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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

SEP 2 2014

DOCKETED BY 

IN THE MATTER OF THE APPLICATION  
OF ABRA WATER COMPANY, AN  
ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT  
FAIR VALUE OF ITS UTILITY PLANT  
AND PROPERTY AND FOR INCREASES  
IN ITS RATES AND CHARGES FOR  
UTILITY SERVICE.

DOCKET NO. W-01782A-14-0084

**NOTICE OF FILING REBUTTAL  
TESTIMONIES OF ROD YARBRO AND  
THOMAS J. BOURASSA**

Abra Water Company ("Abra"), through undersigned counsel, hereby files Rebuttal  
Testimony of Rod Yarbrow, attached hereto as Exhibit A, and Rebuttal Testimony of Thomas J.  
Bourassa, attached hereto as Exhibit B.

RESPECTFULLY SUBMITTED this 2<sup>nd</sup> day of September, 2014.

MUNGER CHADWICK, P.L.C.

Robert J. Metli  
2398 E. Camelback Road, Suite 240  
Phoenix, AZ 85016  
Attorney for Abra Water Company, Inc.

ORIGINAL and thirteen (13) copies filed  
this 2<sup>nd</sup> day of September, 2014, with:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

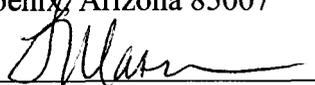
ORIGINAL

1 COPY of the foregoing mailed/hand-delivered  
this 2<sup>nd</sup> day of September, 2014, to:

2 Sarah N. Harpring  
3 Administrative Law Judge  
4 Arizona Corporation Commission  
5 1200 W. Washington Street  
6 Phoenix, Arizona 85007

7 Janice Alward, Chief Counsel  
8 Legal Division  
9 Arizona Corporation Commission  
10 1200 W. Washington Street  
11 Phoenix, Arizona 85007

12 Steven M. Olea, Director  
13 Utilities Division  
14 Arizona Corporation Commission  
15 1200 W. Washington Street  
16 Phoenix, Arizona 85007

17 By 

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**EXHIBIT A**

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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**REBUTTAL TESTIMONY OF  
ROD YARBRO ON BEHALF OF  
ABRA WATER CO.**

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**I. INTRODUCTION AND SUMMARY OF TESTIMONY**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Rod Yarbrow. My business address is 25001 N Hwy 89, PO Box 515, Paulden, Arizona 86334.

**Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

A. I am employed by Big Chino Land Company, Inc. as a Manager.

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

A. I am testifying on behalf of Abra Water Company, Inc. ("Abra Water").

**Q. WOULD YOU DISCUSS YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE?**

A. I have a BS degree in Accounting but no further credentials or experience in the accounting field. I have been employed by Big Chino Land Company for approximately 20 years during which I have been involved in the management, operations and maintenance of Abra Water.

**Q. HOW LONG HAVE YOU BEEN SPECIFICALLY INVOLVED IN THE MANAGEMENT, OPERATIONS AND MAINTENANCE OF ABRA WATER?**

A. Approximately 20 years.

**Q. WOULD YOU SUMMARIZE YOUR REBUTTAL TESTIMONY?**

A. I am going to describe why Abra Water's history puts it in a unique situation that will require significant capital improvements in the near future. Specifically, we anticipate the need to spend upwards of \$141,750 over the next several years to repair, update and improve our water infrastructure. Of that number, approximately \$56,400 is critical. Given its capital improvement needs, Abra Water will need to attract equity capital, which can only be accomplished if the

1 Arizona Corporation Commission (“Commission”) authorizes sufficient earnings to attract such  
2 capital. I will explain why Abra Water has been unable to realize its authorized rate of return in  
3 the past, resulting in insufficient earnings. As explained in detail by Abra Water’s rate consultant  
4 Tom Bourassa, Staff’s recommendations related to rate base, revenue requirement and return on  
5 equity rate will result in continued insufficient earnings, and will preclude Abra Water from  
6 attracting capital necessary to address these capital improvement needs.

7 **II. COMPANY HISTORY AND INFRASTRUCTURE NEEDS**

8  
9 **Q. CAN YOU PLEASE DESCRIBE ABRA WATER’S HISTORY?**

10 A. Yes, having been involved in the operations and maintenance of Abra Water for more than  
11 20 years, I am very familiar with its history as well as the unique challenges it has. Abra Water  
12 was incorporated in 1959 and began operations shortly thereafter with the intention of servicing  
13 the approximate 2,000 quarter (1/4) acre subdivided lots in the Antelope Lakes, Holiday Lakes,  
14 and Sunset Mobile Home Sites subdivisions. These subdivisions were created in 1961 and began  
15 selling lots to individuals at that time. The developers of these subdivisions installed minimal  
16 utilities to a small number of these lots and then abandoned the subdivisions after having sold the  
17 lots to individual owners across the county.

18 **Q. AFTER THE DEVELOPERS ABANDONED THE SUBDIVISION, HOW WERE**  
19 **SUBSEQUENT UTILITIES CONSTRUCTED AND WHO PAID THE COSTS?**

20 A. After the developers abandoned the subdivisions, lots were only developed when an  
21 individual lot owner was willing to pay the costs associated with bringing the utilities to their  
22 particular lot. At times, the cost of bringing these utilities to the lot equaled the value of the lot  
23 itself. This “piece-meal” utility expansion has been very slow and explains why after 53 years,  
24 there are only approximately 670 homes on these 2,000 available lots.

25  
26

1 **Q. DID THIS "PIECE-MEAL" UTILITY EXPANSION CAUSE SIGNIFICANT**  
2 **DIFFICULTIES FOR ABRA WATER? DO THESE DIFFICULTIES CONTINUE**  
3 **TODAY?**

4 A. Yes. When a water line was extended at a lot owner's request, it was only extended to the  
5 owner's lot and not beyond. This has had the effect of leaving many water lines dead-ended  
6 instead of looping to connect to other water lines on other streets. These dead-end water lines are  
7 inefficient, less safe, and restrict water flows throughout the system. This affects all customers.

8 **Q. PLEASE EXPLAIN?**

9 A. For example, many times when a main line breaks, a large number of customers remain  
10 without water while the line is being repaired because there is no way to provide water from a  
11 different direction. This can create many undesirable consequences including, as you can  
12 imagine, displeased customers.

13 **Q. HOW CAN ABRA WATER ADDRESS THIS ISSUE?**

14 A. Abra Water's system is over fifty years old and has a tremendous amount of dead end  
15 lines that need to be looped. There are also several other areas within the water distribution  
16 system that need an additional main line to provide adequate pressure and volume. In addition,  
17 Abra Water needs a back-up well and pump. To be able to continue to serve uninterrupted water  
18 service to its customers in the events of main line breaks or other flow needs, Abra Water needs  
19 to extend and tie in these dead-end water lines. These capital improvements are an expensive fix.  
20 Since Abra Water is a privately owned public utility company, it does not have the authority to  
21 assess lots, receive tax revenue, qualify for grants, or raise money like cities and districts can.  
22 Abra Water's only solution is to either collect the money through its rates or to be financially  
23 solvent enough to attract new capital and/or qualify for additional loans.  
24  
25  
26

1 **Q. WILL STAFF'S RECCOMENDATIONS IN THIS CASE HELP ADDRESS THIS**  
2 **ISSUE?**

3 A. No. Abra Water is currently heavily leveraged and is unable to attract investors or satisfy  
4 lending institutions lending requirements with its current rates. Abra Water is a small company.  
5 Smaller companies have greater business risk. Abra Water also experiences earnings variability  
6 which makes it more risky. In fact, Abra has not achieved its authorized rate of return from the  
7 last rate case. All these factors prevent Abra Water from attracting equity capital that it  
8 desperately needs to address these capital improvement needs.

9 **Q. PLEASE EXPLAIN WHY ABRA WATER DID NOT ACHIEVE ITS**  
10 **AUTHORIZED RATE OF RETURN IN THE LAST RATE CASE?**

11 A. Although Abra Water was authorized to recover a revenue requirement of \$314,481,  
12 actual revenues of \$314,481 were never realized. The Company's inverted tier rates resulted in a  
13 decline in water sales and revenue. Staff's recommendation in this case will again result in  
14 insufficient earnings preventing Abra Water from attracting equity capital that it desperately  
15 needs.

16 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

17 A. Yes, it does.  
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**EXHIBIT B**

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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DOCKET NO. W-01782A-14-0084

**REBUTTAL TESTIMONY OF  
THOMAS J. BOURASSA ON BEHALF OF  
ABRA WATER CO.**

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**I. INTRODUCTION AND QUALIFICATIONS**

**Q1. PLEASE STATE YOUR NAME AND ADDRESS.**

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

**Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

A2. I am testifying in this proceeding on behalf of the applicant, Abra Water Company, Inc. ("AWC" or the "Company"). AWC is seeking changes in its rates and charges for water utility service in its certificated service area, which area is located in Yavapai County.

**Q3. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE INSTANT CASE?**

A3. Yes, my direct testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

**Q4. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

A4. To respond to the direct filings by Staff relating to rate base, income statement and rate design for AWC. I present an update to the Company's requested cost of capital as well as provide responses to Staff on the cost of capital, the rate of return applied to the fair value rate base, and the determination of operating income.

**II. SUMMARY OF AWC'S REBUTTAL POSITION.**

**Q5. WHAT IS THE REVENUE THE COMPANY IS PROPOSING IN THIS REBUTTAL TESTIMONY?**

A5. The Company is proposing a total revenue requirement of \$292,122, which constitutes an increase in revenues of \$22,082, or 8.18% over adjusted test year revenues.

1 **Q6. HOW DO THESE COMPARE WITH THE COMPANY'S DIRECT FILING?**

2 A6. They are lower. In the direct filing, the Company requested a total revenue requirement of  
3 \$313,389, which required an increase in revenues of \$43,349 or 16.05% over adjusted test  
4 year revenues.

5  
6 **Q7. WHAT'S DIFFERENT?**

7 A7. In its rebuttal filing, AWC has adopted a number of adjustments recommended by Staff,  
8 as well as proposed a number of adjustments of its own based on known and measurable  
9 changes to the test year. The net result of these adjustments is: (1) the Company's  
10 proposed operating expenses have decreased by \$16,062, from \$254,285 in the direct  
11 filing to \$238,323; and a net decrease of \$14,936 in rate base from the direct filing of  
12 \$570,570 to \$555,634.

13 The Company continues to recommend a cost of equity of 11.0%. The Company  
14 also continues to propose a cost of debt of 6.82% and capital structure consisting of  
15 51.49% debt and 48.51% equity. Based on the Company's rebuttal recommendation  
16 regarding the cost of debt, cost of equity, and the capital structure, the overall  
17 recommended weighted cost of capital (rate of return) is 8.85%, the same as in its direct  
18 filing.

19 **Q8. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE**  
20 **INCREASES FOR THE COMPANY AND STAFF AT THIS STAGE OF THE**  
21 **PROCEEDING?**

22 A8. The proposed revenue requirements and proposed rate increases are as follows:

23

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
24 Company-Direct	\$ 313,389	\$ 43,349	16.05%
25 Staff	\$ 273,934	\$ 3,894	1.44%
26 Company Rebuttal	\$ 292,122	\$ 22,082	8.18%

1 **III. RATE BASE**

2 **A. Summary of Rate Base.**

3 **Q9. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE**  
4 **RECOMMENDATIONS FOR THE WATER DIVISION?**

5 A9. Yes, for the water division the rate bases proposed by the Company and Staff are as  
6 follows:

	<u>OCRB</u>	<u>FVRB</u>
7 Company-Direct	\$ 570,570	\$ 570,570
8 Staff	\$ 461,824	\$ 461,824
9 Company Rebuttal	\$ 555,630	\$ 555,630

10  
11 **1. Plant-in-Service (PIS) and Accumulated Depreciation (A/D).**

12 **Q10. PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE**  
13 **BASE FOR THE WATER DIVISION AND IDENTIFY ANY ADJUSTMENTS**  
14 **YOU HAVE ACCEPTED FROM STAFF.**

15 A10. The Company's rebuttal rate base adjustments to its OCRB are detailed on rebuttal  
16 schedules B-2, pages 3 through 5. Rebuttal Schedule B-2, page 1 and 2, summarize the  
17 Company's proposed adjustments and the rebuttal OCRB.

18 The Company is not proposing any additional adjustments to PIS at this stage of  
19 the proceeding.

20 The Company is proposing one adjustment to A/D. Rebuttal Adjustment 2, shown  
21 on Schedule B-2, page 2 increases A/D by \$308. This adjustment reflects a correction to  
22 the depreciation rate for Account 320.3 – Media for Arsenic Treatment from 33.00% to  
23 33.33%. Staff proposes a similar adjustment.<sup>1</sup>

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26 <sup>1</sup> See Staff Schedule BCA-6.

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**Q11. ARE THE COMPANAY AND STAFF IN AGREEMENT ON THE PIS AND A/D BALANCES?**

A11. No. The Company is proposing PIS and A/D balances of \$1,523,414 and \$659,371, respectively. Staff is proposing PIS and A/D balances of \$1,443,514 and \$653,028, respectively.

**Q12. WHY THE DIFFERENCE?**

A12. The \$79,900 difference in PIS is the cost of arsenic media which Staff proposes to remove.<sup>2</sup> The \$6,035 difference in A/D is related to the removal of \$79,900 of plant costs.<sup>3</sup>

**Q13. DIDN'T STAFF TRANSFER \$79,900 OF ARSENIC MEDIA COST FROM ACCOUNT 320 – WATER TREATMENT EQUIPMENT TO ACCOUNT 320.3 – ARSENIC MEDIA IN THE LAST RATE CASE?**

A13. Yes. However, the \$79,900 of arsenic media costs was not included in Acct 320 – Water Treatment Equipment. In fact, this cost was not reflected in any PIS accounts but rather the cost was included in Account 151 – Plant Materials and Supplies (prepaid expense). When Staff transferred the \$79,900 from Acct 320 Water Treatment Equipment it left the balance of this account understated. What should have happened is that the \$79,900 should have been added to Account 320.3 – Media for Arsenic Treatment and the balance Account 320 – Water Treatment Equipment should have been left alone.<sup>4</sup>

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<sup>2</sup> Direct Testimony of Brenda C. Aladi (“Aladi Dt.”) at 7.  
<sup>3</sup> Aladi Dt. at 8.  
<sup>4</sup> Note: In the prior case Staff transferred the remaining balance of \$65,102 (after removing the \$79,900) in Account 320 – Water Treatment Equipment to Account 320.1 – Water Treatment Plant.

1 **Q14. PLEASE EXPLAIN HOW YOU DETERMINED THAT THE \$79,900 ARSENIC**  
2 **MEDIA COST WAS NOT IN ACCOUNT 320 – WATER TREATMENT**  
3 **EQUIPMENT.**

4 A14. I examined the rate application and Staff report from the prior case<sup>5</sup> as well as the books  
5 and records of the Company. I have prepared Rebuttal Exhibit TJB-RB-1 which contains  
6 relevant documentation found during my investigation. Pages 1, 2, and 3 of the exhibit  
7 are copies of relevant pages from the Company's rate application in the prior rate case.  
8 Pages 4 and 5 of the exhibit are copies of relevant pages of the Company's general ledger  
9 detail. Page 6 of the exhibit is a copy of a relevant page from the Staff report in the prior  
10 case.

11 Page 3 of the exhibit is a copy of the utility plant in service schedule from the  
12 Company's rate application in the prior case. This page is relevant because it reflects the  
13 balance for Account 320 – Water Treatment Equipment (\$145,002) at the end of the test  
14 year (12/31/2009). This balance came from the Company's general ledger which is  
15 included in the exhibit at Page 4. This page is relevant because it reflects the transactions  
16 which made up the balance of \$145,002 and it shows that the \$79,900 of arsenic media  
17 costs were not included in the balance because it was removed and transferred  
18 (reclassified) to Account 151- Plant Materials and Supplies prior to the Company's filing  
19 in the previous case. Note the transfer took place a year prior to the test year in the prior  
20 case.

21  
22 **Q15. PLEASE EXPLAIN WHAT PAGE 2 AND PAGE 5 OF YOUR EXHIBIT ARE AND**  
23 **WHY THEY ARE RELEVANT.**

24 A15. Page 2 is a copy of a balance sheet page from the rate application in the prior case and  
25 page 5 is a copy of the general ledger for Account 151 – Plant Materials and Supplies.

26 <sup>5</sup> Docket No. W-01782A-10-0224

1 These pages are relevant because they demonstrate that the arsenic media costs were in  
2 Account 151 – Plant Materials and Supplies and not in any PIS account, let alone Account  
3 320 – Water Treatment Equipment in the prior case. Let me explain. Page 5 reflects the  
4 \$79,900 transferred from Account 320- Water treatment Equipment to Account 151 –  
5 Plant Materials and Supplies discussed previously. It also shows the amortization of the  
6 \$79,900 from 2008 to the end 2009 (the end of the test year). The balance of Account  
7 151- Plant Materials and Supplies at the end of 2009 was \$22,799. Page 2 of the exhibit  
8 reflects the same balance for Account 151 – Plant Materials and Supplies. The general  
9 ledger and the rate application are consistent and show the arsenic media costs were not in  
10 PIS.  
11

12 **Q16. DID STAFF INCREASE PLANT-IN-SERVICE IN THE LAST RATE CASE FOR**  
13 **THE ARSENIC TREATMENT COSTS?**

14 A16. No. Page 6 of the exhibit is a copy of Staff Schedule JCM-4 in the prior case which is a  
15 summary of Staff's original cost rate base adjustments. It is relevant because it reflects a  
16 transfer of \$79,900 from Account 320 – Water Treatment Equipment to Account 320.3 –  
17 Media for Arsenic Treatment and does not show any increase to PIS. In other words, the  
18 \$79,900 of costs never made it into the PIS balance.

19 If Staff's removal of the \$79,000 is adopted, rate base will be understated because  
20 it would not reflect the actual cost of PIS. In additional, depreciation expense will be  
21 lower than it otherwise would be. In other words, AWC will be denied a return on and of  
22 plant investment necessary to provide safe and reliable service.  
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**2. Contributions-in- Aid of Construction (CIAC).**

**Q17. PLEASE DISCUSS THE COMPANY’S ADJUSTMENT TO CONTRIBUTIONS-  
IN-AID OF CONSTRUCTION?**

A17. In rebuttal B-2 adjustment 3, as shown on Schedule B-2, page 2, the Company adopts Staff’s proposed adjustments to CIAC and accumulated amortization— an increase to CIAC of \$6,795 and a decrease to accumulated amortization of \$5,760.<sup>6</sup> The Company and Staff are in agreement of the balance of CIAC and accumulated amortization of \$365,823 and \$251,736, respectively.

**3. Working Capital**

**Q18. PLEASE DISCUSS THE COMPANY’S ADJUSTMENT TO WORKING  
CAPITAL?**

A18. In rebuttal B-2 adjustment 4, as shown on Schedule B-2, page 2, the Company reduces working capital by \$2,076 from \$22,634 to \$20,558.

**Q19. DO THE COMPANY AND STAFF AGREE ON THE AMOUNT OF WORKING  
CAPITAL?**

A19. No. Staff proposes zero working capital.<sup>7</sup>

**Q19. DID THE COMPANY PREPARE A LEAD-LAG STUDY?**

A19. No. The Company used the formula method. There are two reasons why. First, the costs to prepare and fended a lead-lag study can be significant and prohibitive, particularly for a small utility company like AWC. Second, the formula method is a reasonable estimate of what a lead-lag study would produce without the related expense of a lead-lag study and

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<sup>6</sup> Aladi Dt. at 9 and 10.  
<sup>7</sup> Aladi Dt. at 11.

1 the hearing time used in reviewing the study. Many commissions, which previously used  
2 lead-lag studies, have adopted a formula method.<sup>8</sup>  
3

4 **Q20. HAS THE COMMISSION DISALLOWED CASH WORKING CAPITAL**  
5 **ALLOWANCES FOR CLASS C UTILITIES IN THE PAST?**

6 A20. Yes. However, AWC is barely a Class C utility under the current class definitions  
7 contained in the Rules<sup>9</sup> and will be considered a Class D utility when the new class  
8 definitions are adopted.

9 **IV. INCOME STATEMENT (C SCHEDULES).**

10 **Q21. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**  
11 **ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WATER**  
12 **DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED**  
13 **FROM STAFF.**

14 A21. The Company rebuttal adjustments for the Water Division are detailed on Rebuttal  
15 Schedule C-2, pages 1-12. The rebuttal income statement with adjustments is summarized  
16 on Rebuttal Schedule C-1, page 1-2.

17 Rebuttal adjustment 1 increases depreciation and amortization expense.  
18 Depreciation and amortization expense is slightly lower, primarily due to the impacts of  
19 the Company's proposed rebuttal adjustments to increase the CIAC balance.  
20

21 **Q22. DO THE COMPANY AND STAFF AGREE ON THE LEVEL OF**  
22 **DEPRECIATION AND AMORTIZATION EXPENSE?**  
23  
24

25 <sup>8</sup> Hane and Aliff. Accounting for Public Utilities. Lexis Nexis. Sec 5.04.

26 <sup>9</sup> Arizona Administrative Code (A.A.C.) R-14-2-103(A)(q). Class D Utilities have revenues of \$250,000 or less. AWC proposed revenues are less than \$300,000.

1 A22. No. The Company recommends depreciation and amortization expense of \$49,111 while  
2 Staff recommends \$50,236. The difference of \$1,125 is due the difference in each of the  
3 parties recommend PIS balance (specifically the \$79,900 difference in Account 320.1 –  
4 Water Treatment Plant) and due to Staff’s incorrect depreciation rate for Account 330.1 –  
5 Storage Tanks (Staff uses 5.0 percent but the approved rate is 2.22 percent).<sup>10</sup>  
6

7 **Q23. PLEASE CONTINUE.**

8 A23. Rebuttal adjustment number 2 reduces the level of adjusted test year property tax expense  
9 and adopts Staff adjustment to property tax expense.<sup>11</sup> The Company and Staff are in  
10 agreement on the level of adjusted test year taxes and on the method of computing  
11 property taxes including the assessment ratio and the property tax rate.<sup>12</sup>

12 Rebuttal adjustment 3 reduces rate case expense by \$2,917 and reflects the  
13 adoption of Staff’s proposed level of annual rate case expense.<sup>13</sup>

14 Rebuttal adjustment 4 reduces outside services by \$1,880 and reflects the adoption  
15 of Staff’s proposed level of outside services.<sup>14</sup>

16 Rebuttal adjustment 5 reduces water testing by \$2,805 and reflects the adoption of  
17 Staff’s proposed level of water testing expense.<sup>15</sup>

18 Rebuttal adjustment 6 reduces rent expense by \$779 and reflects the adoption of  
19 Staff’s proposed level of rent expense.<sup>16</sup>

20 Rebuttal adjustment 7 reduces general liability expense by \$447 and reflects the  
21 adoption of Staff’s proposed level of general liability expense.<sup>17</sup>  
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23 <sup>10</sup> See Schedule JCM-9, Docket No. W-01782A-10-0224.

24 <sup>11</sup> Aladi Dt. at 16.

25 <sup>12</sup> Compare AWC Rebuttal Schedule C-2, page 3 and Staff Schedule BCA-21.

26 <sup>13</sup> Aladi Dt. at 14-15.

<sup>14</sup> Aladi Dt. at 11.

<sup>15</sup> Aladi Dt. at 12.

<sup>16</sup> Aladi Dt. at 13.

<sup>17</sup> Aladi Dt. at 13.

1                   Rebuttal adjustment 8 reduces bad debt expense by \$7,451 and reflects a  
2 normalization of bad debt expense which is based upon a 4 year average of actual write-  
3 offs or \$1,916.  
4

5 **Q24. DOES STAFF PROPOSE A SIMILAR ADJUSTMENT?**

6 A24. Staff proposes to normalize bad debt expense by dividing the test year bad debt expense  
7 by 9.<sup>18</sup> In other words, it supposedly represents a 9 year (2003 to 2012) average of bad  
8 debt expense or \$1,068.

9 **Q25. WHAT IS WRONG WITH THE STAFF APPROACH?**

10 A25. For one, it is not based upon all the write-off history going back to 2003. The write-offs  
11 in the test year included some clean-up of receivables that originated as far back as 2003.  
12 But these receivables were not all of the receivables from prior years that were written off.  
13 Some were written off prior to the test year. In other words, prior to the test year there  
14 were receivables written off that originated in 2003, 2004, 2005, and 2006, and these were  
15 not included in Staff's analysis. Further, revenues were lower 9 years ago and one would  
16 expect actual write-offs of receivables pertaining to those years to be lower. The basis for  
17 Staff's analysis (using only the test year write-offs and averaging over 9 years) is  
18 therefore skewed downward. The data reflects this. Based in the data used in Staff's  
19 normalization, the average receivable amount written off in the test year originating in the  
20 years 2003-2007 (5 years) is only \$630. The average receivable amount written-off in the  
21 test year that originated in the years 2010-2011 (4 years) is \$1,916. This normalized  
22 amount is based upon more current information and is a more representative level of bad  
23 debt expense going forward.  
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<sup>18</sup> Aladi Dt. at 15.

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**Q25. PLEASE CONTINUE.**

A25. Rebuttal adjustment 9 reduces taxes other than income expense by \$554 and the adoption of Staff's proposed level of taxes other than income expense.<sup>19</sup>

Rebuttal adjustment 10 synchronizes interest expense with rate base.

Rebuttal adjustment 11 adjusts income taxes to the computed taxes on the Company adjusted level of income subject to tax.

**A. Remaining Revenue and Expense Issues**

**Q26. PLEASE IDENTIFY ANY REMAINING ISSUES IN DISPUTE WITH STAFF.**

A26. The Company and Staff disagree on the level of health and life insurance premiums. Staff recommends removal of all of this expense because the life insurance policy beneficiary is Mr. Larson's spouse. The Company proposes the test year level of this expense or \$2,998 for two reasons.<sup>20</sup> First, the policy was put in place because Mr. Larson is a personal guarantor of Company loans; the funds from which were used to construct utility plant providing service to its customers. The Company could not have obtained these loans without Mr. Larson's personal guarantee. Second, and more importantly, the Company is changing the beneficiary of the policy to Abra Water Company which should address Staff's reason for denying recovery of this expense. The Company hopes to have this completed shortly and will provide copies of relevant documentation to Staff in the next few weeks.

**Q27. ARE THERE ANY OTHER REVENUE AND/OR EXPENSE ISSUES?**

A27. No.

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<sup>19</sup> Aladi Dt. at 16.  
<sup>20</sup> Aladi Dt. at 13.

1           **B.     Cost of Capital (D Schedules).**

2                   **1.     Summary of Company Recommendation**

3   **Q28. PLEASE SUMMARIZE THE COMPANY'S REBUTTAL RECOMMENDATION**  
4   **ON THE COST OF CAPTIAL.**

5   A28. AWC continues request a return on common equity of 11.0 percent, a cost of debt of 6.82  
6       percent, and a capital structure consisting of 48.51 percent equity and 51.49 percent debt.  
7       The weighted average cost of capital ("WACC") is 8.85 percent based upon the  
8       aforementioned capital structure, cost of equity, and cost of debt.<sup>21</sup>

9   **Q29. HAVE YOU UPDATED THE COMPANY'S COST OF CAPITAL ANALYSIS?**

10   A29. Yes. I have updated my risk premium analysis using the most current data from *Duff &*  
11       *Phelps* risk premium study which uses data from 1963 through 2013 and current spot  
12       yield on long-term U.S. Treasury bonds. The results are as follows<sup>22</sup>:

13

14 <u>Stock</u>		14 <u>Cost of</u>
14 <u>Symbol</u>	14 <u>Company</u>	14 <u>Equity</u>
15       AWR	American States Water Co.	10.31%
16       WTR	Aqua America	7.98%
17       CWT	California Water Services Group	10.63%
18       CTWS	Connecticut Water Services	14.08%
19       MSEX	Middlesex Water Company	12.04%
20       SJW	SJW Corp.	11.99%
21	Average	11.17%
22	Mid-point	11.31%

23           My recommendation of 11.0 percent is somewhat below the average and mid-point for my  
24       water utility proxy group.

25           <sup>21</sup> See Rebuttal Schedule D-1.  
26           <sup>22</sup> See Rebuttal Schedule D-4.6.

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**2. Summary of the Staff Recommendations**

**Q30. PLEASE SUMMARIZE THE RECOMMENDATION OF STAFF.**

A30. Staff is recommending a capital structure consisting of 48.6 percent equity and 51.4 percent debt.<sup>23</sup> Staff determined a cost of equity of 9.5 percent based on the average cost of equity produced by its DCF models.<sup>24</sup> Staff uses a sample of six publicly traded water utilities, the same as those I used in my analysis. Staff did not consider firm size and firm-specific risks in it analysis. Staff also used a cost of debt of 5.2 percent.<sup>25</sup> Based on its recommended capital structure, cost of debt and equity, Staff determined the WACC for Pima to be 7.3 percent.<sup>26</sup>

**3. Comments on the Staff Recommendations**

**Q31. PLEASE COMMENT ON THE STAFF RECOMMENDED COST OF DEBT.**

A31. Staff's recommended cost of debt of 5.2 percent does not reflect the amortization of debt issuance costs and therefore understates the cost of debt.

**Q32. HAS STAFF EXPLAINED WHY IT IGNORED THE AMORTIZATION OF DEBT ISSUANCE COSTS?**

A32. No.

**Q33. PLEASE RESPOND TO THE STAFF TESTIMONY (BROWN DIRECT AT PAGE 28) THAT THE COMPNY DID NOT USE A METHOD FOR ESTIMATING THE COST OF CAPITAL THAT THE COMMISSION TRADTIONALLY RELIES UPON?**

A33. In my view, the Commission should not rely exclusively on the DCF and CAPM methods. The academic literature indicates the need to rely upon more than one method in arriving

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<sup>23</sup> Direct Testimony of Crystal S. Brown ("Brown Dt.") at 28.  
<sup>24</sup> Brown Dt at 28.  
<sup>25</sup> Brown Dt at 28.  
<sup>26</sup> *Id.*

1 at a recommended common equity cost rate. This is because each method requires the use  
2 of considerable judgment on the reasonableness of the underlying assumptions underlying  
3 the theoretical basis of each model. The DCF model assumes that the stock price, book  
4 value, dividends, and earnings all grow at the same rate. This has not been historically  
5 true for the sample electric utility companies. Further, application of the DCF model  
6 produces estimates of the cost of equity that are consistent with investor expectations only  
7 when the market price of a stock and the stock's book value are approximately the same.  
8 The traditional CAPM method's inability to account for variables that affect security  
9 returns other than beta detracts from its use.

10 The market based build-up risk premium method employed by the Company has  
11 the advantage over other methods in that it does not require the assumption that the  
12 average beta of the proxy group would be the beta for the subject company if it were  
13 publicly traded. In additional, it accounts for differences in market returns not accounted  
14 for by beta which is a significant flaw of the CAPM. Further, the risk premium method  
15 does not require the assumption that the market stock prices and dividend yields are those  
16 for a privately held company and is not subject to the issues surrounding the growth rate  
17 of the stock price, book value, dividends and earnings.

18  
19 **Q34. HAS STAFF IGNORED THE CAPM METHOD IN THIS CASE?**

20 A34. Yes. Staff does not present a CAPM analysis. Staff recommends the Commission “de-  
21 emphasize” the CAPM due to the “continuing divergence of the CAPM-indicated cost of  
22 equity and the cost of equity results relative to those derived from the DCF model”.<sup>27</sup> I  
23 am not sure what this means, but perhaps recognizing the low results produced by its own  
24 CAPM and DCF analyses, Staff has been adding a 60 basis point Economic Assessment  
25 Adjustment (“EAA”) to its DCF and CAPM results for the past few years. While I would

26 <sup>27</sup> Brown Dt. at 3.

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agree with Staff that the current economic environment justifies an EAA, Staff has not provided any study, analysis, or detailed explanation supporting 60 basis points. Using the same logic Staff has thus far used in explaining its EAA, my recommendation is that an EAA of 100-200 basis points be adopted. This would put the Staff results on par with the Company's recommended cost of equity in this case.

**Q35. WHAT RISK FACTORS MAKE AN INVESTMENT IN AWC HIGHER IN RISK?**

A35. There are a number of factors including the lack of access to the capital markets, inability of the Company to achieve its authorized returns, high debt ratio for its size, as well as the significant capital improvements the Company needs to make in order to continue to provide safe and reliable service. Mr. Yarbrow discusses the needed system improvements in his rebuttal testimony.

**C. Rate Design (H Schedules).**

**Q36. WHAT ARE AWC'S PROPOSED RATES FOR WATER SERVICE?**

A36. AWC's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" meters	\$16.73
3/4" Meters	\$25.10
1" Meters	\$41.83
1 1/2" Meters	\$83.85
2" Meters	\$133.84
3" Meters	\$267.68
4" Meters	\$418.25
6" Meters	\$836.50
Standpipe/Coin-Op	\$0.00

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COMMODITY RATES (per 1,000 gallons)

5/8" X 3/4" Meters	1 to 3,000 gals	\$ 2.32
	3,001 to 10,000 gals	\$ 3.82
	Over 10,000 gals	\$ 5.92
3/4" Meters	1 to 3,000 gals	\$ 2.32
	3,001 to 10,000 gals	\$ 3.82
	Over 10,000 gals	\$ 5.92
1" Meters	1 to 16,000 gals	\$3.82
	Over 16,000 gals	\$ 5.92
1 1/2" Meters	1 to 30,000	\$ 3.82
	Over 30,000	\$ 5.92
2" Meters	1 to 45,000	\$ 3.82
	Over 45,000	\$ 5.92
3" Meters	1 to 90,000	\$ 3.82
	Over 90,000	\$ 5.92
4" Meters	1 to 145,000	\$ 3.82
	Over 145,000	\$ 5.92
6" Meters	1 to 300,000	\$ 3.82
	Over 300,000	\$ 5.92
Standpipe	All gallons	\$ 6.25

**Q37. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?**

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A37. As shown on Schedule H-2, page 2, the average monthly bill under proposed rates for a 5/8x3/4 inch customer using an average 5,717 gallons is \$34.05 – a \$2.98 increase over the present monthly bill or a 9.59 percent increase.

**Q38. DO YOU HAVE ANY CONCERNS ABOUT THE STAFF RATE DESIGN?**

A38. Yes. The Staff proposed rates do not produce the Staff recommended revenue requirement. The revenues produced are approximately \$3,800 less than the Staff proposed revenue requirement.

**Q39. IS THE COMPANY PROPOSING ANY CHANGES TO THE RATE DESIGN?**

A39. No.

**Q40. IS AWC PROPOSING ANY CHANGES TO ITS METER AND SERVICE LINE INSTALLATION CHARGES?**

A40. No.

**Q41. IS AWC PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE CHARGES?**

A41. The Company is proposing a \$25 NSF check fee instead of the \$10 NSF Check Fee it proposed in its direct filing. The current NSF Check Fee is \$25. The Company did not intend to change its NSF Check Fee and proposing to retain the \$25 fee.

Similarly the Company is proposing a \$20 Meter Re-read charge (if correct) instead of the \$10 Meter Re-read charge it proposed in its direct filing. The current Meter Re-read charge is \$20. The Company did not intend to change its Meter Re-read charge and proposing to retain the \$20 fee.

**Q42. DOES THAT COMPLETE YOUR PREPARED REBUTTAL TESTIMONY.**

A42. Yes, it does.

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Computation of Increase in Gross Revenue  
 Requirements As Adjusted

Exhibit  
 Rebuttal Schedule A-1  
 Page 1  
 Witness: Bourassa

Line					
<u>No.</u>					
1	Fair Value Rate Base			\$	555,634
2					
3	Adjusted Operating Income				31,817
4					
5	Current Rate of Return				5.73%
6					
7	Required Operating Income			\$	49,160
8					
9	Required Rate of Return on Fair Value Rate Base				8.85%
10					
11	Operating Income Deficiency			\$	17,343
12					
13	Gross Revenue Conversion Factor				1.2732
14					
15	Increase in Gross Revenue				
16	Requirement			\$	22,082
17					
18	Adjusted Test Year Revenues			\$	270,040
19	Increase in Gross Revenue Revenue Requirement			\$	22,082
20	Proposed Revenue Requirement			\$	292,122
21	% Increase				8.18%
22					
23	<b>Customer</b>	<b>Present</b>	<b>Proposed</b>	<b>Dollar</b>	<b>Percent</b>
24	<b>Classification</b>	<b>Rates</b>	<b>Rates</b>	<b>Increase</b>	<b>Increase</b>
25	5/8x3/4 Inch	\$ 245,084	\$ 266,345	\$ 21,260	8.67%
26	2 Inch	11,690	11,845	154	1.32%
27	Standpipe	4,371	4,553	182	4.17%
28	Coin-Op	4,905	5,109	204	4.17%
29			-	-	0.00%
30	Revenue Annualization	125	125	1	0.46%
31	<b>Subtotal</b>	<b>\$ 266,176</b>	<b>\$ 287,977</b>	<b>\$ 21,802</b>	<b>8.19%</b>
32					
33	Other Water Revenues	7,758	7,758	-	0.00%
34	Declining Usage Adjustment	(3,395)	(3,673)	(278)	8.19%
35	Reconciling Amount	(499)	60	559	-112.02%
36	Rounding	-	-	-	0.00%
37	<b>Total of Water Revenues</b>	<b>\$ 270,040</b>	<b>\$ 292,122</b>	<b>\$ 22,083</b>	<b>8.18%</b>
38					
39					
40	<b>SUPPORTING SCHEDULES:</b>				
41	B-1				
42	C-1				
43	C-3				
44	H-1				

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Summary of Rate Base

Exhibit  
 Rebuttal Schedule B-1  
 Page 1  
 Witness: Bourassa

Line No.	<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1		
2	\$ 1,523,413	\$ 1,523,413
3	Less: Accumulated Depreciation	659,679
4		
5	Net Utility Plant in Service	\$ 863,734
6		
7	<u>Less:</u>	
8	Advances in Aid of Construction	196,858
9		
10	Contributions in Aid of Construction	365,823
11		
12	Accumulated Amortization of CIAC	(251,736)
13		
14	Customer Meter Deposits	14,650
15	Customer Security Deposits	3,067
16	Accumulated Deferred Income Tax	-
17		
18		
19	<u>Plus:</u>	
20		
21	Deferred Regulatory Assets TCE Plume	-
22	Deferred Tax Assets	-
23	Allowance for Working Capital	20,562
24		
25		
26	Total Rate Base	\$ 555,634
27		
28		
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30		
31		
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41	<u>SUPPORTING SCHEDULES:</u>	
42	B-2	
43	B-3	
44	B-5	
45	E-1	
46		
47		
48		
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**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Original Cost Rate Base Proforma Adjustments

Exhibit  
 Rebuttal Schedule B-2  
 Page 1  
 Witness: Bourassa

Line No.		Actual at End of <u>Test Year</u>	Proforma <u>Adjustment</u>	Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 1,523,413	-	\$ 1,523,413
3				
4	<b>Less:</b>			
5	Accumulated			
6	Depreciation	659,371	308	659,679
7				
8				
9	Net Utility Plant			
10	in Service	\$ 864,042		\$ 863,734
11				
12	<b>Less:</b>			
13	Advances in Aid of			
14	Construction	196,858	-	196,858
15				
16	Contributions in Aid of			
17	Construction - Gross	359,028	6,795	365,823
18				
19	Accumulated Amortization of CIAC	(257,496)	5,760	(251,736)
20				
21	Customer Meter Deposits	14,650	-	14,650
22	Customer Security Deposits	3,067	-	3,067
23	Accumulated Deferred Income Tax	-	-	-
24				-
25				-
26				
27	<b>Plus:</b>			
28				
29	Deferred Regulatory Assets TCE Plume	-		-
30	Prepayments	-		-
31	Materials and Supplies	-		-
32	Working capital	22,634	(2,073)	20,562
33				-
34				
35	Total	<u>\$ 570,570</u>		<u>\$ 555,634</u>

46 SUPPORTING SCHEDULES:  
 47 B-2, pages 2  
 48 E-1

RECAP SCHEDULES:  
 B-1

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 50  
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**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Original Cost Rate Base Proforma Adjustments

Exhibit  
 Rebuttal Schedule B-2  
 Page 2  
 Witness: Bourassa

Line No.	Description	Actual at End of Test Year	Proforma Adjustments					Adjusted at end of Test Year
			1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 Working Capital	5 Intentionally Left Blank	
1	Gross Utility Plant in Service	\$ 1,523,413	-					\$ 1,523,413
4	<b>Less:</b>							
5	Accumulated Depreciation	659,371		308				659,679
9	Net Utility Plant in Service	\$ 864,042	\$ -	\$ (308)	\$ -	\$ -	\$ -	\$ 863,734
12	<b>Less:</b>							
13	Advances in Aid of Construction	196,858						196,858
17	Contributions in Aid of Construction (CIAC)	359,028			6,795			365,823
19	Accumulated Amort of CIAC	(257,496)			5,760			(251,736)
21	Customer Meter Deposits	14,650						14,650
22	Customer Security Deposits	3,067						3,067
23	Accumulated Deferred Income Taxes	-						-
26	<b>Plus:</b>							
31	Materials and Supplies Allowance for Cash Working Capital	22,634				(2,073)		20,562
33	<b>Total</b>	<b>\$ 570,570</b>	<b>\$ -</b>	<b>\$ (308)</b>	<b>\$ (12,555)</b>	<b>\$ (2,073)</b>	<b>\$ -</b>	<b>\$ 555,634</b>

37 SUPPORTING SCHEDULES:  
 38 B-2, pages 3-5  
 39 B-5  
 40 E-1  
 41

RECAP SCHEDULES:  
 B-1



Abra Water Company, Inc.  
Summary of Plant Adds, Retirements, and Accumulated Depreciation

Exhibit  
Schedule B-2  
Page 3.1  
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision 72887		2010								
				Plant at 12/31/2009	Accum. Deprec. At 12/31/2009	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	508	-	-	-	-	-	-	-	-	508	-
2	302	Franchise Cost	0.00%	787	-	-	-	-	-	-	-	-	787	-
3	303	Land and Land Rights	0.00%	15,044	-	-	-	-	-	-	-	-	15,044	-
4	304	Structures & Improvements	3.33%	72,787	6,420	-	-	-	-	-	-	2,424	72,787	8,844
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	63,078	45,272	-	-	-	-	-	-	2,100	63,078	47,372
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	50,877	22,182	-	-	-	-	-	-	4,098	50,877	26,281
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.33%	65,102	12,700	-	79,900	79,900	-	-	-	3,498	145,002	16,198
14	320.2	Solution Chemical Feeders	20.00%	4,654	2,725	-	-	-	-	-	-	572	4,654	3,297
14	320.3	Arsenic Media	33.00%	79,900	31,968	-	-	-	-	-	21,301	26,631	79,900	79,900
14	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	197,626	35,127	-	-	-	-	-	-	4,387	197,626	39,514
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	659,578	264,934	-	-	-	-	-	-	13,192	659,578	278,126
19	333	Services	3.33%	133,378	62,483	14	-	14	-	-	-	4,442	133,392	66,925
20	334	Meters	8.33%	35,125	21,458	1,014	-	1,014	-	-	-	2,968	36,139	24,426
21	335	Hydrants	2.00%	-	-	-	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	9,890	4,072	-	-	-	-	-	-	660	9,890	4,732
24	340	Office Furniture & Equipment	6.67%	278	171	-	-	-	-	-	-	19	278	190
25	340.1	Computers & Software	20.00%	6,098	6,098	-	-	-	-	-	-	-	6,098	6,098
26	341	Transportation Equipment	20.00%	20,280	13,380	-	-	-	-	-	-	4,056	20,280	17,436
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	65	65	-	-	-	-	-	-	-	65	65
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	10.00%	95	9	-	-	-	-	-	-	10	95	19
33	348	Other Tangible Plant	10.00%	4,545	4,084	-	-	-	-	-	-	451	4,545	4,545
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	-
35														
36		TOTALS		1,419,695	533,158	1,028	79,900	80,928	-	-	21,301	69,508	1,500,623	623,967

See Work Papers

Abra Water Company, Inc.

Summary of Plant Adds, Retirements, and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate
1	301	Organization Cost	0.00%
2	302	Franchise Cost	0.00%
3	303	Land and Land Rights	0.00%
4	304	Structures & Improvements	3.33%
5	305	Collecting & Impounding Reservoirs	2.50%
6	306	Lake, River, Canal Intakes	2.50%
7	307	Wells & Springs	3.33%
8	308	Infiltration Galleries	6.67%
9	309	Raw Water Supply Mains	2.00%
10	310	Power Generation Equipment	5.00%
11	311	Pumping Equipment	12.50%
12	320	Water Treatment Equipment	3.33%
13	320.1	Water Treatment Plants	3.33%
14	320.2	Solution Chemical Feeders	20.00%
14	320.3	Arsenic Media	33.00%
14	330	Distribution Reservoirs & Standpipes	2.22%
16	330.1	Storage Tanks	2.22%
17	330.2	Pressure Tanks	5.00%
18	331	Transmission & Distribution Mains	2.00%
19	333	Services	3.33%
20	334	Meters	8.33%
21	335	Hydrants	2.00%
22	336	Backflow Prevention Devices	6.67%
23	339	Other Plant & Misc Equipment	6.67%
24	340	Office Furniture & Equipment	6.67%
25	340.1	Computers & Software	20.00%
26	341	Transportation Equipment	20.00%
27	342	Stores Equipment	4.00%
28	343	Tools, Shop & Garage Equipment	5.00%
29	344	Laboratory Equipment	10.00%
30	345	Power Operated Equipment	5.00%
31	346	Communication Equipment	10.00%
32	347	Miscellaneous Equipment	10.00%
33	348	Other Tangible Plant	10.00%
34		Plant Held for Future Use	
35			
36		TOTALS	

See Work Papers

Abra Water Company, Inc.  
 Summary of Plant Adds, Retirements, and Accumulated Depreciation

Exhibit  
 Schedule B-2  
 Page 3.2  
 Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011							Plant Balance	Accum. Deprec.	
				Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)			
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	508	-	
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	787	-	
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	15,044	-	
4	304	Structures & Improvements	3.33%	-	-	-	-	-	-	2,424	72,787	11,268	
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	
7	307	Wells & Springs	3.33%	-	-	-	-	-	-	2,100	63,078	49,473	
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-	
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-	
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	
11	311	Pumping Equipment	12.50%	1,400	-	1,400	-	-	-	-	4,187	52,277	30,468
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	4,829	145,002	21,027
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	572	4,654	3,869
14	320.3	Arsenic Media	33.00%	60,560	-	60,560	79,900	79,900	-	-	10,092	60,560	10,092
14	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	4,387	197,626	43,902
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	-	-	-	-	-	-	-	13,192	659,578	291,317
19	333	Services	3.33%	-	-	-	-	-	-	-	4,442	133,392	71,367
20	334	Meters	8.33%	-	-	-	-	-	-	-	3,010	36,139	27,436
21	335	Hydrants	2.00%	-	-	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-	660	9,890	5,391
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	19	278	208
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	6,098	6,098
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	2,844	20,280	20,280
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	65	65
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	10	95	28
33	348	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	4,545	4,545
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-
35													
36		TOTALS		61,960	-	61,960	79,900	79,900	-	-	52,767	1,482,683	596,834

See Work Papers

Abra Water Company, Inc.  
 Summary of Plant Adds, Retirements, and Accumulated Depreciation

Exhibit  
 Schedule B-2  
 Page 3.3  
 Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012							Plant Balance	Accum. Deprec.
				Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)		
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	508	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	787	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	15,044	-
4	304	Structures & Improvements	3.33%	-	-	-	-	-	-	2,424	72,787	13,691
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	4,790	-	4,790	-	-	-	2,180	67,868	51,653
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	25,190	-	25,190	-	-	-	5,849	77,467	36,317
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	4,829	145,002	25,855
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	572	4,654	4,441
14	320.3	Arsenic Media	33.00%	5,000	-	5,000	-	-	-	21,018	65,560	31,110
14	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	4,387	197,626	48,289
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	-	-	-	-	-	-	13,192	659,578	304,509
19	333	Services	3.33%	-	-	-	-	-	-	4,442	133,392	75,809
20	334	Meters	8.33%	3,896	-	3,896	-	-	-	3,173	40,035	30,609
21	335	Hydrants	2.00%	-	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	660	9,890	6,051
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	19	278	227
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	6,098	6,098
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	20,280	20,280
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	65	65
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	1,855	-	1,855	-	-	-	93	1,855	93
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	10	95	38
33	348	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	4,545	4,545
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-
35												
36		TOTALS		40,730	-	40,730	-	-	-	62,845	1,523,413	659,679

See Work Papers



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

Exhibit  
 Rebuttal Schedule B-2  
 Page 4.1  
 Witness: Bourassa

Line  
No.

1	<u>Reconciliation of A/D to A/D Reconstruction</u>						
2							
3							
4	Acct.	Original	B-2	Adjusted	Plant		
5	<u>No.</u> <u>Description</u>	<u>Cost</u>	<u>Adjustments</u>	<u>Original</u>	<u>Per</u>	<u>Reconstruction</u>	<u>Difference</u>
6	301 Organization Cost	-	-	-	-	-	-
7	302 Franchise Cost	-	-	-	-	-	-
8	303 Land and Land Rights	-	-	-	-	-	-
9	304 Structures and Improvements	13,691	-	13,691	13,691	-	-
10	305 Collecting and Impounding Res.	-	-	-	-	-	-
11	306 Lake River and Other Intakes	-	-	-	-	-	-
12	307 Wells and Springs	51,653	-	51,653	51,653	-	-
13	308 Infiltration Galleries and Tunnels	-	-	-	-	-	-
14	309 Supply Mains	-	-	-	-	-	-
15	310 Power Generation Equipment	-	-	-	-	-	-
16	311 Electric Pumping Equipment	36,317	-	36,317	36,317	-	-
17	320 Water Treatment Equipment	-	-	-	-	-	-
18	320.1 Water Treatment Plant	25,855	-	25,855	25,855	-	-
19	320.2 Chemical Solution Feeders	4,441	-	4,441	4,441	-	-
20	320.3 Arsenic Media	30,802	-	30,802	31,110	308	-
21	330 Dist. Reservoirs & Standpipe	-	-	-	-	-	-
22	330.1 Storage tanks	48,289	-	48,289	48,289	-	-
23	330.2 Pressure Tanks	-	-	-	-	-	-
24	331 Trans. and Dist. Mains	304,509	-	304,509	304,509	-	-
25	333 Services	75,809	-	75,809	75,809	-	-
26	334 Meters	30,609	-	30,609	30,609	-	-
27	335 Hydrants	-	-	-	-	-	-
28	336 Backflow Prevention Devices	-	-	-	-	-	-
29	339 Other Plant and Misc. Equip.	6,051	-	6,051	6,051	-	-
30	340 Office Furniture and Fixtures	227	-	227	227	-	-
31	340.1 Computers and Software	6,098	-	6,098	6,098	-	-
32	341 Transportation Equipment	20,280	-	20,280	20,280	-	-
33	342 Stores Equipment	-	-	-	-	-	-
34	343 Tools and Work Equipment	65	-	65	65	-	-
35	344 Laboratory Equipment	-	-	-	-	-	-
36	345 Power Operated Equipment	-	-	-	-	-	-
37	346 Communications Equipment	93	-	93	93	-	-
38	347 Miscellaneous Equipment	38	-	38	38	-	-
39	348 Other Tangible Plant	4,545	-	4,545	4,545	-	-
40	Plant Held for Future Use	-	-	-	-	-	-
41	TOTALS	\$ 659,371	\$ -	\$ 659,371	\$ 659,679	\$ 308	

44 SUPPORTING SCHEDULE  
 45 B-2, pages 3.1 through 3.3  
 46

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Original Cost Rate Base Proforma Adjustments  
 Adjustment 3

Exhibit  
 Rebuttal Schedule B-2  
 Page 5  
 Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Staff Recommended	\$ 365,823	\$ 251,736
6			
7	Book balance at 12/31/2012	<u>\$ 359,028</u>	<u>\$ 257,496</u>
8			
9	Increase (decrease)	\$ 6,795	\$ (5,760)
10			
11			
12	Adjustment to CIAC/AA CIAC	<u>\$ 6,795</u>	<u>\$ 5,760</u>
13	Label	3a	3b
14			
15			
16			
17			
18			
19	<u>SUPPORTING SCHEDULES</u>		
20	E-1		
21	Staff Adjustment No. 3 Schedule BCA-7		
22	Staff Adjustment No. 4 Schedule BCA-8		
23			
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**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Computation of Working Capital

Exhibit  
 Rebuttal Schedule B-5  
 Page 1  
 Witness: Bourassa

Line			
<u>No.</u>			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	19,834
3	Pumping Power (1/24 of Pumping Power)		720
4	Purchased Water (1/24 of Purchased Water)		8
5			
6			
7			
8			
9	Total Working Capital Allowance	<u>\$</u>	<u>20,562</u>
10			
11			
12	Working Capital Requested	\$	20,562
13			
14	Working Capital per Direct	\$	22,634
15			
16	Increase(Decrease) in Working Capital	<u>\$</u>	<u>(2,073)</u>
17			
18		<u>Adjusted Test Year</u>	
19	Total Operating Expense	\$	238,223
20	Less:		
21	Income Tax	\$	3,178
22	Property Tax		9,790
23	Depreciation		49,111
24	Purchased Water		191
25	Pumping Power		17,285
26	Allowable Expenses	<u>\$</u>	<u>158,669</u>
27	1/8 of allowable expenses	<u>\$</u>	<u>19,834</u>
28			
29			
30	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
31	E-1	B-1	
32			
33			
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41			

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Income Statement

Exhibit  
 Rebuttal Schedule C-1  
 Page 1  
 Witness: Bourassa

Line No.		Adjusted Test Year Results	Adjustment	Rebuttal Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	<b>Revenues</b>					
2	Metered Water Revenues	\$ 262,282	\$ -	\$ 262,282	\$ 22,082	\$ 284,364
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	7,758	-	7,758		7,758
5		<u>\$ 270,040</u>	<u>\$ -</u>	<u>\$ 270,040</u>	<u>\$ 22,082</u>	<u>\$ 292,122</u>
6	<b>Operating Expenses</b>					
7	Salaries and Wages	\$ -	-	\$ -		\$ -
8	Purchased Water	-	-	-		-
9	Purchased Power	17,285	-	17,285		17,285
10	Chemicals	191	-	191		191
11	Materials and Supplies	5,588	-	5,588		5,588
12	Office Supplies and Expense	10,243	-	10,243		10,243
13	Outside Services	107,983	(1,880)	106,103		106,103
14	Water Testing	6,123	(2,805)	3,318		3,318
15	Rents	10,307	(779)	9,528		9,528
16	Transportation Expenses	7,017	-	7,017		7,017
17	Insurance - General Liability	3,926	(447)	3,479		3,479
18	Insurance - Health and Life	2,988	-	2,988		2,988
19	Reg. Comm. Exp. - Other	-	-	-		-
20	Reg. Comm. Exp. - Rate Case	11,667	(2,917)	8,750		8,750
21	Miscellaneous Expense	-	-	-		-
22	Bad Debt Expense	9,367	(7,451)	1,916		1,916
23	Depreciation and Amortization Expense	51,585	(2,474)	49,111		49,111
24	Taxes Other Than Income	554	(554)	-		-
25	Property Taxes	9,714	(184)	9,531	260	9,790
26	Income Tax	(249)	3,427	3,178	4,479	7,657
27		-	-	-		-
28	<b>Total Operating Expenses</b>	<u>\$ 254,285</u>	<u>\$ (16,062)</u>	<u>\$ 238,223</u>	<u>\$ 4,739</u>	<u>\$ 242,962</u>
29	<b>Operating Income</b>	<u>\$ 15,754</u>	<u>\$ 16,062</u>	<u>\$ 31,817</u>	<u>\$ 17,343</u>	<u>\$ 49,160</u>
30	<b>Other Income (Expense)</b>					
31	Interest Income	-	-	-		-
32	Other income	-	-	-		-
33	Interest Expense	(20,038)	525	(19,513)		(19,513)
34	Other Expense	-	-	-		-
35		-	-	-		-
36	<b>Total Other Income (Expense)</b>	<u>\$ (20,038)</u>	<u>\$ 525</u>	<u>\$ (19,513)</u>	<u>\$ -</u>	<u>\$ (19,513)</u>
37	<b>Net Profit (Loss)</b>	<u>\$ (4,283)</u>	<u>\$ 16,587</u>	<u>\$ 12,304</u>	<u>\$ 17,343</u>	<u>\$ 29,647</u>

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 39 SUPPORTING SCHEDULES:  
 40 C-1, page 2  
 41 E-2  
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RECAP SCHEDULES:  
 A-1



Abra Water Company, Inc.  
 Test Year Ended December 31, 2012  
 Income Statement

Exhibit  
 Rebuttal Schedule C-1  
 Page 2.2  
 Witness: Bourassa

Line No.	10 Interest Synch.	11 Income Taxes	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Intentionally Left Blank	15 Intentionally Left Blank	16 Intentionally Left Blank	17 Intentionally Left Blank	Rebuttal Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	<b>Revenues</b>										
2									\$ 262,282	\$ 22,082	\$ 284,364
3									-		-
4									7,758		7,758
5									270,040	22,082	292,122
6	<b>Operating Expenses</b>										
7									\$ -		\$ -
8									-		-
9									17,285		17,285
10									191		191
11									5,588		5,588
12									10,243		10,243
13									106,103		106,103
14									3,318		3,318
15									9,528		9,528
16									7,017		7,017
17									3,479		3,479
18									2,988		2,988
19									-		-
20									8,750		8,750
21									-		-
22									1,916		1,916
23									49,111		49,111
24									-		-
25									9,531	260	9,790
26									3,178	4,479	7,657
27									-		-
28									238,223	4,739	242,962
29									\$ -	\$ (3,427)	\$ -
30									\$ -	\$ (3,427)	\$ -
31									-		-
32									-		-
33									525		525
34									(19,513)		(19,513)
35									-		-
36									-		-
37									525		525
38									(19,513)		(19,513)
39									12,304	17,343	29,647
40									\$ -	\$ (3,427)	\$ -
41									\$ -	\$ (3,427)	\$ -

RECAP SCHEDULES:  
 C-1, page 1

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Adjustments to Revenues and Expenses

Exhibit  
 Rebuttal Schedule C-2  
 Page 1  
 Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
1							
2							
3	<u>Depreciation</u>	<u>Property Taxes</u>	<u>Rate Case Expense</u>	<u>Outside Services</u>	<u>Water Testing</u>	<u>Rent Expense</u>	
4	Revenues						-
5							
6	Expenses	(2,474)	(184)	(2,917)	(1,880)	(2,805)	(779)
7							(11,038)
8	Operating						
9	Income	2,474	184	2,917	1,880	2,805	779
10							11,038
11	Interest						
12	Expense						-
13	Other						
14	Income /						-
15	Expense						
16							
17	Net Income	2,474	184	2,917	1,880	2,805	779
18							11,038
19							
20							
21							
22							
23							
24							
25							
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40							

Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>
	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	
21							
22	<u>General Liability Insurance</u>	<u>Bad Debt Expense</u>	<u>Taxes Other Than Income</u>	<u>Interest Synch.</u>	<u>Income Taxes</u>	<u>Intentionally Left Blank</u>	
23	Revenues						-
24							
25	Expenses	(447)	(7,451)	(554)		3,427	-
26							(16,062)
27	Operating						
28	Income	447	7,451	554	-	(3,427)	-
29							16,062
30	Interest						
31	Expense				525		525
32	Other						
33	Income /						-
34	Expense						
35							
36	Net Income	447	7,451	554	525	(3,427)	-
37							16,587

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Adjustments to Revenues and Expenses  
 Adjustment Number 1

Exhibit  
 Rebuttal Schedule C-2  
 Page 2  
 Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Fully Depr or Non-Depr Plant	Rebuttal Adjusted Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	301	Organization Cost	508	(508)	-	0.00%	-
6	302	Franchise Cost	787	(787)	-	0.00%	-
7	303	Land and Land Rights	15,044	(15,044)	-	0.00%	-
8	304	Structures and Improvements	72,787		72,787	3.33%	2,424
9	305	Collecting and Impounding Res	-		-	2.50%	-
10	306	Lake River and Other Intakes	-		-	2.50%	-
11	307	Wells and Springs	67,868		67,868	3.33%	2,260
12	308	Infiltration Galleries and Tunnel	-		-	6.67%	-
13	309	Supply Mains	-		-	2.00%	-
14	310	Power Generation Equipment	-		-	5.00%	-
15	311	Electric Pumping Equipment	77,467	(18,083)	59,384	12.50%	7,423
16	320	Water Treatment Equipment	-		-	3.33%	-
17	320.1	Water Treatment Plant	145,002		145,002	3.33%	4,829
18	320.2	Chemical Solution Feeders	4,654	(1,794)	2,860	20.00%	572
19	320.3	Media for Arsenic Treatment	65,560		65,560	33.33%	21,851
20	330	Dist. Reservoirs & Standpipe	-		-	2.22%	-
21	330.1	Storage tanks	197,626		197,626	2.22%	4,387
22	330.2	Pressure Tanks	-		-	5.00%	-
23	331	Trans. and Dist. Mains	659,578		659,578	2.00%	13,192
24	333	Services	133,392		133,392	3.33%	4,442
25	334	Meters	40,035		40,035	8.33%	3,335
26	335	Hydrants	-		-	2.00%	-
27	336	Backflow Prevention Devices	-		-	6.67%	-
28	339	Other Plant and Misc. Equip.	9,890		9,890	6.67%	660
29	340	Office Furniture and Fixtures	278		278	6.67%	19
30	340.1	Computers and Software	6,098	(6,098)	-	20.00%	-
31	341	Transportation Equipment	20,280	(20,280)	-	20.00%	-
32	342	Stores Equipment	-	-	-	4.00%	-
33	343	Tools and Work Equipment	65	(65)	-	5.00%	-
34	344	Laboratory Equipment	-		-	10.00%	-
35	345	Power Operated Equipment	-		-	5.00%	-
36	346	Communications Equipment	1,855		1,855	10.00%	186
37	347	Miscellaneous Equipment	95		95	10.00%	10
38	348	Other Tangible Plant	4,545	(4,545)	-	10.00%	-
39		<b>TOTALS</b>	<b>\$ 1,523,413</b>	<b>\$ (67,204)</b>	<b>\$ 1,456,209</b>		<b>\$ 65,587</b>
40							
41							
42		Less: Amortization of Contributions			Gross CIAC	Amort. Rate	
43					\$ 365,823	4.5040%	\$ (16,477)
44							
45							
46							
47							
48							\$ (16,477)
49		Total Depreciation Expense					\$ 49,111
50							
51		Adjusted Test Year Depreciation Expense					51,585
52							
53		Increase (decrease) in Depreciation Expense					(2,474)
54							
55		Adjustment to Revenues and/or Expenses					\$ (2,474)
56							
57		<u>SUPPORTING SCHEDULE</u>					
58		B-2, page 3					

\*Fully Depreciated/Amortized

Abra Water Company, Inc.  
 Test Year Ended December 31, 2012  
 Adjustment to Revenues and Expenses  
 Adjustment Number 2

Exhibit  
 Rebuttal Schedule C-2  
 Page 3  
 Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 270,040	\$ 270,040
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	<u>540,080</u>	<u>540,080</u>
4	Company Recommended Revenue	270,040	292,122
5	Subtotal (Line 4 + Line 5)	810,119	832,202
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	270,040	277,401
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	540,080	554,801
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	540,080	554,801
13	Assessment Ratio	19.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	102,615	105,412
15	Composite Property Tax Rate - Obtained from ADOR	9.2877%	9.2877%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 9,531	\$ 9,790
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 9,531</u>	
19	Test Year Property Taxes	<u>\$ 9,714</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u>\$ (184)</u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 9,790</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 9,531</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 260</u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 260
27	Increase in Revenue Requirement		\$ 22,082
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.17644%
29			
30			
31			
32			
33			
34			
35			
36			
37			
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39			
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**Abra Water Company, Inc.**  
Test Year Ended December 31, 2012  
Adjustment to Revenues and Expenses  
Adjustment Number 3

Exhibit  
Rebuttal Schedule C-2  
Page 4  
Witness: Bourassa

Rate Case Expense

Line  
No.

1			
2			
3	Estimated Rate Case Expense	\$	35,000
4			
5	Estimated Amortization Period in Years		4
6			
7	Annual Rate Case Expense	\$	<u>8,750</u>
8			
9	Adjusted Test Year Rate Case Expense	\$	11,667
10			
11	Increase(decrease) Rate Case Expense	\$	<u>(2,917)</u>
12			
13	Adjustment to Revenue and/or Expense	\$	<u>(2,917)</u>
14			
15			
16	<u>Reference</u>		
17	Testimony		
18			
19			
20			

**Abra Water Company, Inc.**  
Test Year Ended December 31, 2012  
Adjustment to Revenues and Expenses  
Adjustment Number 4

Exhibit  
Rebuttal Schedule C-2  
Page 5  
Witness: Bourassa

Outside Services

Line  
No.

1

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Staff Recommended Outside Services Expense

\$ 106,103

Test Year Outside Services Expense

107,983

Adjustment to Revenues

\$ (1,880)

Adjustment to Revenue and/or Expense

\$ (1,880)

SUPPORTING SCHEDULES

Staff Adjustment No. 1 Schedule BCA-12

**Abra Water Company, Inc.**  
Test Year Ended December 31, 2012  
Adjustment to Revenues and Expenses  
Adjustment Number 5

Exhibit  
Rebuttal Schedule C-2  
Page 6  
Witness: Bourassa

Water Testing

Line  
No.

1		
2	Staff Recommended Water Testing Expense	\$ 3,318
3		
4	Test Year Water Testing Expense	6,123
5		
6	Adjustment to Revenues	<u>\$ (2,805)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(2,805)</u>
10		
11	<u>Reference</u>	
12	Staff Adjustment No. 2 Schedule BCA-13	
13		
14		
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**Abra Water Company, Inc.**  
Test Year Ended December 31, 2012  
Adjustment to Revenues and Expenses  
Adjustment Number 6

Exhibit  
Rebuttal Schedule C-2  
Page 7  
Witness: Bourassa

Rent Expense

Line  
No.

1		
2	Staff Recommended Rent Expense	\$ 9,528
3		
4	Test Year Rent Expense	10,307
5		
6	Adjustment to Revenues	<u>\$ (779)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>\$ (779)</u>
10		
11		
12		

13 SUPPORTING SCHEDULES

14 Staff Adjustment No. 3 Schedule BCA-14

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**Abra Water Company, Inc.**  
Test Year Ended December 31, 2001  
Adjustment to Revenues and Expenses  
Adjustment Number 7

Exhibit  
Rebuttal Schedule C-2  
Page 8  
Witness: Bourassa

General Liability Insurance

Line  
No.

1			
2	Staff Recommended General Liability Insurance Expense	\$	3,479
3			
4	Test Year General Liability Insurance Expense		3,926
5			
6	Adjustment to Revenues	<u>\$</u>	<u>(447)</u>
7			
8			
9	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(447)</u>
10			
11			
12			
13	<u>SUPPORTING SCHEDULES</u>		
14	Staff Adjustment No. 4 Schedule BCA-15		
15			
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**Abra Water Company, Inc.**  
Test Year Ended December 31, 2001  
Adjustment to Revenues and Expenses  
Adjustment Number 8

Exhibit  
Rebuttal Schedule C-2  
Page 9  
Witness: Bourassa

Bad Debt Expense

Line			
<u>No.</u>			
1			
2	2013 Actual Write-Off's accounts originating 2008-2011	\$	7,664
3			
4	Number of Years		4.00
5			
6	Average Annual Actual Write-Offs	\$	1,916
7			
8	Test Year Bad Debt Expense		9,367
9			
10	Adjustment to Bad Debt Expense	<u>\$</u>	<u>(7,451)</u>
11			
12			
13			
14	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(7,451)</u>
15			
16	<u>Reference</u>		
17	Testimony		
18	Work papers		
19			
20			
21			
22			
23			
24			

**Abra Water Company, Inc.**  
Test Year Ended December 31, 2012  
Adjustment to Revenues and Expenses  
Adjustment Number 9

Exhibit  
Rebuttal Schedule C-2  
Page 10  
Witness: Bourassa

Taxes Other Than Income

Line			
<u>No.</u>			
1			
2	Staff Recommended General Liability Insurance Expense	\$	-
3			
4	Test Year General Liability Insurance Expense		554
5			
6	Adjustment to Revenues	<u>\$</u>	<u>(554)</u>
7			
8			
9	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(554)</u>
10			
11			
12			
13	<u>SUPPORTING SCHEDULES</u>		
14	Staff Adjustment No. 9 Schedule BCA-20		
15			
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19			
20			

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Adjustment to Revenues and Expenses  
 Adjustment Number 10

Exhibit  
 Rebuttal Schedule C-2  
 Page 11  
 Witness: Bourassa

Interest Synchronization

Line  
No.

1			
2			
3			
4	Fair Value Rate Base	\$ 555,634	
5	Weighted Cost of Debt	3.51%	
6	Interest Expense		\$ 19,513
7			
8	Test Year Interest Expense		<u>\$ 20,038</u>
9			
10	Increase (decrease) in Interest Expense		(525)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		<u><u>\$ 525</u></u>
15			
16			

17 Weighted Cost of Debt Computation

18				
19		<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
20	Debt	51.49%	6.82%	3.51%
21	Equity	48.51%	11.00%	5.34%
22	Total	<u>100.00%</u>		<u>8.85%</u>
23				
24				
25				
26				
27				
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29				
30				

**Abra Water Company, Inc.**  
Test Year Ended December 31, 2012  
Adjustment to Revenues and/or Expenses  
Adjustment Number 11

Exhibit  
Rebuttal Schedule C-2  
Page 12  
Witness: Bourassa

Line

No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

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13 SUPPORTING SCHEDULE

14 C-3, page 2

15

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	<u>Test Year</u> <u>at Present Rates</u>	<u>Test Year</u> <u>at Proposed Rates</u>
	\$ 3,178	\$ 7,657
	-	3,178
	<u>\$ 3,178</u>	<u>\$ 4,479</u>

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Computation of Gross Revenue Conversion Factor

Exhibit  
 Rebuttal Schedule C-3  
 Page 1  
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Effective Income Tax Rate	20.525%
2		
3	Property Taxes	<u>0.935%</u>
4		
5		
6	Total Tax Percentage	21.460%
7		
8	Operating Income % = 100% - Tax Percentage	78.540%
9		
10		
11		
12		
13	<u>1</u> = Gross Revenue Conversion Factor	
14	Operating Income %	1.2732
15		
16		
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25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
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Abra Water Company, Inc.  
 Test Year Ended December 31, 2012

Exhibit  
 Rebuttal Schedule C-3  
 Page 2  
 Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
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)	21.4600%					
5	Subtotal (L3 - L4)	78.5400%					
6	Revenue Conversion Factor (L1 / L5)	1.273236					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	20.5250%					
9	One Minus Combined Income Tax Rate (L7 - L8)	79.4750%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.5000%					
14	Federal Taxable Income (L12 - L13)	93.5000%					
15	Applicable Federal Income Tax Rate (L55 Col F)	15.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	14.0250%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		20.5250%				
<u>Calculation of Effective Property Tax Factor:</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	20.5250%					
20	One Minus Combined Income Tax Rate (L18-L19)	79.4750%					
21	Property Tax Factor	1.1764%					
22	Effective Property Tax Factor (L20*L21)		0.9350%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			21.4600%			
24	Required Operating Income	\$ 49,160					
25	Adjusted Test Year Operating Income (Loss)	\$ 31,817					
26	Required Increase in Operating Income (L24 - L25)		\$ 17,343				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 7,657					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 3,178					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 4,479				
30	Recommended Revenue Requirement	\$ 292,122					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 9,790					
36	Property Tax on Test Year Revenue	\$ 9,531					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 260				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 22,082				

	(A) Test Year		(B) Water		(C)		(D) Company Recommended		(E)		(F) Water	
	Total		Total		Total		Total		Total		Total	
39	Revenue	\$ 270,040	\$ 270,040		\$ 270,040		\$ 292,122		\$ 292,122		\$ 292,122	
40	Operating Expenses Excluding Income Taxes	235,046	235,046		235,046		235,305		235,305		235,305	
41	Synchronized Interest (L47)	19,513	19,513		19,513		19,513		19,513		19,513	
42	Arizona Taxable Income (L39 - L40 - L41)	15,481	15,481		15,481		37,305		37,304		37,304	
43	Arizona State Effective Income Tax Rate (see work papers)	6.5000%	6.5000%		6.5000%		6.5000%		6.5000%		6.5000%	
44	Arizona Income Tax (L42 x L43)	1,006	1,006		1,006		2,425		2,425		2,425	
45	Federal Taxable Income (L42-L44)	14,475	14,475		14,475		34,880		34,879		34,879	
46												
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	2,171	2,171		2,171		5,232		5,232		5,232	
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	-	-		-		-		-		-	
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	-	-		-		-		-		-	
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	-	-		-		-		-		-	
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	-	-		-		-		-		-	
52												
53	Total Federal Income Tax	2,171	2,171		2,171		5,232		5,232		5,232	
54	Combined Federal and State Income Tax (L35 + L42)	3,178	3,178		3,178		7,657		7,657		7,657	

55 COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / [Col. (D), L45 - Col. (A), L45] 15.0000%

56 WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45] 0.0000%

57 WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45] 15.0000%

Calculation of Interest Synchronization:

58	Rate Base	\$ 555,634
59	Weighted Average Cost of Debt	3.5118%
60	Synchronized Interest (L59 X L60)	\$ 19,513

**Abra Water Company, Inc.**  
 Test Year Ended December 31, 2012  
 Summary of Cost of Capital

Exhibit  
 Rebuttal Schedule D-1  
 Page 1  
 Witness: Bourassa

Adjusted End of Test Year

Projected Capital Structure

Line No.	Item of Capital	Adjusted End of Test Year				Projected Capital Structure			
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	338,663	51.49%	6.82%	3.51%	315,487	48.78%	6.82%	3.33%
3	Stockholder's Equity	319,020	48.51%	11.00%	5.34%	331,323	51.22%	11.00%	5.63%
5	Totals	657,683	100.00%		8.85%	646,810	100.00%		8.96%

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SUPPORTING SCHEDULES:

- 23 D-1
- 24 D-3
- 25 D-4
- 26 E-1
- 27 Testimony

RECAP SCHEDULES:

A-3



Abra Water Company, Inc.  
Test Year Ended December 31, 2012  
Cost of Preferred Stock

Exhibit  
Rebuttal Schedule D-3  
Page 1  
Witness: Bourassa

Line  
No.  
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End of Test Year

End of Projected Year

Description of Issue	Shares Outstanding	Dividend Amount	Dividend Requirement	Shares Outstanding	Dividend Amount	Dividend Requirement
-------------------------	-----------------------	--------------------	-------------------------	-----------------------	--------------------	-------------------------

NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

SUPPORTING SCHEDULES:  
E-1

RECAP SCHEDULES:  
D-1

**Abra Water Company, Inc.**  
Test Year Ended December 31, 2012  
Cost of Common Equity

Exhibit  
Rebuttal Schedule D-4  
Page 1  
Witness: Bourassa

Line

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The Company is proposing a cost of common equity of

11.00% .

SUPPORTING SCHEDULES:

E-1

D-4.1 to D-4.6

Testimony

RECAP SCHEDULES:

D-1

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

**Exhibit**  
**Schedule D-4.1**  
**Witness: Bourassa**

		Measures of size (Millions)						
	<u>Company</u>	<u>Symbol</u>	MV Equity <sup>1</sup>	Book Equity <sup>1</sup>	MVIC <sup>1</sup>	5 Yr Avg. Net Income	Total Assets <sup>2</sup>	5 Yr Avg. EBITDA <sup>3</sup>
1.	American States	AWR	\$ 1,248	\$ 492	\$ 1,574	\$ 45	\$ 1,281	\$ 141
2.	Aqua America	WTR	\$ 8,909	\$ 1,535	\$ 10,378	\$ 155	\$ 4,859	\$ 430
3.	California Water	CWT	\$ 1,174	\$ 598	\$ 1,600	\$ 42	\$ 1,996	\$ 146
4.	Connecticut Water	CTWS	\$ 232	\$ 197	\$ 407	\$ 13	\$ 579	\$ 28
5.	Middlesex	MSEX	\$ 385	\$ 189	\$ 514	\$ 14	\$ 562	\$ 39
6.	SJW Corp.	SJW	\$ 662	\$ 322	\$ 997	\$ 21	\$ 1,087	\$ 87

<sup>1</sup> From Value Line Analyzer Data and/or Zacks Investment Research

<sup>2</sup> From Value Line Analyzer Data and/or Zacks Investment Research. From E-1 for subject utility.

<sup>3</sup> Net Income. From Zacks Investment Research and Company ACC reports

**Net Income Data (\$ millions)**

<u>Company</u>	<u>Symbol</u>	2013	2012	2011	2010	2009	Average
American States	AWR	\$ 62.7	\$ 54.0	\$ 45.9	\$ 33.2	\$ 29.5	\$ 45.1
Aqua America	WTR	\$ 205.0	\$ 197.0	\$ 143.1	\$ 124.0	\$ 104.4	\$ 154.7
California Water	CWT	\$ 47.3	\$ 49.0	\$ 37.7	\$ 37.7	\$ 40.6	\$ 42.4
Connecticut Water	CTWS	\$ 18.3	\$ 14.0	\$ 11.3	\$ 9.8	\$ 10.2	\$ 12.7
Middlesex	MSEX	\$ 16.6	\$ 14.0	\$ 13.4	\$ 14.3	\$ 10.0	\$ 13.7
SJW Corp.	SJW	\$ 23.5	\$ 22.0	\$ 20.9	\$ 24.4	\$ 15.2	\$ 21.2

Net Income data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

<sup>4</sup> Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA).

**EBITDA Data (\$ millions)**

<u>Company</u>	<u>Symbol</u>	2013	2012	2011	2010	2009	Average
American States	AWR	\$ 161.0	\$ 154.0	\$ 133.3	\$ 134.4	\$ 122.6	\$ 141.1
Aqua America	WTR	\$ 424.3	\$ 439.0	\$ 397.8	\$ 473.2	\$ 415.2	\$ 429.9
California Water	CWT	\$ 155.0	\$ 151.0	\$ 143.3	\$ 155.7	\$ 125.5	\$ 146.1
Connecticut Water	CTWS	\$ 43.4	\$ 30.0	\$ 24.2	\$ 22.5	\$ 20.3	\$ 28.1
Middlesex	MSEX	\$ 42.1	\$ 39.0	\$ 34.6	\$ 43.3	\$ 34.6	\$ 38.7
SJW Corp.	SJW	\$ 91.4	\$ 90.0	\$ 87.1	\$ 75.4	\$ 93.5	\$ 87.5

EBITDA data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

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

**Exhibit**  
**Schedule D-4.2**  
**Witness: Bourassa**

**MRP<sub>m+s</sub> Estimates Using Duff & Phelps Study (Unlevered)**  
*Assumes 100% Equity and 0% debt*  
 Data Smoothing with Regression Analysis  
**Smoothed Premium (RP<sub>m+s</sub>) = Constant + X Coefficients \* Log(Relevant Metric)**

$RP_{unlevered} = RP_{levered} - W_d/W_e * (\beta_u - \beta_d) * RP_{market}$

Where  $\beta_u$  = unlevered portfolio beta

$\beta_d$  = debt beta, assumed to be 0.1

$W_d$  = percentage of debt in capital structure

$W_e$  = percentage of equity in capital structure

RP<sub>levered</sub> = levered realized risk premium

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	19.089%	16.046%	19.463%	13.763%	18.027%	15.308%
X Coefficient(s)	-3.233%	-2.591%	-3.243%	-2.623%	-2.851%	-2.736%

			MRP <sub>m+s</sub> (unlevered)						
	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	9.08%	9.07%	9.09%	9.43%	9.17%	9.43%	9.21%
2.	Aqua America	WTR	6.32%	7.79%	6.44%	8.02%	7.52%	8.10%	7.36%
3.	California Water	CWT	9.16%	8.85%	9.07%	9.49%	8.62%	9.39%	9.10%
4.	Connecticut Water	CTWS	11.44%	10.10%	11.00%	10.87%	10.15%	11.35%	10.82%
5.	Middlesex	MSEX	10.73%	10.15%	10.67%	10.78%	10.19%	10.96%	10.58%
6.	SJW Corp.	SJW	9.97%	9.55%	9.74%	10.28%	9.37%	10.00%	9.82%
Average (unlevered)			9.45%	9.25%	9.34%	9.81%	9.17%	9.87%	9.48%

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

**Unlevered Portfolio Beta**  
**(from Duff & Phelps RP Study - Table C)**

**Exhibit**  
**Schedule D-4.3**  
**Witness: Bourassa**

		<b>Unlevered Portfolio Beta (<math>\beta_u</math>)</b>						
		<b>(Table C-1)</b>	<b>(Table C-2)</b>	<b>(Table C-4)</b>	<b>(Table C-3)</b>	<b>(Table C-5)</b>	<b>(Table C-6)</b>	<b>Average</b>
1.	American States	AWR	0.94	0.96	0.95	0.95	0.97	0.95
2.	Aqua America	WTR	0.87	0.89	0.86	0.88	0.83	0.86
3.	California Water	CWT	0.98	0.96	0.95	0.95	0.94	0.96
4.	Connecticut Water	CTWS	0.96	0.98	0.97	0.97	0.99	1.03
5.	Middlesex	MSEX	0.96	1.00	0.98	0.97	0.99	0.99
6.	SJW Corp.	SJW	0.98	0.98	0.98	0.99	0.97	0.95
	Average		0.95	0.96	0.95	0.95	0.95	0.95

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

**MRP Estimates Using Duff & Phelps Study (Relevered)**

**Relevered Realized Risk Premium**

$$RP_{\text{relevered}} = RP_{\text{unlevered}} + W_d/W_e * (\beta_u - \beta_d) * RP_{\text{market}}$$

Where  $\beta_u$  = unlevered portfolio beta

$\beta_d$  = debt beta, assumed to be 0.1

$W_d$  = percentage of debt in capital structure

$W_e$  = percentage of equity in capital structure

$RP_{\text{unlevered}}$  = unlevered realized risk premium from Schedule D-4.3

$RP_{\text{market}}$  = general equity risk premium for the market since 1963 through 2012

**Exhibit**  
**Schedule D-4.4**  
 Witness: Bourassa

		<b>MRP<sub>mtt</sub> (Relevered)</b>								
<u>Company</u>		<u>Symbol</u>	<u>W<sub>d</sub>/W<sub>e</sub></u>	<u>MV Equity</u>	<u>Book Equity</u>	<u>MVIC</u>	<u>5 Yr Avg. Net Income</u>	<u>Total Assets</u>	<u>5 Yr Avg. EBITDA</u>	<u>Average</u>
1.	American States	AWR	26.1%	10.15%	10.17%	10.18%	10.51%	10.28%	10.51%	10.30%
2.	Aqua America	WTR	16.5%	6.94%	8.43%	7.05%	8.65%	8.11%	8.68%	7.98%
3.	California Water	CWT	36.3%	10.73%	10.38%	10.58%	11.01%	10.11%	10.92%	10.62%
4.	Connecticut Water	CTWS	75.3%	14.61%	13.35%	14.21%	14.08%	13.43%	14.78%	14.08%
5.	Middlesex	MSEX	33.7%	12.15%	11.64%	12.13%	12.22%	11.66%	12.43%	12.04%
6.	SJW Corp.	SJW	50.6%	12.15%	11.73%	11.92%	12.49%	11.53%	12.10%	11.99%
Average MRP (Relevered)			39.75%	11.12%	10.95%	11.01%	11.49%	10.85%	11.57%	11.17%

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

**Equity Risk Premium Adjustment and Other metrics used in Build-up Method**

**Exhibit**  
**Schedule D.4.5**  
**Witness: Bourassa**

[1] Estimate of Current Market Risk Premium ( $RP_{market}$ )	<b>5.00%</b> <<<< Current Duff and Phelps recommendation
[2] Risk Premium Used in Duff & Phelps Study (1963-2013) <sup>1</sup>	4.90%
[3] Equity Risk Premium Adjustment ((1) - [2])	0.10%
[4] Average MRP (relevered) for publicly traded water companies (from Schedule D-4.5)	11.17%
[5] MRP (relevered) for publicly traded water companies ( $RP_{m+}$ ) ([3] + [4])	11.27%
[6] Equity Risk Premium Adjustment ([3])	0.10%
[7] Average MRP (relevered) for subject utility company (from Table 4)	0.00%
[8] MRP (relevered) for subject utility company ( $RP_{m+}$ ) ([6] + [7])	0.10%
[9] Industry Risk Premium (From Duff & Phelps for SIC 494 Water Supply Industry Exhibit 5-7)	-4.24%
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.96% <sup>1</sup> )	0.7184
[11] Adjusted Industry Risk Premium ( $R_i$ ) ([9] x [10])	-3.05%
[12] Risk Free Rate ( $R_f$ ) <sup>2</sup>	2.95%

<sup>1</sup> From Duff and Phelps Risk Premium Report 2014.

<sup>2</sup> Yield on 20 Yr U.S. Treasury August 20, 2014 (Federal Reserve)

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

Exhibit  
 Schedule D-4.6  
 Witness: Bourassa

**Cost of Equity (COE) Estimate using Build-up Method**

$$E(R_i) = R_f + RP_{m+s} + RP_i + RP_u$$

Where:

$E(R_i)$  = Expected (indicated) rate of return

$R_f$  = Risk-free rate of return. See Rebuttal Schedule D-4.17.

$RP_{m+s}$  = Market risk premium including size premium. See Rebuttal Schedule D-4.16.

$RP_i$  = Industry risk premium (adjusted). See Schedule D-4-17.

$RP_u$  = Company-specific risk premium

	Sample	
	Publicly Traded	
	Water	
	Utilities	Abra Water Company, Inc.
$R_f$ =	2.95%	2.95%
$RP_{m+s}$ =	See Sched. D-4.16	
$RP_i$ =	-3.05%	-3.05%
$RP_u$ =	0.00%	0.00%

		<b>Indicated COE E(R<sub>i</sub>)</b>							
	<u>Company</u>	<u>Symbol</u>	<u>MV</u> <u>Equity</u>	<u>Book</u> <u>Equity</u>	<u>MVIC</u>	<u>5 Yr Avg.</u> <u>Net Income</u>	<u>Total</u> <u>Assets</u>	<u>5 Yr Avg.</u> <u>EBITDA</u>	<u>Average</u>
1.	American States	AWR	10.16%	10.17%	10.19%	10.52%	10.28%	10.52%	10.31%
2.	Aqua America	WTR	6.95%	8.43%	7.06%	8.65%	8.11%	8.69%	7.98%
3.	California Water	CWT	10.73%	10.38%	10.59%	11.01%	10.12%	10.92%	10.63%
4.	Connecticut Water	CTWS	14.62%	13.35%	14.21%	14.08%	13.44%	14.78%	14.08%
5.	Middlesex	MSEX	12.16%	11.64%	12.13%	12.23%	11.66%	12.44%	12.04%
6.	SJW Corp.	SJW	12.15%	11.73%	11.92%	12.49%	11.53%	12.11%	11.99%
	Average COE estimate		11.13%	10.95%	11.02%	11.50%	10.86%	11.58%	11.17%
	Median COE Estimate		11.44%	11.01%	11.26%	11.62%	10.91%	11.51%	11.31%



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

Exhibit  
 Rebuttal Schedule H-2  
 Page 1  
 Witness: Bourassa

Line No.	Meter Size	(a) Average Number of Customers at <u>12/31/2012</u>	Average Consumption	Revenues		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch	613	5,717 \$	31.07 \$	34.05 \$	2.98	9.59%
2	2 Inch	1	158,825	965.95	979.19	13.24	1.37%
3	Standpipe	2	40,473	242.84	252.95	10.12	4.17%
4	Coin-Op	1	68,126	408.75	425.78	17.03	4.17%
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15							
16	Totals	<u>617</u>					

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

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

Exhibit  
 Rebuttal Schedule H-2  
 Page 2  
 Witness: Bourassa

Line No.	Meter Size and Class	(a)	Median Consumption	Median Bill		Proposed Increase	
		Average Number of Customers at 12/31/2012		Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch	613	5,500	\$ 30.25	\$ 33.23	\$ 2.98	9.84%
2	2 Inch	1	117,050	715.30	731.98	16.68	2.33%
3	Standpipe	2	7,500	45.00	46.88	1.88	4.17%
4	Coin-Op	1	55,000	330.00	343.75	13.75	4.17%
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15							
16	Totals	<u>617</u>					

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

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Abra Water Company  
 Revenue Breakdown Summary  
 Present Rates

Exhibit  
 Rebuttal Sched  
 Page 3  
 Witness: Bouras

	Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	\$ 103,040	\$ 41,821	\$ 70,453	\$ 29,895	\$ 245,209
2 Inch	\$ 1,344	\$ 1,881	\$ 8,465	\$ -	\$ 11,690
Standpipe	\$ -	\$ 4,371	\$ -	\$ -	\$ 4,371
Coin-Op	\$ -	\$ 4,905	\$ -	\$ -	\$ 4,905

TOTALS	<u>\$ 104,384</u>	<u>\$ 52,978</u>	<u>\$ 78,919</u>	<u>\$ 29,895</u>	<u>\$ 266,176</u>
Percent of Total	39.22%	19.90%	29.65%	11.23%	100.00%
Cummulative %	39.22%	59.12%	88.77%	100.00%	

Abra Water Company  
 Revenue Breakdown Summary  
 Company Proposed Rates

Exhibit  
 Rebuttal Sched.  
 Page 3  
 Witness: Bouras

	<u>Monthly</u> <u>Mins</u>	<u>Commodity</u> <u>First Tier</u>	<u>Commodity</u> <u>Second Tier</u>	<u>Commodity</u> <u>Third Tier</u>	<u>Total</u>
5/8x3/4 Inch	\$ 123,133	\$ 43,075	\$ 70,778	\$ 29,484	\$ 266,470
2 Inch	1,606	1,890	8,349	-	11,845
Standpipe	-	4,553	-	-	4,553
Coin-Op	-	5,109	-	-	5,109

TOTALS	<u>\$ 124,739</u>	<u>\$ 54,628</u>	<u>\$ 79,127</u>	<u>\$ 29,484</u>	<u>\$ 287,977</u>
Percent of Total	43.32%	18.97%	27.48%	10.24%	100.00%
Cummulative %	43.32%	62.28%	89.76%	100.00%	

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

Exhibit  
 Schedule H-3  
 Page 1  
 Witness: Bourassa

Line No.	Monthly Service Charge for:	<u>Present Rates</u>	<u>Proposed Rates</u>
1	<u>Meter Size</u>		
2	5/8 Inch	\$ 14.00	\$ 16.73
3	3/4 Inch	21.00	25.10
4	1 Inch	35.00	41.83
5	1 1/2 Inch	70.00	83.65
6	2 Inch	112.00	133.84
7	3 Inch	224.00	267.68
8	4 Inch	350.00	418.25
9	6 Inch	700.00	836.50
10	Standpipe	-	-
11	Coin-Op	-	-
12			
13	<u>Gallons In Minimum</u>	-	-
14			
15			
16			
17			
18	<u>Commodity Rates (per 1,000 gallons)</u>		
		<u>Present Rate</u>	<u>Proposed Rate</u>
19	5/8x3/4 Inch		
	<u>Block</u>		
20	0 gallons to 3,000 gallons	\$ 2.25	\$ 2.32
21	3,001 gallons to 10,000 gallons	\$ 3.80	\$ 3.82
22	over 10,000 gallons	\$ 6.00	\$ 5.92
23	3/4 Inch		
	0 gallons to 3,000 gallons	\$ 2.25	\$ 2.32
24		\$ 3.80	\$ 3.82
25		\$ 6.00	\$ 5.92
26			
27	1 Inch		
	0 gallons to 16,000 gallons	\$ 3.80	\$ 3.82
28		\$ 6.00	\$ 5.92
29			
30	1 1/2 Inch		
	0 gallons to 30,000 gallons	\$ 3.80	\$ 3.82
31		\$ 6.00	\$ 5.92
32			
33	2 Inch		
	0 gallons to 45,000 gallons	\$ 3.80	\$ 3.82
34		\$ 6.00	\$ 5.92
35			
36			

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

Exhibit  
 Schedule H-3  
 Page 2  
 Witness: Bourassa

Line No.	<u>Commodity Rates (per 1,000 gallons)</u>	<u>Block</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
1				
2	3 Inch	0 gallons to 90,000 gallons	\$ 3.80	\$ 3.82
3		over 90,000 gallons	\$ 6.00	\$ 5.92
4				
5	4 Inch	0 gallons to 145,000 gallons	\$ 3.80	\$ 3.82
6		over 145,000 gallons	\$ 6.00	\$ 5.92
7				
8	6 Inch	0 gallons to 300,000 gallons	\$ 3.80	\$ 3.82
9		over 300,000 gallons	\$ 6.00	\$ 5.92
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12	Standpipe/Coin-Op		\$ 6.00	\$ 6.25
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**Abra Water Company**  
**Changes in Representative Rate Schedules**  
**Test Year Ended December 31, 2012**

Exhibit  
Schedule H- 3  
Page 3  
Witness: Bourassa

Line  
No.

	<b>Present</b>		<b>Proposed</b>	
	<b>Rates</b>		<b>Rates</b>	
1				
2				
3				
4	\$	30.00	\$	30.00
5		40.00		40.00
6		50.00		50.00
7		50.00		50.00
8		50.00		50.00
9		(a)		(a)
10		6.00%		6.00%
11		(b)		**
12		(b)		**
13	\$	25.00	\$	25.00
14		1.50%		1.50%
15	\$	20.00	\$	20.00
16		1.50%		1.50%
17		(c)		(c)

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25 (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill . R14-2-403(B)(7)  
26 (b) Months off system times the minimum. PER COMMISSION RULE (R14-2-403.D)  
27 © 2 percent of the monthly minimum for a comparable size meter connection but not less than \$10 per month.

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31 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM  
32 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE  
33 TAX. PER COMMISSION RULE (14-2-409.D 5).

34

35 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,  
36 AND ALL APPLICABLE TAXES.

37  
38

**Abra Water Company**  
 Test Year Ended December 31, 2012  
**Service Charges**  
**Meter and Service Line Charges**

Exhibit  
 Schedule H-3  
 Page 4  
 Witness: Bourassa

Line  
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	<b>Proposed</b>	<b>Proposed</b>		<b>Proposed</b>	<b>Proposed</b>	
	<b>Service</b>	<b>Meter</b>	<b>Total</b>	<b>Service</b>	<b>Meter</b>	<b>Total</b>
	<b>Line</b>	<b>Install-</b>	<b>Proposed</b>	<b>Line</b>	<b>ation</b>	<b>Proposed</b>
	<b>Charge</b>	<b>ation</b>	<b>Charge</b>	<b>Charge</b>	<b>Charge</b>	<b>Charge</b>
	<b>Charge</b>	<b>Charge</b>	<b>Charge</b>	<b>Charge</b>	<b>Charge</b>	<b>Charge</b>
6	\$ 380.00	\$ 95.00	\$ 475.00	\$ 380.00	\$ 95.00	\$ 475.00
7	335.00	165.00	500.00	335.00	165.00	500.00
8	350.00	200.00	550.00	350.00	200.00	550.00
9	470.00	430.00	900.00	470.00	430.00	900.00
10	590.00	735.00	1,325.00	590.00	735.00	1,325.00
11	660.00	1,045.00	1,705.00	660.00	1,045.00	1,705.00
12	910.00	1,630.00	2,540.00	910.00	1,630.00	2,540.00
13	1,410.00	3,235.00	4,645.00	1,410.00	3,235.00	4,645.00

**Abra Water Company  
Docket No. W-01782A-14-0084**

**THOMAS J. BOURASSA  
REBUTTAL TESTIMONY**

**September 2, 2014**

**EXHIBIT TJB-RB1**

ARIZONA CORPORATION COMMISSION  
NEW APPLICATION

ORIGINAL



0000112870

RECEIVED

2010 JUN -4 P 4: 05

AZ CORP COMMISSION  
DOCKET CONTROL



**RATE APPLICATION  
FOR WATER COMPANIES  
WITH ANNUAL GROSS OPERATING REVENUES  
(INCLUDING REQUESTED RATE RELIEF)  
OF LESS THAN \$250,000  
PER ARIZONA ADMINISTRATIVE CODE R14-2-103  
Details at website: [www.azcc.gov](http://www.azcc.gov)**

Arizona Corporation Commission

DOCKETED

JUN -4 2010

ABRA WATER Co. Inc.

UTILITY NAME

W-01782A-10-0224

DOCKETED BY	NR
-------------	----

Dec 31, 2009

TEST YEAR ENDED

Required invoices to be submitted are listed in the checklist on page 1.

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance or see our website at:

[www.azcc.gov](http://www.azcc.gov)

IN ORDER TO PROCESS YOUR APPLICATION  
PLEASE FORWARD THE ORIGINAL  
AND FIFTEEN COPIES OF THE  
APPLICATION PLUS  
THREE PACKETS WITH COPIES OF  
CHECKLIST ITEMS 5-11 (PAGE 1)

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL CENTER  
1200 WEST WASHINGTON STREET  
PHOENIX, ARIZONA 85007

<b>COMPANY NAME:</b>	Abra Water Co. Inc.	<b>Test Year Ended:</b>	12/31/2009
<b>Name of System:</b>	ADEQ Public Water System Number:		

**BALANCE SHEET**

<b>Acct. No.</b>	<b>ASSETS</b>	<b>BALANCE AT BEGINNING OF TEST YEAR</b>	<b>BALANCE AT END OF TEST YEAR</b>
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	100258	62068
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	23046	22207
143	Accumulated Provision for Uncollectible Accounts	(1627)	(3073)
151	Plant Material and Supplies	57042	22799
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	23571	32011
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>202290</b>	<b>136012</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	1309307	1419695 *
103	Property Held for Future Use	31000	
105	Construction Work in Progress		
108	Accumulated Depreciation-Utility Plant("AD-UP")	(457791)	(502485) **
121	Non-Utility Property		
122	Accumulated Depreciation-Non Utility Plant("AD-NU")		
	<b>TOTAL FIXED ASSETS</b>	<b>882516</b>	<b>917210</b>
	<b>TOTAL ASSETS</b>	<b>1084806</b>	<b>1053222</b>

**Note: Total Assets on this page should equal the sum of Total Liabilities and Total Capital on page 22. Also, numbers in parentheses should be subtracted. For example, Accounts 108 and 122 should be subtracted from Total Fixed Assets.**

**\*Must equal page 15, original cost**

**\*\* Must equal page 15, accumulated depreciation**

<b>COMPANY NAME:</b>	Abra Water Co. Inc.	<b>Test Year Ended:</b>	12/31/2009
<b>Name of System:</b>	ADEQ Public Water System Number:		

**UTILITY PLANT IN SERVICE**

Acct. No.	Description	Original Cost	Accumulated Depreciation	OCLD
		<i>Column A</i>	<i>Column B</i>	<i>Column C**</i>
301	Organization	508	508	0
302	Franchises	787	787	0
303	Land & Land Rights	15044		15044
304	Structures & Improvements	72787	6420	66367
307	Wells & Springs	63078	45272	17806
311	Pumping Equipment	50877	22182	28695
320	Water Treatment Equipment	145002	12702	132300
320.1	Water Treatment Plants	0		0
320.2	Solution Chemical Feeders	4654	2725	1929
330	Distributions Reservoirs & Standpipes	0		0
330.1	Storage Tanks	197626	35127	162499
330.2	Pressure Tanks	0		0
331	Transmission & Distrib. Mains	659578	264934	394644
333	Services	133378	62483	70895
334	Meters & Meter Installations	35125	21458	13668
335	Hydrants	0		0
336	Backflow Prevention Devices	0		0
339	Other Plant & Misc. Equipment	9890	4072	5818
340	Office Furniture & Equipment	278	171	107
340.1	Computers & Software	6098	6098	0
341	Transportation Equipment	20280	13380	6900
343	Tools, Shop & Garage Equip.	65	65	0
344	Laboratory Equipment	0		0
345	Power Operated Equipment	0		0
346	Communication Equipment	0		0
347	Miscellaneous Equipment	95	9	86
348	Other Tangible Plant	4545	4094	452
	<b>TOTAL WATER PLANT</b>	<b>1419695</b>	<b>502485</b>	<b>917210</b>

\* Must be the same as the amount reported on page 20

\*\* Column C = Column A - Column B

**Abra Water Co., Inc.**  
**Account Quick Report**  
**All transactions**

Type	Date	Num	Name	Memo	Split	Amount	Balance
<b>100- Fixed Assets</b>							
<b>101 - Utility Plan-in-Service</b>							
<b>320 - Water Treatment Equipment - Other</b>							
Gene...	12/31/1997	FA	Adj		301 • Organization Costs	3,147.82	3,147.82
Gene...	12/31/1999	FA	Adj		Deposits	368.70	3,516.52
Gene...	12/31/2001	Staff	...		333 • Services {36}	-947.00	2,569.52
Check	02/25/2004	3344	Arden Industries	Inv.#2004-01-11	131.1-1 • Checking-Stockmen's-N...	1,501.41	4,070.93
Check	03/02/2006	3229	McPhee Environmental ...	arsenic	131.1-1 • Checking-Stockmen's-N...	7,793.00	11,863.93
Check	03/20/2006	3231	Paulden Pump	chlorinator pump	131.1-1 • Checking-Stockmen's-N...	1,358.64	13,222.57
Check	06/29/2006	1019	Capital One	Inv.#2006.05.7 & 2006.05.16	131.1-4 • Off-site Tariff Check Nat...	3,196.70	16,419.27
Check	12/03/2007	4865	Aquacell		131.1-1 • Checking-Stockmen's-N...	88,347.21	104,766.48
Check	05/05/2008	4875	Aquacell		131.1-1 • Checking-Stockmen's-N...	20,785.79	125,552.27
Gene...	12/31/2008	175		Reclass of media from fixed asset to prepaid expens	151 • Plant Materials & Supplies	-79,900.00	45,652.27
Gene...	12/31/2009	148		Reclassify to Chemical Feeder acc	-SPLIT-	-1,358.64	44,293.63
Gene...	12/31/2009	148		Reclassify to Chemical Feeder acc	320 • Water Treatment Equipment	-1,501.41	42,792.22
Gene...	12/31/2009	150		Arsenic treatment plant	-SPLIT-	102,209.50	145,001.72
Total 320 • Water Treatment Equipment - Other						145,001.72	145,001.72

1:11 PM  
 08/26/14  
 Accrual Basis

**Abra Water Co., Inc.**  
**Account QuickReport**  
**All Transactions**

Type	Date	Num	Memo	Split	Amount	Balance
<b>151 - Plant Materials &amp; Supplies</b>						
Gener...	12/31/2008	175	Reclass of media from fixed asset to prepaid expense	320 - Water Treatment Equipm...	79,900.00	79,900.00
Gener...	12/31/2008	176	To record media expense for 2008; reduce pre-paid acct 151 for 8 months	620 - Materials & Supplies	-22,858.00	57,042.00
Gener...	01/31/2009	179	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	54,188.42
Gener...	02/27/2009	180	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	51,334.84
Gener...	03/27/2009	181	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	48,481.26
Gener...	04/27/2009	182	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	45,627.68
Gener...	05/27/2009	183	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	42,774.10
Gener...	06/27/2009	184	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	39,920.52
Gener...	07/27/2009	185	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	37,066.94
Gener...	08/27/2009	186	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	34,213.36
Gener...	09/27/2009	187	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	31,359.78
Gener...	10/27/2009	188	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	28,506.20
Gener...	11/27/2009	189	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.58	25,652.62
Gener...	12/27/2009	190	To expense the media for 2009 from prepaid exp acct	620 - Materials & Supplies	-2,853.62	22,799.00
Gener...	12/31/2009	253	Per ACC-to reverse out prepaid arsenic acct	320.3 - Media For Arsenic Tre...	-22,799.00	0.00
Total 151 - Plant Materials & Supplies					0.00	0.00
<b>TOTAL</b>					<b>0.00</b>	<b>0.00</b>

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A]	JCM-5 [B]	JCM-6 [C]	[D]
			COMPANY AS FILED	Trmt Plant ADJ #1	Accum Depr ADJ #2	STAFF ADJUSTED
<b>PLANT IN SERVICE:</b>						
1	301	Organization Cost	\$ 508	\$ -	\$ -	\$ 508
2	302	Franchise Cost	787	-	-	787
3	303	Land and Land Rights	15,044	-	-	15,044
4	304	Structures and Improvements	72,787	-	-	72,787
5	307	Wells and Springs	63,078	-	-	63,078
6	311	Electrical Pumping Equipment	50,877	-	-	50,877
7	320	Water Treatment Equipment	145,002	(145,002)	-	-
8	320.1	Water Treatment Plants	-	65,102	-	65,102
9	320.2	Solution Chemical Feeders	4,654	-	-	4,654
10	320.3	Media For Arsenic Treatment	-	79,900	-	79,900
11	330	Distribution Reservoirs & Standpipe	-	-	-	-
12	330.1	Storage Tanks	197,626	-	-	197,626
13	330.2	Pressure Tanks	-	-	-	-
14	331	Transmission and Distribution Mains	659,578	-	-	659,578
15	333	Services	133,378	-	-	133,378
16	334	Meters & Meter Installations	35,125	-	-	35,125
17	335	Hydrants	-	-	-	-
18	336	Backflow Prevention Devices	-	-	-	-
19	339	Other Plant & Miscellaneous Equipment	9,890	-	-	9,890
20	340	Office Furniture & Fixtures	278	-	-	278
21	340.1	Computers & Software	6,098	-	-	6,098
22	341	Transportation Equipment	20,280	-	-	20,280
24	343	Tools and Work Equipment	65	-	-	65
25	344	Laboratory Equipment	-	-	-	-
26	345	Power Operated Equipment	-	-	-	-
27	346	Communications Equipment	-	-	-	-
28	347	Miscellaneous Equipment	95	-	-	95
29	348	Other Tangible Plant	4,545	-	-	4,545
31		Rounding Amount	-	-	-	-
32		Subtotal Plant in Service	\$ 1,419,695	\$ -	\$ -	\$ 1,419,695
34	Other 1	Construction Work in Progress	-	-	-	-
36	Other 2	General Office Plant Allocation	-	-	-	-
37	Less:					
38	Other 3	Post Test Year Plant	-	-	-	-
39	Other 4	General Office Plant Allocation	-	-	-	-
41		Total Plant in Service:	\$ 1,419,695	\$ -	\$ -	\$ 1,419,695
42		Less: Accumulated Depreciation (Company App. Page 15)	502,485	-	30,673	533,158
43		Intentionally Left Blank	-	-	-	-
44		Net Plant in Service (L59 - L 60)	\$ 917,210	\$ -	\$ (30,673)	\$ 886,537
46		<b>LESS:</b>				
47		Contributions in Aid of Construction (CIAC)	\$ 320,237	\$ -	\$ -	320,237
48		Less: Accumulated Amortization	200,895	-	-	200,895
49		Net CIAC (L25 - L26)	\$ 119,342	\$ -	\$ -	119,342
50		Advances in Aid of Construction (AIAC)	288,675	-	-	288,675
51		Customer Deposits	12,244	-	-	12,244
52		Deferred Income Taxes	-	-	-	-
54		<b>ADD:</b>				
55		Unamortized Finance Charges	-	-	-	-
56		Deferred Tax Assets	-	-	-	-
57		Working Capital (Inventory & Supplies)	-	-	-	-
58		Regulatory Asset (Liability)	-	-	-	-
59		Original Cost Rate Base	\$ 496,949	\$ -	\$ (30,673)	\$ 466,276

References:  
Column [A] Company Application Page 15

References: