Other Water Revenue	5,992	0	0	0	5,992
5	Total Revenues	\$339,594	\$0	\$0	\$0	\$339,594
6						
OPERATING EXPENSES:						
8	Salaries and Wages	\$103,268	\$0	\$0	\$0	\$103,268
9	Purchased Water	0	0	0	0	0
10	Purchased Power	22,461	(3,868)	0	0	18,593
11	Chemicals	0	0	0	0	0
12	Repairs and Maintenance	15,086	0	0	0	15,086
13	Office Supplies & Expense	29,286	0	0	0	29,286
14	Outside Services	8,030	0	0	0	8,030
15	Water Testing	3,956	0	350	0	4,306
16	Rental Expense	500	0	0	0	500
17	Transportation Expenses	9,336	0	0	0	9,336
18	Insurance - General Liability	10,691	0	0	0	10,691
19	Insurance - Health and Life	0	0	0	0	0
20	Rate Case Expense	7,000	0	0	0	7,000
21	Miscellaneous Expense	3,082	0	0	0	3,082
22	Depreciation Expense	45,005	0	0	4,084	49,089
23	Taxes Other Than Income	10,565	0	0	0	10,565
24	Property Taxes	18,279	0	0	0	18,279
25	Income Taxes	0	0	0	0	0
26	Customer Security Deposit Interest	324	0	0	0	324
27			0	0		
28	Total Operating Expenses	\$286,869	(\$3,868)	\$350	\$4,084	\$287,435
29						
30	Operating Income (Loss)	\$52,725	\$3,868	(\$350)	(\$4,084)	\$52,159

OPERATING INCOME ADJUSTMENT NO. 1 - PURCHASED POWER

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Purchased Power	\$22,461	(\$3,868)	\$18,593
2				
3				
4				
5	<u>Calculation of cost of Purchased Power related to Excess Water Loss</u>			
6				
7	<u>Description</u>	<u>Gallons</u>	<u>Amount</u>	
8	Water Pumped	47,768,000		
9	Water Sold	<u>34,766,000</u>		
10	10% of Water Pumped (L8 * 10%)	4,776,800		
11	Water Sold Plus 10% (L9 + L10)	<u>39,542,800</u>		
12	Excess Water Loss (L8 - L11)	8,225,200		
13	Percentage of Excess Water Loss (L12/L8)	17.22%		
14	Purchased Power Expense		<u>\$22,461</u>	
15	Purchased Power related to Excess Water Loss (L13 * L14)		<u><u>\$3,868</u></u>	

References:

Column [A]: Company Schedule C-1
Column [B]: Testimony, BAB; Engineering Staff Report Table 2A, Page 6
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 2 - WATER TESTING

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Water testing expense	\$3,956	\$350	\$4,306

References:

Column [A]: Company Schedule C-1

Column [B]: Testimony, BAB, Staff Engineering Report, Section J

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 3 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	Acct No.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$17,450	(\$17,450)	\$0	0.00%	\$0
2	302	Franchises	500	(500)	0	0.00%	0
3	303	Land and Land Rights	19,842	(19,842)	0	0.00%	0
4	304	Structures and Improvements	70,621	0	70,621	3.33%	2,352
5	307	Wells and Springs	348,390	0	348,390	2.50%	8,710
6	310	Power Generation Equipment	27,400	0	27,400	5.00%	1,370
7	311	Pumping Equipment	128,541	0	128,541	12.50%	16,068
8	320	Water Treatment Equipment	0	0	0		
9	320.1	Water Treatment Plants	0	0	0	3.33%	0
10	320.2	Solution Chemical Feeders	0	0	0	20.00%	0
11	330	Distribution Reservoirs and Standpipes	0	0	0		
12	330.1	Storage Tanks	223,341	0	223,341	2.22%	4,958
13	330.2	Pressure Tanks	0	0	0	5.00%	0
14	331	Transmission and Distribution Mains	799,500	0	799,500	2.00%	15,990
15	333	Services	59,750	0	59,750	3.33%	1,990
16	334	Meters and Meter Installations	130,798	69,595	61,203	8.33%	5,098
17	335	Hydrants	1,230	0	1,230	2.00%	25
18	339	Other Plant and Miscellaneous Equipment	1,880	0	1,880	6.67%	125
19	340	Office Furniture and Equipment	18,094	17,463	631	6.67%	42
20	340.1	Computers and Software	5,686	0	5,686	20.00%	1,137
21	341	Transportation Equipment	11,592	0	11,592	20.00%	2,318
22	343	Tools, Shop, and Garage Equipment	1,274	0	1,274	5.00%	64
23	344	Laboratory Equipment	0	0	0	10.00%	0
24	345	Power Operated Equipment	167	0	167	5.00%	8
25	347	Miscellaneous Equipment	8,464	0	8,464	10.00%	846
26	348	Other Tangible Equipment	1,208	0	1,208	10.00%	121
27		Total Plant	\$1,875,728	\$49,266	\$1,750,878		\$61,222
28							
29							
30		Composite Depreciation Rate (Depr Exp / Depreciable Plant):		3.50%			
31		CIAC:		<u>\$347,002</u>			
32		Amortization of CIAC (Line 33 x Line 34):		<u>\$12,133</u>			
33							
34		Depreciation Expense Before Amortization of CIAC:		<u>\$61,222</u>			
35		Less Amortization of CIAC:		<u>12,133</u>			
36		Test Year Depreciation Expense - Staff:		<u>\$49,089</u>			
37		Depreciation Expense - Company:		<u>45,005</u>			
38		Staff's Total Adjustment:		<u><u>\$4,084</u></u>			

References:

- Column [A]: Schedule BAB-4
- Column [B]: From Column [A]
- Column [C]: Column [A] - Column [B]
- Column [D]: Engineering Staff Report Figure 5
- Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$339,594	\$339,594
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$679,188	\$679,188
4	Staff Recommended Revenue, Per Schedule BAB-1	339,594	364,555
5	Subtotal (Line 4 + Line 5)	\$1,018,782	\$1,043,743
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$339,594	\$347,914
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$679,188	\$695,829
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	\$0	\$0
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$679,188	\$695,829
13	Assessment Ratio	19.50%	19.00%
14	Assessment Value (Line 12 * Line 13)	\$132,442	\$132,207
15	Composite Property Tax Rate	13.80%	13.80%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$18,279	
17	Company Proposed Property Tax	18,279	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$0	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$18,247
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		18,279
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		(32)
22	Increase to Property Tax Expense		(\$32)
23	Increase in Revenue Requirement		\$24,961
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		-0.13%

DELINQUENT PROPERTY TAX SURCHARGE CALCULATION

Delinquent Property Taxes dues as of 4/22/2014: **\$197,433**
Monthly Interest Rate: **1.33%**

Step 1 - Find the current tax bill for the delinquent property taxes

\$197,433 Total Amount of delinquent property taxes
115.96% Annual Interest Rate
\$228,943 Estimated Delinquent Property Tax balance as of 4/22/2015
\$8,100 Hook-Up Fee current balance
\$220,843 Estimated Delinquent Property Tax balance Less Hook-Up Fee monies

Step 2 - Find the Equivalent Bills

Equivalent Bills				
[A]	[B]	[C]	[D]	[E]
Meter Size	NARUC Multiplier	Number of Customers	Repayment in 18 Months	Equivalent Bills [B] x [C] x [D]
5/8" x 3/4" Meter	1	657	18	11,826
3/4" Meter	1.5	0	18	-
1" Meter	2.5	1	18	45
1 1/2" Meter	5	1	18	90
2" Meter	8	2	18	288
3" Meter	15	0	18	-
4" Meter	25	1	18	450
6" Meter	50	0	18	-
		<u>662</u>		<u>12,699</u>

Step 3 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers

\$220,843 Delinquent Property Tax balance less Hook-Up Fee monies
12,699 Divided by: Total Number of Equivalent Bills
\$17.39 Monthly Surcharge for 3/4" Customers

Step 4 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Equivalent Bills			
[A]	[B]	[C]	[D]
Meter Size	NARUC Multiplier	Customers' Surcharge	Surcharge by Meter Size [B] x [C]
5/8" x 3/4" Meter	1	\$17.39	\$17.39
3/4" Meter	1.5	\$17.39	\$26.09
1" Meter	2.5	\$17.39	\$43.48
1 1/2" Meter	5	\$17.39	\$86.95
2" Meter	8	\$17.39	\$139.12
3" Meter	15	\$17.39	\$260.86
4" Meter	25	\$17.39	\$434.76
6" Meter	50	\$17.39	\$869.53

Step 5 - Find the annual revenue generated by the Monthly Surcharge

Equivalent Bills			
[A]	[B]	[C]	[D]
Meter Size	Number of Customers	Surcharge by Meter Size	Annual Revenue [B] x [C] x 12
5/8" x 3/4" Meter	657	\$17.39	\$137,107
3/4" Meter	0	\$26.09	0
1" Meter	2	\$43.48	1,043
1 1/2" Meter	1	\$86.95	1,043
2" Meter	2	\$139.12	3,339
3" Meter	0	\$260.86	0
4" Meter	0	\$434.76	0
6" Meter	0	\$869.53	0
	<u>662</u>		<u>\$142,533</u>

Step 6 - Find the Property Tax Conversion Factor

0.99871

Step 7 - Find the Incremental Income Tax Factor

0.99871 minus 1 = -0.00129

Step 8 - Find the Annual Property Tax Component of Surcharge Revenue

-0.00129 Incremental Income Tax Factor (from Step 7)
\$142,533 Multiplied by: Annual Surcharge Revenue (from Step 5)
(\$184) Annual Income Tax Component of the Annual Surcharge Revenue

FINANCIAL ANALYSIS

Selected Financial Data
Including Immediate Effects of the Proposed Delinquent Property Tax Surcharge

Line No.	[A] Staff Recommended Rates without Surcharge	[B] Adjustments	REF	[C] Staff Recommended Rates with Surcharge	
1	INCOME STATEMENT				
2	Operating Revenue				
3	Metered Water Revenue	\$337,772	\$0	\$337,772	
4	Coin Revenue	\$16,341	0	\$16,341	
5	Service Line and Meter Installation Charges	\$4,450	0	\$4,450	
6	Delinquent Property Tax Surcharge	0	142,533	A	\$142,533
7	Other Water Revenues	5,992	0	\$5,992	
8	Total Operating Rev:	\$364,555	\$142,533	\$507,088	
10	Operating Expenses				
11	Salaries and Wages	\$103,268	\$0	\$103,268	
12	Purchased Water	0	0	0	
13	Purchased Power	18,593	0	18,593	
14	Chemicals	0	0	0	
15	Repairs and Maintenance	15,086	0	15,086	
16	Office Supplies & Expense	29,286	0	29,286	
17	Outside Services	8,030	0	8,030	
18	Water Testing	4,306	0	4,306	
19	Rental Expense	500	0	500	
20	Transportation Expenses	9,336	0	9,336	
21	Insurance - General Liability	10,691	0	10,691	
22	Insurance - Health and Life	0	0	0	
23	Rate Case Expense	7,000	0	7,000	
24	Miscellaneous Expense	3,082	0	3,082	
25	Depreciation Expense	49,089	0	49,089	
26	Taxes Other Than Income	10,565	0	10,565	
27	Property Taxes	18,247	(184)	B	18,063
28	Income Taxes	0	0	0	
29	Customer Security Deposit Interest	324	0	324	
30	Total Operating Expense	\$287,403	(\$184)	\$287,219	
32	Operating Income	\$77,152	\$142,717	\$219,870	
34	Interest Income	\$0	\$0	\$0	
35	Interest Expense on Long-term debt	0	0	0	
36	Total Other Interest Expense	\$0	\$0	\$0	
38	Net Income	\$77,152	\$142,717	\$219,870	
40	Rate Base	\$791,309		\$791,309	
42	Rate of Return (Line 32 / Line 40)	9.75%		27.79%	
44	Operating Margin (Line 32 / Line 8)	21.16%		43.36%	
46	Delinquent Property Tax Repayment	\$0	\$142,533	C	\$142,533
48	Annual Debt Service Amount	\$100,615	\$0	\$100,615	
50	Cash Flow (L38 + L25 - L46 - L48)	\$25,626	\$184	\$25,810	
52	DSC [L25 + L28 + L32] ÷ [L46 + L48]	1.25		1.11	

References:

Column [A]: Schedule BAB-10 & BAB-3, Company Schedule A-1
Column [B]: Schedule, BAB-16; A - Step 1 and Step 5; B - See Step 8; C - See Step 5
Column [C]: Column [A] + Column [B]

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	\$22.25	\$24.00	\$23.00
3/4 Inch	33.38	36.00	34.13
1 Inch	55.63	60.00	56.38
1 1/2 Inch	111.25	120.00	112.00
2 Inch	178.00	192.00	178.75
3 Inch	356.00	384.00	356.75
4 Inch	556.25	600.00	557.00
6 Inch	112.50	1,200.00	1,112.50
8 Inch	1,780.00	1,800.00	1,780.00

Commodity Charge - Per 1,000 Gallons			
All Meter Sizes			
First 4,000 gallons	\$3.05	N/A	N/A
4,001 to 9,000 gallons	4.60	N/A	N/A
Over 9,000 gallons	5.50	N/A	N/A
First 3,000 gallons	N/A	\$3.50	\$3.05
3,001 to 8,000 gallons	N/A	5.00	4.93
Over 8,000 gallons	N/A	6.35	6.60
5/8 x 3/4-Inch Meter			
First 3,000 gallons	N/A	\$3.50	3.05
3,001 to 8,000 gallons	N/A	5.00	4.93
Over 8,000 gallons	N/A	6.35	6.60
3/4-Inch Meter			
First 3,000 gallons	N/A	\$3.50	3.05
3,001 to 8,000 gallons	N/A	5.00	4.93
Over 8,000 gallons	N/A	6.35	6.60
1" Meter (All Classes)			
First 20,000 gallons	N/A	N/A	4.65
Over 20,000 gallons	N/A	N/A	6.27
1 1/2" Meter (All Classes)			
First 50,000 gallons	N/A	N/A	4.65
Over 50,000 gallons	N/A	N/A	6.27
2" Meter (All Classes)			
First 80,000 gallons	N/A	N/A	4.65
Over 80,000 gallons	N/A	N/A	6.27
3" Meter (All Classes)			
First 150,000 gallons	N/A	N/A	4.65
Over 150,000 gallons	N/A	N/A	6.27
4" Meter (All Classes)			
First 300,000 gallons	N/A	N/A	4.65
Over 300,000 gallons	N/A	N/A	6.27
6" Meter (All Classes)			
First 500,000 gallons	N/A	N/A	4.65
Over 500,000 gallons	N/A	N/A	6.27
8" Meter (All Classes)			
First 600,000 gallons	N/A	N/A	4.65
Over 600,000 gallons	N/A	N/A	6.27
Standpipe Commodity Rates			
Bulk Sales (per 1,000 gallons)	\$5.50	\$6.35	\$6.05
Vending Rate per 40 gallons	0.25	0.25	0.25

RATE DESIGN Cont.

Other Service Charges			
Establishment	\$25.00	\$30.00	\$30.00
Establishment (After Hours)	40.00	N/A	Remove from Tariff
Reconnection (Delinquent)	40.00	40.00	30.00
Reconnection (After Hours)	40.00	N/A	Remove from Tariff
Meter Test (If Correct)	40.00	40.00	20.00
NSF Check	25.00	25.00	25.00
Meter Reread (If Correct)	15.00	15.00	15.00
Deposit	*	*	*
Deposit Interest (Per Month)	**	**	**
Deferred Payment (Per Month)	***	***	***
Late Charge (Per Month)	***	***	***
Re-establishment (Within 12 Months)	****	****	****
Main Extension	Cost	N/A	N/A
After Hour Service Charge (at customers request)	N/A	50.00	50.00
Monthly Service Charge for Fire Sprinkler			
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

***** 2% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$11.00 per month. The Service Charge for Fire Sprinklers is only applicable to service lines separate and distinct from the primary water service

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per commission rule A.A.C. 14-2-409D(5).

Service and Meter Installation Charges

Description	Present Rate			Proposed Rate	Staff Recommended
	Service Line	Meter Charge	Total Charge		
5/8 x 3/4 Inch	\$445	\$155	\$600	No change	No change
3/4 Inch	445	255	700	No change	No change
1 Inch	495	315	810	No change	No change
1 1/2 Inch	550	525	1,075	No change	No change
2 Inch Turbine	830	1,045	1,875	No change	No change
2 Inch Compound	830	1,890	2,720	No change	No change
3 Inch Turbine	1,045	1,670	2,715	No change	No change
3 Inch Compound	1,165	2,545	3,710	No change	No change
4 Inch Turbine	1,490	2,670	4,160	No change	No change
4 Inch Compound	1,670	3,645	5,315	No change	No change
6 Inch Turbine	2,210	5,025	7,235	No change	No change
6 Inch Compound	2,330	6,920	9,250	No change	No change
8 Inch Turbine	3,000	7,500	10,500	No change	No change
8 Inch Compound	3,200	8,000	11,200	No change	No change

Typical Bill Analysis Without the Delinquent Property Tax Surcharge

General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	3,657	\$33.40	\$38.79	\$5.39	16.14%
Median Usage	2,364	29.46	33.27	3.81	12.95%
Staff Recommended					
Average Usage	3,657	\$33.40	\$35.39	\$1.99	5.94%
Median Usage	2,364	29.46	30.21	0.75	2.55%

Present & Proposed Rates (Without Taxes)

General Service 5/8 x 3/4-Inch Meter

Gallons	Company		Staff	
	Present	Proposed %	Recommended	%
Minimum Charge	\$22.25	\$25.00	Minimum Charge	\$23.00
1st Tier Rate	\$3.05	\$3.50	1st Tier Rate	\$3.05
1st Tier Breakover	4,000	3,000	1st Tier Breakover	3,000
2nd Tier Rate	\$4.60	\$5.00	2nd Tier Rate	\$4.93
2nd Tier Breakover	9,000	8,000	2nd Tier Breakover	8,000
3rd Tier Rate	\$5.50	\$6.35	3rd Tier Rate	\$6.60

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$22.25	\$25.00	12.36%	\$23.00	3.37%
1,000	25.30	28.50	12.65%	26.05	2.96%
2,000	28.35	32.00	12.87%	29.10	2.65%
3,000	31.40	35.50	13.06%	32.15	2.39%
4,000	34.45	40.50	17.56%	37.08	7.63%
5,000	39.05	45.50	16.52%	42.01	7.58%
6,000	43.65	50.50	15.69%	46.94	7.54%
7,000	48.25	55.50	15.03%	51.87	7.50%
8,000	52.85	60.50	14.47%	56.80	7.47%
9,000	57.45	66.85	16.36%	63.40	10.36%
10,000	62.95	73.20	16.28%	70.00	11.20%
11,000	68.45	79.55	16.22%	76.60	11.91%
12,000	73.95	85.90	16.16%	83.20	12.51%
13,000	79.45	92.25	16.11%	89.80	13.03%
14,000	84.95	98.60	16.07%	96.40	13.48%
15,000	90.45	104.95	16.03%	103.00	13.88%
16,000	95.95	111.30	16.00%	109.60	14.23%
17,000	101.45	117.65	15.97%	116.20	14.54%
18,000	106.95	124.00	15.94%	122.80	14.82%
19,000	112.45	130.35	15.92%	129.40	15.07%
20,000	117.95	136.70	15.90%	136.00	15.30%
25,000	145.45	168.45	15.81%	169.00	16.19%
30,000	172.95	200.20	15.76%	202.00	16.80%
35,000	200.45	231.95	15.71%	235.00	17.24%
40,000	227.95	263.70	15.68%	268.00	17.57%
45,000	255.45	295.45	15.66%	301.00	17.83%
50,000	282.95	327.20	15.64%	334.00	18.04%
75,000	420.45	485.95	15.58%	499.00	18.68%
100,000	557.95	644.70	15.55%	664.00	19.01%

Typical Bill Analysis Including the Delinquent Property Tax Surcharge
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	3,657	\$33.40	\$38.79	\$5.39	16.14%
Median Usage	2,364	29.46	33.27	3.81	12.95%
Staff Recommended					
Average Usage	3,657	\$33.40	\$52.78	\$19.38	58.00%
Median Usage	2,364	29.46	47.60	18.14	61.58%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Company			Staff	
	Present	Proposed	%	Recommended	%
Minimum Charge	\$22.25	\$25.00		\$23.00	
1st Tier Rate	\$3.05	\$3.50		\$3.05	
1st Tier Breakover	4,000	3,000		3,000	
2nd Tier Rate	\$4.60	\$5.00		\$4.93	
2nd Tier Breakover	9,000	8,000		8,000	
3rd Tier Rate	\$5.50	\$6.35		\$6.60	
				Delinquent Property Tax Surcharge	\$17.39

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$22.25	\$25.00	12.36%	\$40.39	81.53%
1,000	25.30	28.50	12.65%	\$43.44	71.70%
2,000	28.35	32.00	12.87%	\$46.49	63.99%
3,000	31.40	35.50	13.06%	\$49.54	57.77%
4,000	34.45	40.50	17.56%	\$54.47	58.11%
5,000	39.05	45.50	16.52%	\$59.40	52.11%
6,000	43.65	50.50	15.69%	\$64.33	47.38%
7,000	48.25	55.50	15.03%	\$69.26	43.55%
8,000	52.85	60.50	14.47%	\$74.19	40.38%
9,000	57.45	66.85	16.36%	\$80.79	40.63%
10,000	62.95	73.20	16.28%	\$87.39	38.83%
11,000	68.45	79.55	16.22%	\$93.99	37.31%
12,000	73.95	85.90	16.16%	\$100.59	36.03%
13,000	79.45	92.25	16.11%	\$107.19	34.92%
14,000	84.95	98.60	16.07%	\$113.79	33.95%
15,000	90.45	104.95	16.03%	\$120.39	33.10%
16,000	95.95	111.30	16.00%	\$126.99	32.35%
17,000	101.45	117.65	15.97%	\$133.59	31.68%
18,000	106.95	124.00	15.94%	\$140.19	31.08%
19,000	112.45	130.35	15.92%	\$146.79	30.54%
20,000	117.95	136.70	15.90%	\$153.39	30.05%
25,000	145.45	168.45	15.81%	\$186.39	28.15%
30,000	172.95	200.20	15.76%	\$219.39	26.85%
35,000	200.45	231.95	15.71%	\$252.39	25.91%
40,000	227.95	263.70	15.68%	\$285.39	25.20%
45,000	255.45	295.45	15.66%	\$318.39	24.64%
50,000	282.95	327.20	15.64%	\$351.39	24.19%
75,000	420.45	485.95	15.58%	\$516.39	22.82%
100,000	557.95	644.70	15.55%	\$681.39	22.12%

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

IN THE MATTER OF THE APPLICATION)
OF MT. TIPTON WATER COMPANY,)
INC. FOR A PERMANENT INCREASE IN)
ITS WATER RATES AND CHARGES)
_____)

DOCKET NO. W-02105A-13-0415

SURREBUTTAL

TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 13, 2014

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix,
4 Arizona 85007.

5
6 **Q. Are you the same Dorothy Hains who has previously filed testimony in this Mt. Tipton
7 Water Company (“Mt. Tipton” or “Company”) rate proceeding?**

8 A. Yes.

9
10 **Q. What is the purpose of your Surrebuttal Testimony?**

11 A. In my Surrebuttal Testimony I will respond to Ms. Michelle Monzillo’s Rebuttal Testimony
12 regarding Staff’s recommendation that Mt. Tipton monitor and report its non-potable water
13 loss.

14
15 **II. NON-POTABLE WATER MONITORING AND REPORTING**

16 **Q. What did you recommend in your Direct Testimony regarding this issue?**

17 A. Staff recommended that the Company begin its non-potable water usage monitoring and
18 reporting program immediately. Staff further recommended that the Company be required to
19 file water loss progress reports each January and July with Docket Control, as a compliance
20 item in this docket. Staff further recommended that the first water loss progress report be
21 filed in January, 2015.

22
23 **Q. Did the Commission address this issue in a prior case?**

24 A. In Commission Decision No. 72001 (dated on December 10, 2010) the Company was ordered
25 to monitor and report water use data for its non-potable water system. At the time the local

1 Fire District was using Mt. Tipton's non-potable water system as its source for non-domestic
2 water needs such as fire-fighting.

3
4 **Q. Has Staff's position changed on the need for the Company to monitor and report water**
5 **use data for its non-potable water system?**

6 **A.** Yes. Staff understands that since Decision No. 72001 was issued the Fire District has
7 transitioned all or most of its non-domestic water use to the Company's potable water system.
8 Staff believes that because the water produced by the non-potable water system is limited, the
9 water source for this system should remain free flowing and unrestricted. Therefore, Staff
10 withdraws its recommendation that the Company be required to monitor and report water use
11 data for its non-potable water system. Staff further recommends terminating the non-potable
12 water monitoring and reporting requirement in Decision No. 72001.

13
14 **III. CORRECTION A TYPOGRAPHICAL ERROR CONTAINED IN ENGINEERING**
15 **REPORT**

16 **Q. Please explain the error.**

17 **A.** Staff mistakenly stated that "the Company is located approximately 35 miles northeast of the
18 City of Kingman" in the Engineering Report. This statement should read "the Company is
19 located approximately 35 miles northwest of the City of Kingman".

20
21 **Q. Does this conclude your Surrebuttal Testimony?**

22 **A.** Yes, it does.