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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV - 7 2014

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

DOCKETED BY MR

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

DOCKET NO: WS-04235A-13-0331

**NOTICE OF FILING REJOINDER
TESTIMONY**

22 Utility Source, L.L.C. ("Company"), hereby files rejoinder testimonies described
23 below:

- 24 ● Rejoinder Testimony of Tom Bourassa regarding Rate Base, Incomes Statement
25 and Rate Design (Attachment 1);
- 26 ● Rejoinder Testimony of Tom Bourassa regarding Cost of Capital (Attachment 2);
27 and
- 28 ● Rejoinder Testimony of Lonnie McCleve (Attachment 3).

Steve Wene

1 Original and thirteen (13) copies
2 of the foregoing filed this
3 7th day of November, 2014 with:

4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copies of the foregoing mailed
8 this 7th day of November, 2014 to:

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ATTACHMENT 1

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

**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 WATER AND WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.**

DOCKET NO: WS-04235A-13-0331

**REJOINDER TESTIMONY OF
THOMAS J. BOURASSA
(RATE BASE, INCOME STATEMENT AND RATE DESIGN)**

November 7, 2014

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

I. INTRODUCTION AND QUALIFICATIONS. 1

II. SUMMARY OF USLLC’S REJOINDER POSITION. 1

III. RATE BASE 3

 A. Water Division Rate Base. 3

 1. Remaining Issues in Dispute. 4

 B. Wastewater Division Rate Base. 6

 1. Remaining Issues in Dispute. 6

IV. INCOME STATEMENT. 8

 A. Water Division Revenue and Expenses. 8

 1. Water Testing Expense 8

 2. Remaining Issues In Dispute. 9

 B. Wastewater Division Revenue and Expenses. 10

 1. Remaining Issues In Dispute. 10

V. RATE DESIGN (H SCHEDULES). 11

 A. Water Division. 11

 1. Other Tariff Changes. 14

 B. Wastewater Division. 14

1 **I. INTRODUCTION AND QUALIFICATIONS.**

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

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

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

6 A. I am testifying on behalf of the applicant, Utility Source, LLC (“USLLC” or the
7 “Company”). USLLC is seeking changes in its rates and charges for water utility
8 service in its certificated service area, which area is located in Yavapai County.

9 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL**
10 **TESTIMONY IN THE INSTANT CASE?**

11 A. Yes, I have previously submitted direct and rebuttal testimony in support of the
12 request for new rates in this docket.

13 **Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?**

14 A. To respond to the surrebuttal filings by Staff and RUCO relating to rate base,
15 income statement and rate design for USLLC. In a second, separate volume of my
16 rejoinder testimony, I will provide responses to Staff and RUCO on the cost of
17 capital, the rate of return applied to the fair value rate base, and the determination
18 of operating income.

19

20 **II. SUMMARY OF USLLC’S REJOINDER POSITION.**

21 **Q. WHAT ARE THE REVENUE INCREASES FOR THE WATER AND**
22 **WASTEWATER DIVISIONS THAT THE COMPANY IS PROPOSING IN**
23 **THIS REJOINDER TESTIMONY?**

24 A. For the water division, the Company proposes a total revenue requirement of
25 \$432,967, which constitutes an increase in revenue of \$226,783, or 109.99 percent
26 over adjusted test year revenues. For the wastewater division, the Company

1 proposes a total revenue requirement of \$328,900 which constitutes an increase in
2 revenues of \$209,436 or 175.31 percent over adjusted test year revenues.

3 **Q. HOW DO THESE COMPARE WITH THE COMPANY'S REBUTTAL**
4 **FILING?**

5 A. The total revenue requirement and required rate increase is slightly less for the
6 water division. This is because the Company has adopted RUCO's recommended
7 adjustment to water testing expense which results in about a \$1,100 reduction to
8 expenses. The total revenue requirement and required rate increase is the same for
9 the wastewater division. The Company continues to recommend an 11.0 percent
10 return on equity. Based on a capital structure consisting of 100 percent equity and
11 0 percent debt, the Company recommends a weighted cost of capital and return on
12 its fair value rate base ("FVRB") of 11.0 percent. I discuss the Company's
13 proposed return on equity, cost of debt, and capital structure in my separate
14 rejoinder cost of capital testimony.

15 **Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE**
16 **INCREASES FOR THE COMPANY, STAFF, AND RUCO AT THIS STAGE**
17 **OF THE PROCEEDING?**

18 A. For the water division, the proposed revenue requirements and proposed rate
19 increases are as follows:

| | <u>Revenue Requirement</u> | <u>Revenue Incr.</u> | <u>% Increase</u> | |
|----|----------------------------|----------------------|-------------------|---------|
| 20 | | | | |
| 21 | Company Rebuttal | \$432,967 | \$226,783 | 109.99% |
| 22 | Staff | \$412,100 | \$206,184 | 99.87% |
| 23 | RUCO | \$342,275 | \$136,091 | 66.00% |
| 24 | Company Rejoinder | \$431,858 | \$225,674 | 109.45% |
| 25 | | | | |

26 For the wastewater division, the proposed revenue requirements and

1 proposed rate increases are as follows:

| | <u>Revenue Requirement</u> | <u>Revenue Incr.</u> | <u>% Increase</u> |
|---------------------|----------------------------|----------------------|-------------------|
| 3 Company Rebuttal | \$328,900 | \$209,436 | 175.31% |
| 4 Staff | \$316,668 | \$197,204 | 165.07% |
| 5 RUCO | \$279,524 | \$160,060 | 133.98% |
| 6 Company Rejoinder | \$328,900 | \$209,436 | 175.31% |

8 **III. RATE BASE**

9 **A. Water Division Rate Base.**

10 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**
11 **BASE RECOMMENDATIONS FOR THE WATER DIVISION?**

12 A. Yes, for the water division the rate base proposed by the parties proposing a rate
13 base in the case, the Company, Staff and RUCO, are as follows:

| | <u>OCRB</u> | <u>FVRB</u> |
|----------------------|-------------|-------------|
| 15 Company Rebuttal | \$1,575,194 | \$1,575,194 |
| 16 Staff | \$1,604,879 | \$1,604,879 |
| 17 RUCO | \$1,575,194 | \$1,575,194 |
| 18 Company Rejoinder | \$1,575,194 | \$1,575,194 |

19 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
20 **ORIGINAL COST RATE BASE FOR THE WATER DIVISION?**

21 A. Yes. The Company's rejoinder rate base adjustments to the water division's
22 OCRB are detailed on rejoinder schedules B-2, pages 3 through 6. Rejoinder
23 Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and
24 the rejoinder OCRB. The Company is not proposing any changes or additional
25 adjustments to the water division rate base. The Company's rejoinder adjustments
26 are the same as the Company's rebuttal adjustments.

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1. Remaining Issues in Dispute.

a. Accumulated Depreciation (A/D).

Q. PLEASE DISCUSS THE DISAGREEMENT BETWEEN STAFF AND THE COMPANY REGARDING THE ACCUMULATED DEPRECIATION BALANCE?

A. The Company proposes an A/D balance of \$716,486¹ while Staff proposes an A/D balance of \$667,131²; a difference of \$49,355.

Q. DID STAFF EXPLAIN WHY ITS ACCUMULATED DERPECIATION EXPENSE WAS LOWER?

A. No.³ Since Staff did not explain why its A/D balance was lower, I reviewed the Staff work papers and have found that the \$49,354 difference represents an additional year of depreciation related to Deep Well #4. In other words, Staff removes an additional year of depreciation for Deep Well #4.

Q. DIDN'T THE COMPANY REMOVE ALL ACCUMULATED DEPRECIATION ON DEEP WELL #4 THROUGH THE END OF 2012 IN ITS DIRECT FILING?

A. Yes.⁴ There is no reason that I can find for the removal of an additional full year of depreciation. Accordingly, The Commission should reject the Staff recommended A/D balance.

¹ See USLLC Rejoinder Water Division Schedule B-2, page 2.
² See Staff Surrebuttal Water Division Schedule JLK-W3.
³ See Surrebuttal Testimony of Jorn L. Keller ("Keller Sb.") at 5.
⁴ See USLLC Direct Water Division Schedule B-2, page 4.1.

1 division.

2 **Q. ARE THERE ANY REMAINING WATER DIVISION RATE BASE ISSUES**
3 **BETWEEN THE PARTIES?**

4 A. No.

5 **B. Wastewater Division Rate Base.**

6 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**
7 **BASE RECOMMENDATIONS FOR THE WATER DIVISION?**

8 A. Yes, for the water division the rate bases proposed by the parties in the case, the
9 Company, Staff and RUCO, are as follows:

| | <u>OCRB</u> | <u>FVRB</u> |
|----------------------|-------------|-------------|
| 11 Company Rebuttal | \$825,856 | \$825,856 |
| 12 Staff | \$825,880 | \$825,880 |
| 13 RUCO | \$825,856 | \$825,856 |
| 14 Company Rejoinder | \$825,856 | \$825,856 |

15 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
16 **ORIGINAL COST RATE BASE FOR THE WASTEWATER DIVISION?**

17 A. The Company's rejoinder rate base adjustments to the wastewater division's OCRB
18 are detailed on rejoinder schedules B-2, pages 3 through 6. Rejoinder Schedule B-
19 2, page 1 and 2, summarize the Company's proposed adjustments and the rejoinder
20 OCRB. The Company is not proposing any changes or additional adjustments to
21 the wastewater division rate base. The Company's rejoinder adjustments are the
22 same as the Company's rebuttal adjustments.

23 **1. Remaining Issues in Dispute.**

24 **a. Accumulated Depreciation (A/D).**

25 **Q. PLEASE DISCUSS THE DISAGREEMENT BETWEEN STAFF AND THE**
26 **COMPANY REGARDING THE ACCUMULATED DEPRECIATION**

1 **BALANCE?**

2 A. The Company proposes an A/D balance of \$455,092⁸ while Staff proposes an A/D
3 balance of \$455,064⁹; a difference of \$28.

4 **Q. WHAT IS THE CAUSE OF TH DIFFERENCE?**

5 A. The Company agreed with Staff's reclassification of \$421 from account 390 –
6 Office Furniture and Equipment to account 390.1 – Computers and Software.¹⁰
7 These two accounts have depreciation rates of 6.67 percent and 20 percent,
8 respectively. However, Staff did not adjust its A/D balance to reflect the change to
9 the account balances. Accordingly, The Commission should reject the Staff
10 recommended A/D balance.

11 **b. Accumulated Amortization of Contributions in Aid of**
12 **Construction (CIAC).**

13 **Q. PLEASE DISCUSS THE DISAGREEMENT BETWEEN STAFF AND THE**
14 **COMPANY REGARDING THE ACCUMULATED AMORTIZATION**
15 **BALANCE?**

16 A. The Company proposes an Accumulated Amortization (“A.A.”) balance of
17 \$86,715¹¹ while Staff proposes an A/D balance of \$86,711¹²; a difference of \$4.
18 This difference is the result of the change to the amortization rate for 2012
19 stemming from the reclassification of plant as described above. , Staff did not
20 adjust its A.A. balance to reflect the change to plant and the amortization rate.
21 Accordingly, The Commission should reject the Staff recommended A.A. balance.

22

23

⁸ See USLLC Rejoinder Wastewater Division Schedule B-2, page 2.

24

⁹ See Staff Surrebuttal Wastewater Division Schedule JLK-WW3.

25

¹⁰ See Bourassa Rb. at 8 and Staff Surrebuttal Wastewater Division Schedule JLK-WW4.

26

¹¹ See USLLC Rejoinder Schedule B-2, page 2.

¹² See Staff Surrebuttal Schedule JLK-W6.

1 Q. ARE THERE ANY REMAINING WASTEWATER DIVISION RATE BASE
2 ISSUES BETWEEN THE PARTIES?

3 A. No.

4
5 **IV. INCOME STATEMENT.**

6 **A. Water Division Revenue and Expenses.**

7 Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED
8 ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WATER
9 DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE
10 ACCEPTED FROM STAFF AND/OR RUCO?

11 A. The Company rejoinder adjustments for the water division are detailed on
12 Rejoinder Schedule C-2, pages 1-12. The rejoinder income statement with
13 adjustments is summarized on Rejoinder Schedule C-1, page 1-2. The Company
14 is proposing one change to expenses described below. There are no other changes
15 or additional adjustments to the wastewater division revenues and/or expenses.
16 The Company's rejoinder adjustments to revenues and/or expenses other than the
17 one change are the same as the Company's rebuttal adjustments.

18 **1. Water Testing Expense**

19 Q. PLEASE DISCUSS THE COMPANY PROPOSED CHANGE TO WATER
20 TESTING EXPENSE.

21 A. As reflected in rejoinder adjustment number 5, the Company is adopting RUCO's
22 proposed water testing expense of \$374.¹³ As explained by RUCO, the Company's
23 miscellaneous expense already includes the MAP testing cost totaling \$1,096.¹⁴
24 The MAP testing expense plus the \$374 recommendation total \$1,470 which

25 ¹³ See Surrebuttal Testimony of Jeffery M. Michlik ("Michlik Sb.") at 6.

26 ¹⁴ *Id.*

1 matches the Staff recommendation as set forth in Mr. Thompson's direct testimony
2 (Table C).

3 **2. Remaining Issues In Dispute.**

4 **a. Rate Case Expense**

5 **Q. PLEASE DISCUSS THE DIFFERENCES IN RATE CASE EXPENSE**
6 **BETWEEN THE PARTIES.**

7 A. All of the parties are in agreement on the total level of rate case expense for the
8 water division of \$50,000. The Company and Staff agree on a 3-year amortization
9 period and a normalized annual expense of \$16,667.¹⁵ RUCO on the other hand
10 excludes rate case expense from operating expenses and proposes a surcharge of
11 \$16,667 based upon a 3-year recovery period.¹⁶

12 **Q. IS A SURCHARGE RECOVERY APPROACH WARRANTED IN THIS**
13 **CASE?**

14 A. No, for at least two reasons. First, the use of a surcharge recovery approach is
15 rarely used. The problem with a surcharge recovery approach is that the Company
16 will incur regulatory expense (compliance filings, etc.) between rate cases which
17 are not reflected in the test year expenses. A normalized expense amount also
18 makes more sense as it treats rate case expense like other expenses. Expenses in the
19 future may be higher (or lower) than the adjusted test year level and the actual
20 earnings which be lower (or higher) than the authorized level. Second, the
21 Company has agreed to file for another rate case and the Company now agrees with
22 Staff that the timing of another rate case should correspond to the amortization
23 period.¹⁷

24
25 ¹⁵ Bourassa Rb. at 14.

26 ¹⁶ Michlik Sb. at 18.

¹⁷ Keller Sb. at 7.

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b. Income Tax Expense

Q. PLEASE DISCUSS THE DIFFERENCE IN THE PROPOSED INCOME TAXES BETWEEN THE PARTIES.

A. The Company and Staff propose recovery of income taxes whereas RUCO does not.¹⁸ Based upon current Commission policy, RUCO's position should be rejected.

B. Wastewater Division Revenue and Expenses.

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WASTEWATER DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. The Company rejoinder adjustments for the wastewater division are detailed on Rejoinder Schedule C-2, pages 1-12. The rejoinder income statement with adjustments is summarized on Rejoinder Schedule C-1, page 1-2. The Company is not proposing any changes or additional adjustments to the wastewater division revenues and/or expenses. The Company's rejoinder adjustments to revenues and/or expenses are the same as the Company's rebuttal adjustments.

1. Remaining Issues In Dispute.

a. Rate Case Expense

Q. PLEASE DISCUSS THE DIFFERENCES IN RATE CASE EXPENSE BETWEEN THE PARTIES.

A. All of the parties are in agreement on the total level of rate case expense for the water division of \$50,000. The Company and Staff agree on a 3-year amortization period and a normalized annual expense of \$16,667.¹⁹ RUCO on the other hand

¹⁸ See Surrebuttal Testtimony of Jeffery M. Michlik ("Michlik Sb.") at 8.

¹⁹ Bourassa Rb. at 14.

1 excludes rate case expense from operating expenses and proposes a surcharge of
2 \$16,667 based upon a 3-year recovery period.²⁰ I have previously discussed (at
3 page 9) why a 3-year amortization is appropriate in the instant case and will not
4 repeat that testimony here.

5 **b. Income Tax Expense**

6 **Q. PLEASE DISCUSS THE DIFFERENCE IN THE PROPOSED INCOME**
7 **TAXES BETWEEN THE PARTIES.**

8 A. The Company and Staff propose recovery of income taxes whereas RUCO does
9 not.²¹ Based upon current Commission policy, RUCO's position should be
10 rejected.

11
12 **V. RATE DESIGN (H SCHEDULES).**

13 **A. Water Division.**

14 **Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR WATER**
15 **SERVICE?**

16 A. The Company's proposed rates are:
17 MONTHLY SERVICE CHARGES

| | | |
|----|-------------------|------------|
| 18 | 5/8" x 3/4" Meter | \$ 40.61 |
| 19 | 3/4" Meter | \$ 40.61 |
| 20 | 1" Meter | \$ 100.52 |
| 21 | 1 1/2" Meter | \$ 203.04 |
| 22 | 2" Meter | \$324.86 |
| 23 | 3" Meter | \$649.72 |
| 24 | 4" Meter | \$1,015.19 |

25 ²⁰ Michlik Sb. at 18.

26 ²¹ See Surrebuttal Testimony of Jeffery M. Michlik ("Michlik Sb.") at 8.

| | | | |
|----|----------------------------|----------------|------------|
| 1 | 6" Meter | | \$2,030.38 |
| 2 | Gallons in minimum | | 0 |
| 3 | | | |
| 4 | COMMODITY RATES | | |
| 5 | 5/8"X3/4" –Res. & Com | 1 to 4,000 | \$ 8.20 |
| 6 | | 4,001 to 9,000 | \$15.70 |
| 7 | | Over 9,000 | \$21.70 |
| 8 | 3/4" – Res. & Com. | 1 to 4,000 | \$ 8.20 |
| 9 | | 4,001 to 9,000 | \$15.70 |
| 10 | | Over 9,000 | \$21.70 |
| 11 | 1" Meter – Res. & Com. | 1 to 27,000 | \$15.70 |
| 12 | | Over 27,000 | \$21.70 |
| 13 | 1 1/2" Meter – Res. & Com. | 1 to 57,000 | \$15.70 |
| 14 | | Over 57,000 | \$21.70 |
| 15 | 2" Meter– Res. & Com. | 1 to 94,000 | \$15.25 |
| 16 | | Over 94,000 | \$21.70 |
| 17 | 3" Meter– Res. & Com. | 1 to 195,000 | \$15.25 |
| 18 | | Over 195,000 | \$21.70 |
| 19 | 4" Meter– Res. & Com. | 1 to 309,000 | \$15.70 |
| 20 | | Over 309,000 | \$21.70 |
| 21 | 6" Meter– Res. & Com. | 1 to 615,000 | \$15.25 |
| 22 | | Over 615,000 | \$21.70 |
| 23 | Irrigation Meters | All gallons | \$15.70 |
| 24 | Standpipe/Bulk Water | All gallons | \$21.70 |
| 25 | Construction Meters | All gallons | \$21.70 |
| 26 | | | |

1 Q. WHAT WILL BE THE 5/8X3/4 INCH RESIDENTIAL CUSTOMER
2 AVERAGE MONTHLY BILL UNDER THE NEW RATES?

3 A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates
4 for a 3/4 inch residential customer using an average 4,123 gallons is \$75.33 – a
5 \$36.76 increase over the present monthly bill or a 95.27 percent increase.

6 Q. HAVE YOU MADE ANY CHANGES TO THE RATE DESIGN FROM THE
7 REBUTTAL FILING?

8 A. No.

9 Q. PLEASE COMMENT ON THE PROPOSED WATER RATE DESIGN OF
10 STAFF.

11 A. The Company continues to be concerned with the Staff rate design. The Staff rate
12 design will lead to greater amounts of revenue erosion when conservation occurs as
13 compared to the Company's rate design. One reason for this higher revenue
14 instability is that a greater portion of the revenue requirement is recovered via the
15 commodity rates under the Staff rate design than the Company rate design. Under
16 the Staff's design less than 37 percent of the revenue requirement is recovered
17 from the monthly minimums whereas under the Company's rate design about 40
18 percent of the revenues are recovered from the monthly minimums. Another
19 reason for the greater revenue stability is that under the Staff rate design more
20 revenues are recovered from the higher commodity rates. About 47 percent of the
21 revenue requirement is recovered from the two highest commodity rates under the
22 Staff rate design while about 38 percent of the revenue requirement is recovered
23 from the two highest commodity rates. When conservation occurs, the commodity
24 revenues will decrease to a greater extent under the Staff rate design as compared
25 to the Company rate design.
26

1 Q. DO YOU HAVE SIMILAR REVENUE STABILITY CONCERNS WITH
2 RUCO'S PROPOSED RATE DESIGN?

3 A. Yes, RUCO's rate design recovers about 36 percent of revenues from the monthly
4 minimums, which is significantly lower than the Company's recovery at about 40
5 percent. Further, like the Staff rate design, a greater portion of the revenue
6 requirement is recovered from the highest cost commodity rates. RUCO's rate
7 design recovers about 40 percent of revenues from the two highest commodity
8 rates.

9 1. Other Tariff Changes.

10 Q. IS THERE ANY DISAGREEMENT BETWEEN THE COMPANY AND
11 STAFF ON THE COMPANY'S PROPOSED METER AND SERVICE LINE
12 INSTALLATION CHARGES?

13 A. No, the Company and Staff are in agreement.

14 Q. IS THERE ANY DISAGREEMENT BETWEEN THE COMPANY AND
15 STAFF ON THE COMPANY'S PROPOSED MISCELLANEOUS
16 CHARGES?

17 A. No.

18 B. Wastewater Division.

19 Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR
20 WASTEWATER SERVICE?

21 A. The Company's proposed rates are:

22 MONTHLY CHARGE

23 5/8" x 3/4" Meter \$ 53.00

24 3/4" Meter \$ 53.00

25 1" Meter \$132.50

26 1 1/2" Meter \$265.00

| | | |
|---|----------|------------|
| 1 | 2" Meter | \$424.00 |
| 2 | 3" Meter | \$848.00 |
| 3 | 4" Meter | \$1,325.00 |
| 4 | 6" Meter | \$2,650.00 |

5

6 Rate per 1,000 gallons of water use:

| | | |
|----|--|----------|
| 7 | Residential | \$ 5.31 |
| 8 | Car washes, laundromats, commercial, manufacturing | \$ 5.20 |
| 9 | Hotels and motels | \$ 6.97 |
| 10 | Restaurants | \$ 8.61 |
| 11 | Industrial Laundries | \$ 7.63 |
| 12 | Waste Haulers | \$155.79 |
| 13 | Restaurant Grease | \$136.32 |
| 14 | Treatment Plant Sludge | \$155.79 |
| 15 | Mud Slump Waste | \$486.85 |

16

17 **Q. WHAT WILL BE THE 3/4 INCH RESIDENTIAL CUSTOMER AVERAGE**
 18 **MONTHLY BILL UNDER THE NEW RATES?**

19 A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates
 20 for a 3/4 inch residential customer using an average 4,123 gallons is \$74.91 – a
 21 \$50.83 increase over the present monthly bill or a 211.13% increase.

22 **Q. HAVE YOU MADE ANY CHANGES TO THE RATE DESIGN?**

23 A. No.

24 **Q. PLEASE COMMENT ON THE PROPOSED WASTEWATER RATE**
 25 **DESIGN OF STAFF AND RUCO.**

26

1 A. Staff continues to propose a wastewater rate design that does not include a usage
2 charge for residential customers. The Company disagrees with the Staff rate
3 design because it does not distinguish between those customers who place more
4 demands on the wastewater system because they use more water and/or because
5 their wastewater is more costly to treat.

6 RUCO continues to propose a wastewater rate design that does not include
7 any monthly minimums. All of the wastewater revenues are recovered via usage
8 charges. The Company disagrees with the RUCO rate design because it leads to
9 higher revenue instability and can lead to wide fluctuations in monthly revenues
10 (seasonality).

11 The Company also disagrees with the proposal to phase-in rates because the
12 need for the rates as proposed has been established. Further, the Company needs
13 the revenue at this time and delay will have adverse impacts on the Company.

14 **Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?**

15 A. Yes.

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**Water
Rejoinder
Schedules**

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Rejoinder Schedule A-1
 Page 1
 Witness: Bourassa

Line
No.

| | | |
|----|---|--------------|
| 1 | Fair Value Rate Base | \$ 1,575,194 |
| 2 | | |
| 3 | Adjusted Operating Income | (5,009) |
| 4 | | |
| 5 | Current Rate of Return | -0.32% |
| 6 | | |
| 7 | Required Operating Income | \$ 173,271 |
| 8 | | |
| 9 | Required Rate of Return | 11.00% |
| 10 | | |
| 11 | Operating Income Deficiency | \$ 178,280 |
| 12 | | |
| 13 | Gross Revenue Conversion Factor | 1.2658 |
| 14 | | |
| 15 | Increase in Gross Revenue | |
| 16 | Requirement | \$ 225,674 |
| 17 | | |
| 18 | Adjusted Test Year Revenues | \$ 206,184 |
| 19 | Increase in Gross Revenue Revenue Requirement | \$ 225,674 |
| 20 | Proposed Revenue Requirement | \$ 431,858 |
| 21 | % Increase | 109.45% |
| 22 | | |

| <u>Customer</u> | <u>Present</u> | <u>Proposed</u> | <u>Dollar</u> | <u>Percent</u> |
|-----------------------------------|-------------------|-------------------|-------------------|-----------------|
| <u>Classification</u> | <u>Rates</u> | <u>Rates</u> | <u>Increase</u> | <u>Increase</u> |
| 25 3/4 Inch Residential | \$ 159,301 | \$ 326,338 | \$ 167,038 | 104.86% |
| 26 3/4 Inch Commercial | 322 | 810 | 489 | 152.01% |
| 27 2 Inch Commercial | 38,120 | 89,670 | 51,550 | 135.23% |
| 28 2 Inch Irrigation | 1,776 | 3,898 | 2,122 | 119.50% |
| 29 | | | | |
| 30 Bulk/Construction | 3,482 | 7,323 | 3,841 | 110.29% |
| 31 | | | | |
| 32 Revenue Annualization | 328 | 632 | 304 | 92.85% |
| 33 Subtotal | \$ 203,328 | \$ 428,672 | \$ 225,343 | 110.83% |
| 34 | | | | |
| 35 Other Water Revenues | 3,441 | 3,441 | - | 0.00% |
| 36 Reconciling Amount | (585) | (255) | 330 | -56.41% |
| 37 Rounding | | | 1 | 0.00% |
| 38 Total of Water Revenues | \$ 206,184 | \$ 431,858 | \$ 225,674 | 109.45% |
| 39 | | | | |

41 SUPPORTING SCHEDULES:

- 42 B-1
- 43 C-1
- 44 C-3
- 45 H-1

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Summary of Rate Base

Exhibit
 Rejoinder Schedule B-1
 Page 1
 Witness: Bourassa

| Line No. | | <u>Original Cost</u> <u>Rate base</u> | <u>Fair Value</u> <u>Rate Base</u> |
|-------------|--------------------------------------|--|---------------------------------------|
| 1 | | | |
| 2 | Gross Utility Plant in Service | \$ 2,496,640 | \$ 2,496,640 |
| 3 | Less: Accumulated Depreciation | 716,486 | 716,486 |
| 4 | | | |
| 5 | Net Utility Plant in Service | \$ 1,780,154 | \$ 1,780,154 |
| 6 | | | |
| 7 | <u>Less:</u> | | |
| 8 | Advances in Aid of Construction | - | - |
| 9 | | | |
| 10 | Contributions in Aid of Construction | 294,745 | 294,745 |
| 11 | | | |
| 12 | Accumulated Amortization of CIAC | (95,670) | (95,670) |
| 13 | | | |
| 14 | Customer Meter Deposits | 5,885 | 5,885 |
| 15 | Deferred Income Taxes & Credits | - | - |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | <u>Plus:</u> | | |
| 20 | Unamortized Finance | | |
| 21 | Charges | - | - |
| 22 | Prepayments | - | - |
| 23 | Materials and Supplies | - | - |
| 24 | Allowance for Working Capital | - | - |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | Total Rate Base | <u>\$ 1,575,194</u> | <u>\$ 1,575,194</u> |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | <u>SUPPORTING SCHEDULES:</u> | | |
| 44 | B-2 | | |
| 45 | B-3 | | |
| 46 | B-5 | | |
| 47 | E-1 | | |
| 48 | | | |
| 49 | | | |
| 50 | | | |
| 51 | | | |
| 52 | | | |

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rejoinder Schedule B-2
 Page 1
 Witness: Bourassa

| Line No. | | Adjusted at end of <u>Test Year</u> | <u>Proforma Adjustment</u> | Rejoinder Adjusted at end of <u>Test Year</u> |
|-------------|----------------------------------|--|--------------------------------|---|
| 1 | Gross Utility | | | |
| 2 | Plant in Service | \$ 2,496,640 | - | \$ 2,496,640 |
| 3 | | | | |
| 4 | Less: | | | |
| 5 | Accumulated | | | |
| 6 | Depreciation | 726,406 | (9,919) | 716,486 |
| 7 | | | | |
| 8 | | | | |
| 9 | Net Utility Plant | | | |
| 10 | in Service | \$ 1,770,234 | | \$ 1,780,154 |
| 11 | | | | |
| 12 | Less: | | | |
| 13 | Advances in Aid of | | | |
| 14 | Construction | - | - | - |
| 15 | | | | |
| 16 | Contributions in Aid of | | | |
| 17 | Construction - Gross | 294,745 | - | 294,745 |
| 18 | | | | |
| 19 | Accumulated Amortization of CIAC | (96,938) | 1,267 | (95,670) |
| 20 | | | | |
| 21 | Customer Meter Deposits | 5,885 | 0 | 5,885 |
| 22 | Accumulated Deferred Income Tax | - | - | - |
| 23 | | | | - |
| 24 | | | | - |
| 25 | | | | |
| 26 | Plus: | | | |
| 27 | Unamortized Finance | | | |
| 28 | Charges | - | - | - |
| 29 | Prepayments | - | - | - |
| 30 | Materials and Supplies | - | - | - |
| 31 | Working capital | - | - | - |
| 32 | | | | - |
| 33 | | | | |
| 34 | Total | \$ 1,566,542 | | \$ 1,575,194 |

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

RECAP SCHEDULES:
 B-1

48
 49
 50

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rejoinder Schedule B-2
 Page 2
 Witness: Bourassa

| Line No. | Adjusted at end of Test Year | 1 Plant-in-Service | Proforma Adjustments | | | | Rejoinder Adjusted at end of Test Year |
|----------|------------------------------|-----------------------|-------------------------------|------------|---------------------------------|-------------------------------|--|
| | | | 2 Accumulated Depreciation | 3 CIAC | 4 Customer Security Deposits | 5 Intentionally Left Blank | |
| 1 | \$ 2,496,640 | - | | | | | \$ 2,496,640 |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | 726,406 | | (9,919) | | | | 716,486 |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | \$ 1,770,234 | \$ - | \$ 9,919 | \$ - | \$ - | \$ - | \$ 1,780,154 |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | 294,745 | | | | | | 294,745 |
| 18 | | | | | | | |
| 19 | (96,938) | | | 1,267 | | | (95,670) |
| 20 | | | | | | | |
| 21 | 5,885 | | | | | | 5,885 |
| 22 | - | | | | | | - |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | | | | | | | |
| 27 | - | | | | | | - |
| 28 | - | | | | | | - |
| 29 | - | | | | | | - |
| 30 | - | | | | | | - |
| 31 | | | | | | | |
| 32 | \$ 1,566,542 | \$ - | \$ 9,919 | \$ (1,267) | \$ - | \$ - | \$ 1,575,194 |
| 33 | | | | | | | |
| 34 | | | | | | | |
| 35 | | | | | | | |

SUPPORTING SCHEDULES:

B-2, pages 3-5

E-1

RECAP SCHEDULES:

B-1

40

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - A

Exhibit
 Rejoinder Schedule B-
 Page 3.1
 Witness: Bourassa

Line
 No.

Reconciliation to Reconstructed Plant-in-Service

| Line No. | Acct. No. | Description | Recorded Original Cost | Removed Deep Well #4 Costs | Adjusted Original Cost | Plant Per Reconstruction | Difference |
|----------|-----------|------------------------------------|------------------------|----------------------------|------------------------|--------------------------|------------|
| 5 | 301 | Organization Cost | - | - | - | - | - |
| 6 | 302 | Franchise Cost | - | - | - | - | - |
| 8 | 303 | Land and Land Rights | 210,000 | - | 210,000 | 210,000 | - |
| 9 | 304 | Structures and Improvements | 81,748 | (8,751) | 72,997 | 72,997 | - |
| 10 | 305 | Collecting and Impounding Res. | - | - | - | - | - |
| 11 | 306 | Lake River and Other Intakes | - | - | - | - | - |
| 12 | 307 | Wells and Springs | 2,831,962 | (1,478,423) | 1,353,539 | 1,353,539 | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - | - | - | - | - |
| 14 | 309 | Supply Mains | - | - | - | - | - |
| 15 | 310 | Power Generation Equipment | 89,125 | (1,725) | 87,400 | 87,400 | - |
| 16 | 311 | Electric Pumping Equipment | 158,711 | - | 158,711 | 158,711 | - |
| 17 | 320 | Water Treatment Equipment | 5,487 | - | 5,487 | 5,487 | - |
| 18 | 320.1 | Water Treatment Plant | - | - | - | - | - |
| 19 | 320.2 | Chemical Solution Feeders | - | - | - | - | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | 321,452 | - | 321,452 | 321,452 | - |
| 21 | 330.1 | Storage tanks | - | - | - | - | - |
| 22 | 330.2 | Pressure Tanks | - | - | - | - | - |
| 23 | 331 | Trans. and Dist. Mains | 161,632 | - | 161,632 | 161,632 | - |
| 24 | 333 | Services | 86,250 | - | 86,250 | 86,250 | - |
| 25 | 334 | Meters | - | - | - | - | - |
| 26 | 335 | Hydrants | 34,500 | - | 34,500 | 34,500 | - |
| 27 | 336 | Backflow Prevention Devices | - | - | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | - | - | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | 4,672 | - | 4,672 | 4,672 | - |
| 30 | 340.1 | Computers and Software | - | - | - | - | - |
| 31 | 341 | Transportation Equipment | - | - | - | - | - |
| 32 | 342 | Stores Equipment | - | - | - | - | - |
| 33 | 343 | Tools and Work Equipment | - | - | - | - | - |
| 34 | 344 | Laboratory Equipment | - | - | - | - | - |
| 35 | 345 | Power Operated Equipment | - | - | - | - | - |
| 36 | 346 | Communications Equipment | - | - | - | - | - |
| 37 | 347 | Miscellaneous Equipment | - | - | - | - | - |
| 38 | 348 | Other Tangible Plant | - | - | - | - | - |
| 39 | | Plant Held for Future Use | - | - | - | - | - |
| 40 | | TOTALS | \$ 3,985,539 | \$ (1,488,899) | \$ 2,496,640 | \$ 2,496,640 | \$ - |

SUPPORTING SCHEDULE

B-2, pages 3.2 - 3.8

45

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | Per Decision 70140 | | 2006 | | | | | | | | |
|----------|-------------------|--------------------------------------|----------------------|---------------------|------------------------------|-----------------------------|-------------------|--------------------------|-------------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant at 12/31/2005 | Accum. Deprec. At 12/31/2005 | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| 3 | 303 | Land and Land Rights | 0.00% | 210,000 | - | - | - | - | - | - | - | - | 210,000 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 72,997 | 3,646 | - | - | - | - | - | 2,431 | 72,997 | 6,077 | - |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | - | - | - | - | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | 2,071,821 | 103,487 | - | - | - | - | - | 68,992 | 2,071,821 | 172,479 | - |
| 8 | 308 | Infiltration Galleries | 8.67% | - | - | - | - | - | - | - | - | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | - | - | - | - | - | - | - | - | - |
| 10 | 310 | Power Generation Equipment | 5.00% | 87,400 | 6,555 | - | - | - | - | - | 4,370 | 87,400 | 10,925 | - |
| 11 | 311 | Pumping Equipment | 12.50% | 158,711 | 29,758 | - | - | - | - | - | 19,838 | 158,711 | 49,597 | - |
| 12 | 320 | Water Treatment Equipment | 3.33% | 5,487 | 274 | - | - | - | - | - | 183 | 5,487 | 457 | - |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | 321,452 | 10,704 | - | - | - | - | - | 7,136 | 321,452 | 17,841 | - |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | - | - | - | - | - | - | - | - | - |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 147,200 | 4,416 | - | - | - | - | - | 2,944 | 147,200 | 7,360 | - |
| 19 | 333 | Services | 3.33% | 86,250 | 4,306 | - | - | - | - | - | 2,872 | 86,250 | 7,160 | - |
| 20 | 334 | Meters | 8.33% | - | - | - | - | - | - | - | - | - | - | - |
| 21 | 335 | Hydrants | 2.00% | 34,500 | 1,035 | - | - | - | - | - | 680 | 34,500 | 1,725 | - |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - | - | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | - |
| 24 | 340 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | - |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 33 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 34 | | Plant Held for Future Use | | - | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | 3,195,818 | 164,185 | - | - | - | - | - | - | 109,456 | 3,195,818 | 273,641 |

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2007 | | | | | | | Plant Balance | Accum. Deprec. |
|----------|-------------------|--------------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | |
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - | - | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | 210,000 | - | - |
| 4 | 304 | Structures & Improvements | 3.33% | - | - | - | - | - | 2,431 | 72,997 | 8,508 | - |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | - | - | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | - | - | - | - | - | 68,992 | 2,071,821 | 241,471 | - |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | - | - | - | - | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | - | - | - | - | - | - | - |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | 4,370 | 87,400 | 15,295 | - |
| 11 | 311 | Pumping Equipment | 12.50% | - | - | - | - | - | 19,839 | 158,711 | 68,436 | - |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | 183 | 5,487 | 640 | - |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | 7,136 | 321,452 | 24,977 | - |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | - | - | - | - | - | - | - |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | - | - | - | - | - | 2,944 | 147,200 | 10,304 | - |
| 19 | 333 | Services | 3.33% | - | - | - | - | - | 2,872 | 86,250 | 10,052 | - |
| 20 | 334 | Meters | 8.33% | - | - | - | - | - | - | - | - | - |
| 21 | 335 | Hydrants | 2.00% | - | - | - | - | - | 690 | 34,500 | 2,415 | - |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | - | - | - | - | - | - | - |
| 24 | 340 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - | - |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | - | - | - | - | - | - | - | - | - |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - |
| 33 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - |
| 34 | | Plant Held for Future Use | | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | - | - | - | - | - | 109,456 | 3,195,818 | 383,097 | - |

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2008 | | | | | | | Accum. Deprec. |
|----------|-------------------|--------------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|----------------------------|------------------|---------------------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | |
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | 210,000 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 6,251 | - | 6,251 | - | - | 2,535 | 79,248 | 11,043 |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | - | - | - | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | - | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | - | - | - | - | - | 68,992 | 2,071,821 | 310,462 |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | - | - | - | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | - | - | - | - | - | - |
| 10 | 310 | Power Generation Equipment | 5.00% | 1,725 | - | 1,725 | - | - | 4,413 | 89,125 | 19,708 |
| 11 | 311 | Pumping Equipment | 12.50% | - | - | - | - | - | 19,839 | 158,711 | 89,275 |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | 183 | 5,487 | 822 |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | 7,136 | 321,452 | 32,113 |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | - | - | - | - | - | - |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | - | - | - | - | - | 2,944 | 147,200 | 13,248 |
| 19 | 333 | Services | 3.33% | - | - | - | - | - | 2,872 | 86,250 | 12,925 |
| 20 | 334 | Meters | 8.33% | - | - | - | - | - | - | - | - |
| 21 | 335 | Hydrants | 2.00% | - | - | - | - | - | 690 | 34,500 | 3,105 |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | - | - | - | - | - | - |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 2,552 | - | 2,552 | - | - | 85 | 2,552 | 85 |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | - | - | - | - | - | - | - | - |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - |
| 33 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - |
| 34 | | Plant Held for Future Use | | - | - | - | - | - | - | - | - |
| 35 | | | | | | | | | | | |
| 36 | | TOTALS | | 10,528 | - | 10,528 | - | - | 109,689 | 3,206,346 | 492,786 |

Utility Source, LLC - Water Division
Plant Additions and Retirements

Exhibit
Replinder Schedule B-2
Page 3.5
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2009 | | | | | | | | Plant Balance | Accum. Deprec. | |
|----------|-------------------|--------------------------------------|----------------------|-----------------------------|--------------------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|---|
| | | | | Plant Additions (Per Books) | Plant Adjustments ¹ | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | | |
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | - | - | - | - | |
| 2 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - | - | - | - | |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - | 210,000 | - | - | |
| 4 | 304 | Structures & Improvements | 3.33% | - | - | - | - | - | - | 2,639 | 79,248 | 13,682 | - | |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - | |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | - | - | - | - | - | - | |
| 7 | 307 | Wells & Springs | 3.33% | 753,141 | - | 753,141 | - | - | - | 81,531 | 2,824,962 | 391,994 | - | |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | - | - | - | - | - | - | - | - | |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | - | - | - | - | - | - | - | - | |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | 4,456 | 89,125 | 24,164 | - | |
| 11 | 311 | Pumping Equipment | 12.50% | - | - | - | - | - | - | 19,839 | 158,711 | 109,114 | - | |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | 183 | 5,487 | 1,005 | - | |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | - | |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | - | 7,136 | 321,452 | 39,249 | - | |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | - | - | - | - | - | - | - | - | |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - | |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | - | - | - | - | - | - | 2,944 | 147,200 | 16,192 | - | |
| 19 | 333 | Services | 3.33% | - | - | - | - | - | - | 2,872 | 86,250 | 15,797 | - | |
| 20 | 334 | Meters | 8.33% | - | - | - | - | - | - | - | - | - | - | |
| 21 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | 690 | 34,500 | 3,795 | - | |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - | - | - | - | |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | |
| 24 | 340 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | 170 | 2,552 | 255 | - | |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - | - | - | |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - | |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - | |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | |
| 33 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - | |
| 34 | | Plant Held for Future Use | | - | - | - | - | - | - | - | - | - | - | |
| 35 | | | | - | - | - | - | - | - | - | - | - | - | |
| 36 | | TOTALS | | 753,141 | - | 753,141 | - | - | - | - | 122,461 | 3,959,487 | 615,247 | - |

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2010 | | | | | | | | Plant Balance | Accum. Deprec. |
|----------|-------------------|--------------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | |
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - | 210,000 | - | - |
| 4 | 304 | Structures & Improvements | 3.33% | - | - | - | - | - | - | 2,639 | 79,248 | 16,321 | - |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | - | - | - | - | - | - | 94,071 | 2,824,962 | 486,065 | - |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | 4,456 | 89,125 | 28,621 | - |
| 11 | 311 | Pumping Equipment | 12.50% | - | - | - | - | - | - | 19,839 | 158,711 | 128,953 | - |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | 183 | 5,487 | 1,188 | - |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | - | 7,136 | 321,452 | 48,386 | - |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | - | - | - | - | - | - | - | - |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | - | - | - | - | - | - | 2,944 | 147,200 | 19,136 | - |
| 19 | 333 | Services | 3.33% | - | - | - | - | - | - | 2,872 | 86,250 | 18,669 | - |
| 20 | 334 | Meters | 8.33% | - | - | - | - | - | - | - | - | - | - |
| 21 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | 690 | 34,500 | 4,485 | - |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 24 | 340 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | 170 | 2,552 | 426 | - |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 33 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 34 | | Plant Held for Future Use | | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | - | - | - | - | - | - | - | 135,001 | 3,959,487 | 750,248 |

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2011 | | | | | | | | Plant Balance | Accum. Deprec. |
|----------|-------------------|--------------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | |
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | - | - | - | |
| 2 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - | - | - | |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - | 210,000 | - | |
| 4 | 304 | Structures & Improvements | 3.33% | 2,500 | - | 2,500 | - | - | - | 2,681 | 81,748 | 19,001 | |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | - | - | - | - | - | |
| 7 | 307 | Wells & Springs | 3.33% | 7,000 | - | 7,000 | - | - | - | 94,188 | 2,831,962 | 580,253 | |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | - | - | - | - | - | - | - | |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | - | - | - | - | - | - | - | |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | 4,456 | 89,125 | 33,077 | |
| 11 | 311 | Pumping Equipment | 12.50% | - | - | - | - | - | - | 19,839 | 158,711 | 148,792 | |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | 183 | 5,487 | 1,370 | |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | - | 7,136 | 321,452 | 53,522 | |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | - | - | - | - | - | - | - | |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 14,432 | - | 14,432 | - | - | - | 3,088 | 161,632 | 22,224 | |
| 19 | 333 | Services | 3.33% | - | - | - | - | - | - | 2,872 | 86,250 | 21,541 | |
| 20 | 334 | Meters | 8.33% | - | - | - | - | - | - | - | - | - | |
| 21 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | 690 | 34,500 | 5,175 | |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - | - | - | |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | - | - | - | - | - | - | - | |
| 24 | 340 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | 170 | 2,552 | 596 | |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - | - | |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | - | - | - | - | - | - | - | - | - | |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - | - | - | |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - | |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | |
| 33 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | |
| 34 | | Plant Held for Future Use | | - | - | - | - | - | - | - | - | - | |
| 35 | | | | | | | | | | | | | |
| 36 | | TOTALS | | 23,932 | - | 23,932 | - | - | - | - | 135,303 | 3,983,419 | 885,551 |

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2012 | | | | | | | | | | | |
|----------|-------------------|--------------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|-------------------|------------------|---------------------------|---------------|----------------|---|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Plant Adjustments | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. | |
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - | - | - | 210,000 | - | - |
| 4 | 304 | Structures & Improvements | 3.33% | - | - | - | - | - | - | (8,751) | (1,062) | 2,722 | 72,997 | 20,662 | - |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | - | - | - | - | - | - | (1,478,423) | (293,372) | 94,304 | 1,353,539 | 381,185 | - |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | (1,725) | (388) | 4,456 | 87,400 | 37,145 | - |
| 11 | 311 | Pumping Equipment | 12.50% | - | - | - | - | - | - | - | - | 9,919 | 158,711 | 158,711 | - |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | - | - | 183 | 5,487 | 1,553 | - |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | - | - | - | 7,136 | 321,452 | 60,658 | - |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | - | - | - | - | - | - | - | - | - | - |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | - | - | - | - | - | - | - | - | 3,233 | 161,632 | 25,457 | - |
| 19 | 333 | Services | 3.33% | - | - | - | - | - | - | - | - | 2,872 | 86,250 | 24,413 | - |
| 20 | 334 | Meters | 8.33% | - | - | - | - | - | - | - | - | - | - | - | - |
| 21 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | - | - | 690 | 34,500 | 5,865 | - |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - | - | - | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | - | - |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 2,119 | - | 2,119 | - | - | - | - | - | 241 | 4,672 | 837 | - |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 33 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - |
| 34 | | Plant Held for Future Use | | - | - | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | 2,119 | - | 2,119 | - | - | - | (1,488,899) | (294,821) | 125,757 | 2,496,640 | 716,468 | - |

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2

Exhibit
 Rejoinder Schedule B-2
 Page 4
 Witness: Bourassa

Accumulated Depreciation

| Line No. | Acct. No. | Description | Adjusted Accum. Depr. | A Adjustments To Reconcile Plant To Reconstruction | B Intentionally Left Blank | Adjustments C Intentionally Left Blank | D Intentionally Left Blank | E Intentionally Left Blank | Rejoinder Adjusted Accum. Depr. |
|----------|-----------|---|-----------------------|--|----------------------------|--|----------------------------|----------------------------|---------------------------------|
| 1 | | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | | | | | | | | | |
| 4 | | | | | | | | | |
| 5 | | | | | | | | | |
| 6 | 301 | Organization Cost | - | - | - | - | - | - | - |
| 7 | 302 | Franchise Cost | - | - | - | - | - | - | - |
| 8 | 303 | Land and Land Rights | - | - | - | - | - | - | - |
| 9 | 304 | Structures and Improvements | 20,662 | - | - | - | - | - | 20,662 |
| 10 | 305 | Collecting and Impounding Res. | - | - | - | - | - | - | - |
| 11 | 306 | Lake River and Other Intakes | - | - | - | - | - | - | - |
| 12 | 307 | Wells and Springs | 381,185 | - | - | - | - | - | 381,185 |
| 13 | 308 | Infiltration Galleries and Tunnels | - | - | - | - | - | - | - |
| 14 | 309 | Supply Mains | - | - | - | - | - | - | - |
| 15 | 310 | Power Generation Equipment | 37,145 | - | - | - | - | - | 37,145 |
| 16 | 311 | Electric Pumping Equipment | 168,630 | (9,919) | - | - | - | - | 158,711 |
| 17 | 320 | Water Treatment Equipment | 1,553 | - | - | - | - | - | 1,553 |
| 18 | 320.1 | Water Treatment Plant | - | - | - | - | - | - | - |
| 19 | 320.2 | Chemical Solution Feeders | - | - | - | - | - | - | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | 60,658 | - | - | - | - | - | 60,658 |
| 21 | 330.1 | Storage tanks | - | - | - | - | - | - | - |
| 22 | 330.2 | Pressure Tanks | - | - | - | - | - | - | - |
| 23 | 331 | Trans. and Dist. Mains | 25,457 | - | - | - | - | - | 25,457 |
| 24 | 333 | Services | 24,413 | - | - | - | - | - | 24,413 |
| 25 | 334 | Meters | - | - | - | - | - | - | - |
| 26 | 335 | Hydrants | 5,865 | - | - | - | - | - | 5,865 |
| 27 | 336 | Backflow Prevention Devices | - | - | - | - | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | - | - | - | - | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | 837 | - | - | - | - | - | 837 |
| 30 | 340.1 | Computers and Software | - | - | - | - | - | - | - |
| 31 | 341 | Transportation Equipment | - | - | - | - | - | - | - |
| 32 | 342 | Stores Equipment | - | - | - | - | - | - | - |
| 33 | 343 | Tools and Work Equipment | - | - | - | - | - | - | - |
| 34 | 344 | Laboratory Equipment | - | - | - | - | - | - | - |
| 35 | 345 | Power Operated Equipment | - | - | - | - | - | - | - |
| 36 | 346 | Communications Equipment | - | - | - | - | - | - | - |
| 37 | 347 | Miscellaneous Equipment | - | - | - | - | - | - | - |
| 38 | 348 | Other Tangible Plant | - | - | - | - | - | - | - |
| 39 | | | | | | | | | |
| 40 | | TOTALS | \$ 726,406 | \$ (9,919) | \$ - | \$ - | \$ - | \$ - | \$ 716,486 |
| 41 | | | | | | | | | |
| 42 | | Accumulated Depreciation per Books | | | | | | | \$ 726,406 |
| 43 | | | | | | | | | |
| 44 | | Increase (decrease) in Accumulated Depreciation | | | | | | | \$ (9,919) |
| 45 | | | | | | | | | |
| 46 | | Adjustment to Accumulated Depreciation | | | | | | | \$ (9,919) |
| 47 | | | | | | | | | |
| 48 | | <u>SUPPORTING SCHEDULES</u> | | | | | | | |
| 49 | | B-2, pages 4.1 | | | | | | | |
| 50 | | B-2, pages 4.2 | | | | | | | |

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - A

Exhibit
 Rejoinder Schedule B-
 Page 4.1
 Witness: Bourassa

Line

No.

| | | Adjusted | Adjusted | Accumulated | |
|-----------|---|------------------------------------|--------------|----------------|------------|
| | | Accumulated | Accumulated | Depreciation | |
| | | Depreciation | Depreciation | Per Plant | Difference |
| Acct. No. | Description | | | Reconstruction | |
| 1 | <u>Reconciliation to Reconstructed Accumulated Depreciation</u> | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | 301 | Organization Cost | - | - | - |
| 5 | 302 | Franchise Cost | - | - | - |
| 6 | 303 | Land and Land Rights | - | - | - |
| 7 | 304 | Structures and Improvements | 20,662 | 20,662 | 20,662 |
| 8 | 305 | Collecting and Impounding Res. | - | - | - |
| 9 | 306 | Lake River and Other Intakes | - | - | - |
| 10 | 307 | Wells and Springs | 381,185 | 381,185 | 381,185 |
| 11 | 308 | Infiltration Galleries and Tunnels | - | - | - |
| 12 | 309 | Supply Mains | - | - | - |
| 13 | 310 | Power Generation Equipment | 37,145 | 37,145 | 37,145 |
| 14 | 311 | Electric Pumping Equipment | 168,630 | 168,630 | 158,711 |
| 15 | 320 | Water Treatment Equipment | 1,553 | 1,553 | 1,553 |
| 16 | 320.1 | Water Treatment Plant | - | - | - |
| 17 | 320.2 | Chemical Solution Feeders | - | - | - |
| 18 | 330 | Dist. Reservoirs & Standpipe | 60,658 | 60,658 | 60,658 |
| 19 | 330.1 | Storage tanks | - | - | - |
| 20 | 330.2 | Pressure Tanks | - | - | - |
| 21 | 331 | Traps. and Dist. Mains | 25,457 | 25,457 | 25,457 |
| 22 | 333 | Services | 24,413 | 24,413 | 24,413 |
| 23 | 334 | Meters | - | - | - |
| 24 | 335 | Hydrants | 5,865 | 5,865 | 5,865 |
| 25 | 336 | Backflow Prevention Devices | - | - | - |
| 26 | 339 | Other Plant and Misc. Equip. | - | - | - |
| 27 | 340 | Office Furniture and Fixtures | 837 | 837 | 837 |
| 28 | 340.1 | Computers and Software | - | - | - |
| 29 | 341 | Transportation Equipment | - | - | - |
| 30 | 342 | Stores Equipment | - | - | - |
| 31 | 343 | Tools and Work Equipment | - | - | - |
| 32 | 344 | Laboratory Equipment | - | - | - |
| 33 | 345 | Power Operated Equipment | - | - | - |
| 34 | 346 | Communications Equipment | - | - | - |
| 35 | 347 | Miscellaneous Equipment | - | - | - |
| 36 | 348 | Other Tangible Plant | - | - | - |
| 37 | | Plant Held for Future Use | - | - | - |
| 38 | | TOTALS | \$ 726,406 | \$ 726,406 | \$ 716,486 |
| 39 | | | | | \$ (9,919) |

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SUPPORTING SCHEDULE

B-2, pages 4.1

B-2, pages 3.3 - 3.9

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Rejoinder Schedule B-2
 Page 5.0
 Witness: Bourassa

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

| Line No. | | Gross CIAC | Accumulated Amortization |
|-------------|--------------------------------------|-------------------|-----------------------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | Computed balance at end of test year | \$ 294,745 | \$ 95,670 |
| 6 | | | |
| 7 | Adjusted balance at end of test year | <u>\$ 294,745</u> | <u>\$ 96,938</u> |
| 8 | | | |
| 9 | Increase (decrease) | \$ - | \$ (1,267) |
| 10 | | | |
| 11 | | | |
| 12 | Adjustment to CIAC/AA CIAC | <u>\$ -</u> | <u>\$ 1,267</u> |
| 13 | Label | 3a | 3b |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | <u>SUPPORTING SCHEDULES</u> | | |
| 20 | E-1 | | |
| 21 | B-2, page 5.1 | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Contributions-in-aid of Construction (CIAC)

Exhibit
 Rejoinder Schedule B-2
 Page 5.1
 Witness: Bourassa

Line

No.

| | 2006 | | 2007 | | 2008 | | 2009 | |
|----|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Balance 12/31/2005 | Balance 12/31/2006 | Balance 12/31/2007 | Balance 12/31/2008 | Balance 12/31/2009 | Balance 12/31/2005 | Balance 12/31/2006 | Balance 12/31/2007 |
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | 294,745 | 294,745 | 294,745 | 294,745 | 294,745 | | | |
| 6 | | | | | | | | |
| 7 | 16,207 | | | | | | | |
| 8 | | 3.67% | 3.67% | 3.66% | 3.27% | | | |
| 9 | | 10,817 | 10,817 | 10,788 | 9,638 | | | |
| 10 | | 27,024 | 37,841 | 48,629 | 58,267 | | | |
| 11 | | | | | | | | |
| 12 | 278,538 | - | 267,721 | - | 256,904 | - | 246,116 | - |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |

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| | 2010 | | 2011 | | 2012 | |
|----|-----------|-----------------------|-----------|-----------------------|-----------|-----------------------|
| | Additions | Balance 12/31/2010 | Additions | Balance 12/31/2011 | Additions | Balance 12/31/2012 |
| 21 | | 294,745 | - | 294,745 | - | 294,745 |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | 3.60% | 3.59% | 5.50% | | |
| 25 | | 10,611 | 10,581 | 16,211 | | |
| 26 | | 68,878 | 79,459 | 95,670 | | |
| 27 | | | | | | |
| 28 | | - | 225,867 | - | 215,286 | - |
| 29 | | | | | | |

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Customer Deposits

Exhibit
Rejoinder Schedule B-2
Page 6.0
Witness: Bourassa

Line

No.

| | | |
|----|--------------------------------------|-----------------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | Computed balance at end of test year | \$ 5,885 |
| 5 | | |
| 6 | Book balance at end of test year | <u>\$ 5,885</u> |
| 7 | | |
| 8 | Increase (decrease) | \$ - |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | <u>SUPPORTING SCHEDULES</u> | |
| 20 | Testimony | |
| 21 | Work papers | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |
| 26 | | |
| 27 | | |
| 28 | | |
| 29 | | |
| 30 | | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Computation of Working Capital

Exhibit
Rejoinder Schedule B-5
Page 1
Witness: Bourassa

Line
No.

| | | | |
|----|---|---------------------------|---------------|
| 1 | Cash Working Capital (1/8 of Allowance | | |
| 2 | Operation and Maintenance Expense) | \$ | 10,138 |
| 3 | Pumping Power (1/24 of Pumping Power) | | 2,783 |
| 4 | Purchased Water (1/24 of Purchased Water) | | - |
| 5 | Prepaid Expenses | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | Total Working Capital Allowance | <u>\$</u> | <u>12,921</u> |
| 10 | | | |
| 11 | | | |
| 12 | Working Capital Requested | <u>\$</u> | <u>-</u> |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | <u>Adjusted Test Year</u> | |
| 18 | Total Operating Expense | \$ | 211,193 |
| 19 | Less: | | |
| 20 | Income Tax | \$ | (1,255) |
| 21 | Property Tax | | 7,464 |
| 22 | Depreciation | | 57,091 |
| 23 | Purchased Water | | - |
| 24 | Pumping Power | | 66,787 |
| 25 | Allowable Expenses | <u>\$</u> | <u>81,106</u> |
| 26 | 1/8 of allowable expenses | <u>\$</u> | <u>10,138</u> |
| 27 | | | |

28
29 SUPPORTING SCHEDULES:
30 E-1

RECAP SCHEDULES:
B-1

31
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Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Rejoinder Schedule C-1
 Page 1
 Witness: Bourassa

| Line No. | | Test Year Adjusted Results | Adjustment | Rejoinder Test Year Adjusted Results | Proposed Rate Increase | Rejoinder Adjusted with Rate Increase |
|----------|---------------------------------------|----------------------------------|------------------------|---|------------------------------|--|
| 1 | Revenues | | | | | |
| 2 | Metered Water Revenues | \$ 202,743 | \$ - | \$ 202,743 | \$ 225,674 | \$ 428,417 |
| 3 | Unmetered Water Revenues | - | - | - | - | - |
| 4 | Other Water Revenues | 5,261 | (1,820) | 3,441 | - | 3,441 |
| 5 | | <u>\$ 208,004</u> | <u>\$ (1,820)</u> | <u>\$ 206,184</u> | <u>\$ 225,674</u> | <u>\$ 431,858</u> |
| 6 | Operating Expenses | | | | | |
| 7 | Salaries and Wages | \$ - | - | \$ - | - | \$ - |
| 8 | Purchased Water | - | - | - | - | - |
| 9 | Purchased Power | 66,787 | - | 66,787 | - | 66,787 |
| 10 | Fuel For Power Production | - | - | - | - | - |
| 11 | Chemicals | 1,460 | - | 1,460 | - | 1,460 |
| 12 | Materials and Supplies | 12,257 | - | 12,257 | - | 12,257 |
| 13 | Office Supplies and Expense | 2,399 | - | 2,399 | - | 2,399 |
| 14 | Contractual Services - Accounting | 20,253 | - | 20,253 | - | 20,253 |
| 15 | Contractual Services - Professional | 9,651 | - | 9,651 | - | 9,651 |
| 16 | Contractual Services - Maintenance | - | - | - | - | - |
| 17 | Contractual Services - Other | - | - | - | - | - |
| 18 | Water Testing | 8,107 | (7,733) | 374 | - | 374 |
| 19 | Rents | - | - | - | - | - |
| 20 | Transportation Expenses | - | - | - | - | - |
| 21 | Insurance - General Liability | 2,186 | - | 2,186 | - | 2,186 |
| 22 | Insurance - Health and Life | - | - | - | - | - |
| 23 | Reg. Com m. Exp. - Other | - | - | - | - | - |
| 24 | Reg. Com m. Exp. - Rate Case | 10,000 | 6,667 | 16,667 | - | 16,667 |
| 25 | Miscellaneous Expense | 19,976 | (4,116) | 15,860 | - | 15,860 |
| 26 | Bad Debt Expense | - | - | - | - | - |
| 27 | Depreciation and Amortization Expense | 57,728 | (637) | 57,091 | - | 57,091 |
| 28 | Taxes Other Than Income | - | - | - | - | - |
| 29 | Property Taxes | 7,530 | (66) | 7,464 | 2,723 | 10,187 |
| 30 | Income Tax | (2,064) | 809 | (1,255) | 44,670 | 43,415 |
| 31 | Total Operating Expenses | <u>\$ 216,269</u> | <u>\$ (5,076)</u> | <u>\$ 211,193</u> | <u>\$ 47,394</u> | <u>\$ 258,587</u> |
| 32 | Operating Income | <u>\$ (8,265)</u> | <u>\$ 3,256</u> | <u>\$ (5,009)</u> | <u>\$ 178,280</u> | <u>\$ 173,271</u> |
| 33 | Other Income (Expense) | | | | | |
| 34 | Interest Income | - | - | - | - | - |
| 35 | Other income | - | - | - | - | - |
| 36 | Interest Expense | - | - | - | - | - |
| 37 | Other Expense | - | - | - | - | - |
| 38 | | - | - | - | - | - |
| 39 | Total Other Income (Expense) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 40 | Net Profit (Loss) | <u><u>\$ (8,265)</u></u> | <u><u>\$ 3,256</u></u> | <u><u>\$ (5,009)</u></u> | <u><u>\$ 178,280</u></u> | <u><u>\$ 173,271</u></u> |

SUPPORTING SCHEDULES:

C-1, page 2

E-2

RECAP SCHEDULES:

A-1

45

| Line No. | Label>>>>> | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------|-------------------------------------|--------------|----------------|-------------------|--------------------|---------------|--------------|-------------------|
| | Test Year Adjusted Results | Depreciation | Property Taxes | Rate Case Expense | Revenue Adjustment | Water Testing | Auto Expense | Telephone Expense |
| 1 | Revenues | | | | | | | |
| 2 | Metered Water Revenues | \$ 202,743 | | | | | | |
| 3 | Unmetered Water Revenues | - | | | | | | |
| 4 | Other Water Revenues | 5,261 | | | (1,820) | | | |
| 5 | | \$ 208,004 | \$ - | \$ - | \$ - | \$ (1,820) | \$ - | \$ - |
| 6 | Operating Expenses | | | | | | | |
| 7 | Salaries and Wages | \$ - | | | | | | |
| 8 | Purchased Water | - | | | | | | |
| 9 | Purchased Power | 66,787 | | | | | | |
| 10 | Fuel For Power Production | - | | | | | | |
| 11 | Chemicals | 1,460 | | | | | | |
| 12 | Materials and Supplies | 12,257 | | | | | | |
| 13 | Office Supplies and Expense | 2,399 | | | | | | |
| 14 | Contractual Services - Accounting | 20,253 | | | | | | |
| 15 | Contractual Services - Professional | 9,651 | | | | | | |
| 16 | Contractual Services - Maintenance | - | | | | | | |
| 17 | Contractual Services - Other | - | | | | | | |
| 18 | Water Testing | 8,107 | | | | (7,733) | | |
| 19 | Rents | - | | | | | | |
| 20 | Transportation Expenses | - | | | | | | |
| 21 | Insurance - General Liability | 2,186 | | | | | | |
| 22 | Insurance - Health and Life | - | | | | | | |
| 23 | Reg. Comm. Exp. - Other | - | | | | | | |
| 24 | Reg. Comm. Exp. - Rate Case | 10,000 | | 8,667 | | | | |
| 25 | Miscellaneous Expense | 19,976 | | | | | (1,750) | (2,366) |
| 26 | Bad Debt Expense | - | | | | | | |
| 27 | Deprec. and Amort. Exp. | 57,728 | (637) | | | | | |
| 28 | Taxes Other Than Income | - | | | | | | |
| 29 | Property Taxes | 7,530 | | (66) | | | | |
| 30 | Income Tax | (2,064) | | | | | | |
| 31 | Total Operating Expenses | \$ 216,269 | \$ (637) | \$ (66) | \$ 6,667 | \$ - | \$ (7,733) | \$ (2,366) |
| 32 | Operating Income | \$ (8,265) | \$ 637 | \$ 66 | \$ (6,667) | \$ (1,820) | \$ 7,733 | \$ 1,750 |
| 33 | Other Income (Expense) | | | | | | | |
| 34 | Interest Income | - | | | | | | |
| 35 | Other income | - | | | | | | |
| 36 | Interest Expense | - | | | | | | |
| 37 | Other Expense | - | | | | | | |
| 38 | | - | | | | | | |
| 39 | Total Other Income (Expense) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 40 | Net Profit (Loss) | \$ (8,265) | \$ 637 | \$ 66 | \$ (6,667) | \$ (1,820) | \$ 7,733 | \$ 1,750 |
| 41 | | | | | | | | |
| 42 | SUPPORTING SCHEDULES: | | | | | | | |
| 43 | C-2 | | | | | | | |
| 44 | E-2 | | | | | | | |

| Line No. | 8 Intentionally Left Blank | 9 Intentionally Left Blank | 10 Intentionally Left Blank | 11 Income Taxes | Rejoinder Test Year Adjusted Results | Proposed Rate Increase | Rejoinder Adjusted with Rate Increase |
|----------|-------------------------------------|-------------------------------------|--------------------------------------|-----------------------|---|------------------------------|--|
| 1 | Revenues | | | | | | |
| 2 | | | | | \$ 202,743 | \$ 225,674 | \$ 428,417 |
| 3 | | | | | - | | - |
| 4 | | | | | 3,441 | | 3,441 |
| 5 | | | | | \$ 206,184 | \$ 225,674 | \$ 431,858 |
| 6 | Operating Expenses | | | | | | |
| 7 | | | | | \$ - | \$ - | - |
| 8 | | | | | - | | - |
| 9 | | | | | 66,787 | | 66,787 |
| 10 | | | | | - | | - |
| 11 | | | | | 1,460 | | 1,460 |
| 12 | | | | | 12,257 | | 12,257 |
| 13 | | | | | 2,399 | | 2,399 |
| 14 | | | | | 20,253 | | 20,253 |
| 15 | | | | | 9,651 | | 9,651 |
| 16 | | | | | - | | - |
| 17 | | | | | - | | - |
| 18 | | | | | 374 | | 374 |
| 19 | | | | | - | | - |
| 20 | | | | | - | | - |
| 21 | | | | | 2,186 | | 2,186 |
| 22 | | | | | - | | - |
| 23 | | | | | - | | - |
| 24 | | | | | 16,667 | | 16,667 |
| 25 | | | | | 15,860 | | 15,860 |
| 26 | | | | | - | | - |
| 27 | | | | | 57,091 | | 57,091 |
| 28 | | | | | - | | - |
| 29 | | | | | 7,464 | 2,723 | 10,187 |
| 30 | | | | 809 | (1,255) | 44,670 | 43,415 |
| 31 | \$ - | \$ - | \$ - | \$ 809 | \$ 211,193 | \$ 47,394 | \$ 258,587 |
| 32 | \$ - | \$ - | \$ - | \$ (809) | \$ (5,009) | \$ 178,280 | \$ 173,271 |
| 33 | Other Income (Expense) | | | | | | |
| 34 | | | | | - | | - |
| 35 | | | | | - | | - |
| 36 | | | | | - | | - |
| 37 | | | | | - | | - |
| 38 | | | | | - | | - |
| 39 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 40 | \$ - | \$ - | \$ - | \$ (809) | \$ (5,009) | \$ 178,280 | \$ 173,271 |

41
 42 SUPPORTING SCHEDULES:
 43 C-2
 44 E-2

RECAP SCHEDULES:
 C-1, page 1

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Adjustments to Revenues and Expenses

Exhibit
 Rejoinder Schedule C-2
 Page 1
 Witness: Bourassa

| Line No. | <u>Adjustments to Revenues and Expenses</u> | | | | | | <u>Subtotal</u> | |
|----------|---|---|----------------|-------------------|----------------|----------------|-----------------|-------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>6</u> | | |
| 2 | Depreciation | Property | Rate Case | Revenue | Water | Auto | | |
| 3 | <u>Expense</u> | <u>Taxes</u> | <u>Expense</u> | <u>Adjustment</u> | <u>Testing</u> | <u>Expense</u> | | |
| 4 | Revenues | | | (1,820) | | | (1,820) | |
| 5 | | | | | | | | |
| 6 | Expenses | (637) | (66) | 6,667 | (7,733) | (1,750) | (3,519) | |
| 7 | | | | | | | | |
| 8 | Operating | | | | | | | |
| 9 | Income | 637 | 66 | (6,667) | (1,820) | 7,733 | 1,750 | 1,699 |
| 10 | | | | | | | | |
| 11 | Interest | | | | | | | |
| 12 | Expense | | | | | | | |
| 13 | Other | | | | | | | |
| 14 | Income / | | | | | | | |
| 15 | Expense | | | | | | | |
| 16 | | | | | | | | |
| 17 | Net Income | 637 | 66 | (6,667) | (1,820) | 7,733 | 1,750 | 1,699 |
| 18 | | | | | | | | |
| 19 | | | | | | | | |
| 20 | | <u>Adjustments to Revenues and Expenses</u> | | | | | | |
| 21 | | <u>7</u> | <u>8</u> | <u>9</u> | <u>10</u> | <u>11</u> | <u>Subtotal</u> | |
| 22 | | Telephone | Intentionally | Intentionally | Intentionally | Income | | |
| 23 | | <u>Expense</u> | <u>Left</u> | <u>Left</u> | <u>Left</u> | <u>Taxes</u> | | |
| 24 | | | <u>Blank</u> | <u>Blank</u> | <u>Blank</u> | | | |
| 25 | Revenues | | | | | | (1,820) | |
| 26 | | | | | | | | |
| 27 | Expenses | (2,366) | - | - | - | 809 | (5,076) | |
| 28 | | | | | | | | |
| 29 | Operating | | | | | | | |
| 30 | Income | 2,366 | - | - | - | (809) | - | 3,256 |
| 31 | | | | | | | | |
| 32 | Interest | | | | | | | |
| 33 | Expense | | | | | | | |
| 34 | Other | | | | | | | |
| 35 | Income / | | | | | | | |
| 36 | Expense | | | | | | | |
| 37 | | | | | | | | |
| 38 | Net Income | 2,366 | - | - | - | (809) | - | 3,256 |
| 39 | | | | | | | | |
| 40 | | | | | | | | |

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Rejoinder Schedule C-
 Page 2
 Witness: Bourassa

Depreciation Expense

| Line No. | Acct. No. | Description | Adjusted Original Cost | Non-depreciable/ Fully Depreciated | Adjusted Original Cost | Proposed Rates | Depreciation Expense |
|----------|-----------|---|------------------------|---------------------------------------|------------------------|----------------|----------------------|
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | 301 | Organization Cost | - | - | - | 0.00% | - |
| 6 | 302 | Franchise Cost | - | - | - | 0.00% | - |
| 7 | 303 | Land and Land Rights | 210,000 | (210,000) | - | 0.00% | - |
| 8 | 304 | Structures and Improvements | 72,997 | - | 72,997 | 3.33% | 2,431 |
| 9 | 305 | Collecting and Impounding Res. | - | - | - | 2.50% | - |
| 10 | 306 | Lake River and Other Intakes | - | - | - | 2.50% | - |
| 11 | 307 | Wells and Springs | 1,353,539 | - | 1,353,539 | 3.33% | 45,073 |
| 12 | 308 | Infiltration Galleries and Tunnels | - | - | - | 6.67% | - |
| 13 | 309 | Supply Mains | - | - | - | 2.00% | - |
| 14 | 310 | Power Generation Equipment | 89,125 | - | 89,125 | 5.00% | 4,456 |
| 15 | 311 | Electric Pumping Equipment | 158,711 | (158,711) | - | 12.50% | - |
| 16 | 320 | Water Treatment Equipment | 5,487 | - | 5,487 | 3.33% | 183 |
| 17 | 320.1 | Water Treatment Plant | - | - | - | 3.33% | - |
| 18 | 320.2 | Chemical Solution Feeders | - | - | - | 20.00% | - |
| 19 | 330 | Dist. Reservoirs & Standpipe | 321,452 | - | 321,452 | 2.22% | 7,136 |
| 20 | 330.1 | Storage tanks | - | - | - | 2.22% | - |
| 21 | 330.2 | Pressure Tanks | - | - | - | 5.00% | - |
| 22 | 331 | Trans. and Dist. Mains | 161,632 | - | 161,632 | 2.00% | 3,233 |
| 23 | 333 | Services | 86,250 | - | 86,250 | 3.33% | 2,872 |
| 24 | 334 | Meters | - | - | - | 8.33% | - |
| 25 | 335 | Hydrants | 34,500 | - | 34,500 | 2.00% | 690 |
| 26 | 336 | Backflow Prevention Devices | - | - | - | 6.67% | - |
| 27 | 339 | Other Plant and Misc. Equip. | - | - | - | 6.67% | - |
| 28 | 340 | Office Furniture and Fixtures | 2,947 | - | 2,947 | 6.67% | 197 |
| 29 | 340.1 | Computers and Software | - | - | - | 20.00% | - |
| 30 | 341 | Transportation Equipment | - | - | - | 20.00% | - |
| 31 | 342 | Stores Equipment | - | - | - | 4.00% | - |
| 32 | 343 | Tools and Work Equipment | - | - | - | 5.00% | - |
| 33 | 344 | Laboratory Equipment | - | - | - | 10.00% | - |
| 34 | 345 | Power Operated Equipment | - | - | - | 5.00% | - |
| 35 | 346 | Communications Equipment | - | - | - | 10.00% | - |
| 36 | 347 | Miscellaneous Equipment | - | - | - | 10.00% | - |
| 37 | 348 | Other Tangible Plant | - | - | - | 10.00% | - |
| 38 | | TOTALS | \$ 2,496,640 | \$ (368,711) | \$ 2,127,929 | | \$ 66,270 |
| 39 | | | | | | | |
| 40 | | | | | | | |
| 41 | | Less: Amortization of Contributions | | | \$ 294,745 | 3.1143% | \$ (9,179) |
| 42 | | Total Depreciation Expense | | | | | \$ 57,091 |
| 43 | | | | | | | |
| 44 | | Adjusted Test Year Depreciation Expense | | | | | 57,728 |
| 45 | | | | | | | |
| 46 | | Increase (decrease) in Depreciation Expense | | | | | (637) |
| 47 | | | | | | | |
| 48 | | Adjustment to Revenues and/or Expenses | | | | | \$ (637) |
| 49 | | | | | | | |
| 50 | | <u>SUPPORTING SCHEDULE</u> | | | | | |
| 51 | | B-2, page 3 | | | | | |

*Fully Depreciated

Utility Source. LLC - Water Division
 Test Year Ended December 31, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Rejoinder Schedul
 Page 3
 Witness: Bourassa

Property Taxes

| Line No. | DESCRIPTION | Test Year as adjusted | Company Recommended |
|----------|---|--------------------------|------------------------|
| 1 | Company Adjusted Test Year Revenues | \$ 206,184 | \$ 206,184 |
| 2 | Weight Factor | 2 | 2 |
| 3 | Subtotal (Line 1 * Line 2) | 412,368 | 412,368 |
| 4 | Company Recommended Revenue | 206,184 | 431,858 |
| 5 | Subtotal (Line 4 + Line 5) | 618,552 | 844,226 |
| 6 | Number of Years | 3 | 3 |
| 7 | Three Year Average (Line 5 / Line 6) | 206,184 | 281,409 |
| 8 | Department of Revenue Mutilplier | 2 | 2 |
| 9 | Revenue Base Value (Line 7 * Line 8) | 412,368 | 562,817 |
| 10 | Plus: 10% of CWIP (intentionally excluded) | - | - |
| 11 | Less: Net Book Value of Licensed Vehicles | - | - |
| 12 | Full Cash Value (Line 9 + Line 10 - Line 11) | 412,368 | 562,817 |
| 13 | Assessment Ratio | 20.0% | 20.0% |
| 14 | Assessment Value (Line 12 * Line 13) | 82,474 | 112,563 |
| 15 | Composite Property Tax Rate - Obtained from ADOR | 9.0503% | 9.0503% |
| 16 | Test Year Adjusted Property Tax Expense (Line 14 * Line 15) | \$ 7,464 | \$ 10,187 |
| 17 | Tax on Parcels | - | - |
| 18 | Total Property Taxes (Line 16 + Line 17) | \$ 7,464 | |
| 19 | Test Year Property Taxes | \$ 7,530 | |
| 20 | Adjustment to Test Year Property Taxes (Line 18 - Line 19) | \$ (66) | |
| 21 | | | |
| 22 | Property Tax on Company Recommended Revenue (Line 16 + Line 17) | | \$ 10,187 |
| 23 | Company Test Year Adjusted Property Tax Expense (Line 18) | | \$ 7,464 |
| 24 | Increase in Property Tax Due to Increase in Revenue Requirement | | \$ 2,723 |
| 25 | | | |
| 26 | Increase in Property Tax Due to Increase in Revenue Requirement (Line 24) | | \$ 2,723 |
| 27 | Increase in Revenue Requirement | | \$ 225,674 |
| 28 | Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27) | | 1.20671% |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line

No.

1

2

3

Estimated Rate Case Expense

\$

50,000

4

5

Estimated Amortization Period in Years

3

6

7

Annual Rate Case Expense

\$

16,667

8

9

Adjusted Test Year Rate Case Expense

\$

10,000

10

11

Increase(decrease) Rate Case Expense

\$

6,667

12

13

Adjustment to Revenue and/or Expense

\$

6,667

14

15

16

Reference

17

Testimony

18

19

20

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Revenue Adjustment

| | | |
|------------|--------------------------------------|-------------------|
| Line | | |
| <u>No.</u> | | |
| 1 | | |
| 2 | Revenue Adjustment | \$ (1,820) |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | Total Revenue from Annualization | <u>\$ (1,820)</u> |
| 7 | | |
| 8 | | |
| 9 | Adjustment to Revenue and/or Expense | <u>\$ (1,820)</u> |
| 10 | | |
| 11 | <u>Reference</u> | |
| 12 | Staff Adjustment # 1 | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Water Testing

| | | | |
|------------|---|-----------|----------------|
| Line | | | |
| <u>No.</u> | | | |
| 1 | | | |
| 2 | RUCO Recommended Water Testing Expense | \$ | 374 |
| 3 | | | |
| 4 | Adjuste Test Year Water Testing Expense | \$ | 8,107 |
| 5 | | | |
| 6 | Adjustment to purchased power expense (rounded) | <u>\$</u> | <u>(7,733)</u> |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | <u></u> | <u>(7,733)</u> |
| 10 | | | |
| 11 | <u>Reference</u> | | |
| 12 | RUCO Adjustment #2 | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Auto Expense

| Line No. | | | |
|-------------|--------------------------------------|-----------|----------------|
| 1 | | | |
| 2 | Test Year Auto Expense | \$ | 1,500 |
| 3 | | | |
| 4 | Staff Recommended Auto Expense | | 3,250 |
| 5 | | | |
| 6 | Adjustment to Revenues | <u>\$</u> | <u>(1,750)</u> |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | <u></u> | <u>(1,750)</u> |
| 10 | | | |
| 11 | <u>Reference</u> | | |
| 12 | Staff Adjustment #4 | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Utility Source. LLC - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

Telephone Expense

| Line No. | | | |
|-------------|--------------------------------------|-----------|----------------|
| 1 | | | |
| 2 | Staff Recommended Telephone Expense | \$ | 2,366 |
| 3 | | | |
| 4 | Adjusted Test Year Telephone Expense | | 4,732 |
| 5 | | | |
| 6 | Adjustment to Revenues | <u>\$</u> | <u>(2,366)</u> |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | <u>\$</u> | <u>(2,366)</u> |
| 10 | | | |
| 11 | <u>Reference</u> | | |
| 12 | Staff Adjustment #5 | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Utility Source. LLC - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rejoinder Schedule C-2
Page 9
Witness: Bourassa

Intentionally Left Blank

Line
No.
1
2
3
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Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rejoinder Schedule C-2
Page 10
Witness: Bourassa

Intentionally Left Blank

Line
No.
1
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Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 11

Exhibit
Rejoinder Schedule C-2
Page 12
Witness: Bourassa

Line
No.

1 Income Taxes

2

3

4 Computed Income Tax

Test Year
at Present Rates
\$ (1,255)

Test Year
at Proposed Rates
\$ 43,415

5 Test Year Income tax Expense

(2,064)

(1,255)

6 Adjustment to Income Tax Expense

\$ 809

\$ 44,670

7

8

9

10

11

12

13 SUPPORTING SCHEDULE

14 C-3, page 2

15

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Utility Source. LLC - Water Division
Test Year Ended December 31, 2012
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

| Line No. | Description | Percentage of Incremental Gross Revenues |
|----------|--|--|
| 1 | Combined Federal and State Effective Income Tax Rate | 20.036% |
| 2 | | |
| 3 | Property Taxes | <u>0.965%</u> |
| 4 | | |
| 5 | | |
| 6 | Total Tax Percentage | 21.001% |
| 7 | | |
| 8 | Operating Income % = 100% - Tax Percentage | 78.999% |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | <u>1</u> = Gross Revenue Conversion Factor | |
| 14 | Operating Income % | 1.2658 |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | <u>SUPPORTING SCHEDULES:</u> | <u>RECAP SCHEDULES:</u> |
| 26 | C-3, page 2 | A-1 |
| 27 | | |
| 28 | | |
| 29 | | |
| 30 | | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |
| 40 | | |

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012

Exhibit
 Rejoinder Schedule C-3
 Page 2
 Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

| Line No. | Description | (A) | (B) | (C) | (D) | (E) | (F) |
|--|---|------------|------------|----------|-----|-----|-----|
| <i>Calculation of Gross Revenue Conversion Factor:</i> | | | | | | | |
| 1 | Revenue | 100.0000% | | | | | |
| 2 | Uncollectible Factor (Line 11) | 0.0000% | | | | | |
| 3 | Revenues (L1 - L2) | 100.0000% | | | | | |
| 4 | Combined Federal and State Income Tax and Property Tax Rate (Line 23) | 21.0009% | | | | | |
| 5 | Subtotal (L3 - L4) | 78.9991% | | | | | |
| 6 | Revenue Conversion Factor (L1 / L5) | 1.266838 | | | | | |
| <i>Calculation of Uncollectible Factor:</i> | | | | | | | |
| 7 | Unity | 100.0000% | | | | | |
| 8 | Combined Federal and State Tax Rate (L17) | 20.0360% | | | | | |
| 9 | One Minus Combined Income Tax Rate (L7 - L8) | 79.9640% | | | | | |
| 10 | Uncollectible Rate | 0.0000% | | | | | |
| 11 | Uncollectible Factor (L9 * L10) | | 0.0000% | | | | |
| <i>Calculation of Effective Tax Rate:</i> | | | | | | | |
| 12 | Operating Income Before Taxes (Arizona Taxable Income) | 100.0000% | | | | | |
| 13 | Arizona State Income Tax Rate | 3.1527% | | | | | |
| 14 | Federal Taxable Income (L12 - L13) | 96.8473% | | | | | |
| 15 | Applicable Federal Income Tax Rate (L55 Col F) | 17.4329% | | | | | |
| 16 | Effective Federal Income Tax Rate (L14 x L15) | 16.8833% | | | | | |
| 17 | Combined Federal and State Income Tax Rate (L13 +L16) | | 20.0360% | | | | |
| <i>Calculation of Effective Property Tax Factor</i> | | | | | | | |
| 18 | Unity | 100.0000% | | | | | |
| 19 | Combined Federal and State Income Tax Rate (L17) | 20.0360% | | | | | |
| 20 | One Minus Combined Income Tax Rate (L18-L19) | 79.9640% | | | | | |
| 21 | Property Tax Factor | 1.2067% | | | | | |
| 22 | Effective Property Tax Factor (L20*L21) | | 0.9649% | | | | |
| 23 | Combined Federal and State Income Tax and Property Tax Rate (L17+L22) | | | 21.0009% | | | |
| 24 | Required Operating Income | \$ 173,271 | | | | | |
| 25 | Adjusted Test Year Operating Income (Loss) | \$ (5,009) | | | | | |
| 26 | Required Increase in Operating Income (L24 - L25) | | \$ 178,280 | | | | |
| 27 | Income Taxes on Recommended Revenue (Col. (F), L52) | \$ 43,415 | | | | | |
| 28 | Income Taxes on Test Year Revenue (Col. (C), L52) | \$ (1,255) | | | | | |
| 29 | Required Increase in Revenue to Provide for Income Taxes (L27 - L28) | | \$ 44,670 | | | | |
| 30 | Recommended Revenue Requirement | \$ 431,858 | | | | | |
| 31 | Uncollectible Rate (Line 10) | 0.0000% | | | | | |
| 32 | Uncollectible Expense on Recommended Revenue (L24 * L25) | \$ - | | | | | |
| 33 | Adjusted Test Year Uncollectible Expense | \$ - | | | | | |
| 34 | Required Increase in Revenue to Provide for Uncollectible Exp. | | \$ - | | | | |
| 35 | Property Tax with Recommended Revenue | \$ 10,187 | | | | | |
| 36 | Property Tax on Test Year Revenue | \$ 7,464 | | | | | |
| 37 | Increase in Property Tax Due to Increase in Revenue (L35-L36) | | \$ 2,723 | | | | |
| 38 | Total Required Increase in Revenue (L26 + L29 + L37) | | \$ 225,674 | | | | |

| | (A) Test Year | | (B) | (C) | | (D) Company Recommended | | (E) | (F) |
|--|---------------|------------|-----|------------|------------|-------------------------|-------|-----|-----|
| | Total | Water | | Total | Water | Total | Water | | |
| 39 Revenue | \$ 206,184 | \$ 206,184 | | \$ 431,858 | \$ 431,858 | | | | |
| 40 Operating Expenses Excluding Income Taxes | 212,448 | 212,448 | | 215,171 | 215,171 | | | | |
| 41 Synchronized Interest (L47) | | | | | | | | | |
| 42 Arizona Taxable Income (L39 - L40 - L41) | \$ (6,264) | \$ (6,264) | | \$ 216,687 | \$ 216,687 | | | | |
| 43 Arizona State Effective Income Tax Rate (see work papers) | 3.1527% | 3.1527% | | 3.1527% | 3.1527% | | | | |
| 44 Arizona Income Tax (L42 x L43) | \$ (197) | \$ (197) | | \$ 6,831 | \$ 6,831 | | | | |
| 45 Federal Taxable Income (L42-L44) | \$ (6,066) | \$ (6,066) | | \$ 209,855 | \$ 209,855 | | | | |
| 46 Federal Tax Rate | 17.4329% | 17.4329% | | 17.4329% | 17.4329% | | | | |
| 47 Federal Tax | \$ (1,058) | \$ (1,058) | | \$ 36,584 | \$ 36,584 | | | | |
| 48 | | | | | | | | | |
| 49 | | | | | | | | | |
| 50 | | | | | | | | | |
| 51 | | | | | | | | | |
| 52 | | | | | | | | | |
| 53 Total Federal Income Tax | \$ (1,058) | \$ (1,058) | | \$ 36,584 | \$ 36,584 | | | | |
| 54 Combined Federal and State Income Tax (L35 + L42) | \$ (1,255) | \$ (1,255) | | \$ 43,415 | \$ 43,415 | | | | |

| | | | |
|--|----------|--|----------|
| 55 COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / (Col. (D), L45 - Col. (A), L45] | 17.4329% | | |
| 56 WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / (Col. (E), L45 - Col. (B), L45] | 0.0000% | | |
| 57 WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / (Col. (F), L45 - Col. (C), L45] | | | 17.4329% |

Calculation of Interest Synchronization:

| | | |
|--------------------------------------|-------------------------|--------------------|
| 58 Rate Base | | |
| 59 Weighted Average Cost of Debt | Wastewater \$ 1,575,194 | Water \$ 1,575,194 |
| 60 Synchronized Interest (L59 X L60) | 0.0000% | 0.0000% |
| | \$ - | \$ - |

Utility Source, LLC - Water Division
 Revenue Breakdown Summary
 Present Rates

Exhibit
 Rejoinder Schedule H-2
 Page 3
 Witness: Bourassa

| | | <u>Monthly</u> <u>Mins</u> | <u>Commodity</u> <u>First Tier</u> | <u>Commodity</u> <u>Second Tier</u> | <u>Commodity</u> <u>Third Tier</u> | <u>Total</u> |
|-------------------|-------------|-------------------------------|---------------------------------------|--|---------------------------------------|-------------------|
| 3/4 Inch | Residential | \$ 71,262 | \$ 54,684 | \$ 23,774 | \$ 9,908 | \$ 159,629 |
| 3/4 Inch | Commercial | \$ 222 | \$ 89 | \$ 11 | \$ - | \$ 322 |
| 2 Inch | Commercial | \$ 5,328 | \$ 14,424 | \$ 18,368 | \$ - | \$ 38,120 |
| 2 Inch | Irrigation | \$ 1,776 | \$ - | \$ - | \$ - | \$ 1,776 |
| Construction/Bulk | | \$ 222 | \$ 3,260 | \$ - | \$ - | \$ 3,482 |
| TOTALS | | \$ 78,810 | \$ 72,457 | \$ 42,153 | \$ 9,908 | \$ 203,328 |
| Percent of Total | | 38.76% | 35.64% | 20.73% | 4.87% | 100.00% |
| Cumulative % | | 38.76% | 74.40% | 95.13% | 100.00% | |

| | <u>Amount</u> | <u>% of Revenues</u> |
|---------------------------------|---------------|----------------------|
| <u>Monthly Minimum Revenues</u> | \$ 78,810 | 38.76% |

Commodity Revenues

| | | |
|-----------------------------|------------|--------|
| Lowest Commodity Rate | \$ 54,773 | 26.94% |
| Middle Commodity Rate | \$ 38,209 | 18.79% |
| Highest Commodity rate | \$ 31,536 | 15.51% |
| Subtotal Commodity Revenues | \$ 124,518 | 61.24% |

| | | |
|----------------|------------|---------|
| Total Revenues | \$ 203,328 | 100.00% |
|----------------|------------|---------|

Utility Source, LLC - Water Division
 Revenue Breakdown Summary
 Proposed Rates

Exhibit
 Rejoinder Schedule H
 Page 4
 Witness: Bourassa

| | | Monthly Mins | Commodity First Tier | Commodity Second Tier | Commodity Third Tier | Total |
|-------------------|------------------|-------------------|-------------------------|--------------------------|-------------------------|-------------------|
| 3/4 Inch | Residential | \$ 156,420 | \$ 93,419 | \$ 52,131 | \$ 25,001 | \$ 326,970 |
| 3/4 Inch | Commercial | \$ 487 | \$ 290 | \$ 33 | \$ - | \$ 810 |
| 2 Inch | Commercial | \$ 11,695 | \$ 31,628 | \$ 46,347 | \$ - | \$ 89,670 |
| 2 Inch | Irrigation | \$ 3,898 | \$ - | \$ - | \$ - | \$ 3,898 |
| Construction/Bulk | | \$ 487 | \$ 6,836 | \$ - | \$ - | \$ 7,323 |
| TOTALS | | \$ 172,988 | \$ 132,173 | \$ 98,510 | \$ 25,001 | \$ 428,672 |
| | Percent of Total | 40.35% | 30.83% | 22.98% | 5.83% | 100.00% |
| | Cummulative % | 40.35% | 71.19% | 94.17% | 100.00% | |

| | Amount | % of Revenues |
|---------------------------------|------------|---------------|
| <u>Monthly Minimum Revenues</u> | \$ 172,988 | 40.35% |
| <u>Commodity Revenues</u> | | |
| Lowest Commodity Rate | \$ 93,709 | 21.86% |
| Middle Commodity Rate | \$ 83,791 | 19.55% |
| Highest Commodity rate | \$ 78,184 | 18.24% |
| Subtotal Commodity Revenues | \$ 255,684 | 59.65% |
| Total Revenues | \$ 428,672 | 100.00% |

37.79%

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 1

| Line No. | Monthly Usage Charge for: | Present Rates | Proposed Rates | Change | Percent Change |
|----------|--|---------------|---|----------------------|----------------|
| 1 | <u>Meter Size (All Classes):</u> | | | | |
| 2 | 5/8x3/4 Inch | \$ 18.50 | \$ 40.61 | \$ 22.11 | 119.50% |
| 2 | 3/4 Inch | 18.50 | 40.61 | 22.11 | 119.50% |
| 3 | 1 Inch | 46.50 | 101.52 | 55.02 | 118.32% |
| 4 | 1 1/2 Inch | 92.50 | 203.04 | 110.54 | 119.50% |
| 5 | 2 Inch | 148.00 | 324.86 | 176.86 | 119.50% |
| 6 | 3 Inch | 296.00 | 649.72 | 353.72 | 119.50% |
| 7 | 4 Inch | 462.50 | 1,015.19 | 552.69 | 119.50% |
| 8 | 6 Inch | 925.00 | 2,030.38 | 1,105.38 | 119.50% |
| 9 | | | | | |
| 10 | | | | | |
| 11 | | | | | |
| 12 | <u>Gallons In Minimum (All Classes)</u> | | | | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | (Per 1,000 gallons) | | |
| 16 | <u>Commodity Rates</u> | | <u>Present Rate</u> | <u>Proposed Rate</u> | |
| 17 | | | | | |
| 18 | 5/8x3/4 Inch (Residential, Commercial) | | 1 gallons to 4,000 gallons \$ 4.80 | \$ 8.20 | |
| 19 | | | 4,001 gallons to 9,000 gallons \$ 7.16 | \$ 15.70 | |
| 20 | | | over 9,000 gallons \$ 8.60 | \$ 21.70 | |
| 21 | | | | | |
| 22 | 3/4 Inch Meter (Residential, Commercial) | | 1 gallons to 4,000 gallons \$ 4.80 | \$ 8.20 | |
| 23 | | | 4,001 gallons to 9,000 gallons \$ 7.16 | \$ 15.70 | |
| 24 | | | over 9,000 gallons \$ 8.60 | \$ 21.70 | |
| 25 | | | | | |
| 26 | 1 Inch Meter (Residential, Commercial) | | 1 gallons to 27,000 gallons \$ 4.80 | \$ 15.70 | |
| 27 | | | over 27,000 gallons \$ 7.16 | \$ 21.70 | |
| 28 | | | | | |
| 29 | 1.5 Inch Meter (Residential, Commercial) | | Over Minimum up to 57,000 gallons \$ 4.80 | \$ 15.70 | |
| 30 | | | Over 57,000 gallons \$ 7.16 | \$ 21.70 | |
| 31 | | | | | |
| 32 | 2 Inch Meter (Residential, Commercial) | | 1 gallons to 94,000 gallons \$ 4.80 | \$ 15.70 | |
| 33 | | | over 94,000 gallons \$ 7.16 | \$ 21.70 | |
| 34 | | | | | |
| 35 | 3 Inch Meter (Residential, Commercial) | | 1 gallons to 195,000 gallons \$ 4.80 | \$ 15.70 | |
| 36 | | | over 195,000 gallons \$ 7.16 | \$ 21.70 | |
| 37 | | | | | |
| 38 | | | | | |
| 39 | | | | | |
| 40 | NT = No Tariff | | | | |
| 41 | | | | | |

Utility Source, LLC - Water Division
 Test Year Ended December 31, 2012
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 2

| Line No. | Commodity Rates | Block | (Per 1,000 gallons) | |
|----------|--|------------------------------|---------------------|---------------|
| | | | Present Rate | Proposed Rate |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | 4 Inch Meter (Residential, Commercial) | 1 gallons to 309,000 gallons | \$ 4.80 | \$ 15.70 |
| 5 | | over 309,000 gallons | \$ 7.16 | \$ 21.70 |
| 6 | | | | |
| 7 | 6 Inch Meter (Residential, Commercial) | 1 gallons to 615,000 gallons | \$ 4.80 | \$ 15.70 |
| 8 | | over 615,000 gallons | \$ 7.16 | \$ 21.70 |
| 9 | | | | |
| 10 | Irrigation Meters | All gallons | \$ 9.26 | \$ 15.70 |
| 11 | | | | |
| 12 | Standpipe or Bulk | All gallons | \$ 10.35 | \$ 21.70 |
| 13 | | | | |
| 14 | Construction | All gallons | \$ 10.35 | \$ 21.70 |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | | | | |
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| 24 | | | | |
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| 34 | | | | |
| 35 | | | | |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | | | | |
| 42 | Construction/Standpipe | All gallons | NT | \$ 21.70 |
| 43 | | | | |
| 44 | NT = No Tariff | | | |

Utility Source, LLC - Water Division
Present and Proposed Rates
Test Year Ended December 31, 2012

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Bourassa

Line
No.

| | Present Service Line Charge | Present Meter Install- ation Charge | Total Present Charge | Proposed Service Line Charge | Proposed Meter Install- ation Charge | Total Proposed Charge |
|----|---|---|----------------------------|---------------------------------------|--|-----------------------------|
| 1 | <u>Meter and Service Line Charges¹</u> | | | | | |
| 7 | | | \$ 520.00 | \$ 385.00 | \$ 135.00 | \$ 520.00 |
| 8 | | | 575.00 | 415.00 | 205.00 | 620.00 |
| 9 | | | 660.00 | 465.00 | 265.00 | 730.00 |
| 10 | | | 900.00 | 520.00 | 475.00 | 995.00 |
| 11 | | | 1,525.00 | 800.00 | 995.00 | 1,795.00 |
| 12 | | | 2,320.00 | 800.00 | 1,840.00 | 2,640.00 |
| 13 | | | 2,275.00 | 1,015.00 | 1,620.00 | 2,635.00 |
| 14 | | | 3,110.00 | 1,135.00 | 2,495.00 | 3,630.00 |
| 15 | | | 3,360.00 | 1,430.00 | 2,570.00 | 4,000.00 |
| 16 | | | 4,475.00 | 1,610.00 | 3,545.00 | 5,155.00 |
| 17 | | | 6,035.00 | 2,150.00 | 4,925.00 | 7,075.00 |
| 18 | | | 8,050.00 | 2,270.00 | 6,820.00 | 9,090.00 |

¹ Based on ACC Staff Engineering Memo dated February 21, 2008

Other Charges:

| | | | |
|----|---|----------|----------|
| 26 | Establishment | \$ 20.00 | \$ 20.00 |
| 27 | Establishment (After Hours) | \$ 40.00 | *Removed |
| 28 | Reconnection (Delinquent) | \$ 50.00 | \$ 50.00 |
| 29 | Reconnection (After hours) | \$ 40.00 | *Removed |
| 30 | Meter Test | \$ 20.00 | \$ 20.00 |
| 31 | Minimum Deposit Requirement | PER RULE | PER RULE |
| 32 | Deposit Interest | PER RULE | PER RULE |
| 33 | Re-establishment (Within 12 months) | PER RULE | PER RULE |
| 34 | NSF Check | \$ 20.00 | \$ 20.00 |
| 35 | Deferred Payment, per month | 1.5% | 1.5% |
| 36 | Meter Re-read | \$ 10.00 | \$ 10.00 |
| 37 | Late Charge | 1.5% | 1.5% |
| 38 | Customer requested Meter Test | \$ 20.00 | \$ 20.00 |
| 39 | After hours service charge | \$ 40.00 | \$ 40.00 |
| 40 | Moving Customer Meter (at customer request) | Cost | Cost |

(a) \$ 5.00 minimum or 1.5% of unpaid balance whichever is greater.

* After hours service charge will apply when service requested by customer after hours.

**Wastewater
Rejoinder
Schedules**

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Rejoinder Schedule A-1
 Page 1
 Witness: Bourassa

Line
No.

| | | | |
|----|---|----|----------|
| 1 | Fair Value Rate Base | \$ | 825,856 |
| 2 | | | |
| 3 | Adjusted Operating Income | | (83,387) |
| 4 | | | |
| 5 | Current Rate of Return | | -10.10% |
| 6 | | | |
| 7 | Required Operating Income | \$ | 90,844 |
| 8 | | | |
| 9 | Required Rate of Return | | 11.00% |
| 10 | | | |
| 11 | Operating Income Deficiency | \$ | 174,232 |
| 12 | | | |
| 13 | Gross Revenue Conversion Factor | | 1.2021 |
| 14 | | | |
| 15 | Increase in Gross Revenue | | |
| 16 | Requirement | \$ | 209,436 |
| 17 | | | |
| 18 | Adjusted Test Year Revenues | \$ | 119,464 |
| 19 | Increase in Gross Revenue Revenue Requirement | \$ | 209,436 |
| 20 | Proposed Revenue Requirement | \$ | 328,900 |
| 21 | % Increase | | 175.31% |
| 22 | | | |

| <u>Customer</u> | | <u>Present</u> | <u>Proposed</u> | <u>Dollar</u> | <u>Percent</u> |
|-----------------------|--------------------------------|-------------------|-------------------|-------------------|-----------------|
| <u>Classification</u> | | <u>Rates</u> | <u>Rates</u> | <u>Increase</u> | <u>Increase</u> |
| 25 | 3/4 Inch Residential | \$ 92,479 | \$ 287,729 | \$ 195,250 | 211.13% |
| 26 | 3/4 Inch Commercial | 114 | 740 | 626 | 547.81% |
| 27 | 2 Inch Commercial | 23,698 | 36,829 | 13,131 | 55.41% |
| 28 | | | | - | 0.00% |
| 29 | Revenue Annualization | 173 | 741 | 567 | 327.23% |
| 30 | Subtotal | \$ 116,465 | \$ 326,039 | \$ 209,574 | 179.95% |
| 31 | | | | | |
| 32 | Other Water Revenues | 3,441 | 3,441 | - | 0.00% |
| 33 | Reconciling Amount | (442) | (580) | (138) | 31.22% |
| 34 | Rounding | | | - | 0.00% |
| 35 | Total of Water Revenues | \$ 119,464 | \$ 328,900 | \$ 209,436 | 175.31% |

36
 37
 38 SUPPORTING SCHEDULES:
 39 B-1
 40 C-1
 41 C-3
 42 H-1

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Summary of Rate Base

Exhibit
 Rejoinder Schedule B-1
 Page 1
 Witness: Bourassa

| Line No. | | <u>Original Cost</u> <u>Rate base</u> | <u>Fair Value</u> <u>Rate Base</u> |
|-------------|--------------------------------------|--|---------------------------------------|
| 1 | | | |
| 2 | Gross Utility Plant in Service | \$ 1,397,271 | \$ 1,397,271 |
| 3 | Less: Accumulated Depreciation | 455,092 | 455,092 |
| 4 | | | |
| 5 | Net Utility Plant in Service | \$ 942,179 | \$ 942,179 |
| 6 | | | |
| 7 | <u>Less:</u> | | |
| 8 | Advances in Aid of Construction | - | - |
| 9 | | | |
| 10 | Contributions in Aid of Construction | 197,973 | 197,973 |
| 11 | | | |
| 12 | Accumulated Amortization of CIAC | (86,715) | (86,715) |
| 13 | | | |
| 14 | Customer Meter Deposits | 5,065 | 5,065 |
| 15 | Deferred Income Taxes & Credits | - | - |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | <u>Plus:</u> | | |
| 20 | Unamortized Finance | | |
| 21 | Charges | - | - |
| 22 | Prepayments | - | - |
| 23 | Materials and Supplies | - | - |
| 24 | Allowance for Working Capital | - | - |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | Total Rate Base | <u>\$ 825,856</u> | <u>\$ 825,856</u> |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | <u>SUPPORTING SCHEDULES:</u> | | |
| 44 | B-2 | | |
| 45 | B-3 | | |
| 46 | B-5 | | |
| 47 | E-1 | | |
| 48 | | | |
| 49 | | | |
| 50 | | | |
| 51 | | | |
| 52 | | | |

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rejoinder Schedule B-2
 Page 1
 Witness: Bourassa

| Line No. | | Adjusted at end of <u>Test Year</u> | <u>Proforma Adjustment</u> | Rebuttal Adjusted at end of <u>Test Year</u> |
|-------------|----------------------------------|--|--------------------------------|--|
| 1 | Gross Utility | | | |
| 2 | Plant in Service | \$ 1,397,271 | - | \$ 1,397,271 |
| 3 | | | | |
| 4 | Less: | | | |
| 5 | Accumulated | | | |
| 6 | Depreciation | 455,064 | 28 | 455,092 |
| 7 | | | | |
| 8 | | | | |
| 9 | Net Utility Plant | | | |
| 10 | in Service | \$ 942,207 | | \$ 942,179 |
| 11 | | | | |
| 12 | Less: | | | |
| 13 | Advances in Aid of | | | |
| 14 | Construction | - | - | - |
| 15 | | | | |
| 16 | Contributions in Aid of | | | |
| 17 | Construction - Gross | 197,973 | - | 197,973 |
| 18 | | | | |
| 19 | Accumulated Amortization of CIAC | (86,711) | (4) | (86,715) |
| 20 | | | | |
| 21 | Customer Meter Deposits | - | 5,065 | 5,065 |
| 22 | Accumulated Deferred Income Tax | - | - | - |
| 23 | | | | |
| 24 | | | | |
| 25 | | | | |
| 26 | Plus: | | | |
| 27 | Unamortized Finance | | | |
| 28 | Charges | - | - | - |
| 29 | Prepayments | - | - | - |
| 30 | Materials and Supplies | - | - | - |
| 31 | Working capital | - | - | - |
| 32 | | | | |
| 33 | | | | |
| 34 | Total | <u>\$ 830,945</u> | | <u>\$ 825,856</u> |

45 SUPPORTING SCHEDULES:

46 B-2, pages 2

47 E-1

48

49

50

RECAP SCHEDULES:

B-1

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rejoinder Schedule B-2
 Page 2
 Witness: Bourassa

| Line No. | Adjusted at end of Test Year | Proforma Adjustments | | | | | Rebutal Adjusted at end of Test Year |
|----------|------------------------------------|----------------------|---------------------------|----------------|---------------------|----------------------------|--------------------------------------|
| | | 1 Plant-in-Service | 2 Accumulated Depredation | 3 CIAC | 4 Customer Deposits | 5 Intentionally Left Blank | |
| 1 | | | | | | | |
| 2 | \$ 1,397,271 | - | | | | | \$ 1,397,271 |
| 3 | | | | | | | |
| 4 | Less: | | | | | | |
| 5 | Accumulated | | | | | | |
| 6 | Depredation | 455,064 | 28 | | | | 455,092 |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | Net Utility Plant | | | | | | |
| 10 | in Service | \$ 942,207 | \$ - | \$ (28) | \$ - | \$ - | \$ 942,179 |
| 11 | | | | | | | |
| 12 | Less: | | | | | | |
| 13 | Advances in Aid of | | | | | | |
| 14 | Construction | - | | | | | - |
| 15 | | | | | | | |
| 16 | Contributbns in Aid of | | | | | | |
| 17 | Construction (CIAC) | 197,973 | | | | | 197,973 |
| 18 | | | | | | | |
| 19 | Accumulated Amort of CIAC | (86,711) | | (4) | | | (86,715) |
| 20 | | | | | | | |
| 21 | Customer Meter Deposits | - | | | 5,065 | | 5,065 |
| 22 | Accumulated Deferred Income Taxes | - | | | | | - |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | Plus: | | | | | | |
| 26 | Unamortized Finance | | | | | | |
| 27 | Charges | - | | | | | - |
| 28 | Prepayments | - | | | | | - |
| 29 | Materials and Supplies | - | | | | | - |
| 30 | Allowance for Cash Working Capital | - | | | | | - |
| 31 | | | | | | | |
| 32 | Total | \$ 830,945 | \$ - | \$ (28) | \$ 4 | \$ (5,065) | \$ 825,856 |

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

RECAP SCHEDULES:
 B-1

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 -A

Exhibit
 Rejoinder Schedule B-
 Page 3.1
 Witness: Bourassa

Line

No.

1 Reconciliation to Reconstructed Plant-in-Service

2

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| Acct. | Adjusted Original | Plant Per | Adjustment |
|-------------------------------|----------------------|-----------------------|-----------------|
| <u>No.</u> <u>Description</u> | <u>Cost</u> | <u>Reconstruction</u> | <u>Required</u> |
| 351 | - | - | - |
| 352 | - | - | - |
| 353 | 105,000 | 105,000 | - |
| 354 | 56,350 | 56,350 | - |
| 355 | 2,879 | 2,879 | - |
| 360 | - | - | - |
| 361 | 260,553 | 260,553 | - |
| 362 | - | - | - |
| 363 | 60,375 | 60,375 | - |
| 364 | - | - | - |
| 365 | - | - | - |
| 366 | 3,450 | 3,450 | - |
| 367 | - | - | - |
| 370 | - | - | - |
| 371 | - | - | - |
| 374 | - | - | - |
| 375 | - | - | - |
| 380 | 903,992 | 903,992 | - |
| 381 | - | - | - |
| 382 | - | - | - |
| 389 | - | - | - |
| 390 | 4,672 | 4,251 | (421) |
| 390.1 | - | 421 | 421 |
| 391 | - | - | - |
| 392 | - | - | - |
| 393 | - | - | - |
| 394 | - | - | - |
| 395 | - | - | - |
| 396 | - | - | - |
| 397 | - | - | - |
| 398 | - | - | - |
| TOTALS | \$ 1,397,271 | \$ 1,397,271 | \$ (0) |

SUPPORTING SCHEDULE

B-2, pages 3.2 - 3.8

Utility Source, LLC - Wastewater Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.2
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | Per Decision 70140 | | 2008 | | | | | | | | | | |
|----------|-------------------|--------------------------------|----------------------|---------------------|------------------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|---------|
| | | | | Plant at 12/31/2005 | Accum. Deprec. At 12/31/2005 | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. | |
| 1 | 351 | Organization | 0.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | 352 | Franchise | 0.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | 353 | Land | 0.00% | 105,000 | - | - | - | - | - | - | - | - | - | - | 105,000 | - |
| 4 | 354 | Structures & Improvements | 3.33% | 56,350 | 2,815 | - | - | - | - | - | - | - | - | 1,876 | 56,350 | 4,691 |
| 5 | 355 | Power Generation | 5.00% | 2,879 | 216 | - | - | - | - | - | - | - | - | 144 | 2,879 | 360 |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | 361 | Collection Sewers Gravity | 2.00% | 260,553 | 7,817 | - | - | - | - | - | - | - | - | - | - | - |
| 8 | 362 | Special Collecting Structures | 2.00% | - | - | - | - | - | - | - | - | - | - | 5,211 | 260,553 | 13,028 |
| 9 | 363 | Customer Services | 2.00% | 60,375 | 1,811 | - | - | - | - | - | - | - | - | - | - | - |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | - | - | - | - | - | - | - | - | - | 1,208 | 60,375 | 3,019 |
| 10 | 365 | Flow Measuring Installations | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | 366 | Reuse Services | 2.00% | 3,450 | 518 | - | - | - | - | - | - | - | - | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | - | - | - | - | - | - | - | 69 | 3,450 | 587 |
| 13 | 370 | Receiving Wells | 3.33% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 371 | Pumping Equipment | 12.50% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 16 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 17 | 380 | Treatment & Disposal Equipment | 5.00% | 890,485 | 66,786 | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 381 | Plant Sewers | 5.00% | - | - | - | - | - | - | - | - | - | - | 44,524 | 890,485 | 111,311 |
| 19 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 20 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 21 | 390 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 22 | 390.1 | Computers and Software | 20.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 23 | 391 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 24 | 392 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 25 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 394 | Laboratory Equip | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 395 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 396 | Communication Equip | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 397 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 398 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 29 | | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 30 | | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 31 | | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 32 | | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 33 | | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 34 | | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | 1,379,092 | 79,962 | - | - | - | - | - | - | - | - | 53,032 | 1,379,092 | 132,995 |

Utility Source, LLC - Wastewater Division
 Plant Additions and Retirements

Exhibit
 Rejoinder Schedule B-2
 Page 3.3
 Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2007 | | | | | | | | | | |
|----------|-------------------|--------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|---|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. | |
| 1 | 351 | Organization | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| 2 | 352 | Franchise | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| 3 | 353 | Land | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| 4 | 354 | Structures & Improvements | 3.33% | - | - | - | - | - | - | - | 106,000 | - | - | - |
| 5 | 355 | Power Generation | 5.00% | - | - | - | - | - | - | - | 1,876 | 56,350 | 6,568 | - |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | - | - | - | - | - | - | 144 | 2,879 | 504 | - |
| 7 | 361 | Collection Sewers Gravity | 2.00% | - | - | - | - | - | - | - | - | - | - | - |
| 8 | 362 | Special Collecting Structures | 2.00% | - | - | - | - | - | - | - | 5,211 | 260,553 | 18,239 | - |
| 9 | 363 | Customer Services | 2.00% | - | - | - | - | - | - | - | - | - | - | - |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | - | - | - | - | - | - | 1,208 | 60,375 | 4,226 | - |
| 10 | 365 | Flow Measuring Installations | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 10 | 366 | Reuse Services | 2.00% | - | - | - | - | - | - | - | - | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | - | - | - | - | 69 | 3,450 | 656 | - |
| 13 | 370 | Receiving Wells | 3.33% | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 371 | Pumping Equipment | 12.50% | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - | - |
| 16 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - | - | - | - | - | - | - | - |
| 17 | 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 381 | Plant Sewers | 5.00% | - | - | - | - | - | - | - | 44,524 | 890,485 | 155,835 | - |
| 19 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | - | - | - | - | - | - | - | - |
| 20 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | - |
| 21 | 390 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - | - |
| 22 | 390 1 | Computers and Software | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 23 | 391 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 24 | 392 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - | - |
| 25 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 394 | Laboratory Equip | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 395 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 396 | Communication Equip | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 397 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 26 | 398 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - | - |
| 29 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 30 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 31 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 32 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 33 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 34 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | - | - | - | - | - | - | - | 53,032 | 1,379,092 | 186,027 | - |

Utility Source, LLC - Wastewater Division
 Plant Additions and Retirements

Exhibit
 Rejoinder Schedule B-2
 Page 3.4
 Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2008 | | | | | | | | Plant Balance | Accum. Deprec. |
|----------|-------------------|--------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | |
| 1 | 351 | Organization | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 2 | 352 | Franchise | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 3 | 353 | Land | 0.00% | - | - | - | - | - | - | - | 105,000 | - | - |
| 4 | 354 | Structures & Improvements | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 5 | 355 | Power Generation | 5.00% | - | - | - | - | - | - | 1,876 | 58,350 | 8,444 | - |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | - | - | - | - | - | 144 | 2,879 | 648 | - |
| 7 | 361 | Collection Sewers Gravity | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 8 | 362 | Special Collecting Structures | 2.00% | - | - | - | - | - | - | 5,211 | 280,553 | 23,450 | - |
| 9 | 363 | Customer Services | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | - | - | - | - | - | 1,208 | 60,375 | 5,434 | - |
| 10 | 365 | Flow Measuring Installations | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 366 | Reuse Services | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | - | - | - | 69 | 3,450 | 725 | - |
| 13 | 370 | Receiving Wells | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 14 | 371 | Pumping Equipment | 12.50% | - | - | - | - | - | - | - | - | - | - |
| 15 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 16 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 17 | 380 | Treatment & Disposal Equipment | 5.00% | 13,507 | - | 13,507 | - | - | - | - | - | - | - |
| 18 | 381 | Plant Sewers | 5.00% | - | - | - | - | - | - | 44,862 | 903,992 | 200,697 | - |
| 19 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 20 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 21 | 390 | Office Furniture & Equipment | 6.67% | 2,552 | - | 2,552 | - | - | - | - | - | - | - |
| 22 | 390.1 | Computers and Software | 20.00% | - | - | - | - | - | - | 85 | 2,552 | 85 | - |
| 23 | 391 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - |
| 24 | 392 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - |
| 25 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 394 | Laboratory Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 395 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 396 | Communication Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 397 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 398 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 29 | | | | - | - | - | - | - | - | - | - | - | - |
| 30 | | | | - | - | - | - | - | - | - | - | - | - |
| 31 | | | | - | - | - | - | - | - | - | - | - | - |
| 32 | | | | - | - | - | - | - | - | - | - | - | - |
| 33 | | | | - | - | - | - | - | - | - | - | - | - |
| 34 | | | | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | 16,059 | - | 16,059 | - | - | - | - | 53,455 | 1,395,151 | 239,482 |

Utility Source, LLC - Wastewater Division
 Plant Additions and Retirements

Exhibit
 Rejoinder Schedule B-2
 Page 3.5
 Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2009 | | | | | | | | Plant Balance | Accum. Deprec. |
|----------|-------------------|--------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | |
| 1 | 351 | Organization | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 2 | 352 | Franchise | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 3 | 353 | Land | 0.00% | - | - | - | - | - | - | - | 105,000 | - | - |
| 4 | 354 | Structures & Improvements | 3.33% | - | - | - | - | - | - | 1,876 | 56,350 | 10,321 | - |
| 5 | 355 | Power Generation | 5.00% | - | - | - | - | - | - | 144 | 2,879 | 792 | - |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 7 | 361 | Collection Sewers Gravity | 2.00% | - | - | - | - | - | - | 5,211 | 260,553 | 28,661 | - |
| 8 | 362 | Special Collecting Structures | 2.00% | - | - | - | - | - | - | 1,208 | 60,375 | 6,641 | - |
| 9 | 363 | Customer Services | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 365 | Flow Measuring Installations | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 366 | Reuse Services | 2.00% | - | - | - | - | - | - | 69 | 3,450 | 784 | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | - | - | - | - | - | - | - |
| 13 | 370 | Receiving Wells | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 14 | 371 | Pumping Equipment | 12.50% | - | - | - | - | - | - | - | - | - | - |
| 15 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 16 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 17 | 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | - | - | - | 45,200 | 903,992 | 245,896 | - |
| 18 | 381 | Plant Sewers | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 19 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 20 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 21 | 390 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 22 | 390.1 | Computers and Software | 20.00% | - | - | - | - | - | - | 170 | 2,552 | 255 | - |
| 23 | 391 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - |
| 24 | 392 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - |
| 25 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 394 | Laboratory Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 395 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 396 | Communication Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 397 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 398 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 29 | | | | - | - | - | - | - | - | - | - | - | - |
| 30 | | | | - | - | - | - | - | - | - | - | - | - |
| 31 | | | | - | - | - | - | - | - | - | - | - | - |
| 32 | | | | - | - | - | - | - | - | - | - | - | - |
| 33 | | | | - | - | - | - | - | - | - | - | - | - |
| 34 | | | | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | - | - | - | - | - | - | 53,878 | 1,395,151 | 293,360 | - |

Utility Source, LLC - Wastewater Division
 Plant Additions and Retirements

Exhibit
 Rejoinder Schedule B-2
 Page 3.6
 Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2010 | | | | | | | | | |
|----------|-------------------|--------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
| 1 | 351 | Organization | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 2 | 352 | Franchise | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 3 | 353 | Land | 0.00% | - | - | - | - | - | - | - | 105,000 | - | - |
| 4 | 354 | Structures & Improvements | 3.33% | - | - | - | - | - | - | - | 1,876 | 56,350 | 12,197 |
| 5 | 355 | Power Generation | 5.00% | - | - | - | - | - | - | - | 144 | 2,879 | 936 |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 7 | 361 | Collection Sewers Gravity | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 8 | 362 | Special Collecting Structures | 2.00% | - | - | - | - | - | - | - | 5,211 | 260,553 | 33,872 |
| 9 | 363 | Customer Services | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | - | - | - | - | - | - | 1,208 | 60,375 | 7,849 |
| 10 | 365 | Flow Measuring Installations | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 366 | Reuse Services | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | - | - | - | - | 69 | 3,450 | 863 |
| 13 | 370 | Receiving Wells | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 14 | 371 | Pumping Equipment | 12.50% | - | - | - | - | - | - | - | - | - | - |
| 15 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 16 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 17 | 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 18 | 381 | Plant Sewers | 5.00% | - | - | - | - | - | - | - | 45,200 | 903,992 | 291,096 |
| 19 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 20 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 21 | 390 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 22 | 390.1 | Computers and Software | 20.00% | - | - | - | - | - | - | - | 170 | 2,552 | 426 |
| 23 | 391 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - |
| 24 | 392 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - |
| 25 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 394 | Laboratory Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 395 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 396 | Communication Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 397 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 398 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 29 | | | | - | - | - | - | - | - | - | - | - | - |
| 30 | | | | - | - | - | - | - | - | - | - | - | - |
| 31 | | | | - | - | - | - | - | - | - | - | - | - |
| 32 | | | | - | - | - | - | - | - | - | - | - | - |
| 33 | | | | - | - | - | - | - | - | - | - | - | - |
| 34 | | | | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | - | - | - | - | - | - | - | 53,878 | 1,385,151 | 347,237 |

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2011 | | | | | | | | Plant Balance | Accum. Deprec. |
|----------|-------------------|--------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | |
| 1 | 351 | Organization | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 2 | 352 | Franchise | 0.00% | - | - | - | - | - | - | - | - | - | - |
| 3 | 353 | Land | 0.00% | - | - | - | - | - | - | - | 105,000 | - | - |
| 4 | 354 | Structures & Improvements | 3.33% | - | - | - | - | - | - | 1,876 | 56,350 | 14,073 | - |
| 5 | 355 | Power Generation | 5.00% | - | - | - | - | - | - | 144 | 2,879 | 1,080 | - |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 7 | 361 | Collection Sewers Gravity | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 8 | 362 | Special Collecting Structures | 2.00% | - | - | - | - | - | - | 5,211 | 260,553 | 39,083 | - |
| 9 | 363 | Customer Services | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | - | - | - | - | - | 1,208 | 60,375 | 9,058 | - |
| 10 | 365 | Flow Measuring Installations | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 10 | 366 | Reuse Services | 2.00% | - | - | - | - | - | - | - | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | - | - | - | 69 | 3,450 | 932 | - |
| 13 | 370 | Receiving Wells | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 14 | 371 | Pumping Equipment | 12.50% | - | - | - | - | - | - | - | - | - | - |
| 15 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 16 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - | - | - | - | - | - | - |
| 17 | 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 18 | 381 | Plant Sewers | 5.00% | - | - | - | - | - | - | 45,200 | 903,992 | 336,296 | - |
| 19 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | - | - | - | - | - | - | - |
| 20 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 21 | 390 | Office Furniture & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | - |
| 22 | 390.1 | Computers and Software | 20.00% | - | - | - | - | - | - | 170 | 2,552 | 596 | - |
| 23 | 391 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - |
| 24 | 392 | Stores Equipment | 4.00% | - | - | - | - | - | - | - | - | - | - |
| 25 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 394 | Laboratory Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 395 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 396 | Communication Equip | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 397 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 26 | 398 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - | - | - | - |
| 29 | | | | - | - | - | - | - | - | - | - | - | - |
| 30 | | | | - | - | - | - | - | - | - | - | - | - |
| 31 | | | | - | - | - | - | - | - | - | - | - | - |
| 32 | | | | - | - | - | - | - | - | - | - | - | - |
| 33 | | | | - | - | - | - | - | - | - | - | - | - |
| 34 | | | | - | - | - | - | - | - | - | - | - | - |
| 35 | | | | - | - | - | - | - | - | - | - | - | - |
| 36 | | TOTALS | | - | - | - | - | - | - | 53,878 | 1,395,151 | 401,115 | - |

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2012 | | | | | | | | Plant Balance | Accum. Deprec. |
|----------|-------------------|--------------------------------|----------------------|-----------------------------|-------------------|--------------------------|-------------------------------|------------------------|----------------------------|------------------|---------------------------|---------------|----------------|
| | | | | Plant Additions (Per Books) | Plant Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | | |
| 1 | 351 | Organization | 0.00% | | | | | | | | | | |
| 2 | 352 | Franchise | 0.00% | | | | | | | | | | |
| 3 | 353 | Land | 0.00% | | | | | | | | | | |
| 4 | 354 | Structures & Improvements | 3.33% | | | | | | | | 105,000 | | |
| 5 | 355 | Power Generation | 5.00% | | | | | | | 1,876 | 56,350 | 15,950 | |
| 6 | 360 | Collection Sewer Forced | 2.00% | | | | | | | 144 | 2,879 | 1,224 | |
| 7 | 361 | Collection Sewers Gravity | 2.00% | | | | | | | | | | |
| 8 | 362 | Special Collecting Structures | 2.00% | | | | | | | 5,211 | 260,653 | 44,284 | |
| 9 | 363 | Customer Services | 2.00% | | | | | | | | | | |
| 10 | 364 | Flow Measuring Devices | 10.00% | | | | | | | 1,208 | 60,375 | 10,264 | |
| 10 | 365 | Flow Measuring Installations | 10.00% | | | | | | | | | | |
| 10 | 366 | Reuse Services | 2.00% | | | | | | | | | | |
| 12 | 367 | Reuse Meters And Installation | 8.33% | | | | | | | 69 | 3,450 | 1,001 | |
| 13 | 370 | Receiving Wells | 3.33% | | | | | | | | | | |
| 14 | 371 | Pumping Equipment | 12.50% | | | | | | | | | | |
| 15 | 374 | Reuse Distribution Reservoirs | 2.50% | | | | | | | | | | |
| 16 | 375 | Reuse Trans. and Dist. System | 2.50% | | | | | | | | | | |
| 17 | 380 | Treatment & Disposal Equipment | 5.00% | | | | | | | | | | |
| 18 | 381 | Plant Sewers | 5.00% | | | | | | | 45,200 | 903,992 | 381,495 | |
| 19 | 382 | Outfall Sewer Lines | 3.33% | | | | | | | | | | |
| 20 | 389 | Other Sewer Plant & Equipment | 6.67% | | | | | | | | | | |
| 21 | 390 | Office Furniture & Equipment | 6.67% | | | | | | | | | | |
| 22 | 390.1 | Computers and Software | 20.00% | 1,698 | | 1,698 | | | | 227 | 4,251 | 823 | |
| 23 | 391 | Transportation Equipment | 20.00% | 421 | | 421 | | | | 42 | 421 | 42 | |
| 24 | 392 | Stores Equipment | 4.00% | | | | | | | | | | |
| 25 | 393 | Tools, Shop And Garage Equip | 5.00% | | | | | | | | | | |
| 26 | 394 | Laboratory Equip | 10.00% | | | | | | | | | | |
| 26 | 395 | Power Operated Equipment | 5.00% | | | | | | | | | | |
| 26 | 396 | Communication Equip | 10.00% | | | | | | | | | | |
| 26 | 397 | Miscellaneous Equipment | 10.00% | | | | | | | | | | |
| 26 | 398 | Other Tangible Plant | 10.00% | | | | | | | | | | |
| 29 | | | | | | | | | | | | | |
| 30 | | | | | | | | | | | | | |
| 31 | | | | | | | | | | | | | |
| 32 | | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | | |
| 34 | | | | | | | | | | | | | |
| 35 | | | | | | | | | | | | | |
| 36 | | TOTALS | | 2,119 | | 2,119 | | | | 53,877 | 1,397,271 | 455,092 | |

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 -A

Exhibit
 Rejoinder Schedule B-
 Page 4.1
 Witness: Bourassa

Line

No.

| <u>Reconciliation to Reconstructed Accumulated Depreciation</u> | | | | |
|---|--------------------------------------|---|--|------------------------|
| Acct. | | Adjusted Accumulated Depreciation | Accumulated Depreciation Per Plant Reconstruction | Adjustment Required |
| No. | Description | | | |
| 351 | Organization Cost | - | - | - |
| 352 | Franchise Cost | - | - | - |
| 353 | Land and Land Rights | - | - | - |
| 354 | Structures & Improvements | 15,950 | 15,950 | - |
| 355 | Power Generation Equipment | 1,224 | 1,224 | - |
| 360 | Collection Sewers - Force | - | - | - |
| 361 | Collection Sewers - Gravity | 44,294 | 44,294 | - |
| 362 | Special Collecting Structures | 10,264 | 10,264 | - |
| 363 | Services to Customers | - | - | - |
| 364 | Flow Measuring Devices | 1,001 | 1,001 | - |
| 365 | Flow Measuring Installations | - | - | - |
| 366 | Reuse Services | - | - | - |
| 367 | Reuse Meters and Meter Installations | - | - | - |
| 370 | Receiving Wells | - | - | - |
| 371 | Pumping Equipment | 381,495 | 381,495 | - |
| 374 | Reuse Distribution Reservoirs | - | - | - |
| 375 | Reuse Transmission and Distribution | - | - | - |
| 380 | Treatment & Disposal Equipment | 837 | 823 | (14) |
| 381 | Plant Sewers | - | 42 | 42 |
| 382 | Outfall Sewer Lines | - | - | - |
| 389 | Other Plant & Misc Equipment | - | - | - |
| 390 | Office Furniture & Equipment | - | - | - |
| 390.1 | Computers & Software | - | - | - |
| 391 | Transportation Equipment | - | - | - |
| 392 | Stores Equipment | - | - | - |
| 393 | Tools, Shop & Garage Equipment | - | - | - |
| 394 | Laboratory Equipment | - | - | - |
| 395 | Power Operated Equipment | - | - | - |
| 396 | Communication Equipment | - | - | - |
| 397 | Miscellaneous Equipment | - | - | - |
| 398 | Other Tangible Plant | - | - | - |
| TOTALS | | \$ 455,064 | \$ 455,092 | \$ 28 |

38

39

40 SUPPORTING SCHEDULE

41 B-2, pages 3.2 - 3.8

42

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Rejoinder Schedule B-2
 Page 5.0
 Witness: Bourassa

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

| | | | |
|---|--|--|--|
| Line <u>No.</u> 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 | Computed balance at end of test year Adjusted balance at end of test year Increase (decrease) Adjustment to CIAC/AA CIAC Label | Gross <u>CIAC</u> \$ 197,973 <u>\$ 197,973</u> \$ - <u>\$ -</u> 3a | Accumulated <u>Amortization</u> \$ 86,715 <u>\$ 86,711</u> \$ 4 <u>\$ (4)</u> 3b |
| | <u>SUPPORTING SCHEDULES</u> E-1 B-2, page 5.1 | | |

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Contributions-in-aid of Construction (CIAC)

Exhibit
 Rejoinder Schedule B-2
 Page 5.1
 Witness: Bourassa

Line

No.

| | 2006 | | 2007 | | 2008 | | 2009 | |
|----|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| | Balance 12/31/2005 | Balance 12/31/2006 | Balance 12/31/2007 | Balance 12/31/2008 | Balance 12/31/2009 | Balance 12/31/2005 | Balance 12/31/2009 | |
| | | Additions | Additions | Additions | Additions | Additions | Additions | |
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | 197,973 | 197,973 | 197,973 | 197,973 | 197,973 | 197,973 | 197,973 | |
| 6 | | | | | | | | |
| 7 | 12,425 | | | | | | | |
| 8 | | 4.16% | 4.16% | 4.14% | 4.18% | | 4.18% | |
| 9 | | 8,240 | 8,240 | 8,203 | 8,268 | | 8,268 | |
| 10 | | 20,665 | 28,906 | 37,108 | 45,376 | | 45,376 | |
| 11 | | | | | | | | |
| 12 | 185,548 | - | 177,308 | - | 169,067 | - | 160,865 | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| 19 | | | | | | | | |
| 20 | | | | | | | | |
| 21 | | | | | | | | |
| 22 | | | | | | | | |
| 23 | | | | | | | | |
| 24 | | | | | | | | |
| 25 | | | | | | | | |
| 26 | | | | | | | | |
| 27 | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | | | | | | | |
| 30 | | | | | | | | |

| | 2010 | | 2011 | | 2012 | |
|----|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Balance 12/31/2010 | Balance 12/31/2011 | Balance 12/31/2011 | Balance 12/31/2012 | Balance 12/31/2012 | Balance 12/31/2012 |
| | Additions | Additions | Additions | Additions | Additions | Additions |
| 20 | | | | | | |
| 21 | - | 197,973 | - | 197,973 | - | 197,973 |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | 4.18% | 4.18% | 4.18% | 4.18% | 4.18% |
| 25 | | 8,268 | 8,268 | 8,269 | 8,269 | 8,269 |
| 26 | | 70,178 | 78,446 | 86,715 | 86,715 | 86,715 |
| 27 | | | | | | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | | | | | | |

Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Customer Deposits

Exhibit
Rejoinder Schedule B-2
Page 6
Witness: Bourassa

Line
No.
1
2
3
4
5
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7
8
9
10
11
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13
14
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18
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20
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22
23
24
25
26
27
28
29
30
31
32
33
34
35

| | | |
|----------------------------------|----|-------|
| Staff recommended balance | \$ | 5,065 |
| Book balance at end of test year | \$ | - |
| Increase (decrease) | \$ | 5,065 |

SUPPORTING SCHEDULES
Testimony

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Computation of Working Capital

Exhibit
 Rejoinder Schedule B-5
 Page 1
 Witness: Bourassa

Line
No.

| | | | |
|----|---|----|---------------------------|
| 1 | Cash Working Capital (1/8 of Allowance | | |
| 2 | Operation and Maintenance Expense) | \$ | 16,175 |
| 3 | Pumping Power (1/24 of Pumping Power) | | 1,092 |
| 4 | Purchased Water (1/24 of Purchased Water) | | 527 |
| 5 | Prepaid Expenses | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | Total Working Capital Allowance | \$ | <u>17,795</u> |
| 10 | | | |
| 11 | | | |
| 12 | Working Capital Requested | \$ | <u>-</u> |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | <u>Adjusted Test Year</u> |
| 18 | Total Operating Expense | \$ | 202,851 |
| 19 | Less: | | |
| 20 | Income Tax | \$ | (15,616) |
| 21 | Property Tax | | 4,401 |
| 22 | Depreciation | | 45,791 |
| 23 | Purchased Water | | 12,659 |
| 24 | Pumping Power | | 26,213 |
| 25 | Allowable Expenses | \$ | <u>129,403</u> |
| 26 | 1/8 of allowable expenses | \$ | <u>16,175</u> |
| 27 | | | |

29 SUPPORTING SCHEDULES:
 30 E-1

RECAP SCHEDULES:
 B-1

31
 32
 33
 34
 35
 36
 37
 38
 39
 40

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Rejoinder Schedule C-1
 Page 1
 Witness: Bourassa

| Line No. | Test Year Adjusted Results | Adjustment | Rebuttal Test Year Adjusted Results | Proposed Rate Increase | Rebuttal Adjusted with Rate Increase |
|----------|-------------------------------|--------------------|-------------------------------------|------------------------|--------------------------------------|
| 1 | Revenues | | | | |
| 2 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3 | 116,023 | - | 116,023 | 209,436 | 325,458 |
| 4 | 5,261 | (1,820) | 3,441 | - | 3,441 |
| 5 | <u>\$ 121,284</u> | <u>\$ (1,820)</u> | <u>\$ 119,464</u> | <u>\$ 209,436</u> | <u>\$ 328,900</u> |
| 6 | Operating Expenses | | | | |
| 7 | \$ - | - | \$ - | - | \$ - |
| 8 | - | - | - | - | - |
| 9 | 26,213 | - | 26,213 | - | 26,213 |
| 10 | 12,659 | - | 12,659 | - | 12,659 |
| 11 | 5,400 | - | 5,400 | - | 5,400 |
| 12 | 7,187 | - | 7,187 | - | 7,187 |
| 13 | 2,446 | - | 2,446 | - | 2,446 |
| 14 | 20,135 | - | 20,135 | - | 20,135 |
| 15 | 1,920 | - | 1,920 | - | 1,920 |
| 16 | - | - | - | - | - |
| 17 | 46,650 | - | 46,650 | - | 46,650 |
| 18 | 5,669 | 8,858 | 14,527 | - | 14,527 |
| 19 | - | - | - | - | - |
| 20 | 3,250 | (1,750) | 1,500 | - | 1,500 |
| 21 | 2,186 | - | 2,186 | - | 2,186 |
| 22 | - | - | - | - | - |
| 23 | - | - | - | - | - |
| 24 | 10,000 | 6,667 | 16,667 | - | 16,667 |
| 25 | 13,152 | (2,366) | 10,786 | - | 10,786 |
| 26 | - | - | - | - | - |
| 27 | 45,744 | 48 | 45,791 | - | 45,791 |
| 28 | - | - | - | - | - |
| 29 | 4,476 | (75) | 4,401 | 2,576 | 6,977 |
| 30 | (13,545) | (2,071) | (15,616) | 32,628 | 17,012 |
| 31 | - | - | - | - | - |
| 32 | <u>\$ 193,541</u> | <u>\$ 9,310</u> | <u>\$ 202,851</u> | <u>\$ 35,204</u> | <u>\$ 238,056</u> |
| 33 | <u>\$ (72,257)</u> | <u>\$ (11,130)</u> | <u>\$ (83,387)</u> | <u>\$ 174,232</u> | <u>\$ 90,844</u> |
| 34 | Other Income (Expense) | | | | |
| 35 | - | - | - | - | - |
| 36 | - | - | - | - | - |
| 37 | - | - | - | - | - |
| 38 | - | - | - | - | - |
| 39 | - | - | - | - | - |
| 40 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 41 | <u>\$ (72,257)</u> | <u>\$ (11,130)</u> | <u>\$ (83,387)</u> | <u>\$ 174,232</u> | <u>\$ 90,844</u> |

42
 43 SUPPORTING SCHEDULES:
 44 C-1, page 2
 45 E-2
 46

RECAP SCHEDULES:
 A-1

| Line No. | LABEL>>>> | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------|-------------------------------------|--------------|----------------|-------------------|--------------------|---------------|--------------|-------------------|
| | Test Year Adjusted Results | Depreciation | Property Taxes | Rate Case Expense | Revenue Adjustment | Water Testing | Auto Expense | Telephone Expense |
| 1 | Revenues | | | | | | | |
| 2 | Flat Rate Revenues | \$ - | | | | | | |
| 3 | Measured Revenues | 116,023 | | | | | | |
| 4 | Other Water Revenues | 5,261 | | | (1,820) | | | |
| 5 | | \$ 121,284 | \$ - | \$ - | \$ - | \$ (1,820) | \$ - | \$ - |
| 6 | Operating Expenses | | | | | | | |
| 7 | Salaries and Wages | \$ - | | | | | | |
| 8 | Purchased Water | - | | | | | | |
| 9 | Purchased Power | 26,213 | | | | | | |
| 10 | Sludge Removal | 12,659 | | | | | | |
| 11 | Chemicals | 5,400 | | | | | | |
| 12 | Materials and Supplies | 7,187 | | | | | | |
| 13 | Office Supplies and Expense | 2,446 | | | | | | |
| 14 | Contractual Services - Accounting | 20,135 | | | | | | |
| 15 | Contractual Services - Professional | 1,920 | | | | | | |
| 16 | Contractual Services - Maintenance | - | | | | | | |
| 17 | Contractual Services - Other | 46,650 | | | | | | |
| 18 | Water Testing | 5,669 | | | | 8,858 | | |
| 19 | Rents | - | | | | | | |
| 20 | Transportation Expenses | 3,250 | | | | | (1,750) | |
| 21 | Insurance - General Liability | 2,186 | | | | | | |
| 22 | Insurance - Health and Life | - | | | | | | |
| 23 | Reg. Comm. Exp. - Other | - | | | | | | |
| 24 | Reg. Comm. Exp. - Rate Case | 10,000 | | 6,667 | | | | |
| 25 | Miscellaneous Expense | 13,152 | | | | | | (2,366) |
| 26 | Bad Debt Expense | - | | | | | | |
| 27 | Deprec. and Amort. Exp. | 45,744 | 48 | | | | | |
| 28 | Taxes Other Than Income | - | | | | | | |
| 29 | Property Taxes | 4,476 | (75) | | | | | |
| 30 | Income Tax | (13,545) | | | | | | |
| 31 | | | | | | | | |
| 32 | Total Operating Expenses | \$ 193,541 | \$ 48 | \$ (75) | \$ 6,667 | \$ - | \$ 8,858 | \$ (1,750) |
| 33 | Operating Income | \$ (72,257) | \$ (48) | \$ 75 | \$ (6,667) | \$ (1,820) | \$ (8,858) | \$ 1,750 |
| 34 | Other Income (Expense) | | | | | | | 2,366 |
| 35 | Interest Income | - | | | | | | |
| 36 | Other Income | - | | | | | | |
| 37 | Interest Expense | - | | | | | | |
| 38 | Other Expense | - | | | | | | |
| 39 | | | | | | | | |
| 40 | Total Other Income (Expense) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 41 | Net Profit (Loss) | \$ (72,257) | \$ (48) | \$ 75 | \$ (6,667) | \$ (1,820) | \$ (8,858) | \$ 1,750 |
| 42 | | | | | | | | 2,366 |

SUPPORTING SCHEDULES:
 C-2
 E-2

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Income Statement

Exhibit
 Rejoinder Schedule C-1
 Page 2.2
 Witness: Bourassa

| Line No. | 8 Intentionally Left Blank | 9 Intentionally Left Blank | 10 Intentionally Left Blank | 11 Income Taxes | Rebuttal Test Year Adjusted Results | Proposed Rate Increase | Rebuttal Adjusted with Rate Increase |
|----------|-------------------------------------|-------------------------------------|--------------------------------------|-----------------------|--|------------------------------|---|
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | 116,023 | 209,436 | 325,458 |
| 5 | | | | | 3,441 | | 3,441 |
| 6 | | | | | 119,464 | 209,436 | 328,900 |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | 26,213 | | 26,213 |
| 11 | | | | | 12,659 | | 12,659 |
| 12 | | | | | 5,400 | | 5,400 |
| 13 | | | | | 7,187 | | 7,187 |
| 14 | | | | | 2,446 | | 2,446 |
| 15 | | | | | 20,135 | | 20,135 |
| 16 | | | | | 1,920 | | 1,920 |
| 17 | | | | | | | |
| 18 | | | | | 46,650 | | 46,650 |
| 19 | | | | | 14,527 | | 14,527 |
| 20 | | | | | | | |
| 21 | | | | | 1,500 | | 1,500 |
| 22 | | | | | 2,186 | | 2,186 |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | 16,667 | | 16,667 |
| 26 | | | | | 10,786 | | 10,786 |
| 27 | | | | | | | |
| 28 | | | | | 45,791 | | 45,791 |
| 29 | | | | | | | |
| 30 | | | | | 4,401 | 2,576 | 6,977 |
| 31 | | | | | (2,071) | 32,628 | 17,012 |
| 32 | | | | | | | |
| 33 | | | | | | | |
| 34 | | | | | | | |
| 35 | | | | | | | |
| 36 | | | | | | | |
| 37 | | | | | | | |
| 38 | | | | | | | |
| 39 | | | | | | | |
| 40 | | | | | | | |
| 41 | | | | | | | |
| 42 | | | | | | | |
| 43 | | | | | | | |
| 44 | | | | | | | |
| 45 | | | | | | | |

SUPPORTING SCHEDULES:
 C-2

RECAP SCHEDULES:
 C-1, page 1

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Rejoinder Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

| | | | | | | |
|------------|---|--------------------------------------|--------------------------|---------------------|--------------------|---------------------|
| Line | | | | | | |
| <u>No.</u> | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | Acct. | Original | Non-depreciable/ | Adjusted | Proposed | Depreciation |
| 4 | No. | Cost | Fully Depreciated | Original | Rates | Expense |
| 5 | 351 | Organization Cost | - | - | 0.00% | - |
| 6 | 352 | Franchise Cost | - | - | 0.00% | - |
| 7 | 353 | Land and Land Rights | 105,000 | (105,000) | 0.00% | - |
| 8 | 354 | Structures & Improvements | 56,350 | - | 3.33% | 1,876 |
| 9 | 355 | Power Generation Equipment | 2,879 | 2,879 | 5.00% | 144 |
| 10 | 360 | Collection Sewers - Force | - | - | 2.00% | - |
| 11 | 361 | Collection Sewers - Gravity | 260,553 | 260,553 | 2.00% | 5,211 |
| 12 | 362 | Special Collecting Structures | - | - | 2.00% | - |
| 13 | 363 | Servcies to Customers | 60,375 | 60,375 | 2.00% | 1,208 |
| 14 | 364 | Flow Measuring Devices | - | - | 10.00% | - |
| 15 | 365 | Flow Measuring Installations | - | - | 10.00% | - |
| 16 | 366 | Reuse Services | 3,450 | 3,450 | 2.00% | 69 |
| 17 | 367 | Reuse Meters and Meter Installations | - | - | 8.33% | - |
| 18 | 370 | Receiving Wells | - | - | 3.57% | - |
| 19 | 371 | Pumping Equipment | - | - | 10.00% | - |
| 20 | 374 | Reuse Distribution Reserviors | - | - | 2.50% | - |
| 21 | 375 | Reuse Transmission and Distribution | - | - | 2.00% | - |
| 22 | 380 | Treatment & Disposal Equipment | 903,992 | 903,992 | 5.00% | 45,200 |
| 23 | 381 | Plant Sewers | - | - | 5.00% | - |
| 24 | 382 | Outfall Sewer Lines | - | - | 3.33% | - |
| 25 | 389 | Other Plant & Misc Equipment | - | - | 6.67% | - |
| 26 | 390 | Office Furniture & Equipment | 4,251 | 4,251 | 6.67% | 284 |
| 27 | 390.1 | Computers & Software | 421 | 421 | 20.00% | 84 |
| 28 | 391 | Transportation Equipment | - | - | 20.00% | - |
| 29 | 392 | Stores Equipment | - | - | 4.00% | - |
| 30 | 393 | Tools, Shop & Garage Equipment | - | - | 10.00% | - |
| 31 | 394 | Laboratory Equipment | - | - | 10.00% | - |
| 32 | 395 | Power Operated Equipment | - | - | 5.00% | - |
| 33 | 396 | Communication Equipment | - | - | 10.00% | - |
| 34 | 397 | Miscellaneous Equipment | - | - | 10.00% | - |
| 35 | 398 | Other Tangible Plant | - | - | 10.00% | - |
| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | 10.00% | - |
| 39 | TOTALS | \$ 1,397,271 | \$ (105,000) | \$ 1,292,271 | | \$ 54,075 |
| 40 | | | | | | |
| 41 | | | | | | |
| 42 | Less: Amortization of Contributions | | | <u>Gross CIAC</u> | <u>Amort. Rate</u> | |
| 43 | Total Depreciation Expense | | | \$ 197,973 | 4.1845% | \$ (8,284) |
| 44 | | | | | | \$ 45,791 |
| 45 | Adjusted Test Year Depreciation Expense | | | | | <u>45,744</u> |
| 46 | | | | | | |
| 47 | Increase (decrease) in Depreciation Expense | | | | | <u>48</u> |
| 48 | | | | | | |
| 49 | Adjustment to Revenues and/or Expenses | | | | | <u>\$ 48</u> |
| 50 | | | | | | |
| 51 | <u>SUPPORTING SCHEDULE</u> | | | | | |
| 52 | B-2, page 3 | | | | | |

*Fully Depreciated

Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Rejoinder Schedul
 Page 3
 Witness: Bourassa

Property Taxes

| Line No. | DESCRIPTION | Test Year as adjusted | Company Recommended |
|-------------|---|--------------------------|------------------------|
| 1 | Company Adjusted Test Year Revenues | \$ 119,464 | \$ 119,464 |
| 2 | Weight Factor | <u>2</u> | <u>2</u> |
| 3 | Subtotal (Line 1 * Line 2) | 238,928 | 238,928 |
| 4 | Company Recommended Revenue | 119,464 | 328,900 |
| 5 | Subtotal (Line 4 + Line 5) | 358,391 | 567,827 |
| 6 | Number of Years | 3 | 3 |
| 7 | Three Year Average (Line 5 / Line 6) | 119,464 | 189,276 |
| 8 | Department of Revenue Mutilplier | 2 | 2 |
| 9 | Revenue Base Value (Line 7 * Line 8) | 238,928 | 378,551 |
| 10 | Plus: 10% of CWIP (intentionally excluded) | - | - |
| 11 | Less: Net Book Value of Licensed Vehicles | 421 | 421 |
| 12 | Full Cash Value (Line 9 + Line 10 - Line 11) | 238,507 | 378,130 |
| 13 | Assessment Ratio | 20.0% | 20.0% |
| 14 | Assessment Value (Line 12 * Line 13) | 47,701 | 75,626 |
| 15 | Composite Property Tax Rate - Obtained from ADOR | 9.2262% | 9.2262% |
| 16 | Test Year Adjusted Property Tax Expense (Line 14 * Line 15) | \$ 4,401 | \$ 6,977 |
| 17 | Tax on Parcels | - | - |
| 18 | Total Property Taxes (Line 16 + Line 17) | <u>\$ 4,401</u> | |
| 19 | Adjusted Test Year Property Taxes | <u>\$ 4,476</u> | |
| 20 | Adjustment to Test Year Property Taxes (Line 18 - Line 19) | <u>\$ (75)</u> | |
| 21 | | | |
| 22 | Property Tax on Company Recommended Revenue (Line 16 + Line 17) | | <u>\$ 6,977</u> |
| 23 | Company Test Year Adjusted Property Tax Expense (Line 18) | | <u>\$ 4,401</u> |
| 24 | Increase in Property Tax Due to Increase in Revenue Requirement | | <u>\$ 2,576</u> |
| 25 | | | |
| 26 | Increase in Property Tax Due to Increase in Revenue Requirement (Line 24) | | \$ 2,576 |
| 27 | Increase in Revenue Requirement | | \$ 209,436 |
| 28 | Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27) | | 1.23016% |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line
No.

| | | |
|----|--|------------------|
| 1 | | |
| 2 | | |
| 3 | Estimated Rate Case Expense | \$ 50,000 |
| 4 | | |
| 5 | Estimated Amortization Period in Years | 3 |
| 6 | | |
| 7 | Annual Rate Case Expense | <u>\$ 16,667</u> |
| 8 | | |
| 9 | Adjusted Test Year Rate Case Expense | \$ 10,000 |
| 10 | | |
| 11 | Increase(decrease) Rate Case Expense | <u>\$ 6,667</u> |
| 12 | | |
| 13 | Adjustment to Revenue and/or Expense | <u>\$ 6,667</u> |
| 14 | | |
| 15 | | |
| 16 | <u>Reference</u> | |
| 17 | Testimony | |
| 18 | | |
| 19 | | |
| 20 | | |

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Adjustment

| | | |
|------------|--------------------------------------|-------------------|
| Line | | |
| <u>No.</u> | | |
| 1 | | |
| 2 | Revenue Adjustment | \$ (1,820) |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | Total Revenue from Annualization | <u>\$ (1,820)</u> |
| 7 | | |
| 8 | | |
| 9 | Adjustment to Revenue and/or Expense | <u>\$ (1,820)</u> |
| 10 | | |
| 11 | <u>Reference</u> | |
| 12 | Staff Adjustment # 1 | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
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| 19 | | |
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Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Water Testing

| | | | |
|------------|---|-----------|--------------|
| Line | | | |
| <u>No.</u> | | | |
| 1 | | | |
| 2 | Staff Recommended Water Testing Expense | \$ | 14,527 |
| 3 | | | |
| 4 | Adjuste Test Year Water Testing Expense | \$ | 5,669 |
| 5 | | | |
| 6 | Adjustment to purchased power expense (rounded) | <u>\$</u> | <u>8,858</u> |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | <u></u> | <u>8,858</u> |
| 10 | | | |
| 11 | <u>Reference</u> | | |
| 12 | Staff Adjustment #3 | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
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Utility Source, LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Auto Expense

| | | | |
|------------|--------------------------------------|-----------|----------------|
| Line | | | |
| <u>No.</u> | | | |
| 1 | | | |
| 2 | | | |
| 3 | Test Year Auto Expense | \$ | 1,500 |
| 4 | | | |
| 5 | Staff Recommended Auto Expense | | 3,250 |
| 6 | | | |
| 7 | Adjustment to Revenues | <u>\$</u> | <u>(1,750)</u> |
| 8 | | | |
| 9 | | | |
| 10 | Adjustment to Revenue and/or Expense | <u></u> | <u>(1,750)</u> |
| 11 | | | |
| 12 | <u>Reference</u> | | |
| 13 | Staff Adjustment #3 | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
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| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
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| 23 | | | |

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Telephone Expense

Line
No.

| | | | |
|----|--------------------------------------|-----------|----------------|
| 1 | | | |
| 2 | Staff Recommended Telephone Expense | \$ | 2,366 |
| 3 | | | |
| 4 | Adjusted Test Year Telephone Expense | | 4,732 |
| 5 | | | |
| 6 | Adjustment to Revenues | <u>\$</u> | <u>(2,366)</u> |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | <u>\$</u> | <u>(2,366)</u> |
| 10 | | | |
| 11 | <u>Reference</u> | | |
| 12 | Staff Adjustment #4 | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

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Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

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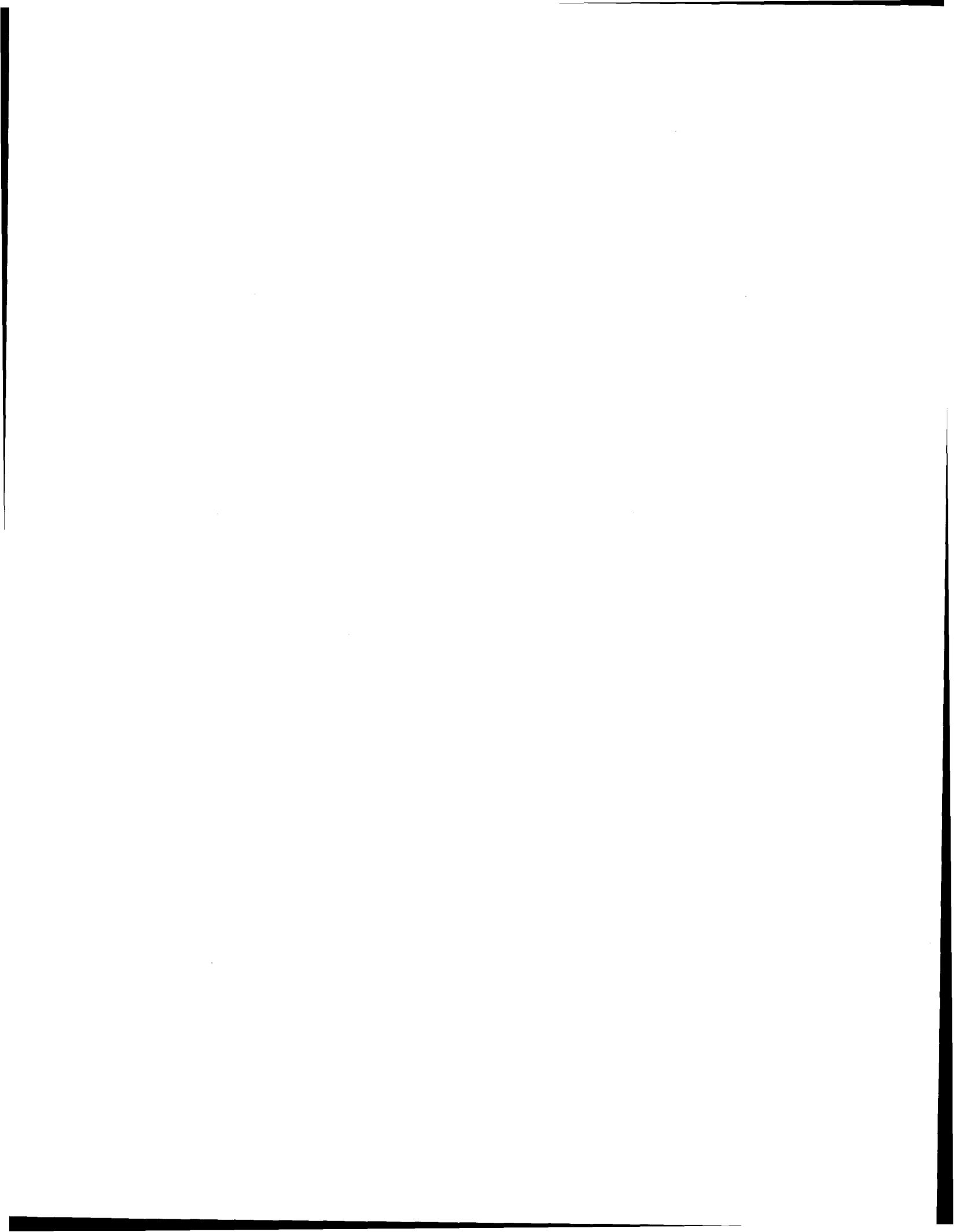
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Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

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Utility Source. LLC - Wastewater Division
Test Year Ended December 31, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 11

Exhibit
Rejoinder Schedule C-2
Page 12
Witness: Bourassa

Line

No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

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13 SUPPORTING SCHEDULE

14 C-3, page 2

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| | <u>Test Year</u> <u>at Present Rates</u> | <u>Test Year</u> <u>at Proposed Rates</u> |
|--|---|--|
| | \$ (15,616) | \$ 17,012 |
| | (13,545) | (15,616) |
| | <u>\$ (2,071)</u> | <u>\$ 32,628</u> |

Utility Source. LLC - Wastewater Division
 Test Year Ended December 31, 2012
 Computation of Gross Revenue Conversion Factor

Exhibit
 Rejoinder Schedule C-3
 Page 1
 Witness: Bourassa

| Line No. | <u>Description</u> | Percentage of Incremental Gross <u>Revenues</u> |
|-------------|--|---|
| 1 | Combined Federal and State Effective Income Tax Rate | 15.773% |
| 2 | | |
| 3 | Property Taxes | 1.036% |
| 4 | | |
| 5 | | |
| 6 | Total Tax Percentage | 16.809% |
| 7 | | |
| 8 | Operating Income % = 100% - Tax Percentage | 83.191% |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | <u>1</u> = Gross Revenue Conversion Factor | |
| 14 | Operating Income % | 1.2021 |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
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| 22 | | |
| 23 | | |
| 24 | | |
| 25 | <u>SUPPORTING SCHEDULES:</u> | <u>RECAP SCHEDULES:</u> |
| 26 | C-3, page 2 | A-1 |
| 27 | | |
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Utility Source, LLC - Wastewater Division
 Test Year Ended December 31, 2012

Exhibit
 Rejoinder Schedule C-3
 Page 2
 Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

| Line No. | Description | (A) | (B) | (C) | (D) | (E) | (F) |
|--|---|-------------|------------|----------|-----|-----|-----|
| <i>Calculation of Gross Revenue Conversion Factor:</i> | | | | | | | |
| 1 | Revenue | 100.0000% | | | | | |
| 2 | Uncollectible Factor (Line 11) | 0.0000% | | | | | |
| 3 | Revenues (L1 - L2) | 100.0000% | | | | | |
| 4 | Combined Federal and State Income Tax and Property Tax Rate (Line 23) | 16.8091% | | | | | |
| 5 | Subtotal (L3 - L4) | 83.1909% | | | | | |
| 6 | Revenue Conversion Factor (L1 / L5) | 1.202055 | | | | | |
| <i>Calculation of Uncollectible Factor:</i> | | | | | | | |
| 7 | Unity | 100.0000% | | | | | |
| 8 | Combined Federal and State Tax Rate (L17) | 15.7730% | | | | | |
| 9 | One Minus Combined Income Tax Rate (L7 - L8) | 84.2270% | | | | | |
| 10 | Uncollectible Rate | 0.0000% | | | | | |
| 11 | Uncollectible Factor (L9 * L10) | | 0.0000% | | | | |
| <i>Calculation of Effective Tax Rate:</i> | | | | | | | |
| 12 | Operating Income Before Taxes (Arizona Taxable Income) | 100.0000% | | | | | |
| 13 | Arizona State Income Tax Rate | 2.8074% | | | | | |
| 14 | Federal Taxable Income (L12 - L13) | 97.1926% | | | | | |
| 15 | Applicable Federal Income Tax Rate (L55 Col F) | 13.3401% | | | | | |
| 16 | Effective Federal Income Tax Rate (L14 x L15) | 12.9656% | | | | | |
| 17 | Combined Federal and State Income Tax Rate (L13 + L16) | | 15.7730% | | | | |
| <i>Calculation of Effective Property Tax Factor:</i> | | | | | | | |
| 18 | Unity | 100.0000% | | | | | |
| 19 | Combined Federal and State Income Tax Rate (L17) | 15.7730% | | | | | |
| 20 | One Minus Combined Income Tax Rate (L18-L19) | 84.2270% | | | | | |
| 21 | Property Tax Factor | 1.2302% | | | | | |
| 22 | Effective Property Tax Factor (L20*L21) | | 1.0361% | | | | |
| 23 | Combined Federal and State Income Tax and Property Tax Rate (L17+L22) | | | 16.8091% | | | |
| 24 | Required Operating Income | \$ 90,844 | | | | | |
| 25 | Adjusted Test Year Operating Income (Loss) | \$ (83,387) | | | | | |
| 26 | Required Increase in Operating Income (L24 - L25) | | \$ 174,232 | | | | |
| 27 | Income Taxes on Recommended Revenue (Col. (F), L52) | \$ 17,012 | | | | | |
| 28 | Income Taxes on Test Year Revenue (Col. (C), L52) | \$ (15,616) | | | | | |
| 29 | Required Increase in Revenue to Provide for Income Taxes (L27 - L28) | | \$ 32,628 | | | | |
| 30 | Recommended Revenue Requirement | \$ 328,900 | | | | | |
| 31 | Uncollectible Rate (Line 10) | 0.0000% | | | | | |
| 32 | Uncollectible Expense on Recommended Revenue (L24 * L25) | \$ - | | | | | |
| 33 | Adjusted Test Year Uncollectible Expense | \$ - | | | | | |
| 34 | Required Increase in Revenue to Provide for Uncollectible Exp. | | \$ - | | | | |
| 35 | Property Tax with Recommended Revenue | \$ 6,977 | | | | | |
| 36 | Property Tax on Test Year Revenue | \$ 4,401 | | | | | |
| 37 | Increase in Property Tax Due to Increase in Revenue (L35-L36) | | \$ 2,576 | | | | |
| 38 | Total Required Increase in Revenue (L26 + L29 + L37) | | \$ 209,436 | | | | |

| Line No. | Description | Test Year | | Company Recommended | |
|-----------------------------------|---|------------|-----|---------------------|------------|
| | | (A) | (B) | (D) | (E) |
| <i>Calculation of Income Tax:</i> | | | | | |
| 39 | Revenue | \$ 119,464 | | \$ 119,464 | \$ 328,900 |
| 40 | Operating Expenses Excluding Income Taxes | 218,467 | | 218,467 | 221,043 |
| 41 | Synchronized Interest (L47) | - | | - | - |
| 42 | Arizona Taxable Income (L39 - L40 - L41) | (99,003) | | (99,003) | 107,856 |
| 43 | Arizona State Effective Income Tax Rate (see work papers) | 2.8074% | | 2.8074% | 2.8074% |
| 44 | Arizona Income Tax (L42 x L43) | (2,779) | | (2,779) | 3,028 |
| 45 | Federal Taxable Income (L42 - L44) | (96,224) | | (96,224) | 104,828 |
| 46 | Federal Tax Rate | 13.3401% | | 13.3401% | 13.3401% |
| 47 | Federal Tax | (12,836) | | (12,836.35) | 13,984 |
| 48 | | | | | |
| 49 | | | | | |
| 50 | | | | | |
| 51 | | | | | |
| 52 | | | | | |
| 53 | Total Federal Income Tax | (12,836) | | (12,836) | 13,984 |
| 54 | Combined Federal and State Income Tax (L35 + L42) | (15,616) | | (15,616) | 17,012 |

55 COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / [Col. (D), L45 - Col. (A), L45] 13.3401%

56 WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45] 13.3401%

57 WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45] 13.3401%

Calculation of Interest Synchronization:

| | Water | Wastewater |
|--------------------------------------|--------------|------------|
| 58 Rate Base | \$ 1,575,194 | \$ 825,856 |
| 59 Weighted Average Cost of Debt | 0.0000% | 0.0000% |
| 60 Synchronized Interest (L59 X L60) | \$ - | \$ - |

Utility Source, LLC - Wastewater Division
 Present and Proposed Rates
 Test Year Ended December 31, 2012

Exhibit
 Rejoinder Schedule H-
 Page 1
 Witness: Bourassa

| Line No. | Customer Classification and Meter Size (Residential, Commercial) | Present Rates | Proposed Rates |
|----------|--|---------------|----------------|
| 1 | Monthly Usage Charge for: | | |
| 2 | 5/8 x 3/4 Inch | \$ - | \$ 53.00 |
| 3 | 3/4 Inch | - | 53.00 |
| 4 | 1 Inch | - | 132.50 |
| 5 | 1 1/2 Inch | - | 265.00 |
| 6 | 2 Inch | - | 424.00 |
| 7 | 3 Inch | - | 848.00 |
| 8 | 4 Inch | - | 1,325.00 |
| 9 | 6 Inch | - | 2,650.00 |
| 10 | | | |
| 11 | <u>Gallons In Minimum</u> | | |
| 12 | All Meter Sizes | - | - |
| 13 | | | |
| 14 | <u>Rate per 1,000 Gallons of Water Usage</u> | | |
| 15 | Residential | \$ 5.84 | \$ 5.31 |
| 16 | Commercial and Industrial | | |
| 17 | Car washes, laundromats, Commercial, Manufacturing | 5.71 | 5.20 |
| 18 | Hotels, Motels | 7.66 | 6.97 |
| 19 | Restaurarants | 9.46 | 8.61 |
| 20 | Industrial Laundries | 8.39 | 7.63 |
| 21 | Waste haulers | 171.20 | 155.79 |
| 22 | Restuarant Grease | 149.80 | 136.32 |
| 23 | Treatment Plant Sludge | 171.20 | 155.79 |
| 24 | Mud Sump Waste | 535.00 | 486.85 |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |

Utility Source, LLC - Wastewater Division
 Present and Proposed Rates
 Test Year Ended December 31, 2012

Exhibit
 Rejoinder Schedule H-3
 Page 3
 Witness: Bourassa

Line
 No.

1
 2 Other Charges:
 3
 4

| | | | |
|----|---|----------|----------|
| 5 | Establishment | \$ 20.00 | \$ 20.00 |
| 6 | Establishment (After Hours) | \$ 40.00 | *Removed |
| 7 | Reconnection (Delinquent) | \$ 50.00 | \$ 50.00 |
| 8 | Reconnection (Delinquent and After hours) | \$ 40.00 | *Removed |
| 9 | Minimum Deposit Requirement | PER RULE | PER RULE |
| 10 | Deposit Interest | PER RULE | PER RULE |
| 11 | Re-establishment (Within 12 months) | PER RULE | PER RULE |
| 12 | NSF Check | \$ 20.00 | \$ 20.00 |
| 13 | Deferred Payment, per month | PER RULE | PER RULE |
| 14 | Late Charge | PER RULE | PER RULE |
| 15 | After hours service charge | \$ 40.00 | \$ 40.00 |
| 16 | | | |
| 17 | | | |
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* After hours service charge will apply when service requested by customer after hours.

ATTACHMENT 2

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

DOCKET NO: SW-03437A-13-0331

**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 WATER AND WASTEWATER
RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.**

**REJOINDER TESTIMONY OF
THOMAS J. BOURASSA
(COST OF CAPITAL)
November 7, 2014**

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TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS.....1

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY1

III. Summary of the Staff and RUCO Recommendations3

IV. REJOINDER TO THE COST OF EQUITY RECOMMENDATIONS OF STAFF AND RUCO6

 A. Responses to Staff’s Surrebuttal Testimony6

 B. Response to RUCO’s Surrebuttal Testimony.....18

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For convenience, that testimony and my related schedules are contained in separate volumes.

Q. HAVE YOU UPDATED YOUR COST OF CAPITAL ANALYSIS?

A. No. I updated my cost of capital analysis on my rebuttal testimony filed on October 3, 2014. I updated my cost of capital in my rebuttal testimony because of the significant period of time between the Company's direct filing and its rebuttal filing. I did not feel the need to provide an additional update at this time because my rebuttal update is approximately 1 month old.

Q. PLEASE SUMMARIZE YOUR RECOMMENDED REJOINDER COST OF DEBT AND EQUITY, AND YOUR RECOMMENDED REJOINDER RATE OF RETURN ON RATE BASE.

A. I continue to recommend a cost of equity of 11.0 percent based on my most recent cost of capital analysis. The range of my rebuttal DCF, CAPM, and Build-up Method analyses is 9.0 percent to 11.6 percent with a mid-point of 10.3 percent. My opinion that a return on equity of 11.0 percent for USLLC given its size and greater risk compared to the public traded water utilities is conservative. The Company's recommended capital structure consists of 0 percent debt and 100 percent common equity as shown on Rejoinder Schedule D-1. Based on the Company's recommended cost of equity and capital structure, the Company's weighted cost of capital ("WACC") is 11.0 percent, as shown on Rejoinder Schedule D-1.

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. On behalf of Applicant Utility Source, LLC (“USLLC” or the “Company”).

Q. DID YOU ALSO PREPARE REJOINDER TESTIMONY ON RATE BASE ISSUES IN THIS DOCKET?

A. Yes. My rejoinder testimony on rate base, income statement, revenue requirement and rate design is being filed in a separate volume at the same time as this testimony. In this volume, I present my cost of capital rejoinder testimony. Also attached are two exhibits, which are discussed below.

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

Q. WHAT IS THE SCOPE OF THIS VOLUME OF YOUR REJOINDER TESTIMONY?

A. I will provide responses as appropriate to the surrebuttal testimony of Staff witness Mr. John Cassidy and RUCO witness Mr. Robert Mease. This portion of my rejoinder testimony focuses on cost of capital issues. I will testify in support of USLLC’s proposed return on equity and rate of return on its fair value rate base (“FVRB”). I am sponsoring the Company’s D Schedules, which are attached to this testimony. There are 22 schedules that support my cost of capital testimony. As noted above, I am also sponsoring rejoinder testimony that addresses the Company’s rate base, income statement (revenue and operating expenses), required increase in revenue, and its rate design and proposed rates and charges for service.

1 **III. SUMMARY OF THE STAFF AND RUCO RECOMMENDATIONS**

2 **Q. PLEASE SUMMARIZE THE RESPECTIVE RECOMMENDATIONS OF**
3 **STAFF AND RUCO FOR THE RATE OF RETURN ON FAIR VALUE**
4 **RATE BASE.**

5 A. Staff continues to recommend a capital structure consisting of 0 percent debt and
6 100 percent equity.¹ Staff 's updated cost of equity of 9.8 percent is based on the
7 average cost of equity produced by its DCF and CAPM models, a financial risk
8 adjustment and an economic assessment adjustment (EAA).² Staff did not
9 consider firm size or firm-specific risks in its analysis. Based on its capital
10 structure recommendation, Staff determined the WACC for USLLC to be 9.8
11 percent.³

12 RUCO continues to recommend a capital structure consisting of 0 percent
13 debt and 100 percent equity.⁴ RUCO's updated cost of equity of 9.25 percent is
14 based on the average cost of equity produced by its DCF and CAPM models as
15 wells as a Comparable Earnings analysis and a 70 basis point risk premium.⁵
16 Based on its capital structure recommendation, RUCO determined the WACC for
17 USLLC to be 9.25 percent.⁶

18 **Q. PLEASE COMPARE THE PARTIES' RESPECTIVE COST OF EQUITY**
19 **ESTIMATES AND RECOMMENDATIONS.**

22 _____
23 ¹ See Surrebuttal Testimony of John A. Cassidy ("Cassidy Db.") at 16. Staff Surrebuttal Scehydule JAC-3.

24 ² Id. at 17.

25 ³ Id. at 17.

26 ⁴ See RUCO Surrebuttal Schedule RBM-1.

⁵ See RUCO Surrebuttal Schedule RBM-2.

⁶ See Surrebuttal Testimony of Robert B. Mease ("Mease Sb.") at 1.

1 A. The respective parties' cost of equity recommendations are summarized below:

| 2 <u>Party</u> | <u>DCF</u> | <u>CAPM</u> | <u>Build- Up/CE</u> | <u>Average</u> | <u>Financial Risk/EAA /Other</u> | <u>Adjusted</u> | <u>Recommended</u> |
|----------------|------------|-------------|-------------------------|----------------|--|-----------------|--------------------|
| 3 USLLC | 9.6% | 9.7% | 11.5% | 10.3% | N/A | 10.3% | 11.0% |
| 4 Staff | 9.2% | N/A | N/A | 9.2% | 0.6% | 9.8% | 9.8% |
| 5 RUCO | 8.71 | 7.24 | 9.8 | 8.55 | 0.7% | 9.25 | 9.25% |

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11 **Q. HAVE YOU UPDATED THE FORECASTS OF COMMON EQUITY**
12 **RETURNS AND CURRENTLY AUTHORIZED RETURNS? IF SO, HOW**
13 **DO THEY COMPARE TO THE RECOMMENDATIONS OF STAFF AND**
14 **RUCO?**

15 A. Yes. And, the recommendations of the Staff and RUCO continue to be much
16 lower. *Value Line* (October 17, 2014) shows actual and projected returns on equity
17 for the water utilities:

| 18 <u>Company</u> | <u>Actual</u> | | | |
|--------------------------------|---------------|-------------|-------------|----------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2017-19</u> |
| 19 American States Water (AWR) | 12.7% | 11.5% | 12.5% | 12.5% |
| 20 Aqua America (WTR) | 13.4% | 13.5% | 14.5% | 14.0% |
| 21 California Water (CWT) | 7.9% | 8.0% | 9.0% | 10.0% |
| 22 Connecticut Water (CTWS) | 9.2% | 9.5% | 10.0% | 10.0% |
| 23 Middlesex Water (MSEX) | 8.7% | 9.0% | 9.5% | 9.5% |
| 24 SJW Corp. (SJW) | 7.3% | 7.5% | 8.0% | 8.0% |

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|--------------------|-------------|--------------|--------------|--------------|
| York Water. (YORW) | <u>9.3%</u> | <u>11.0%</u> | <u>12.5%</u> | <u>12.5%</u> |
| Averages | 9.8% | 10.0% | 10.9% | 10.9% |

The currently authorized ROEs for the sample water utility companies as reported by AUS Utility Reports (November 2014) average 10.03 percent. They are as follows:

| <u>Company</u> | |
|-----------------------------|---------------|
| American States Water (AWR) | 9.99% |
| Aqua America (WTR) | 10.29% |
| California Water (CWT) | 9.99% |
| Connecticut Water (CTWS) | 9.75% |
| Middlesex Water (MSEX) | 10.15% |
| SJW Corp. (SJW) | 9.99% |
| York Water. (YORW) | <u>NM</u> |
| Average | 10.03% |

Q. DO YOU STILL MAINTAIN THE VIEW THAT THAT USLLC’S COST OF EQUITY IS HIGHER THAN THE PUBLICLY TRADED UTILITIES?

A. Yes. Besides the obvious liquidity risk (lack of liquidity of investment), smaller utilities face the risks of a smaller customer base, limited financial resources, lack of diversification across the customer base and geography.⁷ The business risk

⁷ Annin, Micheal, “Equity and the Small-Stock Effect”, Financial News, Public Utilities Fortnightly, October 15, 1995.; 113, 19, pg. 42.

1 measures such as the coefficient of variation in earnings and operating leverage
2 demonstrate (quantitatively) that smaller utilities, like USLLC are more risky than
3 the publicly traded utilities.⁸

4 **IV. REJOINDER TO THE COST OF EQUITY RECOMMENDATIONS OF**
5 **STAFF AND RUCO**

6 **A. Responses to Staff's Surrebuttal Testimony**

7 **Q. PLEASE RESPOND TO MR. CASSIDY'S CRITICISMS (ON PAGE 2) OF**
8 **YOUR TESTIMONY THAT THE DCF MODEL PRODUCES ESTIMATES**
9 **OF COMMON EQUITY COSTS ARE CONSISTENT WITH INVESTORS'**
10 **EXPECTED RETURN ONLY WHEN THE STOCK PRICE AND BOOK**
11 **VALUE ARE REASONABLY SIMILAR.**

12 A. Mr. Cassidy's testimony mischaracterizes the main point of my testimony. I do
13 state the we should be concerned with the applicability of the DCF under current
14 market conditions.⁹ That said, my example provided on page 10 was to
15 demonstrate that the application of the DCF model produces estimates of the cost
16 of equity that are consistent with investor expectations *only* when the market price
17 of a stock and the stock's book value are approximately the same.¹⁰

18 **Q. CAN YOU DEMONSTRATE THIS ANOTHER WAY?**

19 A. Yes. Dr. Morin provides a simple numerical illustration demonstrating the impact
20 of market-to-book ("M/B") ratios on the DCF market return in his book, *New*
21 *Regulatory Finance*. I have included a copy of this analysis as **Rejoinder Exhibit**
22 **TJB-COC-RJ1.**

23
24 ⁸ See Direct Testimony of Thomas J. Bourassa ("Bourassa Dt.") at 23-26.

25 ⁹ Bourassa Rb. at 11-12.

26 ¹⁰ Bourassa Rb. at 10.

1 **Q. DOES THE FACT THAT STAFF'S UPDATED DCF COST OF EQUITY IS**
2 **NOW 9.2 PERCENT CHANGE YOUR OVERALL ANALYSIS AND**
3 **CONCLUSIONS DRAWN FROM YOUR EXAMPLE?**

4 A. No. Restating my example using Mr. Cassidy's updated average DCF estimate of
5 9.2 percent, USLLC would still have no realistic opportunity to actually earn
6 Mr. Cassidy's market-based rate of return. For example, the average market price
7 per share of his proxy group is \$25.25¹¹ and the average book value per share is
8 \$12.50.¹² Under these circumstances, Mr. Cassidy's 9.2 percent market-based cost
9 rate implies an annual return per share of \$2.32¹³ consisting of \$0.73 in dividends¹⁴
10 and \$1.59 in growth (market-price appreciation).¹⁵ However, application of a 9.2
11 percent return rate to book value per share (\$12.50) produces an opportunity to
12 earn a total annual return of just \$1.15.¹⁶ With annual dividends of \$0.69¹⁷, the
13 utility could reasonably expect market-price appreciation of \$0.46¹⁸, or only 1.82
14 percent¹⁹.

15 **Q. WHAT ABOUT MR. CASSIDY'S ASSERTION THAT YOU SHOULD**
16 **HAVE USED WEIGHTED AVERAGE STOCK PRICES AND BOOK**
17 **VALUES?**

18
19 ¹¹ Average of stock prices for Cassidy proxy group at September 28, 2014.

20 ¹² Average of book value per share as of December 31, 2013, as reported by *Value Line*.

21 ¹³ 9.2 percent times \$25.25.

22 ¹⁴ Average adjusted dividend yield (D_0) for Cassidy proxy group of 2.9 percent times the average stock price of
23 \$25.25.

24 ¹⁵ Implied growth of 6.3 percent (the return of 9.2 percent less adjusted dividend yield of 2.9 percent) times the
25 average stock price of \$25.25.

26 ¹⁶ 9.2 percent times \$12.50.

¹⁷ \$1.15 times average payout ratio of 60%

¹⁸ \$1.15 minus \$0.69.

¹⁹ \$0.46 divided by \$25.25.

1 A. Putting aside the fact that Mr. Cassidy provides no theoretical or authoritative
2 support for his position, and assuming he is correct that weighted averages of the
3 stock prices and book values per share based upon market capitalization should
4 have been used, the results of the analysis are similar to the results using the simple
5 averages of the stock price and book value per share. More importantly, the
6 conclusion drawn from the analyses are the same; that USLLC would still have no
7 realistic opportunity to actually earn Mr. Cassidy's market-based rate of return.
8

9 Again, restating my example using Mr. Cassidy's updated average DCF
10 estimate of 9.2 percent and using market capitalization weighted averages for the
11 stock price and book value, USLLC would still have no realistic opportunity to
12 actually earn Mr. Cassidy's market-based rate of return. For example, the
13 weighted average market price per share of his proxy group is \$24.94²⁰ and the
14 weighted average book value per share is \$10.81.²¹ Under these circumstances,
15 Mr. Cassidy's 9.2 percent market-based cost rate implies an annual return per share
16 of \$2.29²² consisting of \$0.72 in dividends²³ and \$1.57 in growth (market-price
17 appreciation).²⁴ However, application of a 9.2 percent return rate to book value per
18 share (\$10.81) produces an opportunity to earn a total annual return of just \$0.99.²⁵
19

20 ²⁰ Weighted average of stock prices for Cassidy proxy group at September 28, 2014 based upon market
capitalization.

21 ²¹ Weighted average of book value per share as of December 31, 2013 based upon market capitalization, as reported
22 by *Value Line*.

23 ²² 9.2 percent times \$24.94.

24 ²³ Average adjusted dividend yield (D_0) for Cassidy proxy group of 2.9 percent times the average stock price of
\$24.94.

25 ²⁴ Implied growth of 6.3 percent (the return of 9.2 percent less adjusted dividend yield of 2.9 percent) times the
weighted average stock price of \$24.94.

26 ²⁵ 9.2 percent times \$10.81.

1 With annual dividends of \$0.50²⁶, the utility could reasonably expect market-price
2 appreciation of \$0.49²⁷, or only 1.96 percent²⁸.

3 **Q. WHAT WOULD HAPPEN TO THE STOCK PRICE IF INVESTORS**
4 **RECEIVE A DIVIDEND OF JUST \$0.50?**

5 A. It would decline significantly. Let me explain. Using the previous example, if
6 investors expect a dividend of \$0.72 based upon a dividend yield of 2.9 percent and
7 a market price of \$24.94, but investors only get a dividend of \$0.50²⁹, then the
8 market price of the stock must necessarily decline to \$17.24³⁰ (\$7.70 per share).
9 This is because investors expect a dividend yield of 2.9 percent but the actual
10 dividend paid (\$0.50) provides only a dividend yield of 2.0 percent. The stock
11 price would further decline because investors would not receive the growth in the
12 stock price they expect. In other words, investors would not receive their expected
13 return on the price they paid for the stock and the market price will be driven down
14 to book value so that investors will achieve their expected return.

15 **Q. PLEASE RESPOND TO MR. CASSIDY'S TESTIMONY (ON PAGES 3 AND**
16 **4) THAT THE FINANCIAL RISK FOR THE PUBLICLY TRADED**
17 **COMPANIES IS HIGHER THAN THAT FOR USLLC.**

18 A. I agree. I have considered USLLC's lower financial risk in my recommendation of
19 an 11.0 percent cost of equity for USLLC.³¹ Business and financial risk, while
20 separate risks, are interrelated. Specifically, a common equity investor may seek
21

22 ²⁶ \$0.99 times weighted average payout ratio of 51%

23 ²⁷ \$0.99 minus \$0.50.

24 ²⁸ \$0.49 divided by \$24.94.

25 ²⁹ \$0.99 times weighted average payout ratio of 51%

26 ³⁰ \$0.50/2.9 percent

³¹ See Direct Testimony of Thomas J. Bourassa ("Bourassa Dt.") at 28.

1 to offset exposure to high business risk by investing in a firm perceived to have a
2 low degree of financial risk. Studies show that smaller firms tend to offset
3 business risk with lower financial risk. A study by Scott and Martin³² found
4 statistically significant results for unregulated firms in twelve industries that
5 "smaller equity ratios (higher leverage use) are generally associated with larger
6 companies".³³ One should expect unregulated enterprises to seek the best balance
7 between debt and equity to obtain the lowest overall cost of capital. The findings of
8 Scott and Martin suggest smaller firms found it prudent to offset higher business
9 risks related to being small by reducing financial risk. This evidence suggests the
10 least cost equity ratio for USLLC should be higher than the average equity ratio for
11 the utility proxy group.

12 **Q. IS USLLC'S LACK OF FINANCING FLEXIBILITY ALSO A SOURCE OF**
13 **ADDED RISK?**

14 A. Yes. Because USLLC is not publicly traded, it does not have access to equity
15 markets available to publicly traded utilities in the water proxy group. This lack of
16 financing flexibility increases risk because USLLC has to rely on fewer sources of
17 capital. By contrast, utilities in the water proxy group utilities sample have the
18 flexibility to issue shares of equity in vast equity markets to keep their capital
19 structures in balance and raise additional capital from external sources.

20 **Q. DID YOU STATE IN YOUR REBUTTAL THAT STAFF HAS NOT**
21 **EXPLAINED ITS REASONS FOR NOT CONSIDERING THE CAPM?**

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23
24
25 ³² Scott and Martin, "Industry Influence on Financial Structure," *Financial Management*, Spring 1975, pp. 67-71

26 ³³ Id. p. 70.

1 A. No. I did suggest a possible reason for Staff's decision to not use the CAPM.³⁴
2 That is, the CAPM using the Staff inputs produce distortions in the results which
3 cannot pass the reasonableness test. This reason fits into Staff's rather vague
4 explanation of why it did not consider its CAPM.

5 **Q. WHY DO YOU FIND STAFF'S EXPLANATION FOR NOT**
6 **CONSIDERING THE CAPM VAGUE?**

7 A. For at least three reasons. First, Staff does not explain what it means by
8 "continuing divergence" from its DCF and does not explain the conditions under
9 which its CAPM results are acceptable to Staff. Rejecting the CAPM at Staff's
10 convenience seems to me to be a results oriented approach. Second, implied in the
11 Staff explanation is the notion that its CAPM must produce results similar to its
12 DCF results. Instead of examining the reasons and possible flaws in its CAPM
13 approach (or even the DCF for that matter) and adjusting its approach, it simply
14 abandons its CAPM until such time as Staff deems its CAPM results to be
15 reasonable. Third, by using its DCF results as its "benchmark" and only using its
16 DCF model to base its recommendation in the instant case, Staff is suggesting the
17 only correct way to measure the cost of equity is with its DCF. Again, this seems
18 to me to be a results oriented approach. As Dr. Morin states, "when measuring
19 equity costs, which essentially deals with the measurement of investor
20 expectations, no single methodology provides a foolproof panacea."³⁵

21 **Q. PLEASE RESPOND TO MR. CASSIDY'S TESTIMONY (ON PAGE 7)**
22 **THAT MODIFYING YOUR CURRENT MARKET RISK PREMIUM**
23 **METHODOLOGY IS SELF-SERVING.**

24
25 ³⁴ Bourassa Rb. at 18.

26 ³⁵ Roger A. Morin. *New Regulatory Finance*, Public Utility Reports, Inc., 2006. pp. 428-429.

1 A. I have a three responses. First, I have modified my approach to estimating the cost
2 of equity over the years, many of which were compromises based upon the Staff
3 criticisms of my methods. Second, in the recently filed Quail Creek Water rate
4 case (Docket No. W-02514A-14-0343) I am recommending a current market risk
5 premium (“MRP”) method which is similar to the one I propose in this case. I
6 have done so because I believe it is superior to the method using price
7 appreciation.³⁶ That said, when I find better methods to estimate the cost of equity,
8 I use them. A perfect example has been my use of the build-up method in more
9 recent cases. Third, using the projected EPS and DPS growth is more consistent
10 with the underlying requirements of the DCF method used to compute the current
11 market risk premium (“MRP”). After-all, Staff uses EPS and DPS growth in its
12 own DCF model. Third, Staff has historically used the spot 3-5 year price
13 appreciation for estimating the current MRP. Putting aside my concerns about the
14 volatility of this method,³⁷ based on the the recent *Value Line* Investment Survey
15 Summary and Index (October 24, 2014) Staff’s estimate of the current MRP would
16 be at least 8.88³⁸ percent, which is 55 basis points higher than my current MRP
17 estimate of 8.33 percent.³⁹

18 **Q. MR. CASSIDY ASSERTS (ON PAGE 10) THAT THE CURRENT MARKET**
19 **RISK PREMIUM METHOD YOU EMPLOY IS NOT CONSISTENT WITH**
20 **DR. MORIN’S STUDY. PLEASE RESPOND.**
21

22 ³⁶ Bourassa Rb. at 2.

23 ³⁷ Bourassa Dt. at 39.

24 ³⁸ Using median dividend yield of 2.2 percent, median price appreciation is 45 percent (annualized growth of 9.73
25 percent), and spot long-term U.S. Treasury rate of 3.05 percent, the DCF based estimate produces an expected market
26 return of 11.93%. Subtracting the spot long-term U.S. Treasury rate produces an 8.88 percent current market risk
premium (11.93-3.05%).

³⁹ See USLLC Rejoinder Schedule D-4.11.

1 A. Mr. Cassidy mischaracterizes Dr. Morin text. In describing the study upon, which
2 Dr. Morin's example is based, Dr. Morin does not stop at describing the expected
3 market return from the study as the sum of the spot dividend added to the average
4 dividends and earnings forecasts. Dr. Morin goes on to state⁴⁰,

5
6 At the time, excluding high growth stocks, the *expected*
7 *dividend yield* (e.g. D_1/P_0) on the aggregate market was
8 3.3% and the projected growth for the Value Line
9 common stocks was in the range of 8.5% to 11.2%.
10 Adding these two components together produced an
11 expected return on the aggregate equity market in the
12 range of 11.8% to 14.5% with a mid-point of 13.2%.
13 *Recognition of quarterly dividend payments, and an*
14 *expected dividend yield (e.g. D_1/P_0) rather than a spot*
15 *dividend yield (e.g. D_0/P_0) brought this estimate to*
16 *about 13.6%....(emphasis added)*

17 Mr. Cassidy's selected quote gives one the impression that Dr. Morin only
18 described the approach as using a spot dividend yield and is completely
19 misleading. Recognition of the expected dividend yield is embedded in the
20 standard DCF model ($K = D_1/P_0 + g$) and Dr. Morin's statement above is entirely
21 consistent with it.⁴¹ I would note that Dr. Morin also describes recognizing the
22 impact of quarterly dividends (time value of money on dividend payments) which
23 increased the expected aggregate market return. Dr. Morin discusses quarterly
24 dividends and the impact on the cost of equity at length in his textbook, *New*
25 *Regulatory Finance*.⁴²

26

24 ⁴⁰ Morin, p. 166.

25 ⁴¹ Morin, p. 254.

26 ⁴² Morin, p. 282 and pp. 343-349.

1 Q. DOES YOUR METHOD REFLECT QUARTERLY DIVIDEND
2 PAYMENTS?

3 A. No. Had I done so, my current MRP would have been higher.

4 Q. DOES DR. MORIN RECOMMEND THE USE OF A SPOT LONG TERM
5 U.S. TREASURY YIELD IN THE CAPM AS MR. CASSIDY SUGGESTS
6 (ON PAGE 11)?

7 A. No. Again, Mr. Cassidy mischaracterizes Dr. Morin's text. The text Mr. Cassidy
8 cites says nothing about a spot yield, rather that yields on long-term U.S. Treasury
9 bonds should be used. This could be a spot yield or a forecast yield. That said, Dr.
10 Morin states⁴³,

11
12 At the conceptual level, given that ratemaking is a
13 forward-looking process, interest rate forecasts are
14 preferable. Moreover, the conceptual models used in
15 the determination of the cost of equity, such as the
16 CAPM, are prospective in nature and require
17 expectational inputs.

18 I employ expected yields on long-term U.S. Treasuries rather than spot yields
19 which is entirely consistent with the quotation of Dr. Morin's text by Mr. Cassidy
20 and Dr. Morin's quotation above. Mr. Cassidy's assertion that my historical
21 CAPM and my current MRP CAPM is overstated is unfounded.⁴⁴

22
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25 ⁴³ Morin, p. 172.

26 ⁴⁴ Cassidy Sb. at 11.

1 **Q. DOES MR. CASSIDY DISPUTE THAT THE RELATIVE MEASURES OF**
2 **BUSINESS RISK (THE COEFFICIENT OF VARIANCE OF EARNINGS**
3 **AND OPERATING LEVERAGE) ARE NOT VALID BUSINESS RISK**
4 **MEASURES?**

5 A. No. And, despite this quantitative evidence, he does not believe USLLC is more
6 risky than the water proxy group as measured.⁴⁵ Mr. Cassidy simply dismisses the
7 evidence by making the statement that businesses in the same lines of business tend
8 to experience the same fluctuations in business cycles.⁴⁶ I take this to mean Mr.
9 Cassidy believes that an investment in Hyatt Worldwide Holdings has the same
10 business risk than a small mom and pop hotel in central Phoenix. This defies
11 common sense. That said, Mr. Cassidy goes on to state “as a regulated public
12 water utility one would expect USLLC’s exposure to business risk to be essentially
13 the same as that of regulated publicly-traded utilities”.⁴⁷ Putting aside my earlier
14 comment about common sense, I am sure Mr. Cassidy is well aware of the
15 financial difficulties encountered by the smaller utilities in Arizona. In fact, this
16 Commission has recognized the problems associated with small water utilities in
17 Arizona.⁴⁸

18 **Q. DO SMALLER UTILITIES TYPICALLY HAVE HIGHER RELATIVE**
19 **BUSINESS RISK AS REFLECTED IN THESE TWO MEASURES?**

20 A. Yes. I began computing the coefficient of variance of earnings and operating
21 leverage in the past few years for utilities who I assisted in filing rate cases.
22

23 _____
⁴⁵ Cassidy Sb. at 13 and 14. See also Bourassa Dt. at

24 ⁴⁶ Cassidy Sb. at 15.

25 ⁴⁷ Cassidy Sb. at 15.

26 ⁴⁸ Decision 62993, dated November 3, 2000.

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Consistently, the smaller firms have had higher business risk relative to the public traded companies.⁴⁹ Mr. Cassidy may disagree with how much more risky a smaller utility is compared to the water proxy group, but he cannot say that smaller utilities have the same business risk.

Q. DOES THE FACT THAT UTILITIES ARE REGULATED ELIMINATE SMALL FIRM RISK?

A. No. Utilities are granted an opportunity to earn a return. They are not guaranteed a return. Smaller utilities are less likely to achieve their authorized return and miss the mark by a greater degree than the larger publicly traded utilities. The higher co-efficient of variance on earnings and operating leverage are, in part, a reflection of that.

Q. PLEASE RESPOND TO MR. CASSIDY'S TESTIMONY (ON PAGES 13 AND 14) REGARDING THE STUDY PERFORMED BY MS. WONG?

A. Mr. Cassidy has not explained why Dr. Zepp's criticisms regarding Ms. Wong's study are wrong, why Dr. Zepp's study and his conclusions regarding smaller water utilities are wrong, nor why the conclusions of the California Public Utilities Commission regarding the higher risks of smaller utilities are wrong. Mr. Cassidy simply dismisses all the evidence on small size and risk premiums by relying on one single and obscure study by Ms. Wong.

⁴⁹ e.g. Las Quantas Serenas Water Company (ACC Docket No. W-01583A-13-0113); Quail Creek Water Company (ACC Docket No. W-02514A-14-0343); Lago Del Oro Water Company (Docket No. W-01944A-13-0215); Payson Water Company (ACC Docket No. W-03514A-13-0111); Libery Utilities (Pine Bluff Water), Inc. (Arkansas Public Service Commission Docket No. 14-020-U); Alaska Power and Telephone (Regulatory Commission of Alaska Docket No. U-14-002); and Municipal Light and Power (Regulatory Commission of Alaska Docket No. U-13-184).

1 **Q. DO YOU HAVE ADDITIONAL EVIDENCE THAT SMALLER UTILITIES**
2 **ARE MORE RISK THAN LARGER UTILITIES?**

3 A. Yes. Attached as **Rejoinder Exhibit TJB-COC-RJ2** is an article by Micheal
4 Annin, "Equity and the Small-Stock Effect", *Financial News*, Public Utilities
5 Fortnightly, October 15, 1995. In a study prepared by Mr. Annin, he showed that
6 the smaller utilities had higher returns than larger utilities as estimated by the
7 CAPM. He also noted the CAPM's inability to account for all the risks of stocks,
8 particularly for smaller firms. He found that adding a small company risk premium
9 increased the traditional CAPM return by 400 basis points for smaller utilities.

10 **Q. MR. CASSIDY NOTES THAT THE COMMISSION HAS NOT**
11 **PREVIOUSLY ADOPTED A SMALL COMPANY RISK PREMIUM.**
12 **PLEASE COMMENT?**

13 A. I have three comments. First, I am not sure that is necessarily true. This
14 Commission has adopted equity returns for small utilities in the past which were
15 not specifically adjusted for financial risk even though there were large differences
16 in capital structures between the utility and the water proxy group. In the instant
17 case, Staff states that it has not adjusted for financial risk even though it has a 100
18 percent equity capital structure and the water proxy group is approximately 48
19 percent debt and 52 percent equity because of USLLC's lack of access to the
20 capital markets.⁵⁰ By not reducing the cost of equity is, in essence, at least a
21 partial recognition of the additional risks of an investment in USLLC. Second,
22 whether the Commission calls it a small company risk premium or company
23 specific risk premium, the quantitative evidence discussed previously shows that
24

25 _____
26 ⁵⁰ See Direct Testimony of John A. Cassidy ("Cassidy Dt.") at 27.

1 USLLC is more risky relative to the publicly traded utilities and by a significant
2 amount. The *Hope* and *Bluefield* standards cannot be met without recognition of
3 this higher risk.

4 **B. Response to RUCO's Surrebuttal Testimony**

5 **Q. PLEASE COMMENT ON MR. MEASE'S TESTIMONY (ON PAGE 2)**
6 **THAT THE MARKET-TO-BOOK RATIO LESS THAN ONE IMPLIES**
7 **EXCESSIVE RETURNS AND A MARKET-TO-BOOK RATIO OF**
8 **GREATER THAN ONE UNDESTAES THE COST OF EQUITY IS A**
9 **MYTH?**

10 **A.** As discussed earlier (at page 9) and demonstrated in **Rejoinder Exhibit TJB-**
11 **COC-RJ1**, the DCF method understates the fair return on book equity since it
12 produces a capitalization rate, if applied directly to book equity, and will produce a
13 market price equal to book value. Mr. Mease provides no authoritative or
14 theoretical support for his "belief" that this is a myth.

15 **Q. HAS MR. MEASE EXPLAINED WHAT A COMPOSITE MEDIAN IS AND**
16 **WHY HE CHOSE THE DCF COMPOSITE MEDIAN RESULT OVER THE**
17 **DCF MEAN OR THE DCF MEDIAN RESULT?**

18 **A.** No. Mr. Mease explained how he computed the composite median of 8.7 percent,
19 but he has not explained what it represents or why he chose it over the other
20 composite median results in Surrebuttal Schedule RBM-3. He has also not
21 explained why he chose this particular composite median over the mean, median,
22 or even the composite means shown on his schedule.

23 **Q. DO YOU HAVE ANY RESPONSE TO MR. MEASE'S SURREBUTTAL**
24 **TESTIMONY REGARDING HIS CAPM?**

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A. No. I have expressed my concerns over Mr. Mease's inputs extensively in my rebuttal testimony.⁵¹ Mr. Mease has not provided anything new to support his position(s).

Q. DO YOU HAVE ANY RESPONSE TO MR. MEASE'S SURREBUTTAL TESTIMONY REGARDING MS. WONG'S STUDY AND THE COMMISSION'S REJECTION OF SMALL COMPANY RISK PREMIUMS IN THE PAST?

A. My response would be similar to my earlier comments (at pages 15-18) regarding Ms. Wong's study, the higher business risk of USLLC compared to the publicly traded utilities, and the Commission's past decisions on small company risk premiums.

Q. DOES THAT CONCLUDE YOUR REJOINER TESTIMONY ON COST OF CAPITAL?

A. Yes. Although my silence on other positions of the other parties in this case on cost of capital that were not addressed in my rejoinder testimony does not constitute agreement with them.

⁵¹ Bourassa Rb. at 24-31.

D SCHEDULES

Utility Source, LLC
 Test Year Ended December 31, 2012
 Summary of Cost of Capital

Exhibit
 Rejoinder Schedule D-1
 Page 1
 Witness: Bourassa

Consolidated Capital Structure

Actual End of Test Year

Projected Capital Structure

| Line No. | Item of Capital | Actual End of Test Year | | | | Projected Capital Structure | | | |
|----------|----------------------|-------------------------|------------------|-----------|---------------|-----------------------------|------------------|-----------|---------------|
| | | Dollar Amount | Percent of Total | Cost Rate | Weighted Cost | Dollar Amount | Percent of Total | Cost Rate | Weighted Cost |
| 1 | Long-Term Debt | - | 0.00% | 0.00% | 0.00% | - | 0.00% | 0.00% | 0.00% |
| 3 | Stockholder's Equity | 3,722,209 | 100.00% | 11.00% | 11.00% | 3,649,952 | 100.00% | 11.00% | 11.00% |
| 5 | Totals | <u>3,722,209</u> | <u>100.00%</u> | | <u>11.00%</u> | <u>3,649,952</u> | <u>100.00%</u> | | <u>11.00%</u> |

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SUPPORTING SCHEDULES:

D-1
 D-3
 D-4

Testimony

RECAP SCHEDULES:

Utility Source, LLC
Test Year Ended December 31, 2012
Cost of Preferred Stock

Exhibit
Rejoinder Schedule D-3
Page 1
Witness: Bourassa

Line

No.

1

End of Test Year

End of Projected Year

2

3

Description
of Issue

Shares
Outstanding Amount Dividend
Requirement

Shares
Outstanding Amount Dividend
Requirement

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NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

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SUPPORTING SCHEDULES:

E-1

RECAP SCHEDULES:

D-1

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Utility Source, LLC
Test Year Ended December 31, 2012
Cost of Common Equity

Exhibit
Rejoinder Schedule D-4
Page 1
Witness: Bourassa

Line
No.

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|----|---|-------------------------|
| 1 | | |
| 2 | The Company is proposing a cost of common equity of | 11.00% . |
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| 17 | <u>SUPPORTING SCHEDULES:</u> | <u>RECAP SCHEDULES:</u> |
| 18 | E-1 | D-1 |
| 19 | D-4.1 to D-4.18 | |
| 20 | | |

Utility Source, LLC
Summary of Results

Exhibit
Rejoinder Schedule D-4.1
Witness: Bourassa

Line
No.

| | | |
|----|--|---------------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | <u>Method</u> | <u>Median</u> |
| 5 | | <u>Result</u> |
| 6 | DCF Constant Growth Estimates ¹ | 9.0% |
| 7 | | |
| 8 | CAPM Estimates ² | 9.7% |
| 9 | | |
| 10 | Build-up Method Estimates ³ | 11.6% |
| 11 | | |
| 12 | Mid-point | 10.3% |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | Recommended Cost of Equity ⁴ | 11.0% |
| 17 | | |
| 18 | | |
| 19 | 1 See Rejoinder Schedule D-4-8 | |
| 20 | 2 See Rejoinder Schedule D-4.12 | |
| 21 | 3 See Rejoinder Schedule D-4.18 | |
| 22 | ⁴ Testimony | |
| 23 | | |

**Utility Source, LLC
Capital Structures**

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

| No. | | Book Value ¹ | | Market Value ¹ | |
|-----|--|--------------------------|-------------------------|---------------------------|-------------------------|
| | | Long-Term <u>Debt</u> | Common <u>Equity</u> | Long-Term <u>Debt</u> | Common <u>Equity</u> |
| 1 | | | | | |
| 2 | | | | | |
| 3 | <u>Company</u> | | | | |
| 4 | 1. American States | 39.8% | 60.2% | 21.5% | 78.5% |
| 5 | 2. Aqua America | 48.9% | 51.1% | 25.9% | 74.1% |
| 6 | 3. California Water | 41.6% | 58.4% | 28.0% | 72.0% |
| 7 | 4. Connecticut Water | 47.0% | 53.0% | 32.7% | 67.3% |
| 8 | 5. Middlesex | 40.7% | 59.3% | 29.0% | 71.0% |
| 9 | 6. SJW Corp. | 51.0% | 49.0% | 38.1% | 61.9% |
| 10 | | | | | |
| 11 | Average | 44.8% | 55.2% | 29.2% | 70.8% |
| 12 | | | | | |
| 13 | Utility Source, LLC | 0.0% | 100.0% | N/A | N/A |
| 14 | (Actual December 31, 2012) | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | ¹ Value Line Analyzer Data (September 28, 2014) | | | | |
| 18 | ² Adjusted Per Rejoinder Schedule D-1 | | | | |
| 19 | | | | | |
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**Utility Source, LLC
Comparisons of Past and Future Estimates of Growth**

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

Line
No.

| | [1] | [2] | [3] | [4] | [5] | [6] | [7] | |
|---|---|---------------------------|---------------------------|-------------------------|-------------------------|----------------|--|--|
| | | | | | | | Average of Future and Historical Growth | |
| | <u>Five-year historical average annual changes</u> | | | | | | Average Future Growth ³ | |
| | | Book | | | Average | | Historical Growth | |
| | <u>Company</u> | <u>Price</u> ¹ | <u>Value</u> ² | <u>EPS</u> ² | <u>DPS</u> ² | <u>Col 1-4</u> | <u>Col 5-6</u> | |
| 1 | 1. American States | 16.07% | 6.50% | 13.00% | 6.50% | 10.52% | 6.59% | |
| 2 | 2. Aqua America | 11.70% | 6.00% | 11.00% | 7.00% | 8.92% | 7.46% | |
| 3 | 3. California Water | 4.27% | 4.50% | 4.00% | 1.50% | 3.57% | 5.03% | |
| 4 | 4. Connecticut Water | 12.77% | 8.00% | 8.00% | 2.00% | 7.69% | 6.35% | |
| 5 | 5. Middles ex | 8.36% | 3.00% | 1.50% | 1.50% | 3.59% | 3.60% | |
| 6 | 6. SJW Corp. | 4.24% | 2.50% | 0.50% | 3.50% | 2.69% | 6.59% | |
| 7 | | | | | | | | |
| 8 | GROUP AVERAGE | 9.57% | 5.08% | 6.33% | 3.67% | 6.16% | 5.94% | |
| 9 | GROUP MEDIAN | 10.03% | 5.25% | 6.00% | 2.75% | 5.64% | 6.47% | |

¹ Average of changes in annual stock prices ending on December 31 through 2012. Data from Yahoo Finance website.

² Value Line Analyzer Data, September 28, 2014

³ See Rejoinder Schedule D-4.6.

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Utility Source, LLC
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.5
 Witness: Bourassa

Line
No.

| [1] | [2] | [3] | [4] | [5] | [6] | [7] | |
|---|---------------------------|------------------------------------|-------------------------|-------------------------|----------------------------|---|---|
| <u>Ten-year historical average annual changes</u> | | | | | | Average Future Growth ³ | Average of Historical Growth Col 5-6 |
| <u>Company</u> | <u>Price</u> ¹ | <u>Book Value</u> ² | <u>EPS</u> ² | <u>DPS</u> ² | <u>Average Col 1-4</u> | <u>Average Future Growth</u> ³ | <u>Col 5-6</u> |
| 1. American States | 12.91% | 5.00% | 6.50% | 3.00% | 6.85% | 2.67% | 4.76% |
| 2. Aqua America | 10.31% | 8.50% | 7.00% | 7.50% | 8.33% | 6.00% | 7.16% |
| 3. California Water | 10.19% | 5.00% | 4.00% | 1.00% | 5.05% | 6.50% | 5.77% |
| 4. Connecticut Water | 6.58% | 4.00% | 0.50% | 1.50% | 3.14% | 5.00% | 4.07% |
| 5. Middlesex | 4.38% | 4.50% | 3.50% | 1.50% | 3.47% | 3.60% | 3.53% |
| 6. SJW Corp. | 12.91% | 5.50% | 4.00% | 5.00% | 6.85% | 10.50% | 8.68% |
| GROUP AVERAGE | 9.54% | 5.42% | 4.25% | 3.25% | 5.62% | 5.71% | 5.66% |
| GROUP MEDIAN | 10.25% | 5.00% | 4.00% | 2.25% | 5.95% | 5.50% | 5.27% |

¹ Average of changes in annual stock prices ending December 31, 2013. Data from Yahoo Finance website.

² Value Line Analyzer Data, September 28, 2014.

³ See Rejoinder Schedule D-4.6.

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Utility Source, LLC
 Analysts Forecasts of Earnings Per Share Growth

Exhibit
 Rejoinder Schedule D-4.6
 Witness: Bourassa

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[1] [2] [3] [4]

| ESTIMATES OF EARNINGS GROWTH | | | | Average |
|------------------------------|---------------------------|---------------------------|--------------------------|--------------------------------|
| | Value | | | Growth (G) |
| <u>Company</u> | <u>Yahoo</u> ¹ | <u>Zacks</u> ¹ | <u>Line</u> ² | <u>(Cols 1-3)</u> ³ |
| 1. American States | 1.00% | 1.00% | 6.00% | 2.67% |
| 2. Aqua America | 4.00% | 5.50% | 8.50% | 6.00% |
| 3. California Water | 6.00% | 6.00% | 7.50% | 6.50% |
| 4. Connecticut Water | 5.00% | 5.00% | 5.00% | 5.00% |
| 5. Middlesex | 2.70% | | 4.50% | 3.60% |
| 6. SJW Corp. | 14.00% | | 7.00% | 10.50% |
| GROUP AVERAGE | 5.45% | 4.38% | 6.42% | 5.71% |
| GROUP MEDIAN | | | | 5.50% |

¹ Data as of October 2, 2014

² Data as of September 28, 2014.

³ Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Utility Source, LLC
Current Dividend Yields for Water Utility Sample Group

Exhibit
Rejoinder Schedule D-4.7
 Witness: Bourassa

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| <u>Company</u> | <u>Average Stock Price (P₀)¹</u> | <u>Current Dividend (D₀)¹</u> | <u>Current Dividend Yield (D₀/P₀)¹</u> | <u>Average Annual Dividend Yield (D₀/P₀)^{1,2}</u> |
|----------------------|--|---|---|--|
| 1. American States | \$ 31.20 | \$ 0.87 | 2.79% | 3.15% |
| 2. Aqua America | \$ 24.24 | \$ 0.66 | 2.72% | 2.80% |
| 3. California Water | \$ 23.41 | \$ 0.66 | 2.82% | 3.36% |
| 4. Connecticut Water | \$ 32.48 | \$ 1.03 | 3.17% | 3.62% |
| 5. Middlesex | \$ 20.24 | \$ 0.77 | 3.80% | 3.96% |
| 6. SJW Corp. | \$ 26.85 | \$ 0.76 | 2.83% | 2.95% |
| Average | | | 3.02% | 3.31% |
| Median | | | 2.83% | 3.26% |

¹ Yahoo Finance. 60 day average of stock prices as of October 2, 2014.

² Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

**Utility Source, LLC
Discounted Cash Flow Analysis
DCF Constant Growth**

**Exhibit
Rejoinder Schedule D-4.8
Witness: Bourassa**

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| | [1] | [2] | [3] | [4] |
|------------------------------|--|---|--------------------|--|
| | | | | Indicated Cost of Equity $k = \text{Div Yld} + g$ (Cols 2+3) |
| | <u>Dividend Yield (D_0/P_0)¹</u> | <u>Expected Dividend Yield (D_1/P_0)²</u> | <u>Growth (g)</u> | |
| DCF - Past and Future Growth | 3.02% | 3.20% | 5.94% ³ | 9.1% |
| DCF - Future Growth | 3.02% | 3.20% | 5.71% ⁴ | 8.9% |
| Average | 3.02% | 3.20% | 5.82% | 9.0% |
| Median | 3.02% | 3.20% | 5.82% | 9.0% |

¹ Spot Dividend Yield = D_0/P_0 . See Rejoinder Schedule D-4.7.

² Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.

³ Growth rate (g). Average of Past and Future Growth. See Rejoinder Schedule D-4.4, column 7

⁴ Growth rate (g). Average of Analyst Estimates Future Growth. See Rejoinder Schedule D-4.6.

**Utility Source, LLC
Market Betas**

**Exhibit
Rejoinder Schedule D-4.9
Witness: Bourassa**

Line
No.

| <u>Company</u> | <u>Beta (β)¹</u> |
|----------------------|--|
| 1. American States | 0.70 |
| 2. Aqua America | 0.70 |
| 3. California Water | 0.70 |
| 4. Connecticut Water | 0.65 |
| 5. Middlesex | 0.70 |
| 6. SJW Corp. | 0.85 |
| Average | 0.72 |

¹ Value Line Investment Analyzer data (Aug 5, 2013)

Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is derived from a regression analysis of the relationship between weekly percent-age changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are adjusted for their long-term tendency to converge toward 1.00.

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**Utility Source, LLC
Forecasts of Long-Term Interest Rates**

**Exhibit
Rejoinder Schedule D-4.10
Witness: Bourassa**

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| <u>Description</u> | <u>Average Aug-14</u> | <u>2015</u> | <u>2016</u> | <u>Average</u> |
|--|---------------------------|--------------------|--------------------|----------------|
| Blue Chip Consensus Forecasts ¹ | 3.20% ¹ | 4.10% ² | 4.70% ² | 4.40% |
| Value Line ² | 3.20% ¹ | 3.90% ³ | 4.40% ³ | 4.20% |
| Average | | | | 4.30% |

¹ Federal Reserve Monthly Average 30 Year U.S. Treasury
² June 2014 and September 2014 Blue Chip Financial Forecasts consensus long-term forecast of 30 Year U.S. Treasury
³ Value Line Quarterly forecast, dated August 22, 2014, Long-term Treasury

**Utility Source, LLC
Computation of Current Market Risk Premium**

**Exhibit
Rejoinder Schedule D-4.11
Witness: Bourassa**

| Line No. | | Dividend Yield (D_0/P_0) ¹ | Expected Dividend Yield (D_1/P_0) ² | + | Growth (g) ³ | = | Expected Market Return (k) | - | Monthly Average 30 Year Treasury Rate ⁴ | = | Market Risk Premium (MRP) |
|-------------|--------------------------|--|--|---|-------------------------|---|----------------------------------|---|--|---|---------------------------------|
| 1 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | <u>Month</u> | | | | | | | | | | |
| 4 | Feb | 2.01% | 2.21% | + | 9.83% | = | 12.04% | - | 3.17% | = | 8.87% |
| 5 | Mar | 2.01% | 2.20% | + | 9.83% | = | 12.04% | - | 3.16% | = | 8.88% |
| 6 | April | 1.98% | 2.16% | + | 9.33% | = | 11.49% | - | 2.93% | = | 8.56% |
| 7 | May | 2.01% | 2.20% | + | 9.50% | = | 11.70% | - | 3.11% | = | 8.59% |
| 8 | June | 2.14% | 2.34% | + | 9.50% | = | 11.84% | - | 3.40% | = | 8.44% |
| 9 | July | 2.02% | 2.21% | + | 9.50% | = | 11.71% | - | 3.61% | = | 8.10% |
| 10 | Aug | 2.14% | 2.34% | + | 9.50% | = | 11.84% | - | 3.76% | = | 8.08% |
| 11 | Sept | 2.10% | 2.30% | + | 9.50% | = | 11.80% | - | 3.79% | = | 8.01% |
| 12 | Oct | 2.00% | 2.19% | + | 9.50% | = | 11.69% | - | 3.68% | = | 8.01% |
| 13 | Nov | 1.99% | 2.18% | + | 9.50% | = | 11.68% | - | 3.80% | = | 7.88% |
| 14 | Dec 2013 | 1.93% | 2.11% | + | 9.50% | = | 11.61% | - | 3.89% | = | 7.72% |
| 15 | Jan 2014 | 2.01% | 2.21% | + | 9.83% | = | 12.04% | - | 3.77% | = | 8.27% |
| 16 | Feb | 2.01% | 2.20% | + | 9.50% | = | 11.70% | - | 3.66% | = | 8.04% |
| 17 | Mar | 2.01% | 2.20% | + | 9.50% | = | 11.70% | - | 3.62% | = | 8.08% |
| 18 | Apr | 1.98% | 2.16% | + | 9.50% | = | 11.66% | - | 3.52% | = | 8.14% |
| 19 | May | 2.01% | 2.20% | + | 9.42% | = | 11.62% | - | 3.39% | = | 8.23% |
| 20 | June | 1.98% | 2.16% | + | 9.33% | = | 11.50% | - | 3.42% | = | 8.08% |
| 21 | July | 2.05% | 2.24% | + | 9.50% | = | 11.74% | - | 3.33% | = | 8.41% |
| 22 | Aug | 2.01% | 2.20% | + | 9.50% | = | 11.70% | - | 3.20% | = | 8.50% |
| 23 | | | | | | | | | | | |
| 24 | Recommended | 2.01% | 2.20% | + | 9.44% | = | 11.65% | - | 3.32% | = | 8.33% |
| 25 | | | | | | | | | | | |
| 26 | <u>Short-term Trends</u> | | | | | | | | | | |
| 27 | Recent Twelve Months Avg | 2.01% | 2.20% | + | 9.51% | = | 11.70% | - | 3.59% | = | 8.11% |
| 28 | Recent Nine Months Avg | 2.00% | 2.19% | + | 9.51% | = | 11.70% | - | 3.53% | = | 8.16% |
| 29 | Recent Six Months Avg | 2.01% | 2.19% | + | 9.46% | = | 11.65% | - | 3.41% | = | 8.24% |
| 30 | Recent Three Months Avg | 2.01% | 2.20% | + | 9.44% | = | 11.65% | - | 3.32% | = | 8.33% |
| 31 | | | | | | | | | | | |
| 32 | | | | | | | | | | | |

Notes:

¹ Median Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data (monthly) - Value Line 1700 Stocks

² Expected Dividend Yield (D_1/P_0) equals current average dividend yield (D_0/P_0) times one plus growth rate(g).

³ Median of Projected EPS, Projected DPS Growth and Projected BV Growth for VL 1700 stocks. Data from Value Line Investment Analyzer Software.

⁴ Monthly average 30 year U.S. Treasury. Federal Reserve.

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**Utility Source, LLC
Traditional Capital Asset Pricing Model (CAPM)**

**Exhibit
Rejoinder Schedule D-4.12
Witness: Bourassa**

Line
No.

| | | | | | | | | | | |
|----|-------------------------------------|-----------------|---|-------------------|---|-----------------|--------------|---|---|-------|
| 1 | | Rf ¹ | + | beta ² | x | RP _M | + | = | k | |
| 2 | | | | | | | | | | |
| 3 | Historical Market Risk Premium CAPM | 4.30% | + | 0.72 | x | 6.70% | ³ | + | = | 9.1% |
| 4 | | | | | | | | | | |
| 5 | Current Market Risk Premium CAPM | 4.30% | + | 0.72 | x | 8.33% | ⁴ | + | = | 10.3% |
| 6 | | | | | | | | | | |
| 7 | Average | | | | | | | | | 9.7% |
| 8 | | | | | | | | | | |
| 9 | Median | | | | | | | | | 9.7% |
| 10 | | | | | | | | | | |

¹ Forecasts of long-term treasury yields. See Rejoinder Schedule D-4.10.

² Value Line Investment Analyzer data. See Rejoinder Schedule D-4.9.

³ Historical Market Risk Premium from (Rp) MorningStar SBBI 2014 Classic Yearbook Table 11-5 Long-Horizon ERP 1926-2013.

⁴ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rejoinder Schedule D-4.11.

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Utility Source, LLC
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps Risk Premium Study Data*

Exhibit
 Rejoinder Schedule D-4.13
 Witness: Bourassa

| | | Measures of size (Millions) | | | | | | |
|---|---------------------|--------------------------------|---------------------------|-----------------------------|-------------------|-------------------------|------------------------------|----------------------------------|
| | Company | Symbol | MV Equity ¹ | Book Equity ¹ | MVIC ¹ | 5 Yr Avg. Net Income | Total Assets ² | 5 Yr Avg. EBITDA ³ |
| 1 | American States | AWR | \$ 1,191 | \$ 492 | \$ 1,517 | \$ 45 | \$ 1,281 | \$ 141 |
| 2 | Aqua America | WTR | \$ 4,195 | \$ 1,535 | \$ 5,663 | \$ 155 | \$ 4,859 | \$ 430 |
| 3 | California Water | CWT | \$ 1,096 | \$ 598 | \$ 1,522 | \$ 42 | \$ 1,996 | \$ 146 |
| 4 | Connecticut Water | CTWS | \$ 359 | \$ 197 | \$ 534 | \$ 13 | \$ 579 | \$ 28 |
| 5 | Middlesex | MSEX | \$ 317 | \$ 189 | \$ 447 | \$ 14 | \$ 562 | \$ 39 |
| 6 | SJW Corp. | SJW | \$ 544 | \$ 322 | \$ 879 | \$ 21 | \$ 1,087 | \$ 87 |
| | Utility Source, LLC | Proforma | NA | \$ 3.7 | NA | \$ (0.2) | \$ 11.1 | \$ 0.4 |

¹ From Zacks Investment Research data

² From Zacks Investment Research. From E-1 for subject utility.

³ Net Income. From Zacks Investment Research and Company ACC reports

Net Income Data (\$ millions)

| Company | Symbol | 2013 | 2012 | 2011 | 2010 | 2009 | Average |
|---------------------|--------|----------|----------|----------|----------|----------|----------|
| American States | AWR | \$ 62.7 | \$ 54.0 | \$ 45.9 | \$ 33.2 | \$ 29.5 | \$ 45.1 |
| Aqua America | WTR | \$ 205.0 | \$ 197.0 | \$ 143.1 | \$ 124.0 | \$ 104.4 | \$ 154.7 |
| California Water | CWT | \$ 47.3 | \$ 49.0 | \$ 37.7 | \$ 37.7 | \$ 40.6 | \$ 42.4 |
| Connecticut Water | CTWS | \$ 18.3 | \$ 14.0 | \$ 11.3 | \$ 9.8 | \$ 10.2 | \$ 12.7 |
| Middlesex | MSEX | \$ 16.6 | \$ 14.0 | \$ 13.4 | \$ 14.3 | \$ 10.0 | \$ 13.7 |
| SJW Corp. | SJW | \$ 23.5 | \$ 22.0 | \$ 20.9 | \$ 24.4 | \$ 15.2 | \$ 21.2 |
| Utility Source, LLC | | (0.15) | (0.13) | (0.19) | (0.18) | (0.15) | (0.2) |

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

⁴ Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports.

EBITDA Data (\$ millions)

| Company | Symbol | 2013 | 2012 | 2011 | 2010 | 2009 | Average |
|---------------------|--------|----------|----------|----------|-----------|----------|----------|
| American States | AWR | \$ 161.0 | \$ 154.0 | \$ 133.3 | \$ 134.4 | \$ 122.6 | \$ 141.1 |
| Aqua America | WTR | \$ 424.3 | \$ 439.0 | \$ 397.6 | \$ 473.2 | \$ 415.2 | \$ 429.9 |
| California Water | CWT | \$ 155.0 | \$ 151.0 | \$ 143.3 | \$ 155.7 | \$ 125.5 | \$ 146.1 |
| Connecticut Water | CTWS | \$ 43.4 | \$ 30.0 | \$ 24.2 | \$ 22.5 | \$ 20.3 | \$ 28.1 |
| Middlesex | MSEX | \$ 42.1 | \$ 39.0 | \$ 34.6 | \$ 43.3 | \$ 34.6 | \$ 38.7 |
| SJW Corp. | SJW | \$ 91.4 | \$ 90.0 | \$ 87.1 | \$ 75.4 | \$ 93.5 | \$ 87.5 |
| Utility Source, LLC | | \$ (0.0) | \$ 0.0 | \$ (0.0) | \$ (0.01) | \$ 0.02 | \$ 0.42 |

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

EBITDA data for subject utility from E-1 and/or ACC reports

Utility Source, LLC
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

MRP_{m+s} Estimates Using Duff & Phelps 2014 Valuation Handbook data (Unlevered)
 Assumes 100% Equity and 0% debt
 Data Smoothing with Regression Analysis
 Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevant Metric)

Exhibit
 Rejoinder Schedule D-4.14
 Witness: Bourassa

$RP_{unlevered} = RP_{levered} - W_d W_e (\beta_u \beta_d) * RP_{market}$
 Where β_u = unlevered portfolio beta
 β_d = debt beta, assumed to be 0.1
 W_d = percentage of debt in capital structure
 W_e = percentage of equity in capital structure
 $RP_{levered}$ = levered realized risk premium

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

| | Company | Symbol | MRP _{m+s} (unlevered) | | | | | Average | |
|---|---------------------|--------|--------------------------------|----------------|--------|-------------------------|-----------------|---------|---------------------|
| | | | MV Equity | Book Equity | MVIC | 5 Yr Avg. Net Income | Total Assets | | 5 Yr Avg. EBITDA |
| 1 | American States | AWR | 9.14% | 9.07% | 9.15% | 9.43% | 9.17% | 9.43% | 9.23% |
| 2 | Aqua America | WTR | 7.38% | 7.79% | 7.29% | 8.02% | 7.52% | 8.10% | 7.68% |
| 3 | California Water | CWT | 9.28% | 8.85% | 9.14% | 9.49% | 8.62% | 9.39% | 9.13% |
| 4 | Connecticut Water | CTWS | 10.83% | 10.10% | 10.62% | 10.87% | 10.15% | 11.35% | 10.65% |
| 5 | Middlesex | MSEX | 11.00% | 10.15% | 10.87% | 10.78% | 10.19% | 10.96% | 10.66% |
| 6 | SJW Corp. | SJW | 10.24% | 9.55% | 9.92% | 10.28% | 9.37% | 10.00% | 9.89% |
| | Average (unlevered) | | 9.64% | 9.25% | 9.50% | 9.81% | 9.17% | 9.87% | 9.54% |
| | Utility Source, LLC | | NA | 14.57% | NA | NMF | 15.04% | 16.34% | 15.32% |

Utility Source, LLC
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps* Risk Premium Study Data

Unlevered Portfolio Beta
 (from 2014 *Duff & Phelps* Valuation Handbook - Table C)

Exhibit
 Rejoinder Schedule D-4.15
 Witness: Bourassa

| | Company | Symbol | Unlevered Portfolio Beta (β_u) | | | | | | |
|---|---------------------|--------|--|-------------|-------------|-------------|-------------|-------------|---------|
| | | | (Table C-1) | (Table C-2) | (Table C-4) | (Table C-3) | (Table C-5) | (Table C-6) | Average |
| 1 | American States | AWR | 0.94 | 0.96 | 0.95 | 0.95 | 0.97 | 0.95 | 0.95 |
| 2 | Aqua America | WTR | 0.87 | 0.89 | 0.86 | 0.88 | 0.83 | 0.82 | 0.86 |
| 3 | California Water | CWT | 0.98 | 0.96 | 0.95 | 0.95 | 0.94 | 0.96 | 0.96 |
| 4 | Connecticut Water | CTWS | 0.96 | 0.98 | 0.97 | 0.97 | 0.99 | 1.03 | 0.98 |
| 5 | Middlesex | MSEX | 0.96 | 1.00 | 0.98 | 0.97 | 0.99 | 0.99 | 0.98 |
| 6 | SJW Corp. | SJW | 0.98 | 0.98 | 0.98 | 0.99 | 0.97 | 0.95 | 0.98 |
| | Average | | 0.95 | 0.96 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 |
| | Utility Source, LLC | | NA | 0.98 | NA | 1.01 | 1.05 | 1.03 | 1.02 |

Utility Source, LLC
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps Risk Premium Study Data*

MRP Estimates Using Duff & Phelps 2014 Valuation Handbook data (Relevered)

Relevered Realized Risk Premium
 $RP_{relevered} = RP_{unlevered} + W_d/W_e * (\beta_u - \beta_d) * RP_{market}$

Where β_u = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{unlevered}$ = unlevered realized risk premium from Table 2

RP_{market} = general equity risk premium for the market since 1963.

Exhibit
 Rejoinder Schedule D-4.16
 Witness: Bourassa

| | | MRP _{ms} (Relevered) | | | | | | | | |
|---|-------------------------|-------------------------------|------------------|--------------|----------------|--------|-------------------------|-----------------|---------------------|---------|
| | Company | Symbol | W/W _e | MV Equity | Book Equity | MVIC | 5 Yr Avg. Net Income | Total Assets | 5 Yr Avg. EBITDA | Average |
| 1 | American States | AWR | 27.4% | 10.27% | 10.22% | 10.29% | 10.57% | 10.33% | 10.57% | 10.37% |
| 2 | Aqua America | WTR | 35.0% | 8.70% | 9.15% | 8.60% | 9.36% | 8.77% | 9.34% | 8.98% |
| 3 | California Water | CWT | 38.9% | 10.94% | 10.49% | 10.76% | 11.11% | 10.22% | 11.02% | 10.76% |
| 4 | Connecticut Water | CTWS | 48.7% | 12.88% | 12.20% | 12.69% | 12.94% | 12.27% | 13.56% | 12.76% |
| 5 | Middlesex | MSEX | 40.9% | 12.72% | 11.95% | 12.63% | 12.53% | 11.97% | 12.75% | 12.42% |
| 6 | SJW Corp. | SJW | 61.5% | 12.90% | 12.20% | 12.57% | 12.97% | 11.99% | 12.56% | 12.53% |
| | Average MRP (Relevered) | | 42.06% | 11.40% | 11.04% | 11.26% | 11.58% | 10.93% | 11.63% | 11.31% |
| | Utility Source, LLC | | 0.00% | NA | 14.57% | NA | NMF | 15.04% | 16.34% | 15.32% |

Utility Source, LLC
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps* Risk Premium Study Data

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

Exhibit
 Rejoinder Schedule D-4.17
 Witness: Bourassa

| | |
|--|---|
| [1] Estimate of Current Market Risk Premium (RP_{market}) | 5.00% <<<< Current Duff and Phelps recommendation |
| [2] Risk Premium Assumed in Duff & Phelps Study (1963-2013) ¹ | 4.90% |
| [3] Equity Risk Premium Adjustment (([1] - [2])) | 0.10% |
| [4] Average MRP (relevered) for publicly traded water companies (from Rejoinder Schedule D-4.16) | 11.31% |
| [5] MRP (relevered) for publicly traded water companies (RP_{m+}) ([3] + [4]) | 11.41% |
| [6] Equity Risk Premium Adjustment ([3]) | 0.10% |
| [7] Average MRP (relevered) for subject utility company (from Table D-4.16) | 15.32% |
| [8] MRP (relevered) for subject utility company (RP_{m+s}) ([6] + [7]) | 15.42% |
| [9] Industry Risk Premium (From Duff & Phelps for SIC 494 Water Supply Industry Exhibit 5-7) | -4.24% |
| [10] Adjustment Factor to Industry Risk Premium ([2] / 6.96% ¹) | 0.7184 |
| [11] Adjusted Industry Risk Premium (R_i) ([9] x [10]) | -3.05% |
| [12] Risk Free Rate (R_f) ² | 2.98% |

¹ From Duff & Phelps 2014 Valuation Handbook.

² Yield on 20 Yr U.S. Treasury September 30, 2014 (Federal Reserve)

Utility Source, LLC
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on *Duff and Phelps Risk Premium Study Data*

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

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

Where:

- $E(R_i)$ = Expected (indicated) rate of return
- R_f = Risk-free rate of return. See Rejoinder Schedule D-4.17.
- RP_{m+s} = Market risk premium including size premium. See Rejoinder Schedule D-4.16.
- RP_i = Industry risk premium (adjusted). See Rejoinder Schedule D-4.17.
- RP_u = Company-specific risk premium

| | | |
|--------------|-------------------|----------------------------|
| | Sample | |
| | Publicly Traded | |
| | Water | |
| | Utilities | <u>Utility Source, LLC</u> |
| R_f = | 2.98% | 2.98% |
| RP_{m+s} = | See Sched. D-4.16 | |
| RP_i = | -3.05% | -3.05% |
| RP_u = | 0.00% | 0.00% |

Exhibit
 Rejoinder Schedule D-4.18
 Witness: Bourassa

| Company | Symbol | Indicated COE E(R _i) | | | | | | |
|----------------------|--------|----------------------------------|----------------|--------|-------------------------|-----------------|---------------------|---------|
| | | MV Equity | Book Equity | MVIC | 5 Yr Avg. Net Income | Total Assets | 5 Yr Avg. EBITDA | Average |
| 1 American States | AWR | 10.30% | 10.26% | 10.32% | 10.60% | 10.37% | 10.60% | 10.41% |
| 2 Aqua America | WTR | 8.73% | 9.18% | 8.63% | 9.39% | 8.80% | 9.37% | 9.02% |
| 3 California Water | CWT | 10.97% | 10.52% | 10.80% | 11.15% | 10.25% | 11.06% | 10.79% |
| 4 Connecticut Water | CTWS | 12.91% | 12.23% | 12.73% | 12.98% | 12.31% | 13.60% | 12.79% |
| 5 Middlesex | MSEX | 12.76% | 11.98% | 12.66% | 12.56% | 12.00% | 12.78% | 12.46% |
| 6 SJW Corp. | SJW | 12.93% | 12.24% | 12.60% | 13.00% | 12.03% | 12.59% | 12.57% |
| Average COE estimate | | 11.44% | 11.07% | 11.29% | 11.61% | 10.96% | 11.67% | 11.34% |
| Median COE Estimate | | 11.87% | 11.25% | 11.70% | 11.85% | 11.19% | 11.83% | 11.63% |
| Utility Source, LLC | | NA | 14.60% | NA | NMF | 15.08% | 16.37% | 15.35% |

**Utility Source, LLC
Docket No. WS-04235A-13-0331**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY**

November 7, 2014

EXHIBIT TJB-COC-RJ1

**NEW
REGULATORY
FINANCE**

Roger A. Morin, PhD

**2006
PUBLIC UTILITIES REPORTS, INC.
Vienna, Virginia**

TABLE 15-1
EFFECT OF MARKET-TO-BOOK RATIO ON MARKET RETURN

| | Situation 1 | Situation 2 | Situation 3 |
|-----------------------------|-------------|-------------|-------------|
| 1 Initial purchase price | \$25.00 | \$50.00 | \$100.00 |
| 2 Initial book value | \$50.00 | \$50.00 | \$50.00 |
| 3 Initial M/B | 0.50 | 1.00 | 2.00 |
| 4 DCF Return 10% = 5% + 5% | 10.00% | 10.00% | 10.00% |
| 5 Dollar Return | \$5.00 | \$5.00 | \$5.00 |
| 6 Dollar Dividends 5% Yield | \$1.25 | \$2.50 | \$5.00 |
| 7 Dollar Growth 5% Growth | \$3.75 | \$2.50 | \$0.00 |
| 8 Market Return | 20.00% | 10.00% | 5.00% |

But what if investors expect an increase in the price/earnings ratio from 12.5 to 13.5? Then, the growth in value is from \$100 to \$114.48, or 13.5 times next year's earnings of \$8.48, for a total return of 18.5% (dividend yield of 4%, plus growth in value of 14.5%). The orthodox DCF model would indicate returns of 10%, whereas the investors' true expected return is 18.5%. Investor-expected returns are substantially understated whenever investors anticipate increases in relative market valuation, and conversely.

The third and perhaps most important reason for caution and skepticism is that application of the DCF model produces estimates of common equity cost that are consistent with investors' expected return only when stock price and book value are reasonably similar, that is, when the M/B is close to unity. As shown below, application of the standard DCF model to utility stocks understates the investor's expected return when the market-to-book (M/B) ratio of a given stock exceeds unity. This was particularly relevant in the capital market environment of the 1990s and 2000s where utility stocks were trading at M/B ratios well above unity and have been for nearly two decades. The converse is also true, that is, the DCF model overstates the investor's return when the stock's M/B ratio is less than unity. The reason for the distortion is that the DCF market return is applied to a book value rate base by the regulator, that is, a utility's earnings are limited to earnings on a book value rate base.

The simple numerical illustration shown in Table 15-1 demonstrates the impact of M/B ratios on the DCF market return. The example shows the result of applying a market value cost rate to book value rate base under three different M/B scenarios. The three columns correspond to three M/B situations: the stock trades below, equal to, and above book value, respectively. The latter situation is noteworthy and representative of the capital market environment of the last two decades. As shown in the third column, the DCF cost rate of 10%, made up of a 5% dividend yield and a 5% growth rate, is applied to

**Utility Source, LLC
Docket No. WS-04235A-13-0331**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY**

November 7, 2014

EXHIBIT TJB-COC-RJ2

Financial News

.....
By Michael Annin

Equity and the Small-Stock Effect

The capital asset pricing model shows risk inherent in return on equity. But something goes wrong when it's used for small-sized companies.

Does the size of a company affect the rate of return it should earn? If smaller companies should earn a higher return than larger firms, then small utilities, because of their size, should be allowed to adjust the rates they charge to customers.

By far the most notable and well-documented apparent anomaly in the stock market is the effect of company size on equity returns. The first study focusing on the impact that company size exerts on security returns was performed by Rolf W. Banz. Banz sorted New York Stock Exchange (NYSE) stocks into quintiles based on their market capitalization (price per share times number of shares outstanding), and calculated total returns for a value-weighted portfolio of the stocks in each quintile. His results indicate that returns for companies from the smallest quintile surpassed all other quintiles, as well as the Standard & Poor's 500 and other large stock indices. A number of other researchers have replicated Banz's work in other countries; nevertheless, a consensus has not yet been formed on why small stocks behave as they do.

One explanation for the higher returns is the lack of information on small

companies. Investors must search more diligently for data. For small utilities, investors face additional obstacles, such as a smaller customer base, limited financial resources, and a lack of diversification across customers, energy sources, and geography. These obstacles imply a higher investor return.

The Flaw in CAPM

One of the more common cost of equity models used in practice today is the capital asset pricing model (CAPM). The CAPM describes the expected return on any company's stock as proportional to the amount of systematic risk an investor assumes. The traditional CAPM formula can be stated as:

$$R_s = [\beta_s \times RP] + R_f$$

where:

R_s = expected return or cost of equity on the stock of company "s"

β = the beta of the stock of company "s"

RP = the expected equity risk premium

R_f = expected return on a riskless asset.

Table 1: The Size Premium in CAPM
(By Decile Portfolio in NYSE, 1926-94)

| Decile | Beta | Arithmetic Mean Return | Actual Return in Excess of Riskless Rate** | CAPM Return in Excess of Riskless Rate** | Size Premium (Return in Excess CAPM) |
|--------|------|------------------------|--|--|--------------------------------------|
| 1 | 0.90 | 11.01% | 5.88% | 6.33% | -0.44% |
| 2 | 1.04 | 13.09 | 7.97 | 7.34 | 0.63 |
| 3 | 1.09 | 13.83 | 8.71 | 7.70 | 1.01 |
| 4 | 1.13 | 14.44 | 9.32 | 7.98 | 1.33 |
| 5 | 1.17 | 15.50 | 10.38 | 8.22 | 2.16 |
| 6 | 1.19 | 15.45 | 10.33 | 8.38 | 1.95 |
| 7 | 1.24 | 15.92 | 10.79 | 8.75 | 2.05 |
| 8 | 1.29 | 16.84 | 11.72 | 9.05 | 2.67 |
| 9 | 1.36 | 17.83 | 12.71 | 9.57 | 3.14 |
| 10 | 1.47 | 21.98 | 16.86 | 10.33 | 6.53 |

*Betas are estimated from monthly returns in excess of the 20-year government bond income return, January 1926-December 1994.
**Historical riskless rate measured by the 69-year arithmetic mean income return component of 20-year government bonds.
Source: S&P 1995 Yearbook

Table 2: CAPM vs. CAPM w/ Size Premium

(By Percentile for Electric, Gas, and Sanitary Services Utilities)

| | CAPM | CAPM with Size Premium |
|-----------------|--------|---------------------------|
| 90th Percentile | 16.42% | 18.92% |
| 75th Percentile | 12.56% | 14.72% |
| Median | 10.89% | 12.58% |
| 25th Percentile | 9.86% | 11.39% |
| 10th Percentile | 8.63% | 10.65% |

(Weighted by Market Capitalization)

| | CAPM | CAPM with Size Premium |
|----------------------------|--------|---------------------------|
| Industry Composite | 11.76% | 12.33% |
| Large Company Composite | 12.05% | 12.07% |
| Small Company Composite | 13.93% | 17.95% |

Source: *Cost of Capital Quarterly '95 Yearbook by Ibbotson Associates*
Note: Public utilities include electric, gas, and sanitary services companies.

Table 1 shows *beta* and risk premiums over the past 69 years for each decile of the NYSE. It shows that a hypothetical risk premium calculated under the CAPM fails to match the actual risk premium, shown by actual market returns. The shortfall in the CAPM return rises as company size decreases, suggesting a need to revise the CAPM.

The risk premium component in the actual returns (realized equity risk premium) is the return that compensates investors for taking on risk equal to the risk of the market as a whole (estimated by the 69-year arithmetic mean return on large company stocks, 12.2 percent, less the historical riskless rate). The risk premium in the CAPM returns is *beta* multiplied by the realized equity risk premium.

The smaller deciles show returns not fully explainable by the CAPM. The difference in risk premiums (realized versus CAPM) grows larger as one moves from the largest companies in decile 1 to the smallest in decile 10. The difference is especially pronounced for deciles 9 and 10, which contain the smallest companies.

Based on this analysis, we modify the CAPM formula to include a small-stock premium. The modified CAPM formula can be stated as follows:

$$R_s = [\beta_s \times RP] + R_f + SP$$

where:

SP = small-stock premium.

Because the small-stock premium can be identified by company size, the appropriate premium to add for any particular company will depend on its equity capitalization. For instance, a utility with a market capitalization of \$1 billion would require a small capitalization adjustment of approximately 1.3 percent over the traditional CAPM; at \$400 million, approximately 2.1 percent, and at only \$100 million, approximately 4 percent.

Again, these additions to the traditional CAPM represent an adjustment over and above any increase already provided to these smaller companies by having higher *betas*.

Implications for Smaller Utilities

These findings carry important ramifications for relatively small public utilities. Boosting the traditional CAPM return by a full 400 basis points for small utilities translates into a substantial premium over larger utilities.

Table 2 shows the results of an analysis of 202 utility companies that calculated cost of equity figures. Composites (arithmetic means) weighted by equity capitalization were also calculated for the largest and smallest 20 companies. The results show the impact size has on cost of equity.

For the traditional CAPM, the large-company composite shows a cost of equity of 12.05 percent; the small company composite, 13.93 percent. However, once the respective small capitalization premium is added in, the spread increases dramatically, to 12.07 and 17.95 percent, respectively. Clearly, the smaller the utility (in terms of equity capitalization), the larger the impact that size exerts on the expected return of that security. ▼

Michael Annin, CFA, is a senior consultant with Ibbotson Associates, specializing in business valuation and cost of capital analysis. He oversees the Cost of Capital Quarterly, a reference work on using cost of capital for company valuations.

ATTACHMENT 3

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8
9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 **COMMISSIONERS**

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

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

DOCKET NO: WS-04235A-13-0331

25 **REJOINDER TESTIMONY**
26 **OF LONNIE McCLEVE**

27 **Q. Please state your name and your role in this matter.**

28 A. Lonnie McCleve. I am an owner of Utility Source, LLC ("Company").

Q. Have you filed testimony in this case previously?

A. Yes.

Q. Has your testimony changed significantly?

A. No, and I adopt my earlier testimony herein.

Q. What is the purpose of your rejoinder testimony?

A. I am commenting on the non-financial issues raised by Staff and the intervenors in

1 their surrebuttal testimony.

2 **Q. Please comment on the surrebuttal testimony of Staff's engineer regarding**
3 **the enclosure around Well 2 and install a functioning gate.**

4
5 A. We seem to agree that the Company should be able to construct a cost-effective
6 enclosure, whether that is a fence or a wall, provided it meets all of the regulatory
7 requirements. Knowing that permitting may be required, which often takes quite some
8 time for approval, the Company believes the deadline for filing proof of construction
9 should be at least 120 days.

10
11 **Q. Does the Company agree with Staff's recommendation regarding BMPs?**

12
13 A. No. The Company maintains its position on BMPs.

14 **Q. Regarding Deep Well 4, does the Company agree with this recommendation?**

15
16 A. In surrebuttal, Staff explained that it wants the Commission to prohibit Utility
17 Source from selling the well at a profit and then requiring a developer to drill another
18 well. There is no basis for this concern. Again, the Company has no intention of selling
19 Deep Well 4. This well was drilled to serve Flagstaff Meadows III. The Company hopes
20 that development occurs and Deep Well 4 is needed to meet the increased water demand.

21
22 **Q. Does the Company agree with Staff's position in surrebuttal regarding a**
23 **developer paying for a new well?**

24
25 A. I believe so. Staff's surrebuttal essentially states that the Company can require a
26 developer to pay for the construction of a new well if another well is reasonably
27 necessary to meet water demand. This is consistent with the Company's position.

28 **Q. Does the Company agree with Staff's position in surrebuttal regarding fire**

1 **protection and water pressure?**

2 A. No. Staff wants an engineering report on fire flow pressure during high water
3 demand events, including the demand of the standpipe. Staff bases this recommendation
4 on the fact that between 2011 and 2013, there were a few instances when pressure was
5 not sufficient for fire flow. But the mechanical repairs to the pressure pump have been
6 made, which was confirmed by the local fire chief. Admittedly, when a power outage
7 occurs, the pressure pump will not work. The Company does not think an engineering
8 report is necessary.
9
10

11
12 Nevertheless, if Staff would agree to increase the monthly minimum rates to cover
13 the cost for the engineering report, then the Company would not oppose the
14 recommendation. The Company does not know at this time how much such a report
15 would cost because it does not know what Staff wants included in the report.
16

17 **Q. Discuss Staff's testimony regarding the standpipe that the Company has**
18 **built.**

19 A. As stated previously, my partner, Gary Bulechek, was the point person on this
20 project. The Company was selling bulk water from a fire hydrant primarily to contractors
21 and commercial users. Coconino County staff approached the Company and said it
22 would no longer allow the Company to operate in this manner and would need to build a
23 loading station. Put another way, the Company built the new load station to comply with
24 the County rules.
25
26

27 During this time, the Company was earning approximately \$3,500 a year from
28 bulk water sales through the hydrant. The Company had no intention of making this an

1 expensive building project. But by the time the Company hired an engineer, followed his
2 advice, and then had to make multiple improvements demanded by the County, we had
3 spent around \$50,000 and the project was still not complete. Gary and I decided it made
4 economic sense to finish the project so that the costs expended could be recovered over
5 time. As far as revenues, the Company believes it will generate more revenue than the
6 \$3,500 a year gained from sales through the fire hydrant. How much more is anyone's
7 guess.
8
9

10 **Q. Please comment on Staff's position relating to the new standpipe operations.**

11 A. First, Staff argues that the Company is "downplaying" the financial impact of the
12 standpipe operation. This is not true. However, the Company does not know how much
13 revenue the standpipe will generate. Further, without any support, Staff claims that all of
14 the revenue from the standpipe operation will flow directly to the owners. This is pure
15 speculation and not even contemplated. The revenues will be treated like all other
16 revenues and will be used to pay the expenses of running the Company.
17
18

19 **Q. When should the Company need to file another rate case?**

20 A. The Company has not changed its position.
21

22 **Q. In his testimony, Nielsen implied that the Company was endangering public
23 health by selling bulk water through a fire hydrant. Is this true?**

24 A. No. The water being sold was drinking water, sold for construction purposes. I
25 understand this is a common practice throughout Arizona. However, Coconino County
26 requires a standpipe for such water sales.
27

28 **Q. Nielsen further claims that the Company built the fill station without ACC**

1 **permission, is that true?**

2 A. Yes, because ACC permission was not necessary.

3
4 **Q. Please comment on Nielsen's surrebuttal testimony relating to the ownership**
5 **of the fire hydrants, wells, and other plant and records relating to the time when the**
6 **utilities were operated by the property owners' association.**

7 A. Nielsen is raising issues that have been established by the Company, reviewed and
8 litigated by Staff, and resolved by previous Commission decisions. To be clear, the
9 Company owns the fire hydrants, the wells, and all of the plant included in its rate base.
10 Admittedly, the Company did need to update the Arizona Department of Water
11 Resources' well registry to show the Company owned the wells, which it has done. *See*
12 *enclosures.*

13
14
15 As for the property owners' association records, those documents were turned over
16 to the property owners' association approximately seven years ago. Apparently, Nielsen
17 is attempting to establish that the property owners' association paid for the construction
18 of the utilities, which is not true. In the previous rate case, the rate base for the Company
19 was established and any contributions were identified at that time.

20
21
22 **Q. Please explain what the Company intends to do with Deep Well 4.**

23 A. Deep Well 4 was constructed to serve Flagstaff Meadows III. The Company
24 intentionally held Deep Well 4 out of rate base for the sake of its customers. The
25 Company intends to bring Deep Well 4 into service soon. This will help alleviate any
26 concerns about the Company's ability to meet peak demands and redundancy.

27
28 **Q. Please explain the Company's office situation.**

1 A. When the Company was first established, the office was in my personal home.
2 The Company paid the electric bill in lieu of rent. This was not a desirable situation,
3 especially as the need for more space grew. While I still have an office in my home, we
4 moved most of the operations to its current office site at 20525 E. Chandler Height in
5 Queen Creek. This office was acquired as part of a development known as The Pecans.
6 Through my business holdings, I am the declarant who controls the office.
7
8

9 This office is situated at the entrance of The Pecans subdivisions, so there is
10 signage about lot sales, realtors, and other postings one would expect to see at a
11 community gate house. Nonetheless, the Company uses the building to conduct business.
12 I also use this address to receive my business mail, rather than having it come to my
13 home address. Moreover, as explained in responses to data requests, we do allow brokers
14 to use the conference room and meet potential buyers at the gate house office. The only
15 expense Utility Source has for the use of this office is that it continues to pay the utility
16 bill at my personal home, which is less than the Company would pay for renting office
17 space and paying its utilities.
18
19
20

21 **Q. Please comment on Mary Ann Parry's role with the Company.**

22 A. She works full-time for the Company. Nielsen's claim that performing the office
23 management for two regulated utilities can be done on a part-time basis is simply wrong.
24 Her salary is reasonable for the work she performs.
25

26 **Q. What is your opinion regarding Nielsen's proposed adjustments relating to**
27 **Mrs. Parry's salary, phone service, copiers, office supplies, power bills, and auto**
28 **expense?**

1 A. The Company's expert Mr. Bourassa presents the Company's position, but I
2 believe Nielsen's adjustments are off-base. Nielsen is basing these adjustments on his
3 opinion and conjecture.
4

5 **Q. Does this conclude your rejoinder testimony?**

6 A. Yes.
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Arizona Department of Water Resources
 P.O. Box 36020 Phoenix, Arizona 85067-6020
 (602) 771-8527 - www.azwater.gov

Receipt For Request to Change Well Ownership

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

WELL REGISTRATION NUMBER
55-593267

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of Water Resources (ADWR) of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| Location of Well | | | | | | | | | |
|------------------|-------------|---------|----------|---------|---------|------|-----|--------|--|
| TOWNSHIP (N/S) | RANGE (E/W) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL | |
| 22N | 5E | 36 | NW | SE | SW | 203 | 47 | 001H | |

Section 10

New Well Owner

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL
 UTILITY SOURCE, LLC

MAILING ADDRESS
 20520 E. Chandler Heights Road

CITY / STATE / ZIP
 QUEEN CREEK, AZ 85142-

CONTACT PERSON NAME AND TITLE

TELEPHONE NUMBER
 (480) 540-5656

FAX

WELL ADDRESS

WELL CITY

MAJOR CROSS ROADS

EMAIL
 lonniemccleve@me.com

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

PREPARED BY
 RACHEL BARRY

DATE
 10/23/2014

| | |
|------------------|------------|
| Reference | DWR-2589 |
| Amount | \$30.00 |
| Date | 10/23/2014 |

A Request to Change Well Information Form must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.



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 P.O. Box 36020 Phoenix, Arizona 85067-6020
 (602) 771-8527 - www.azwater.gov

Receipt For Request to Change Well Ownership

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

WELL REGISTRATION NUMBER
55-598834

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| Location of Well | | | | | | | | | |
|------------------|-------------|---------|----------|---------|---------|------|-----|--------|--|
| TOWNSHIP (N/S) | RANGE (E/W) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL | |
| 22N | 5E | 36 | SW | SW | SW | 203 | 47 | 003A | |

| | |
|---|-----|
| New Well Owner | |
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL UTILITY SOURCE, LLC | |
| MAILING ADDRESS 20520 E. CHANDLER HEIGHTS ROAD | |
| CITY / STATE / ZIP QUEEN CREEK, AZ 85142- | |
| CONTACT PERSON NAME AND TITLE | |
| TELEPHONE NUMBER (480) 540-5656 | FAX |
| WELL ADDRESS | |
| WELL CITY | |
| MAJOR CROSS ROADS | |
| EMAIL lonniemccleve@me.com | |

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

| | |
|------------------------------------|---------------------------|
| PREPARED BY RACHEL BARRY | DATE 10/24/2014 |
|------------------------------------|---------------------------|

| | |
|------------------|------------|
| Reference | DWR-2590 |
| Amount | \$30.00 |
| Date | 10/24/2014 |

A Request to Change Well Information Form must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.



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 (602) 771-8527 - www.azwater.gov

Receipt For Request to Change Well Ownership

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

WELL REGISTRATION NUMBER
55-203241

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of Water Resources (ADWR) of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| Location of Well | | | | | | | | | |
|------------------|-------------|---------|----------|---------|---------|------|-----|--------|--|
| TOWNSHIP (N/S) | RANGE (E/W) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL | |
| 22N | 5E | 36 | SW | SW | SW | 203 | 47 | 003A | |

| New Well Owner | |
|---|-----|
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL UTILITY SOURCE, LLC | |
| MAILING ADDRESS 20520 E. CHANDLER HEIGHTS ROAD | |
| CITY / STATE / ZIP QUEEN CREEK, AZ 85142- | |
| CONTACT PERSON NAME AND TITLE | |
| TELEPHONE NUMBER (480) 540-5656 | FAX |
| WELL ADDRESS | |
| WELL CITY | |
| MAJOR CROSS ROADS | |
| EMAIL lonniemccleve@me.com | |

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

| | |
|------------------------------------|---------------------------|
| PREPARED BY RACHEL BARRY | DATE 10/24/2014 |
|------------------------------------|---------------------------|

| | |
|------------------------------|--|
| Reference Amount Date | DWR-2591 \$30.00 10/24/2014 |
|------------------------------|--|

A Request to Change Well Information Form must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.



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 P.O. Box 36020 Phoenix, Arizona 85067-6020
 (602) 771-8527 - www.azwater.gov

Receipt For Request to Change Well Ownership

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

WELL REGISTRATION NUMBER
55-515324

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of Water Resources (ADWR) of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| Location of Well | | | | | | | | |
|---|-------------|---------|----------|---------|---------|------|-----|--------|
| TOWNSHIP (N/S) | RANGE (E/W) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL |
| 22N | 5E | 36 | SW | SW | SE | | | |
| SECTION | | | | | | | | |
| New Well Owner | | | | | | | | |
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL | | | | | | | | |
| UTILITY SOURCE, LLC | | | | | | | | |
| MAILING ADDRESS | | | | | | | | |
| 20520 E. CHANDLER HEIGHTS ROAD | | | | | | | | |
| CITY / STATE / ZIP | | | | | | | | |
| QUEEN CREEK, AZ 85142- | | | | | | | | |
| CONTACT PERSON NAME AND TITLE | | | | | | | | |
| TELEPHONE NUMBER | | | | | | | | |
| (480) 540-5656 | | | | | | FAX | | |
| WELL ADDRESS | | | | | | | | |
| WELL CITY | | | | | | | | |
| MAJOR CROSS ROADS | | | | | | | | |
| EMAIL | | | | | | | | |
| lonniemccleve@me.com | | | | | | | | |

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

| | |
|--------------|------------|
| PREPARED BY | DATE |
| RACHEL BARRY | 10/24/2014 |

| | |
|-------------------------|---------------------|
| Reference Amount | DWR-2595 \$30.00 |
| Date | 10/24/2014 |

A Request to Change Well Information Form must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.



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 P.O. Box 36020 Phoenix, Arizona 85067-6020
 (602) 771-8527 - www.azwater.gov

**Receipt For Request to
 Change Well Ownership**

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

**WELL REGISTRATION NUMBER
 55-503545**

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of Water Resources (ADWR) of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| Location of Well | | | | | | | | |
|------------------|-------------|---------|----------|---------|---------|------|-----|--------|
| TOWNSHIP (N/S) | RANGE (E/W) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL |
| 22N | 5E | 36 | SW | SE | SW | | | |

| New Well Owner | |
|---|-----|
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL UTILITY SOURCE, LLC | |
| MAILING ADDRESS 20520 E. CHANDLER HEIGHTS ROAD | |
| CITY / STATE / ZIP QUEEN CREEK, AZ 85142- | |
| CONTACT PERSON NAME AND TITLE | |
| TELEPHONE NUMBER (480) 540-5656 | FAX |
| WELL ADDRESS | |
| WELL CITY | |
| MAJOR CROSS ROADS | |
| EMAIL lonniemccleve@me.com | |

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

| | |
|------------------------------------|---------------------------|
| PREPARED BY RACHEL BARRY | DATE 10/24/2014 |
|------------------------------------|---------------------------|

| | |
|------------------|-------------------|
| Reference | DWR-2596 |
| Amount | \$30.00 |
| Date | 10/24/2014 |

A *Request to Change Well Information Form* must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.



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Receipt For Request to Change Well Ownership

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

WELL REGISTRATION NUMBER
55-559096

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of Water Resources (ADWR) of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| SECTION 1 - WELL LOCATION | | | | | | | | |
|---------------------------|------------|---------|----------|---------|---------|------|-----|--------|
| Location of Well | | | | | | | | |
| TOWNSHIP (NS) | RANGE (EW) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL |
| 22N | 5E | 36 | SW | SW | SE | | | |

| SECTION 2 - NEW WELL OWNER | |
|---|-----|
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL UTILITY SOURCE, LLC | |
| MAILING ADDRESS 20520 E CHANDLER HEIGHTS ROAD | |
| CITY / STATE / ZIP QUEEN CREEK, AZ 85142- | |
| CONTACT PERSON NAME AND TITLE | |
| TELEPHONE NUMBER (480) 540-5656 | FAX |
| WELL ADDRESS | |
| WELL CITY | |
| MAJOR CROSS ROADS | |
| EMAIL lonniemccleve@me.com | |

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

| | |
|------------------------------------|---------------------------|
| PREPARED BY RACHEL BARRY | DATE 10/24/2014 |
|------------------------------------|---------------------------|

| | |
|------------------|------------|
| Reference | DWR-2594 |
| Amount | \$30.00 |
| Date | 10/24/2014 |

A Request to Change Well Information Form must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.



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Receipt For Request to Change Well Ownership

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

WELL REGISTRATION NUMBER
55-564258

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of Water Resources (ADWR) of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| Location of Well | | | | | | | | | |
|--|-------------|---------|----------|---------|---------|------|-----|--------|--|
| TOWNSHIP (N/S) | RANGE (E/W) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL | |
| 22N | 5E | 36 | SW | SW | SE | | | | |
| New Well Owner | | | | | | | | | |
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL UTILITY SOURCE, LLC | | | | | | | | | |
| MAILING ADDRESS 20520 E. CHANDLER HEIGHTS ROAD | | | | | | | | | |
| CITY / STATE / ZIP QUEEN CREEK, AZ 85142- | | | | | | | | | |
| CONTACT PERSON NAME AND TITLE | | | | | | | | | |
| TELEPHONE NUMBER (480) 540-5656 | | | | | FAX | | | | |
| WELL ADDRESS | | | | | | | | | |
| WELL CITY | | | | | | | | | |
| MAJOR CROSS ROADS | | | | | | | | | |
| EMAIL lonniemccleve@me.com | | | | | | | | | |

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

| | |
|----------------------------|--------------------|
| PREPARED BY RACHELBARRY | DATE 10/24/2014 |
|----------------------------|--------------------|

| | |
|------------------|------------|
| Reference | DWR-2593 |
| Amount | \$30.00 |
| Date | 10/24/2014 |

A Request to Change Well Information Form must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.



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Receipt For Request to Change Well Ownership

Authority for fee: A.R.S. § 45-113 and A.A.C. R12-15-104

Keep this for your records

WELL REGISTRATION NUMBER
55-598623

Pursuant to Arizona Revised Statutes (A.R.S.) 45-593(C), the person to whom a well is registered must notify Arizona Department of Water Resources of Water Resources (ADWR) of a change in ownership of the well and the new owner must furnish information as required by ADWR to keep its well registration records current and accurate.

FEE \$30.00 per WELL

| Location of Well | | | | | | | | | |
|--|-------------|---------|----------|---------|---------|------|-----|--------|--|
| TOWNSHIP (N/S) | RANGE (E/W) | SECTION | 160 ACRE | 40 ACRE | 10 ACRE | BOOK | MAP | PARCEL | |
| 22N | 5E | 36 | SW | SW | SW | 203 | 47 | 003A | |
| New Well Owner | | | | | | | | | |
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL UTILTIY SOURCE, LLC | | | | | | | | | |
| MAILING ADDRESS 20520 E. CHANDLER HEIGHTS ROAD | | | | | | | | | |
| CITY / STATE / ZIP QUEEN CREEK, AZ 85142- | | | | | | | | | |
| CONTACT PERSON NAME AND TITLE | | | | | | | | | |
| TELEPHONE NUMBER (480) 540-5656 | | | | | FAX | | | | |
| WELL ADDRESS | | | | | | | | | |
| WELL CITY | | | | | | | | | |
| MAJOR CROSS ROADS | | | | | | | | | |
| EMAIL lonniemccleve@me.com | | | | | | | | | |

By checking this box, I hereby provide ADWR permission to enter the property for the purpose of taking water level measurements at this well.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

| | |
|-----------------------------|--------------------|
| PREPARED BY RACHEL BARRY | DATE 10/24/2014 |
|-----------------------------|--------------------|

| | |
|------------------|------------|
| Reference | DWR-2592 |
| Amount | \$30.00 |
| Date | 10/24/2014 |

A Request to Change Well Information Form must be filed if there has been a change in the recorded information on a well already in existence. This may include more accurate information on the location of the well, more accurate information on the well construction details for the well, a change in the place of use or purpose of use of the water withdrawn from the well or a change in the county tax assessor's parcel identification number for the land where the well is located. It is the responsibility of the well owner to submit this information to ADWR. Forms may be obtained at the Arizona Department of Water Resources office or online at <http://www.azwater.gov>.