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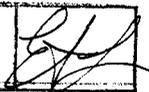
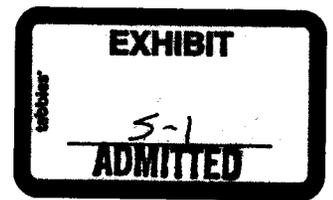
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Exhibit #: S1-S5, A1-A5



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

DIRECT
TESTIMONY
OF
DOROTHY HAINS, P. E.
UTILITIES ENGINEER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

MAY 21, 2014

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1 **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. By whom and in what position are you employed?**

7 A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a
8 Utilities Engineer - Water/Wastewater in the Utilities Division.

9
10 **Q. How long have you been employed by the Commission?**

11 A. I have been employed by the Commission since January 1998.

12
13 **Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

14 A. My main responsibilities are to inspect, investigate and evaluate water and wastewater
15 systems. This includes obtaining data, preparing reconstruction cost new and/or original cost
16 studies, investigative reports, interpreting rules and regulations, and to suggest corrective
17 action and provide technical recommendations on water and wastewater system deficiencies.
18 I also provide written and oral testimony in rate cases and other cases before the
19 Commission.

20
21 **Q. How many companies have you analyzed for the Utilities Division?**

22 A. I have analyzed more than 90 companies fulfilling these various responsibilities for
23 Commission Utilities Division Staff ("Staff").

24
25 **Q. Have you previously testified before this Commission?**

26 A. Yes, I have testified on numerous occasions before this Commission.

1 **Q. What is your educational background?**

2 A. I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of
3 Science degree in Civil Engineering.

4
5 **Q. Briefly describe your pertinent work experience.**

6 A. Before my employment with the Commission, I was an Environmental Engineer for the
7 Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time, I
8 was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for
9 approximately five years.

10

11 **Q. Please state your professional membership, registrations, and licenses.**

12 A. I have been a registered Civil Engineer in Arizona since 1990. I am a member of the
13 American Society of Civil Engineering, American Water Works Association and Arizona
14 Water Association.

15

16 **PURPOSE OF TESTIMONY**

17 **Q. What was your assignment in this rate proceeding?**

18 A. My assignment was to provide Staff's engineering evaluations for the subject Mt. Tipton
19 Water Company, Inc. ("Mt. Tipton") rate proceeding.

20

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. To present the findings of Staff's engineering evaluation of the operations for Mt. Tipton.
23 The findings are contained in the Engineering Report that I have prepared for this
24 proceeding. The report is included as Exhibit DMH-1 to this pre-filed testimony.

25

1 **ENGINEERING REPORT**

2 **Q. Would you briefly describe what was involved in preparing your Engineering Report**
3 **for this rate proceeding?**

4 A. After reviewing the application for Mt. Tipton, I physically inspected the water system to
5 evaluate the operation and determine if any plant items were not used and useful. I contacted
6 ADEQ to determine if the water system was in compliance with the Safe Drinking Water Act
7 water quality requirements. I also contacted the Arizona Department of Water Resources
8 ("ADWR") to determine if the water system was in compliance with ADWR's requirements
9 governing water providers and/or community water systems. After I obtained information
10 from Mt. Tipton regarding plant improvements, permits, chemical testing expenses and water
11 usage data, I analyzed that information. Based on all the above, I prepared the attached
12 Engineering Report for Mt. Tipton.

13
14 **Q. Please describe the information contained in your Engineering Report for Mt. Tipton.**

15 A. The Report is divided into three general sections: 1) *Executive Summary*, 2) *Engineering Report*
16 *Discussion*, and 3) *Engineering Report Exhibits*. *The Engineering Report Discussion* is further divided
17 into eleven subsections: A) Purpose of Report; B) Location of the Company; C) Description
18 of System; D) Water Usage; E) Non-Account Water; F) Growth Projection; G) ADEQ
19 Compliance; H) ADWR Compliance; I) ACC compliance; J) Water Testing Expenses; K)
20 Depreciation Rates; and L) Other Issues. These subsections provide information about the
21 water systems serving Mt. Tipton.

22

1 **RECOMMENDATIONS AND CONCLUSIONS**

2 **Q. What are Staff's conclusions and recommendations regarding the operations of Mt.**
3 **Tipton?**

4 **A. Staff's conclusions and recommendations regarding the Mt. Tipton's operations are listed**
5 **below.**

6
7 **Conclusions:**

- 8 I. A check of the Commission's Compliance Section database dated December 19,
9 2013, indicates there is no delinquent compliance item for Mt. Tipton.
- 10
11 II. Staff received a compliance status report from ADEQ dated December 20, 2013, in
12 which ADEQ stated that Mt. Tipton's System (PWS No. 08-059) has no major
13 deficiencies and is delivering water that meets water quality standards required by 40
14 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative
15 Code, Title 18, Chapter 4.
- 16
17 III. Mt. Tipton is not located in any ADWR Active Management Area. According to an
18 ADWR compliance status report dated December 13, 2013, the Company is currently
19 compliant with ADWR requirements governing water providers and/or community water
20 systems.
- 21
22 IV. Mt. Tipton has approved Cross Connection and Curtailment tariffs on file with the
23 Commission.
- 24
25 V. The Mt. Tipton water system has adequate production and storage capacity to
26 support the existing customer base and reasonable growth.

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VI. Staff concludes that the Detrital Well (Well No. 4), Spring Well (Well No. 9), Church Well (LDS Well or Well No. 3) and Office Well (DWR No. 55-606511) are no longer in service. During its field inspection, Staff observed that these wells have been capped or are otherwise not used and useful to the Company's provision of service.

VII. An existing 125 KVA on-site generator located at the Detrital Well has been relocated to the Office Well site after the lease from the US Bureau of Land Management ("US BLM") expired. Due to a lack of funding, Mt. Tipton has not connected the generator to the Office Well's electrical control panel. Mt. Tipton estimates that the reconnection of the generator will cost approximately \$3,736. Staff believes Mt. Tipton's cost estimate of \$3,736 is reasonable.

VIII. Staff concludes that the estimated original costs were \$29,012 for the Church Well (DWR No. 55-520733) and \$15,358 for the Spring Well (DWR No. 55-601849).

Recommendations:

- I. Staff recommends estimated annual water testing costs of \$4,306 for Mt. Tipton.
- II. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 5 in Report DMH-1.
- III. Staff recommends continued use of Mt. Tipton's currently authorized meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 4 in Report DMH-1.

1 IV. The calculated water loss during the test year in Mt. Tipton's potable water system
2 was 27 percent which exceeds Staff's recommended 10 percent threshold. Staff
3 recommends that Mt. Tipton prepare a report containing a detailed analysis and plan
4 to reduce water loss to 10 percent or less for its potable water system before Mt.
5 Tipton files its next rate case. If Mt. Tipton believes that it is not cost effective to
6 reduce the water loss to less than 10 percent, Staff recommends that Mt. Tipton
7 submit a detailed cost benefit analysis to support its opinion. In no case should Mt.
8 Tipton allow the water loss to be greater than 15 percent.

9
10 V. Staff recommends that Mt. Tipton begin its non-potable water usage monitoring and
11 reporting program immediately. Staff further recommends that Mt. Tipton be
12 required to file water loss progress reports each January and July with Docket
13 Control, as a compliance item in this docket. The progress reports should cover the
14 previous six months. Staff further recommends that the first water loss progress
15 report be filed in January, 2015.

16
17 VI. Staff recommends that Mt. Tipton file with Docket Control, as a compliance item in
18 this docket within 90 days of the effective date of a decision in this proceeding, at
19 least five BMPs in the form of tariffs that substantially conform to the templates
20 created by Staff for the Commission's review and consideration. Staff further
21 recommends that Mt. Tipton use the templates created by Staff that are available on
22 the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. A
23 maximum of two BMPs may come from the "Public Awareness/Public Relations" or
24 "Education and Training" categories. The Company may request cost recovery of the
25 actual costs associated with the BMPs implemented in its next general rate
26 application.

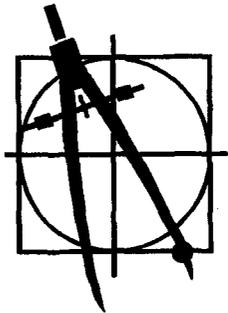
1 VII. The Company installed a 5/8" x 3/4" new bulk meter at its coin operated standpipe
2 station. Staff believes that 5/8" x 3/4" meter is undersized. The Company agrees
3 with Staff and plans to replace this meter. Staff recommends that the Company
4 upgrade this meter to a 2" meter within 90 days of the effective date of the order in
5 this matter.
6

7 VIII. The Company claimed \$53,075 in capital improvements for Chemical Solution
8 Feeders (NARUC Account No. 320.2). However, there is no disinfection injector
9 units or any other chemical injection devices installed in the system. In addition the
10 Company could not identify any other plant items that could account for this
11 investment. Staff recommends \$53,075 be removed from NARUC Account No.
12 320.2.
13

14 IX. For accounting purposes, expense for purchasing the generator should be reclassified
15 from NARUC account No. 307 (for wells and springs) to NARUC account No. 310
16 (for power generation equipment). Staff recommends that \$27,400 be moved to
17 NARUC account No. 310 (for power generation equipment).
18

19 **Q. Does this conclude your Direct Testimony?**

20 **A. Yes, it does.**



Engineering Report
Mt. Tipton Water Company, Inc.
Prepared By
Dorothy Hains, P. E.
Docket No. W-02105A-13-041
(Rates)

May 21, 2014

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**ENGINEERING REPORT
MT. TIPTON WATER COMPANY, INC.
DOCKET NO. W-02105A-13-0415 (RATES)**

A. PURPOSE OF REPORT

This report was prepared in response to the application filed by Mount Tipton Water Company, Inc. ("Mt. Tipton" or "Company") with the Arizona Corporation Commission ("ACC" or "the Commission") to increase its water rates. The ACC Utilities Division Staff ("Staff") engineering review and analysis of the subject application is presented in this report.

An inspection of the Company's water systems was conducted by Dorothy Hains, Staff Engineer, accompanied by Company Representatives, Tim Clark (Field Supervisor) and Don Bertoch (President) on February 11 and 12, 2013.

B. LOCATION OF THE COMPANY

The Company is located approximately 35 miles northeast of the City of Kingman in Mohave County. Figure 1 describes the Certificate of Convenience and Necessity ("CC&N") area of Mt. Tipton, and Figure 2 describes the location of Mt. Tipton. The Company serves an area approximately ten and one-half square miles in size that includes whole or portions of Sections 1, 2, 3, 9, 10, 11, 17, 15, 16, 19 and 20 of Township 25 North, Range 19 West, portions of Sections 35 and 36 of Township 26 North, Range 19 West and Sections 19 and 31 of Township 26 North, Range 18 West.

C. DESCRIPTION OF SYSTEM

I. System Description

A. Potable Water System

The Company owns and operates a potable water system ("water system") in which Public Water System ("PWS") Identification No. 08-059 was assigned by the Arizona Department of Environmental Quality ("ADEQ"). The water system consists of five active drinking water wells capable of producing a total flow of 277 gallons per minute ("GPM"); 531,000 gallons of storage capacity; several booster systems and a distribution system serving 663 metered connections.

Exhibits 3A and 3B are schematic drawings of the potable water system. A detailed listing of plant items for the Company's water system follows:

Table 1A Plant Data in Mt. Tipton (PWS No. 08-059)
Active Wells (PWS No. 08-059)

ADWR No.	Well #	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-911950 (Office Well)	1	2010	8	806	3	40	140	15966 Ironwood Dr
55-508835 (Iron Well)	2	1984	8	700	3	15	35	Near 15917 Iron St
55-510178 (Chambers Well)	5	1985	8	900	3	15	36	Near 14385 Canyon St
55-601847 (Tank Well)	7	1978	6	500	2	15	45	Near 16078 Tom White Dr.
55-601848 (Horizontal Well)	8	1972	2	147	3	none	21	Near Mt. Tipton High School

Active Storage, Pumping (PWS No. 08-059)

Location	Structure or equipment	Capacity
Tank #3 Site (Mid-elevation Tank) On Ironwood Dr.	Storage Tank	One 55,000 gal One 80,000 gal
Tank #3 Site (Mid-elevation Tank) On Ironwood Dr.	Booster pump station	Two 5-HP pumps
Tank #1 Site (High-elevation Tank) on Ironwood Dr,	Storage Tank	One 200,000 gal One 50,000 gal
Well #5 (Chambers Well) Near 14385 Canyon St	Storage Tank	One 10,000 gal
Well #5 (Chambers Well) Near 14385 Canyon St	Pressure Tank	One 1,000 gal
Well #5 (Chambers Well) Near 14385 Canyon St	Booster pump station	One 5-HP
Well #7 (Tank Well) Near 16078 Tom White Dr.	Storage Tank	Two 10,000 gal One 8,500 gal
Well #7 (Tank Well) Near 16078 Tom White Dr.	Booster pump station	One 7.5-HP One 10-HP
Tank #4 (Dolan Springs Tank) on Ironwood Dr	Storage Tank	One 25,000 gal One 50,000 gal

Distribution Mains (PWS No. 08-059)

Diameter (inches)	Material	Length (feet)
2	various	70,093
3	various	1,975
4	various	31,484
6	various	80,157
8	various	12,255

Meters (PWS No. 08-059)

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	654
$\frac{3}{4}$	N/A
1	2
1½	1
2	2
3 (comp)	N/A
3 (Turbo)	N/A
4 (comp)	1
4 (Turbo)	N/A
6 (comp)	N/A
6 (Turbo)	N/A
Bulk Non-potable	3

Inactive Drinking Water Well (PWS No. 08-059)

ADWR No.	Well #	Year Drilled	Year capped/ terminate leasing	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Locations
55-520733 (Church Well or LDS Well)	3	1988	2012 (capped)	8	540	3	5	10	Perry Ferry Rd near LDS Church
55-502441 (Detrital Well)	4	1982	Terminate lease	8	640	3	50	240	HWY 93
55-601849 (Spring Well)	9	n/a	capped	n/a	n/a	2	3	0.8	Near Mt. Tipton High School

Notes: 1. The Company leased the well site from the State Land. The lease expired in August 2012; due to well casing collapsed, the Company decided not to renew the lease.

2. The Company leased the Detrital Well site from the U. S. Bureau of Land Management ("BLM"). By January 2012, the lease expired; the Company does not want to renew this lease. BLM terminated the lease and the well is used by a local ranger.

3. In April 2010, lightning destroyed the well. Due to low yield prior to April 2010, the Company decided to cap the well, and disconnected the well from the system.

B. Non-potable Water System

The Company owns and operates a non-potable water system that ADEQ does not regulate. The system consists of two artesian wells that can produce approximately 12 GPM water, three storage tanks¹ and a 3-inch standpipe system serving its non-potable water users. To avoid damaging its non-potable water storage tank structures, the Company operates its 70,000 gallon non-potable water storage tank half full. Excess water discharges into an unnamed wash.

Exhibit 3C is the schematic drawing of the non-potable water system.² A detailed listing of plant items for the Company's non-potable system follows:

¹ Tanks sizes are unknown.

² The non-potable water system is not regulated by ADEQ.

Table 1B Non-potable Water Plant Items

Active Non-potable Water Source

ADWR No.	Well #	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
N/A	1 (artesian well)	2005	8	n/a	2	none	n/a	Near Mt. Tipton High School
N/A	2 (artesian well)	2005	8	n/a	2	none	n/a	Near Mt. Tipton High School

Active Non-potable Water Storage, Pumping

Location	Structure or equipment	Capacity
Near Mt Tipton High School & Well #9 & artesian wells No. 1 & No. 2	Two horizontal storage tanks	unknown
Near Mt Tipton High School & Well #9 & artesian wells No. 1 & No. 2	One vertical storage tank	Approximately 70,000 gallon only half in use

II. System Analysis

A. Potable Water System (PWS No. 08-059)

The water system has a source capacity of 227 GPM and storage capacity of 531,000 gallons which is adequate to serve the present customer base and reasonable growth.

B. Non-potable Water System

The system has adequate production to serve its non-potable water users.

D. WATER USAGE

A. Potable Water System (PWS No. 08-059)

Table 2A summarizes water usage in the Company's service area. Exhibit 4A is a graph that shows the Company's potable water consumption data in gallons per day ("GPD") per connection during the test year.

Table 2A Test Year Water Usage (PWS No. 08-059)

Month	Number of Customers	Water Sold (gallons)	Water pumped (gallons)	Water purchased (gallons)	Daily Average (gpd/customer)
Jul 12	672	3,975,000	4,929,000	0	191
Aug 12	674	3,232,000	4,339,000	0	155
Sep 12	673	2,803,000	4,312,000	0	139
Oct 12	673	2,673,000	3,669,000	0	128
Nov 12	672	2,864,000	3,306,000	0	142
Dec 12	662	1,828,000	3,267,000	0	89
Jan 13	664	3,586,000	4,546,000	0	176
Feb 13	659	1,669,000	2,967,000	0	90
Mar 13	662	2,363,000	3,462,000	0	115
Apr 13	653	2,603,000	3,767,000	0	133
May 13	664	3,385,000	4,183,000	0	164
Jun 13	663	3,785,000	5,021,000	0	190
total		34,766,000	47,768,000	0	
Average					143

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 143 GPD per customer, a high use of 191 GPD per customer, and a low use of 89 GPD per customer. The highest total monthly use occurred in July when a total of 3,975,000 gallons were sold to 672 customers. The lowest total monthly use occurred in December when 1,828,000 gallons were sold to 662 customers.

B. Non-potable Water System

Table 2B summarizes non-potable water usage in the Company's service area. Exhibit 4B is a graph that shows non-potable water consumption data in GPD per connection for the Company during the test year.

Table 2B 2012-2013 Non-potable Water Usage

Month	Number of Customers	Water Sold (gallons)	Water pumped (gallons)	Daily Average (gpd/customer)
Jul 12	1	176,000	704,000	5,677
Aug 12	2	98,000	718,000	1,581
Sep 12	1	259,000	641,000	8,633
Oct 12	2	200,000	686,000	3,226
Nov 12	3	389,000	692,000	4,322
Dec 12	2	16,000	744,000	258
Jan 13	2	236,000	811,000	3,806
Feb 13	N/A	N/A	729,000	N/A
Mar 13	1	158,000	903,000	5,097
Apr 13	1	2,000	772,000	67
May 13	2	221,000	813,000	3,565
Jun 13	2	141,000	755,000	2,350
total		1,896,000	8,968,000	

E. NON-ACCOUNT POTABLE WATER

A. Potable Water System (PWS No. 08-059)

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and water produced by the source. A water balance allows a water company to identify water and revenue losses due to leakage, theft, and flushing, etc.

The calculated water loss during the test year was 27 percent which exceeds Staff's recommended 10 percent threshold. In Decision No. 72001, the Commission ordered the Company to monitor and report water loss quarterly as a compliance filing. Although the Company acknowledged that it had experienced high water loss and made some corrections, the water loss still exceeded Staff's recommended 10 percent threshold during the test year.

Staff recommends that the Company prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less before the Company files its next rate case. If the Company believes it is not cost effective to reduce water loss to less than 10 percent, Staff further recommends that the Company submit a detailed cost benefit analysis to support its opinion. In no case should the Company allow water loss to be greater than 15 percent.

B. Non-potable Water System

The calculated water loss in the non-potable water system during the test year was 79 percent. Staff recommends that the Company begin its non-potable water usage monitoring and reporting program immediately. Staff further recommends that the Company be required to file water loss progress reports each January and July with Docket Control, as a compliance item in this

docket. The progress reports should cover the previous six months. Staff further recommends that the first water loss progress report be filed in January, 2015.

F. GROWTH PROJECTION

For the past five years, this Company has experienced a decline in growth rate. Prior to the economic downturn the Company had a flat growth rate. Future growth is hard to predict since it will depend on what happens with the economy, but it is expected to be minimal.

G. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Staff received a compliance status report from ADEQ dated December 20, 2013, in which ADEQ stated that the Company's water system (PWS No. 08-059) has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

H. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company is not located in any ADWR Active Management Area. According to an ADWR compliance status report dated December 13, 2013, the Company is currently compliant with ADWR requirements governing water providers and/or community water systems.

I. ACC COMPLIANCE

A check of the Commission's Compliance Section database dated December 19, 2013, indicates there is no delinquent compliance item for Mt. Tipton.

J. WATER TESTING EXPENSES

The Company reported its water testing expense at \$3,956 for the test year. Staff has reviewed the Company's reported expense amount and has recalculated these expenses. Staff recommends that Staff's water testing expense of \$4,306 be used for this proceeding.

Mt. Tipton is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria, and disinfection by-products.
2. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents are found, then the testing costs would dramatically increase. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented on an annualized basis.
3. MAP fees were calculated from the ADEQ MAP invoice for calendar year 2013.

Table 3 shows Staff's estimated annual monitoring expense, based on participation in the MAP program.

Table 3 Water Testing Cost (Mt. Tipton PWS #08-059)

Monitoring – 5 wells & 5 POED	Cost per test	No. of annual tests	Annual Cost
Bacteriological – monthly	\$20	60	\$1,200
Inorganics – Priority Pollutants	\$300	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP
Phase II and V:			
IOC's, SOC's, VOC's	\$2,805	MAP	MAP
Nitrites	\$20	MAP	MAP
Nitrates – annual	\$40	MAP	MAP
Asbestos – per 9 years	\$180	MAP	MAP
Lead & Copper – annual*	\$45	10/3	\$150
TTHM/HHAs – per 3 years	\$385	0	\$0
Maximum chlorine residual levels	\$20	0	\$0
Toluene ¹	\$100	1	\$100
Nitrate/nitrite ²	\$25	2	\$50
Courier Service	\$20	12	\$240
MAP fees (annual)			\$2565.57
Total			\$4,305.57

Notes: 1. Due to a paint spill at the Chambers Well site, Mt Tipton tests for toluene in the water produced by the Chambers Well annually.

2. Due to high nitrate test results, the Company takes additional samples for nitrate from the Iron Well and Kevin Well.

Staff's total recommended annual water testing cost for Mt. Tipton is \$4,306.

K. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Figure 5 and should be used to calculate the annual depreciation expense for the Company. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 5.

L. OTHER ISSUES

I. Service Line and Meter Installation Charges

The Company did not request any changes to its existing Service Line and Meter Installation Charges. Staff recommends continued use of the Company's currently authorized meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 4.

Table 4 Service Line and Meter Installation Charges

Meter Size	Current Service Line Charges (Decision #72001)	Current Meter & Charges (Decision #72001)	Current Total Meter & Service Line Installation Charges (Decision #72001)	Staff Recommendation (Service Line installation charge)	Staff Recommendation (Meter charges)	Staff Recommended total charges
5/8 x 3/4-inch	\$445	\$155	\$600	\$445	\$155	\$600
3/4-inch	\$445	\$255	\$700	\$445	\$255	\$700
1-inch	\$495	\$315	\$810	\$495	\$315	\$810
1½-inch	\$550	\$525	\$1,075	\$550	\$525	\$1,075
2-inch (Turbine)	\$830	\$1,045	\$1,875	\$830	\$1,045	\$1,875
2-inch (Compound)	\$830	\$1,890	\$2,720	\$830	\$1,890	\$2,720
3-inch (Turbine)	\$1,045	\$1,670	\$2,715	\$1,045	\$1,670	\$2,715
3-inch (Compound)	\$1,165	\$2,545	\$3,710	\$1,165	\$2,545	\$3,710
4-inch (Turbine)	\$1,490	\$2,670	\$4,160	\$1,490	\$2,670	\$4,160
4-inch (Compound)	\$1,670	\$3,645	\$5,315	\$1,670	\$3,645	\$5,315
6-inch (Turbine)	\$2,210	\$5,025	\$7,235	\$2,210	\$5,025	\$7,235
6-inch (Compound)	\$2,330	\$6,920	\$9,250	\$2,330	\$6,920	\$9,250
8-inch (Turbine)	\$3,000	\$7,500	\$10,500	\$3,000	\$7,500	\$10,500
8-inch (Compound)	\$3,200	\$8,000	\$11,200	\$3,200	\$8,000	\$11,200

II. New Plant Items

The Company installed a new 5/8" x 3/4" bulk meter at its coin operated standpipe station. Staff believes that 5/8" x 3/4" meter is undersized. The Company agrees with Staff and plans to

replace this meter. Staff recommends that the Company upgrade this meter to 2" meter within 90 days of the effective date of the order in this matter.

III. Not Used and Useful Plant Items

A. Wells

The Detrital Well (Well No. 4), Spring Well (Well No. 9), Church Well (LDS Well or Well No. 3) and Office Well (DWR No. 55-606511) are no longer in service. During its field inspection, Staff observed that these wells have been capped or are otherwise not used and useful to the Company's provision of service.

B. Generator

An existing 125 KVA on-site generator located at the Detrital Well has been relocated to the Office Well³ site after the lease from the US BLM expired. Due to a lack of funding, the Company has not connected the generator to the Office Well's electrical control panel. The Company estimates that reconnection of the generator will cost approximately \$3,761⁴. Staff believes the Company's cost estimate of \$3,761 is reasonable.

C. Solution Chemical Feeders

The Company claimed \$53,075 in capital improvements for Chemical Solution Feeders (NARUC Account No. 320.2). However, there is no disinfection injector units or any other chemical injection devices installed in the system. In addition the Company could not identify any other plant items that could account for this investment. Staff recommends that \$53,075 be removed from NARUC Account No. 320.2.

IV. Curtailment Tariff

The Company has an approved Curtailment Tariff on file with the Commission.

V. Cross Connection or Backflow Prevention Tariff

The Company has an approved Cross Connection & Backflow Tariff on file with the Commission.

VI. Best Management Practices ("BMPs") Tariff

Staff recommends that Mt. Tipton file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, at least five BMPs in the

³ The new office well is now the Company's primary production well.

⁴ \$3,761 includes (1) \$396 for concrete pad installation, (2) \$882 for power transfer switch, (3) \$506 for 140 feet of AWG 3 wire, (4) \$42 for 40 feet of 2" PVC conduit, (5) \$16 for two 2-inch sweeps, (6) \$44 for four 2-inch pull boxes, (7) \$450 for moving generator, (8) \$300 for connectors, couplings, (9) \$600 for 5 days labor and (10) \$500 for one weatherproof box to house switch.

form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. Staff further recommends that the templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

A maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

VII. Staff's Estimated Original Costs of Not Used and Useful Plant Items

The Detrital Well (Well No. 4), the Spring Well (Well No. 9), the Church Well (LDS Well or Well No. 3) and the Office Well (DWR No. 55-606511) are no longer in service. However, the Company provided original costs for the Detrital Well and the Office Well, the estimated original costs⁵ with the NARUC accounts are listed in Table 5 below:

Table 5. Mt. Tipton Water Not Used and Useful Plant Items

	Drilling/installation (Account # 307) (\$)	Pumping House (account # 304) (\$)	Chain-link Fence (account #304) (\$)	Control Panel (account #311) (\$)	Pump (account #311) (\$)	Estimated Original Costs for each well (\$)
Church Well (55-520733) (1988)	10,684	0	6,599	3,278	8,451	29,012
Spring Well (55-601849) (1982)	7,189	0	4,633	2,740	796	15,358

VIII. Reclassification

For accounting purposes, expense for purchasing the generator should be reclassified from NARUC account No. 307 (for wells and springs) to NARUC account No. 310 (for power generation equipment). Staff recommends that the cost of \$27,400⁶ for the generator be moved to NARUC account No. 310 (for power generation equipment).

⁵ The Company could not provide invoices or other original cost records for this plant.

⁶ In the August 26, 1998 letter from Technology Construction, Inc. to Kent Norcross (Sunrise Engineering, Inc.), Technology Construction, Inc. stated work done for the 125 kva generator was \$4,400 and in December 29, 1998 letter from Mohave County Housing and Community Development & JTPA Programs to Mr. Jastremski, the Company's President and, Board of Directors stated that the cost of generator was \$23,000. Therefore, the cost of the generator was \$27,400.

FIGURE 1

MT. TIPTON Certificate Service Area

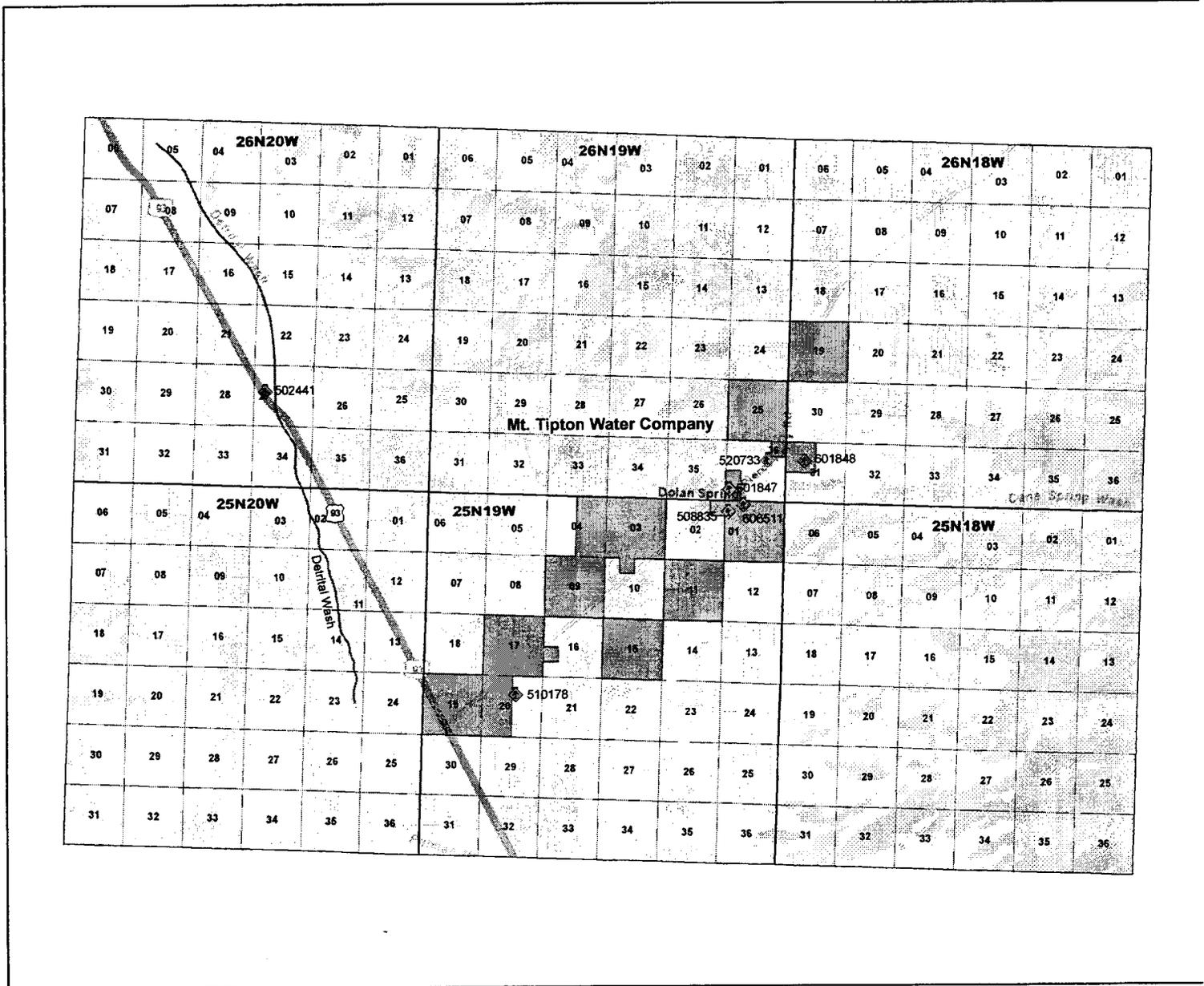


FIGURE 2

LOCATION OF MT. TIPTON SERVICE AREA

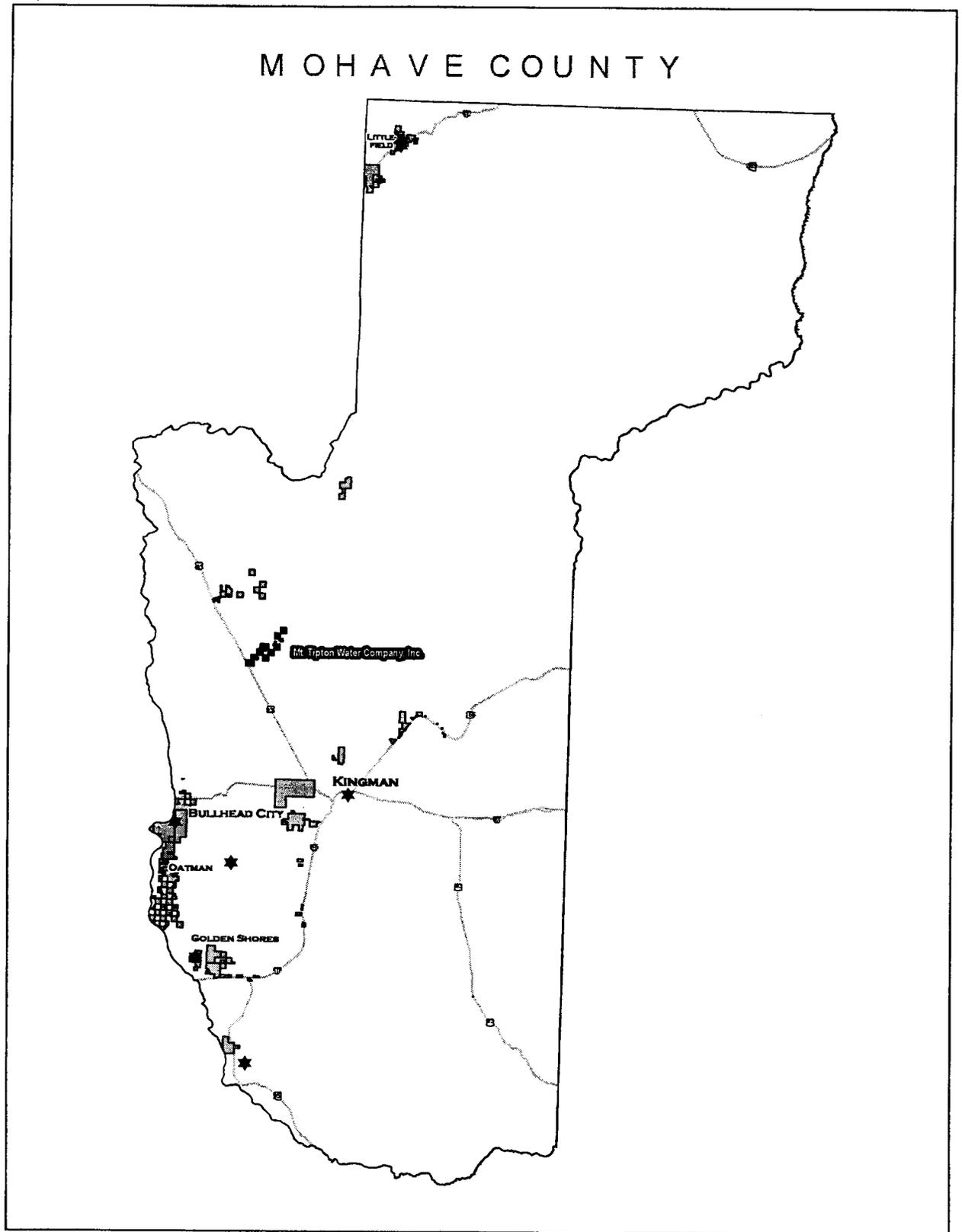


FIGURE 3A SYSTEMATIC DRAWING

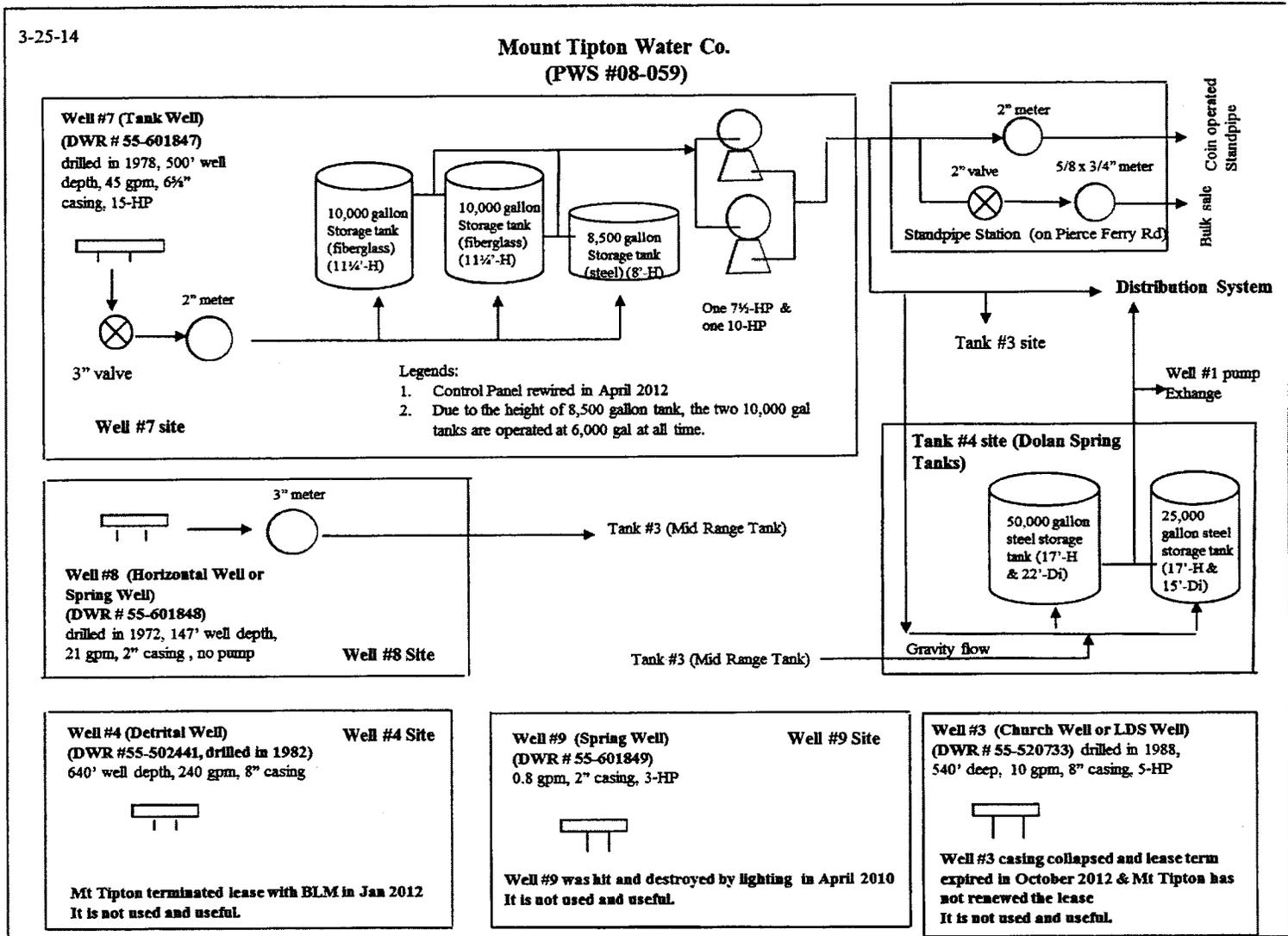


FIGURE 3B SYSTEMATIC DRAWING

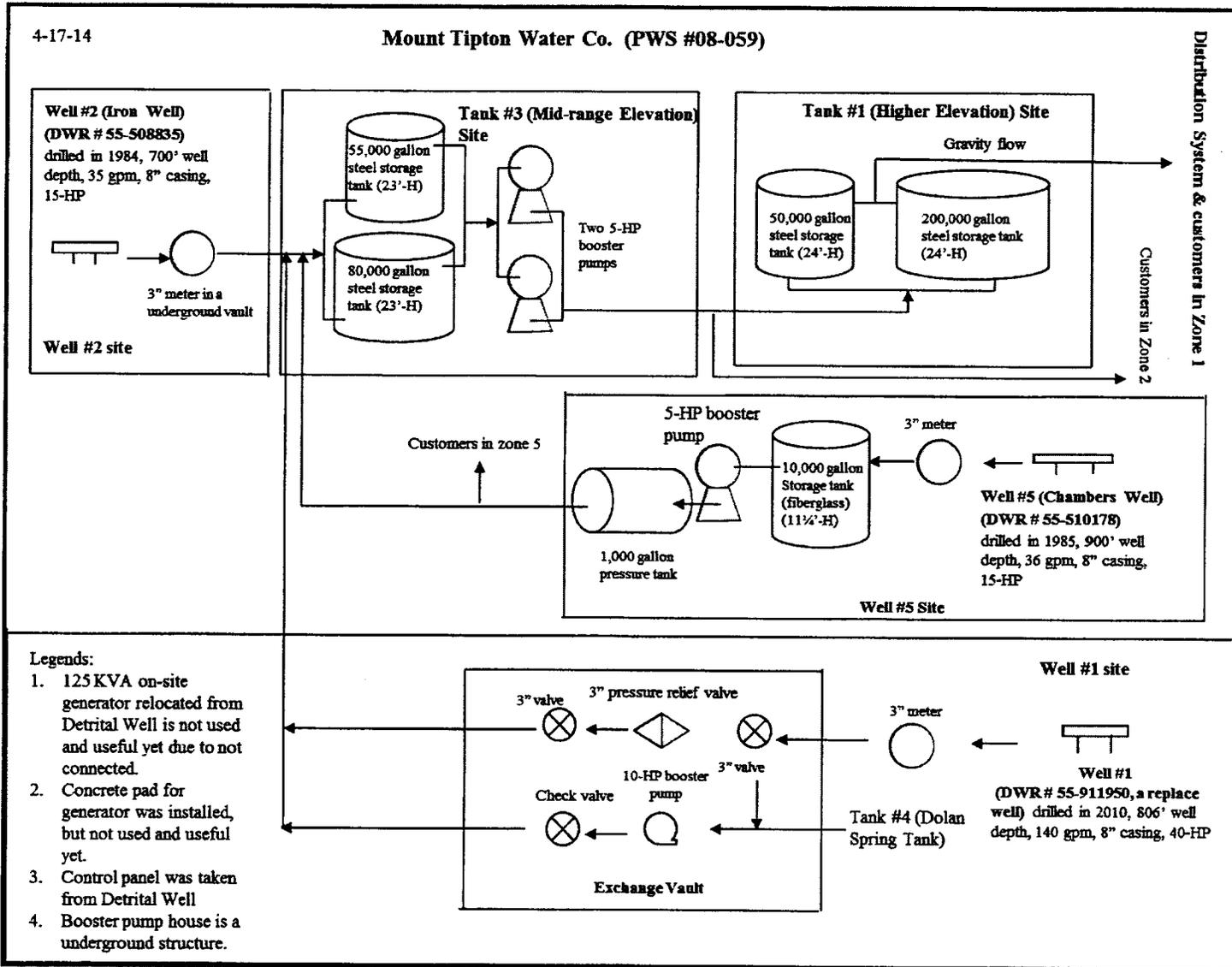


FIGURE 3C SYSTEMATIC DRAWING

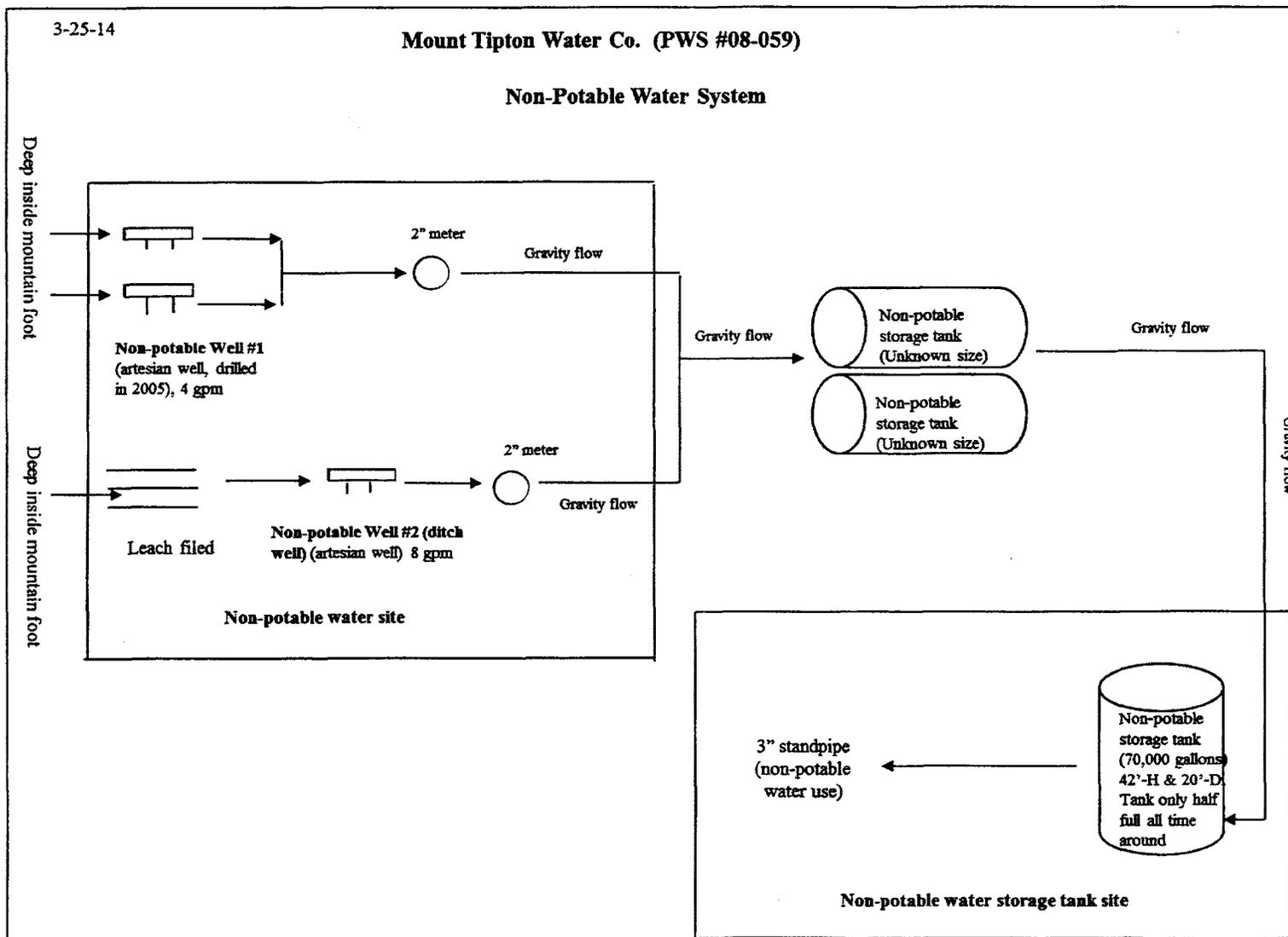


FIGURE 4A WATER USAGE IN MT. TIPTON SERVICE AREA

During Test Year (Jul 2012 - Jun 2013) Water Usage In Mt. Tipton (PWS #08-059) CC&N Area

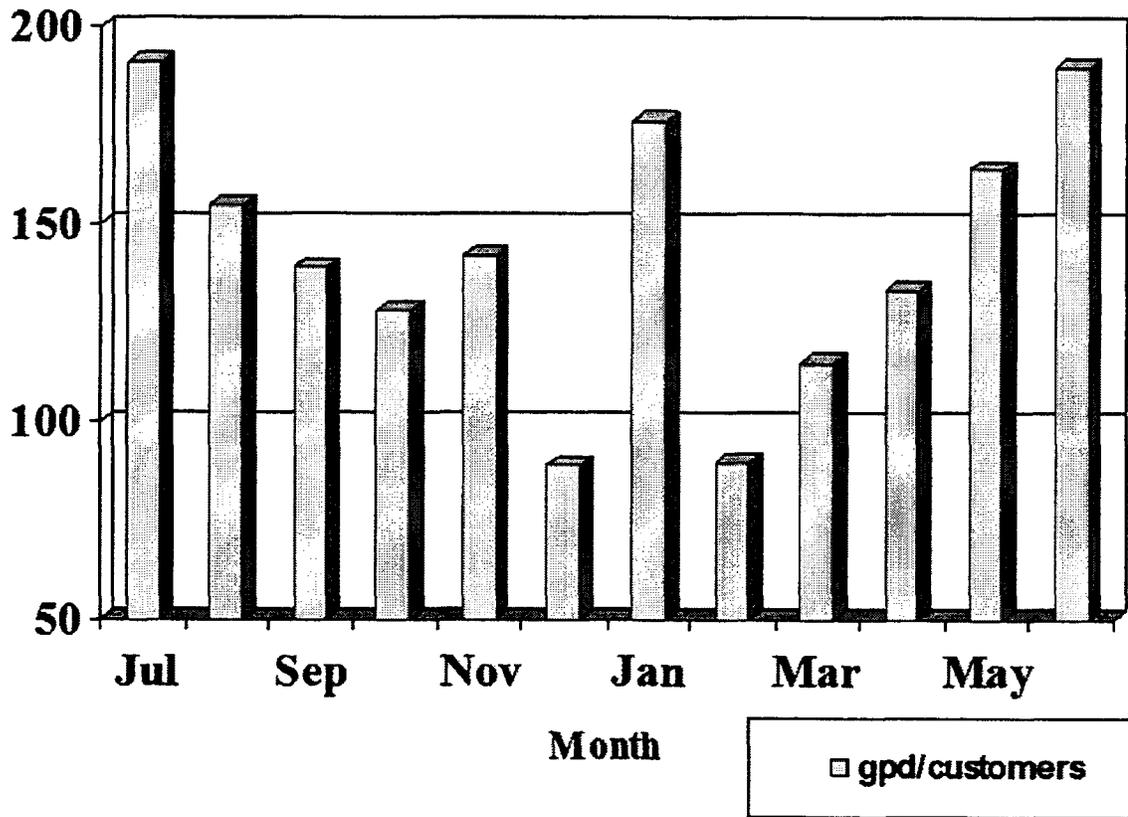
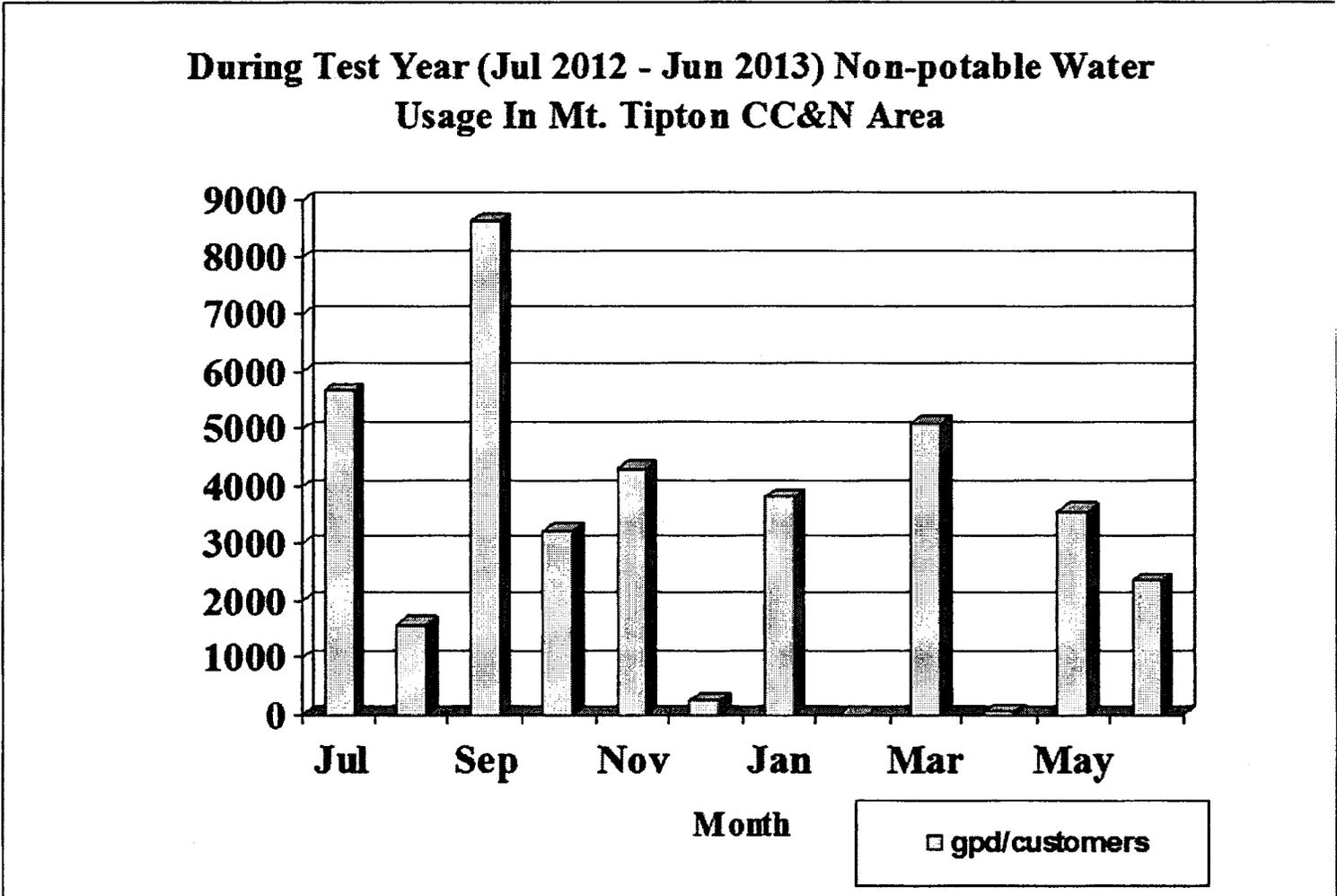
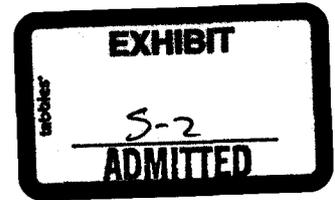


FIGURE 4B NON-POTABLE WATER USAGE IN MT. TIPTON SERVICE AREA



**FIGURE 5
DEPRECIATION RATES FOR MOUNT TIPTON WATER COMPANY**

NARU C Acct #	Depreciable Plant	Approved Rate (Decision # 72001)	Proposed Rate (%)	Staff Recommended Rate (%)
301	Organization	0	N/A	0
302	Franchises	0	N/A	0
303	Land & Land Rights	0	N/A	0
304	Structures & Improvements	3.33	3.33	3.33
305	Collection & Impounding reservoirs	2.50	N/A	2.50
306	Lake, River, Canal Intakes	2.50	N/A	2.50
307	Wells & Springs	3.33	3.33	3.33
308	Infiltration Galleries	6.67	N/A	6.67
309	Raw Water Supply Mains	2.00	N/A	2.00
310	Power Generation Equip Other	5.00	N/A	5.00
311	Pumping Equipment	12.5	12.5	12.5
320	Water Treatment		0.00	
320.1	Water Treatment Plants	3.33	3.33	3.33
320.2	Solution Chemical Feeders	20.0	20	20.0
330	Distribution Reservoirs &		0.00	
330.1	Standpipes	2.22	2.22	2.22
330.2	Storage Tank Pressure Tank	5.00	5.00	5.00
331	Transmission and Distribution Mains	2.00	2.00	2.00
333	Services	3.33	3.33	3.33
334	Meters	8.33	8.33	8.33
335	Hydrants	2.00	2.00	2.00
336	Backflow Prevention Devices	6.67	N/A	6.67
339	Other Plant & Misc. Equipment	6.67	6.67	6.67
340	Office Furniture & Equipments	6.67	6.67	6.67
340.1	Computer Software	20.00	20.00	20.00
341	Transportation Equipment	20.00	20.00	20.00
342	Store Equipments	4.00	N/A	4.00
343	Tools, Shop & Garage Equipments	5.00	5.00	5.00
344	Lab equipments	10.00	N/A	10.00
345	Power operated equipments	5.00	5.00	5.00
346	Communication Equipments	10.00	N/A	10.00
347	Miscellaneous Equipment	10.00	10.00	10.00
348	Other Tangible Plant	10.00	10.00	10.00



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**

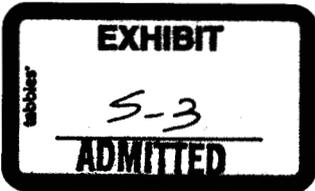
16 **Q. Please explain the error.**

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.**



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

DIRECT
TESTIMONY
OF
BRITON A. BAXTER
PUBLIC UTILITIES ANALYST IV
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

MAY 21, 2014

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

Mt. Tipton Water Company, Inc. ("Mt. Tipton" or "Company") is an Arizona non-profit corporation providing water services to approximately 662 customers located approximately 35 miles northeast of the city of Kingman, in the town of Dolan Springs, Mohave County, Arizona. The Company's current rates and charges were authorized by the Arizona Corporation Commission ("Commission") in Decision No. 72001, dated December 10, 2010.

Mt. Tipton proposes an increase to its revenues of \$46,133 or 13.58 percent over its test year revenues of \$339,594 to a total of \$385,727. The Company's proposal would result in an operating income of \$98,029 for a 12.98 percent rate of return on its reported original cost rate base ("OCRB") of \$755,229. The Company's proposed rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter residential customer with a median consumption of 2,364 gallons from \$29.46 to \$33.27, an increase of \$3.81 or 12.95 percent.

Staff recommends an increase to Mt. Tipton's revenues of \$19,529 or 5.75 percent over the test year revenues of \$339,594 to a total of \$359,123. Staff's recommended revenue requirement results in an operating income of \$72,403 or a rate of return of 14.40 percent on Staff's adjusted OCRB of \$502,801. Staff's recommended revenue requirement was derived to provide the Company with adequate cash flow to meet a Debt Service Coverage Ratio of 1.20, required for its debt covenant with the Water Infrastructure Finance Authority of Arizona. Staff's recommended rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter residential customer with a median consumption of 2,364 gallons from \$29.46 to \$30.21, an increase of \$.75 or 2.55 percent.

Staff recommends that a Delinquent Property Tax Surcharge be approved to address the growing delinquent property tax bill, which has increased by \$112,873 from \$84,560 in 2008 to \$197,433 in April of 2014. Further, continued non-payment of the delinquent taxes will only result in a much higher bill in the future that could lead to an even greater financial hardship on the Company and possibly lead to insolvency. Because Mt. Tipton is owned by a Home Owners Association, Staff recommends a surcharge that would make the Company current on all property taxes in 18 months. Staff's recommended surcharge will increase the monthly bill of a residential customer on a 5/8 x 3/4-inch meter an additional \$18.03 per month.

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. Briefly describe your responsibilities as a Public Utilities Analyst IV.**

8 A. I am responsible for the examination and verification of financial and statistical information
9 included in utility rate applications. In addition, I develop revenue requirements, prepare
10 written reports, testimonies, and schedules that include Staff recommendations to the
11 Commission. I am also responsible for testifying at formal hearings on these matters.

12
13 **Q. Please describe your educational background and professional experience.**

14 A. I graduated from Northern Arizona University, with a Bachelor of Science degree in
15 Accountancy with a public accounting emphasis. Prior to joining the Commission in
16 October of 2013, I spent 10 years with the Arizona Office of the Auditor General. I have
17 experience conducting and leading performance audits of school districts and preparing
18 statewide reports on classroom spending, which required a large amount of data collection,
19 validation and analysis including financial reports and budgets.

20
21 **Q. What is the scope of your testimony in this case?**

22 A. I am presenting Staff's analysis and recommendations in the areas of rate base and operating
23 revenues, expenses, and rate design regarding the Mt. Tipton Water Company ("Mt. Tipton"
24 or "Company") application for a permanent rate increase. Staff witness, Dorothy Hains, is
25 presenting Staff's engineering analysis and recommendations.

26

1 **Q. What is the basis of your recommendations?**

2 A. I performed a regulatory audit of the Company's application to determine whether sufficient,
3 relevant, and reliable evidence exists to support the Company's requested rate increase. The
4 regulatory audit consisted of examining and testing the financial information, accounting
5 records, and other supporting documentation and verifying that the accounting principles
6 applied were in accordance with the Commission-adopted National Association of Regulatory
7 Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA").
8

9 **BACKGROUND**

10 **Q. Please provide a brief description of Mt. Tipton and the service it provides.**

11 A. The Company is an Arizona non-profit corporation providing water services to
12 approximately 662 customers located approximately 35 miles northeast of the city of
13 Kingman, in the town of Dolan Springs, Mohave County, Arizona. The Company's current
14 rates and charges were authorized by the Commission in Decision No. 72001, dated
15 December 10, 2010.
16

17 **Q. What are the primary reasons for Mt. Tipton's requested permanent rate increase?**

18 A. First, Mt. Tipton was ordered to file a rate case within three years of the December 1, 2010,
19 effective date of Decision No. 72001. The Company also has delinquent property tax and
20 hook-up fee accounting problems that need to be resolved. I will address each separately.
21

22 **DELINQUENT PROPERTY TAX ISSUE**

23 **Q. Please describe the delinquent property tax issue.**

24 A. As of April 22, 2014, Mt. Tipton owes Mohave County ("County") \$197,433 in property
25 taxes that the Company failed to pay from 2004 through 2009. The Company has been

1 current on property taxes since 2009. The level of delinquent property taxes is growing at a
2 rate of 1.33 percent per month from fees and penalties.

3
4 **Q. Please provide some background to the steps that the Company has taken to address**
5 **the delinquent property tax issue?**

6 A. In an emergency rate case, Decision No. 70559 dated October 23, 2008, Mt. Tipton was
7 ordered to enter into discussions with Mohave County to either have the \$84,560 property
8 tax debt forgiven or to establish a payment plan. On January 22, 2009, the Company met
9 with the County and was told that the debt would not be forgiven nor would a payment plan
10 be established. The next step the Company took was to request approval to sell a redundant
11 office building. Decision No. 70836 dated March, 17, 2009, granted the Company approval
12 to sell the building. The proceeds were designated to (1) pay its delinquent property taxes, (2)
13 reimburse the Hook-Up Fee fund account, and (3) reduce the Company's indebtedness as
14 required by the Water Infrastructure Finance Authority of Arizona ("WIFA"). To date the
15 building has not been sold, but remains on the market.

16
17 **Q. How much has the level of delinquent property taxes increased from the years 2008 to**
18 **2014?**

19 A. The delinquent property tax bill has increased by \$112,873 from \$84,560 in 2008 to \$197,433
20 in April of 2014.

21
22 **Q. What is the Company currently requesting to address the delinquent property tax bill?**

23 A. The Company is requesting a surcharge, and for permission to use the \$8,100 it saved for
24 repayment of the misspent Hook-Up Fees to instead be used to pay down its delinquent
25 property taxes. Based on the testimony of Michelle Monzillo, the Company believes that with
26 specific monies set aside to address the property tax issue the County may agree to a payment

1 plan. Staff notes that interest would continue to accrue monthly at a rate of 1.33 percent
2 even if the Company were able to enter into a repayment arrangement.

3
4 **Q. Does Staff typically recommend a surcharge to recover delinquent property taxes?**

5 A. No.

6
7 **Q. Is a property tax surcharge warranted in this case?**

8 A. Yes. Approval of a "Delinquent Property Tax Surcharge" would be in the public interest to
9 address the delinquent property taxes because Mt. Tipton is owned by a non-profit home
10 owners association. Therefore, the escalating cost of the delinquent property tax bill must
11 ultimately be borne by the owners who are "in effect" the customers. Continued non-
12 payment of the delinquent taxes will only result in a much higher bill in the future. This
13 could lead to a financial hardship on the Company and possibly lead to insolvency.

14
15 **Q. Please discuss Staff's recommended Delinquent Property Tax Surcharge.**

16 A. Staff recommends a surcharge that would allow the Company to generate enough funds in 18
17 months to repay the full amount of delinquent property taxes by charging ratepayers a
18 monthly surcharge of \$18.03. This surcharge would increase the typical residential 5/8 x 3/4-
19 inch meter bill with a median usage of 2,364 gallons, including Staff's recommended rate
20 increase from \$29.46 to \$48.24, for an increase \$18.78 or 63.74 percent.

21
22 **Q. What conditions does Staff recommend, related to the Delinquent Property Tax
23 Surcharge?**

24 A. Staff recommends:

25 1. That the Company be required to engage in immediate discussions with Mohave
26 County officials and any and all lien holders to establish a repayment plan.

- 1 2. That the Surcharge not become effective until step (1) has been completed and the
2 Company has filed, as a compliance item with the Commission's Docket Control, a
3 copy of the agreement(s) with the County and lien holder(s).
- 4 3. That the Company be required to place all funds collected under the Delinquent
5 Property Tax Surcharge in a separate interest-bearing trust account and use those
6 funds only to retire the delinquent property taxes.
- 7 4. That as a compliance item, the Company file with the Commission's Docket Control
8 a quarterly report that shows:
 - 9 a. the total amount collected from the surcharge,
 - 10 b. the total amount paid towards delinquent property taxes, and
 - 11 c. the current balance of the delinquent property taxes.
- 12 5. That the reporting begin after three months of surcharge billings and continue for as
13 long as the Delinquent Property Tax Surcharge is collected.
- 14 6. Under no instance will the Company be allowed to over-recover on the delinquent
15 property taxes.
- 16 7. Further, the requirements in Decision No. 70836 related to the proceeds from the
17 sale of property should remain in place should this property be sold and the
18 Delinquent Property Tax Surcharge should be adjusted accordingly to reflect the
19 utilization of these proceeds to reduce the Company's delinquent property tax
20 liability, reimburse the Hook-Up Fee fund account, and reduce the Company's
21 indebtedness as required by WIFA. Any additional proceeds remaining after meeting
22 the requirements of Decision No. 70836 shall be refunded to the ratepayers in a
23 manner approved by the Commission.
- 24

1 **HOOK-UP FEE ISSUE**

2 **Q. Please describe the Hook-up Fee issue.**

3 A. In Decision No. 70837, dated March 17, 2009, the Company was found to be out of
4 compliance with its Hook-Up Fee Tariff, and in addition to the suspension of the Company's
5 ability to collect those fees, the Commission ordered the Company to repay \$40,800 in
6 misspent fees to the Hook-Up Fee fund.

7
8 **Q. Please further discuss the Hook-Up Fee issue.**

9 A. Mt. Tipton was authorized, in Decision No. 67162 dated August 10, 2004, to collect Off-Site
10 Hook-Up Fees and for the fees to be placed into a separate interest bearing fund, to be used
11 only to pay for capitalized Off-Site Facilities, or to repay loans obtained for installation of
12 Off-Site Facilities. In Decision No. 70837, the Commission found that the Company was not
13 in compliance with the approved Hook-Up Fee tariff and suspended it. This decision also
14 prohibited the Company from making any further expenditures using Hook-Up Fee funds,
15 and ordered Mt. Tipton to repay to the Hook-Up Fee fund the \$40,800 that was misspent.

16
17 **Q. How did Mt. Tipton misspend its Hook-Up Fees?**

18 A. Staff found that the Company was depositing the collected Hook-Up Fee funds into its
19 general account and spending the monies for expenses such as repairs, maintenance, plant
20 replacements, or for operational purposes. Because of the comingling of funds and the fact
21 that the Company was not collecting the proper amount, Staff was unable to determine the
22 exact amount that was misspent. Staff calculated that had the Company collected the fees at
23 the correct rate, it would have collected \$40,800 in Hook-Up Fees over the period in question
24 and that is the amount the Commission ordered be repaid.

25

1 **Q. What is Staff's recommendation related to Hook-Up Fees?**

2 A. As discussed above, Decision No. 70836 has three required uses for the proceeds of the sale
3 of the property. The number two requirement is that the Company reimburse the Hook-Up
4 Fee fund account. Staff recommends that this requirement remain in place. Further, until
5 the property discussed in Decision No. 70836 is sold, Staff recommends that the Company
6 deposit \$5,000 per year, or \$500 per month on average, from the recommended revenue
7 increase in these proceedings into the account established to repay the \$40,800 in misspent
8 Hook-Up Fees, until the full amount has been repaid.

9
10 **CONSUMER SERVICES**

11 **Q. Please provide a brief history of customer complaints received by the Commission**
12 **regarding Mt. Tipton.**

13 A. A review of Consumer Service records by Staff reveals the following complaints and/or
14 opinions filed from January 1, 2011 through April 15, 2014:

15
16 2011 – Zero Complaints

17 2012 – One Complaint – Disconnect-Non-Pay

18 2013 and 2014 – Zero Complaints

19
20 There were zero opinions filed regarding this rate case and all complaints have been resolved
21 and are closed.

22
23 **COMPLIANCE**

24 **Q. Please provide a summary of the compliance status of Mt. Tipton.**

25 A. A check of the Compliance database on February 24, 2014, indicates that there are currently
26 no delinquencies for Mt. Tipton.

1 **SUMMARY OF PROPOSED REVENUES**

2 **Q. Please summarize the Company's filing.**

3 A. The Company proposes a \$46,133, or 13.58 percent, revenue increase from \$339,594 to
4 \$385,727. The proposed revenue increase would produce an operating income of \$98,029 for
5 a 12.98 percent rate of return on an original cost rate base ("OCRB") of \$755,229. The
6 Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill
7 with a median usage of 2,364 gallons from \$29.46 to \$33.27, for an increase of \$3.81 or 12.95
8 percent.

9
10 **Q. Please summarize Staff's recommended revenue.**

11 A. Staff recommends a \$19,529, or 5.75 percent, revenue increase from \$339,594 to \$359,123.
12 Staff's recommended revenue increase would produce an operating income of \$72,403 for an
13 effective 14.40 percent rate of return on a Staff adjusted OCRB of \$502,801 as shown on
14 Schedule BAB-1. Staff's recommended rates would increase the typical residential 5/8 x 3/4-
15 inch meter bill with a median usage of 2,364 gallons from \$29.46 to \$30.21, for an increase of
16 \$.75 or 2.55 percent.

17
18 **Q. Is it unusual for Staff to recommend a rate of return of 14.40 percent?**

19 A. Yes. In this case, Staff is recommending the revenue requirement necessary to obtain a 1.20
20 debt service coverage ratio ("DSC"). In order to obtain a 1.20 DSC, a 14.40 percent rate of
21 return is required.

22
23 **Q. What test year did Mt. Tipton utilize in this filing?**

24 A. Mt. Tipton's test year is based on the twelve months ended June 30, 2013.
25

1 Q. Please summarize Staff's rate base and operating income adjustments for Mt. Tipton.

2 A. Staff's testimony discusses the following adjustments:

3

4 **Rate Base Adjustments**

5 Wells & Structures – This adjustment decreases rate base by a net \$59,283 to reflect the
6 reclassification of 2 pumps that were improperly included in this account, and the removal of
7 2 inactive wells, the Church or LDS Well and the Spring Well.

8

9 Power Generation Equipment – This adjustment increases rate base by a net \$27,400 to
10 reflect the 125KVA on-site generator that was removed from rate base when the Detrital
11 Well was retired but the generator has been relocated to the new Office Well and is available
12 for immediate use once the Company completes the installation.

13

14 Pumping Equipment – This adjustment increases rate base by a net \$5,034 to reflect the
15 reclassification of 2 pumps that were improperly included in the Wells & Structures account,
16 and a pump that was removed from service and is no longer used and useful.

17

18 Solution Chemical Feeders – This adjustment decreases rate base by a net \$53,075 to reflect
19 the fact that Mt. Tipton does not presently have any chemical feeders in use in the
20 Company's system.

21

22 Computers & Software – This adjustment decreases rate base by a net of \$1,321 to reflect the
23 annual licensing fees for the billing and accounting programs that were incorrectly recorded
24 as capitalized plant.

25

1 Accumulated Depreciation – This adjustment decreases rate base by \$171,184 to reflect the
2 impact of Staff's recalculation of accumulated depreciation based on Staff adjustments to rate
3 base.

4

5 **Operating Income Adjustments**

6 Purchased Power Expense – This adjustment decreases purchased power expenses by \$3,868
7 to reflect Staff's disallowance of pumping power costs related to excess non-account water
8 loss, over the maximum allowable loss of 10 percent.

9

10 Water Testing Expense – This adjustment increases water testing expense by \$350 to reflect
11 an appropriate cost level for the Monitoring Assistant Program ("MAP") and other water
12 testing (see Engineering Report).

13

14 Depreciation Expense – This adjustment increases depreciation expense by \$3,026 to reflect
15 Staff's calculation of depreciation expense using Staff's recommended depreciation rates and
16 Staff's recommended plant and Contributions in Aid of Construction ("CIAC") balances.

17

18 **RATE BASE**

19 *Fair Value Rate Base*

20 **Q. Did the Company prepare schedules showing the elements of Reconstruction Cost**
21 **New Rate Base?**

22 **A.** No, the Company did not. The Company's filing treats the OCRB the same as the fair value
23 rate base.

24

1 *Rate Base Summary*

2 **Q. Please summarize Staff's adjustments to Mt. Tipton's rate base shown on Schedules**
3 **BAB-3 and BAB-4.**

4 A. Staff's adjustments to Mt. Tipton's rate base resulted in a net decrease of \$252,428, from
5 \$755,229 to \$502,801, due to various adjustments as discussed in Staff's testimony and
6 supported by Schedules BAB-5 through BAB-9.

7
8 *Rate Base Adjustment No. 1 – Wells & Springs*

9 **Q. Did Staff reclassify any expenses in the Wells & Springs account?**

10 A. Yes. As shown on Schedules BAB-4 and BAB-5, Staff reclassified \$59,283 in costs that the
11 Company incorrectly included in NARUC account no. 307 Wells & Springs. The Company
12 improperly included 2 pumps and 2 inactive wells.

13
14 **Q. How did Staff identify these misclassified costs?**

15 A. As part of the audit of the Company's plant, Staff selected a sample of plant additions since
16 the last rate case from 2010 to June 2013 and requested the source documentation, such as
17 invoices, to support the plant costs. The Company provided these documents in response to
18 Staff Data Request BAB 1-5.

19
20 **Q. What is the definition of "source documentation"?**

21 A. Source documentation is an original record containing the details to substantiate a transaction
22 entered in an accounting system. For example, the source document for the purchase of a
23 pump would be the supplier's invoice.

24

1 **Q. What plant additions did Staff identify that required correction?**

2 A. As shown on Schedule BAB-5, Staff identified a 15 HP pump that was installed on or around
3 November 9, 2009, with a cost of \$5,034 that was part of well upgrades performed on the
4 Ironwood Well and a 40 HP pump that was installed on or around April 29, 2010, with a cost
5 of \$9,878 that was part of the drilling of the new Office Well.

6
7 **Q. Why is correct classification needed?**

8 A. Correct classification is needed because Staff is recommending various depreciation rates
9 ranging from 2.0 percent to 20.0 percent depending on the specific account. Reclassification
10 will help ensure that the depreciation expense will be calculated accurately in the future and
11 that the Company is receiving a fair and just rate of return.

12
13 **Q. What is the net impact to plant of the pump reclassifications?**

14 A. As shown on Schedules BAB-5 and BAB-7, Staff reclassified \$14,913 from the Wells &
15 Springs account to the Pumping Equipment account. These adjustments will result in a zero
16 net change to the plant in service balance.

17
18 **Q. Did Staff identify any inactive wells that were included in rate base for Mt. Tipton?**

19 A. Yes. As discussed in the Engineering Report on page 2, Mt. Tipton had 5 active wells during
20 the test year. On Schedule C-2a, the Company reported a balance of \$407,673 in the Wells &
21 Springs account. Staff determined that this included 2 wells, the Church or LDS Well and the
22 Spring Well, that are no longer active.

23

1 Q. Why is the Church or LDS Well no longer active?

2 A. This well is located on State land that was leased by the Company. In 2010, the well casing
3 collapsed and when the lease expired in August of 2012 the Company decided not to renew
4 the lease or incur the cost of repairing the well. The well was subsequently capped.

5
6 Q. Why is the Spring Well no longer active?

7 A. In April of 2010, lightning destroyed the well. Due to the low yield prior to the lightning
8 strike, the Company made the decision to cap the well and disconnected it from its system.

9
10 Q. Did Staff request documentation to support the original cost of these wells?

11 A. Yes.

12
13 Q. Did the Company provide invoices or other documentation to support the original
14 cost of the inactive wells?

15 A. No, the Company provided documentation to support some costs of the wells but not all of
16 them.

17
18 Q. What reason did the Company give for not providing the invoices or documentation?

19 A. The Company indicated that its records only included a few original cost documents because
20 the plant is very old and not all of the records could be located.

21
22 Q. Are plant costs required to be supported?

23 A. Yes. Arizona Administrative Code R14-2-610 D.1 states, "Each utility shall keep general and
24 auxiliary accounting records reflecting the cost of its properties . . . and all other accounting
25 and statistical data necessary to give complete and authentic information as to its properties . .
26 ." (emphasis added).

1 **Q. Why are invoices needed?**

2 A. Invoices are needed to determine the original cost, if the amount reported on the invoice is
3 the same amount that was added to the plant account total, and if the addition to the plant
4 accounts is accurate.

5
6 **Q. What is the original cost of the Church or LDS Well?**

7 A. As shown on Schedule BAB-5 and in Table 5 on page 12 of the Engineering Report, Staff
8 calculated that the original cost of this well was \$29,012; therefore, Staff has removed this
9 amount from rate base.

10
11 **Q. What is the original cost of the Spring Well?**

12 A. As shown on Schedule BAB-5 and in Table 5 on page 12 of the Engineering Report, Staff
13 calculated that the original cost of this well was \$15,358; therefore, Staff has removed this
14 amount from rate base.

15
16 **Q. Are there any other inactive wells?**

17 A. Yes. As discussed in Staff's Engineering Report, the Detrital Well and Office Well (DWR
18 No. 55-606511) are also inactive.

19
20 **Q. Why is Staff not recommending an adjustment for these wells?**

21 A. An adjustment to rate base for the Detrital Well and Office Well (DWR No. 55-606511) was
22 already recorded by the Company to remove the original costs and accumulated depreciation
23 reserve balances from rate base. Staff is adopting these adjustments.

24

1 **Q. What is Staff's recommendation related to the Wells & Springs account?**

2 A. Staff recommends reducing plant in service by a net amount of \$59,283 for adjustments made
3 to Wells & Springs (account no. 307) as shown on Schedules BAB-4 and BAB-5.
4

5 *Rate Base Adjustment No. 2 – Power Generation Equipment*

6 **Q. Did Staff reclassify any expenses in the Power Generation Equipment?**

7 A. Yes. As shown on Schedules BAB-4 and BAB-6, Staff reclassified \$27,400 in expenses for a
8 125KVA on-site generator that the Company removed from rate base when it closed the
9 Detrital Well. The generator was relocated to the Office Well site and is available for
10 immediate use upon completion of the installation to Power Generation Equipment (account
11 no. 310).
12

13 **Q. What is the current status of the generator?**

14 A. When the Company retired the Detrital Well it relocated the generator from this well site to
15 the Office Well site. It is currently not installed because the Company stated it does not have
16 enough money to pay for the rest of the installation expenses but it is available for immediate
17 use once the Company has the rest of the necessary funds.
18

19 **Q. Why is Staff recommending that the generator be included in rate base?**

20 A: To date, the Company has paid \$1,478 of the \$3,736 it estimates it will cost to complete the
21 installation. Since this is the primary producing well for the Company, the necessary
22 equipment is in place, and about a third of the costs have already been incurred, Staff
23 recommends that the Company finish the installation using money from the Staff
24 recommended rate increase.
25

1 **Q. What is Staff's recommendation related to the Power Generation Equipment account?**

2 A. Since the generator is available for immediate use upon completion of installation, Staff
3 recommends increasing plant in service by \$27,400 and the Power Generation Equipment
4 account as shown on Schedules BAB-4 and BAB-6.

5

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

7 **Q. Did Staff reclassify any expenses in the Pumping Equipment account?**

8 A. Yes. As shown on Schedules BAB-4 and BAB-7, Staff identified 2 pumps for a total of
9 \$14,913 that the Company incorrectly included in the Wells & Springs account that should
10 have been recorded as Pumping Equipment (account no. 311). Staff also identified a pump
11 that had been replaced without removing the old one from rate base in the amount of \$9,878.

12

13 **Q. Were there any recorded plant additions that required correction?**

14 A. Yes. As shown on Schedule BAB-7, Staff identified a 15 HP pump that was installed on or
15 around November 9, 2009, with a cost of \$5,034 that was part of well upgrades performed on
16 the Ironwood Well and a 40 HP pump that was installed on or around April 29, 2010, with a
17 cost of \$9,878 that was part of the drilling of the new Office Well. These 2 pumps were
18 originally recorded as additions to the Wells & Springs account.

19

20 **Q. What is the net impact to plant of the pump reclassifications?**

21 A. As shown on Schedules BAB-5 and BAB-7, Staff reclassified \$14,913 from the Wells &
22 Springs account to the Pumping Equipment account. These adjustments will result in a zero
23 net change to the plant in service balance.

24

1 **Q. What equipment does Staff recommended removing from rate base because it is not**
2 **used and useful?**

3 A. Staff identified a 40 HP pump that cost \$9,878 that had been removed from service on or
4 around May 18, 2012, but was still included in rate base. Therefore, Staff has determined that
5 because it is not used and useful, it should be removed from rate base.

6
7 **Q. What is Staff's recommendation related to the Pumping Equipment account?**

8 A. Staff recommends increasing plant in service by a net amount of \$5,034 for adjustments made
9 to Pumping Equipment (account no. 311) as shown on Schedules BAB-4 and BAB-7.

10

11 *Rate Base Adjustment No. 4 – Solution Chemical Feeders*

12 **Q. Did Staff reclassify any investments recorded in the Solution Chemical Feeders**
13 **account?**

14 A. Yes. As shown on Schedules BAB-4 and BAB-8a, Staff removed \$53,075 from rate base that
15 the Company incorrectly included as plant in the Solution Chemical Feeders (account no.
16 320.2) when Staff determined from the site visit that the Company did not have any chemical
17 feeders.

18

19 **Q. Why is Staff recommending the removal of \$53,075 for Chemical Feeders from rate**
20 **base?**

21 A. During the site visit conducted by Staff witness Dorothy Hains on February 11 and 12, 2014,
22 it was determined that Mt. Tipton did not have any water treatment equipment installed.
23 Specifically the Company does not have any chemical feeders. However, the Company
24 recorded \$53,075 in this account. Company officials confirmed that there are no chemical
25 feeders installed in the system and that this must have been an asset left on the books from
26 the 2001 purchase of Dolan Springs.

1 **Q. What is Staff's recommendation related to the Solution Chemical Feeders account?**

2 A. Staff recommends reducing plant in service by a net amount of \$53,075 for adjustments made
3 to Solution Chemical Feeders (account no. 320.2) as shown on Schedules BAB-4 and BAB-
4 8a.

5
6 *Rate Base Adjustment No. 5 – Computers & Software*

7 **Q. Did Staff reclassify any expenses in the Computers & Software account?**

8 A. Yes. As shown on Schedules BAB-4 and BAB-8b, Staff reclassified \$1,321 in expenses that
9 the Company incorrectly included as Computers & Software (account no. 340.1). The
10 Company, in its application, included the expenses for the annual license fees for its
11 accounting and billing software programs in the Computers & Software account, rather than
12 being recorded as an expense in account no. 621. Staff has adopted the Company's reported
13 Office Supplies and Expense of \$29,286 which corrects for this error as a pro-forma
14 adjustment.

15
16 **Q. Why are annual licensing fees expenses instead of plant additions?**

17 A. Software annual licensing fees should be recorded as expenses rather than plant additions
18 because they only allow the Company to use the software and be eligible for tech support for
19 one additional year. They do not significantly alter or change the fundamental program that
20 the Company has been using.

21
22 **Q. What is Staff's recommendation related to the Computers & Software account?**

23 A. Staff recommends reducing plant in service by a net amount of \$1,321 for adjustments made
24 to Computers & Software (account no. 340.1) as shown on Schedules BAB-4 and BAB-8b.

25

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

2 **Q. Please state the Company's filed test year balance of Accumulated Depreciation.**

3 A. The Company filed Schedule B-1 shows a balance of \$1,147,676 for accumulated
4 depreciation.

5
6 **Q. Did Staff calculate the Company's accumulated depreciation?**

7 A. Yes. As shown on Schedule BAB-9, Staff calculated the Company's accumulated depreciation
8 including corresponding adjustments for rate base adjustments Nos. 1, 3, and 4.

9
10 **Q. Please state Staff's recommended adjustment to the Company filed balance of
11 accumulated depreciation.**

12 A. As shown on Schedule BAB-9, Rate Base Adjustment No. 6 increases accumulated
13 depreciation by \$171,184, to correctly restate the Company's filed accumulated depreciation.

14
15 **Q. What is Staff recommending for accumulated depreciation?**

16 A. Staff recommends accumulated depreciation of \$1,318,860 in this proceeding.

17
18 **OPERATING INCOME**

19 *Operating Income Summary*

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

22 A. As shown on Schedules BAB-10 and BAB-11, Staff's analysis resulted in test year revenues of
23 \$339,594, expenses of \$286,378, and an operating income of \$53,216.

24

1 *Operating Income Adjustment No. 1 – Purchased Power*

2 **Q. What is the Company's reported Purchased Power expense?**

3 A. The Company reports \$22,461 of purchased power expense.

4

5 **Q. Did the Company provide adequate support for its reported purchased power**
6 **expense?**

7 A. Yes.

8

9 **Q. Why is Staff proposing an adjustment to purchased power expense?**

10 A. Staff's recommended adjustment to purchased power expense is intended to account for the
11 Company's water loss in excess of the maximum allowable non-account water loss of 10
12 percent. As fully discussed on page 7 of the Engineering Report presented by Staff witness
13 Dorothy Hains, Staff has determined that the Company's water loss was approximately 27
14 percent at the end of the test year.

15

16 **Q. Did the Company incur costs associated with excess water loss?**

17 A. Yes. Primarily, the Company incurs pumping power costs for its pumped water, including
18 excess water loss. Also, labor costs could be incurred for managing excess water loss. Staff
19 finds that it is inappropriate for the Commission to allow the Company to recover such costs
20 from the ratepayers.

21

22 **Q. Please explain Staff's adjustment to purchased power expense.**

23 A. Staff's adjustment to purchased power expense is calculated based on water loss in excess of
24 the maximum allowable non-account water loss of 10 percent. As demonstrated on page 7 of
25 the Engineering Report and Schedule BAB-12, the Company's test year water loss was 27.22
26 percent of which 17.22 percent is in excess of maximum allowable non-account water loss.

1 Staff's Operating Income Adjustment No. 1 disallows 17.22 percent of test year purchased
2 power expense.

3
4 **Q. What is Staff's recommendation related to Purchased Power?**

5 A. Staff recommends decreasing purchased power expense by \$3,868 as shown on Schedule
6 BAB-12.

7
8 *Operating Income Adjustment No. 2 – Water Testing*

9 **Q. What amount for water testing did the Company propose for the test year ending June**
10 **30, 2013?**

11 A. The Company is proposing \$3,956 in water testing expenses as shown on Schedule C-1.

12
13 **Q. Did Staff calculate a different amount for water testing expenses?**

14 A. Yes, as discussed in the Staff Engineering Report in Section J on page 8, Staff calculated
15 water testing expenses to be \$4,306; an increase of \$350, from the Company reported \$3,956.

16
17 **Q. What is Staff's recommendation related to Water Testing?**

18 A. Staff recommends increasing water testing expense by \$350 as shown on Schedules BAB-11
19 and BAB-13.

20
21 *Operating Income Adjustment No. 3 – Depreciation Expense*

22 **Q. What is Mt. Tipton proposing for depreciation expense?**

23 A. Mt. Tipton is proposing depreciation expense of \$45,005.

24

1 **Q. What adjustment did Staff make to depreciation expense?**

2 A. Staff adjusted depreciation expense to reflect Staff's calculation of depreciation expense using
3 Staff's recommended depreciation rates, plant balances, and CIAC balances. Staff's
4 calculation is shown on Schedule BAB-14.

5
6 **Q. What is Staff's recommendation related to Depreciation Expense?**

7 A. Staff recommends increasing depreciation expense by \$3,026, as shown on Schedules BAB-11
8 and BAB-14.

9
10 **REVENUE REQUIREMENT**

11 **Q. Did Staff use the rate base/rate of return methodology to determine the Company's**
12 **revenue requirement?**

13 A. No. Staff was unable to derive the revenue requirement by applying a rate of return on rate
14 base. In determining the revenue requirement, Staff endeavored to provide the Company
15 sufficient funds to meet debt service requirements and operating expenses, and to manage
16 contingencies. Staff's recommended revenue is the result of obtaining a minimum of 1.20
17 DSC. Staff believes that its recommended cash flow provides ample funds to meet the
18 Company's operating needs.

19
20 **RATE DESIGN**

21 **Q. Has Staff prepared a schedule summarizing the present, Company proposed, and**
22 **Staff recommended rates and service charges?**

23 A. Yes. Schedule BAB-18 provides a summary of the Company's present, Company's proposed,
24 and Staff's recommended rates.

25

1 **Q. Please summarize the Company's proposed rate design.**

2 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
3 size and include no gallons. The commodity rates are based on an inverted three-tier rate
4 design. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch
5 meter bill with a median usage of 2,364 gallons from \$29.46 to \$33.27, for an increase of
6 \$3.81, or 12.95 percent, as shown on Schedule BAB-19.

7
8 **Q. Please summarize Staff's recommended rate design.**

9 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
10 size and include no gallons. The commodity rates are based on an inverted three-tier rate
11 design. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch
12 meter bill with a median usage of 2,364 gallons from \$29.46 to \$30.21, for an increase of \$.75
13 or 2.55 percent, as shown on Schedule BAB-19.

14
15 **Q. Did the Company propose any changes to its Meter and Service Line Charges?**

16 A. No, and Staff does not recommend any changes.

17
18 *Service Charges*

19 **Q. Did the Company propose any changes to the service charges?**

20 A. Yes. The Company proposes to increase the Establishment charge from \$25 to \$30,
21 eliminate the Establishment (After Hours) and Reconnection (After Hours) charges, increase
22 the After Hours Service Charge from \$0 to \$50, and increase the Monthly Service Charge for
23 Fire Sprinkler service from 2 percent or a minimum of \$10 to 2 percent or a minimum of \$11.

24
25 **Q. Does Staff agree with the Company-proposed Establishment charge?**

26 A. Yes. The proposed charge is reasonable and customary.

1 **Q: Does Staff agree with the Company-proposed Fire Sprinkler charge?**

2 A. No. Staff recommends no change to the current charges.

3
4 **Q. Does Staff recommend the elimination of the \$40 Establishment (After Hours)**
5 **Charge, the \$40 Reconnection (After Hours) Charge and to add a \$50 After Hours**
6 **Charge?**

7 A. Yes, Staff recommends that the Establishment (After Hours) Charge and the Reconnection
8 (After Hours) Charge be eliminated and that an After-Hours charge be added. Staff agrees
9 that an additional fee for service provided after normal business hours is appropriate when
10 such service is at the customer's request. Such a tariff compensates the utility for additional
11 expenses incurred from providing after-hours service, but the amount that the Company
12 proposed is higher than other companies of a similar size and location.

13
14 **Q. Does this conclude Staff's Direct Testimony?**

15 A. Yes, it does.

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

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

Schedule BAB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Adjusted Rate Base	\$755,229	\$502,801
2	Adjusted Operating Income (Loss)	\$52,725	\$53,217
3	Current Rate of Return (L2 / L1)	6.98%	10.58%
4	Required Rate of Return	12.98%	14.40%
5	Required Operating Income (L4 * L1)	\$98,029	\$72,403
6	Operating Income Deficiency (L5 - L2)	\$45,304	\$19,187
7	Gross Revenue Conversion Factor/Property Tax Factor	101.83%	101.78%
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$46,133	\$19,529
9	Adjusted Test Year Revenue	\$339,594	\$339,594
10	Proposed Annual Revenue (L8 + L9)	\$385,727	\$359,123
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	13.58%	5.75%

References:

Column [A]: Company Schedules A-1

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

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

Schedule BAB-2

GROSS REVENUE CONVERSION FACTOR

LINE
NO.

DESCRIPTION

Calculation of Gross Revenue Conversion Factor:

1	Revenue	100.00%
2	Property Tax Rate (Line 23)	1.75%
3	Arizona Taxable Income	98.25%
4	Arizona Income Tax	0.00%
5	Federal Taxable Income	98.25%
6	Federal Income Tax	0.00%
7	Operating Income	98.25%
8	Revenue Conversion Factor (L1 / L7)	101.78%

RATE BASE - ORIGINAL COST				
LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Plant in Service	\$1,937,095	(\$81,244)	\$1,855,851
2	Less: Accumulated Depreciation	1,147,676	171,184	1,318,860
3	Net Plant in Service	<u>\$789,419</u>	<u>(\$252,428)</u>	<u>\$536,991</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	\$29,905	\$0	\$29,905
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>(\$252,428)</u></u>	<u><u>\$502,801</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)
		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-9	STAFF AS ADJUSTED
1	Acct. No. Plant Description								
2	301 Organization Cost	\$17,450	\$0	\$0	\$0	\$0	\$0	\$0	\$17,450
3	302 Franchises	500	0	0	0	0	0	0	500
4	303 Land and Land Rights	9,842	0	0	0	0	0	0	9,842
5	304 Structures and Improvements	70,621	0	0	0	0	0	0	70,621
6	305 Collecting and Impounding Reservoirs	0	0	0	0	0	0	0	0
7	307 Wells and Springs	407,673	(59,283)	0	0	0	0	0	348,390
8	309 Supply Mains	0	0	0	0	0	0	0	0
9	310 Power Generation Equipment	0	0	27,400	0	0	0	0	27,400
10	311 Pumping Equipment	113,628	0	0	5,034	0	0	0	118,662
11	320 Water Treatment Equipment	0	0	0	0	0	0	0	0
12	320.1 Water Treatment Plants	0	0	0	0	0	0	0	0
13	320.2 Solution Chemical Feeders	53,075	0	0	0	(53,075)	0	0	0
14	330 Distribution Reservoirs and Standpipes	0	0	0	0	0	0	0	0
15	330.1 Storage Tanks	223,341	0	0	0	0	0	0	223,341
16	330.2 Pressure Tanks	0	0	0	0	0	0	0	0
17	331 Transmission and Distribution Mains	799,500	0	0	0	0	0	0	799,500
18	333 Services	59,750	0	0	0	0	0	0	59,750
19	334 Meters and Meter Installations	130,798	0	0	0	0	0	0	130,798
20	335 Hydrants	1,230	0	0	0	0	0	0	1,230
21	336 Backflow Prevention Devices	0	0	0	0	0	0	0	0
22	339 Other Plant and Miscellaneous Equipment	1,880	0	0	0	0	0	0	1,880
23	340 Office Furniture and Equipment	18,094	0	0	0	0	0	0	18,094
24	340.1 Computers and Software	7,007	0	0	0	0	(1,321)	0	5,686
25	341 Transportation Equipment	11,592	0	0	0	0	0	0	11,592
26	343 Tools, Shop, and Garage Equipment	1,274	0	0	0	0	0	0	1,274
27	344 Laboratory Equipment	0	0	0	0	0	0	0	0
28	345 Power Operated Equipment	167	0	0	0	0	0	0	167
29	346 Communication Equipment	0	0	0	0	0	0	0	0
30	347 Miscellaneous Equipment	8,464	0	0	0	0	0	0	8,464
31	348 Other Tangible Equipment	1,208	0	0	0	0	0	0	1,208
32	Rounding	1	0	0	0	0	0	0	1
33	Total Plant in Service	\$1,937,095	(\$59,283)	\$27,400	\$5,034	(\$53,075)	(\$1,321)	\$0	\$1,855,851
34	Less: Accumulated Depreciation	1,147,676	0	0	0	0	0	171,184	1,318,860
35	Net Plant in Service	\$789,419	(\$59,283)	\$27,400	\$5,034	(\$53,075)	(\$1,321)	(\$171,184)	\$536,991
36									
37	LESS:								
38	Advances in Aid of Construction (AIAC)	\$16,029	\$0	\$0	\$0	\$0	\$0	\$0	\$16,029
39	Meter Deposits - Service Line & Meter Advances	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	\$13,876
44									
45	Total Advances and Net Contributions	\$29,905	\$0	\$0	\$0	\$0	\$0	\$0	\$29,905
46									
47	Customer Deposits	\$4,285	\$0	\$0	\$0	\$0	\$0	\$0	\$4,285
48	Accumulated Deferred Taxes	0	0	0	0	0	0	0	0
49									
50	ADD: Working Capital								
51	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
52		0	0	0	0	0	0	0	0
53	Total Rate Base	\$755,229	(\$59,283)	\$27,400	\$5,034	(\$53,075)	(\$1,321)	(\$171,184)	\$502,801

RATE BASE ADJUSTMENT NO. 1 - WELLS & SPRINGS

LINE NO.	Act. No.	DESCRIPTION	[A]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	307	Wells & Springs	\$407,673	(\$59,283)	\$348,390
2					
3					
4					
5					
6	MISCLASSIFIED				
	Act. No.	Description	2009	2010	Total
7					
8	307	Wells & Springs	(\$5,034)	(\$9,878)	(\$14,913)
9	311	Pumping Equipment	5,034	9,878	\$14,913
10					\$0
11					
12					
13					
14	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.
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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]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1		311 Pumping Equipment	\$113,628	\$5,034	\$118,662
2					
3					
4					
5					
6	MISCLASSIFIED				
	Act. No.	Description	2009	2010	Total
7					
8		307 Wells & Springs	(\$5,034)	(\$9,878)	(\$14,913)
9		311 Pumping Equipment	5,034	9,878	\$14,913
10					\$0
11					
12					
13					
14	NOT USED AND USEFUL				
15		Retired 40 horsepower pump		(\$9,878)	(\$9,878)

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]

Mount Tipton Water Company, Inc.
Docket No. W-02105A-13-0415
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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
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Schedule BAB-8b

RATE BASE ADJUSTMENT NO. 5 - COMPUTERS & SOFTWARE

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] 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]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$1,147,676	\$171,184	\$1,318,860
2				
3	<u>Calculation of Accumulated Deprecation</u>			
4				
5	Balance per Decision No. 72001			\$1,212,673
6	Depreciation Expense - 2010		\$66,959	
7	Depreciation Expense - 2011		60,101	
8	Depreciation Expense - 2012		57,437	
9	Depreciation Expense - January 1 through June 30, 2013		29,013	\$213,510
10				
11	Plant Retirement - Church Well		(29,012)	
12	Plant Retirement - Spring Well		(15,358)	
13	Plant Retirement - Solution Chemical Feeders		(53,075)	
14	Plant Retirement - 40 horsepower pump		(9,878)	(\$107,323)
15				
16	Total Accumulated Depreciation			<u>\$1,318,860</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

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

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
		COMPANY TEST YEAR AS FILED	STAFF TEST YEAR ADJUSTMENTS	STAFF TEST YEAR ADJ AS ADJUSTED	STAFF PROPOSED ADJ CHANGES	STAFF RECOMMENDED
REVENUES:						
1	Metered Water Sales	\$312,811		\$312,811	\$19,529	\$332,340
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	\$19,529	\$359,123
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	3,026 3	48,031	0	48,031
27	Taxes Other Than Income	10,565	0	10,565	0	10,565
28	Property Taxes	18,279	0	18,279	(127)	18,152
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	(\$491)	\$286,378	(\$127)	\$286,250
34						
35	Operating Income (Loss)	\$52,725	\$491	\$53,216	\$19,656	\$72,872

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	
<u>REVENUES:</u>						
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						
<u>OPERATING EXPENSES:</u>						
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	3,026	48,031
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	\$3,026	\$286,377
29						
30	Operating Income (Loss)	\$52,725	\$3,868	(\$350)	(\$3,026)	\$53,217

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	34,766,000		
10	10% of Water Pumped (L8 * 10%)	4,776,800		
11	Water Sold Plus 10% (L9 + L10)	39,542,800		
12	Excess Water Loss (L8 - L11)	8,225,200		
13	Percentage of Excess Water Loss (L12/L8)	17.22%		
14	Purchased Power Expense		\$22,461	
15	Purchased Power related to Excess Water Loss (L13 * L14)		\$3,868	

References:

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

Mount Tipton Water Company, Inc.
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Schedule BAB-13

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	9,842	(9,842)	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	118,662	0	118,662	12.50%	14,833
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	\$1,855,850	\$59,266	\$1,741,000		\$59,987
28							
29							
30		Composite Depreciation Rate (Depr Exp / Depreciable Plant):		3.45%			
31		CIAC:		<u>\$347,002</u>			
32		Amortization of CIAC (Line 33 x Line 34):		<u>\$11,956</u>			
33							
34		Depreciation Expense Before Amortization of CIAC:		<u>\$59,987</u>			
35		Less Amortization of CIAC:		<u>11,956</u>			
36		Test Year Depreciation Expense - Staff:		<u>\$48,031</u>			
37		Depreciation Expense - Company:		<u>45,005</u>			
38		Staff's Total Adjustment:		<u><u>\$3,026</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]	[B]
		STAFF AS ADJUSTED	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	359,123
5	Subtotal (Line 4 + Line 5)	\$1,018,782	\$1,038,311
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$339,594	\$346,104
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$679,188	\$692,207
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	\$692,207
13	Assessment Ratio	19.50%	19.00%
14	Assessment Value (Line 12 * Line 13)	\$132,442	\$131,519
15	Composite Property Tax Rate	13.80%	13.80%
			\$0
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)		\$18,152
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		18,279
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		(127)
22	Increase to Property Tax Expense		(\$127)
23	Increase in Revenue Requirement		\$19,529
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		-0.65%

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

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

\$228,943 Delinquent Property Tax balance as of 4/22/2015
12,699 Divided by: Total Number of Equivalent Bills
\$18.03 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	\$18.03	\$18.03
3/4" Meter	1.5	\$18.03	\$27.04
1" Meter	2.5	\$18.03	\$45.07
1 1/2" Meter	5	\$18.03	\$90.14
2" Meter	8	\$18.03	\$144.23
3" Meter	15	\$18.03	\$270.43
4" Meter	25	\$18.03	\$450.71
6" Meter	50	\$18.03	\$901.42

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	\$18.03	\$142,136
3/4" Meter	0	\$27.04	0
1" Meter	2	\$45.07	1,082
1 1/2" Meter	1	\$90.14	1,082
2" Meter	2	\$144.23	3,461
3" Meter	0	\$270.43	0
4" Meter	0	\$450.71	0
6" Meter	0	\$901.42	0
	<u>662</u>		<u>\$147,761</u>

Step 6 - Find the Property Tax Conversion Factor

1.01781

Step 7 - Find the Incremental Income Tax Factor

1.01781 minus 1 = 0.01781

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

0.01781 Incremental Income Tax Factor (from Step 7)
\$147,761 Multiplied by: Annual Surcharge Revenue (from Step 5)
\$2,632 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	\$332,340	\$0	\$332,340	
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	147,761	A	\$147,761
7	Other Water Revenues	5,992	0	\$5,992	
8	Total Operating Rev:	\$359,123	\$147,761	\$506,883	
9					
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	48,031	0	48,031	
26	Taxes Other Than Income	10,565	0	10,565	
27	Property Taxes	18,152	2,632	B	20,784
28	Income Taxes	0	0	0	
29	Customer Security Deposit Interest	324	0	324	
30	Total Operating Expense	\$286,250	\$2,632	\$288,882	
31					
32	Operating Income	\$72,872	\$145,129	\$218,001	
33					
34	Interest Income	\$0	\$0	\$0	
35	Interest Expense on Long-term debt	0	0	0	
36	Total Other Interest Expense	\$0	\$0	\$0	
37					
38	Net Income	\$72,872	\$145,129	\$218,001	
39					
40	Rate Base	\$502,801		\$502,801	
41					
42	Rate of Return (Line 32 / Line 40)	14.49%		43.36%	
43					
44	Operating Margin (Line 32 / Line 8)	20.29%		43.01%	
45					
46	Delinquent Property Tax Repayment	\$0	\$147,761	C	\$147,761
47					
48	Annual Debt Service Amount	\$100,615	\$0	\$100,615	
49					
50	Cash Flow (L38 + L25 - L46 - L48)	\$20,288	(\$2,632)	\$17,656	
51					
52	DSC [L25 + L28 + L32] ÷ [L46 + L48]	1.20		1.07	

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	\$25.00	\$23.00
3/4 Inch	33.38	37.50	34.13
1 Inch	55.63	62.50	56.38
1 1/2 Inch	111.25	125.00	112.00
2 Inch	178.00	200.00	178.75
3 Inch	356.00	400.00	356.75
4 Inch	556.25	625.00	557.00
6 Inch	112.50	1,250.00	1,112.50
8 Inch	1,780.00	1,875.00	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	4.65
Over 8,000 gallons	N/A	6.35	6.18
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	4.65
Over 8,000 gallons	N/A	6.35	6.18
3/4-Inch Meter			
First 3,000 gallons	N/A	\$3.50	3.05
3,001 to 8,000 gallons	N/A	5.00	4.65
Over 8,000 gallons	N/A	6.35	6.18
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	\$35.21	\$1.80	5.39%
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	Present		Company Proposed		Staff Recommended	
		%		%		%
Minimum Charge	\$22.25		Minimum Charge	\$25.00	Minimum Charge	\$23.00
1st Tier Rate	\$3.05		1st Tier Rate	\$3.50	1st Tier Rate	\$3.05
1st Tier Breakover	4,000		1st Tier Breakover	3,000	1st Tier Breakover	3,000
2nd Tier Rate	\$4.60		2nd Tier Rate	\$5.00	2nd Tier Rate	\$4.65
2nd Tier Breakover	9,000		2nd Tier Breakover	8,000	2nd Tier Breakover	8,000
3rd Tier Rate	\$5.50		3rd Tier Rate	\$6.35	3rd Tier Rate	\$6.18

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%	36.80	6.82%
5,000	39.05	45.50	16.52%	41.45	6.15%
6,000	43.65	50.50	15.69%	46.10	5.61%
7,000	48.25	55.50	15.03%	50.75	5.18%
8,000	52.85	60.50	14.47%	55.40	4.82%
9,000	57.45	66.85	16.36%	61.58	7.19%
10,000	62.95	73.20	16.28%	67.76	7.64%
11,000	68.45	79.55	16.22%	73.94	8.02%
12,000	73.95	85.90	16.16%	80.12	8.34%
13,000	79.45	92.25	16.11%	86.30	8.62%
14,000	84.95	98.60	16.07%	92.48	8.86%
15,000	90.45	104.95	16.03%	98.66	9.08%
16,000	95.95	111.30	16.00%	104.84	9.27%
17,000	101.45	117.65	15.97%	111.02	9.43%
18,000	106.95	124.00	15.94%	117.20	9.58%
19,000	112.45	130.35	15.92%	123.38	9.72%
20,000	117.95	136.70	15.90%	129.56	9.84%
25,000	145.45	168.45	15.81%	160.46	10.32%
30,000	172.95	200.20	15.76%	191.36	10.64%
35,000	200.45	231.95	15.71%	222.26	10.88%
40,000	227.95	263.70	15.68%	253.16	11.06%
45,000	255.45	295.45	15.66%	284.06	11.20%
50,000	282.95	327.20	15.64%	314.96	11.31%
75,000	420.45	485.95	15.58%	469.46	11.66%
100,000	557.95	644.70	15.55%	623.96	11.83%

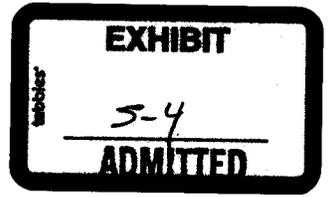
Typical Bill Analysis Including the Delinquent Property Tax Surcharge
General Service 5/8 x 3/4-Inch Meter

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	\$53.23	\$19.83	59.36%
Median Usage	2,364	29.46	48.24	18.78	63.74%

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

Gallons	Present		Company Proposed		Staff Recommended	
				%		%
	Minimum Charge	\$22.25	Minimum Charge	\$25.00	Minimum Charge	\$23.00
	1st Tier Rate	\$3.05	1st Tier Rate	\$3.50	1st Tier Rate	\$3.05
	1st Tier Breakover	4,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000
	2nd Tier Rate	\$4.60	2nd Tier Rate	\$5.00	2nd Tier Rate	\$4.65
	2nd Tier Breakover	9,000	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000
	3rd Tier Rate	\$5.50	3rd Tier Rate	\$6.35	3rd Tier Rate	\$6.18
					Delinquent Property Tax Surcharge	\$18.03

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$22.25	\$25.00	12.36%	\$41.03	84.40%
1,000	25.30	28.50	12.65%	\$44.08	74.22%
2,000	28.35	32.00	12.87%	\$47.13	66.24%
3,000	31.40	35.50	13.06%	\$50.18	59.80%
4,000	34.45	40.50	17.56%	\$54.83	59.15%
5,000	39.05	45.50	16.52%	\$59.48	52.31%
6,000	43.65	50.50	15.69%	\$64.13	46.92%
7,000	48.25	55.50	15.03%	\$68.78	42.55%
8,000	52.85	60.50	14.47%	\$73.43	38.94%
9,000	57.45	66.85	16.36%	\$79.61	38.57%
10,000	62.95	73.20	16.28%	\$85.79	36.28%
11,000	68.45	79.55	16.22%	\$91.97	34.36%
12,000	73.95	85.90	16.16%	\$98.15	32.72%
13,000	79.45	92.25	16.11%	\$104.33	31.31%
14,000	84.95	98.60	16.07%	\$110.51	30.09%
15,000	90.45	104.95	16.03%	\$116.69	29.01%
16,000	95.95	111.30	16.00%	\$122.87	28.05%
17,000	101.45	117.65	15.97%	\$129.05	27.20%
18,000	106.95	124.00	15.94%	\$135.23	26.44%
19,000	112.45	130.35	15.92%	\$141.41	25.75%
20,000	117.95	136.70	15.90%	\$147.59	25.13%
25,000	145.45	168.45	15.81%	\$178.49	22.71%
30,000	172.95	200.20	15.76%	\$209.39	21.07%
35,000	200.45	231.95	15.71%	\$240.29	19.87%
40,000	227.95	263.70	15.68%	\$271.19	18.97%
45,000	255.45	295.45	15.66%	\$302.09	18.26%
50,000	282.95	327.20	15.64%	\$332.99	17.68%
75,000	420.45	485.95	15.58%	\$487.49	15.94%
100,000	557.95	644.70	15.55%	\$641.99	15.06%



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
BRITON A. BAXTER
PUBLIC UTILITIES ANALYST IV
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JUNE 13, 2014

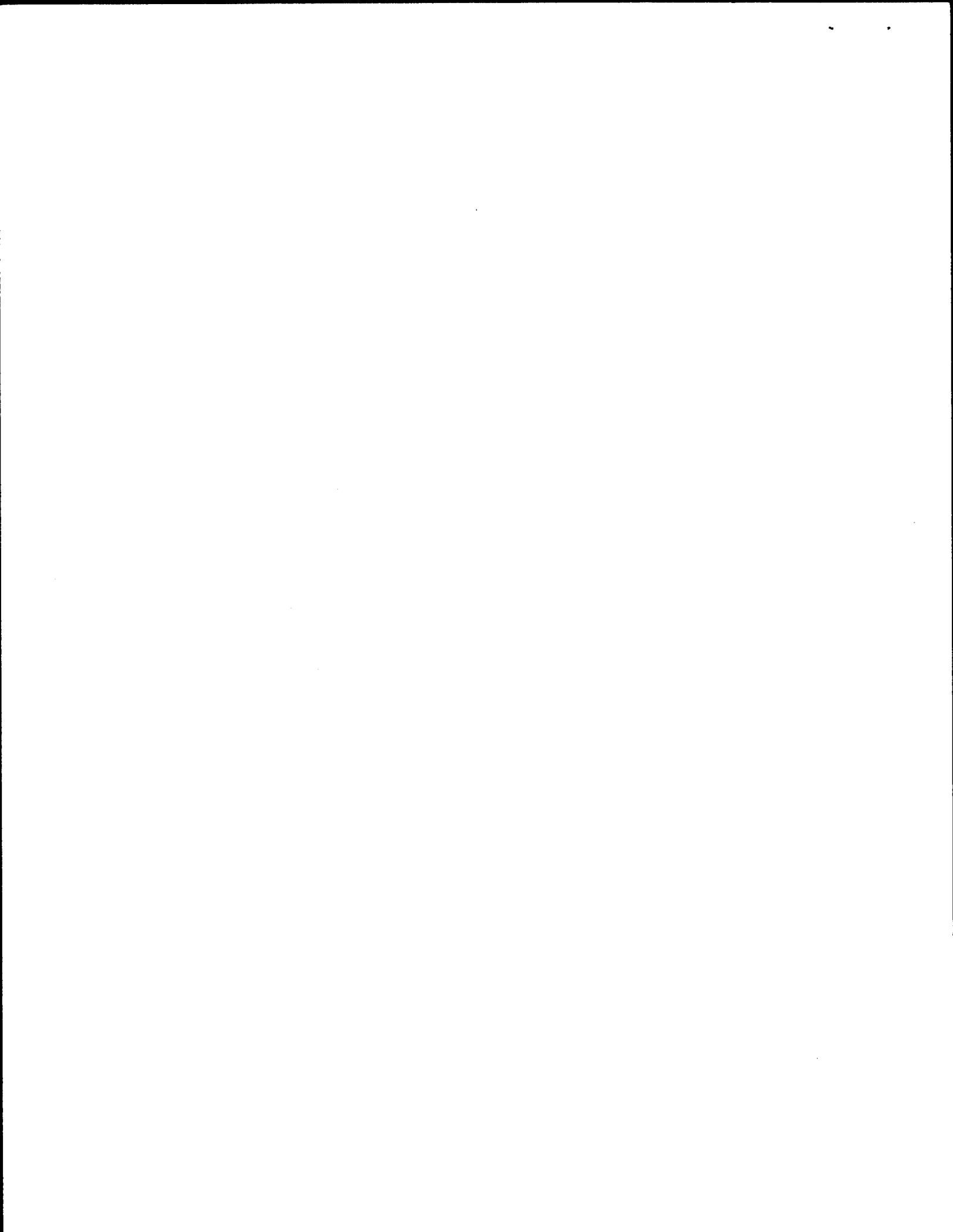


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EXECUTIVE SUMMARY
MT. TIPTON WATER COMPANY, INC.
DOCKET NO. W-02105A-13-0415

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:

1
2
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21

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
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Surrebuttal Schedule BAB-1

REVENUE REQUIREMENT			
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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	\$339,594		\$364,555
40	287,435		287,403
41	34,738		34,738
42	\$17,420		\$42,414
43	0		0
44	\$0		\$0
45	17,420		42,414
46	0		0
47	0		0
48	\$0		\$0

Calculation of Income Tax:

39	Revenue (Sch BAB-10, Col.(C) L4, BAB-1, Col. (D), L10)
40	Operating Expenses Excluding Income Taxes
41	Synchronized Interest (L53)
42	Arizona Taxable Income (L39 - L40 - L41)
43	Arizona State Income Tax Rate
44	Arizona Income Tax (L42 x L43)
45	Federal Taxable Income (L42 - L44)
46	Federal Tax
47	Total Federal Income Tax
48	Combined Federal and State Income Tax (L43 + L47)

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

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

Surrebuttal Schedule BAB-3

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>
	LESS:			
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
	ADD: Working Capital			
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.	Acct.	[A] COMPANY AS FILED	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I] STAFF AS ADJUSTED
			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	
1	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	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					
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
11					
12					
13					
14	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.
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Surrebuttal Schedule BAB-6

RATE BASE ADJUSTMENT NO. 2 - POWER GENERATION EQUIPMENT

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] 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]	[B]	[C]
			COMPANY AS FILED	STAFF ADJUSTMENTS	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.
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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.
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Surrebuttal Schedule BAB-8b

RATE BASE ADJUSTMENT NO. 5 - COMPUTERS & SOFTWARE

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] 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]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	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]

Mount Tipton Water Company, Inc.
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Surrebuttal Schedule BAB-9b

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]	[B]	[C]	[D]	[E]
		COMPANY TEST YEAR AS FILED	STAFF TEST YEAR ADJUSTMENTS	STAFF TEST YEAR ADJ AS ADJUSTED	STAFF PROPOSED ADJ CHANGES	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] COMPANY AS FILED	[B] ADJ #1 Purchased Power Ref: Sch BAB-12	[C] ADJ #2 Water Testing Ref: Sch BAB-13	[D] ADJ #3 Depreciation Expense Ref: Sch BAB-14	[E] STAFF ADJUSTED
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

Mount Tipton Water Company, Inc.
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Surrebuttal Schedule BAB-12

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>\$3,868</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]

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Surrebuttal Schedule BAB-13

OPERATING INCOME ADJUSTMENT NO. 2 - WATER TESTING

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		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>\$4,084</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]	[B]
		STAFF AS ADJUSTED	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 (Line 19/Line 20)		-0.13%

DELINQUENT PROPERTY TAX SURCHARGE CALCULATION

Delinquent Property Taxes due 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	
9	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	
31	Operating Income				
32		\$77,152	\$142,717	\$219,870	
33	Interest Income				
34		\$0	\$0	\$0	
35	Interest Expense on Long-term debt	0	0	0	
36	Total Other Interest Expense	\$0	\$0	\$0	
37	Net Income				
38		\$77,152	\$142,717	\$219,870	
39	Rate Base				
40		\$791,309		\$791,309	
41	Rate of Return (Line 32 / Line 40)				
42		9.75%		27.79%	
43	Operating Margin (Line 32 / Line 8)				
44		21.16%		43.36%	
45	Delinquent Property Tax Repayment				
46		\$0	\$142,533	C	\$142,533
47	Annual Debt Service Amount				
48		\$100,615	\$0	\$100,615	
49	Cash Flow (L38 + L25 - L46 - L48)				
50		\$25,626	\$184	\$25,810	
51	DSC [L25 + L28 + L32] + [L46 + L48]				
52		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	Minimum Charge	\$25.00	Minimum Charge	\$23.00
1st Tier Rate	\$3.05	1st Tier Rate	\$3.50	1st Tier Rate	\$3.05
1st Tier Breakover	4,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000
2nd Tier Rate	\$4.60	2nd Tier Rate	\$5.00	2nd Tier Rate	\$4.93
2nd Tier Breakover	9,000	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000
3rd Tier Rate	\$5.50	3rd Tier Rate	\$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

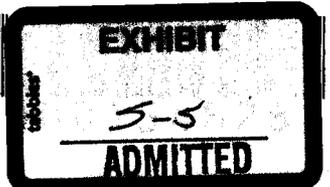
Gallons	Company Proposed		Staff Recommended	
	Present	%	Proposed	%
Minimum Charge	\$22.25		\$25.00	
1st Tier Rate	\$3.05		\$3.50	
1st Tier Breakover	4,000		3,000	
2nd Tier Rate	\$4.60		\$5.00	
2nd Tier Breakover	9,000		8,000	
3rd Tier Rate	\$5.50		\$6.35	
Delinquent Property Tax Surcharge				\$17.39

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%

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

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

2014 JUN 20 P 2:39

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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
SUPPLEMENTAL TESTIMONY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") files the Supplemental Testimony of Briton A. Baxter with attendant Revised Schedules BAB-1 through BAB-20.

RESPECTFULLY SUBMITTED this 20th day of June, 2014.

Brian E. Smith, Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

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

Docket Control
Arizona Corporation, Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

JUN 20 2014

DOCKETED BY NR

1 Copy of the foregoing mailed this
20th day of June 2014 to:

2 Steve Wene
3 Moyes Sellers & Hendricks Ltd.
1850 North Central Avenue, Suite 1100
4 Phoenix, Arizona 85004

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Supplemental Testimony of Briton A. Baxter
Docket No. W-02105A-13-0415
June 20, 2014

Staff's Supplemental Testimony corrects errors in its previous testimony based on issues raised by Judge Harpring at the June 19, 2014, pre-hearing conference in this Docket:

1. Service Line and Meter Installation Charges
2. Operating Income - Depreciation Expense

Based on these issues which are discussed below, Staff now recommends a revenue increase of \$28,863 (\$24,961 in Surrebuttal), or 8.61 percent, over test year revenue of \$335,144. The total annual revenue of \$364,007 produces an operating income of \$80,260 (\$77,153 in Surrebuttal), or a 10.20 percent (9.75 percent in Surrebuttal) rate of return on an original cost rate base of \$786,859. Adoption of Staff's proposed revenue requirement should result in a debt service coverage ratio of 1.25 (1.11 with Surcharge in Surrebuttal).

Service Line and Meter Installation Charges

Judge Harpring inquired as to whether the Service Line and Meter Installation Charges should have been recorded as a Contribution In Aid of Construction ("CIAC"), an Advance in Aid of Construction ("AIAC"), or revenue as it was recorded by the Company and Staff. Per NARUC, these should have been recorded as a special type of AIAC and, therefore, should be a reduction to rate base. On Staff's attached Revised Surrebuttal Schedules BAB-3, BAB-4 and BAB-9c, Staff has reduced rate base to recognize the \$4,450 of AIAC reported by the Company in the test year. The Company should identify any additional amounts of AIAC collected since the last rate case and deduct these amounts from rate base as well. In addition, the Company should provide refunds associated with AIAC on an annual basis each November at 10 percent for 10 years, as an offset to customer bills.

On Revised Surrebuttal Schedules BAB-10, BAB-11, and BAB-14b, Staff has removed \$4,450 from revenues to correct for this misclassification.

Operating Income - Depreciation Expense

Staff made an error with depreciation expense in its Surrebuttal schedules that resulted in overstating depreciation expense. Staff failed to account for footnote number 3 on the Company's Schedule C-2a that identified 5 accounts that were fully depreciated. On Revised Surrebuttal Schedule BAB-14a, Staff has adjusted for these errors which result in recommended depreciation of \$45,359, a decrease of \$3,730 from its original surrebuttal testimony.

Staff has attached Revised Surrebuttal Schedules BAB-1 through BAB-20 which set forth these corrections.

Staff will be prepared to address the remaining questions raised by the Administrative Law Judge during Staff's testimony at the hearing on June 23, 2014.

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

Revised Surrebuttal Schedule BAB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Adjusted Rate Base	\$755,229	\$786,859
2	Adjusted Operating Income (Loss)	\$52,725	\$51,439
3	Current Rate of Return (L2 / L1)	6.98%	6.54%
4	Required Rate of Return	12.98%	10.20% *
5	Required Operating Income (L4 * L1)	\$98,029	\$80,260
6	Operating Income Deficiency (L5 - L2)	\$45,304	\$28,821
7	Gross Revenue Conversion Factor/Property Tax Factor	1.0183	1.0015
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$46,133	\$28,863
9	Adjusted Test Year Revenue	\$339,594	\$335,144
10	Proposed Annual Revenue (L8 + L9)	\$385,727	\$364,007
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	13.58%	8.61%

References:

Column [A]: Company Schedules A-1

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

* It should be noted that based on the Company's capital structure, the Company's required rate of return is below 6 percent. Therefore, Staff utilized Debt Service Coverage Ratio to determine the appropriate revenue requirement. This number is the fall-out result of that calculation.

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)	0.1456%		
5	Subtotal (L3 - L4)	99.8544%		
6	Revenue Conversion Factor (L1 / L5)	1.001458		
<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)	0.1456%		
22	Effective Property Tax Factor (L20 * L21)		0.1456%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17 + L22)			0.1456%
24	Required Operating Income (Schedule BAB-1, Line 5)	\$80,260		
25	Adjusted Test Year Operating Income (Loss) (Schedule BAB-10, Line 35)	51,678		
26	Required Increase in Operating Income (L24 - L25)		\$28,581	
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)	\$364,007		
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)	\$18,082		
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)		(\$197)	
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$28,384	

	(A) Test Year	(B)	(C) Staff Recommended
39	Revenue (Sch BAB-10, Col.(C) L4, BAB-1, Col. (D), L10)		\$364,007
40	Operating Expenses Excluding Income Taxes	\$335,144	283,508
41	Synchronized Interest (L53)	283,466	34,543
42	Arizona Taxable Income (L39 - L40 - L41)	34,543	\$45,956
43	Arizona State Income Tax Rate	\$17,135	0
44	Arizona Income Tax (L42 x L43)	0	\$0
45	Federal Taxable Income (L42 - L44)	\$0	45,956
46	Federal Tax	17,135	0
47	Total Federal Income Tax	0	0
48	Combined Federal and State Income Tax (L43 + L47)	0	\$0

Calculation of Income Tax:

39 Revenue (Sch BAB-10, Col.(C) L4, BAB-1, Col. (D), L10)

40 Operating Expenses Excluding Income Taxes

41 Synchronized Interest (L53)

42 Arizona Taxable Income (L39 - L40 - L41)

43 Arizona State Income Tax Rate

44 Arizona Income Tax (L42 x L43)

45 Federal Taxable Income (L42 - L44)

46 Federal Tax

47 Total Federal Income Tax

48 Combined Federal and State Income Tax (L43 + L47)

50 Effective Tax Rate

Calculation of Interest Synchronization:

51	Rate Base (Schedule BAB-3, Col. (C), Line 14)	\$786,859
52	Weighted Average Cost of Debt	4.3900%
53	Synchronized Interest (L50 X L51)	\$34,543

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	\$4,450 1	\$4,450
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>\$4,450</u>	<u>\$34,355</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>\$31,630</u></u>	<u><u>\$786,859</u></u>

References:

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

1 Staff notes that the AIAC adjustment it is making is for the test year only and that the Company should identify all of these charges since the last rate case.

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	PLANT IN SERVICE	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	
		COMPANY	Wells & Springs	Generation Equipment	Pumping Equipment	Solution Chemical Feeders	Computers & Software	Accumulated Depreciation	Land and Land Rights	Service Line & Meter Advances	STAFF AS ADJUSTED
	AS FILED	Ref. Sch BAB-5	Ref. Sch BAB-6	Ref. Sch BAB-7	Ref. Sch BAB-8a	Ref. Sch BAB-8b	Ref. Sch BAB-9a	Ref. Sch BAB-9b	Ref. Sch BAB-9c		
1	301 Organization Cost	\$17,450	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,450	
2	302 Franchises	500	0	0	0	0	0	0	0	500	
3	303 Land and Land Rights	9,842	0	0	0	0	0	10,000	0	19,842	
4	304 Structures and Improvements	70,621	0	0	0	0	0	0	0	70,621	
5	305 Collecting and Impounding Reservoirs	0	0	0	0	0	0	0	0	0	
6	307 Wells and Springs	407,673	(59,283)	0	0	0	0	0	0	348,390	
7	309 Supply Mains	0	0	0	0	0	0	0	0	0	
8	310 Power Generation Equipment	0	0	27,400	0	0	0	0	0	27,400	
9	311 Pumping Equipment	113,628	0	0	14,913	0	0	0	0	128,541	
10	320 Water Treatment Equipment	0	0	0	0	0	0	0	0	0	
11	320.1 Water Treatment Plants	0	0	0	0	0	0	0	0	0	
12	320.2 Solution Chemical Feeders	53,075	0	0	0	(53,075)	0	0	0	0	
13	330 Distribution Reservoirs and Standpipes	0	0	0	0	0	0	0	0	0	
14	330.1 Storage Tanks	223,341	0	0	0	0	0	0	0	223,341	
15	330.2 Pressure Tanks	0	0	0	0	0	0	0	0	0	
16	331 Transmission and Distribution Mains	799,500	0	0	0	0	0	0	0	799,500	
17	333 Services	59,750	0	0	0	0	0	0	0	59,750	
18	334 Meters and Meter Installations	130,798	0	0	0	0	0	0	0	130,798	
19	335 Hydrants	1,230	0	0	0	0	0	0	0	1,230	
20	336 Backflow Prevention Devices	0	0	0	0	0	0	0	0	0	
21	339 Other Plant and Miscellaneous Equipment	1,880	0	0	0	0	0	0	0	1,880	
22	340 Office Furniture and Equipment	18,094	0	0	0	0	0	0	0	18,094	
23	340.1 Computers and Software	7,007	0	0	0	(1,321)	0	0	0	5,686	
24	341 Transportation Equipment	11,592	0	0	0	0	0	0	0	11,592	
25	343 Tools, Shop, and Garage Equipment	1,274	0	0	0	0	0	0	0	1,274	
26	344 Laboratory Equipment	0	0	0	0	0	0	0	0	0	
27	345 Power Operated Equipment	167	0	0	0	0	0	0	0	167	
28	346 Communication Equipment	0	0	0	0	0	0	0	0	0	
29	347 Miscellaneous Equipment	8,464	0	0	0	0	0	0	0	8,464	
30	348 Other Tangible Equipment	1,208	0	0	0	0	0	0	0	1,208	
31	Rounding	1	0	0	0	0	0	0	0	1	
32	Total Plant in Service	\$1,937,095	(\$59,283)	\$27,400	\$14,913	(\$53,075)	(\$1,321)	\$0	\$10,000	\$0	\$1,875,729
33	Less: Accumulated Depreciation	1,147,676	0	0	0	0	(97,446)	0	0	0	1,050,230
34	Net Plant in Service	\$789,419	(\$59,283)	\$27,400	\$14,913	(\$53,075)	(\$1,321)	\$97,446	\$10,000	\$0	\$825,499
35	LESS:										
36	Advances in Aid of Construction (AIAC)	\$16,029	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,029
37	Meter Deposits - Service Line & Meter Advances	0	0	0	0	0	0	0	4,450	4,450	0
38	Contributions in Aid of Construction (CIAC)	\$347,002	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$347,002
39	Less: Accumulated Amortization of CIAC	333,126	0	0	0	0	0	0	0	0	333,126
40	Net CIAC	\$13,876	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,876
41	Total Advances and Net Contributions	\$29,905	\$0	\$0	\$0	\$0	\$0	\$0	\$4,450	\$0	\$34,355
42	Customer Deposits	\$4,285	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,285
43	Accumulated Deferred Taxes	0	0	0	0	0	0	0	0	0	0
44	ADD: Working Capital										
45	Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
46		0	0	0	0	0	0	0	0	0	0
47	Total Rate Base	\$755,229	(\$59,283)	\$27,400	\$14,913	(\$53,075)	(\$1,321)	\$97,446	\$10,000	(\$4,450)	\$786,859

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					
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				<u>\$0</u>	
11					
12					
13					
14	NOT USED AND USEFUL				
15		Church or LDS Well	(\$29,012)		
16		Spring Well	(15,358)	<u>(\$44,370)</u>	

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]

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RATE BASE ADJUSTMENT NO. 2 - POWER GENERATION EQUIPMENT

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] 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					

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
10				<u>\$0</u>

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]

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Revised Surrebuttal Schedule BAB-8a

RATE BASE ADJUSTMENT NO. 4 - SOLUTION CHEMICAL FEEDERS

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] 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.
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Revised Surrebuttal Schedule BAB-8b

RATE BASE ADJUSTMENT NO. 5 - COMPUTERS & SOFTWARE

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] 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]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$1,147,676	(\$97,446)	\$1,050,230
2				
3	<u>Calculation of Accumulated Depreciation</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)	6.09%		
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]

* 6.09 percent of \$170,000 actually equals \$10,348. Staff rounded the value to an even \$10,000 since estimates were used for valuation purposes.

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Revised Surrebuttal Schedule BAB-9c

RATE BASE ADJUSTMENT NO. 8 - SERVICE LINE AND METER INSTALLATION CHARGES

LINE NO.	Act. No.	Description	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1		Meter Deposits - Service Line & Meter Advances	\$0	\$4,450	\$4,450

References:

Column [A]: Company Schedule C-1

Column [B]: Revised Surrebuttal Testimony, BAB

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

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
		COMPANY TEST YEAR AS FILED	STAFF TEST YEAR ADJUSTMENTS	STAFF TEST YEAR AS ADJUSTED	STAFF PROPOSED CHANGES	STAFF ADJ NO. RECOMMENDED
REVENUES:						
1	Metered Water Sales	\$312,811		\$312,811	\$28,863	\$341,674
2	Coin Revenue	16,341		16,341		16,341
3	Service Line and Meter Installation Charges	4,450	(4,450)	0		0
4	Other Operating Revenues	5,992		5,992		5,992
5	Total Revenues	\$339,594	(\$4,450)	\$335,144	\$28,863	\$364,007
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	354 3	45,359	0	45,359
27	Taxes Other Than Income	10,565	0	10,565	0	10,565
28	Property Taxes	18,279	(239)	18,040	42	18,082
29	Income Taxes	0	0	0	0	0
30	Customer Security Deposit Interest	324	0	324	0	324
33	Total Operating Expenses	\$286,869	(\$3,403)	\$283,466	\$42	\$283,508
35	Operating Income (Loss)	\$52,725	(\$1,047)	\$51,678	\$28,821	\$80,499

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] COMPANY AS FILED	[B] ADJ #1 Purchased Power	[C] ADJ #2 Water Testing	[D] ADJ #3 Depreciation Expense	[E] ADJ #4 Service Line Revenue	[F] STAFF ADJUSTED
			Ref: Sch BAB-12	Ref: Sch BAB-13	Ref: Sch BAB-14a	Ref: Sch BAB-14b	
REVENUES:							
1	Metered Water Sales	\$312,811	\$0	\$0	\$0	\$0	\$312,811
2	Coin Revenue	16,341	0	0	0	0	16,341
3	Service Line and Meter Installation Charges	4,450	0	0	0	(4,450)	0
4	Other Water Revenue	5,992	0	0	0	0	5,992
5	Total Revenues	\$339,594	\$0	\$0	\$0	(\$4,450)	\$335,144
6							
OPERATING EXPENSES:							
8	Salaries and Wages	\$103,268	\$0	\$0	\$0	\$0	\$103,268
9	Purchased Water	0	0	0	0	0	0
10	Purchased Power	22,461	(3,868)	0	0	0	18,593
11	Chemicals	0	0	0	0	0	0
12	Repairs and Maintenance	15,086	0	0	0	0	15,086
13	Office Supplies & Expense	29,286	0	0	0	0	29,286
14	Outside Services	8,030	0	0	0	0	8,030
15	Water Testing	3,956	0	350	0	0	4,306
16	Rental Expense	500	0	0	0	0	500
17	Transportation Expenses	9,336	0	0	0	0	9,336
18	Insurance - General Liability	10,691	0	0	0	0	10,691
19	Insurance - Health and Life	0	0	0	0	0	0
20	Rate Case Expense	7,000	0	0	0	0	7,000
21	Miscellaneous Expense	3,082	0	0	0	0	3,082
22	Depreciation Expense	45,005	0	0	354	0	45,359
23	Taxes Other Than Income	10,565	0	0	0	0	10,565
24	Property Taxes	18,279	0	0	0	0	18,279
25	Income Taxes	0	0	0	0	0	0
26	Customer Security Deposit Interest	324	0	0	0	0	324
27							
28	Total Operating Expenses	\$286,869	(\$3,868)	\$350	\$354	\$0	\$283,705
29							
30	Operating Income (Loss)	\$52,725	\$3,868	(\$350)	(\$354)	(\$4,450)	\$51,439

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Revised Surrebuttal Schedule BAB-12

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>\$3,868</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]

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Revised Surrebuttal Schedule BAB-13

OPERATING INCOME ADJUSTMENT NO. 2 - WATER TESTING

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		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	5,686	0	20.00%	0
21	341	Transportation Equipment	11,592	11,592	0	20.00%	0
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	167	0	5.00%	0
25	347	Miscellaneous Equipment	8,464	8,464	0	10.00%	0
26	348	Other Tangible Equipment	1,208	1,208	0	10.00%	0
27		Total Plant	\$1,875,728	\$76,383	\$1,723,761		\$56,791
28							
29							
30		Composite Depreciation Rate (Depr Exp / Depreciable Plant):		3.29%			
31		CIAC:		\$347,002			
32		Amortization of CIAC (Line 33 x Line 34):		\$11,432			
33							
34		Depreciation Expense Before Amortization of CIAC:		\$56,791			
35		Less Amortization of CIAC:		11,432			
36		Test Year Depreciation Expense - Staff:		\$45,359			
37		Depreciation Expense - Company:		45,005			
38		Staff's Total Adjustment:		\$354			

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 NO. 4 - SERVICE LINE AND METER INSTALLATION CHARGES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Service Line and Meter Installation Charges	\$4,450	(\$4,450)	\$0

References:

Column [A]: Company Schedule C-1

Column [B]: Testimony BAB

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

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OPERATING INCOME ADJUSTMENT - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$335,144	\$335,144
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$670,288	\$670,288
4	Staff Recommended Revenue, Per Schedule BAB-1	335,144	364,007
5	Subtotal (Line 4 + Line 5)	\$1,005,432	\$1,034,295
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$335,144	\$344,765
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$670,288	\$689,530
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)	\$670,288	\$689,530
13	Assessment Ratio	19.50%	19.00%
14	Assessment Value (Line 12 * Line 13)	\$130,706	\$131,011
15	Composite Property Tax Rate	13.80%	13.80%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$18,040	
17	Company Proposed Property Tax	18,279	
18	Staff Test Year Adjustment (Line 16-Line 17)	(\$239)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$18,082
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		18,040
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		42
22	Increase to Property Tax Expense		\$42
23	Increase in Revenue Requirement		\$28,863
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.15%

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

1.00146

Step 7 - Find the Incremental Income Tax Factor

1.00146 minus 1 = 0.00146

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

0.00146 Incremental Income Tax Factor (from Step 7)
 \$142,533 Multiplied by: Annual Surcharge Revenue (from Step 5)
 \$208 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	\$341,674	\$0	\$341,674	
4	Coin Revenue	\$16,341	0	\$16,341	
5	Service Line and Meter Installation Charges	\$0	0	\$0	
6	Delinquent Property Tax Surcharge	0	142,533	A	\$142,533
7	Other Water Revenues	5,992	0	\$5,992	
8	Total Operating Rev:	\$364,007	\$142,533	\$506,540	
9					
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	45,359	0	45,359	
26	Taxes Other Than Income	10,565	0	10,565	
27	Property Taxes	18,082	208	B	18,290
28	Income Taxes	0	0	0	
29	Customer Security Deposit Interest	324	0	324	
30	Total Operating Expense	\$283,508	\$208	\$283,716	
31					
32	Operating Income	\$80,499	\$142,325	\$222,824	
33					
34	Interest Income	\$0	\$0	\$0	
35	Interest Expense on Long-term debt	0	0	0	
36	Total Other Interest Expense	\$0	\$0	\$0	
37					
38	Net Income	\$80,499	\$142,325	\$222,824	
39					
40	Rate Base	\$786,859		\$786,859	
41					
42	Rate of Return (Line 32 / Line 40)	10.23%		28.32%	
43					
44	Operating Margin (Line 32 / Line 8)	22.11%		43.99%	
45					
46	Delinquent Property Tax Repayment	\$0	\$142,533	C	\$142,533
47					
48	Annual Debt Service Amount	\$100,615	\$0	\$100,615	
49					
50	Cash Flow (L38 + L25 - L46 - L48)	\$25,243	(\$208)	\$25,035	
51					
52	DSC [L25 + L28 + L32 - L46] ÷ [L48]	1.25		1.25	

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

Delinquent Property Tax Surcharge	\$0.00	\$11.98	\$17.39
-----------------------------------	--------	---------	---------

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	5.19
Over 8,000 gallons	N/A	6.35	6.82
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	5.19
Over 8,000 gallons	N/A	6.35	6.82
3/4-Inch Meter			
First 3,000 gallons	N/A	\$3.50	3.05
3,001 to 8,000 gallons	N/A	5.00	5.19
Over 8,000 gallons	N/A	6.35	6.82
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	\$35.56	\$2.15	6.44%
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 Proposed		Staff Recommended	
	Present	%	Present	%
Minimum Charge	\$22.25		\$23.00	
1st Tier Rate	\$3.05		\$3.50	
1st Tier Breakover	4,000		3,000	
2nd Tier Rate	\$4.60		\$5.19	
2nd Tier Breakover	9,000		8,000	
3rd Tier Rate	\$5.50		\$6.82	

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%	37.34	8.37%
5,000	39.05	45.50	16.52%	42.52	8.89%
6,000	43.65	50.50	15.69%	47.71	9.29%
7,000	48.25	55.50	15.03%	52.89	9.62%
8,000	52.85	60.50	14.47%	58.08	9.89%
9,000	57.45	66.85	16.36%	64.89	12.95%
10,000	62.95	73.20	16.28%	71.71	13.91%
11,000	68.45	79.55	16.22%	78.52	14.71%
12,000	73.95	85.90	16.16%	85.34	15.40%
13,000	79.45	92.25	16.11%	92.15	15.98%
14,000	84.95	98.60	16.07%	98.97	16.50%
15,000	90.45	104.95	16.03%	105.78	16.95%
16,000	95.95	111.30	16.00%	112.60	17.35%
17,000	101.45	117.65	15.97%	119.41	17.70%
18,000	106.95	124.00	15.94%	126.23	18.02%
19,000	112.45	130.35	15.92%	133.04	18.31%
20,000	117.95	136.70	15.90%	139.86	18.57%
25,000	145.45	168.45	15.81%	173.93	19.58%
30,000	172.95	200.20	15.76%	208.01	20.27%
35,000	200.45	231.95	15.71%	242.08	20.77%
40,000	227.95	263.70	15.68%	276.16	21.15%
45,000	255.45	295.45	15.66%	310.23	21.44%
50,000	282.95	327.20	15.64%	344.31	21.68%
75,000	420.45	485.95	15.58%	514.68	22.41%
100,000	557.95	644.70	15.55%	685.06	22.78%

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

Revised Surrebuttal Schedule BAB-20

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	\$52.95	\$19.54	58.51%
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	Minimum Charge	\$25.00	Minimum Charge	\$23.00	
1st Tier Rate	\$3.05	1st Tier Rate	\$3.50	1st Tier Rate	\$3.05	
1st Tier Breakover	4,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000	
2nd Tier Rate	\$4.60	2nd Tier Rate	\$5.00	2nd Tier Rate	\$5.19	
2nd Tier Breakover	9,000	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000	
3rd Tier Rate	\$5.50	3rd Tier Rate	\$6.35	3rd Tier Rate	\$6.82	
					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%	\$54.73	58.86%
5,000	39.05	45.50	16.52%	\$59.91	53.42%
6,000	43.65	50.50	15.69%	\$65.10	49.13%
7,000	48.25	55.50	15.03%	\$70.28	45.66%
8,000	52.85	60.50	14.47%	\$75.47	42.79%
9,000	57.45	66.85	16.36%	\$82.28	43.22%
10,000	62.95	73.20	16.28%	\$89.10	41.53%
11,000	68.45	79.55	16.22%	\$95.91	40.12%
12,000	73.95	85.90	16.16%	\$102.73	38.91%
13,000	79.45	92.25	16.11%	\$109.54	37.87%
14,000	84.95	98.60	16.07%	\$116.36	36.97%
15,000	90.45	104.95	16.03%	\$123.17	36.18%
16,000	95.95	111.30	16.00%	\$129.99	35.47%
17,000	101.45	117.65	15.97%	\$136.80	34.85%
18,000	106.95	124.00	15.94%	\$143.62	34.28%
19,000	112.45	130.35	15.92%	\$150.43	33.78%
20,000	117.95	136.70	15.90%	\$157.25	33.32%
25,000	145.45	168.45	15.81%	\$191.32	31.54%
30,000	172.95	200.20	15.76%	\$225.40	30.32%
35,000	200.45	231.95	15.71%	\$259.47	29.44%
40,000	227.95	263.70	15.68%	\$293.55	28.78%
45,000	255.45	295.45	15.66%	\$327.62	28.25%
50,000	282.95	327.20	15.64%	\$361.70	27.83%
75,000	420.45	485.95	15.58%	\$532.07	26.55%
100,000	557.95	644.70	15.55%	\$702.45	25.90%

ORIGINAL

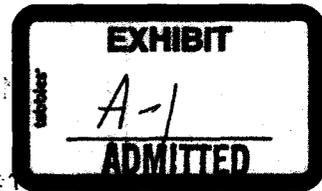


0000149867

NEW APPLICATION

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.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission

DOCKETED

DEC 2 2013

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

RATE APPLICATION

18 Mt. Tipton Water Company, Inc. ("Company" or "Applicant"), hereby applies for
19 an increase in its water rates and charges.

20 SUPPORTING DOCUMENTATION

21 Pursuant to A.A.R. Rule 14-2-103, the Company submits the following
22 documentation in support of the proposed increase in rates and charges:
23

- 24 • Direct Testimony of Sonn Rowell (*see* Attachment 1);
- 25 • Schedules prepared by Sonn Rowell (*see* Attachment 2);
- 26 • Direct Testimony of Michelle Monzillo (*see* Attachment 3);
- 27 • Water Use Data Sheets (*see* Attachment 4); and
- 28

- Plant Descriptions (*see* Attachment 5).

RESPECTFULLY SUBMITTED this 2nd day of December, 2013.

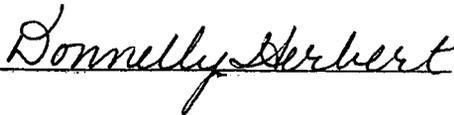
MOYES SELLERS & HENDRICKS LTD.



Steve Wene

Original and 13 copies of the foregoing
filed this 2nd day of December, 2013, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



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

DIRECT TESTIMONY OF
 SONN S. ROWELL

13 **Q-1 Please state your name and current employment position:**

14 **A-1 My name is Sonn S. Rowell, and I am a Certified Public Accountant and**
15 **Regulatory Consultant. I am also a managing member of Desert Mountain Analytical**
16 **Services, PLLC ("DMAS").**

17 **Q-2 Describe your educational and professional background:**

18 **A-2 I hold a Bachelor of Science Degree in Accounting from Arizona State University,**
19 **as well as my CPA certification from the Arizona State Board of Accountancy. I have**
20 **worked for many years in the practice of small business public accounting and regulatory**
21 **consulting, and have held part-time accountancy teaching positions at Mesa Community**
22 **College. After employment with the Accounting and Rates Section of the Utilities**
23 **Division at the Arizona Corporation Commission ("Commission") for four years, I**
24 **formed DMAS and now specialize primarily in regulatory accounting and consulting.**

25 **Q-3 By whom are you employed and in what capacity?**

26 **A-3 I have been retained by the management of Mt. Tipton Water Company, Inc.,**
27 **("Mt. Tipton" or "Company") to prepare a Class C rate application for submittal to the**
28 **Commission as Ordered in Decision 72001.**

1 **Q-4 What is the purpose of your testimony?**

2 **A-4** The purpose of my testimony is to present my analysis and recommendations
3 concerning the development of Mt. Tipton's gross revenue requirement, taking into
4 account rate base, adjusted operating income, rate of return, required operating income,
5 required rate of return for the historic twelve month period, and other relevant factors to
6 sponsor certain exhibits in support of the rate application.

7 **Q-5 Please summarize the Company's proposal.**

8 **A-5** Mt. Tipton is seeking an increase in gross revenue requirement of approximately
9 \$45,947, or a rate increase of approximately 14.69% over actual test year revenue, for its
10 customers to pay for increased operational expenses, and provide conditional cash flow
11 for an aging system that needs many constant replacements and repairs.

12 **Q-6 What is the basis for your recommendation?**

13 **A-6** I analyzed the Company's records to determine the adjusted revenues and
14 expenses during the test year ending June 30, 2013. Next, I calculated a reasonable
15 revenue requirement in order to ensure the Company can earn sufficient revenue to pay
16 ongoing operating expenses, the debt service on the four loans, and ongoing system
17 improvements and upgrades which will enable the Company to continue to provide
18 adequate and reliable water service to its customers. Based upon my analysis, I have
19 prepared the schedules in accordance with A.A.C. Rule 14-2-103 that are set forth in
20 Application Exhibit 2, which I adopt as part of my testimony.

21 **Q-7 Did the Company adjust actual test year amounts for plant and other rate**
22 **base items?**

23 **A-7** Yes. The Company made one adjustment to reclassify \$1,321 of annual software
24 expenses from account 340.1 – Computers and Software to account 620 – Office
25 expense. The adjustment to plant is delineated on Schedule B-2, Adjustment A, and the
26 corresponding adjustment to expense on Schedule C-2, Adjustment B.

27 **Q-8 Please identify and explain the adjustments made on Schedule C-1 – Adjusted**
28 **Test Year Income Statement of this application.**

1 **A-8** Adjustment A removes sales tax adjustments in the amount of \$444 from test year
2 metered water revenue and decreases revenue for billing adjustments made in the RVS
3 system but not carried to the general ledger revenue account.

4 **Q-9** Please explain Adjustment B.

5 **A-9** Adjustment B as delineated on Schedule C-2 increases account 620 for annual fees
6 related to the software programs utilized by the utility.

7 **Q-10** How did you determine the amount of proposed rate case expense?

8 **A-10** The estimate for Adjustment C includes \$35,000 of total expense amortized over 5
9 years, or \$7,000 per year.

10 **Q-11** Please explain how you calculated Adjustment D to depreciation expense.

11 **A-11** Schedule C-2a begins with plant in service at the end of the test year, and applies
12 depreciation rates currently in effect, resulting in depreciation expense of \$58,424. This
13 amount must be reduced by \$13,419 to account for CIAC amortization, resulting in
14 adjusted depreciation expense of \$45,005. Since test year depreciation expense was
15 \$125,612, this represents a decrease of \$80,607 over actual test year expense.

16 **Q-12** Please explain Adjustments E1 and E2 to property tax expenses as illustrated
17 on Schedule C-2b.

18 **A-12** Adjustment E1 increases test year property tax expense by \$4,656 to \$18,279, as a
19 result of the standard ADOR calculation. Adjustment H2 increases proposed property tax
20 expense by \$824, from the adjusted test year calculated amount of \$18,279, to \$19,104 at
21 proposed rates.

22 **Q-13** Is Adjustment F merely to reclassify the interest on security deposit interest
23 from the customer deposit account?

24 **A-13** Yes.

25 **Q-14** What is the purpose of Adjustment G?

26 **A-14** Adjustment G removes \$63,058 of below-the-line, non-recurring expense related
27 to the retirement of an old well.

28 **Q-15** How was Adjustment H determined?

1 **A-15** Adjustment H increases metered water revenue from the adjusted test year amount
2 of \$312,811 by \$45,947 to \$358,758 for Mt. Tipton, per the calculation set forth on
3 Schedule A-1.

4 **Q-15 Please summarize your rate design for Mt. Tipton.**

5 **A-15** The rate design proposed by the Company is consistent with its current rate
6 design. The rate design proposed by Mt. Tipton is intended to spread the impact of the
7 increase over the various classes as equitably as possible to minimize the impact of rate
8 shock on any one class or meter size. In addition, the Company wishes for simplicity to
9 maintain the current tier structure applying to all customers it currently has.

10 **Q-16 Can you explain the impacts of this rate design further on the 5/8 by 3/4 inch**
11 **residential customers?**

12 **A-16** The 5/8 by 3/4 inch residential meters is the largest class of users. The 5/8 by 3/4
13 inch residential meter class will experience an average increase of 14.75% as depicted on
14 Schedule H-1. Based upon average usage of 3,657 gallons per month, the monthly bill
15 for these customers will increase \$5.38, from \$33.40 to \$38.79, or 16.11%. That is an
16 increase of \$64.56 per year for the average user in this meter size.

17 **Q-17 What method did Mt. Tipton use to calculate the revenue requirement?**

18 **A-17** The Company evaluated many different factors in determining an appropriate
19 revenue requirement, and decided to use the typical rate of return method as reflected on
20 lines 1 through 8 of Schedule A-1. Due to the number of loans and the large of amount
21 of monthly debt service, the Company also evaluated the potential cash flow as
22 delineated on lines 10 through 19, as well as the WIFA DSCR on lines 21 through 23.

23 **Q-18 On Schedule D-1 Mt. Tipton is requesting a cost rate of 45% on Common**
24 **equity of \$156,080 resulting in a rate of return percentage of 12.98%. Is it normal**
25 **to request such a high cost rate for common equity?**

26 **A-18** No. That number is there to force the required rate of return amount to be high
27 enough to generate the necessary operating income so the company can meet all of its
28 financial and operational obligations. As this company is a non-profit, no one is

1 benefiting from the return, therefore, theoretically the amount is meaningless as it is just a
2 tool to arrive at a proper operating income amount.

3 **Q-19 A rate of return amount of 12.98% was selected, why is that?**

4 **A-19** As reflected on Schedule E-7, Mt. Tipton continues to lose its customer base, and
5 residential customer demand decreased by 9.58% since the 2011 calendar year. Per
6 Decision 72001, the revenue requirement adopted was \$356,490, of which \$324,920 was
7 metered water revenue. Per Schedule E-2, Mt. Tipton's metered water revenue during
8 2011, 2012 and the test year was \$322,237, \$310,396, and \$312,811,¹ respectively. The
9 Company has not met its metered water revenue target in the two years these rates have
10 been in effect. In fact, as further delineated on Schedule E-2, Mt. Tipton has not even
11 earned total revenue that hits the revenue target of \$356,490 including other revenue and
12 the coin machine. There absolutely must be enough projected cash flow for the company
13 to survive when the revenue requirement established by a Decision is not met, nor is it
14 likely to be met due to tiered rates.

15 **Q-20 Is there a reason why Mt. Tipton would need an additional amount of**
16 **projected cash flow than other companies?**

17 **A-20** Yes. Mt. Tipton is still reeling from the mismanagement of the early 2000's and
18 has a large outstanding amount of property taxes due from that time to Mohave County
19 that continue to accrue interest. Management has stated that the amount due is now so
20 large due to interest that the ability to ever pay the amount off is in question, thus
21 affecting its ability as a going concern. Please see the testimony of Michelle Monzillo for
22 further details of this situation.

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

24 **A-21** Yes.
25
26
27

28 _____
¹ \$312,811 is the adjusted revenue. Unadjusted revenue was \$313,207.

ATTACHMENT 2

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

Schedule A-1
 Title: Computation of Increase in Gross
 Revenue Requirements

Explanation:
 Schedule showing computation of increase in
 gross revenue requirements and spread of revenue
 increase by customer classification.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Special Reqmt	<input type="checkbox"/>

	Original Cost		RCND
1 Adjusted Rate Base	\$ 753,909 (a)		(a)
2 Adjusted Operating Income	\$ 52,726 (b)		(b)
3 Current Rate of Return	6.99%		
4 Required Operating Income	\$ 97,848		
5 Required Rate of Return	12.98%		
6 Operating Income Deficiency (Line 4 - 2)	\$ 45,122		
7 Gross Revenue Conversion Factor	1.0183 (c)		(c)
8 Increase in Gross Revenue Requirements (Line 6 x 7)	\$ 45,947		
<i>9 Cash Flow calculation</i>			
10 Operating Income	\$ 97,848 (b)		(b)
11 Depreciation Expense	45,005 (b)		(b)
12 Estimated Operating Cash Available (Line 10 + 11)	\$ 142,853		
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 Estimated Conditional Cash Flow (Line 12+13+14+15+16)	\$ 42,238		
18 Proposed Revenue	\$ 385,541 (b)		(b)
19 Conditional Cash Flow as Percent of Revenue (Line 17 / 18)	10.96%		
<i>20 Operating Margin calculation</i>			
21 Operating Income	\$ 97,848		
22 Proposed Revenue	\$ 385,541		
23 Operating Margin (Line 21 / 22)	25.38%		
<i>24 WIFA DSCR calculation</i>			
25 Proposed Operating Income plus Depreciation	\$ 142,853		
26 Annual Debt Service Amount	100,615		
27 Debt Service Coverage Ratio (Line 25 / 26)	1.42		

	Customer Classification	Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase	
28 Residential		\$ 264,638	\$ 303,656	\$ 39,018	14.74%	(d)
29 Commercial		37,240	42,499	5,259	14.12%	
30 Other Metered		10,933	12,603	1,670	15.27%	
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		<u>\$ 339,594</u>	<u>\$ 385,541</u>	<u>\$ 45,947</u>	<u>13.53%</u>	

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

(a) B-1 (b) C-1 (c) C-3 (d) H-1

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

Schedule A-2
Title: Summary Results of Operations

Required for: All Utilities
Class A
Class B
Class C
Class D
Specil Reqmt

Explanation:

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Description	Prior Years		Test Year		Projected Year	
	Year End	Year End	Actual	Adjusted	Present	Proposed
	31-Dec-11	31-Dec-12	Rates	Rates	Rates	Rates
	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	\$ 347,099	\$ 332,534	\$ 339,990	\$ 339,594	\$ 339,594	\$ 385,541
2. Revenue Deductions & Operating Expenses	(272,980)	(331,238)	(354,175)	(286,868)	(286,868)	(287,693)
3. Operating Income	\$ 74,119	\$ 1,296	\$ (14,185)	\$ 52,726	\$ 52,726	\$ 97,848
4. Other Income and Deductions	7,935	7,164	(60,678)	2,380	2,380	2,380
5. Interest Expense	(16,403)	(15,237)	(11,770)	(11,770)	(11,770)	(11,770)
6. Net Income	\$ 65,651	\$ (6,777)	\$ (86,633)	\$ 43,336	\$ 43,336	\$ 88,458
7. Earned Per Average Common Share*						
8. Dividends Per Common Share*				No Shares		
9. Payout Ratio*						
10. Return on Average Invested Capital	9.62%	-0.93%	-11.74%	5.87%	5.87%	11.99%
11. Return on Year End Capital	9.62%	-0.93%	-11.74%	5.87%	5.87%	11.99%
12. Return on Average Common Equity	455.78%	-5.76%	-55.51%	27.77%	27.77%	56.67%
13. Return on Year End Common Equity	455.78%	-5.76%	-55.51%	27.77%	27.77%	56.67%
14. Times Bond Interest Earned - Before Inc Tax	500.24%	55.52%	-636.05%	468.19%	468.19%	851.56%
15. Times Total Interest and Preferred Dividends Earned - After Income Taxes	500.24%	55.52%	-636.05%	468.19%	468.19%	851.56%

Supporting Schedules:

*Optional for projected year

- (a) E-2
- (b) C-1
- (c) F-1

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

Schedule A-4
Title: Construction Expenditures and
Gross Utility Plant in Service

Explanation:
 Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2011	\$ 28,816	\$ (43,338)	\$ 2,045,264
2. Prior Year 2 - Jan to June 2012	25,826	25,826	2,071,090
3. Test Year - July 2012 to June 2013	62,791	(135,316)	1,935,774
4. Projected Year - July 2013 to June 2014	30,000	30,000	1,965,774
5. Projected *			
6. Projected *			

*** Required only for Class A and B Utilities**

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
 (a) F-3
 (b) E-5

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

Schedule B-1
Title: Summary of Original Cost
and RCND

Explanation:
 Schedule showing elements of adjusted original cost
 and RCND rate bases.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

	Original Cost Rate Base*	RCND Rate Base*
1 Gross Utility Plant in Service	\$ 1,935,774	
2 Less: Accumulated Depreciation	<u>(1,147,676)</u>	
3 Net Utility Plant in Service	\$ 788,099 (a)	(b)
4 Less:		
5 Advances in Aid of Construction	\$ (16,029) (c)	(c)
6 Contributions in Aid of Construction	(347,002) (c)	(c)
7 Customer Security Deposits	(4,285) (c)	
8 Add:		
9 Amortization of Contributions	\$ 333,126 (c)	
10 Allowance for Working Capital	<u>-</u> (d)	(d)
11 Total Rate Base	<u>\$ 753,909</u> (e)	(e)

* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) B-2 (d) B-5
- (b) B-3
- (c) E-1

Recap Schedules:

- (e) A-1

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

Schedule B-2
Title: Original Cost Rate Base
Proforma Adjustments

Explanation:
 Schedule showing pro forma adjustments to gross plant
 in service and accumulated depreciation, and original
 cost rate base.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

	Actual at End Of Test Year (a)	Pro forma Adjustment	Adjusted at End Of Test Year (b)
1 Gross Utility Plant in Service	\$ 1,937,095	(1,321) A	\$ 1,935,774
2 Less: Accumulated Depreciation	(1,147,676)		(1,147,676)
3 Net Utility Plant in Service	\$ 789,420	\$ (1,321)	\$ 788,099
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>\$ 755,230</u>	<u>\$ (1,321)</u>	<u>\$ 753,909</u>

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

A Reclassify annual software renewal costs to expense.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
 (a) E-1

Recap Schedules:
 (b) B-1

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

Schedule B-5
Title: Computation of Working Capital

Explanation:
 Schedule showing computation of working capital allowance.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Speci Reqmt	<input type="checkbox"/>

	<u>Amount</u>
1. Cash working capital	
1/24th Purchased Power	
1/24th Purchased Water	
1/8th Operation & Maintenance Expense	
2. Materials and Supplies Inventories	(a)
3. Prepayments	(a)
4. Total Working Capital Allowance	\$ - (b)

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
 (a) E-1

Recap Schedules:
 (b) B-1

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

Schedule C-1
Title: Adjusted Test Year Income Statement

Explanation:
Schedule showing statement of income for the test year,
including pro forma adjustments.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

Acct	Description	Actual for Test Year Ended (a) 30-Jun-13	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:						
1	461 Metered Water Revenue	\$ 313,207	A (396)	\$ 312,811	H \$ 45,947	\$ 358,758
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	Total Operating Revenue	\$ 339,990	\$ (396)	\$ 339,594	\$ 45,947	\$ 385,541
Operating Expenses:						
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 (80,607)	45,005		45,005
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 824	19,104
24	409 Income Taxes	-		-		-
25	427.2 Customer Security Deposit Interest	-	F 324	324		324
26	Total Operating Expenses	\$ 354,175	\$ (67,306)	\$ 286,868	\$ 824	\$ 287,693
27	OPERATING INCOME/(LOSS)	\$ (14,185)	\$ 66,910	\$ 52,726	(c) \$ 45,122	\$ 97,848
Other Income/(Expense):						
29	419 Interest Income	\$ 34		\$ 34	\$ -	\$ 34
30	421 Rental Income	5,721		5,721		5,721
31	427 Interest Expense	(11,770)		(11,770)		(11,770)
32	Rental Expense	(3,375)		(3,375)		(3,375)
33	430 Loss on Disposition of Equipment	(63,058)	G 63,058	-		-
34	Total Other Income/(Expense)	\$ (72,448)	\$ 63,058	\$ (9,390)	\$ -	\$ (9,390)
35	NET INCOME/(LOSS)	\$ (86,633)	\$ 129,968	\$ 43,336	\$ 45,122	\$ 88,458

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2 (b) C-2

Recap Schedules:
(c) A-1

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

Schedule C-2
Title: Income Statement Proforma
Adjustments

Explanation:
 Schedule itemizing pro forma adjustments to the test year
 income statement.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Adjustment	Explanation of Adjustment	Adjustment Amount
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 (\$35,000 amortized over 5 years).	\$ 7,000
D	Please refer to Schedule C-2a.	\$ (80,607)
E1	Please refer to Schedule C-2b.	\$ 4,656
E2	Please refer to Schedule C-2b.	824
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.	\$ 45,947

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

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

Recap Schedules:
 (a) C-1

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

Schedule C-2a
 Title: Income Statement Proforma
 Adjustments

Explanation:

Schedule detailing the calculations for proforma Adjustment F to depreciation expense for the projected year income statement.

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%	9,842	-
304	Structures & Improvements	3.33%	70,621	2,352
307	Wells & Springs	3.33%	407,673	13,576
311	Pumping Equipment	12.50%	113,628	14,204
320	Water Treatment Equipment	0.00%	-	-
320.1	Water Treatment Plants	3.33%	-	-
320.2	Solution Chemical Feeders ³	20.00%	53,075	-
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 ¹	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 ²	6.67%	18,094	42
340.1	Computers and Software ³	20.00%	7,007	-
341	Transportation Equipment ³	20.00%	11,592	-
343	Tools, Shop, and Garage Equipment	5.00%	1,274	64
345	Power Operated Equipment ³	5.00%	167	-
347	Miscellaneous Equipment ³	10.00%	8,464	-
348	Other Tangible Plant ³	10.00%	1,208	-
Totals			\$ 1,937,095	\$ 58,424

CIAC Amortization \$ (13,419)

Proposed Depreciation Expense \$ 45,005

Test Year Depreciation Expense 125,612

Adjustment D to Depreciation Expense \$ (80,607)

¹ \$69,595 of the balance in this account is fully depreciated.

² \$17,463 of the balance in this account is fully depreciated.

³ The total amount in these accounts is fully depreciated.

Supporting Schedules:

Recap Schedules:
 C-1, C-2

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

Schedule C-2b
Title: Income Statement Proforma
Adjustments

DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENTS H1 AND H2

Line	Test Year as Adjusted	Company at Proposed Rates
1 Adjusted Test Year Revenue	\$ 339,594	\$ 339,594
2 Weight Factor	2	2
3 Subtotal	\$ 679,189	\$ 679,189
4 Company Recommended Revenue	339,594	385,541
5 Subtotal	\$ 1,018,783	\$ 1,064,730
6 Number of Years	3	3
7 Three Year Revenue Average	\$ 339,594	\$ 354,910
8 AZ Department of Revenue Multiplier	2	2
9 Revenue Base Value	\$ 679,189	\$ 709,820
10 Plus 10% of CWIP	-	-
11 Less: Net Book Value of Licensed Vehicles	-	-
12 Full Cash Value	\$ 679,189	\$ 709,820
13 Assessment Ratio	19.50%	19.50%
14 Assessment Value	\$ 132,442	\$ 138,415
15 Composite Property Tax Rate *	13.8017%	13.8017%
16 Adjusted Test Year Property Tax Expense	\$ 18,279	
17 Actual Test Year Property Tax Expense	13,623	
18 Total Adjustment E1	\$ 4,656	
19 Projected Property Tax Expense		\$ 19,104
20 Adjusted Test Year Property Tax Expense		18,279
21 Total Adjustment E2		\$ 824
22 * Property tax composite rate calculation:		
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 For Gross Revenue Conversion Factor:		
27 Change in Property Tax Expense	\$ 824	
28 Change in Revenue Requirement	45,947	
29 Change in Property Tax per Dollar Increase in Revenue	1.7942%	

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

Schedule C-3
Title: Computation of Gross Revenue
Conversion Factor

Explanation:
 Schedule showing incremental taxes on gross revenues and
 the development of a gross revenue conversion factor.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

<u>Description</u>	<u>Percentage of Incremental Gross Revenues</u>
1 Revenues	1.0000
2 Property Taxes	1.794% (0.0179)
3 Arizona Taxable Income	0.9821
4 Arizona Income Tax	-
5 Federal Taxable Income	0.9821
6 Federal Income Tax	-
7 Operating Income	0.9821
8 Gross Revenue Conversion Factor (Line 1 / Line 7)	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) A-1

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

Schedule D-1
 Title: Summary Cost of Capital

Explanation:
 Schedule showing elements of capital structure
 and the related cost.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Invested Capital	End of Test Year				End of Projected Year			
	Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
Long-Term Debt (a)	\$ 581,695	78.84%	4.39%	3.46%	\$ 581,695	78.84%	4.39%	3.46%
Short-Term Debt (a)	-	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%
Common Equity (c)	156,080	21.16%	45.00%	9.52%	156,080	21.16%	45.00%	9.52%
Total	\$ 737,775			12.98%	\$ 737,775			12.98%

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

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

Schedule E-1
Title: Comparative Balance
Sheet

Explanation:
Schedule showing comparative balance sheets at the end of the
test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

\$ 44,713
\$ 44,714

	Test Year At 30-Jun-13	Prior Year 31-Dec-12	Prior Year 31-Dec-11
ASSETS			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	\$ 1,937,095	\$ 1,926,094	\$ 2,045,264
103 Property Held for Future Use			
105 Construction Work in Process	-	-	-
108 Accumulated Depreciation	(1,147,676)	(1,118,663)	(1,258,984)
121 Non - Utility Property			
Total Property Plant & Equipment	\$ 789,419	\$ 807,431	\$ 786,280
Current Assets:			
131 Cash	\$ 38,359	\$ 42,094	\$ 35,253
135 Prepays/Deposits			
141 Customer Accounts Receivable	39,257	28,782	31,641
174 Miscellaneous Current and Accrued Assets	71,679	58,705	50,449
Total Current Assets	\$ 149,295	\$ 129,581	\$ 117,343
TOTAL ASSETS	\$ 938,714	\$ 937,012	\$ 903,623
LIABILITIES and STOCKHOLDERS' EQUITY			
Capitalization: (b)			
215 Retained Earnings	\$ 156,080	\$ 117,658	\$ 14,404
Current Liabilities:			
231 Accounts Payable	\$ 9,826	\$ 13,850	\$ 59,937
235 Customer Deposits	4,285	3,946	2,860
236 Accrued Taxes	156,923	151,225	105,483
241 Misc Current and Accrued Liabilities			
Total Current Liabilities	\$ 171,034	\$ 169,021	\$ 168,280
224 Long-Term Debt (Over 12 Months)	\$ 581,695	\$ 611,600	\$ 667,724
Deferred Credits:			
252.1 Meter Deposits	\$ 16,029	\$ 18,197	\$ 19,261
252.2 Advances In Aid Of Construction			
271 Contributions In Aid Of Construction	347,002	347,002	347,002
272 Less: Amortization of Contributions	(333,126)	(326,466)	(313,048)
Total Deferred Credits	\$ 29,905	\$ 38,733	\$ 53,215
Total Liabilities	\$ 782,634	\$ 819,354	\$ 889,219
TOTAL LIABILITIES and STOCKHOLDERS' EQUITY	\$ 938,714	\$ 937,012	\$ 903,623

Supporting Schedules:
(a) E-5

Recap Schedules:
(b) A-3

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

Schedule E-2
Title: Comparative Income Statements

Explanation:
Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

	Test Year Ended 30-Jun-13	Prior Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11
Revenues: (a)			
461 Metered Water Revenue	\$ 313,207	\$ 310,396	\$ 322,237
461.1 Coin Revenue	16,341	16,568	19,751
474.5 Non-Refundable Hook Up Fees	4,450		
474 Other Water Revenue	5,992	5,570	5,111
Total Revenues	\$ 339,990	\$ 332,534	\$ 347,099
Operating Expenses (a)			
601 Salaries & Wages	\$ 103,268	\$ 97,836	\$ 78,040
610 Purchased Water	-		
615 Purchased Power	22,461	18,251	21,900
618 Chemicals	-		
620 Repairs and Maintenance	15,086	13,285	6,311
621 Office Supplies and Expense	27,965	12,656	6,318
630 Outside Services	8,030	10,666	10,346
635 Water Testing	3,956	3,996	4,233
641 Rents	500		
650 Transportation Expense	9,336	8,386	10,930
657 Insurance - General liability	10,691	8,688	9,154
659 Insurance - Health and Life	-		
666 Regulatory Commission Expense - Rate Case	-		
675 Miscellaneous Expense	3,082	13,308	3,834
403 Depreciation Expense	125,612	117,483	78,590
408 Taxes Other Than Income	10,565	12,842	12,319
408.11 Property Taxes	13,623	13,841	31,005
409 Income Tax	-		
427.2 Customer Security Deposit Interest	-		
Total Operating Expenses	\$ 354,175	\$ 331,238	\$ 272,980
OPERATING INCOME/(LOSS)	\$ (14,185)	\$ 1,296	\$ 74,119
Other Income/(Expense)			
419 Interest Income	\$ 34	\$ 12	25
421 Rental Income	5,721	7,152	7,910
427 Interest Expense	(11,770)	(15,237)	(16,403)
Rental Expense	(3,375)		
430 Loss on Disposition of Equipment	(63,058)		
Total Other Income/(Expense)	\$ (72,448)	\$ (8,073)	\$ (8,468)
NET INCOME/(LOSS)	\$ (86,633)	\$ (6,777)	\$ 65,651

Supporting Schedules:
(a) E-6

Recap Schedules:
A-2

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

Schedule E-5
Title: Detail of Utility Plant

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Account Number	Description	End of Prior Year at 30-Jun-12	Net Additions	End of Test Year at 30-Jun-13
301	Organization	\$ 17,450		\$ 17,450
302	Franchises	500		500
303	Land & Land Rights	9,842		9,842
304	Structures & Improvements	70,108	513	70,621
307	Wells & Springs	605,431	(197,758)	407,673
311	Pumping Equipment	65,778	47,850	113,628
320	Water Treatment Equipment	-		-
320.1	Water Treatment Plants	-		-
320.2	Solution Chemical Feeders	53,075		53,075
330	Distribution Reservoirs & Standpipes	-		-
330.1	Storage Tanks	223,341		223,341
330.2	Pressure Tanks	-		-
331	Transmission & Distribution Mains	796,660	2,840	799,500
333	Services	59,750		59,750
334	Meters & Meter Installations	120,821	9,977	130,798
335	Hydrants	1,230		1,230
339	Other Plant and Misc Equipment	998	882	1,880
340	Office Furniture & Equipment	18,094		18,094
340.1	Computers and Software	5,686	1,321	7,007
341	Transportation Equipment	11,592		11,592
343	Tools, Shop, and Garage Equipment	895	379	1,274
345	Power Operated Equipment	167		167
347	Miscellaneous Equipment	8,464		8,464
348	Other Tangible Plant	1,208		1,208
Total Plant In Service		\$ 2,071,090	\$ (133,995)	\$ 1,937,095
Accumulated Depreciation		1,287,536	(139,860)	1,147,676
Net Plant In Service		\$ 783,554	\$ 5,865	\$ 789,419
Construction Work in Process		-	-	-
Total Net Plant		\$ 783,554	\$ 5,865	\$ 789,419

Supporting Schedules:

Recap Schedules:
E-1 A-4

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

Schedule E-8
Title: Taxes Charged to Operations

Explanation:
Schedule showing all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

Description	Test Year Ended 30-Jun-13	Prior Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11
Federal Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	8,206	9,976	9,569
Total Federal Taxes	\$ 8,206	\$ 9,976	\$ 9,569
State Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	2,359	2,866	2,750
Total State Taxes	\$ 2,359	\$ 2,866	\$ 2,750
Local Taxes:			
Property	\$ 13,623	\$ 13,841	\$ 31,005
Total Taxes	\$ 24,188	\$ 26,683	\$ 43,324

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

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

Schedule E-7
 Title: Operating Statistics

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

Explanation:
 Schedule showing key operating statistics in comparative format,
 for the test year and the 2 fiscal years ended prior to the test year.

	Test Year Ended 30-Jun-13	Prior Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11
Water Statistics:			
Gallons Sold - By Class of Service:			
Residential	29,075,015	30,601,842	32,154,937
Commercial	3,071,786	2,924,158	3,072,563
Average Number of Customers - By Class of Service:			
Residential	610	610	625
Commercial	52	52	49
Average Annual Gallons Per Residential Customer	47,664	50,167	51,448
Average Annual Revenue Per Residential Customer	\$ 412.38	\$ 423.37	\$ 429.26
Pumping Cost Per 1,000 Gallons	\$ 0.70	\$ 0.54	\$ 0.62

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

Schedule E-9
Title: Notes to Financial
Statements

Explanation:
Disclosure of important facts pertaining to the understanding
of the financial statements.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Disclosures should include, but not be limited to the following:

1 Accounting Method.

The books of Mt. Tipton Water Company are kept as accrual basis, and follow NARUC rules, including the USoA.

2 Depreciation lives and methods employed by major classification of utility property.

Mt. Tipton is using the depreciation rates as authorized in Decision 72001, which became effective on December 1, 2010.

3 Income tax treatment - normalization or flow through.

Mount Tipton Water is a member/customer owned non-profit, and therefore does not pay income taxes.

4 Interest rate used to charge interest during construction, if applicable.

Not Applicable.

Supporting Schedules:

Recap Schedules:

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

Schedule F-1
Title: Projected Income Statements
Present and Proposed Rates

Explanation:
Schedule showing an income statement for the projected year,
compared with actual test year results, at present and proposed
rates.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Specd Reqmt	<input type="checkbox"/>

	<u>Projected Year</u>		
	<u>Actual</u>	<u>At Present</u>	<u>At Proposed</u>
	<u>Test Year</u>	<u>Rates</u>	<u>Rates</u>
	<u>Ended (a)</u>	<u>Year Ended (b)</u>	<u>Year Ended (b)</u>
	<u>30-Jun-13</u>	<u>30-Jun-13</u>	<u>30-Jun-13</u>
Operating Revenues:			
461 Metered Water Revenue	\$ 313,207	\$ 312,811	\$ 358,758
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
Total Operating Revenue	\$ 339,990	\$ 339,594	\$ 385,541
Operating Expenses:			
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	45,005	45,005
408 Taxes Other Than Income	10,565	10,565	10,565
408.11 Property Taxes	13,623	18,279	19,104
409 Income Taxes	-	-	-
427 Customer Security Deposits	-	324	324
Total Operating Expenses	\$ 354,175	\$ 286,868	\$ 287,693
OPERATING INCOME/(LOSS)	\$ (14,185)	\$ 52,726	\$ 97,848
Other Income/(Expense):			
419 Interest Income	\$ 34	\$ 34	\$ 34
421 Rental Income	5,721	5,721	5,721
427 Interest Expense	(11,770)	(11,770)	(11,770)
Rental Expense	(3,375)	(3,375)	(3,375)
430 Loss on Disposition of Equipment	(63,058)	-	-
Total Other Income/(Expense)	\$ (72,448)	\$ (9,390)	\$ (9,390)
NET INCOME/(LOSS)	\$ (86,633)	\$ 43,336	\$ 88,458
Earnings per share of average Common Stock Outstanding	N/A	N/A	N/A
% Return on Common Equity	-55.51%	27.77%	56.67%
Supporting Schedules: (a) E-2	Recap Schedules: (b) A-2		

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

Schedule F-3
Title: Projected Construction
Requirements

Explanation:
 Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Property Classification	Actual Test Year Ended 6/30/2013	Projected Year Ended 6/30/2014
Production Plant	\$ 47,850	\$ 20,000
Transmission Plant	12,817	10,000
Other Plant	1,775	-
Total Plant	\$ 62,442	\$ 30,000

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:
 (a) F-2 & A-4

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

Schedule F-4
Title: Assumptions Used in
Developing Projection

Explanation:
Documentation of important assumptions used in preparing
forecasts and projections

Required for: All Utilities
Class A
Class B
Class C
Class D
Speci Reqmt

X

Important assumptions used in preparing projections should be explained.

Areas covered should include:

- 1 Customer growth
Customer growth has either been declining or stagnant. The area is economic ally depressed.
- 2 Growth in consumption and customer demand
Customer demand and consumption continues to decline along with the number of customers as noted above.
- 3 Changes in expenses
The Company believes the test year ended 06/30/2013, with the limited proforma adjustments included in this application, accurately depict the revenue required to effectively operate the utility and manage debt service and payables going forward.
- 4 Construction requirements including production reserves and changes in plant capacity
No further construction is anticipated.
- 5 Capital structure changes
None anticipated.
- 6 Financing costs, interest rates
Mount Tipton current has four approved loans, two from USDA (both at 4.5% interest), and two loans from WIFA, a large loan at 4.725% and a small loan at 3.675%.

Supporting Schedules:

Recap Schedules:

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

Schedule: H-1
Title: Summary of Revenues by Customer
Classification - Present and Proposed Rates

Explanation:
Schedule comparing revenues by customer classification for
the Test Year, at present and proposed rates.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

Customer Classification	Revenues in the Test Year (a)		Proposed Increase (b)	
	Present Rates	Proposed Rates	Amount	%
Residential				
5/8 x 3/4 inch	\$ 263,423	\$ 302,267	\$ 38,844	14.75%
1 inch	1,215	1,389	174	14.32%
Total Residential Revenue	\$ 264,638	\$ 303,656	\$ 39,018	14.74%
Commercial				
5/8 x 3/4 inch	\$ 21,929	\$ 25,155	\$ 3,226	14.71%
1 inch	1,216	1,403	187	15.38%
1.5 inch	1,222	1,377	155	12.68%
2 inch	6,198	7,064	866	13.97%
4 inch	6,675	7,500	825	12.36%
Total Commercial Revenue	\$ 37,240	\$ 42,499	\$ 5,259	14.12%
Other				
Bulk	\$ 10,546	\$ 12,171	\$ 1,625	15.41%
Sprinkler	120	132	12	10.00%
Fire Department Non-Potable	267	300	33	12.36%
Total Other Metered Revenue	\$ 10,933	\$ 12,603	\$ 1,670	15.27%
Total Metered Water Revenues	\$ 312,811	\$ 358,758	\$ 45,947	14.69%
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%
Total Revenues	\$ 339,594	\$ 385,541	\$ 45,947	13.53%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-I

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

Schedule: H-3
 Title: Changes in Representative Rate
 Schedules - Page 1 of 2

Explanation:
 Schedule comparing present rate schedules with proposed
 rate schedule.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specil Reqmt	<input type="checkbox"/>

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

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE:			
5/8" x 3/4" Meter	\$ 22.25	\$ 25.00	12.36%
3/4" Meter	33.38	37.50	12.34%
1" Meter	55.63	62.50	12.35%
1-1/2" Meter	111.25	125.00	12.36%
2" Meter	178.00	200.00	12.36%
3" Meter	356.00	400.00	12.36%
4" Meter	556.25	625.00	12.36%
6" Meter	1,112.50	1,250.00	12.36%
8" Meter	1,780.00	1,875.00	5.34%

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%

Description	Present Rate	Proposed Rate	% change
Bulk Sales per 1,000 Gallons ≈	\$ 5.50	\$ 6.35	15.45%
Vending rate for 40 gallons	\$ 0.25	\$ 0.25	0.00%

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

Schedule: H-3
 Title: Changes in Representative Rate
 Schedules - Page 2 of 2

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	

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 line.
- ***** 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 line.

Supporting Schedules:

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

Schedule: H-4
 Title: Typical Bill
 Analysis
 Page 1 of 5

Explanation: Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. 5/8" x 3/4" meter - residential and commercial	Required for: All Utilities	X
	Class A	
	Class B	
	Class C	
	Class D	
	Spec'l Reqmt	

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	22.25 \$	25.00	12.36%
1,000	25.30	28.50	12.65%
2,000	28.35	32.00	12.87%
3,000	31.40	35.50	13.06%
4,000	34.45	40.50	17.56%
5,000	39.05	45.50	16.52%
6,000	43.65	50.50	15.69%
7,000	48.25	55.50	15.03%
8,000	52.85	60.50	14.47%
9,000	57.45	66.85	16.36%
10,000	62.95	73.20	16.28%
15,000	90.45	104.95	16.03%
20,000	117.95	136.70	15.90%
25,000	145.45	168.45	15.81%
50,000	282.95	327.20	15.64%
75,000	420.45	485.95	15.58%
100,000	557.95	644.70	15.55%
125,000	695.45	803.45	15.53%
150,000	832.95	962.20	15.52%
175,000	970.45	1,120.95	15.51%
200,000	1,107.95	1,279.70	15.50%

Supporting Schedules:

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

Schedule: H-4
 Title: Typical Bill
 Analysis
 Page 2 of 5

Explanation: Required for: All Utilities
 Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. Class A
 Class B
 Class C
 Class D
 1 inch meter - commercial Spec'l Reqmt

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	55.63 \$	62.50	12.35%
1,000	58.68	66.00	12.47%
2,000	61.73	69.50	12.59%
3,000	64.78	73.00	12.69%
4,000	67.83	78.00	14.99%
5,000	72.43	83.00	14.59%
6,000	77.03	88.00	14.24%
7,000	81.63	93.00	13.93%
8,000	86.23	98.00	13.65%
9,000	90.83	104.35	14.88%
10,000	96.33	110.70	14.92%
15,000	123.83	142.45	15.04%
20,000	151.33	174.20	15.11%
25,000	178.83	205.95	15.17%
50,000	316.33	364.70	15.29%
75,000	453.83	523.45	15.34%
100,000	591.33	682.20	15.37%
125,000	728.83	840.95	15.38%
150,000	866.33	999.70	15.39%
175,000	1,003.83	1,158.45	15.40%
200,000	1,141.33	1,317.20	15.41%

Supporting Schedules:

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

Schedule: H-4
 Title: Typical Bill
 Analysis
 Page 3 of 5

Explanation: Required for: All Utilities
 Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. Class A
 Class B
 Class C
 Class D
 1.5 inch meter - commercial Specd Reqmt

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	111.25	\$ 125.00	12.36%
1,000	114.30	128.50	12.42%
2,000	117.35	132.00	12.48%
3,000	120.40	135.50	12.54%
4,000	123.45	140.50	13.81%
5,000	128.05	145.50	13.63%
6,000	132.65	150.50	13.46%
7,000	137.25	155.50	13.30%
8,000	141.85	160.50	13.15%
9,000	146.45	166.85	13.93%
10,000	151.95	173.20	13.98%
15,000	179.45	204.95	14.21%
20,000	206.95	236.70	14.38%
25,000	234.45	268.45	14.50%
50,000	371.95	427.20	14.85%
75,000	509.45	585.95	15.02%
100,000	646.95	744.70	15.11%
125,000	784.45	903.45	15.17%
150,000	921.95	1,062.20	15.21%
175,000	1,059.45	1,220.95	15.24%
200,000	1,196.95	1,379.70	15.27%

Supporting Schedules:

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

Schedule: H-4
 Title: Typical Bill
 Analysis
 Page 4 of 5

Explanation: Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. 2 inch meter - commercial	Required for: All Utilities Class A Class B Class C Class D Specl Reqmt	<table border="1" style="border-collapse: collapse;"> <tr><td style="text-align: center;">X</td></tr> <tr><td style="text-align: center;"> </td></tr> </table>	X					
X								

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 178.00	\$ 200.00	12.36%
1,000	181.05	203.50	12.40%
2,000	184.10	207.00	12.44%
3,000	187.15	210.50	12.48%
4,000	190.20	215.50	13.30%
5,000	194.80	220.50	13.19%
6,000	199.40	225.50	13.09%
7,000	204.00	230.50	12.99%
8,000	208.60	235.50	12.90%
9,000	213.20	241.85	13.44%
10,000	218.70	248.20	13.49%
15,000	246.20	279.95	13.71%
20,000	273.70	311.70	13.88%
25,000	301.20	343.45	14.03%
50,000	438.70	502.20	14.47%
75,000	576.20	660.95	14.71%
100,000	713.70	819.70	14.85%
125,000	851.20	978.45	14.95%
150,000	988.70	1,137.20	15.02%
175,000	1,126.20	1,295.95	15.07%
200,000	1,263.70	1,454.70	15.11%

Supporting Schedules:

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

Schedule: H-4
 Title: Typical Bill
 Analysis
 Page 5 of 5

Explanation: Required for: All Utilities
 Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates. Class A
 Class B
 Class C
 Class D
 4 inch meter - commercial Specl Reqmt

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 556.25	\$ 625.00	12.36%
1,000	559.30	628.50	12.37%
2,000	562.35	632.00	12.39%
3,000	565.40	635.50	12.40%
4,000	568.45	640.50	12.67%
5,000	573.05	645.50	12.64%
6,000	577.65	650.50	12.61%
7,000	582.25	655.50	12.58%
8,000	586.85	660.50	12.55%
9,000	591.45	666.85	12.75%
10,000	596.95	673.20	12.77%
15,000	624.45	704.95	12.89%
20,000	651.95	736.70	13.00%
25,000	679.45	768.45	13.10%
50,000	816.95	927.20	13.50%
75,000	954.45	1,085.95	13.78%
100,000	1,091.95	1,244.70	13.99%
125,000	1,229.45	1,403.45	14.15%
150,000	1,366.95	1,562.20	14.28%
175,000	1,504.45	1,720.95	14.39%
200,000	1,641.95	1,879.70	14.48%

Supporting Schedules:

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

Schedule: H-5
 Title: Bill Count
 Page 1 of 10

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

5/8 x 3/4 inch meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	989	-	989	13.52%	-	0.00%
1 to 1,000	1,231	615,500	2,220	30.36%	615,500	2.30%
1,001 to 2,000	1,067	1,600,500	3,287	44.95%	2,216,000	8.29%
2,001 to 3,000	1,015	2,537,500	4,302	58.83%	4,753,500	17.78%
3,001 to 4,000	749	2,621,500	5,051	69.07%	7,375,000	27.58%
4,001 to 5,000	543	2,443,500	5,594	76.49%	9,818,500	36.72%
5,001 to 6,000	409	2,249,500	6,003	82.09%	12,068,000	45.13%
6,001 to 7,000	302	1,963,000	6,305	86.22%	14,031,000	52.47%
7,001 to 8,000	211	1,582,500	6,516	89.10%	15,613,500	58.39%
8,001 to 9,000	159	1,351,500	6,675	91.28%	16,965,000	63.44%
9,001 to 10,000	131	1,244,500	6,806	93.07%	18,209,500	68.09%
10,001 to 12,000	191	2,101,000	6,997	95.68%	20,310,500	75.95%
12,001 to 14,000	92	1,196,000	7,089	96.94%	21,506,500	80.42%
14,001 to 16,000	60	900,000	7,149	97.76%	22,406,500	83.79%
16,001 to 18,000	42	714,000	7,191	98.33%	23,120,500	86.46%
18,001 to 20,000	29	551,000	7,220	98.73%	23,671,500	88.52%
20,001 to 25,000	37	832,500	7,257	99.23%	24,504,000	91.63%
25,001 to 30,000	23	632,500	7,280	99.55%	25,136,500	94.00%
30,001 to 35,000	13	422,500	7,293	99.73%	25,559,000	95.58%
35,001 to 40,000	8	300,000	7,301	99.84%	25,859,000	96.70%
40,001 to 50,000	5	225,000	7,306	99.90%	26,084,000	97.54%
50,001 to 60,000	2	110,000	7,308	99.93%	26,194,000	97.95%
60,001 to 70,000	2	130,000	7,310	99.96%	26,324,000	98.44%
70,001 to 80,000	1	75,000	7,311	99.97%	26,399,000	98.72%
80,001 to 90,000		-	7,311	99.97%	26,399,000	98.72%
90,001 to 100,000		-	7,311	99.97%	26,399,000	98.72%
133,140	1	133,140	7,312	99.99%	26,532,140	99.21%
209,940	1	209,940	7,313	100.00%	26,742,080	100.00%
	7,313	26,742,080				

Average Number of Customers 609
 Average Consumption 3,657
 Median Consumption 2,364

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
 Title: Bill Count
 Page 2 of 10

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

5/8 x 3/4 inch meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	22	-	22	4.17%	-	0.00%
1 to 1,000	174	87,000	196	37.12%	87,000	3.56%
1,001 to 2,000	95	142,500	291	55.11%	229,500	9.38%
2,001 to 3,000	33	82,500	324	61.36%	312,000	12.75%
3,001 to 4,000	25	87,500	349	66.10%	399,500	16.33%
4,001 to 5,000	27	121,500	376	71.21%	521,000	21.30%
5,001 to 6,000	30	165,000	406	76.89%	686,000	28.04%
6,001 to 7,000	19	123,500	425	80.49%	809,500	33.09%
7,001 to 8,000	18	135,000	443	83.90%	944,500	38.61%
8,001 to 9,000	9	76,500	452	85.61%	1,021,000	41.73%
9,001 to 10,000	8	76,000	460	87.12%	1,097,000	44.84%
10,001 to 12,000	23	253,000	483	91.48%	1,350,000	55.18%
12,001 to 14,000	11	143,000	494	93.56%	1,493,000	61.03%
14,001 to 16,000	9	135,000	503	95.27%	1,628,000	66.54%
16,001 to 18,000	4	68,000	507	96.02%	1,696,000	69.32%
18,001 to 20,000	7	133,000	514	97.35%	1,829,000	74.76%
20,001 to 25,000	6	135,000	520	98.48%	1,964,000	80.28%
25,001 to 30,000	-	-	520	98.48%	1,964,000	80.28%
30,001 to 35,000	-	-	520	98.48%	1,964,000	80.28%
35,001 to 40,000	1	37,500	521	98.67%	2,001,500	81.81%
40,001 to 50,000	3	135,000	524	99.24%	2,136,500	87.33%
50,001 to 60,000	1	55,000	525	99.43%	2,191,500	89.58%
60,001 to 70,000	-	-	525	99.43%	2,191,500	89.58%
70,001 to 80,000	1	75,000	526	99.62%	2,266,500	92.64%
80,001 to 90,000	1	85,000	527	99.81%	2,351,500	96.12%
90,001 to 100,000	1	95,000	528	100.00%	2,446,500	100.00%
		-	528	100.00%	2,446,500	100.00%
	528	2,446,500				

Average Number of Customers 44
 Average Consumption 4,634
 Median Consumption 1,716

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
 Title: Bill Count
 Page 3 of 10

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

1 inch meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1 to 1,000	2	1,000	2	16.67%	1,000	0.84%
1,001 to 2,000	3	4,500	5	41.67%	5,500	4.62%
2,001 to 3,000	-	-	5	41.67%	5,500	4.62%
3,001 to 4,000	1	3,500	6	50.00%	9,000	7.56%
4,001 to 5,000	-	-	6	50.00%	9,000	7.56%
5,001 to 6,000	-	-	6	50.00%	9,000	7.56%
6,001 to 7,000	-	-	6	50.00%	9,000	7.56%
7,001 to 8,000	-	-	6	50.00%	9,000	7.56%
8,001 to 9,000	-	-	6	50.00%	9,000	7.56%
9,001 to 10,000	-	-	6	50.00%	9,000	7.56%
10,001 to 12,000	1	11,000	7	58.33%	20,000	16.81%
12,001 to 14,000	3	39,000	10	83.33%	59,000	49.58%
14,001 to 16,000	-	-	10	83.33%	59,000	49.58%
16,001 to 18,000	-	-	10	83.33%	59,000	49.58%
18,001 to 20,000	-	-	10	83.33%	59,000	49.58%
20,001 to 25,000	-	-	10	83.33%	59,000	49.58%
25,001 to 30,000	1	27,500	11	91.67%	86,500	72.69%
30,001 to 35,000	1	32,500	12	100.00%	119,000	100.00%
35,001 to 40,000	-	-	12	100.00%	119,000	100.00%
40,001 to 50,000	-	-	12	100.00%	119,000	100.00%
50,001 to 60,000	-	-	12	100.00%	119,000	100.00%
60,001 to 70,000	-	-	12	100.00%	119,000	100.00%
70,001 to 80,000	-	-	12	100.00%	119,000	100.00%
80,001 to 90,000	-	-	12	100.00%	119,000	100.00%
90,001 to 100,000	-	-	12	100.00%	119,000	100.00%
	12	119,000				

Average Number of Customers 1
 Average Consumption 9,917
 Median Consumption 7,250

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
Title: Bill Count
Page 4 of 10

Required for: All Utilities

X

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

1 inch meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-		-	-	0.00%	-	0.00%
1 to 1,000		-	-	0.00%	-	0.00%
1,001 to 2,000		-	-	0.00%	-	0.00%
2,001 to 3,000		-	-	0.00%	-	0.00%
3,001 to 4,000		-	-	0.00%	-	0.00%
4,001 to 5,000	3	13,500	3	25.00%	13,500	10.42%
5,001 to 6,000		-	3	25.00%	13,500	10.42%
6,001 to 7,000		-	3	25.00%	13,500	10.42%
7,001 to 8,000		-	3	25.00%	13,500	10.42%
8,001 to 9,000	2	17,000	5	41.67%	30,500	23.55%
9,001 to 10,000		-	5	41.67%	30,500	23.55%
10,001 to 12,000	1	11,000	6	50.00%	41,500	32.05%
12,001 to 14,000	3	39,000	9	75.00%	80,500	62.16%
14,001 to 16,000	2	30,000	11	91.67%	110,500	85.33%
16,001 to 18,000		-	11	91.67%	110,500	85.33%
18,001 to 20,000	1	19,000	12	100.00%	129,500	100.00%
20,001 to 25,000		-	12	100.00%	129,500	100.00%
25,001 to 30,000		-	12	100.00%	129,500	100.00%
30,001 to 35,000		-	12	100.00%	129,500	100.00%
35,001 to 40,000		-	12	100.00%	129,500	100.00%
40,001 to 50,000		-	12	100.00%	129,500	100.00%
50,001 to 60,000		-	12	100.00%	129,500	100.00%
60,001 to 70,000		-	12	100.00%	129,500	100.00%
70,001 to 80,000		-	12	100.00%	129,500	100.00%
80,001 to 90,000		-	12	100.00%	129,500	100.00%
90,001 to 100,000		-	12	100.00%	129,500	100.00%
	12	129,500				

Average Number of Customers 1
Average Consumption 10,792
Median Consumption 12,000

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
 Title: Bill Count
 Page 5 of 10

Required for: All Utilities	X
Class A	
Class B	
Class C	
Class D	
Spec Reqmt	

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

1.5 inch meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
		-	-	0.00%	-	0.00%
1 to 1,000		-	-	0.00%	-	0.00%
1,001 to 2,000		-	-	0.00%	-	0.00%
2,001 to 3,000		-	-	0.00%	-	0.00%
3,001 to 4,000		-	-	0.00%	-	0.00%
4,001 to 5,000		-	-	0.00%	-	0.00%
5,001 to 6,000		-	-	0.00%	-	0.00%
6,001 to 7,000		-	-	0.00%	-	0.00%
7,001 to 8,000		-	-	0.00%	-	0.00%
8,001 to 9,000		-	-	0.00%	-	0.00%
9,001 to 10,000		-	-	0.00%	-	0.00%
10,001 to 12,000		-	-	0.00%	-	0.00%
12,001 to 14,000		-	-	0.00%	-	0.00%
14,001 to 16,000		-	-	0.00%	-	0.00%
16,001 to 18,000		-	-	0.00%	-	0.00%
18,001 to 20,000		-	-	0.00%	-	0.00%
20,001 to 25,000		-	-	0.00%	-	0.00%
25,001 to 30,000		-	-	0.00%	-	0.00%
30,001 to 35,000		-	-	0.00%	-	0.00%
35,001 to 40,000		-	-	0.00%	-	0.00%
40,001 to 50,000	1	45,000	1	33.33%	45,000	27.27%
50,001 to 60,000	1	55,000	2	66.67%	100,000	60.61%
60,001 to 70,000	1	65,000	3	100.00%	165,000	100.00%
70,001 to 80,000		-	3	100.00%	165,000	100.00%
80,001 to 90,000		-	3	100.00%	165,000	100.00%
90,001 to 100,000		-	3	100.00%	165,000	100.00%
		-	3	100.00%	165,000	100.00%
	3	165,000				

Average Number of Customers 0
 Average Consumption 55,000
 Median Consumption 50,500

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
 Title: Bill Count
 Page 6 of 10

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
		-	-	0.00%	-	0.00%
1 to 1,000	4	2,000	4	16.67%	2,000	0.51%
1,001 to 2,000	5	7,500	9	37.50%	9,500	2.41%
2,001 to 3,000		-	9	37.50%	9,500	2.41%
3,001 to 4,000	1	3,500	10	41.67%	13,000	3.30%
4,001 to 5,000	2	9,000	12	50.00%	22,000	5.58%
5,001 to 6,000		-	12	50.00%	22,000	5.58%
6,001 to 7,000		-	12	50.00%	22,000	5.58%
7,001 to 8,000		-	12	50.00%	22,000	5.58%
8,001 to 9,000	1	8,500	13	54.17%	30,500	7.73%
9,001 to 10,000		-	13	54.17%	30,500	7.73%
10,001 to 12,000		-	13	54.17%	30,500	7.73%
12,001 to 14,000		-	13	54.17%	30,500	7.73%
14,001 to 16,000		-	13	54.17%	30,500	7.73%
16,001 to 18,000		-	13	54.17%	30,500	7.73%
18,001 to 20,000	1	19,000	14	58.33%	49,500	12.55%
20,001 to 25,000	1	22,500	15	62.50%	72,000	18.25%
25,001 to 30,000		-	15	62.50%	72,000	18.25%
30,001 to 35,000	6	195,000	21	87.50%	267,000	67.68%
35,001 to 40,000	1	37,500	22	91.67%	304,500	77.19%
40,001 to 50,000	2	90,000	24	100.00%	394,500	100.00%
50,001 to 60,000		-	24	100.00%	394,500	100.00%
60,001 to 70,000		-	24	100.00%	394,500	100.00%
70,001 to 80,000		-	24	100.00%	394,500	100.00%
80,001 to 90,000		-	24	100.00%	394,500	100.00%
90,001 to 100,000		-	24	100.00%	394,500	100.00%
		-	24	100.00%	394,500	100.00%
	24	394,500				

Average Number of Customers 2
 Average Consumption 16,438
 Median Consumption 8,000

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
 Title: Bill Count
 Page 7 of 10

Explanation:
 Schedule(s) showing billing activity by block for each rate schedule.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

4 inch meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	12	-	12	100.00%	-	0.00%
1 to 1,000		-	12	100.00%	-	0.00%
1,001 to 2,000		-	12	100.00%	-	0.00%
2,001 to 3,000		-	12	100.00%	-	0.00%
3,001 to 4,000		-	12	100.00%	-	0.00%
4,001 to 5,000		-	12	100.00%	-	0.00%
5,001 to 6,000		-	12	100.00%	-	0.00%
6,001 to 7,000		-	12	100.00%	-	0.00%
7,001 to 8,000		-	12	100.00%	-	0.00%
8,001 to 9,000		-	12	100.00%	-	0.00%
9,001 to 10,000		-	12	100.00%	-	0.00%
10,001 to 12,000		-	12	100.00%	-	0.00%
12,001 to 14,000		-	12	100.00%	-	0.00%
14,001 to 16,000		-	12	100.00%	-	0.00%
16,001 to 18,000		-	12	100.00%	-	0.00%
18,001 to 20,000		-	12	100.00%	-	0.00%
20,001 to 25,000		-	12	100.00%	-	0.00%
25,001 to 30,000		-	12	100.00%	-	0.00%
30,001 to 35,000		-	12	100.00%	-	0.00%
35,001 to 40,000		-	12	100.00%	-	0.00%
40,001 to 50,000		-	12	100.00%	-	0.00%
50,001 to 60,000		-	12	100.00%	-	0.00%
60,001 to 70,000		-	12	100.00%	-	0.00%
70,001 to 80,000		-	12	100.00%	-	0.00%
80,001 to 90,000		-	12	100.00%	-	0.00%
90,001 to 100,000		-	12	100.00%	-	0.00%
	12	-	12	100.00%	-	0.00%

Average Number of Customers 1
 Average Consumption -
 Median Consumption -

Supporting Schedules:

Recap Schedules:

Explanation:
 Schedule(s) showing billing activity by block for each rate
 schedule:

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

Bulk Water Sales

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
		-	-	0.00%	-	0.00%
1 to 1,000	2	1,000	2	8.70%	1,000	0.05%
1,001 to 2,000	6	9,000	8	34.78%	10,000	0.52%
2,001 to 3,000		-	8	34.78%	10,000	0.52%
3,001 to 4,000	1	3,500	9	39.13%	13,500	0.70%
4,001 to 5,000	1	4,500	10	43.48%	18,000	0.94%
5,001 to 6,000		-	10	43.48%	18,000	0.94%
6,001 to 7,000		-	10	43.48%	18,000	0.94%
7,001 to 8,000		-	10	43.48%	18,000	0.94%
8,001 to 9,000		-	10	43.48%	18,000	0.94%
9,001 to 10,000	1	9,500	11	47.83%	27,500	1.43%
10,001 to 12,000		-	11	47.83%	27,500	1.43%
12,001 to 14,000		-	11	47.83%	27,500	1.43%
14,001 to 16,000	1	15,000	12	52.17%	42,500	2.22%
16,001 to 18,000		-	12	52.17%	42,500	2.22%
18,001 to 20,000		-	12	52.17%	42,500	2.22%
20,001 to 25,000	1	22,500	13	56.52%	65,000	3.39%
25,001 to 30,000		-	13	56.52%	65,000	3.39%
30,001 to 35,000	1	32,500	14	60.87%	97,500	5.09%
35,001 to 40,000		-	14	60.87%	97,500	5.09%
40,001 to 50,000		-	14	60.87%	97,500	5.09%
50,001 to 60,000		-	14	60.87%	97,500	5.09%
60,001 to 70,000		-	14	60.87%	97,500	5.09%
70,001 to 80,000		-	14	60.87%	97,500	5.09%
80,001 to 90,000		-	14	60.87%	97,500	5.09%
90,001 to 100,000	1	95,000	15	65.22%	192,500	10.04%
140,400	1	140,400	16	69.57%	332,900	17.37%
158,400	1	158,400	17	73.91%	491,300	25.63%
176,400	1	176,400	18	78.26%	667,700	34.83%
198,000	1	198,000	19	82.61%	865,700	45.16%
212,400	1	212,400	20	86.96%	1,078,100	56.24%
219,600	1	219,600	21	91.30%	1,297,700	67.70%
259,200	1	259,200	22	95.65%	1,556,900	81.22%
360,000	1	360,000	23	100.00%	1,916,900	100.00%
		-	23	100.00%	1,916,900	100.00%
	23	1,916,900				

Average Number of Customers 2
 Average Consumption 83,343
 Median Consumption 8,000

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
 Title: Bill Count
 Page 9 of 10

Explanation:
 Schedule(s) showing billing activity by block for each rate
 schedule.

Required for: All Utilities
 Class A
 Class B
 Class C
 Class D
 Specl Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total	
Sprinkler	-	12	-	12	100.00%	-	100.00%
		Average Number of Customers		1			
		Average Consumption		-			
		Median Consumption		-			
Fire Department Non-Potable	-	12	-	12	100.00%	-	100.00%
		Average Number of Customers		1			
		Average Consumption		-			
		Median Consumption		-			

Supporting Schedules:

Recap Schedules:

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

Schedule: H-5
Title: Bill Count
Page 10 of 10

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

Coin Machine

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

Test Year Coin Revenue	\$	16,340.50
Vending Price	\$	0.25
Number of Coins		<u>65,362</u>

Gallons Vend per Coin		<u>40</u>
Gallons Sold		2,614,480
Gallons Vended		2,559,300
		55,180
		2.16%

Supporting Schedules:

Recap Schedules:

ATTACHMENT 3

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

DIRECT TESTIMONY OF
 MICHELLE MONZILLO

13 **Q-1 Please state your name and current employment position:**

14 **A-1** My name is Michelle Monzillo and I am currently the business manager for the
15 Mt. Tipton Water Company ("Company"). I have held this position for approximately
16 four years.

17
18 **Q-2 What is the purpose of your testimony?**

19 **A-2** The purpose of my testimony is to support the Company's rate application. I have
20 reviewed the testimony of Sonn Rowell and agree with the proposed rates. In addition,
21 the Company has a large tax debt that needs to be addressed.

22
23 **Q-3 Please explain the Company's tax debt situation.**

24 **A-3** Several years ago, under previous management the Company struggled to pay its
25 bills and incurred a substantial tax debt. In the previous rate case, the Company brought
26 this debt to the attention of the Arizona Corporation Commission ("Commission"). The
27 Commission authorized the Company to sell the office building located at 16055 Pierce
28

1 Ferry Road in Dolan Springs to pay its property tax debt. *See* Decision No. 70836.

2 However, the Company has not been able to sell the building. In the last test year
3 (ending June 2009), the accrued taxes amounted to \$88,324. The Company now
4 estimates the accrued taxes are \$191,912.04. While the Company has paid the current
5 taxes, there has been no revenue stream to pay for the back taxes.
6

7 **Q-4 Does Mrs. Rowell address payment of the accrued taxes in her testimony or**
8 **rates.**

9
10 **A-4** No she does not.

11 **Q-5 Is the Company offering a proposal to address the accrued taxes?**

12 **A-5** The Company believes that the accrued taxes need to be paid, and it discussed
13 several alternatives with Staff previously. Those suggestions included increasing
14 Company revenues through either higher rates or a surcharge. But Staff would not
15 support either of these proposals in light of the fact that the Company was authorized to
16 sell the office building to pay the back taxes.
17
18

19 Unfortunately, the Company has not been able to sell the office building over the
20 past four years and it is unlikely that the building will be sold anytime soon. Therefore,
21 the Company believes there needs to be a dedicated revenue stream to pay the accrued
22 taxes and interest. Knowing that Staff is aware of the issue, the Company would like to
23 receive input from Staff. The Company believes a surcharge should be put in place to
24 pay the accrued taxes over some period of time. Unless Staff is willing to help address
25 this issue, and agree to this proposed approach, negotiating a payment plan is not going to
26 have any chance of being successful.
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1 Q-6 Does this conclude your testimony?

2 A-6 Yes.

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ATTACHMENT 4

NAME OF COMPANY	Mt. Tipton Water Company, Inc.
ADEQ Public Water System Number:	08-059

WATER USE DATA SHEET
NON-POTABLE

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
July-12	1	176	704
August-12	2	98	718
September-12	1	259	641
October-12	2	200	686
November-12	3	389	692
December-12	2	16	744
January-13	2	236	811
February-13	-	-	729
March-13	1	158	903
April-13	1	2	772
May-13	2	221	813
June-13	2	141	755
TOTALS		1,898	8,968

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES NO

Does the Company have an ADWR Gallons Per Capita Per Day ("GPCPD") requirement?

YES NO

If Yes, please provide the GPCPD amount: _____

*Note: If you are filing for more than one system, please provide separate data sheets for each system
For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.*

** Gallons pumped cannot equal or be less than the gallons sold.*

NAME OF COMPANY	Mt. Tipton Water Company, Inc.
ADEQ Public Water System Number:	08-059

WATER USE DATA SHEET
POTABLE WATER SYSTEM

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
July-12	672	3,975	4,929
August-12	674	3,232	4,339
September-12	673	2,803	4,312
October-12	673	2,673	3,669
November-12	672	2,864	3,306
December-12	662	1,828	3,267
January-13	664	3,586	4,546
February-13	659	1,669	2,967
March-13	662	2,363	3,462
April-13	653	2,603	3,767
May-13	664	3,385	4,183
June-13	663	3,785	5,021
TOTALS		34,766	47,768

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES NO

Does the Company have an ADWR Gallons Per Capita Per Day ("GPCPD") requirement?

YES NO

If Yes, please provide the GPCPD amount: _____

*Note: If you are filing for more than one system, please provide separate data sheets for each system.
For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.*

* Gallons pumped cannot equal or be less than the gallons sold.

ATTACHMENT 5

Company Name: Mt. Tipton Water Company, Inc.

Test Year Ended: 06/30/2013

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-911950	40	140	806	8	3	2010
55-508835	15	35	700	8	3	1984
55-510178	15	36	900	8	2	1985
55-601846	N/A	Not in service	465	8	2	1966
55-601847	15	45	500	6	2	1978
55-601848	No pump	21	147	2	3	1972
55-601849	N/A	Not in service	350	8	2	1962

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS

Horsepower	Quantity
5.0	5
7.5	1
10.0	2

FIRE HYDRANTS

Quantity Standard	Quantity Other
1	3

STORAGE TANKS

Capacity	Quantity
200,000	1
110,000	1
55,000	2
50,000	1
25,000	1
9,000	4

PRESSURE TANKS

Capacity	Quantity

Company Name: Mt. Tipton Water Company, Inc.	Test Year Ended: 06/30/2013
--	-----------------------------

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	Various	70,093
3	Various	1,975
4	Various	31,484
5		
6	Various	80,157
8	Various	12,255
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	654
3/4	
1	2
1 1/2	1
2	2
Comp. 3	
Turbo 3	
Comp. 4	1
Turbo 4	
Comp. 6	
Turbo 6	
Bulk Non-Potable	3

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

Office building, garage, rental building and pump houses.

OTHER:



0000153729

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

RECEIVED

JUN -4 P 4. 06

ARIZONA CORP COMMISSION
DOCKET CONTROL

EXHIBIT
A-2
ADMITTED

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

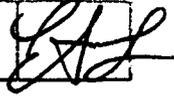
COMMISSIONERS

BOB STUMP, CHAIRMAN
GARY PIERCE
BOB BURNS
SUSAN BITTER SMITH
BRENDA BURNS

Arizona Corporation Commission

DOCKETED

JUN 04 2014

DOCKETED BY 

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

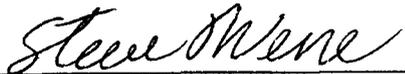
**NOTICE OF FILING REBUTTAL
TESTIMONY**

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

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

RESPECTFULLY SUBMITTED this 4th day of June, 2014.

MOYES SELLERS & HENDRICKS LTD.


Steve Wene

1 Original and thirteen (13) copies
2 of the foregoing filed this
3 4th 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

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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

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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.**

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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 Increase in Gross Revenue Requirements (Line 6 x 7)	\$ 37,509
<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 Estimated Conditional Cash Flow (Line 12+13+14+15+16)	\$ 33,951
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 Operating Margin (Line 21 / 22)	23.13%
<i>24 WIFA DSCR calculation</i>	
25 Proposed Operating Income plus Depreciation	\$ 134,566
26 Annual Debt Service Amount	100,615
27 Debt Service Coverage Ratio (Line 25 / 26)	1.34

	Customer Classification	Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase
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		\$ 339,594	\$ 377,103	\$ 37,509	11.05%

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

	<u>Original Cost Rate Base*</u>
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 Less:	
5 Advances in Aid of Construction	\$ (16,029)
6 Contributions in Aid of Construction	(347,002)
7 Customer Security Deposits	(4,285)
8 Add:	
9 Amortization of Contributions	\$ 333,126
10 Allowance for Working Capital	<u>-</u>
11 Total Rate Base	<u>\$ 951,309</u>

* Including pro forma adjustments

Supporting Schedule:
B-2

Recap Schedule:
A-1

Mt. Tipton Water Company, Inc.

Rebuttal Schedule B-2

Docket No. W-02105A-13-0415

Test Year Ended June 30, 2013

ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS

	Actual at End Of Test Year	Pro forma Adjustment		Adjusted at End 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 Year Ended 30-Jun-13	Proforma Adjustments	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:						
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	Total Operating Revenue	\$ 339,990	\$ (396)	\$ 339,594	\$ 37,509	\$ 377,103
Operating Expenses:						
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	Total Operating Expenses	\$ 354,175	\$ (64,987)	\$ 289,187	\$ 673	\$ 289,860
27	OPERATING INCOME/(LOSS)	\$ (14,185)	\$ 64,591	\$ 50,407	\$ 36,836	\$ 87,242
Other Income/(Expense):						
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	Total Other Income/(Expense)	\$ (72,448)	\$ 63,058	\$ (9,390)	\$ -	\$ (9,390)
35	NET INCOME/(LOSS)	\$ (86,633)	\$ 127,649	\$ 41,017	\$ 36,836	\$ 77,852

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

Rebuttal Schedule C-2

INCOME STATEMENT PROFORMA ADJUSTMENTS

Adjustment	Explanation of Adjustment	Amount
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 (\$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 ¹	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 ²	6.67%	18,094	42
340.1	Computers and Software ³	20.00%	5,686	-
341	Transportation Equipment ³	20.00%	11,592	-
343	Tools, Shop, and Garage Equipment	5.00%	1,274	64
345	Power Operated Equipment ³	5.00%	167	-
347	Miscellaneous Equipment ³	10.00%	8,464	-
348	Other Tangible Plant ³	10.00%	1,208	-
Totals			\$ 2,051,087	\$ 59,119

CIAC Amortization \$ (11,796)

Proposed Depreciation Expense \$ 47,323

Test Year Depreciation Expense 125,612

Adjustment D to Depreciation Expense \$ (78,289)

Depreciation Expense \$ 59,119

Depreciable Plant 1,739,120

Composite CIAC Amortization Rate 3.40%

CIAC \$ 347,002

CIAC Amortization \$ 11,796

¹ \$69,595 of the balance in this account is fully depreciated.

² \$17,463 of the balance in this account is fully depreciated.

³ The total amount in these accounts is fully depreciated.

DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENTS E1 AND E2

<u>Line</u>	<u>Test Year as Adjusted</u>	<u>Company at 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 Full Cash Value	\$ 679,189	\$ 704,195
13 Assessment Ratio	19.50%	19.50%
14 Assessment Value	\$ 132,442	\$ 137,318
15 Composite Property Tax Rate *	13.8017%	13.8017%
16 Adjusted Test Year Property Tax Expense	\$ 18,279	
17 Actual Test Year Property Tax Expense	13,623	
18 Total Adjustment E1	<u>\$ 4,656</u>	
19 Projected Property Tax Expense		\$ 18,952
20 Adjusted Test Year Property Tax Expense		18,279
21 Total Adjustment E2		<u>\$ 673</u>
22 * Property tax composite rate calculation:		
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 For Gross Revenue Conversion Factor:		
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)	<u>21,841</u>	
16	Balance as of 12/31/14 (line 15 + 16)	\$ 219,274	
17	Interest through 12/31/15	<u>34,996</u>	
18	Balance as of 12/31/15 (line 17 + 18)	\$ 254,271	
19	Interest through 06/30/16	<u>20,291</u>	
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	<u>8,743</u>	
23	Balance as of 12/31/16 (lines 21 + 22 + 23)	\$ 118,304	
24	Interest through 10/31/17 (303 days)	<u>15,674</u>	
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>

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

Rebuttal Schedule C-3

COMPUTATION OF GROSS REVENUE CONVERSION FACTOR

<u>Description</u>		<u>Percentage of Incremental 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 Gross Revenue Conversion Factor (Line 1 / Line 7)		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.

Docket No. W-02105A-13-0415

Test Year Ended June 30, 2013

Rebuttal Schedule D-1

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
	Total Plant In Service	\$ 1,937,095	\$ 113,992		\$ 2,051,087

Ref	Description	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)

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

Rebuttal Schedule F-1

PROJECTED INCOME STATEMENTS - PRESENT AND PROPOSED RATES

	Actual Test Year Ended 30-Jun-13	Projected Year	
		At Present Rates Year Ended 30-Jun-13	At Proposed Rates Year Ended 30-Jun-13
Operating Revenues:			
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
Total Operating Revenue	\$ 339,990	\$ 339,594	\$ 377,103
Operating Expenses:			
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
Total Operating Expenses	\$ 354,175	\$ 289,187	\$ 289,860
OPERATING INCOME/(LOSS)	\$ (14,185)	\$ 50,407	\$ 87,242
Other Income/(Expense):			
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)	-	-
Total Other Income/(Expense)	\$ (72,448)	\$ (9,390)	\$ (9,390)
NET INCOME/(LOSS)	\$ (86,633)	\$ 41,017	\$ 77,852

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	%
Residential				
5/8 x 3/4 inch	\$ 263,423	\$ 294,951	\$ 31,528	11.97%
1 inch	1,215	1,359	144	11.85%
Total Residential Revenue	\$ 264,638	\$ 296,310	\$ 31,672	11.97%
Commercial				
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%
Total Commercial Revenue	\$ 37,240	\$ 41,433	\$ 4,193	11.26%
Other				
Bulk	\$ 10,546	\$ 12,169	\$ 1,623	15.39%
Sprinkler	120	120	-	0.00%
Fire Department Non-Potable	267	288	21	7.87%
Total Other Metered Revenue	\$ 10,933	\$ 12,577	\$ 1,644	15.04%
Total Metered Water Revenues	\$ 312,811	\$ 350,320	\$ 37,509	11.99%
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%
Total Revenues	\$ 339,594	\$ 377,103	\$ 37,509	11.05%

CHANGES IN REPRESENTATIVE RATE SCHEDULES

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

<u>Description</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>% change</u>
<u>MONTHLY USAGE CHARGE:</u>			
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%

<u>Other Charges</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>% change</u>
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:

	<u>Company Proposed</u>
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	
<u>Monthly Service Charge for Fire Sprinkler</u>			
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

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 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

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 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

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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”).

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 A. No. This is a backup pump for the Office Well, which is the most important well
16 in the Company's system. The pump in the Office Well is reaching its life expectancy.
17
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

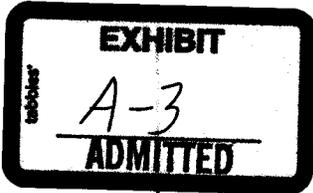
1 base.

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.



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
BOB BURNS
SUSAN BITTER SMITH
BRENDA BURNS

Arizona Corporation Commission
DOCKETED
JUN 18 2014
DOCKETED BY

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
**NOTICE OF FILING REJOINDER
TESTIMONY**

Mt. Tipton Water Company, Inc. ("Company") hereby files the following
rejoinder testimony in support of its rate application by Sonn Rowell. See Attachment 1.

Michelle Monzillo continues to maintain the same positions asserted in her
rebuttal testimony previously submitted, including the positions relating to Best
Management Practices and use of the Hook-Up Fee account funds.

RESPECTFULLY SUBMITTED this 18th day of June, 2014.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

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Original and thirteen (13) copies
of the foregoing filed this
18th day of June, 2014 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



Attachment 1

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

**BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
SUSAN BITTER SMITH
BOB BURNS**

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

**REJOINDER TESTIMONY OF
SONN S. ROWELL**

Table of Contents

Rate Base and Adjustments	p. 1
Depreciation and Plant in Service	p. 3
Rate of Return	p. 4
Property Tax Surcharge	p. 4
Revised Recommended Rates	p. 7

Q-1 Are you the same Sonn S. Rowell who provided testimony in the application and Company Rebuttal?

A-1 Yes.

Q-2 What is the purpose of your rejoinder testimony?

A-2 The purpose of my rejoinder testimony is to respond to the Staff Surrebuttal testimony filed on June 13, 2014. I will summarize and highlight areas where the company continues to disagree with the Staff recommendations.

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

3 **A-3** No. Staff did little else except correct the errors contained within its direct
4 testimony and completely ignored many of the arguments the Company made in regard to
5 its own adjustments.

6 **Q-4 Please describe the changes made by Staff and Mt. Tipton's continuing**
7 **disagreement with Staff's rate base adjustments?**

8 **A-4** Mt. Tipton still does not agree with the retirement of the Spring Well as this well
9 was not destroyed; only the electrical equipment was damaged. The status and purpose
10 of this well is further discussed in the rebuttal testimony of Michelle Monzillo and should
11 be allowed in rate base for the same reason Staff allowed the 40hp pump. Further, fully
12 depreciated assets have no impact on rates so retirement of this asset would further
13 complicate the bookkeeping process by creating a book to tax difference for an asset that
14 still has value, but is not allowed for ratemaking purposes. The Company has stated that
15 when it has the available funds the well will be put back into service, or when an
16 emergency dictates those repairs must be made as a result of a different water source
17 failure. That sworn testimony should be sufficient.

18 **Q-5 Is that the only continuing disagreement with Staff rate base adjustments?**

19 **A-5** No. As was mentioned in my rebuttal testimony, original Staff Schedule BAB-4
20 shows that the complete amount for both wells that were retired came out of account 307
21 – Wells and Springs. However, page 12 of the Staff Engineering Report attached to the
22 original testimony as exhibit DMH-1 recommends these retirements be removed from
23 three different accounts instead of just account 307. This inconsistency between
24 engineering and analytical Staff was not discussed in its Surrebuttal testimony to explain
25 which Staff members recommended retirement classifications for the wells are correct.
26 Further, Staff states if an issue is not discussed in its Surrebuttal testimony it relies on its
27 direct testimony. The Company requests that Staff clarify this discrepancy for the record
28 so retirements can be properly made.

1 **Q-6 What is the Company opinion of Staff's recommendation regarding the 115**
2 **acres of property introduced by Mt. Tipton in its rebuttal testimony?**

3 **A-6** We do not agree with Staff's failure to include the entire original cost of the
4 acreage purchased. Docket W-02105A-01-0557, et.al. contains information regarding the
5 sale of Dolan Springs Water Company, Inc. ("Dolan") to Mt. Tipton. As part of that
6 WIFA financed sale approved by the Commission in Decision 64287 , Mt. Tipton
7 obtained "115 acres of land around the spring to protect the water source, well sites, &
8 tank sites" for \$170,000. Staff has disallowed over 94% of this amount as not "used and
9 useful" and granted the company \$10,000 of this amount in rate base. Staff's justification
10 for this position is that the minority of the acreage (7 acres of the 115 total) is fenced,
11 therefore the other 108 acres must not be protected and have no value to the customer
12 owners of Mt. Tipton. Staff offers no further information about why a fenced area would
13 offer more protection to the water sources than just land ownership. If the ACC approved
14 this purchase, and allowed WIFA financing for it, then it should be excluded from rate
15 base. The idea that a utility cannot count on recovery of costs from WIFA approved
16 loans and Commissioner Decisions in previous cases is inherently, fundamentally wrong.

17 **Q-7 Does the Company now agree with the amount of accumulated depreciation**
18 **recommended by Staff?**

19 **A-7** Staff adopted the missing depreciation expense and retirements in its Surrebuttal,
20 but as a result of minor plant balance differences, the Spring well retirement, and
21 classification of the Church well retirement, we still differ.

22 **Q-8 Please delineate the differences between the rate base recommended by Mt.**
23 **Tipton and that by Staff.**

24 **A-8** In its Surrebuttal, Staff recommended rate base of \$791,309, and the Company is
25 proposing \$951,309, a difference of exactly \$160,000 as depicted in the table below. As
26 you can see, even though the Company and Staff disagree on amounts in different plant
27 categories and the associated accumulated depreciation, Staff's disallowance of the
28 \$160,000 of land has the largest impact on rate base.

Account	MTWC	Staff	Difference
Land and Land Rights	\$ 179,842	\$ 19,842	\$ 160,000
Structures & Improvements	64,022	70,621	(6,599)
Wells and Springs	382,076	348,390	33,686
Pumping Equipment	116,812	128,541	(11,729)
Accumulated Depreciation	(1,065,588)	(1,050,230)	(15,358)
Total Rate Base Difference			\$ 160,000

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

A-9 Mt. Tipton continues to propose its rate base as reflected on Rebuttal Schedule B-1 of \$951,309 (not the \$755,229 reflected on Staff Surrebuttal Schedule BAB-1) which leaves the Spring well unretired, retires the Church well per the engineering report, and includes the full value of the land.

Q-10 Has the Company made changes to the Rebuttal Schedule C-1 and the recommended revenue amount?

A-10 No. With the exception of the property tax surcharge, the Mt. Tipton has not changed its position from the Rebuttal testimony filed regarding rate base, the revenue requirement, and the rate design.

Q-11 Looking at Surrebuttal Schedule BAB-10, Staff is recommending \$364,555 for total revenue and \$287,403 for operating expenses. How does this compare to the Company Rebuttal position?

A-11 The operating expense amounts are very close, as the Company proposed \$289,860, which is a decrease of \$2,457. Mt. Tipton recommended \$377,103 for total operating revenue (without the surcharge), and Staff reduced it by \$12,548, for a cumulative difference of \$15,005 to the Company's detriment. Perhaps ironically, when the Staff revised rate of return on rate base of 9.75% is applied to the \$160,000 Staff reduction to rate base, the result is \$15,600. Even if the company requested rate of return of 9.17% (which was based upon a cash flow to revenue amount of 9%) was applied to

1 the \$160,000, that \$14,672 additional revenue would be close enough to the Company
2 proposal.

3 **Q-12 Does this mean that the Company agrees with the expenses but not the**
4 **revenue?**

5 **A-12** No, however inclusion of the land and the associated return would give this
6 customer owned utility the means to operate that it needs. Staff continues to recommend
7 future depreciation expense on plant assets that the Company has disclosed are fully
8 depreciated. However, this overstatement negates the impact of the punishing reduction
9 to purchased power, but creates longer term bookkeeping problems for a small, rural
10 water company that wants to operate on a limited budget. To be clear, the Company
11 disagrees with the purchased power adjustment because it is an undue punishment.

12 **Q-13 Did Staff make a change to its gross revenue conversion factor ("GRCF")**
13 **from its Direct testimony?**

14 **A-13** Yes. Per Schedule BAB-2 from its Direct testimony, the Staff GRCF was
15 101.78% and per Surrebuttal Schedule BAB-2 it was 99.87%, which is technically
16 negative, resulting in a lower revenue requirement albeit minimal.

17 **Q-14 What other amounts changed from Staff Direct testimony to Surrebuttal?**

18 **A-14** The Rate of Return decreased from 14.40% to 9.75% and the required increase
19 changed from 5.75% to 7.35%. Staff reduced the rate of return by 4.65% to keep the
20 revenue increase to 1.6%. This appears just to be gamesmanship of numbers. In addition
21 to the small amount of revenue increase that resulted from a substantial decrease to
22 accumulated depreciation, all of this additional revenue comes from the highest tiers of
23 the smallest meter sizes, resulting in a wide array of rates that will complicate the billing
24 process.

25 **Q-15 What about the DSC amounts both with the surcharge and without?**

26 **A-15** As reflected on Surrebuttal Schedule BAB-17, line 52, the DSC for Mt. Tipton
27 without the surcharge is 1.25, and with the property tax surcharge the DSC is 1.11. This
28 is an increase from the 1.20 and 1.07 DSC ratios proposed by Staff in its Direct

1 testimony. However, Staff does not explain why once the surcharge is included in
2 revenue the DSC fails to meet even the minimum WIFA standard. This is why the
3 Company believes its position fair and equitable on all parts for its owner customers as
4 well as the overall health of the system.

5 **Q-16 Please reiterate the Company position on the property tax surcharge**
6 **calculation.**

7 **A-16** A large surcharge for a 5/8 inch customer would create a hardship on the customer
8 base, resulting in either further loss of customers or decreased usage. As explained in the
9 testimony of Ms. Monzillo, the infrastructure is quite old and is in danger of failure at any
10 time which could result in a large expenditure. For a utility that is "owned" by the
11 customers that receive service from it and elect the people to run it, it is a much better
12 strategy to allow more of an increase to the base rates than recommended by Staff, and a
13 longer repayment period for the past due property taxes.

14 **Q-17 Did the Company change the amount of the property tax surcharge in its**
15 **Rejoinder testimony?**

16 **A-17** Yes. Mt. Tipton's intent has always been for the surcharge to be as low as
17 possible for a 5/8 inch meter, but still pay off the years old property tax obligations in a
18 timely fashion without hurting the customers and skimping on system costs. Rejoinder
19 Schedule 2 projects the amount of interest that will continue to accrue on the tax
20 obligation while the Company is collecting the surcharge, but cannot yet pay in full in
21 addition to the projected amount of surcharge that will be collected and when liens can be
22 paid off. The revised surcharge amounts the Company requests begin at \$10.15 per
23 month and will continue for 32 months. Surcharge amounts by meter size and the proof
24 of amounts collected to satisfy the past due property taxes are on Rejoinder Schedule 1.

25 **Q-18 What are the Company's recommended rates from the base rates only?**

26 **A-18** Mt. Tipton's recommended rates have not changed and are reflected on Rebuttal
27 Schedule H-3, Pages 1 and 2. The 5/8 by 3/4 inch residential meters make up the largest
28 class of users. The 5/8 by 3/4 inch residential meter class will experience an average

1 increase of 11.97% (without the surcharge) as depicted on Rebuttal Schedule H-1. Based
2 upon average usage of 3,657 gallons per month, the monthly bill for these customers will
3 increase \$4.38, from \$33.40 to \$37.79, or 13.12%. That is an increase of \$52.56 per year
4 for the average user in this meter size. In addition, the Company wishes for simplicity to
5 maintain a tier structure that is the same for all meter sizes.

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

8 **A-19** Based upon average usage of 3,657 gallons per month, once the surcharge is
9 included, the monthly bill for these customers will increase \$14.53, from \$33.40 to
10 \$47.93, or 43.50%. That is an increase of \$174.36 per year for the average user in this
11 meter size.

12 **Q-20 Is there another reason why Mt. Tipton wants to keep the property tax**
13 **surcharge lower and include more revenue in the base rates?**

14 **A-20** Yes. Per Decision 72001, the revenue requirement adopted was \$356,490, of
15 which \$324,920 was metered water revenue. Mt. Tipton's metered water revenue during
16 2011, 2012 and the test year was \$322,237, \$310,396 and \$312,811 respectively. The
17 Company has not met its metered water revenue target since these rates have been in
18 effect. In fact, Mt. Tipton has not even earned total revenue that hits the revenue target of
19 \$356,490 including other revenue and the coin machine. It is this inability to meet its
20 revenue requirement that has in part precluded Mt. Tipton from being able to pay a
21 property tax obligation that was created during a time when the Company was managed
22 by a different group of people.

23 **Q-21 Moving to Surrebuttal Schedule BAB-18, please describe the issues with Staff**
24 **rate design and how they relate to the revenue requirement.**

25 **A-21** Based on that schedule, all of the additional increase that Staff is recommending is
26 coming from the top two tiers of the two smallest meter sizes. This schedule also is not
27 clear on what commodity rates are to be charged for each meter size as there are amounts
28

1 for each meter size in the Staff recommended column as well as a "catch all" for all meter
2 sizes.

3 **Q-22 Does Staff's recommended base rates per Surrebuttal Schedule BAB-18**
4 **generate the Staff recommended metered water sales of \$337,772 per Surrebuttal**
5 **Schedule BAB-10?**

6 **A-22** No. Based on the bill count filed with the application, Staff rates generate only
7 \$334,375, which is a deficiency of \$3,397. It is for this reason and many more that the
8 Company feels its case is more detailed, accurate and reasonable, and why its proposed
9 rate base, revenue requirement, base rates and surcharge should be adopted. The table
10 below depicts the revenue generated by Staff rates by meter size and category based upon
11 the billing distribution filed with the original application.

Revenue Generated by Staff Recommended Rates	Amount
5/8" by 3/4" Residential	\$ 282,056
5/8" by 3/4" Commercial	23,841
1" Residential	1,262
1" Commercial	1,279
1.5" Commercial	1,136
2" Commercial	6,124
4" Commercial	6,684
Bulk Sales	11,597
Sprinkler Fees	120
Fire Dept - Non Potable	276
Total	\$ 334,375
Staff Recommended Metered Water Revenue	337,772
Revenue Shortage	\$ (3,397)

23 **Q-23 Does this conclude your testimony?**

24 **A-23** Yes.
25
26
27
28



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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

**NOTICE OF REFILING
REJOINDER TESTIMONY**

19 Mt. Tipton Water Company, Inc. ("Company") hereby refiles the following
20 rejoinder testimony in support of its rate application by Sonn Rowell. *See Attachment 1.*

21 The need to refile this testimony is necessitated by the fact that schedules referenced by
22 Sonn Rowell did not appear to be attached to the docketed testimony.

23 Michelle Monzillo continues to maintain the same positions asserted in her
24 rebuttal testimony previously submitted, including the positions relating to Best
25 Management Practices and use of the Hook-Up Fee account funds.
26
27
28

1 RESPECTFULLY SUBMITTED this 20th day of June, 2014.

2
3 **MOYES SELLERS & HENDRICKS LTD.**

4 
5 _____
6 Steve Wene

7 Original and thirteen (13) copies
8 of the foregoing filed this
9 20th day of June, 2014 with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 
15 _____

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Attachment 1

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

3 **A-3** No. Staff did little else except correct the errors contained within its direct
4 testimony and completely ignored many of the arguments the Company made in regard to
5 its own adjustments.

6 **Q-4 Please describe the changes made by Staff and Mt. Tipton's continuing**
7 **disagreement with Staff's rate base adjustments?**

8 **A-4** Mt. Tipton still does not agree with the retirement of the Spring Well as this well
9 was not destroyed; only the electrical equipment was damaged. The status and purpose
10 of this well is further discussed in the rebuttal testimony of Michelle Monzillo and should
11 be allowed in rate base for the same reason Staff allowed the 40hp pump. Further, fully
12 depreciated assets have no impact on rates so retirement of this asset would further
13 complicate the bookkeeping process by creating a book to tax difference for an asset that
14 still has value, but is not allowed for ratemaking purposes. The Company has stated that
15 when it has the available funds the well will be put back into service, or when an
16 emergency dictates those repairs must be made as a result of a different water source
17 failure. That sworn testimony should be sufficient.

18 **Q-5 Is that the only continuing disagreement with Staff rate base adjustments?**

19 **A-5** No. As was mentioned in my rebuttal testimony, original Staff Schedule BAB-4
20 shows that the complete amount for both wells that were retired came out of account 307
21 – Wells and Springs. However, page 12 of the Staff Engineering Report attached to the
22 original testimony as exhibit DMH-1 recommends these retirements be removed from
23 three different accounts instead of just account 307. This inconsistency between
24 engineering and analytical Staff was not discussed in its Surrebuttal testimony to explain
25 which Staff members recommended retirement classifications for the wells are correct.
26 Further, Staff states if an issue is not discussed in its Surrebuttal testimony it relies on its
27 direct testimony. The Company requests that Staff clarify this discrepancy for the record
28 so retirements can be properly made.

1 **Q-6 What is the Company opinion of Staff's recommendation regarding the 115**
2 **acres of property introduced by Mt. Tipton in its rebuttal testimony?**

3 **A-6** We do not agree with Staff's failure to include the entire original cost of the
4 acreage purchased. Docket W-02105A-01-0557, et.al. contains information regarding the
5 sale of Dolan Springs Water Company, Inc. ("Dolan") to Mt. Tipton. As part of that
6 WIFA financed sale approved by the Commission in Decision 64287, Mt. Tipton
7 obtained "115 acres of land around the spring to protect the water source, well sites, &
8 tank sites" for \$170,000. Staff has disallowed over 94% of this amount as not "used and
9 useful" and granted the company \$10,000 of this amount in rate base. Staff's justification
10 ~~for this position is that~~ the minority of the acreage (7 acres of the 115 total) is fenced,
11 therefore the other 108 acres must not be protected and have no value to the customer
12 owners of Mt. Tipton. Staff offers no further information about why a fenced area would
13 offer more protection to the water sources than just land ownership. If the ACC approved
14 this purchase, and allowed WIFA financing for it, then it should be excluded from rate
15 ~~base. The idea that a utility cannot count on recovery of costs from WIFA approved~~
16 ~~loans and Commissioner Decisions in previous cases is inherently, fundamentally wrong.~~

17 **Q-7 Does the Company now agree with the amount of accumulated depreciation**
18 **recommended by Staff?**

19 **A-7** Staff adopted the missing depreciation expense and retirements in its Surrebuttal,
20 ~~but as a result of~~ minor plant balance differences, the Spring well retirement, and
21 classification of the Church well retirement, we still differ.

22 **Q-8 Please delineate the differences between the rate base recommended by Mt.**
23 **Tipton and that by Staff.**

24 **A-8** In its Surrebuttal, Staff recommended rate base of \$791,309, and the Company is
25 proposing \$951,309, a difference of exactly \$160,000 as depicted in the table below. As
26 you can see, even though the Company and Staff disagree on amounts in different plant
27 categories and the associated accumulated depreciation, Staff's disallowance of the
28 \$160,000 of land has the largest impact on rate base.

Account	MTWC	Staff	Difference
Land and Land Rights	\$ 179,842	\$ 19,842	\$ 160,000
Structures & Improvements	64,022	70,621	(6,599)
Wells and Springs	382,076	348,390	33,686
Pumping Equipment	116,812	128,541	(11,729)
Accumulated Depreciation	(1,065,588)	(1,050,230)	(15,358)
Total Rate Base Difference			\$ 160,000

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

A-9 Mt. Tipton continues to propose its rate base as reflected on Rebuttal Schedule B-1 of \$951,309 (not the \$755,229 reflected on Staff Surrebuttal Schedule BAB-1) which leaves the Spring well unretired, retires the Church well per the engineering report, and includes the full value of the land.

Q-10 Has the Company made changes to the Rebuttal Schedule C-1 and the recommended revenue amount?

A-10 No. With the exception of the property tax surcharge, the Mt. Tipton has not changed its position from the Rebuttal testimony filed regarding rate base, the revenue requirement, and the rate design.

Q-11 Looking at Surrebuttal Schedule BAB-10, Staff is recommending \$364,555 for total revenue and \$287,403 for operating expenses. How does this compare to the Company Rebuttal position?

A-11 The operating expense amounts are very close, as the Company proposed \$289,860, which is a decrease of \$2,457. Mt. Tipton recommended \$377,103 for total operating revenue (without the surcharge), and Staff reduced it by \$12,548, for a cumulative difference of \$15,005 to the Company's detriment. Perhaps ironically, when the Staff revised rate of return on rate base of 9.75% is applied to the \$160,000 Staff reduction to rate base, the result is \$15,600. Even if the company requested rate of return of 9.17% (which was based upon a cash flow to revenue amount of 9%) was applied to

1 the \$160,000, that \$14,672 additional revenue would be close enough to the Company
2 proposal.

3 **Q-12 Does this mean that the Company agrees with the expenses but not the**
4 **revenue?**

5 **A-12** No, however inclusion of the land and the associated return would give this
6 customer owned utility the means to operate that it needs. Staff continues to recommend
7 future depreciation expense on plant assets that the Company has disclosed are fully
8 depreciated. However, this overstatement negates the impact of the punishing reduction
9 to purchased power, but creates longer term bookkeeping problems for a small, rural
10 water company that wants to operate on a limited budget. To be clear, the Company
11 disagrees with the purchased power adjustment because it is an undue punishment.

12 **Q-13 Did Staff make a change to its gross revenue conversion factor ("GRCF")**
13 **from its Direct testimony?**

14 **A-13** Yes. Per Schedule BAB-2 from its Direct testimony, the Staff GRCF was
15 ~~101.78%~~ and per Surrebuttal Schedule BAB-2 it was 99.87%, which is technically
16 negative, resulting in a lower revenue requirement albeit minimal.

17 **Q-14 What other amounts changed from Staff Direct testimony to Surrebuttal?**

18 **A-14** The Rate of Return decreased from 14.40% to 9.75% and the required increase
19 changed from 5.75% to 7.35%. Staff reduced the rate of return by 4.65% to keep the
20 revenue increase to 1.6%. This appears just to be gamesmanship of numbers. In addition
21 to the small amount of revenue increase that resulted from a substantial decrease to
22 accumulated depreciation, all of this additional revenue comes from the highest tiers of
23 the smallest meter sizes, resulting in a wide array of rates that will complicate the billing
24 process.

25 **Q-15 What about the DSC amounts both with the surcharge and without?**

26 **A-15** As reflected on Surrebuttal Schedule BAB-17, line 52, the DSC for Mt. Tipton
27 without the surcharge is 1.25, and with the property tax surcharge the DSC is 1.11. This
28 is an increase from the 1.20 and 1.07 DSC ratios proposed by Staff in its Direct

1 testimony. However, Staff does not explain why once the surcharge is included in
2 revenue the DSC fails to meet even the minimum WIFA standard. This is why the
3 Company believes its position fair and equitable on all parts for its owner customers as
4 well as the overall health of the system.

5 **Q-16 Please reiterate the Company position on the property tax surcharge**
6 **calculation.**

7 **A-16** A large surcharge for a 5/8 inch customer would create a hardship on the customer
8 base, resulting in either further loss of customers or decreased usage. As explained in the
9 testimony of Ms. Monzillo, the infrastructure is quite old and is in danger of failure at any
10 time which could result in a large expenditure. For a utility that is "owned" by the
11 customers that receive service from it and elect the people to run it, it is a much better
12 strategy to allow more of an increase to the base rates than recommended by Staff, and a
13 longer repayment period for the past due property taxes.

14 **Q-17 Did the Company change the amount of the property tax surcharge in its**
15 **Rejoinder testimony?**

16 **A-17** Yes. Mt. Tipton's intent has always been for the surcharge to be as low as
17 possible for a 5/8 inch meter, but still pay off the years old property tax obligations in a
18 timely fashion without hurting the customers and skimping on system costs. Rejoinder
19 Schedule 2 projects the amount of interest that will continue to accrue on the tax
20 obligation while the Company is collecting the surcharge, but cannot yet pay in full in
21 addition to the projected amount of surcharge that will be collected and when liens can be
22 paid off. The revised surcharge amounts the Company requests begin at \$10.15 per
23 month and will continue for 32 months. Surcharge amounts by meter size and the proof
24 of amounts collected to satisfy the past due property taxes are on Rejoinder Schedule 1.

25 **Q-18 What are the Company's recommended rates from the base rates only?**

26 **A-18** Mt. Tipton's recommended rates have not changed and are reflected on Rebuttal
27 Schedule H-3, Pages 1 and 2. The 5/8 by 3/4 inch residential meters make up the largest
28 class of users. The 5/8 by 3/4 inch residential meter class will experience an average

1 increase of 11.97% (without the surcharge) as depicted on Rebuttal Schedule H-1. Based
2 upon average usage of 3,657 gallons per month, the monthly bill for these customers will
3 increase \$4.38, from \$33.40 to \$37.79, or 13.12%. That is an increase of \$52.56 per year
4 for the average user in this meter size. In addition, the Company wishes for simplicity to
5 maintain a tier structure that is the same for all meter sizes.

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

8 **A-19** Based upon average usage of 3,657 gallons per month, once the surcharge is
9 included, the monthly bill for these customers will increase \$14.53, from \$33.40 to
10 ~~\$47.93, or 43.50%.~~ That is an increase of \$174.36 per year for the average user in this
11 meter size.

12 **Q-20 Is there another reason why Mt. Tipton wants to keep the property tax**
13 **surcharge lower and include more revenue in the base rates?**

14 **A-20** Yes. Per Decision 72001, the revenue requirement adopted was \$356,490, of
15 ~~which \$324,920 was metered water revenue.~~ Mt. Tipton's metered water revenue during
16 2011, 2012 and the test year was \$322,237, \$310,396 and \$312,811 respectively. The
17 Company has not met its metered water revenue target since these rates have been in
18 effect. In fact, Mt. Tipton has not even earned total revenue that hits the revenue target of
19 \$356,490 including other revenue and the coin machine. It is this inability to meet its
20 revenue requirement that has in part precluded Mt. Tipton from being able to pay a
21 property tax obligation that was created during a time when the Company was managed
22 by a different group of people.

23 **Q-21 Moving to Surrebuttal Schedule BAB-18, please describe the issues with Staff**
24 **rate design and how they relate to the revenue requirement.**

25 **A-21** Based on that schedule, all of the additional increase that Staff is recommending is
26 coming from the top two tiers of the two smallest meter sizes. This schedule also is not
27 clear on what commodity rates are to be charged for each meter size as there are amounts
28

1 for each meter size in the Staff recommended column as well as a "catch all" for all meter
2 sizes.

3 **Q-22 Does Staff's recommended base rates per Surrebuttal Schedule BAB-18**
4 **generate the Staff recommended metered water sales of \$337,772 per Surrebuttal**
5 **Schedule BAB-10?**

6 **A-22** No. Based on the bill count filed with the application, Staff rates generate only
7 \$334,375, which is a deficiency of \$3,397. It is for this reason and many more that the
8 Company feels its case is more detailed, accurate and reasonable, and why its proposed
9 rate base, revenue requirement, base rates and surcharge should be adopted. The table
10 below depicts the revenue generated by Staff rates by meter size and category based upon
11 the billing distribution filed with the original application.

Revenue Generated by Staff Recommended Rates	Amount
5/8" by 3/4" Residential	\$ 282,056
5/8" by 3/4" Commercial	23,841
1" Residential	1,262
1" Commercial	1,279
1.5" Commercial	1,136
2" Commercial	6,124
4" Commercial	6,684
Bulk Sales	11,597
Sprinkler Fees	120
Fire Dept - Non Potable	276
Total	\$ 334,375
Staff Recommended Metered Water Revenue	337,772
Revenue Shortage	\$ (3,397)

23 **Q-23 Does this conclude your testimony?**

24 **A-23** Yes.

DETAIL OF PROPERTY TAX SURCHARGE CALCULATION

1	New rates effective October 1, 2014 with collections beginning	November-14
2	Plus collection period in months	32
3	Projected end of surcharge collection	June-17

4 Proof of Surcharge Revenue:

5	Meter Size	NARUC Multiplier	Monthly Surcharge by Meter Size	Customers	Monthly Surcharge Revenue
6	5/8" x 3/4" meter	1	\$ 10.15	657	\$ 6,669
7	3/4" meter	2	15.23	0	-
8	1" meter	3	25.38	1	25
9	1 1/2" meter	5	50.75	1	51
10	2" meter	8	81.20	2	162
11	3" meter	15	152.25	0	-
12	4" meter	25	253.75	1	254
13	6" meter	50	507.50	0	-
14	Total Monthly Surcharge Revenue				\$ 7,161
15	Assessment period in Months				32
16	Collected Over Assessment Period				<u>\$ 229,146</u>

17 Proof Surcharge Revenue Will Meet Property Tax Payment Obligations:

18	Balance as of June 2014	\$ 200,193	
19	Additional Interest 2004 Lien	3,526	Jul 2015 projected payoff
20	Additional Interest 2005 Lien	1,348	Jul 2015 projected payoff
21	Additional Interest 2006 Lien	4,923	Jan 2016 projected payoff
22	Additional Interest 2007 Lien	6,655	Jul 2016 projected payoff
23	Additional Interest 2008 Lien	7,472	Jan 2017 projected payoff
24	Additional Interest 2009 Lien	8,599	Jun 2017 projected payoff
25	Total Projected to be Paid	<u>\$ 232,716</u>	
26	Property Tax resulting from Surcharge ¹	4,111	
27	Collected Over Assessment Period	(229,146)	
28	Hook Up Fees	(8,100)	
29	Remainder	<u>\$ (419)</u>	

30 ¹ \$4,111 = \$229,146 times GRCF for property taxes of 1.7942%

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Lien Year	Annual Interest Rate	Original Lien Amount	Interest to 09-Oct-13	Balance Due 09-Oct-13	Nov-13 Interest	Dec-13 Interest	Balance Due 31-Dec-13	Balance Due 30-Jun-14
2004	16.00%	\$ 20,342.66	\$ 25,254.90	\$ 45,597.56	\$ 271.24	\$ 271.24	\$ 46,140.04	\$ 47,767.48
2005	16.00%	7,777.27	8,503.15	16,280.42	103.70	103.70	16,487.82	17,110.02
2006	16.00%	19,431.43	17,901.92	37,333.35	259.09	259.09	37,851.53	39,406.07
2007	16.00%	19,965.05	15,198.44	35,163.49	266.20	266.20	35,695.89	37,293.09
2008	16.00%	18,077.76	10,871.66	28,949.42	241.04	241.04	29,431.50	30,877.74
2009	16.00%	17,914.98	7,912.59	25,827.57	238.87	238.87	26,305.31	27,738.53
Totals		\$103,509.15	\$ 85,642.66	\$189,151.81	\$1,380.14	\$1,380.14	\$191,912.09	\$200,192.93

Surcharge Balance

\$ -

Assumptions:

- 1 - Company preferred surcharge amount is \$10.15 for a 5/8" x 3/4" meter, and is expected to generate \$7,161 per month.
- 2 - Surcharge is estimated to begin in October of 2014 with first collections in November of 2014.
- 3 - Surcharge is predicted to cease in May of 2017 with final collection and payment in June 2017. (32 months)
- 4 - Surcharge account balance of \$22,422 at 12/31/14 is \$8,100 of hook up fees plus 2 months of surcharge collection.
- 5 - Surcharge collections will accrue in bank account until the balance of a lien has accumulated, then will be paid in full.
- 6 - The 2004 and 2005 liens are owned by the same people and must be paid in full together.

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Lien Year	Balance Due 31-Dec-14	Balance Due 31-Jan-15	Balance Due 28-Feb-15	Balance Due 31-Mar-15	Balance Due 30-Apr-15	Balance Due 31-May-15
2004	\$ 49,394.92	\$ 49,666.16	\$ 49,937.39	\$ 50,208.63	\$ 50,479.86	\$ 50,751.10
2005	17,732.22	17,835.92	17,939.61	18,043.31	18,147.01	18,250.70
2006	40,960.61	41,219.70	41,478.78	41,737.87	41,996.95	42,256.04
2007	38,890.29	39,156.49	39,422.69	39,688.89	39,955.09	40,221.29
2008	32,323.98	32,565.02	32,806.05	33,047.09	33,288.13	33,529.16
2009	29,171.75	29,410.62	29,649.48	29,888.35	30,127.22	30,366.08
Totals	\$ 208,473.77	\$ 209,853.89	\$ 211,234.01	\$ 212,614.14	\$ 213,994.26	\$ 215,374.38

Surcharge Balance \$ 22,422.00 \$ 29,583.00 \$ 36,744.00 \$ 43,905.00 \$ 51,066.00 \$ 58,227.00

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

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Rejoinder Schedule 2

Lien Year	Balance Due 30-Jun-15	Balance Due 31-Jul-15	Payment 1	Balance Due 31-Aug-15	Balance Due 30-Sep-15	Balance Due 31-Oct-15	Balance Due 30-Nov-15	Balance Due 31-Dec-15
2004	\$ 51,022.33	\$ 51,293.57	\$ (51,293.57)	\$ (0.00)	\$ -	\$ -	\$ -	\$ -
2005	18,354.40	18,458.10	(18,458.10)	(0.00)	-	-	-	-
2006	42,515.12	42,774.21		43,033.30	43,292.38	43,551.47	43,810.55	44,069.64
2007	40,487.49	40,753.69		41,019.90	41,286.10	41,552.30	41,818.50	42,084.70
2008	33,770.20	34,011.24		34,252.27	34,493.31	34,734.35	34,975.38	35,216.42
2009	30,604.95	30,843.81		31,082.68	31,321.55	31,560.41	31,799.28	32,038.15
Totals	\$ 216,754.50	\$ 218,134.62		\$ 149,388.14	\$ 150,393.34	\$ 151,398.53	\$ 152,403.72	\$ 153,408.91

Surcharge Balance \$ 65,388.00 \$ 72,549.00 \$ (69,751.67) \$ 9,958.33 \$ 17,119.33 \$ 24,280.33 \$ 31,441.33 \$ 38,602.33

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

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Rejoinder Schedule 2

Lien Year	Balance Due 31-Jan-16	Payment	Balance Due 29-Feb-16	Balance Due 31-Mar-16	Balance Due 30-Apr-16	Balance Due 31-May-16	Balance Due 30-Jun-16
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	-	-	-	-	-	-	-
2006	44,328.72	(44,328.72)	0.00	-	-	-	-
2007	42,350.90		42,617.10	42,883.30	43,149.50	43,415.70	43,681.90
2008	35,457.46		35,698.50	35,939.53	36,180.57	36,421.61	36,662.64
2009	32,277.01		32,515.88	32,754.75	32,993.61	33,232.48	33,471.35
Totals	\$ 154,414.09		\$ 110,831.48	\$ 111,577.58	\$ 112,323.68	\$ 113,069.79	\$ 113,815.89

Surcharge Balance \$ 45,763.33 \$ (44,328.72) \$ 8,595.61 \$ 15,756.61 \$ 22,917.61 \$ 30,078.61 \$ 37,239.61

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

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Rejoinder Schedule 2

Lien Year	Balance Due 31-Jul-16	Payment 3	Balance Due 31-Aug-16	Balance Due 30-Sep-16	Balance Due 31-Oct-16	Balance Due 30-Nov-16	Balance Due 31-Dec-16
2004	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
2005	-		-	-	-	-	-
2006	-		-	-	-	-	-
2007	43,948.10	(43,948.10)	0.00				
2008	36,903.68		37,144.72	37,385.75	37,626.79	37,867.83	38,108.86
2009	33,710.21		33,949.08	34,187.94	34,426.81	34,665.68	34,904.54
Totals	\$ 114,561.99		\$ 71,093.80	\$ 71,573.70	\$ 72,053.60	\$ 72,533.50	\$ 73,013.41

Surcharge Balance \$ 44,400.61 \$ (43,948.10) \$ 7,613.51 \$ 14,774.51 \$ 21,935.51 \$ 29,096.51 \$ 36,257.51

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

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Rejoinder Schedule 2

Lien Year	Balance Due 31-Jan-17	Payment 4	Balance Due 28-Feb-17	Balance Due 31-Mar-17	Balance Due 30-Apr-17	Balance Due 31-May-17	Balance Due 30-Jun-17
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	38,349.90	(38,349.90)	-	-	-	-	-
2009	35,143.41	-	-	-	-	-	-
Totals	\$73,493.31		\$35,382.28	\$35,621.14	\$35,860.01	\$36,098.88	\$36,337.74
			\$35,382.28	\$35,621.14	\$35,860.01	\$36,098.88	\$36,337.74

Surcharge Balance \$ 43,418.51 \$ (38,349.90) \$ 12,229.61 \$ 19,390.61 \$ 26,551.61 \$ 33,712.61 \$ 40,873.61
 Payment 5 (36,337.74)
 Difference \$ 4,535.87
 Property Taxes due to Surcharge (4,111.34)
 Remainder \$ 424.52

10/09/13
07:47:38

Mohave County Treasurer
Tax Payment Processing

TX033MDS
SUBCTL01
OWNER/AGENT

Payee Name : MT TIPTON WATER CO INC
Attn : _____
Address : _____
15996 N IRONWOOD RD PO BOX 38
DOLAN SPRINGS AZ 86441 0000

Purchaser Id: _____
Batch : 0000000

selects	1	Opt	Parcel	Year	Cert/Tax	Int/Fee	Total Due	Payment
-	E	91741110	2004 PUR	20,342.66	25,254.90	45,597.56	45,597.56	
-	E	91741110	2005 SUBT	7,777.27	8,503.15	16,280.42	16,280.42	
-	E	91741110	2006 AZ	-19,431.43	17,901.92	37,333.35	37,333.35	
-	E	91741110	2007 AZ	19,965.05	15,198.44	35,163.49	35,163.49	
-	E	91741110	2008 AZ	18,077.76	10,871.66	28,949.42	28,949.42	
-	E	91741110	2009 AZ	17,914.98	7,912.59	25,827.57	25,827.57	
-	E	91741110	2013 FULL	8,210.34	.00	8,210.34	8,210.34	

Lease return with payment. Amount subject to change please call prior to sending payment.

Cashiers Check or Money order only

Bottom

check : _____ Total: 189,151.81
cash : _____ Ovrpay: _____
direct : _____ Int Date: 10/09/2013 Receipt: NREC RUFFD Path: _____

Past due = \$103,509.15

(Original) X 1.5% = \$1,552.64

Interest X 1.333% = \$1,380.12/month

Bal. 12-13 = \$191,912.04

~~10-13 \$2,522.52~~
~~11-13 \$2,875.11~~
~~= \$194,518.93~~

2004 + 2005 lien int. \$374.93/mo.
2006 lien int. \$259.09
2007 lien int. \$266.30
2008 lien int./mo. \$241.04
2009 lien \$17,914.98 + interest/mo. \$238.81

~~Oct. 2014 \$28,693.29~~

~~Offsite \$11,500 by Sept. or Oct.~~

~~Tax Acct. = \$10-\$11K by 10-31-14.~~

