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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

SUSAN BITTER SMITH - CHAIRMAN
BOB STUMP
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2015 FEB 27 P 2:02

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
EPCOR WATER ARIZONA, INC., AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE CURRENT FAIR VALUE OF ITS UTILITY
PLANT AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES FOR UTILITY
SERVICE BY ITS MOHAVE WATER DISTRICT,
PARADISE VALLEY WATER DISTRICT, SUN
CITY WATER DISTRICT, TUBAC WATER
DISTRICT, AND MOHAVE WASTEWATER
DISTRICT.

DOCKET NO. WS-01303A-14-0010

STAFF'S NOTICE OF ERRATA

On February 26, 2015 The Utilities Division ("Staff") of the Arizona Corporation Commission filed its Surrebuttal Testimony for EPCOR Water Arizona, Inc. After filing the testimony, Staff realized the Notice of Filing mistakenly indicated Staff was filing Direct testimony, this should have been **Surrebuttal**. Additionally Staff noticed that an incorrect exhibit had been inadvertently included with John Cassidy's Surrebuttal testimony Exhibit JAC-A. Staff now files this Notice of Errata to correct the notice of filing and to substitute a new Exhibit JAC-A which was submitted with the original Surrebuttal filing. Attached is the exhibit JAC-A which replaces the one from Staff's original filing.

RESPECTFULLY SUBMITTED this 27th day of February, 2015.

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Arizona Corporation Commission
DOCKETED

FEB 27 2015

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1 Original and thirteen (13) copies of
2 the foregoing filed this 27th day of
February, 2015, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
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Pro Forma Restatement of Surrebuttal Schedule JAC-3
 As if Staff's Updated Cost of Equity Estimates for EPCOR Water Arizona
 Were Based upon Cost of Equity Estimates Obtained from Staff's DCF and CAPM Models
 For the Sample Water Utilities
 Utilizing Staff's Traditional Weighting Allocations (50% DCF and 50% CAPM)

[A]	[B]	[C]	[D]	[E]
DCF Method				
Constant Growth DCF Estimate		$\frac{D_1}{P_0}^1$	+ g^2	= k
Multi-Stage DCF Estimate		2.7%	+ 5.9%	= 8.6%
Average DCF Estimate				= <u>9.1%</u>
				8.9%
CAPM Method				
Historical Market Risk Premium ³	Rf	+ b^5	x (Rp)	= k
Current Market Risk Premium ⁴	1.8%	+ 0.71	x 7.5% ⁶	= 7.1%
Average CAPM Estimate	2.6%	+ 0.71	x 6.2% ⁷	= <u>7.0%</u>
				7.1%
			Staff's Estimated Cost of Equity	8.0%
			Economic Assessment Adjustment	<u>0.6%</u>
			Sub-Total	8.6%
			Financial Risk Adjustment	<u>0.0%</u>
			Total	8.6%

1 MSN Money and Value Line
 2 Schedule JAC-8
 3 Risk-free rate (Rf) for 5, 7, and 10 year Treasury rates from the U.S. Treasury Department at www.ustreas.gov
 4 Risk-free rate (Rf) for 30 Year Treasury bond rate from the U.S. Treasury Department at www.ustreas.gov
 5 Value Line
 6 Historical Market Risk Premium (Rp) calculated from 2014 Ibbotson S&P Classic Yearbook data
 7 Current Market Risk Premium (Rp) computed using data from Value Line Summary & Index (February 13, 2015)