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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

2014 OCT 21 P 3: 32

CORP COMMISSION
DOCKET CONTROL

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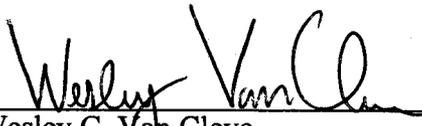
IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. WS-04235A-13-0331

**NOTICE OF FILING
STAFF'S SURREBUTTAL TESTIMONIES**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files Surrebuttal Testimonies of Michael Thompson and Jorn L. Keller, in the above-referenced docket.

RESPECTFULLY SUBMITTED this 21st day of October, 2014.



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 Arizona Corporation Commission
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**Original and thirteen (13) copies of
the foregoing filed this 21st day of
October, 2014, with:**

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

Arizona Corporation Commission
DOCKETED
 OCT 21 2014

DOCKETED BY 

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2 **21st day of October, 2014, to:**

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28
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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

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Commissioner

SUSAN BITTER SMITH

Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-04235A-13-0331
UTILITY SOURCE, LLC, AN ARIZONA)
CORPORATION, FOR A DETERMINATION)
OF THE FAIR VALUE OF ITS UTILITY PLANT)
AND PROPERTY AND FOR INCREASES IN ITS)
WATER RATES AND CHARGES FOR UTILITY)
SERVICE BASED THEREON.)

SURREBUTTAL TESTIMONY

OF

MICHAEL THOMPSON, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 21, 2014

**SURREBUTTAL TESTIMONY
UTILITY SOURCE, LLC
DOCKET NO. W-04235A-13-0331**

Recommendations:

1. Staff recommends that Utility Source, LLC (“Utility Source” or “Company”) file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation that construction of the Deep Well No. 2 security structure, either a security fence and gate, or building, has been completed.
2. Staff continues to recommend approval of the five (5) BMP Tariffs that were selected by Staff.
3. Staff continues to recommend that Utility Source obtain Commission approval prior to selling Deep Well No. 4.
4. Staff continues to recommend that Utility Source file with Docket Control, as a compliance item in this docket by September 30, 2015, documentation that the repair of the wastewater treatment plant mixed media filter has been completed and has been placed in operation.
5. Staff continues to recommend that Utility Source file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that an engineering analysis has been conducted on the water system and any corrective action recommended from the analysis has been taken.

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1 **INTRODUCTION**

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

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

5
6 **Q. By whom and in what position are you employed?**

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

9
10 **Q. Did you submit Direct Testimony on behalf of the Utilities Division in this case?**

11 A. Yes.

12
13 **PURPOSE OF THIS TESTIMONY**

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

15 A. To respond to the Rebuttal Testimony filed by Lonnie McCleve on behalf of Utility Source.
16 My testimony addresses Mr. McCleve’s comments regarding the security block wall and gate
17 at Deep Well No. 2, Best Management Practices (“BMPs”), the sale of Deep Well No. 4,
18 Utility Source not being allowed to require a developer to pay for the construction of a new
19 well, repair of the wastewater treatment plant mixed media filter, and Fire Protection/water
20 pressure issues.

1 **DEEP WELL NO. 2 SECURITY BLOCK WALL AND GATE**

2 **Q. Does Utility Source have flexibility to build a cost-effective security structure that**
3 **complies with the Coconino County enclosure rule?**

4 A. Yes. Staff has no intention of restricting Utility Source's ability to build, for Deep Well No.
5 2, a cost-effective security structure that would also meet Coconino County's enclosure rule.
6 However, the structure should also adhere to the Arizona Department of Environmental
7 Quality rule R18-5-502. Minimum Design Criteria. A., which references Engineering Bulletin
8 No. 10, "Guidelines for the Construction of Water Systems", issued by the Arizona
9 Department of Health Services, May 1978, Chapter 2. Source Development & Construction,
10 G.18.

11
12 **Q. Does Staff have a recommendation regarding Deep Well No. 2 security structure?**

13 A. Yes. Since Staff has no intention of restricting Utility Source from building a cost-effective
14 security structure around Deep Well No. 2, Staff recommends that Utility Source file with
15 Docket Control, as a compliance item in this docket and within 90 days of the effective date
16 of a decision in this proceeding, documentation that construction of the Deep Well No. 2
17 security structure, either a security fence and gate, or building, has been completed.

18
19 **BMPS**

20 **Q. What is Utility Source's position on BMPs?**

21 A. Mr. McCleve has stated that Utility Source does not agree with Staff's recommendation
22 because it understands that the Commission no longer routinely requires BMPs. Mr.
23 McCleve also stated that Utility Source understands that BMPs are usually adopted when
24 water loss is high. Since Utility Source's water loss is below 5 percent, Mr. McCleve stated
25 that there is no need for Utility Source to adopt BMPs. Mr. McCleve further states that if

1 BMPs are required, then Utility Source should be able to select BMPs that are most
2 appropriate rather than Staff dictating those to apply.

3
4 **Q. Based on Utility Source's Rebuttal Testimony, has Staff's recommendation regarding**
5 **the BMPs changed?**

6 A. No. Staff continues to recommend approval of the original five (5) BMP Tariffs that were
7 selected. However, Staff has no objection to Utility Source selecting five (5) BMPs that it
8 feels are more appropriate.

9
10 **DEEP WELL NO. 4**

11 **Q. Mr. McCleve states that Utility Source has no intention of selling Deep Well No.4.**
12 **What is Staff's response to that statement?**

13 A. Staff takes no issue with Mr. McCleve's statement. However, should Utility Source decide to
14 sell Deep Well No. 4 sometime in the future, Staff continues to recommend that Utility
15 Source obtain Commission approval prior to selling the well.

16
17 **Q. Mr. McCleve states the he does not agree with Staff's recommendation that Utility**
18 **Source cannot require a developer to pay for construction of a new well. What is**
19 **Staff's response to that statement?**

20 A. The intent of Staff's recommendation was to prevent Utility Source from selling Deep Well
21 No. 4 at a profit, and then require a developer to pay for the construction of a new well.
22 Staff does agree that should a developer desire to construct a planned community, where the
23 water demand is greater than Utility Source's current capacity to meet that demand, the
24 developer ought to be required to provide an additional source of water, i.e., a new well.
25

1 **WASTEWATER TREATMENT PLANT MIXED MEDIA FILTER**

2 **Q. Does Staff agree with Mr. McCleve's statements regarding the wastewater treatment**
3 **plant mixed media filter?**

4 A. Yes. First, Staff continues to support its original recommendation for Utility Source to
5 repair the mixed media filter. Second, Staff understands that the treatment plant currently
6 meets the effluent standards for irrigation water without the use of the filter. Nonetheless,
7 the mixed media filter was installed as part of the original design of the treatment plant with
8 its purpose, as tertiary treatment, to remove excess nutrients and pathogens, in the form of
9 suspended solids, from the wastewater prior to disinfection. Utilizing the mixed media filter
10 provides additional assurance that the wastewater leaving the treatment plant, as effluent, will
11 meet the required effluent standards. Staff continues to recommend that Utility Source file
12 with Docket Control, as a compliance item in this docket by September 30, 2015,
13 documentation that the repair of the wastewater treatment plant mixed media filter has been
14 completed and has been placed in operation.

15
16 **FIRE PROTECTION/WATER PRESSURE ISSUES**

17 **Q. Is Staff concerned with the fire protection and water pressure issues raised by**
18 **intervener Terry Fallon?**

19 A. Yes. Staff is very concerned with the apparent inability of Utility Source to provide
20 consistent and adequate fire flow and water pressure. This concern is compounded with the
21 recent installation of the potable water standpipe.

22
23 **Q. Has Utility Source had a fire protection/water pressure issue in 2014?**

24 A. Yes. According to notes, included as Exhibit A of Mr. Fallon's letter to the Commission,
25 dated September 3, 2014, taken during interviews in July, 2014 with the Ponderosa Fire

1 District Fire Chief Mark Sachara and Fire Fighter Sal Unale, the fire district has experienced
2 two (2) fire hydrant flow and pressure test failures.

3
4 **Q. Has Utility Source had an Engineering Analysis conducted to determine water**
5 **distribution system performance during high water demand events, i.e., fire hydrant**
6 **testing and standpipe usage?**

7 A. Not to Staff's knowledge. Data Request MST 7.2 requested Utility Source to provide an
8 engineering report detailing the impact the standpipe would have on the distribution system.
9 Utility Source responded that it did not have an engineering report on the impact the
10 standpipe would have on the water distribution system. In light of the fire hydrant water
11 flow and pressure failures and the unknown impact the standpipe will have on the water
12 distribution system, Utility Source should have an engineering analysis conducted to
13 determine the water system responsiveness to high water demand events.

14
15 **Q. Does Staff have a Recommendation?**

16 A. Yes. Staff recommends that Utility Source file with Docket Control, as a compliance item in
17 this docket and within 90 days of the effective date of a decision in this proceeding,
18 documentation demonstrating that an engineering analysis has been conducted on the water
19 system and any corrective action recommended from the analysis has been taken.

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

22 A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

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SUSAN BITTER SMITH

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UTILITY SOURCE, LLC, AN ARIZONA)
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PLANTS AND PROPERTY AND FOR)
INCREASES IN ITS WATER AND)
WASTEWATER RATES AND CHARGES FOR)
UTILITY SERVICE BASED THEREON)
_____)

SURREBUTTAL

TESTIMONY

OF

JORN L. KELLER

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 21, 2014

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UTILITY SOURCE, LLC. – WASTEWATER DIVISION

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**EXECUTIVE SUMMARY
UTILITY SOURCE, LLC.
DOCKET NO. WS-04235A-13-0331**

Water Division

The Company's rebuttal testimony proposes total operating revenue of \$432,967, an increase of \$226,783 (109.99 percent) over the adjusted test year revenue of \$432,967, to provide a \$173,271 operating income and an 11.00 percent return on the \$1,575,194 FVRB and OCRB.

The Utilities Division ("Staff") recommends total operating revenue of \$412,100, an increase of \$205,915 (99.87 percent) over the Staff-adjusted test year revenue of \$206,184, to provide a \$157,278 operating income and a 9.80 percent return on the \$1,604,879 Staff-adjusted FVRB and OCRB.

Staff's surrebuttal testimony for the Water Division responds to Utility Source, LLC's ("USL" or "Company") rebuttal testimony on the following issues:

1. Accumulated Depreciation
2. Depreciation Expense
3. Property Tax Expense
4. Income Tax Expense
5. Standpipe Revenues and Related Issues
6. Rate Design

Wastewater Division

The Company's rebuttal testimony proposes total operating revenue of \$328,900, an increase of \$209,436 (175.31 percent) over the Staff-adjusted test year revenue of \$119,464 to provide a \$90,844 operating income and an 11.00 percent return on the \$825,856 FVRB and OCRB.

Staff recommends total operating revenue of \$316,668, an increase of \$197,204 (165.07 percent) over the test year revenue of \$119,464 to provide an \$80,936 operating income and a 9.80 percent return on the \$825,880 Staff-adjusted FVRB and OCRB.

Staff's surrebuttal testimony for the Wastewater Division responds to Utility Source, LLC's ("USL" or "Company") rebuttal testimony on the following issues:

1. Property Tax Expense
2. Income Tax Expense
3. Rate Design

1 **INTRODUCTION**

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

3 A. My name is Jorn L. Keller. I am a Public Utilities Analyst employed by the Arizona
4 Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Jorn L. Keller who filed direct testimony in this case?**

8 A. Yes.

9
10 **PURPOSE OF SURREBUTTAL TESTIMONY**

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

12 A. The purpose of my surrebuttal testimony in this proceeding is to respond, on behalf of Staff,
13 to the rebuttal testimonies of Mr. Lonnie McCleve and Mr. Thomas Bourassa, witnesses for
14 Utility Source, LLC ("USL" or "Company").

15
16 **Q. What issues will you address?**

17 A. I will address the following issues for the Water Division:

- 18
19 1. Accumulated Depreciation
20 2. Depreciation Expense
21 3. Property Tax Expense
22 4. Income Tax Expense
23 5. Standpipe Revenues and Related Issue
24 6. Rate Design.

25
26

1 I will address the following issues for the Wastewater Division:

- 2 1. Property Tax Expense
3 2. Income Tax Expense
4 3. Rate Design.

5
6 **Q. Does your silence on any particular issue raised in the Company's rebuttal testimony**
7 **indicate that Staff agrees with the Company's stated rebuttal position?**

8 A. No. Rather, where I do not respond, I rely on my direct testimony.

9
10 **SUMMARY OF RECOMMENDED REVENUES**

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

12 A. For the Water Division, Staff recommends total operating revenue of \$412,100, an increase
13 of \$205,915 (99.87 percent) over the Staff-adjusted test year revenue of \$206,184, to provide a
14 \$157,278 operating income and a 9.80 percent return on the \$1,604,879 Staff-adjusted fair
15 value rate base ("FVRB") and original cost rate base ("OCRB").

16
17 For the Wastewater Division, Staff recommends total operating revenue of \$316,668, an
18 increase of \$197,204 (165.07 percent) over the test year revenue of \$119,464 to provide an
19 \$80,936 operating income and a 9.80 percent return on the \$825,880 Staff-adjusted FVRB
20 and OCRB.

21
22 **Q. How do Staff's recommended revenues for water and wastewater services compare to**
23 **the recommended revenues in Staff's direct testimony?**

24 A. Staff's direct testimony for the Water Division recommended total operating revenue of
25 \$406,372, an increase of \$200,188 (97.09 percent) over the Staff-adjusted test year revenue of

1 \$206,184, to provide a \$158,637 operating income and a 9.60 percent return on the
2 \$1,594,960 Staff-adjusted FVRB and OCRB.

3
4 Staff's direct testimony for the Wastewater Division recommended total operating revenue of
5 \$315,314, an increase of \$195,850 (163.94 percent) over the Staff-adjusted test year revenue
6 of \$119,464 to provide a \$79,284 operating income and a 9.60 percent return on the \$825,880
7 Staff-adjusted FVRB and OCRB.

8
9 To summarize, a comparison of Staff's Direct and Surrebuttal recommendations are as
10 follows:

11
12

Water Division	Direct	Surrebuttal
Operating Revenue	\$ 406,372	\$ 412,100
Revenue Increase	200,188	205,915
% Increase	97.09%	99.87%
Test Yr. Rev.	206,184	206,184
Operating Income	158,637	157,278
Return on Rate Base	9.60%	9.80%
FVRB/OCRB	1,594,960	1,604,879
Wastewater Division		
Operating Revenue	\$ 315,314	\$ 316,668
Revenue Increase	195,850	197,204
% Increase	163.94%	165.07%
Test Yr. Rev.	119,464	119,464
Operating Income	79,284	80,936
Return on Rate Base	9.60%	9.80%
FVRB/OCRB	825,880	825,880

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1 **RATE BASE**

2 **Q. What is Staff's recommended rate base?**

3 A. Staff's recommended rate base for the Water Division is a \$1,604,879 as shown on
4 Surrebuttal Schedule JLK-W3. For the Wastewater Division, recommended rate base is
5 \$825,880 also as shown on Surrebuttal Schedule JLK-WW3.

6
7 **Q. How do Staff's recommended rate base levels for water and wastewater services**
8 **compare to the recommended rate base levels advocated in Staff's direct testimony?**

9 A. Staff's recommended rate base in its Water Division direct testimony was \$1,594,960.
10 Wastewater was \$825,880.

11
12 **Q. What changes to rate base did USL propose in its Water Division rebuttal testimony?**

13 A. On page 5 of its rebuttal testimony, the Company stated that, despite its direct testimony, all
14 of its pumping equipment, National Association of Regulatory Utility Commissioners'
15 ("NARUC") account 311, was fully depreciated. As a result, USL adjusted its accumulated
16 depreciation reserve by (\$9,919) since it had originally recognized depreciation on these assets
17 during the test year.

18
19 **Q. Does Staff accept USL's adjustment?**

20 A. Yes, Staff accepts the Company's rebuttal testimony regarding the fully-depreciated pumps
21 and has made a similar adjustment to accumulated depreciation. Staff would note however,
22 that the Company failed to support the original cost of its pumps, but never-the-less, the
23 investment level on the Company's books and records should not have been over-
24 depreciated. From that standpoint, the Company's adjustment is correct.

25

1 **Q. Why does Staff propose to additionally reduce the balance of accumulated**
2 **depreciation by \$49,156?**

3 A. In direct testimony, Staff's calculated test year-end balance of accumulated depreciation
4 differed from the Company's balance by \$49,156. This adjustment brings the depreciation
5 reserve balance down to the level calculated by Staff. Staff does not know why the
6 Company's balance was different but notes that the Company has acknowledged that the
7 depreciation expense booked for some assets was incorrect, so Staff recommends that its
8 accumulated reserve balance be accepted by the Commission.

9
10 **Q. Is Staff recommending additional adjustments to the Wastewater Division rate base in**
11 **its surrebuttal testimony?**

12 A. No.

13
14 **OPERATING INCOME**

15 **Q. What Operating Income adjustments does the Company make in its rebuttal**
16 **testimony?**

17 A. As stated on page 10 of Mr. Bourassa rebuttal testimony, USL reduces Water Division
18 depreciation expense by \$624 to reflect the fact that pumping equipment, account 311, was
19 fully depreciated.

20
21 **Q. Does Staff accept this adjustment?**

22 A. Yes, Staff makes this adjustment in its Surrebuttal Schedule JLK-W10.

1 **Q. Are other Operating Income adjustments made by Staff?**

2 A. Yes. Minor adjustments were made to Property Tax (Surrebuttal JLK W15) and Income Tax
3 (Surrebuttal JLK W16) to synchronize these expense levels with the additional revenues
4 reflected in Staff's surrebuttal testimony.

5
6 **Q. What Operating Income adjustments is Staff making for the Wastewater Division?**

7 A. Staff adjusts property tax and income tax for increases based on Staff's surrebuttal
8 recommendation for an increase in cost of capital to be used in setting rates.

9
10 **WATER STANDPIPE**

11 **Q. Mr. Keller, have you reviewed the rebuttal testimony of Utility Source witness Mr.**
12 **McCleve regarding the Company's new standpipe distribution facility?**

13 A. Yes.

14
15 **Q. Mr. McCleve argues that Staff's recommendation to require the Company to file a new**
16 **rate case in 2016 based upon a 2015 test year would be burdensome on customers, and**
17 **that such a recommendation cannot be supported by factual evidence regarding the**
18 **financial impact of this fill station. What is Staff's response to these statements?**

19 A. Staff continues to support its original recommendation but does have several observations it
20 would like to raise in response to Mr. McCleve's comments. Staff also raises a standpipe rate
21 alternative for the Commission to consider. However, Staff has identified a number of
22 conditions the company must accept if this alternative is approved by the Commission.

23

1 **Q. Please continue.**

2 A. First, while Mr. McCleve argues for five years between rate filings on page 5, lines 13-15 of
3 his rebuttal testimony, Mr. Bourassa accepts Staff's recommended three year amortization
4 period for rate case expense. The Company cannot have this both ways, so the Commission
5 should synchronize these two issues once it makes its finding with regards to Staff's 2016 rate
6 case filing recommendation.

7

8 Second, the Company continues to downplay the ultimate financial significance of this new
9 standpipe distribution facility, while Staff continues to believe that this new standpipe
10 distribution facility is likely to be a very significant source of future revenues that need to be
11 given full consideration, on a timely basis, in setting rates for non-standpipe customers. A
12 full rate review based upon a 2015 test year would allow for all standpipe service issues to be
13 identified, investigated, and fairly addressed. Until the Company files and fully processes
14 such a new rate case, Staff believes that it would be reasonable to require the Company to
15 submit quarterly reports to the Commission detailing sales volumes and revenues from this
16 facility. The accuracy of the information shown on these quarterly reports should be attested
17 to by an appropriate Company representative. Further when submitting its Annual Reports
18 to the Commission each year, the Company should reconcile the information in these
19 quarterly reports with the standpipe revenues shown in its Annual Reports.

20

21 **Q. Mr. Keller, are you familiar with the rebuttal comments provided by Utility Source**
22 **witness Mr. Bourassa regarding the rate that the Company believes should be**
23 **approved for sales from this new standpipe distribution facility?**

24 A. Yes. In response to Staff's recommendation that the approved billing rate for standpipe
25 deliveries be held at the currently approved rate of \$10.35 per 1,000 gallons instead of going
26 to the \$21.75 per 1,000 gallon rate requested by the Company, Mr. Bourassa again makes the

1 point that setting the rate for standpipe water deliveries at the highest commodity rate has
2 been the traditional approach taken to setting such rates.

3
4 Staff would first note that highest commodity rate being advocated by Staff is \$23.55 per
5 1,000 gallons so ultimately any standpipe revenue imputations in this docket should be
6 synchronized with the highest commodity rate approved by the Commission.

7
8 **Q. Please continue.**

9 A. Staff does not disagree with Mr. Bourassa regarding the approach traditionally taken to setting
10 bulk service delivery rates. However, as previously discussed in detail in my direct testimony,
11 the Company has completely disregarded any revenues flowing from this new service in
12 calculating the rates its wants to charge other customers.

13
14 Obviously, under the Company's approach to this issue, any and all cash flows and margins
15 generated from this new revenue source from this point forward would simply flow to the
16 Utility Source owners without any consideration being given to the resulting impact on the
17 rates other system customers should be paying, and without giving any consideration to a
18 whole list of other possible considerations such as water pressure expectations or additional
19 operating expenses that could be incurred to support this venture.

20
21 Staff would note that it did attempt to evaluate some of these possible issues through a
22 number of Staff data requests including Staff date request Exhibit Nos. JLK 6.1, JLK 6.8, and
23 JLK 7.2, copies of which are attached to my rebuttal testimony. However, the Company's
24 responses to these questions left Staff's questions unresolved.

25

1 **Q. Has the Company identify an in-service date for this new facility?**

2 A. Yes. In response to Staff Data Request No. 6.6, the Company indicated that it expected to
3 place this facility in service by September 1, 2014. Therefore it is reasonable to conclude that
4 revenues are currently being generated from the water distribution facility.

5
6 **Q. Does Staff have an alternative recommendation to make if the Commission decided to
7 raise the billing rate for standpipe revenues to the \$21.75 per 1,000 gallon level
8 requested by the Company or Staff's equivalent standpipe rate of \$23.55 per 1,000
9 gallons?**

10 A. Yes. If the Commission decides to approve this higher filing rate for standpipe water
11 distribution services, Staff recommends that \$56,520 in additional annualized revenues, based
12 on Staff's equivalent rate of \$24.52 per 1000 gallons, be factored into defining the Company's
13 current revenue deficiency. Further, under Staff's alternative to this issue, the Company
14 would need to agree to forgo consideration in this filing of any additional rate base or any
15 additional operating expenses in return for Commission approval of the \$23.55 per 1,000
16 gallon billing rate for such bulk sales. This alternative would deliver immediate benefit to
17 captive ratepayers and not just allow this additional, and immediate, revenue stream to flow to
18 the sole benefit of the Company's owners.

19
20 If this alternative approach is approved by the Commission, with all conditions advocated by
21 Staff, then Staff would be agreeable to extend its recommended filing date for the Company's
22 next rate case filing to 2017, with a 2016 test year. Synchronization of the amortization
23 period for recovery of the rate case expense for the pending docket would thus be
24 accommodated. Further, if this alternative approach is taken then the Company should also
25 be directed to submit quarterly sales volumes and sales revenues for standpipe operations.
26 Such reporting would continue until the next rate case filing is processed to completion.

1 Standpipe operation revenues and volumes should also be broken out in the Annual Reports
2 Utility Sources files with the Commission each year.

3
4 **Q. Mr. Keller, please elaborate on how Staff developed its \$56,520 additional revenue
5 recommendation?**

6 A. This is the revenue level that would be generated if sales from this standpipe facility equaled
7 the 200,000 gallons per month sales level potential identified in the Company's response to
8 Staff Data Request No. 6.10. Staff understands that this delivery level is just an estimate;
9 however, Staff believes that the Commission should be very moderate and cautious in making
10 any assumption with regards to future revenues from this facility so as to assure that captive
11 system customers are, as clearly as possible, not disadvantaged.

12
13 **Q. Mr. Keller, do Staff's surrebuttal rate schedules reflect the additional revenues and
14 rate case expense amortization period modifications you just discussed?**

15 A. No. Since this is just an alternative recommendation, Staff's rebuttal testimony Schedules do
16 not reflect this possible alternative consideration. Staff would be glad to provide such
17 schedules if requested by the Administrative Law Judge or the Commission.

18

19 **RATE DESIGN**

20 **Q. Did Staff review the Company's rebuttal testimony concerning Staff's rate design
21 schedule?**

22 A. Yes.

1 **Q. On page 17 of Mr. Bourassa's rebuttal testimony, the Company suggests that Staff's**
2 **direct testimony proposed rate design is unreasonable because it recovers only 33% of**
3 **revenue from monthly minimums. Has Staff revisited its original rate design proposal**
4 **in light of the company's comment?**

5 A. Yes. Staff's rebuttal rate design is developed to recover 45% of annual revenues from the
6 minimum monthly charge for residential customers, which is consistent with the Company's
7 current rate structure.

8
9 **Q. Why did Staff not include a usage charge in the rate design for residential users in the**
10 **Wastewater Division, as the Company has recommended?**

11 A. Generally, Staff does not recommend a volumetric-based rate design for residential
12 wastewater service customers since most residential customers have little ability to respond to
13 such price signals.

14
15 **Q. Does this conclude Staff's surrebuttal testimony?**

16 A. Yes, it does.

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

SURREBUTTAL TESTIMONY OF JORN L. KELLER

TABLE OF CONTENTS TO SCHEDULES JLK

<u>SCH #</u>	<u>TITLE</u>
JLK-1	Revenue Requirement
JLK-2	Gross Revenue Conversion Factor
JLK-3	Rate Base - Original Cost
JLK-4	Summary of Original Cost Rate Base Adjustments
JLK-5	Original Cost Rate Base Adjustment #1 - Accumulated Depreciation
JLK-6	Original Cost Rate Base Adjustment #2 - Accumulated Amortization of CIAC
JLK-7	Operating Income - Test Year and Staff Recommended
JLK-8	Summary of Operating Income Adjustments - Test Year
JLK-9	Operating Adjustment #1 - Operating Revenue
JLK-10	Operating Adjustment #2 - Depreciation Expense
JLK-11	Operating Adjustment #3 - Water Testing Expense
JLK-12	Operating Adjustment #4 - Automobile Expense
JLK-13	Operating Adjustment #5 - Telephone Expense
JLK-14	Operating Adjustment #6 - Rate Case Expense
JLK-15	Operating Adjustment #7 - Property Tax Expense
JLK-16	Operating Adjustment #8 - Income Tax Expense
JLK-17	Rate Design
JLK-18	Typical Bill Analysis

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
		COMPANY ORIGINAL COST	COMPANY FAIR VALUE	STAFF ORIGINAL COST	STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 1,566,542	\$ 1,566,542	\$ 1,604,879	\$ 1,604,879
2	Adjusted Operating Income (Loss)	\$ (8,264)	\$ (8,264)	\$ (5,889)	\$ (5,889)
3	Current Rate of Return (L2 / L1)	-0.53%	-0.53%	-0.37%	-0.37%
4	Required Rate of Return	11.00%	11.00%	9.80%	9.80%
5	Required Operating Income (L4 * L1)	\$ 172,320	\$ 172,320	\$ 157,278	\$ 157,278
6	Operating Income Deficiency (L5 - L2)	\$ 180,584	\$ 180,584	\$ 163,167	\$ 163,167
7	Gross Revenue Conversion Factor	1.2650	1.2650	1.2620	1.2620
8	Required Revenue Increase (L7 * L6)	\$ 228,439	\$ 228,439	\$ 205,915	\$ 205,915
9	Adjusted Test Year Revenue	\$ 208,004	\$ 208,004	\$ 206,184	\$ 206,184
10	Proposed Annual Revenue (L8 + L9)	\$ 436,443	\$ 436,443	\$ 412,100	\$ 412,100
11	Required Increase in Revenue (%)	109.82%	109.82%	99.87%	99.87%

References:

Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Staff Schedules OCRB, GRCF, TYOI & COC
Column (D): Staff Schedules OCRB, GRCF, TYOI & COC

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<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 Tax Rate (Line 17) + Property Tax Factor (Line 22)	20.7602%			
5	Subtotal (L3 - L4)	79.2398%			
6	Revenue Conversion Factor (L1 / L5)	1.261992			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	19.9880%			
9	One Minus Combined Income Tax Rate (L7 - L8)	80.0120%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	3.1486%			
14	Federal Taxable Income (L12 - L13)	96.8514%			
15	Applicable Federal Income Tax Rate (Line 44)	17.3868%			
16	Effective Federal Income Tax Rate (L14 x L15)	16.8394%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	19.9880%			
<u>Calculation of Effective Property Tax Factor:</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	19.9880%			
20	One Minus Combined Income Tax Rate (L18 - L19)	80.0120%			
21	Property Tax Factor (XXX-18, L24)	0.9651%			
22	Effective Property Tax Factor (L 21 * L 22)	0.007722194			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		20.7602%		
24	Required Operating Income (Schedule JLK-1, Line 5)	\$ 157,278			
25	Adjusted Test Year Operating Income (Loss) (Schedule JLK-1, Line 14)	\$ (5,889)			
26	Required Increase in Operating Income (L24 - L25)		\$ 163,167		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 39,290			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ (1,471)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 40,761		
30	Recommended Revenue Requirement (Schedule JLK-1, Line 10)	\$ 412,100			
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. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (JLK-18, L19)	\$ 9,451			
36	Property Tax on Test Year Revenue (JLK-18, L 18)	\$ 7,464			
37	Increase in Property Tax Due to Increase in Revenue (XXX-18, L22)		\$ 1,987		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 205,915		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule JLK-15, Col.(C), Line 5 & Sch. JLK-1, Col. (C), Line 10)	\$ 206,184	\$ 205,915	\$ 412,100	
40	Operating Expenses Excluding Income Taxes	213,544	1,987	215,531	
41	Synchronized Interest (L47)	-	-	-	
42	Arizona Taxable Income (L36 - L37- L38)	\$ (7,360)		\$ 196,568	
43	Arizona State Income Tax Rate	3.1460%		3.1486%	
44	Arizona Income Tax (L39 x L40)		\$ (232)		\$ 6,189
45	Federal Taxable Income (L33 - L35)	\$ (7,128)		\$ 190,379	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (1,239)		\$ 33,101	
47	Federal Tax on Second Income Bracket N/A	\$ -			
48	Federal Tax on Third Income Bracket N/A	\$ -			
49	Federal Tax on Fourth Income Bracket N/A	\$ -			
50	Federal Tax on Fifth Income Bracket N/A	\$ -			
51	Total Federal Income Tax		\$ (1,239)		\$ 33,101
52	Combined Federal and State Income Tax (L35 + L42)		\$ (1,471)		\$ 39,290
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				17.38680%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule JLK-3, Col. (C), Line (17))	\$ 1,604,880			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Plant in Service	\$ 2,496,640	\$ -	\$ 2,496,640
2	Less: Accumulated Depreciation	726,406	(59,275)	667,131
3	Net Plant in Service	<u>\$ 1,770,235</u>	<u>\$ 59,275</u>	<u>\$ 1,829,509</u>
LESS:				
4	Net Contribution in Aid-of Construction (CIAC)	\$ 197,807	20,937	\$ 218,744
5	Advances in Aid of Construction (AIAC)	-	-	-
8	Customer Deposits	5,885	-	5,885
9	Deferred Income Tax Credits	-	-	-
	Total Deductions	<u>\$ 203,692</u>	<u>\$ 20,937</u>	<u>\$ 224,629</u>
ADD:				
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Tax Assets	-	-	-
12	Allowance for Working Capital	-	-	-
13	Intentional Left Blank	-	-	-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 1,566,543</u>	<u>\$ 38,338</u>	<u>\$ 1,604,880</u>

References:

Column (A): Company Schedule B-1
Column (B): Schedule JLK-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A]	[B]	[C]	[D]
			COMPANY AS FILED	Accum. Depec. ADJ #1	Accum. Amort. ADJ #2	STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>						
1	301	Organization Costs	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Costs	-	-	-	-
3	303	Land & Land Rights	210,000	-	-	210,000
4	304	Structures & Improvements	72,997	-	-	72,997
5	307	Wells & Springs	1,353,539	-	-	1,353,539
6	310	Power Generation Equipment	89,125	-	-	89,125
7	311	Electric Pumping Equipment	158,711	-	-	158,711
8	320	Water Treatment Equipment	5,487	-	-	5,487
9	320.1	Water Treatment Plants	-	-	-	-
10	320.2	Solutions & Feeders	-	-	-	-
11	330	Distribution Reservoirs & Standpipes	321,452	-	-	321,452
12	330.1	Storage Tank	-	-	-	-
13	330.2	Pressure Tanks	-	-	-	-
14	331	Transmission & Distribution Mains	161,632	-	-	161,632
15	333	Services	86,250	-	-	86,250
16	334	Meters & Meter Installations	-	-	-	-
17	335	Hydrants	34,500	-	-	34,500
18	336	Backflow Prevention Devices	-	-	-	-
19	339	Other Plant & Misc. Equip.	-	-	-	-
20	340	Office Furniture & Fixtures	2,947	-	-	2,947
21	340.1	Computer & Software	-	-	-	-
22	341	Transportation Equipment	-	-	-	-
23	342	Store Equipment	-	-	-	-
24	343	Tools & Work Equipment	-	-	-	-
25	344	Laboratory Equipment	-	-	-	-
26	345	Power Operated Equipment	-	-	-	-
27	349	Communications Equipment	-	-	-	-
28	347	Miscellaneous Equipment	-	-	-	-
29	348	Other Intangibles	-	-	-	-
30		Gross Utility Plant in Service	\$ 2,496,640	\$ -	\$ -	\$ 2,496,640
31		Less: Accumulated Depreciation	726,406	(59,275)	-	667,131
32		Net Utility Plant in Service (L29 - L30)	\$ 1,770,234	\$ 59,275	\$ -	\$ 1,829,508
<u>DEDUCTIONS</u>						
33		Contributions in Aid of Construction (CIAC)	\$ 294,745	\$ -	\$ -	\$ 294,745
34		Less: Accumulated Amortization	96,938	-	(20,937)	76,001
35		Net CIAC (L32 - L33)	\$ 197,807	\$ -	\$ 20,937	\$ 218,744
36		Advances in Aid of Construction (AIAC)	-	-	-	-
37		Customer Meter Deposits	5,885	-	-	5,885
38		Deferred Income Tax Credits	-	-	-	-
39		Total Deductions	\$ 203,692	\$ -	\$ 20,937	\$ 224,629
<u>ADDITIONS:</u>						
37		Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -
38		Deferred Tax Assets	-	-	-	-
39		Allowance for Working Capital	-	-	-	-
40		Intentional Left Blank	-	-	-	-
41		Total Additions	\$ -	\$ -	\$ -	\$ -
42		ORIGINAL COST RATE BASE	<u>\$ 1,566,542</u>	<u>\$ 59,275</u>	<u>\$ (20,937)</u>	<u>\$ 1,604,879</u>

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W5

RATE BASE ADJUSTMENT NO. 1 - ACCUMULATED DEPRECIATION

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY AS FILED</u>	<u>[B] ADJUSTMENT</u>	<u>[C] STAFF ADJUSTED</u>
1	Accumulated Depreciation	<u>\$ 726,406</u>	<u>\$ (59,275)</u>	<u>\$ 667,131</u>

REFERENCES:

Column [A]: Company Schedule B-2
Column [B]: Testimony, P. 13
Column [C]: Column [A] + Column [B]

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W6

RATE BASE ADJUSTMENT NO. 2 - Accumulative Amortization of CIAC

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY AS FILED</u>	<u>[B] ADJUSTMENT</u>	<u>[C] STAFF ADJUSTED</u>
1	Accumulated Amortization of CIAC	<u>\$ 96,938</u>	<u>\$ (20,937)</u>	<u>\$ 76,001</u>

REFERENCES:

Column [A]: Company Schedule B-2
Column [B]: Direct Testimony, P. 9
Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	REVENUES:						
2	Metered Water Sales	\$ 202,743	\$ -		\$ 202,743	\$ 205,915	\$ 408,658
3	Water Sales - Unmetered	-	-		-	-	-
4	Other Operating Revenue	5,261	(1,820)	1	3,441	-	3,441
5	Total Operating Revenues	<u>\$ 208,004</u>	<u>\$ (1,820)</u>		<u>\$ 206,184</u>	<u>\$ 205,915</u>	<u>\$ 412,100</u>
6	OPERATING EXPENSES:						
7	Salaries & Wages	\$ -	\$ -		\$ -	\$ -	\$ -
8	Purchased Water	-	-		-	-	-
9	Purchased Power	66,787	-		66,787	-	66,787
10	Chemicals	1,460	-		1,460	-	1,460
11	Materials & Supplies	12,257	-		12,257	-	12,257
12	Office Supplies & Expense	2,399	-		2,399	-	2,399
13	Contractual Services - Accounting	20,253	(0)		20,253	-	20,253
14	Contractual Services - Professional	9,651	-		9,651	-	9,651
15	Outside services	-	-		-	-	-
16	Water Testing	8,107	(6,637)	3	1,470	-	1,470
17	Rents	-	-		-	-	-
18	Transportation Expense	-	-		-	-	-
19	Insurance - General Liability	2,186	-		2,186	-	2,186
20	Insurance - Health & Life	-	-		-	-	-
21	Regulatory Commission Expense	10,000	6,667	6	16,667	-	16,667
22	Miscellaneous Expense	19,976	(4,116)	4,5	15,860	-	15,860
23	Depreciation Expense	57,728	(637)	2	57,091	-	57,091
24	Taxes Other than Income	-	-		-	-	-
25	Property Taxes	7,530	(66)	7	7,464	1,987	9,451
26	Income Tax	(2,064)	593	8	(1,471)	40,761	39,290
27	Total Operating Expenses	<u>\$ 216,269</u>	<u>\$ (4,196)</u>		<u>\$ 212,073</u>	<u>\$ 42,748</u>	<u>\$ 254,821</u>
28	Operating Income (Loss)	<u>\$ (8,265)</u>	<u>\$ 2,376</u>		<u>\$ (5,889)</u>	<u>\$ 163,167</u>	<u>\$ 157,279</u>

References:

Column (A): Company Schedule C-1 (TAB IS~ADJ)
Column (B): Schedule JLK-8
Column (C): Column (A) + Column (B)
Column (D): Schedules JLK 8
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Revenue ADJ #1	[C] Depr. Expense ADJ #2	[D] Water Testing ADJ #3	[E] Auto Expense ADJ #4	[F] Telephone Exp. ADJ #5	[G] Rate Case Exp. ADJ #6	[H] Prop. Tax ADJ #7	[I] Income Tax ADJ #8	[J] STAFF ADJUSTED
1	REVENUES:										
2	461 Metered Water Sales	\$ 202,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,743
3	460 Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	474 Other Operating Revenue	5,261	(1,820)	-	-	-	-	-	-	-	3,441
5	Total Operating Revenues	\$ 208,004	\$ (1,820)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,184
6	OPERATING EXPENSES:										
7	601 Salaries & Wages	-	-	-	-	-	-	-	-	-	-
8	610 Purchased Water	-	-	-	-	-	-	-	-	-	-
9	615 Purchased Power	66,787	-	-	-	-	-	-	-	-	66,787
10	618 Chemicals	1,460	-	-	-	-	-	-	-	-	1,460
11	620 Materials & Supplies	12,257	-	-	-	-	-	-	-	-	12,257
12	621 Office Supplies & Expense	2,399	-	-	-	-	-	-	-	-	2,399
13	632 Contractual Services - Accounting	20,253	-	-	-	-	-	-	-	-	20,253
14	633 Contractual Services - Professional	9,651	-	-	-	-	-	-	-	-	9,651
15	630 Outside services	-	-	-	-	-	-	-	-	-	-
16	635 Water Testing	8,107	-	-	(6,637)	-	-	-	-	-	1,470
17	641 Rents	-	-	-	-	-	-	-	-	-	-
18	650 Transportation Expense	-	-	-	-	-	-	-	-	-	-
19	657 Insurance - General Liability	2,186	-	-	-	-	-	-	-	-	2,186
20	659 Insurance - Health & Life	-	-	-	-	-	-	-	-	-	-
21	666 Regulatory Commission Expense	10,000	-	-	-	-	-	-	-	-	10,000
22	675 Miscellaneous Expense	19,976	-	-	-	-	-	6,667	-	-	16,667
23	403 Depreciation Expense	57,728	-	(637)	-	(1,750)	(2,366)	-	-	-	57,091
24	408 Taxes Other than Income	-	-	-	-	-	-	-	-	-	-
25	408.11 Property Taxes	7,530	-	-	-	-	-	-	(66)	-	7,464
26	409 Income Tax	(2,064)	-	-	-	-	-	-	-	593	(1,471)
26	Total Operating Expenses	\$ 216,269	\$ -	\$ (637)	\$ (6,637)	\$ (1,750)	\$ (2,366)	\$ 6,667	\$ (66)	\$ 593	\$ (1,471)
27	Operating Income (Loss)	\$ (8,264)	\$ (1,820)	\$ 637	\$ 6,637	\$ 1,750	\$ 2,366	\$ (6,667)	\$ 66	\$ (593)	\$ (5,889)

ADJ #	References:
1	Other Revenue
2	JLK-W9
3	JLK-W10
4	JLK-W11
5	JLK-W12
6	JLK-W13
7	JLK-W14
8	JLK-W15
	JLK-W16

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W9

OPERATING INCOME ADJUSTMENT NO. 1 - TEST YEAR REVENUES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Other Operating Revenue	<u>\$ 5,261</u>	<u>\$ (1,820)</u>	<u>\$ 3,441</u>

References:

Column (A), Company Schedule C-2 & Workpapers
Column (B): Direct Testimony JLK-8
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 2 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	PLANT IN SERVICE - DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Costs	\$ -	\$ -	\$ -	0.00%	\$ -
2	302	Franchise Costs	-	-	-	0.00%	-
3	303	Land & Land Rights	210,000	(210,000)	-	0.00%	-
4	304	Structures & Improvements	72,997	-	72,997	3.33%	2,431
5	307	Wells & Springs	1,353,539	-	1,353,539	3.33%	45,073
6	310	Power Generation Equipment	89,125	-	89,125	5.00%	4,456
7	311	Electric Pumping Equipment	158,711	(158,711)	-	12.50%	-
8	320	Water Treatment Equipment	5,487	-	5,487	3.33%	183
9	320.1	Water Treatment Plants	-	-	-	3.33%	-
10	320.2	Solutions & Feeders	-	-	-	20.00%	-
11	330	Distribution Reservoirs & Standpipes	321,452	-	321,452	2.22%	7,136
12	330.1	Storage Tank	-	-	-	2.22%	-
13	330.2	Pressure Tanks	-	-	-	5.00%	-
14	331	Transmission & Distribution Mains	161,632	-	161,632	2.00%	3,233
15	333	Services	86,250	-	86,250	3.33%	2,872
16	334	Meters & Meter Installations	-	-	-	8.33%	-
17	335	Hydrants	34,500	-	34,500	2.00%	690
18	336	Backflow Prevention Devices	-	-	-	6.67%	-
19	339	Other Plant & Misc. Equip.	-	-	-	6.67%	-
20	340	Office Furniture & Fixtures	2,947	-	2,947	6.67%	197
21	340.1	Computer & Software	-	-	-	20.00%	-
22	341	Transportation Equipment	-	-	-	20.00%	-
23	342	Store Equipment	-	-	-	4.00%	-
24	343	Tools & Work Equipment	-	-	-	5.00%	-
25	344	Laboratory Equipment	-	-	-	10.00%	-
26	345	Power Operated Equipment	-	-	-	5.00%	-
27	349	Communications Equipment	-	-	-	10.00%	-
28	347	Miscellaneous Equipment	-	-	-	10.00%	-
29	348	Other Intangibles	-	-	-	0.00%	-
30		Subtotal - General	\$ 2,496,640	\$ (368,711)	\$ 2,127,929		\$ 66,270
31		Less: Amortization of Contributions				Composite Depreciation Rate (Depr Exp / Depreciable Plant):	3.11%
						CIAC: \$	294,745
						Amortization of CIAC (Line 33 x Line 34): \$	9,179
						Depreciation Expense Before Amortization of CIAC: \$	66,270
						Less Amortization of CIAC: \$	9,179
32		Staff Recommended Depreciation Expense				Test Year Depreciation Expense - Staff: \$	57,091
33		Company Proposed Depreciation Expense				Depreciation Expense - Company: \$	57,728
34		Increase/(Decrease) to Depreciation Expense				Staff's Total Adjustment: \$	(637)

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W11

OPERATING INCOME ADJUSTMENT NO. 3 -Water Testing

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Water Testing	<u>\$ 8,107</u>	<u>\$ (6,637)</u>	<u>\$ 1,470</u>

References:

Column (A), Company Schedule C-2 & Workpapers
Column (B): Direct Testimony Engineering Report, P. 16)
Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Schedule JLK-W12

OPERATING INCOME ADJUSTMENT NO. 4 - Auto Expense

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Auto Expense	<u>\$ 3,250</u>	<u>\$ (1,750)</u>	<u>\$ 1,500</u>

References:

Column (A), Company Schedule C-2 & Data Request #3
Column (B): Direct Testimony P. 14
Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W13

OPERATING INCOME ADJUSTMENT NO. 5 -Telephone Expense

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Telephone Expense	<u>\$ 4,732</u>	<u>\$ (2,366)</u>	<u>\$ 2,366</u>

References:

Column (A), Company Schedule C-2 & Data Request #3.

Column (B) :Direct Testimony P. 14

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W14

OPERATING INCOME ADJUSTMENT NO. 6 -Rate Case Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Rate Case Expense	<u>\$ 10,000</u>	<u>\$ 6,667</u>	<u>\$ 16,667</u>

References:

Column (A), Company Schedule C-2
Column (B): Direct Testimony P. 15
Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Water Division
 Docket No. WS-04235A-13-0331
 Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W15

OPERATING INCOME ADJUSTMENT No. 7 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 206,184	\$ 206,184
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	412,368	\$ 412,368
4	Staff Recommended Revenue, Per Schedule CSB-1	206,184	\$ 412,100
5	Subtotal (Line 4 + Line 5)	618,552	824,468
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	206,184	\$ 274,823
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	412,368	\$ 549,645
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	412,368	\$ 549,645
13	Assessment Ratio	20.0%	19.0%
14	Assessment Value (Line 12 * Line 13)	82,474	\$ 104,433
15	Composite Property Tax Rate	9.0503%	9.0503%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 7,464	\$ -
17	Company Proposed Property Tax	7,530	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (66)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 9,451
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 7,464
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 1,987
22	Increase to Property Tax Expense		\$ 1,987
23	Increase in Revenue Requirement		205,915
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.965129%

UTILITY SOURCE, LLC, Water Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-W16

OPERATING INCOME ADJUSTMENT NO. 8 - INCOME TAX EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Tax Expense	<u>\$ (2,064)</u>	<u>\$ 593</u>	<u>\$ (1,471)</u>

References:

Column (A), Company Schedule C-2
Column (B): Direct Testimony JLK-8
Column (C): Column (A) + Column (B)

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 x 3/4 Inch	\$ 13.18	\$ 41.70	\$ 23.40
3/4 Inch	21.00	41.70	35.10
1 Inch	40.50	102.68	75.00
1 1/2 Inch	89.20	205.35	150.00
2 Inch	147.70	328.56	240.00
3 Inch	284.20	657.12	480.00
4 Inch	479.20	1,026.75	750.00
6 Inch	966.92	2,053.50	1,500.00
			-
			-
<u>Commodity Charge - Per 1,000 Gallons</u>			
<u>5/8" x 3/4" Meter (Residential)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 3,000 gallons	N/A	N/A	\$ 7.00
3,001 to 10,000 gallons	N/A	N/A	14.00
Over 10,000 gallons	N/A	N/A	23.55
<u>5/8" x 3/4" Meter (Commercial, Industrial, Irrigation)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 10,000 gallons	N/A	N/A	\$ 14.00
Over 10,000 gallons	N/A	N/A	23.55
<u>3/4" Meter (Residential)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 3,000 gallons	N/A	N/A	\$ 7.00
3,001 to 10,000 gallons	N/A	N/A	14.00
Over 10,000 gallons	N/A	N/A	23.55
<u>3/4" Meter (Commercial, Industrial, Irrigation)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	N/A
4,001 to 9,000 gallons	7.16	15.75	N/A
Over 9,000 gallons	8.60	21.75	N/A
First 10,000 gallons	N/A	N/A	\$ 14.00
Over 10,000 gallons	N/A	N/A	23.55
<u>1" Meter (All Classes Including Standpipe and Construction)</u>			
First 27,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 27,000 gallons	7.16	21.75	N/A
First 11,000 gallons	N/A	N/A	\$ 14.00
Over 11,000 gallons	N/A	N/A	23.55

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
<u>1 1/2" Meter (All Classes Including Standpipe and Construction)</u>			
First 57,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 57,000 gallons	7.16	21.75	N/A
First 13,000 gallons	N/A	N/A	\$ 14.00
Over 13,000 gallons	N/A	N/A	23.55
<u>2" Meter (All Classes Including Standpipe and Construction)</u>			
First 94,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 94,000 gallons	7.16	21.75	N/A
First 16,000 gallons	N/A	N/A	\$ 14.00
Over 16,000 gallons	N/A	N/A	23.55
<u>3" Meter (All Classes Including Standpipe and Construction)</u>			
First 195,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 195,000 gallons	7.16	21.75	N/A
First 26,000 gallons	N/A	N/A	\$ 14.00
Over 26,000 gallons	N/A	N/A	23.55
<u>4" Meter (All Classes Including Standpipe and Construction)</u>			
First 309,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 309,000 gallons	7.16	21.75	N/A
First 37,000 gallons	N/A	N/A	\$ 14.00
Over 37,000 gallons	N/A	N/A	23.55
<u>6" Meter (All Classes Except Standpipe and Construction)</u>			
First 615,000 gallons	\$ 4.80	\$ 15.75	N/A
Over 615,000 gallons	7.16	21.75	N/A
First 71,000 gallons	N/A	N/A	\$ 14.00
Over 71,000 gallons	N/A	N/A	23.55
Irrigation Meters All Gallons	\$ 9.26	\$ 15.75	\$ 23.55
Standpipe or Bulk All Gallons	\$ 10.35	\$ 21.75	\$ 23.55
Construction All Gallons	\$ 10.35	\$ 21.75	\$ 23.55

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Other Service Charges			
Establishment	\$ 20.00	\$ 20.00	\$ 30.00
Establishment (After Hours)	\$ 40.00	Removed	N/T
Reconnection (Delinquent)	\$ 50.00	\$ 50.00	\$ 50.00
Reconnection (Delinquent) - After Hours	\$ 40.00	Removed	N/T
Deposit	*	*	*
Deposit Interest	**	**	**
Reestablishment (within 12 months)	***	***	***
NSF Check	\$ 20.00	\$ 20.00	\$ 20.00
Late Payment Penalty (Per Month)	1.50%	1.50%	1.50%
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
After Hours Service Calls - Per Hour	\$ 40.00	\$ 40.00	N/T
After Hours Service Charge	\$ 40.00	\$ 40.00	\$ 40.00
Moving Customer Meter (at customer request)	Cost	Cost	Cost

* Per Commission Rule A.A.C. R-14-2-603(B)

** Per Commission Rule A.A.C. R-14-2-603(B)

*** Per Commission Rule A.A.C. R-14-2-603(D) - Months off the system times the monthly minimum.

Service and Meter Installation Charges

Service Size	Total Present Charge	Proposed Service Line	Proposed Meter	Total Proposed Charge	Recommended Service Line	Recommended Meter Installation	Total Recommended Charge
5/8 x 3/4 Inch	\$ 520	\$ 385	\$ 135	\$ 520	\$ 415	\$ 105	\$ 520
3/4 Inch	575	415	205	620	415	205	620
1 Inch	660	465	265	730	465	265	730
1 1/2 Inch	900	520	475	995	520	475	995
2 Inch Turbo	1,525	800	995	1,795	800	995	1,795
2 Inch Compound	2,320	800	1,840	2,640	800	1,840	2,640
3 Inch Turbo	2,275	1,015	1,620	2,635	1,015	1,620	2,635
3 Inch Compound	3,110	1,135	2,495	3,630	1,135	2,495	3,630
4 Inch Turbo	3,360	1,430	2,570	4,000	1,430	2,570	4,000
4 Inch Compound	4,475	1,610	3,545	5,155	1,610	3,545	5,155
6 Inch Turbo	6,035	2,150	4,925	7,075	2,150	4,925	7,075
6 Inch Compound	8,050	2,270	6,820	9,090	2,270	6,820	9,090
1 1/2 Inch	\$ 675.00	\$ 550.00	\$ 675.00	\$ 1,225.00	\$ 550.00	\$ 675.00	\$ 1,225.00
2 Inch Turbo	N/A	\$ 830.00	\$ 1,195.00	\$ 2,025.00	\$ 830.00	\$ 1,195.00	\$ 2,025.00
2 Inch Compound	\$ 1,660.00	\$ 830.00	\$ 2,040.00	\$ 2,870.00	\$ 830.00	\$ 2,040.00	\$ 2,870.00
3 Inch Turbo	N/A	\$ 1,045.00	\$ 1,820.00	\$ 2,865.00	\$ 1,045.00	\$ 1,820.00	\$ 2,865.00
3 Inch Compound	\$ 2,150.00	\$ 1,165.00	\$ 2,604.00	\$ 3,769.00	\$ 1,165.00	\$ 2,604.00	\$ 3,769.00
4 Inch Turbo	N/A	\$ 1,490.00	\$ 2,820.00	\$ 4,310.00	\$ 1,490.00	\$ 2,820.00	\$ 4,310.00
4 Inch Compound	\$ 3,135.00	\$ 1,670.00	\$ 3,795.00	\$ 5,465.00	\$ 1,670.00	\$ 3,795.00	\$ 5,465.00
6 Inch Turbo	N/A	\$ 2,210.00	\$ 5,175.00	\$ 7,385.00	\$ 2,210.00	\$ 5,175.00	\$ 7,385.00
6 Inch Compound	\$ 6,190.00	\$ 2,330.00	\$ 7,070.00	\$ 9,400.00	\$ 2,330.00	\$ 7,070.00	\$ 9,400.00

Typical Bill Analysis
 General Service 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,123	\$ 38.58	\$ 76.01	\$ 37.43	97.01%
Median Usage	3,500	35.30	69.95	\$ 34.65	98.14%
Staff Recommended					
Average Usage	4,123	\$ 38.58	\$ 71.82	\$ 33.24	86.16%
Median Usage	3,500	35.30	63.10	\$ 27.80	78.75%

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

	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
	3/4"	3/4"		3/4"	
Minimum Charge	\$ 18.50	\$ 41.07	122.00%	\$ 35.10	89.73%
1st Tier Rate	\$ 4.80	\$ 8.25	111.67%	\$ 7.00	80.69%
1st Tier Breakover	4,000	4,000	104.88%	3,000	74.73%
2nd Tier Rate	\$ 7.16	\$ 15.75	100.06%	\$ 14.00	70.52%
2nd Tier Breakover	9,000	9,000	105.00%	10,000	87.47%
3rd Tier Rate	\$ 8.60	\$ 21.75	102.94%	\$ 23.55	88.58%
Gallons Consumption					
-	\$ 18.50	\$ 41.07	122.00%	\$ 35.10	89.73%
1,000	23.30	49.32	111.67%	42.10	80.69%
2,000	28.10	57.57	104.88%	49.10	74.73%
3,000	32.90	65.82	100.06%	56.10	70.52%
4,000	37.70	74.07	96.47%	70.10	85.94%
5,000	44.86	89.82	100.22%	84.10	87.47%
6,000	52.02	105.57	102.94%	98.10	88.58%
7,000	59.18	121.32	105.00%	112.10	89.42%
8,000	66.34	137.07	106.62%	126.10	90.08%
9,123	38.58	76.01	97.01%	71.82	86.16%
9,000	73.50	152.82	107.92%	140.10	90.61%
10,000	82.10	174.57	112.63%	154.10	87.70%
11,000	90.70	196.32	116.45%	177.65	95.86%
12,000	99.30	218.07	119.61%	201.19	102.61%
13,000	107.90	239.82	122.26%	224.74	108.28%
14,000	116.50	261.57	124.52%	248.28	113.12%
15,000	125.10	283.32	126.47%	271.83	117.29%
16,000	133.70	305.07	128.18%	295.37	120.92%
17,000	142.30	326.82	129.67%	318.92	124.11%
18,000	150.90	348.57	130.99%	342.46	126.94%
19,000	159.50	370.32	132.18%	366.01	129.47%
20,000	168.10	392.07	133.24%	389.55	131.74%
25,000	211.10	500.82	137.24%	507.28	140.30%
30,000	254.10	609.57	139.89%	625.00	145.97%
35,000	297.10	718.32	141.78%	742.73	149.99%
40,000	340.10	827.07	143.18%	860.45	153.00%
45,000	383.10	935.82	144.28%	978.18	155.33%
50,000	426.10	1,044.57	145.15%	1,095.90	157.19%
75,000	641.10	1,588.32	147.75%	1,684.53	162.76%
100,000	856.10	2,132.07	149.04%	2,273.15	165.52%

UTILITY SOURCE, LLC, Wastewater Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

SURREBUTTAL TESTIMONY OF JORN L. KELLER

TABLE OF CONTENTS TO SCHEDULES JLK

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JLK-3	Rate Base - Original Cost
JLK-4	Summary of Original Cost Rate Base Adjustments
JLK-5	Original Cost Rate Base Adjustment #1 - Security Deposits
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JLK-7	Summary of Operating Income Adjustments - Test Year
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JLK-10	Operating Adjustment #3 -Automobile Expense
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JLK-15	Operating Adjustment #8 - Income Tax Expense
JLK-16	Rate Design
JLK-17	Typical Bill Analysis

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
		COMPANY ORIGINAL COST	COMPANY FAIR VALUE	STAFF ORIGINAL COST	STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 830,945	\$ 830,945	\$ 825,880	\$ 825,880
2	Adjusted Operating Income (Loss)	\$ (72,257)	\$ (72,257)	\$ (83,382)	\$ (83,382)
3	Current Rate of Return (L2 / L1)	-8.70%	-8.70%	-10.10%	-10.10%
4	Required Rate of Return	11.00%	11.00%	9.80%	9.80%
5	Required Operating Income (L4 * L1)	\$ 91,404	\$ 91,404	\$ 80,936	\$ 80,936
6	Operating Income Deficiency (L5 - L2)	\$ 163,661	\$ 163,661	\$ 164,318	\$ 164,318
7	Gross Revenue Conversion Factor	1.2022	1.2022	1.2001	1.2001
8	Required Revenue Increase (L7 * L6)	\$ 196,753	\$ 196,753	\$ 197,204	\$ 197,204
9	Adjusted Test Year Revenue	\$ 121,284	\$ 121,284	\$ 119,464	\$ 119,464
10	Proposed Annual Revenue (L8 + L9)	\$ 318,037	\$ 318,037	\$ 316,668	\$ 316,668
11	Required Increase in Revenue (%)	162.23%	162.23%	165.07%	165.07%

References:

- Column (A): Company Schedule B-1
- Column (B): Company Schedule B-1
- Column (C): Staff Schedules OCRB, GRCF, TYOI & COC
- Column (D): Staff Schedules OCRB, GRCF, TYOI & COC

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<i>Calculation of Gross Revenue Conversion Factor:</i>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	16.6762%			
5	Subtotal (L3 - L4)	83.3238%			
6	Revenue Conversion Factor (L1 / L5)	1.2001			
<i>Calculation of Uncollectible Factor:</i>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	15.7861%			
9	One Minus Combined Income Tax Rate (L7 - L8)	84.2139%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<i>Calculation of Effective Tax Rate:</i>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	2.8109%			
14	Federal Taxable Income (L12 - L13)	97.1891%			
15	Applicable Federal Income Tax Rate (Line 44)	13.3505%			
16	Effective Federal Income Tax Rate (L14 x L15)	12.9752%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	15.7861%			
<i>Calculation of Effective Property Tax Factor</i>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	15.7861%			
20	One Minus Combined Income Tax Rate (L18 - L19)	84.2139%			
21	Property Tax Factor (XXX-18, L24)	1.0569%			
22	Effective Property Tax Factor (L 21 * L 22)	0.008900308			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		16.6762%		
24	Required Operating Income (Schedule XXX-1, Line 5)	\$ 80,936			
25	Adjusted Test Year Operating Income (Loss) (Schedule XXX-10, Line 40)	\$ (83,382)			
26	Required Increase in Operating Income (L24 - L25)		\$ 164,318		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 15,172			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ (15,630)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 30,802		
30	Recommended Revenue Requirement (Schedule JLK-1, Line 10)	\$ 316,668			
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. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (JLK-18, L19)	\$ 6,493			
36	Property Tax on Test Year Revenue (JLK-18, L 16)	\$ 4,409			
37	Increase in Property Tax Due to Increase in Revenue (XXX-18, L22)		\$ 2,084		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 197,204		
<i>Calculation of Income Tax:</i>					
		Test Year		STAFF Recommended	
39	Revenue (Schedule JLK-10, Col.(C), Line 5 & Sch. JLK-1, Col. (B), Line 10)	\$ 119,464	\$ 197,204	\$ 316,668	
40	Operating Expenses Excluding Income Taxes	218,476	2,084	220,560	220,560
41	Synchronized Interest (L47)	-		-	
42	Arizona Taxable Income (L36 - L37- L38)	\$ (99,012)		\$ 96,108	
43	Arizona State Income Tax Rate	2.8109%		2.8109%	
44	Arizona Income Tax (L39 x L40)		\$ (2,783)		\$ 2,701
45	Federal Taxable Income (L33 - L35)	\$ (96,229)		\$ 93,406	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (12,847)		\$ 12,470	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -		\$ -	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ -	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ -	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
51	Total Federal Income Tax		\$ (12,847)		\$ 12,470
52	Combined Federal and State Income Tax (L35 + L42)		\$ (15,630)		\$ 15,172
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				13.35%
<i>Calculation of Interest Synchronization:</i>					
54	Rate Base (Schedule XXX-3, Col. (C), Line (17))	\$ 825,880			
55	Weighted Average Cost of Debt (Schedule XXX-1)	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Plant in Service	\$ 1,397,271	\$ -	\$ 1,397,271
2	Less: Accumulated Depreciation	455,064	-	455,064
3	Net Plant in Service	<u>\$ 942,207</u>	<u>\$ -</u>	<u>\$ 942,207</u>
<u>LESS:</u>				
4	Net Contribution in Aid-of Construction (CIAC)	\$ 111,262	\$ -	\$ 111,262
5	Advances in Aid of Construction (AIAC)	-	-	-
8	Customer Security Deposits	-	5,065	5,065
9	Deferred Income Tax Credits	-	-	-
	Total Deductions	<u>\$ 111,262</u>	<u>\$ 5,065</u>	<u>\$ 116,327</u>
<u>ADD:</u>				
10	Unamortized Finance Charges	\$ -	\$ -	\$ -
11	Deferred Tax Assets	-	-	-
12	Allowance for Working Capital	-	-	-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 830,945</u>	<u>\$ (5,065)</u>	<u>\$ 825,880</u>

References:

Column (A), Company Schedule B-1
Column (B): Schedule XXX
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY AS FILED	Security Deposits ADJ #1	STAFF ADJUSTED
<i>PLANT IN SERVICE:</i>					
1	351	Organization Cost	\$ -	\$ -	\$ -
2	352	Franchise Cost	-	-	-
3	353	Land and Land Rights	105,000	-	105,000
4	354	Structures & Improvements	56,350	-	56,350
5	355	Power Generation Equipment	2,879	-	2,879
6	360	Collection Sewers - Force	-	-	-
7	361	Collection Sewers - Gravity	260,553	-	260,553
8	362	Special Collecting Structures	-	-	-
9	363	Servcies to Customers	60,375	-	60,375
10	364	Flow Measuring Devices	-	-	-
11	365	Flow Measuring Installations	-	-	-
12	366	Reuse Services	3,450	-	3,450
13	367	Reuse Meters and Meter Installations	-	-	-
14	370	Receiving Wells	-	-	-
15	371	Pumping Equipment	-	-	-
16	374	Reuse Distribution Reservoirs	-	-	-
17	375	Reuse Transmission and Distribution	-	-	-
18	380	Treatment & Disposal Equipment	903,992	-	903,992
19	381	Plant Sewers	-	-	-
20	382	Outfall Sewer Lines	-	-	-
21	389	Other Plant & Misc Equipment	-	-	-
22	390	Office Furniture & Equipment	4,672	-	4,251
23	390.1	Computers & Software	-	-	421
24	391	Transportation Equipment	-	-	-
25	392	Stores Equipment	-	-	-
26	393	Tools, Shop & Garage Equipment	-	-	-
27	394	Laboratory Equipment	-	-	-
28	395	Power Operated Equipment	-	-	-
29	396	Communication Equipment	-	-	-
32		Gross Utility Plant in Service	\$ 1,397,271	\$ -	\$ 1,397,271
33		Less: Accumulated Depreciation	455,064	-	455,064
34		Net Utility Plant in Service (L29 - L30)	\$ 942,207	\$ -	\$ 942,207
<i>DEDUCTIONS</i>					
32		Contributions in Aid of Construction (CIAC)	\$ 197,973	\$ -	\$ 197,973
33		Less: Accumulated Amortization	86,711	-	86,711
34		Net CIAC (L32 - L33)	\$ 111,262	\$ -	\$ 111,262
35		Advances in Aid of Construction (AIAC)	-	-	-
36		Customer Meter Deposits	-	5,065	5,065
37		Deferred Income Tax Credits	-	-	-
38		Total Deductions	\$ 111,262	\$ 5,065	\$ 116,327
<i>ADDITIONS:</i>					
39		Unamortized Finance Charges	\$ -	\$ -	\$ -
40		Deferred Tax Assets	-	-	-
41		Allowance for Working Capital	-	-	-
42		Intentional Left Blank	-	-	-
43		Total Additions	\$ -	\$ -	\$ -
44		ORIGINAL COST RATE BASE	\$ 830,945	\$ (5,065)	\$ 825,880

ADJ #	Description
1	Customer Security Deposits

RATE BASE ADJUSTMENT NO. 1 - "Customer Security Deposits"

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Customer Security Deposits	\$ -	\$ 5,065	\$ 5,065

REFERENCES:

Column [A]: Company Schedule B-2

Column [B]: Testimony P. 10

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

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ -	\$ -	\$ -		
3	Water Sales - Unmetered	116,023	-	116,023	\$ 197,204	313,227
4	Other Operating Revenue	5,261	(1,820)	3,441	-	3,441
5	Total Operating Revenues	<u>\$ 121,284</u>	<u>\$ (1,820)</u>	<u>\$ 119,464</u>	<u>\$ 197,204</u>	<u>\$ 316,668</u>
6	<u>OPERATING EXPENSES:</u>					
7	Salaries & Wages	\$ -	\$ -	\$ -	\$ -	\$ -
8	Sludge Removal	12,659	-	12,659	-	12,659
9	Purchased Power	26,213	-	26,213	-	26,213
10	Chemicals	5,400	-	5,400	-	5,400
11	Repairs & Maintenance	7,187	-	7,187	-	7,187
14	Office Supplies & Expense	2,446	-	2,446	-	2,446
12	Contractual Services - Other	46,650	-	46,650	-	46,650
13	Contractual Services - Accounting	20,135	-	20,135	-	20,135
15	Contractual Services - Professional	1,920	-	1,920	-	1,920
16	Water Testing	5,669	8,858	14,527	-	14,527
17	Rents	-	-	-	-	-
18	Transportation Expense	3,250	-	3,250	-	3,250
19	Insurance - General Liability	2,186	-	2,186	-	2,186
20	Insurance - Health & Life	-	-	-	-	-
21	Regulatory Commission Expense	10,000	6,667	16,667	-	16,667
22	Miscellaneous Expense	13,152	(4,116)	9,036	-	9,036
23	Depreciation Expense	45,744	47	45,791	-	45,791
24	Taxes Other than Income	-	-	-	-	-
27	Property Taxes	4,476	(67)	4,409	2,084	6,493
28	Income Tax	(13,545)	(1,733)	(15,278)	30,450	15,172
29	Total Operating Expenses	<u>\$ 193,541</u>	<u>\$ 9,656</u>	<u>\$ 203,198</u>	<u>\$ 32,534</u>	<u>\$ 235,732</u>
30	Operating Income (Loss)	<u>\$ (72,257)</u>	<u>\$ (11,476)</u>	<u>\$ (83,734)</u>	<u>\$ 164,670</u>	<u>\$ 80,936</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule JLKWW-7
Column (C): Column (A) + Column (B)
Column (D): Schedules JLKWW-1 and JLKWW-2
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Operating Revenue ADJ #1	(C) Water Testing ADJ #2	(D) Auto Expense ADJ #3	(E) Telephone Exp. ADJ #4	(F) Depr. Exp. ADJ #5	(G) Rate Case Exp. ADJ #6	(G) Prop. Tax ADJ #7	(H) Income Tax ADJ #8	(I) STAFF ADJUSTED
1	REVENUES:										
2	521 Flat Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	522 Measured Revenues	116,023	-	-	-	-	-	-	-	-	116,023
4	536 Other Operating Revenue	5,261	(1,820)	-	-	-	-	-	-	-	3,441
5	Total Operating Revenues	\$ 121,284	\$ (1,820)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,464
6	OPERATING EXPENSES:										
7	701 Salaries & Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	711 Sludge Removal Expense	12,659	-	-	-	-	-	-	-	-	12,659
9	715 Purchased Power	26,213	-	-	-	-	-	-	-	-	26,213
10	718 Chemicals	5,400	-	-	-	-	-	-	-	-	5,400
11	720 Repairs & Maintenance	7,187	-	-	-	-	-	-	-	-	7,187
12	721 Office Supplies & Expense	2,446	-	-	-	-	-	-	-	-	2,446
13	730 Contractual Services - Accounting	46,650	-	-	-	-	-	-	-	-	46,650
14	732 Contractual Services - Other	20,135	-	-	-	-	-	-	-	-	20,135
15	733 Contractual Services - Professional	1,920	-	-	-	-	-	-	-	-	1,920
16	735 Water Testing	5,669	-	8,858	-	-	-	-	-	-	14,527
17	641 Rents	-	-	-	-	-	-	-	-	-	-
18	750 Transportation Expense	3,250	-	-	-	-	-	-	-	-	3,250
19	757 Insurance - General Liability	2,186	-	-	-	-	-	-	-	-	2,186
20	759 Insurance - Health & Life	-	-	-	-	-	-	-	-	-	-
21	766 Regulatory Commission Expense	10,000	-	-	-	-	-	6,667	-	-	16,667
22	775 Miscellaneous Expense	13,152	-	-	(1,750)	-	-	-	-	-	9,036
23	703 Depreciation Expense	45,744	-	-	-	-	-	-	-	-	45,744
24	708 Taxes Other than Income	-	-	-	-	-	-	-	-	-	-
25	708.11 Property Taxes	4,476	-	-	-	-	-	-	(67)	-	4,409
26	709 Income Tax	(13,545)	x	-	-	-	-	-	-	(1,733)	(15,630)
	Total Operating Expenses	\$ 193,541	\$ -	\$ 8,858	\$ (1,750)	\$ (2,366)	\$ 47	\$ 6,667	\$ (67)	\$ (1,733)	\$ 202,846
27	Operating Income (Loss)	\$ (72,257)	\$ -	\$ (6,858)	\$ 1,750	\$ 2,366	\$ (47)	\$ (6,667)	\$ 67	\$ 1,733	\$ (83,382)

ADJ #	Reference:
1	To remove security deposits from revenue
2	To increase water testing per Engineering Report
3	To remove unnecessary auto expense
4	To remove unnecessary telephone expense.
5	Depreciation Expense
6	Rate Case Expense
7	Property tax expense
8	Income tax expense

General Ledger, C2, P. 4
 Eng. Report, P. 18, 19
 JLK-WW10
 JLK-WW11
 JLK-WW12
 JLK-WW13
 JLK-WW14
 JLK-WW15

UTILITY SOURCE, LLC, Wastewater Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-WW8

OPERATING INCOME ADJUSTMENT NO. 1 - OPERATING REVENUE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Operating Revenue	\$ 5,261	\$ (1,820)	\$ 3,441

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony P. 16

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-WW9

OPERATING INCOME ADJUSTMENT NO. 2 - WATER TESTING

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Water Testing	<u>\$ 5,669</u>	<u>\$ 8,858</u>	<u>\$ 14,527</u>

References:

Column (A), Company Schedule C-2 & Workpapers
Column (B): Testimony P. 16
Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-WW10

OPERATING INCOME ADJUSTMENT NO. 3 - Automobile Expense

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Automobile Expense	<u>\$ 3,250</u>	<u>\$ (1,750)</u>	<u>\$ 1,500</u>

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony P. 16

Column (C): Column (A) + Column (B)

UTILITY SOURCE, LLC, Wastewater Division
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-WW11

OPERATING INCOME ADJUSTMENT NO. 4 - Officer and Contractor Telephone Expense

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENT</u>	<u>[C] STAFF RECOMMENDED</u>
1	Telephone Expense	<u>\$ 4,732</u>	<u>\$ (2,366)</u>	<u>\$ 2,366</u>

References:

Column (A), Company Schedule C-2 & Workpapers

Column (B): Testimony 18

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 5 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	PLANT IN SERVICE - DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	351	Organization Cost	\$ -	\$ -	\$ -	0.00%	\$ -
2	352	Franchise Cost	-	-	\$ -	0.00%	-
3	353	Land and Land Rights	105,000	(105,000)	\$ -	0.00%	-
4	354	Structures & Improvements	56,350	-	\$ 56,350	3.33%	1,876
5	355	Power Generation Equipment	2,879	-	\$ 2,879	5.00%	144
6	360	Collection Sewers - Force	-	-	\$ -	2.00%	-
7	361	Collection Sewers - Gravity	260,553	-	\$ 260,553	2.00%	5,211
8	362	Special Collecting Structures	-	-	\$ -	2.00%	-
9	363	Servcies to Customers	60,375	-	\$ 60,375	2.00%	1,208
10	364	Flow Measuring Devices	-	-	\$ -	10.00%	-
11	365	Flow Measuring Installations	-	-	\$ -	10.00%	-
12	366	Reuse Services	3,450	-	\$ 3,450	2.00%	69
13	367	Reuse Meters and Meter Installations	-	-	\$ -	8.33%	-
14	370	Receiving Wells	-	-	\$ -	3.33%	-
15	371	Pumping Equipment	-	-	\$ -	12.50%	-
16	374	Reuse Distribution Reservoirs	-	-	\$ -	2.00%	-
17	375	Reuse Transmission and Distribution	-	-	\$ -	2.50%	-
18	380	Treatment & Disposal Equipment	903,992	-	\$ 903,992	5.00%	45,200
19	381	Plant Sewers	-	-	\$ -	5.00%	-
20	382	Outfall Sewer Lines	-	-	\$ -	3.33%	-
21	389	Other Plant & Misc Equipment	-	-	\$ -	6.67%	-
22	390	Office Furniture & Equipment	4,251	-	\$ 4,251	6.67%	284
23	390.1	Computers & Software	421	-	\$ 421	20.00%	84
24	391	Transportation Equipment	-	-	\$ -	20.00%	-
25	392	Stores Equipment	-	-	\$ -	4.00%	-
26	393	Tools, Shop & Garage Equipment	-	-	\$ -	5.00%	-
27	394	Laboratory Equipment	-	-	\$ -	10.00%	-
28	348	Power Operated Equipment	-	-	\$ -	5.00%	-
29		Subtotal General	\$ 1,397,271		\$ 1,292,271		\$ 54,075
30						Composite Depreciation Rate (Depr Exp / Depreciable Plant):	4.18%
31						CIAC: \$	197,973
32						Amortization of CIAC (Line 30 x Line 31): \$	8,284
33							
34						Depreciation Expense Before Amortization of CIAC: \$	54,075

UTILITY SOURCE, LLC

Surrebuttal Schedule JLK-W13

Docket No. WS-04235A-13-0331

Test Year Ended December 31, 2012

OPERATING INCOME ADJUSTMENT NO. 6 -Rate Case Expense

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Rate Case Expense	\$ 10,000	\$ 6,667	\$ 16,667

References:

Column (A), Company Schedule C-2

Column (B): Testimony P. 19

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 7 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 119,464	\$ 119,464
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 238,928	\$ 238,928
4	Staff Recommended Revenue	119,464	316,668
5	Subtotal (Line 4 + Line 5)	\$ 358,392	\$ 555,596
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 119,464	\$ 185,199
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 238,928	\$ 370,398
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 238,928	\$ 370,398
13	Assessment Ratio	20.00%	19.00%
14	Assessment Value (Line 12 * Line 13)	\$ 47,786	\$ 70,376
15	Composite Property Tax Rate - Obtained from ADOR	9.22620%	9.22620%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 4,409	
17	Company Proposed Property Tax	4,476	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (67)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 6,493
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 4,409
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 2,084
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 2,084
23	Increase in Revenue Requirement		\$ 197,204
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.056870%

REFERENCES:

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 3
Line 21: Line 19 - Line 20
Line 23: Schedule WW-2

UTILITY SOURCE, LLC
Docket No. WS-04235A-13-0331
Test Year Ended December 31, 2012

Surrebuttal Schedule JLK-WW15

OPERATING INCOME ADJUSTMENT NO. 8 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ (13,545)	\$ (1,733)	\$ (15,278)

References:

Column (A), Company Schedule C-2

Column (B): Testimony P. 20

Column (C): Column (A) + Column (B)

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 x 3/4 Inch	N/A	\$ 53.00	\$ 50.00
3/4 Inch	N/A	53.00	65.00
1 Inch	N/A	132.50	150.00
1 1/2 Inch	N/A	265.00	350.00
2 Inch	N/A	424.00	400.00
3 Inch	N/A	848.00	600.00
4 Inch	N/A	1,325.00	800.00
6 Inch	N/A	2,650.00	1,000.00

Commodity Charge - Per 1,000 Gallons

Residential	\$ 5.84	\$ 5.31	\$0.00
Commercial and Industrial:			
Car washes, laundromats, Commercial, Manufact	5.71	5.20	11.61
Hotels, Motels	7.66	6.97	11.61
Restuarants	9.46	8.61	11.61
Industrial Laundries	8.39	7.63	11.61
Waste haulers	171.20	155.79	11.61
Restuarant Grease	149.80	136.32	11.61
Treatment Plant Sludge	171.20	155.79	11.61
Mud Sump Waste	535.00	486.85	11.61

Establishment	\$ 20.00	\$ 20.00	\$ 30.00
Establishment (After Hours)	\$ 40.00	\$ -	No Tariff
Reconnection (Delinquent)	\$ 50.00	\$ 50.00	\$ 50.00
Reconnection (Delinquent) - After Hours	\$ 40.00	\$ -	No Tariff
Deposit	*	*	*
Deposit Interest	**	**	**
Reestablishment (within 12 months)	***	***	***
NSF Check	\$ 20.00	\$ 20.00	\$ 20.00
Late Payment Penalty (Per Month)	1.50%	1.50%	1.50%
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
Service Calls - Per Hour/After Hours(a)	\$ 40.00	\$ 40.00	No Tariff
After Hours Service Charge	\$ 40.00	\$ 40.00	\$ 40.00

* Per Commission Rule A.A.C. R-14-2-603(B)

** Per Commission Rule A.A.C. R-14-2-603(B)

*** Per Commission Rule A.A.C. R-14-2-603(D) - Months off the system times the monthly minimum.

Service and Meter Installation Charges

Service Size	Total Present Charge	Proposed Service Line Charge	Proposed Meter Insallation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Insallation Charge	Total Recommended Charge
5/8 x 3/4 Inch	\$ 520	\$ 385	\$ 135	\$ 520	\$ 415	\$ 105	\$ 520.00
3/4 Inch	575	415	205	620	415	205	620
1 Inch	660	465	265	730	465	265	730
1 1/2 Inch	900	520	475	995	520	475	995
2 Inch Turbine	1,525	800	995	1,795	800	995	1,795
2 Inch Compound	2,320	800	1,840	2,640	800	1,840	2,640
3 Inch Turbine	2,275	1,015	1,620	2,635	1,015	1,620	2,635
3 Inch Compound	3,110	1,135	2,495	3,630	1,135	2,495	3,630
4 Inch Turbine	3,360	1,430	2,570	4,000	1,430	2,570	4,000
4 Inch Compound	4,475	1,610	3,545	5,155	1,610	3,545	5,155
6 Inch Turbine	6,035	2,150	4,925	7,075	2,150	4,925	7,075
6 Inch Compound	8,050	2,270	6,820	9,090	2,270	6,820	9,090

Utility Source, LLC
 Docket No. WS-04235A-13-0331
 Test Year Ended: December 31, 2012

Surrebuttal Schedule JLK-WW17

Typical Bill Analysis
 Residential 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,123	\$ 24.08	\$ 74.89	\$ 50.81	211.04%
Median Usage	3,500	20.44	71.59	\$ 51.15	250.22%
Staff Recommended					
Average Usage	4,123	\$ 24.08	\$ 65.00	\$ 40.92	169.95%
Median Usage	3,500	20.44	65.00	\$ 44.56	218.00%

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

	Present Rates	Company Proposed		Staff Recommended Rates	Increase	% Increase
		3/4"	3/4"			
Minimum Charge	\$ -	53.00	65.00	\$ 65.00		
1st Tier Rate	5.8400	5.3100	-	-		
1st Tier Breakover	99,999	999,999	-	-		
2nd Tier Rate	-	-	-	-		
2nd Tier Breakover	-	-	-	-		
3rd Tier Rate	-	-	-	-		
Gallons Consumption	\$	\$	\$	\$		
-	-	53.00	65.00	65.00		
1,000	5.84	58.31	65.00	65.00	898.46%	1013.01%
2,000	11.68	63.62	65.00	65.00	444.69%	456.51%
3,000	17.52	68.93	65.00	65.00	293.44%	271.00%
4,000	23.36	74.24	65.00	65.00	217.81%	178.25%
3,500	20.44	71.59	65.00	65.00	250.22%	218.00%
5,000	29.20	79.55	65.00	65.00	172.43%	122.60%
6,000	35.04	84.86	65.00	65.00	142.18%	85.50%
7,000	40.88	90.17	65.00	65.00	120.57%	59.00%
8,000	46.72	95.48	65.00	65.00	104.37%	39.13%
4,123	24.08	74.89	65.00	65.00	211.04%	169.95%
9,000	52.56	100.79	65.00	65.00	91.76%	23.67%
10,000	58.40	106.10	65.00	65.00	81.68%	11.30%
11,000	64.24	111.41	65.00	65.00	73.43%	1.18%
12,000	70.08	116.72	65.00	65.00	66.55%	-7.25%
13,000	75.92	122.03	65.00	65.00	60.73%	-14.38%
14,000	81.76	127.34	65.00	65.00	55.75%	-20.50%
15,000	87.60	132.65	65.00	65.00	51.43%	-25.80%
16,000	93.44	137.96	65.00	65.00	47.65%	-30.44%
17,000	99.28	143.27	65.00	65.00	44.31%	-34.53%
18,000	105.12	148.58	65.00	65.00	41.34%	-38.17%
19,000	110.96	153.89	65.00	65.00	38.69%	-41.42%
20,000	116.80	159.20	65.00	65.00	36.30%	-44.35%
25,000	146.00	185.75	65.00	65.00	27.23%	-55.48%
30,000	175.20	212.30	65.00	65.00	21.18%	-62.90%
35,000	204.40	238.85	65.00	65.00	16.85%	-68.20%
40,000	233.60	265.40	65.00	65.00	13.61%	-72.17%
45,000	262.80	291.95	65.00	65.00	11.09%	-75.27%
50,000	292.00	318.50	65.00	65.00	9.08%	-77.74%
75,000	438.00	451.25	65.00	65.00	3.03%	-85.16%
100,000	583.99	584.00	65.00	65.00	0.00%	-88.87%

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



JODI JERICH
Executive Director

ARIZONA CORPORATION COMMISSION

July 14, 2014

Steve Wene, Esq.
MOYES SELLERS & HENDRICKS, LTD.
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004

Via E-mail and United States Mail to:
swene@law-msh.com

Re: Staff's **Sixth** Set of Data Requests to Utility Source, LLC
Docket No. WS-04235A-13-0331

Dear Mr. Wene:

Please treat this as Staff's **Sixth** Set of Data Requests to Utility Source, LLC in the above matter.

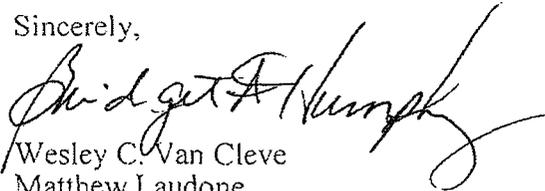
For purposes of this data request set, the words "Utility Source," "Company," "you," and "your" refer to Utility Source, LLC and any representative, including every person and/or entity acting with, under the control of, or on behalf of Utility Source, LLC. For each answer, please identify by name, title, and address each person providing information that forms the basis for the response provided.

These data requests are continuing, and your answers or any documents supplied in response to these data requests should be supplemented with any additional information or documents that come to your attention after you have provided your initial responses. Please respond within **ten** calendar days of your receipt of the copy of this letter. However, if you require additional time, please let us know.

Please provide one hard copy as well as searchable PDF, DOC or EXCEL files (via email or electronic media) of the requested data directly to each of the following addressees via overnight delivery services to:

- (1) Jorn L. Keller, Utilities Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. jkeller@azcc.gov
- (2) Wesley C. Van Cleve, Legal Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. wvancleve@azcc.gov

Sincerely,


Wesley C. Van Cleve
Matthew Laudone
Attorneys, Legal Division
(602) 542-3402

WCVC:rbo
Enc.
cc: Jorn Keller

ARIZONA CORPORATION COMMISSION
STAFF'S SIXTH SET OF DATA REQUESTS TO
UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331
JULY 7, 2014

Subject: All information responses should **ONLY** be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

- JLK 6-1** Five Year Revenue and Expense Projections - In regard to the newly-constructed standpipe, please provide a five-year projection of anticipated revenues and expenses (i.e., for each year beginning in 2014 and going through the end of 2019). As part of your response, please provide the following:
- a. Revenues – For each year of the projection, please provide a calculation showing how the future revenues were determined. The calculation should include the total number of gallons sold (in thousands) and the price at which the gallons are sold. Also, please explain all assumptions used in the development of these revenue forecasts (e.g., increases in gallons sold from year over year), and please provide all supporting documentation.
 - b. Expenses – For each year of the projection, please provide a calculation showing how the expenses were calculated. Please identify each expense separately and provide a calculation showing how the expense was derived. Also, please explain all assumptions used in making these expense projections, and please provide supporting documentation for each expense.
 - i. For depreciation expense, please identify all plant (i.e. standpipe and any other plant or facility needed to adequately operate the standpipe by NARUC plant account number, gross cost of plant, accumulated depreciation on each item of plant, and depreciation rate used.
- JLK 6-2** Sources of Water for Standpipe - Identify the source, or sources of water to be used in conjunction with this standpipe/water distribution center. If more than one well will be used, please provide an estimate of the annual water volumes coming from each well.
- JLK 6-3** Wells Hooked Up To Standpipe - Identify all wells currently hooked up to this standpipe/water distribution center, or expected to be hooked up when the facility becomes operational.
- JLK 6-4** Map of Standpipe Location - Provide a map showing where in the Company's CCN this new standpipe facility is located, where all Company water wells are located, and clearly note all water lines that will be used to supply water deliveries from this water distribution center.

ARIZONA CORPORATION COMMISSION
STAFF'S SIXTH SET OF DATA REQUESTS TO
UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331
JULY 7, 2014

Subject: All information responses should **ONLY** be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

- JLK 6-5** Mains and Service Lines for Standpipe - Using the map provided in response to Staff Data Request JLK 6-4, please identify all mains and/or service lines that were added in order to provide water to this water distribution center. Identify and fully document all costs/investments associated with these main and/or service line additions.
- JLK 6-6** Opening Date of Standpipe – Please provide the date that the Company believes, or plans, to have this standpipe available to serve the public?
- JLK 6-7** Monthly Standpipe Sales Activity – Please provide the stand pipe sales activity to Staff via email for each month from the month the standpipe is open to the public until the date of the open meeting related to the Commission’s approval of the Company’s request in Docket No. 13-0331.
- JLK 6-8** Business Plan – Please provide a full and complete copy of the Company’s business plan regarding the newly constructed standpipe. This Business Plan should include a list of all operational and financial assumptions made in the development of this Business Plan. Also, please provide sensitivity analyses related to possible variances in the assumptions driving anticipated Business Plan results. These assumptions would be expected to include sales volumes estimates, operating cost estimates, billing rate assumptions. Provide a copy of all supporting schedules in Excel format with fully- functional formulas.
- JLK 6-9** Engineering Description of Standpipe - Provide a full engineering description of, and facility design plan for, the standpipe/water distribution center’s operational configurations.
- JLK 6-10** Cost of the Standpipe/Water Distribution Center, Remainder of Invoices – In reference to Company’s answer to Data Request JLK 4.6, is the standpipe the only plant classified as Construction Work in Progress (CWIP totals \$74,120.55)? Company receipts provided in answer to Data Request JLK 2.2, include the following receipts that appear to be associated with construction of the standpipe.

ARIZONA CORPORATION COMMISSION
STAFF'S SIXTH SET OF DATA REQUESTS TO
UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331
JULY 7, 2014

Subject: All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

2/4/2010	Water Products.Net	Standpipe	\$ 10,000
3/18/2010	Water Products.Net	Enclosure	3,341
4/16/2010	Pam Synod	Landscape Design	425
?/2010	Water Products.Net	Standpipe	36,684
6/24/2010	Ninyo Moore	Standpipe Svc.	2,500
4/21/2010	Shephard Wesnitzer	Standpipe plans	1,748
5/21/2010	Shephard Wesnitzer	Standpipe Svc.	753
4/29/2009	Spectrum Grp	lift station	358
			<u>\$ 55,809</u>

- a. Please explain the difference in the total of the receipts and the total cost included in CWIP and provide copies of any additional invoices supporting the total cost claimed by the Company.
- b. Receipts submitted by the Company indicate that distribution mains were replaced in 2011 at a cost of \$14,432. Where were these mains installed? Were they associated with construction of the standpipe?

JLK 6-11 Customers and/or Potential Customers – Please identify all customers or potential customers for the standpipe and the anticipated monthly AND annual sales from each customer. Please provide copies of any contracts, credit applications, or facility use card applications. Please provide copies of correspondence written to or received from the actual and/or potential customer.

JLK 6-12 Security Deposits for Standpipe - Explain how, or if, the Company is going to require security deposits from potential customers. Provide a copy of all security deposit forms to be used by the Company. Have such forms or tariffs been submitted to the ACC for review and approval? Please explain.

JLK 6-13 Standpipe Payment Cards and Water Delivery Billing Questions - Please answer or provide the following:

- a. Please provide all documentation concerning the Company's standpipe payment or pre-payment delivery tracking and billing cards.
- b. Please state whether the cost to customers will be based on actual gallons sold (e.g. customer pumps 1,025 gallons and pays for 1,025 gallons) or rounded up/down gallons (e.g. customer pumps 1,025 gallons but pays for 2,000 gallons)

ARIZONA CORPORATION COMMISSION
STAFF'S SIXTH SET OF DATA REQUESTS TO
UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331
JULY 7, 2014

Subject: All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

c. Please state what means of payment will be accepted (e.g. Credit card, Pre-paid card, Monthly billing).

- JLK 6-14 Financing for Standpipe – Please state how the standpipe facility was financed and the terms of the financing. Please provide all supporting documentation. If main extensions or other services lines were installed to directly or indirectly serve this distribution center, please explain how the investments in these lines were financed?
- JLK 6-15 ADEQ - Requirements - What are the ADEQ requirements for the standpipe? Have these requirements been met? Provide a copy of both the ADEQ Approval to Construct this facility and a copy of the ADEQ Approval of Construction related to this facility.
- JLK 6-16 Standpipe and CC&N – If not clearly addressed or explained in the Business Plan submitted in response to Staff Data Request JLK 6-8, please provide data in support of the need for a standpipe in the community or communities to be served by this facility. Was it requested by existing ratepayers? If so, please explain.
- JLK 6-17 Correspondence Regarding Standpipe Service Availability- Provide a copy of all letters or other correspondence generated by the Company to announce or market the availability of this new facility? Identify the costs incurred in developing or sending out these announcements and identify how, and when, these costs were recorded on the Company books and records?
- JLK 6-18 Reasonableness of Proposed Standpipe Rate - Please provide full support for the reasonableness of the Company's request for a tariffed billing rate of \$21.75 per 1,000 gallons for the deliveries through this new water distribution center.
- JLK 6-19 Revenue for Standpipe - Explain where in the Company's pending rate application and proof of revenues, the additional revenues from this water distribution center have been quantified and identified.
- JLK 6-20 Portion of Well No. 4 Related to Standpipe - Staff notes that the Company's investment in well # 4 was approximately \$730,000 at the time of the last rate case and this investment level has now grown to almost \$1,500,000. Identify and fully explain and discuss the portion of this incremental investment made in whole, or in part, to support water deliveries through this new distribution center?



ARIZONA CORPORATION COMMISSION

EXHIBIT JLK 6.8

July 18, 2014

Steve Wene, Esq.
MOYES SELLERS & HENDRICKS, LTD.
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004

Via E-mail and United States Mail to:
swene@law-msh.com

Re: Staff's **Seventh** Set of Data Requests to Utility Source, LLC
Docket No. WS-04235A-13-0331

Dear Mr. Wene:

Please treat this as Staff's **Seventh** Set of Data Requests to Utility Source, LLC in the above matter. For purposes of this data request set, the words "Utility Source," "Company," "you," and "your" refer to Utility Source, LLC and any representative, including every person and/or entity acting with, under the control of, or on behalf of Utility Source, LLC. For each answer, please identify by name, title, and address each person providing information that forms the basis for the response provided.

These data requests are continuing, and your answers or any documents supplied in response to these data requests should be supplemented with any additional information or documents that come to your attention after you have provided your initial responses. Please respond within **ten** calendar days of your receipt of the copy of this letter. However, if you require additional time, please let us know.

Please provide one hard copy as well as searchable PDF, DOC or EXCEL files (via email or electronic media) of the requested data directly to each of the following addressees via overnight delivery services to:

- (1) Jorn Keller, Utilities Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. jkeller@azcc.gov
- (2) John A. Cassidy, Utilities Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. jcassidy@azcc.gov
- (3) Mike Thompson, Utilities Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. mthompson@azcc.gov
- (4) Wesley C. Van Cleve, Legal Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. wvanclave@azcc.gov

Sincerely,

Wesley C. Van Cleve
Matthew Laudone
Attorneys, Legal Division
(602) 542-3402

WCVC:rbo

Enc.

cc: Jorn Keller (via email only)

ARIZONA CORPORATION COMMISSION
STAFF'S SEVENTH SET OF DATA REQUESTS TO
UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331
JULY 18, 2014

Subject: All information responses should **ONLY** be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

- JAC 7.1 Debt Obligation -- In response to an earlier Staff data request (i.e., JAC 5.1), the Company indicated that the \$41,562.51 long-term debt reported in Utility Source's 2013 annual report filed with the Arizona Corporation Commission is intended to be a short-term line of credit, and as such should properly have been accounted for as a short-term note payable. However, supplemental data presented on p. 12 of the 2013 annual report indicates that this debt obligation has a maturity date of January 2, 2019. In light of this fact, please provide a copy of the signed loan agreement between Mr. Lonnie McCleve (the source of the loan) and Utility Source, LLC to substantiate the character of this \$41,562.51 obligation as short-term debt.
- MST 7.2 Standpipe/Water Distribution Center -- Provide information, in the form of an engineering report, that details the impact the Standpipe/Water Distribution Center, when in operation (operating), will have on the Flagstaff Meadows distribution system water pressure.
- JLK 7.3 Purchased Power Expense -- Please explain why receipts for APS electricity service provided in response to Data Request No. 1.7 total \$100,831, while the Purchased Power Expense of both systems totals \$93,000.
- Why were APS bills totaling \$51,176 paid by Utility Source for service to a location on the APS invoices noted as the Bellemont Jiffy Shop?
- JLK 7.4 Well 4 Cost Allocation -- In response to Data Request No. JLK 2.2, the Company produced a number of invoices to support utility plant in service balances. However, Staff has been unable to reconcile the receipts to Company's value of the plant. Specifically, Staff cannot identify receipts totaling the value of the incremental additions to Well 4 totaling \$770,617. Please provide receipts and copies of adding machine tapes to the extent necessary if several invoices need to be added to get total costs, to support the costs of the additions and allocate the costs to the correct NARUC asset accounts. In addition, please identify the costs for Account 311, Electric Pumping Equipment.
- JLK 7.5 Intervenors' Data Requests -- Please provide copies of the questions and responses of all data requests by the Residential Utility Commission Office and other intervenors.

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

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

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

15 IN THE MATTER OF THE APPLICATION
 16 OF UTILITY SOURCE, LLC, AN
 17 ARIZONA CORPORATION, FOR A
 18 DETERMINATION OF THE FAIR VALUE
 19 OF ITS UTILITY PLANTS AND
 20 PROPERTY AND FOR INCREASES IN
 21 ITS WATER AND WASTEWATER RATES
 22 AND CHARGES FOR UTILITY SERVICE
 23 BASED THEREON.

DOCKET NO: WS-04235A-13-0331

24 **RESPONSE TO STAFF'S
 25 SIXTH SET OF
 26 DATA REQUESTS**

27 Utility Source, L.L.C. ("Company"), hereby responds to Staff's sixth set of data
 28 requests as follows:

29 **JLK 6.1** Five Year Revenue and Expense Projections – In regard to the newly-
 30 constructed standpipe, please provide a five-year projection of anticipated revenues and
 31 expenses (i.e., for each year beginning in 2014 and going through the end of 2019). As
 32 part of your response, please provide the following:

33 a. Revenues – For each year of the projection, please provide a calculation
 34 showing how the future revenues were determined. The calculation should include the
 35 total number of gallons sold (in thousands) and the price at which the gallons are sold.
 36 Also, please explain all assumptions used in the development of these revenue forecasts
 37 (e.g., increases in gallons sold from year over year), and please provide all supporting
 38 documentation.

1 b. Expenses – For each year of the projection, please provide a calculation
2 showing how the expenses were calculated. Please identify each expense separately and
3 provide a calculation showing how the expense was derived. Also, please explain all
4 assumptions used in making these expense projections, and please provide supporting
5 documentation for each expense.

6 i. For depreciation expense, please identify all plant (i.e., standpipe
7 and any other plant or facility needed to adequately operate the standpipe by NARUC
8 plant account number, gross cost of plant, accumulated depreciation on each item of
9 plant, and depreciation rate used.

10 **Response: The Company does not have such projections. The Company has no
11 ability to answer these questions accurately at this time and any such answers would
12 be speculative.**

13 **JLK 6.2 Sources of Water for Standpipe – Identify the source, or sources of water to
14 be used in conjunction with this standpipe/water distribution center. If more than one
15 well will be used, please provide an estimate of the annual water volumes coming from
16 each well.**

17 **Response: Groundwater. The standpipe is connected to main system. All wells
18 deliver water to the system, including the standpipe. The Company's well use will
19 be consistent with previous practices.**

20 **JLK 6.3 Wells Hooked Up To Standpipe – Identify all wells currently hooked up to
21 this standpipe/water distribution center, or expected to be hooked up when the facility
22 becomes operation.**

23 **Response: All wells are connected to the system and the standpipe water is
24 supplied through the system.**

25 **JLK 6.4 Map of Standpipe Location – Provide a map showing where in the
26 Company's CCN this new standpipe facility is located, where all Company water wells
27 are located, and clearly note all water lines that will be used to supply water deliveries
28 from this water distribution center.**

**Response: No such map exists. A plan showing the location of the standpipe
location is set forth in Attachment 6.4.**

JLK 6.5 Mains and Service Lines for Standpipe – Using the map provided in

1 response to Staff Data Request JLK 6.4, please identify all mains and/or service lines that
2 were added in order to provide water to this water distribution center. Identify and fully
3 document all costs/investments associated with these main and/or service line additions.

4 **Response:** *See Attachment 6.4 No transmission lines were necessary because the*
5 *standpipe is adjacent to the storage tank and booster station.*

6 **JLK 6.6** Opening Date of Standpipe – Please provide the date that the Company
7 believes, or plans, to have this standpipe available to serve the public?

8 **Response:** **September 1, 2014.**

9
10 **JLK 6.7** Monthly Standpipe Sales Activity – Please provide the standpipe sales
11 activity to Staff via email for each month from the month the standpipe is open to the
12 public until the date of the open meeting related to the Commission’s approval of the
13 Company’s request in Docket No. 13-0331.

14 **Response:** **No response required at this time.**

15
16 **JLK 6.8** Business Plan – Please provide a full and complete copy of the company’s
17 business plan regarding the newly constructed standpipe. The Business Plan should
18 include a list of all operational and financial assumptions made in the development of this
19 Business Plan. Also, please provide sensitivity analyses related to possible variances in
20 the assumptions driving anticipated Business Plan results. These assumptions would be
21 expected to include sales volumes estimates, operating cost estimates, billing rate
22 assumptions. Provide a copy of all supporting schedules in Excel format with fully-
23 functional formulas.

24 **Response:** **The Company has no such plan drafted.**

25
26 **JLK 6.9** Engineering Description of Standpipe – Provide a full engineering
27 description of, and facility design plan for, the standpipe/water distribution center’s
28 operational configurations.

Response: *See Attachment 6.4.*

JLK 6.10 Cost of the Standpipe/Water Distribution Center, Remainder of Invoices –
In reference to Company’s answer to Data Request JLK 4.6, is the standpipe the only

1 plant classified as Construction Work in Progress (CWIP totals \$74,120.55)? Company
2 receipts provided in answer to Data Request JLK 2.2, include the following receipts that
3 appear to be associated with construction of the standpipe.

4	2/4/2010	Water Products.Net	Standpipe	\$10,000
	3/18/2010	Water Products.Net	Enclosure	3,341
5	4/16/2010	Pam Synod	Landscape Design	425
	?/2010	Water Products.Net	Standpipe	36,684
6	6/24/2010	Ninyo Moore	Standpipe Svc.	2,500
	4/21/2010	Shephard Wesnitzer	Standpipe plans	1,748
7	5/21/2010	Shephard Wesnitzer	Standpipe Svc.	753
	4/29/2009	Spectrum Grp	Lift Station	358
8				
9				<u>\$55,809</u>

10
11 a. Please explain the difference in the total of the receipts and the total cost
12 included in CWIP and provide copies of any additional invoices supporting the total cost
13 claimed by the Company.

14 b. Receipts submitted by the Company indicate that distribution mains were
15 replaced in 2011 at a cost of \$14,432. Where were these mains installed? Were they
16 associated with construction of the standpipe?

17 **Response: The Company is not seeking CWIP in rate base. There is no post-test**
18 **year plant requested in rate base. Receipts are set forth in Attachment 6.10. Note**
19 **the invoice paid to Shepard Westnitzer for \$1,404.00 was delivered and paid after**
20 **December 31, 2009 when Well 4 was put into service. This invoice was erroneously**
21 **placed in CWIP for the standpipe. The mains replaced in 2011 were required for**
22 **Well 4, not the standpipe.**

23 **JLK 6.11 Customer and/or Potential Customers – Please identify all customers or**
24 **potential customers for the standpipe and the anticipated monthly AND annual sales from**
25 **each customer. Please provide copies of any contracts, credit applications, or facility use**
26 **card applications. Please provide copies of correspondence written to or received from**
27 **the actual and/or potential customer.**

28 **Response: The Company anticipates that it will supply bulk water to a local**
29 **rancher and a local KOA summer campground. There are no written contracts.**

30 **JLK 6.12 Security Deposits for Standpipe – Explain how, or if, the Company is going**
31 **to require security deposits from potential customers. Provide a copy of all security**
32 **deposit forms to be used by the Company. Have such forms or tariffs been submitted to**

1 the ACC for review and approval? Please explain.

2 **Response: Technology now allows prepayment and credit card transactions. The**
3 **customer will have to make payment and then take water. If the customer overpays**
4 **for the transaction, that amount will be credited to the customer's next purchase.**
5 **There are no security deposits per se.**

6 **JLK 6.13 Standpipe Payment Cards and Water Delivery Billing Questions – Please**
7 **answer or provide the following:**

8 a. Please provide all documentation concerning the Company's standpipe
9 payment or pre-payment delivery tracking and billing cards.

10 b. Please state whether the cost to customers will be based on actual gallons
11 sold (e.g. customer pumps 1,025 gallons and pays for 1,025 gallons) or rounded up/down
12 gallons (e.g. customer pumps 1,025 gallons but pays for 2,000 gallons).

13 c. Please state what means of payment will be accepted (e.g. Credit card, Pre-
14 paid card, Monthly billing).

15 **Response: The tracking and billing will be electronic. Unless special**
16 **circumstances warrant, the Company will take credit and debit cards for payment.**
17 **The system will measure actual gallons.**

18 **JLK 6.14 Financing for Standpipe – Please state how the standpipe facility was**
19 **financed and the terms of the financing. Please provide all supporting documentation. If**
20 **main extensions or other services lines were installed to directly or indirectly serve this**
21 **distribution center, please explain how the investments in these lines were financed?**

22 **Response: The standpipe was constructed using Company investment and a line**
23 **of credit from the owner. As previously explained, the Company was unable to pay**
24 **the owner within a year due to the lack of sufficient funding. No main extensions**
25 **were needed to connect the standpipe to the existing system.**

26 **JLK 6.15 ADEQ – Requirements – What are the ADEQ requirements for the**
27 **standpipe? Have these requirements been met? Provide a copy of both the ADEQ**
28 **Approval to Construct this facility and a copy of the ADEQ Approval of Construction**
related to this facility.

Response: ADEQ requires an Approval to Construct and Approval of
Construction. The Company has not received the Approval of Construction. See

1 **Attachment 6.4.**

2
3 **JLK 6.16** Standpipe and CC&N – If not clearly addressed or explained in the
4 Business Plan submitted in response to Staff Data Request JLK 6-8, please provide data
5 in support of the need for a standpipe in the community or communities to be served by
6 this facility. Was it requested by existing ratepayers? If so, please explain.

7 **Response:** Existing ratepayers receive water through the distribution lines, so
8 there is no need for them to haul water. Therefore, they did not request the water
9 hauling standpipe. Water haulers and contractors have made the request for the
10 service.

11 **JLK 6.17** Correspondence Regarding Standpipe Service Availability – Provide a copy
12 of all letters or other correspondence generated by the Company to announce or market
13 the availability of this new facility? Identify the costs incurred in developing or sending
14 out these announcements and identify how, and when, these costs were recorded on the
15 Company books and records?

16 **Response:** The Company has not marketed the standpipe operation.

17
18 **JLK 6.18** Reasonableness of Proposed Standpipe Rate – Please provide full support
19 for the reasonableness of the Company's request for a tariffed billing rate of \$21.75 per
20 1,000 gallons for the deliveries through this new water distribution center.

21 **Response:** The Company will need to recoup its investment. Further, the supply
22 wells are deep and require a vast amount of power to lift water to the standpipe.
23 Consistent with common practices adopted by this Commission, the standpipe rate
24 is the highest commodity rate.

25
26 **JLK 6.19** Revenue for Standpipe – Explain where in the Company's pending rate
27 application and proof of revenues, the additional revenues from this water distribution
28 center have been quantified and identified.

29 **Response:** The Company's bill count includes approximately \$3,500 in bulk water
30 sales. The Company has made no pro forma adjustments for bulk water sales
31 because it is not known and measurable.

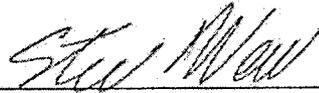
32
33 **JLK 6.20** Portion of Well No. 4 Related to Standpipe – Staff notes that the
34 Company's investment in well #4 was approximately \$730,000 at the time of the last rate
35 case and this investment level has now grown to almost \$1,500,000. Identify and fully

1 explain and discuss the portion of this incremental investment made in whole, or in part,
2 to support water deliveries through this new distribution center?

3 **Response: Well No. 4 was in no way developed for standpipe operations.**

4
5 RESPECTFULLY SUBMITTED this 7th day of August, 2014.

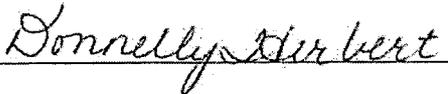
6 **MOYES SELLERS & HENDRICKS LTD.**

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8 
9 _____
Steve Wene

10
11
12 Copies of the foregoing electronically
sent this 7th day of August, 2014 to:

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