



0000161559

Transcript Exhibit(s)

Docket #(s): WS-01303A-14-0010

Arizona Corporation Commission
DOCKETED

MAR 30 2015

DOCKETED BY 

Exhibit #: Part 2 of 9

A3 - A15

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AZP COMMISSION
DOCKET CONTROL

Sun City Water
 Test Year Ended June 30, 2013
 Computation of Increase in Gross Revenue Requirement



Exhibit
 Schedule A-1 Rejoinder
 Page 1
 Witness: Hubbard

Line No.					
1	Original Cost Rate Base		\$	26,605,694	
2					
3	Adjusted Operating Income		\$	1,117,156	
4					
5	Current Rate of Return			4.20%	
6					
7	Required Operating Income		\$	1,811,848	
8					
9	Required Rate of Return			6.81%	
10					
11	Operating Income Deficiency		\$	694,691	
12					
13	Gross Revenue Conversion Factor			1.6408	
14					
15	Increase in Gross Revenue Requirement		\$	1,139,852	
16					
17					
18	Customer	Present	Proposed	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 8,243,473	\$ 9,150,692	\$907,219	11.0%
22	Commercial	1,867,458	2,074,540	207,082	11.1%
23	Irrigation Sales	135,008	135,452	444	0.3%
24	Hydrants	21,074	22,802	1,728	8.2%
25	Declining Usage Adjustment	(119,482)	(96,103)	23,379	-19.6%
26					
27	Total Water Revenues	<u>\$ 10,147,531</u>	<u>\$ 11,287,383</u>	<u>\$ 1,139,852</u>	11.2%
28					
29	Other Revenues	\$ 162,387	\$ 162,387	\$ -	0.0%
30					
31	Total Revenues	<u>\$ 10,309,918</u>	<u>\$ 11,449,771</u>	<u>\$ 1,139,852</u>	11.1%
32					
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46	Supporting Schedules:				
47	B-1 Rejoinder				
48	C-1 Rejoinder				
49	H-1 Rejoinder				
50	\\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls				

Sun City Water
 Test Year Ended June 30, 2013
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 Rejoinder
 Page 1
 Witness: Hubbard

Line No.	Original Cost Rate Base
1	
2	\$ 76,011,241
3	
4	Less:
5	
6	26,342,426
7	<hr/>
8	\$ 49,668,815
9	
10	Less:
11	
12	\$ 6,374,283
13	
14	Contribution in Aid of Construction -
15	Net of Amortization
16	16,125,275
17	Customer Meter Deposits
18	4,903
19	Deferred Income Taxes & Credits
20	1,014,247
21	Investment Tax Credits
22	-
23	Regulatory Liabilities
24	(1)
25	
26	Plus:
27	
28	392,361
29	Working Capital Allowance
30	63,227
31	Utility Plant Acquisition Adjustment
32	-
33	
34	
35	
36	
37	
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39	
40	
41	<hr/>
42	\$ 26,605,694
43	<hr/>
44	
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41 Supporting Schedules:
 42 B-2 Rejoinder
 43 B-5 Rejoinder
 44 B-3
 45 E-1

Recap Schedules:
 A-1 Rejoinder

Company Rejoinder

Line No.	[A] Rebuttal Adjusted End of Test Year	[B] ADJ SLH-4R Working Capital Adjustment	[C] ADJ SLH-6R Reclassify Asset	[D]	[E]	[F]	[G] Total Rejoinder Pro Forma Adjustments	[H] Rejoinder Adjusted End of Test Year
1	Gross Utility							
2	Plant in Service	\$ 76,011,241	\$ -				\$ -	\$ 76,011,241
3		-					-	-
4	Less:	-					-	-
5		-					-	-
6	Accumulated Depreciation	26,280,898	61,528				61,528	26,342,426
7								
8	Net Utility Plant in Service	\$ 49,730,343	(61,528)				(61,528)	\$ 49,668,815
9								
10								
11	Less:							
12	Advances in Aid of Construction	\$ 6,374,283						\$ 6,374,283
13								
14	Contributions in Aid of Construction - Net	16,125,275						16,125,275
15								
16								
17								
18	Customer Meter Deposits	4,903						4,903
19	Deferred Income Taxes	1,014,247						1,014,247
20	Investment Tax Credits	-						-
21	Regulatory Liabilities	(1)						(1)
22								
23	Plus:							
24	Deferred Debits	392,361						392,361
25	Working Capital Allowance	62,681	546				546	63,227
26	Utility Plant Acquisition Adjustment							
27								
28	Total	\$ 26,666,677	\$ 546	\$ (61,528)	\$ -	\$ -	\$ (60,983)	\$ 26,605,694
29								
30	Supporting Schedules:							
31	B-3, B-5 Revised							
32	E-1							
33								
34								
35	Recap Schedules: B-1 Rejoinder							

Line

No.

1 Reclassify Asset

2

3 In the last Sun City Water rate case, Well 9.2 entries recorded to Structures and Improvements-
 4 Pumping were ultimately reclassified as Structures and Improvements-Supply. This adjustment
 5 corrects the accounting for that reclassification.

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	Plant in Service	Accumulated Depreciation	Proposed Depreciation Rates	Depreciation Expense
304100 Structures & Improvements Supply	1,678,424	185,326	2.5%	41,961
304200 Structures & Improvements Pumping	(1,678,424)	(123,798)	2.0%	(33,568)
Increase or Decrease in Plant in Service	-			
Increase / Decrease Accumulated Depreciation		61,528		
Increase / Decrease in Rate Base		(61,528)		
Total Depreciation Expense				8,393
Depreciation Expense Included in Rebuttal Schedules				
304100 Structures & Improvements Supply				(2,462)
304200 Structures & Improvements Pumping				89,341
Total Depreciation Expense Included In Rebuttal Schedules				86,879
Increase / Decrease in Depreciation Expense				(78,486)
Increase / Decrease in Revenue / Expense				(78,486)

Workpapers and Supporting Documents
 [SC AZ UPIS and Accum Dwid 2008-June 2013 Accrual Annalysis.xlsx
 \2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls

Sun City Water
 Test Year Ended June 30, 2013
 Computation of Working Capital Allowance

Exhibit
 Schedule B-5 Rejoinder
 Page 1
 Witness: Hubbard

Line		
<u>No.</u>		
1		
2	Cash Working Capital Requirement	\$ (122,839)
3	Required Bank Balances ¹	-
4	Material and Supplies Inventories ¹	117,539
5	Prepayments ¹	68,527
6		
7	Total Working Capital Allowance	<u>\$ 63,227</u>
8		
9	Less Company amount in Rebuttal Filing	\$ 62,681
10		
11	Increase / (Decrease) to Working Capital Allowance	<u>\$ 546</u>
12		
13		
14	Increase / (Decrease) to Rate Base	<u>\$ 546</u>
15		
16		
17		
18		
19	¹ Calculated using thirteen-month averages.	
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43	Supporting Schedules:	Recap Schedules:
44	E-1	B-1 Rejoinder
45		
46	Workpapers & Supporting Documents	
47	\ #9 B - Materials and Supplies Prepayments & Deferred Cost.xlsx	
48	\ Lead-Lag Workpapers	
49		
50	\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls	

Line No.	Description [a]	Test Year Adjusted Results [b]	Revenue Lag Days [c]	Expense Lag Days [d]	Net Lag Days [e] = [c] - [d]	Lead/Lag Factor [f] = [e] / 365	Cash Working Capital Required [g] = [b] x [f]
1	OPERATING EXPENSES						
2	Labor	\$ 1,699,230	41.235	30.633	10.602	0.029	\$ 49,357
3	Purchased Water	-	41.235	-	41.235	0.113	-
4	Fuel & Power	1,560,999	41.235	48.669	(7.434)	(0.020)	(31,793)
5	Chemicals	34,194	41.235	54.941	(13.706)	(0.038)	(1,284)
6	Waste Disposal	4,661	41.235	31.063	10.172	0.028	130
7	Intercompany Support Services	1,396	41.235	30.417	10.818	0.030	41
8	Corporate Allocation	473,416	41.235	30.420	10.815	0.030	14,027
9	Outside Services	275,834	41.235	34.355	6.880	0.019	5,199
10	Group Insurance	495,732	41.235	(10.716)	51.951	0.142	70,558
11	Regulatory Expense	101,188	41.235	(37.316)	78.551	0.215	21,776
12	Insurance Other Than Group	288,791	41.235	72.688	(31.453)	(0.086)	(24,886)
13	Customer Accounting	818,571	41.235	49.828	(8.593)	(0.024)	(19,271)
14	Rents	45,805	41.235	13.376	27.859	0.076	3,496
15	General Office Expense	205,454	41.235	39.271	1.964	0.005	1,106
16	Miscellaneous	456,839	41.235	27.800	13.435	0.037	16,816
17	Maintenance Expense	205,739	41.235	46.886	(5.651)	(0.015)	(3,185)
18							
19							
20	TAXES						
21	Property Taxes	\$ 452,071	41.235	213.250	(172.015)	(0.471)	\$ (213,049)
22	Taxes - Payroll	121,105	41.235	26.402	14.833	0.041	4,921
23	Taxes -Other	97,801	41.235	(131.381)	172.616	0.473	46,252
24	Income Tax	691,860	41.235	41.750	(0.515)	(0.001)	(976)
25							
26	Interest	\$ 681,106	41.235	74.500	(33.265)	(0.091)	\$ (62,074)
27							
28							
29							
30							
31	WORKING CASH REQUIREMENT	<u>\$ 8,711,791</u>					<u>\$ (122,839)</u>

43 Supporting Schedules:
 44 C-1 Rejoinder
 45
 46 Workpapers & Supporting Documents
 47
 48

Recap Schedules:
 B-5 Rejoinder

49 \Lead-Lag Workpapers FINAL.xlsx
 50 \2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls

Sun City Water
 Test Year Ended June 30, 2013
 Adjusted Test Year Income Statement

Exhibit
 Schedule C-1 Rejoinder
 Page 1
 Witness: Murrey

Line No.	[A] Test Year Rebuttal Results	[B] Total Pro Forma Adjustments	[C] Test Year Rejoinder Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	Revenues				
2	\$ 10,147,531	\$ -	\$ 10,147,531	\$ 1,139,852	\$ 11,287,384
3	\$ 162,387	\$ -	162,387	-	162,387
4	\$ 10,309,919	\$ -	\$ 10,309,919	\$ 1,139,852	\$ 11,449,771
5					
6	Operating Expenses				
7	\$ 1,702,156	\$ (2,927)	\$ 1,699,230	\$ -	\$ 1,699,230
8	-	-	-	-	-
9	1,560,999	-	1,560,999	-	1,560,999
10	34,194	-	34,194	-	34,194
11	4,661	-	4,661	-	4,661
12	1,396	-	1,396	-	1,396
13	473,416	-	473,416	-	473,416
14	280,698	(4,863)	275,834	-	275,834
15	490,722	(1,288)	489,434	-	489,434
16	6,298	-	6,298	-	6,298
17	101,188	-	101,188	-	101,188
18	288,791	-	288,791	-	288,791
19	814,520	-	814,520	4,051	818,571
20	45,805	-	45,805	-	45,805
21	206,172	(718)	205,454	-	205,454
22	456,839	-	456,839	-	456,839
23	205,746	(7)	205,739	-	205,739
24	1,685,724	(78,486)	1,607,238	-	1,607,238
25	436,016	-	436,016	16,054	452,071
26	218,906	-	218,906	-	218,906
27	232,696	34,107	266,803	425,056	691,860
28					
29	\$ 9,246,944	\$ (54,182)	\$ 9,192,762	\$ 445,161	\$ 9,637,923
30	\$ 1,062,975	\$ 54,182	\$ 1,117,156	\$ 694,691	\$ 1,811,848
31	Other Income & Deductions				
32	\$ -	\$ -	\$ -	\$ -	\$ -
33	682,667	(1,561)	681,106	-	681,106
34	-	-	-	-	-
35	-	-	-	-	-
36	\$ (682,667)	\$ 1,561	\$ (681,106)	\$ -	\$ (681,106)
37	\$ 380,308	\$ 55,743	\$ 436,051	\$ 694,691	\$ 1,130,742

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Supporting Schedules:
 E-2 Revised
 C-2 Rejoinder

Recap Schedules:
 A-1 Rejoinder

Sun City Water

Test Year Ended June 30, 2013

Income Statement Pro Forma Adjustments

Exhibit

Schedule C-2 Rejoinder

Page 1

Witness: Murrey

COMPANY REJOINDER

Line	(A) Test Year Adjusted Rebuttal	(B) ADJ SM-1R	(C) ADJ SM-2R	(D) ADJ SM-3R	(E) ADJ SM-4R	(F) ADJ SM-7R	(G) Total Pro Forma	(H) Test Year Adjusted Rejoinder	(I) Proposed Rate	(J) Adjusted with Rate
No.	Results	Property Tax	Federal and State Income Tax	Interest Synchronization	Remove Acquisition Costs	Adj Depreciation for Asset Reclassification	Adjustments	Results	Increase	Increase
1	Revenues									
2	Water Revenues	\$ 10,147,531					\$ -	\$ 10,147,531	\$ 1,139,852	\$ 11,287,384
3	Other Revenues	162,387					-	162,387	-	162,387
4		\$ 10,309,919					\$ -	\$ 10,309,919	\$ 1,139,852	\$ 11,449,771
5										
6	Operating Expenses									
7	Labor	\$ 1,702,156			\$ (2,927)		\$ (2,927)	\$ 1,699,230	\$ -	\$ 1,699,230
8	Purchased Water									
9	Fuel & Power	1,560,999					-	1,560,999	-	1,560,999
10	Chemicals	34,194					-	34,194	-	34,194
11	Waste Disposal and Other Utilities	4,661					-	4,661	-	4,661
12	Intercompany Support Services	1,396					-	1,396	-	1,396
13	Corporate Allocation	473,416					-	473,416	-	473,416
14	Outside Services	280,698			(4,863)		(4,863)	275,834		275,834
15	Group Insurance	490,722			(1,288)		(1,288)	489,434		489,434
16	Pensions	6,298					-	6,298		6,298
17	Regulatory Expense	101,188					-	101,188		101,188
18	Insurance Other Than Group	288,791					-	288,791		288,791
19	Customer Accounting	814,520					-	814,520	4,051	818,571
20	Rents	45,805					-	45,805		45,805
21	General Office Expense	206,172			(718)		(718)	205,454		205,454
22	Miscellaneous	456,839					-	456,839		456,839
23	Maintenance Expense	205,746					(7)	205,739		205,739
24	Depreciation & Amortization	1,685,724			(7)		(78,486)	1,607,238		1,607,238
25	General Taxes-Property	436,016					-	436,016	16,054	452,071
26	General Taxes-Other	218,906					-	218,906		218,906
27	Income Taxes	232,696	34,107				34,107	266,803	425,056	691,860
28										
29	Total Operating Expenses	\$ 9,246,944	\$ 34,107	\$ -	\$ (9,803)	\$ (78,486)	\$ (54,182)	\$ 9,192,762	\$ 445,161	\$ 9,637,923
30	Utility Operating Income	\$ 1,062,975	\$ -	\$ -	\$ 9,803	\$ 78,486	\$ 54,182	\$ 1,117,156	\$ 694,691	\$ 1,811,848
31	Other Income & Deductions									
32	Other Income & Deductions									
33	Interest Expense									
34	Other Expense	682,667		(1,561)			(1,561)	681,106		681,106
35	Gain/Loss Sale of Fixed Assets									
36	Total Other Income & Deductions	\$ (682,667)	\$ -	\$ 1,561	\$ -	\$ -	\$ 1,561	\$ (681,106)	\$ -	\$ (681,106)
37	Net Profit (Loss)	\$ 380,308	\$ -	\$ (34,107)	\$ 9,803	\$ 78,486	\$ 55,743	\$ 436,051	\$ 694,691	\$ 1,130,742
38										
39										
40	Supporting Schedules:									
41	E-6									
42	Workpapers & Supporting Documents:									
43	2013 Sun City Water Sch. A-F Rejoinder (Oct 20									

Recap Schedules:

C-1 Rejoinder

Line		
<u>No.</u>		
1		
2		
3		
4	<u>Interest Synchronization with Rate Base</u>	
5		
6	Original Cost Rate Base (Sch. B-1 Rejoinder, Ln. 28)	\$ 26,605,694
7	Weighted Cost of Debt from Schedule D-1 Rejoinder	<u>2.56%</u>
8	Synchronized Interest Expense	\$ 681,106
9		
10	Test Year Interest Expense	<u>\$ 682,667</u>
11		
12	Adjusted Test Year Interest Expense	<u>\$ 682,667</u>
13		
14	Increase/(Decrease) in Interest Expense	<u>\$ (1,561)</u>
15		
16	Rejoinder Adjustment to Revenue and/or Expense	<u>\$ (1,561)</u>
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49	Workpapers & Schedules	
50	\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls	

Line

No.

1 **Remove Acquisition Costs**

2 The Company is removing charges related to the acquisition costs as identified in DR RUCO 30.10 (d).

3

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6

District Four Factor =
 0.11607

7 Category

Account

Acquisition

Costs

District Allocation

8 Labor	5223 Salary-Inter Dept. Operating	\$ 25,216	\$ 2,927
9 Outside Services	5227 Consulting Engineering	10,365	1,203
10 Outside Services	5681 Legal Fees	16,526	1,918
11 Outside Services	5250 Contractors and Consultants	15,011	1,742
12 Group Insurance	5233 Salary Transfers - Burdens	11,095	1,288
13 General Office Expense	5630 Parking	78	9
14 General Office Expense	5631 Vehicle Allowance	497	58
15 General Office Expense	5650 Airfare	3,360	390
16 General Office Expense	5651 Accommodation, Other Travel	1,469	171
17 General Office Expense	5652 Meals/Entertainment	781	91
18 Maintenance Expense	5633 Vehicle Fuel	62	7
19		<u>\$ 84,461</u>	<u>\$ 9,803</u>

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Rejoinder Adjustment to Revenue/Expense

\$ (9,803)

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38 Workpapers & Supporting Documents:

39 \Depreciation Expense Adjustments - Staff vs Company.xlsx

40 \2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls

Line No.	[A]	[B]
	Property Tax Expense	Property Tax Expense For Conversion Factor
4	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
5		
6	\$ 10,309,919	\$ 10,309,919
7	10,309,919	10,309,919
8	10,309,919	11,449,771
9	<u>\$ 10,309,919</u>	<u>\$ 10,689,869</u>
10	\$20,619,837	\$21,379,739
11	Add:	
12	18,237	18,237
13	Deduct:	
14	<u>\$ -</u>	<u>\$ -</u>
15		
16	\$ 20,638,075	\$ 21,397,976
17	18.5%	18.5%
18	<u>\$ 3,818,044</u>	<u>\$ 3,958,626</u>
19	11.42%	11.42%
20		
21	436,016	452,071
22	-	-
23		
24	<u>\$ 436,016</u>	
25	<u>436,016</u>	
26	<u>\$ -</u>	
27		
28		<u>\$ 452,071</u>
29		<u>436,016</u>
30		<u>\$ 16,054</u>
31		
32		
33		
34	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 REJOINDER):</u>	
35		
36	Increase in Property Tax Due to Increase in Revenue Requirement (Line 30, Col [B])	\$ 16,054
37		
38	Increase in Revenue Requirement (From Sch. A1 Rejoinder)	\$ 1,139,852
39		
40	Increase in Property Tax Per Dollar Increase in Revenue (Line 36/Line 38)	1.41%
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58		
59	Workpapers & Supporting Documents:	
60	\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls	

Line <u>No.</u>		Test Year Adjusted Results	Adjusted with Rate Increase
1			
2			
3			
4	<u>Calculation of Income Taxes at Proposed Rates</u>		
5			
6			
7	Operating Income Before Inc. Taxes	\$ 1,383,960	\$ 2,503,707
8	Interest Expense	681,106	681,106
9	Arizona Taxable Income	<u>\$ 702,854</u>	<u>\$ 1,822,602</u>
10			
11	Less Arizona Income Tax	\$ 42,171	\$ 109,356
12	Arizona Income Tax Rate =	6.000%	
13			
14	Federal Income Before Taxes	\$ 702,854	\$ 1,822,602
15	Less Arizona Income Taxes	42,171	109,356
16	Federal Taxable Income	<u>\$ 660,683</u>	<u>\$ 1,713,245</u>
17			
18	FEDERAL INCOME TAXES:		
19			
20			
21			
22			
23			
24			
25	Federal Income Taxes	<u>\$ 224,632</u>	<u>\$ 582,503</u>
26			
27			
28	Total Income Tax	<u>\$ 266,803</u>	<u>\$ 691,860</u>
29			
30	Tax Rate	<u>37.96%</u>	<u>37.96%</u>
31			
32	Effective Income Tax Rates		
33	State	6.000%	6.000%
34	Federal	31.96%	31.96%
35			
36			
37	Adjusted Test Year Income Taxes	<u>\$ 232,696</u>	
38	Increase in Income Taxes, Rebuttal	<u>\$ 34,107</u>	
39			
40	Rejoinder Adjustment to Revenues and/or Expense	<u>\$ 34,107</u>	
41			
42	Test Year Income Taxes, Rebuttal		\$ 266,803
43	Increase in Income Taxes		425,056
44			
45	Rejoinder Adjustment to Revenue and/or Expense		<u>\$ 425,056</u>
46			
47			
48			
49	Workpapers & Supporting Documents:		
50	\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls		

Sun City Water
 Test Year Ended June 30, 2013
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3 Rejoinder
 Page 1
 Witness: Murrey

Line No.	<u>Description</u>				Percentage of Incremental Gross Revenues
1	Federal Income Taxes				31.96%
2					
3	State Income Taxes				6.00%
4				Combined	37.96%
5	Property Taxes	Effective Rate =	1.4085%	One Minus Combined	62.04%
6					0.87%
7	Bad Debt Expense	Effective Rate =	0.36%	One Minus Combined	62.04%
8					<u>0.22%</u>
9	Total Tax Percentage				39.05%
10					
11	Operating Income % = 100% - Tax Percentage				60.95%
12					
13					
14					
15	<u>1</u>	= Gross Revenue Conversion Factor			
16	Operating Income %				1.6408
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43	Supporting Schedules:			Recap Schedules:	
44				A-1 Rejoinder	
45					
46					
47					
48					
49					
50	\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls				

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	\$ 231,000,000	58.47%	4.29%	\$ 231,000,000	59.76%	4.29%
2							
3	Short-Term Debt	\$ 8,560,000	2.17%	0.31%	\$ -	0.00%	0.31%
4							
5	Stockholder's Equity	\$ 155,533,624	39.37%	10.55%	\$ 155,533,624	40.24%	10.55%
6							
7	Totals	<u>\$ 395,093,624</u>	<u>100.00%</u>		<u>\$ 386,533,624</u>	<u>100.00%</u>	
8							<u>6.81%</u>
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Supporting Schedules:						
31	D-2 Rejoinder						
32							
33							
34							
35							

Recap Schedules:
 A-1 Rejoinder

Sun City Water

Test Year Ended June 30, 2013

Summary of Cost of Capital

Total Company - EPCOR Water Arizona

District Level - Sun City Water - Proposed

Exhibit

Schedule D-1 Rejoinder

Page 2

Witness: Hubbard

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	\$ 15,555,592	58.47%	4.29%	\$ 15,900,080	59.76%	4.29%
2							
3	Short-Term Debt	\$ 576,432	2.17%	0.31%	\$ -	0.00%	0.31%
4							
5	Stockholder's Equity	\$ 10,473,669	39.37%	10.55%	\$ 10,705,615	40.24%	10.55%
6							
7	Totals	\$ 26,605,694	100.00%		\$ 26,605,694	100.00%	
8							6.81%
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Supporting Schedules:						
31	D-2 Rejoinder						
32							
33							
34							
35							

Recap Schedules:
A-1 Rejoinder

\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls

Sun City Water

Test Year Ended June 30, 2013

Cost of Long Term Debt

Test Year - - Proposed

Exhibit

Schedule D-2 Rejoinder

Page 1

Witness: Hubbard

Line No.	Description	At Parent Level			End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	<u>Long-Term Debt</u>									
2	10-Year EPCOR Water USA Note	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
4										
5										
6	Totals	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%
7										
8										
9	<u>Common Equity</u>									
10	Common Stock	\$ 522,880			\$ 522,880			\$ 522,880		
11	Paid in Capital	184,882,920			184,882,920			184,882,920		
12	Retained Earnings	(29,872,177)			(29,872,177)			(29,872,177)		
13		<u>\$ 155,533,624</u>		10.55%	<u>\$ 155,533,624</u>		10.55%	<u>\$ 155,533,624</u>		10.55%
14										
15										
16										
17	<u>Short-Term Debt</u>									
18	S-T Debt from EPCOR Utilities, Inc	\$ 8,560,000	26,536	0.31%	\$ 8,560,000	26,536	0.31%	\$ 8,560,000	26,536	0.31%
19										
20										
21	Totals	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
22										
23										
24										
25	Supporting Schedules:									
26	E-1									
27										
28										
29	\EUSA TB By BU_131101_Sch E.xlsx									
30	\2013 Sun City Water Sch. A-F Rejoinder (Oct 2014).xls									

Recap Schedules:
D-1 Rejoinder

Line No.	End of Test Year			End of Projected Year		
	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt					
2	10-Year EPCOR Water USA Note	\$ 133,000,000	\$ 5,004,790	\$ 133,000,000	\$ 5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	98,000,000	4,907,513	5.02%
4						
5						
6	Totals	\$ 231,000,000	\$ 9,912,303	\$ 231,000,000	\$ 9,912,303	4.29%
7						
8						
9	Common Equity					
10	Common Stock	\$ 522,880		\$ 522,880		
11	Paid in Capital	184,882,920		184,882,920		
12	Retained Earnings	(29,872,177)		(29,872,177)		
13		\$ 155,533,624	10.55%	\$ 155,533,624		10.55%
14						
15						
16						
17	Short-Term Debt					
18	Intercompany Payable	\$ 8,560,000	\$ 26,536	\$ 8,560,000	\$ 26,536	0.31%
19						
20						
21	Totals	\$ 8,560,000	\$ 26,536	\$ 8,560,000	\$ 26,536	0.31%
22						
23						
24						
25	Supporting Schedules:					
26	E-1					
27						
28						
29	Recap Schedules:					
30	D-1 Rejoinder					

Sun City Water District
 Test Year Ended June 30, 2013
 Revenue Summary

Exhibit
 Rejoinder Schedule H-1
 Page 3
 Witness: Bourassa

With Annualized Revenues to Year End Number of Customers

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	\$ 10,267,013	\$ 11,383,486	\$ 1,116,473	10.87%	99.58%	99.42%
2						
3	Subtotal Metered Revenues					
4						
5	Low Income Program Adjustment	30,110	-	0.00%	0.00%	0.00%
6	Declining Usage Adjustment	(121,239)	(13,178)	0.29%	0.26%	0.26%
7	Subtotal Revenue Annualization	9,887	574	10.87%	-1.18%	-1.17%
8	Total Metered Revenues	10,185,771	1,103,869	5.81%	0.10%	0.09%
9	Misc. Revenues	162,387	-	10.84%	98.80%	98.60%
10					1.58%	1.42%
11	Revenue Difference Com to Res Trnsfers	(24,880)	24,880	-100.00%	-0.24%	0.00%
12	Reconciling Amount to GL	(13,360)	11,103	-83.11%	-0.13%	-0.02%
13	Total Water Revenues	10,309,918	1,139,852	11.06%	100.00%	100.00%
14						
15						
16						

Work papers

Schedule H-1, page 4

Sun City Water District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Average Consumption	Average Bill		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch Residential	18,784	7,203 \$	17.35	20.50	3.14	18.12%
2	3/4 Inch Residential	969	7,436	17.67	20.88	3.21	18.15%
3	1 Inch Residential	403	14,786	43.44	49.73	6.29	14.47%
4	1.5 Inch Residential	1,304	62,818	160.89	168.86	7.97	4.95%
5	2 Inch Residential	431	80,946	223.23	230.85	7.62	3.41%
6	3 Inch Residential	2	293,958	717.09	726.55	9.46	1.32%
7	6 Inch Residential	2	366,292	1,158.71	1,169.23	10.52	0.91%
8	Subtotal	21,896					
9							
10	5/8x3/4 Inch Commercial	221	5,370 \$	16.07	19.86	3.79	23.57%
11	3/4 Inch Commercial	16	19,578	42.07	47.66	5.60	13.31%
12	1 Inch Commercial	154	26,411	61.89	74.38	12.50	20.19%
13	1.5 Inch Commercial	285	44,985	108.18	133.01	24.83	22.95%
14	2 Inch Commercial	209	93,742	216.40	256.57	40.17	18.56%
15	3 Inch Commercial	25	193,970	443.82	525.55	81.73	18.42%
16	4 Inch Commercial	5	1,062,700	2,204.61	2,348.11	143.50	6.51%
17	6 Inch Commercial	7	2,327,402	4,808.00	5,101.23	293.23	6.10%
18	Subtotal	922					
19							
20							
21	2 Inch Irrigation	2	133,708 \$	245.41	258.30	12.89	5.25%
22	Raw	2	6,768,947	6,793.99	6,800.79	6.79	0.10%
23	Peoria - Public Interruptible	0	-	8.16	9.50	1.34	16.40%
24							
25	Subtotal	4					
26							
27	3 Inch Fire	1	1,000 \$	9.73	10.53	0.80	8.20%
28	4 Inch Fire	58	1,001	9.73	10.53	0.80	8.20%
29	6 Inch Fire	70	1,029	9.73	10.53	0.80	8.20%
30	8 Inch Fire	10	1,000	14.01	15.16	1.15	8.20%
31	Private Hydrant - Peoria	44	-	8.22	8.89	0.67	8.20%
32							
33							
34	Total	23,004					
35							

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

Sun City Water District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Median Consumption	Median Bill		Proposed Rates	Proposed Increase	
				Present Rates	Proposed Rates		Dollar Amount	Percent Amount
1	5/8 x3/4Inch Residential	18,784	6,000 \$	15.72 \$	18.54	2.82	17.95%	
2	3/4 Inch Residential	969	6,000 \$	15.72 \$	18.54	2.82	17.95%	
3	1 Inch Residential	403	7,000	30.21	35.46	5.25	17.39%	
4	1.5 Inch Residential	1,304	49,000	133.40	141.08	7.68	5.76%	
5	2 Inch Residential	431	54,000	169.62	178.78	9.17	5.40%	
6	3 Inch Residential	2	248,500	140.10	163.15	23.05	16.45%	
7	6 Inch Residential	2	362,500	1,151.17	1,162.40	11.24	0.98%	
8	Subtotal	21,896						
9								
10	5/8 Inch Commercial	221	1,000 \$	10.12 \$	12.00	1.87	18.52%	
11	3/4 Inch Commercial	16	4,000	14.21	17.40	3.19	22.44%	
12	1 Inch Commercial	154	10,000	35.51	43.49	7.98	22.48%	
13	1.5 Inch Commercial	285	20,000	71.02	86.99	15.97	22.48%	
14	2 Inch Commercial	209	50,000	138.16	171.58	33.43	24.20%	
15	3 Inch Commercial	25	73,000	239.53	294.56	55.03	22.97%	
16	4 Inch Commercial	5	922,500	1,925.67	2,066.28	140.61	7.30%	
17	6 Inch Commercial	7	1,169,000	2,503.24	2,772.61	269.37	10.76%	
18								
19	Subtotal	922						
20								
21	2 Inch Irrigation	2	34,500 \$	120.89 \$	133.66	12.77	10.56%	
22	Raw	2	4,130,000	4,145.28	4,149.43	4.15	0.10%	
23	Peoria - Public Interruptible	0	-	8.16	9.50	1.34	16.40%	
24								
25	Subtotal	4						
26								
27	3 Inch Fire	1	1,000 \$	9.73 \$	10.53	0.80	8.20%	
28	4 Inch Fire	58	1,000 \$	9.73 \$	10.53	0.80	8.20%	
29	6 Inch Fire	70	1,000 \$	9.73 \$	10.53	0.80	8.20%	
30	8 Inch Fire	10	1,000 \$	14.01 \$	15.16	1.15	8.20%	
31	Private Hydrant - Peoria	44	-	8.22 \$	8.89	0.67	8.20%	
32								
33								
34	Total	23,004						

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

Sun City Water District
Test Year Ended June 30, 2013
Present and Proposed Rates

Line No.	Monthly Service Charge for:	Present Rates	Proposed Rates	Dollar Change	Present Rate	Proposed Rate	Dollar Change
1	<u>Meter Size:</u>						
2	5/8x3/4 Inch - Residential, Low Income	\$ 4.38	\$ 6.12	\$ 1.74	\$ 0.7304	\$ 0.7304	\$ 0.0007
3	5/8x3/4 Inch - Residential, Commercial	8.76	10.20	1.44	1.0702	1.3602	0.2900
4	3/4 Inch - Residential, Commercial	NT	10.20		1.3621	1.6302	0.2681
5	1 Inch - Residential, Commercial	21.89	25.49	3.60	1.6539	1.8002	0.1463
6	1 1/2 Inch - Residential, Commercial	43.78	50.98	7.20	1.9896	2.0102	0.0206
7	2 Inch - Residential, Commercial	70.05	81.57	11.52			
8	3 Inch - Residential, Commercial	140.10	163.15	23.05			
9	4 Inch - Residential, Commercial	218.90	254.92	36.02			
10	6 Inch - Residential, Commercial	437.81	509.83	72.02			
11	8 Inch - Residential, Commercial	700.50	815.73	115.23			
12							
13	2 Inch Irrigation	77.59	90.31	12.72			
14	Public Interruptible - City of Peoria	8.16	9.50	1.34			
15	Irrigation - Raw Water	-	-	-			
16							
17	<u>Monthly Service Charge for Fire Sprinkler</u>						
18	3 Inch	9.73	10.53	0.80			
19	4 Inch	9.73	10.53	0.80			
20	6 Inch	9.73	10.53	0.80			
21	8 Inch	14.01	15.16	1.15			
22	10 Inch	20.14	21.79	1.65			
23							
24	Private Hydrant Standby - Peoria	8.22	8.89	0.67			
25							
26	<u>Gallons In Minimum (All Meter Sizes and Classes)</u>						
27							
28							
29	<u>Commodity Rates (per 1,000 gallons)</u>						
30							
31	5/8x3/4 Inch - Residential	1 gallons to	1,000 gallons	\$ 0.7297	\$ 0.7304	\$ 0.0007	
32		1,001 gallons to	3,000 gallons	\$ 1.0702	\$ 1.3602	\$ 0.2900	
33		3,001 gallons to	9,000 gallons	\$ 1.3621	\$ 1.6302	\$ 0.2681	
34		9,001 gallons to	12,000 gallons	\$ 1.6539	\$ 1.8002	\$ 0.1463	
35		over	12,000 gallons	\$ 1.9896	\$ 2.0102	\$ 0.0206	
36							
37	5/8x3/4 Inch - Commercial	1 gallons to	9,000 gallons	\$ 1.3621	\$ 1.8002	\$ 0.4381	
38		over	9,000 gallons	\$ 1.9896	\$ 2.0102	\$ 0.0206	
39							
40							

Sun City Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate	Dollar Change
1	3/4 Inch - Residential	1 gallons to	NT	0.7304	
2		1,000 gallons	\$	\$	
3		3,000 gallons	NT	1.3602	
4		9,000 gallons	NT	1.6302	
5		12,000 gallons	NT	1.8002	
6		over	NT	2.0102	
7	3/4 Inch - Commercial	1 gallons to	NT	1.8002	
8		9,000 gallons	NT	2.0102	
9		over			
10	1 Inch Meter - Residential	1 gallons to	\$	\$	
11		1,000 gallons	0.7297	0.7304	0.0007
12		3,000 gallons	1.0702	1.3602	0.2900
13		9,000 gallons	1.3621	1.6302	0.2681
14		12,000 gallons	1.6539	1.8002	0.1463
15		over	1.9896	2.0102	0.0206
16	1 Inch Meter - Commercial	1 gallons to	\$	\$	
17		20,000 gallons	1.3621	1.8002	0.4381
18		over	1.9896	2.0102	0.0206
19	1 1/2 Inch Meter - Residential	1 gallons to	\$	\$	
20		1,000 gallons	0.7297		
21		3,000 gallons	1.0702		
22		9,000 gallons	1.3621		
23		12,000 gallons	1.6539		
24		over	1.9896		
25	1 1/2 Inch Meter - Residential	1 gallons to	\$	\$	
26		40,000 gallons		1.8002	
27		over		2.0102	
28	1 1/2 Inch Meter - Commercial	1 gallons to	\$	\$	
29		40,000 gallons	1.3621	1.8002	0.4381
30		over	1.9896	2.0102	0.0206
31	2 Inch Meter - Residential	1 gallons to	\$	\$	
32		1,000 gallons	0.7297		
33		3,000 gallons	1.0702		
34		9,000 gallons	1.3621		
35		12,000 gallons	1.6539		
36		over	1.9896		
37	2 Inch Meter - Residential	1 gallons to	\$	\$	
38		64,000 gallons		1.8002	
39		over		2.0102	
40	2 Inch Meter - Commercial	1 gallons to	\$	\$	
41		64,000 gallons	1.3621	1.8002	0.4381
		over	1.9896	2.0102	0.0206

Sun City Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate	Dollar Change
1	3 Inch Meter - Residential	1 gallons to 1,001 gallons to over	\$ 0.7297	\$ 1.8002	\$ 1.0705
2		3,000 gallons	\$ 1.0702	\$ 2.0102	\$ 0.9399
3		9,001 gallons to 12,000 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
4		12,001 gallons to over	\$ 1.6539	\$ 2.0102	\$ 0.3563
5			\$ 1.9896	\$ 2.0102	\$ 0.0206
6	3 Inch Meter - Residential	1 gallons to over	\$ 1.8002	\$ 2.0102	\$ 0.2100
7		131,000 gallons	\$ 1.8002	\$ 2.0102	\$ 0.2100
8		131,001 gallons	\$ 1.8002	\$ 2.0102	\$ 0.2100
9	3 Inch Meter - Commercial	1 gallons to over	\$ 1.3621	\$ 2.0102	\$ 0.6481
10		131,000 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
11		131,001 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
12		131,002 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
13	4 Inch Meter - Residential	1 gallons to 1,001 gallons to 3,000 gallons	\$ 0.7297	\$ 1.8002	\$ 1.0705
14		3,001 gallons to 9,000 gallons	\$ 1.0702	\$ 2.0102	\$ 0.9399
15		9,001 gallons to 12,000 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
16		12,001 gallons to over	\$ 1.6539	\$ 2.0102	\$ 0.3563
17			\$ 1.9896	\$ 2.0102	\$ 0.0206
18	4 Inch Meter - Residential	1 gallons to over	\$ 1.8002	\$ 2.0102	\$ 0.2100
19		205,000 gallons	\$ 1.8002	\$ 2.0102	\$ 0.2100
20		205,001 gallons	\$ 1.8002	\$ 2.0102	\$ 0.2100
21	4 Inch Meter - Commercial	1 gallons to over	\$ 1.3621	\$ 2.0102	\$ 0.6481
22		205,000 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
23		205,001 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
24		205,002 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
25	6 Inch Meter - Residential	1 gallons to 1,001 gallons to 3,000 gallons	\$ 0.7297	\$ 1.8002	\$ 1.0705
26		3,001 gallons to 9,000 gallons	\$ 1.0702	\$ 2.0102	\$ 0.9399
27		9,001 gallons to 12,000 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
28		12,001 gallons to over	\$ 1.6539	\$ 2.0102	\$ 0.3563
29			\$ 1.9896	\$ 2.0102	\$ 0.0206
30	6 Inch Meter - Residential	1 gallons to over	\$ 1.8002	\$ 2.0102	\$ 0.2100
31		415,000 gallons	\$ 1.8002	\$ 2.0102	\$ 0.2100
32		415,001 gallons	\$ 1.8002	\$ 2.0102	\$ 0.2100
33	6 Inch Meter - Commercial	1 gallons to over	\$ 1.3621	\$ 2.0102	\$ 0.6481
34		415,000 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
35		415,001 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
36		415,002 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
37		415,003 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
38		415,004 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
39		415,005 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481
40		415,006 gallons	\$ 1.3621	\$ 2.0102	\$ 0.6481

Sun City Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 4
 Witness: Bourassa

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate	
1					
2	8 Inch Meter - Residential	1 gallons to	\$ 0.7297		
3		1,001 gallons to	\$ 1.0702		
4		3,001 gallons to	\$ 1.3621		
5		9,001 gallons to	\$ 1.6539		
6		over	\$ 1.9896		
7					
8	8 Inch Meter - Residential	1 gallons to	\$ 1.8002	\$ 1.8002	
9		over	\$ 2.0102	\$ 2.0102	
10					
11	8 Inch Meter - Commercial	1 gallons to	\$ 1.3621	\$ 1.8002	\$ 0.4381
12		over	\$ 1.9896	\$ 2.0102	\$ 0.0206
13					
14	3 Inch - Public Interruptible	All gallons	\$ 1.1632	\$ 1.1644	\$ 0.0012
15					
16	Public Interruptible - Peoria	All gallons	\$ 1.1632	\$ 1.1644	\$ 0.0012
17					
18	2 Inch Irrigation	All gallons	\$ 1.2551	\$ 1.2564	\$ 0.0013
19					
20	Irrigation - Raw Water	All gallons	\$ 1.0037	\$ 1.0047	\$ 0.0010
21					
22	Private Hydrant - Peoria	All gallons	\$ 1.1400	\$ 1.1411	\$ 0.0011
23					
24					
25	Central Arizona Project - Raw Water	All gallons	\$ 0.8480	\$ 0.8488	\$ 0.0008
26					
27					
28					
29	Low Income Program Discount Revenue Recovery				
30	Program Participation Limit (No. of Customers)				
31	Estimated Annual Discounts			\$ 750	
32	Under(Over) Collections from previous years			\$ 36,708	
33	Net Annual Discounts to be Recovered			\$ -	
34	Highest Cost Commodity Rate Gallons Sold to Residential, Commercial (in 1,000s)			\$ 36,708	
35	Low Income Surcharge on Highest Cost Commodity Rate (Residential, Commercial Customers Only)			\$ 1,726,247	
36			\$ 0.0260	\$ 0.0210	
37					
38					
39					
40					
41					
42					

* Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.0260 for the Low Income Surcharge.

** Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.0220 for the Low Income Surcharge.

Sun City Water District
 Changes in Representative Rate Schedules
 Test Year Ended June 30, 2013

Exhibit
 Rejoinder Schedule H-3
 Page 5
 Witness: Bourassa

Line
 No.

1			
2			
3		Present	Proposed
4	<u>Service Charges</u>	<u>Rates</u>	<u>Rates</u>
5	Establishment or Re-establishment of Service		\$ 35.00
6	Regular Hours	\$ 30.00	Remove
7	After Hours	\$ 40.00	Remove
8	Reconnection of Service (Delinquent)		\$ 35.00
9	Regular Hours	\$ 30.00	Remove
10	After Hours	\$ 40.00	Remove
11	Meter Test (if correct)	\$ 10.00	\$ 35.00
12	Meter Reread (if correct)	\$ 5.00	\$ 25.00
13	NSF Check	\$ 25.00	\$ 25.00
14	Late Fee Charge, per month	██████████	1.50%
15	Deferred Payment, Per Month		1.50%
16	Deposit Requirements	(a)	(a)
17	Deposit Interest	(b)	(b)
18	After Hours Service Charge (c)		\$ 30.00
19			
20			
21			
22			
23			
24			
25			
26			
27	(a) Per ACC Rules R14-2-403(B) <u>Residential</u> - two times the average bill.		
28	<u>Non-residential</u> - two and one-half times the estimated maximum bill.		
29	(b) Interest per A.C.C. R-14-2-403(B)		
30	(c) After hours service charge: After regular working hours, Saturdays, Sundays, and holidays if at the customer's		
31	request or for the customer's convenience.		
32			
33	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
34	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
35	TAX. PER COMMISSION RULE 14-2-409D(5).		
36			
37			

Sun City Water District
Test Year Ended June 30, 2013
Meter and Service Line Charges

Exhibit
 Rejoinder Schedule H-3
 Page 6
 Witness: Bourassa

Line
No.

1							
2	<u>Refundable Meter and Service Line Charges</u>						
3							
4							
5		Present	Present		Proposed	Proposed	
6		Service	Meter	Total	Service	Meter	Total
7		Line	Install-	Present	Line	Install-	Proposed
8		<u>Charge</u>	<u>ation</u>	<u>Charge</u>	<u>Charge</u>	<u>ation</u>	<u>Charge</u>
9	5/8 x 3/4 Inch	\$ 370.00	\$ 130.00	\$ 500.00	\$ 370.00	\$ 130.00	\$ 500.00
10	3/4 Inch	370.00	205.00	575.00	370.00	205.00	575.00
11	1 Inch	420.00	240.00	660.00	420.00	240.00	660.00
12	1 1/2 Inch	450.00	450.00	900.00	450.00	450.00	900.00
13	2 Inch / Turbine	580.00	945.00	1,525.00	580.00	945.00	1,525.00
14	2 Inch / Compound	580.00	1,640.00	2,220.00	580.00	1,640.00	2,220.00
15	3 Inch / Turbine	745.00	1,420.00	2,165.00	745.00	1,420.00	2,165.00
16	3 Inch / Compound	765.00	2,195.00	2,960.00	765.00	2,195.00	2,960.00
17	4 Inch / Turbine	1,090.00	2,270.00	3,360.00	1,090.00	2,270.00	3,360.00
18	4 Inch / Compound	1,120.00	3,145.00	4,265.00	1,120.00	3,145.00	4,265.00
19	6 Inch / Turbine	1,610.00	4,425.00	6,035.00	1,610.00	4,425.00	6,035.00
20	6 Inch / Compound	1,630.00	6,120.00	7,750.00	1,630.00	6,120.00	7,750.00
21	8 Inch & Larger	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
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41							
42							
43							
44							
45							

Sun City Water District
Test Year Ended June 30, 2013
Cost of Service Study, Using Commodity-Demand Method
Returns at Present Rates by Class

Line No.	Totals	Residential	Commercial	Other
1	\$ 10,245,940	\$ 8,243,473	\$ 1,867,458	\$ 135,008
2	21,074	20,219	851	4
3	9,887	7,070	(11,438)	-
4	30,110	30,110	-	-
5	(121,239)	(97,572)	(21,906)	(1,593)
6	162,387	155,799	6,560	28
7	(24,880)	(23,871)	(1,005)	(4)
8	(13,360)	(12,818)	(540)	(2)
9	\$ 10,309,918	\$ 8,322,410	\$ 1,839,980	\$ 133,440
10				
11	\$ 6,882,705	\$ 5,851,176	\$ 835,813	\$ 195,716
12				
13	1,607,238	1,359,796	198,085	49,357
14	436,016	351,963	77,815	5,643
15	266,803	76,906	239,524	(54,749)
16	\$ 9,192,762	\$ 7,639,841	\$ 1,351,237	\$ 195,967
17	\$ 1,117,156	\$ 682,570	\$ 488,743	\$ (62,527)
18	681,106	556,878	97,276	26,952
19	\$ 436,050	\$ 125,692	\$ 391,467	\$ (89,479)
20	\$ 26,605,694	\$ 21,753,035	\$ 3,799,857	\$ 1,052,802
21	4.20%	3.14%	12.86%	-5.94%
22				
23	Percent of Total Customers	95.94%	4.04%	0.02%
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				

¹ Allocated based on customer counts.
² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
³ Property Taxes allocation based on Revenues.
⁴ Income Tax from Schedule C-1, at present rates. Income Taxes allocated based on taxable income.
⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base
⁶ Rate Base computations are shown on Schedule G-3, Page 1
⁷ Operating Income Divided by Rate Base

Sun City Water District

Test Year Ended June 30, 2013

Cost of Service Study, Using Commodity-Demand Method
Returns at Proposed Rates by Class

Line No.	Totals	Residential	Commercial	Other
1	\$ 11,360,685	\$ 9,150,692	\$ 2,074,540	\$ 135,452
2	22,802	21,877	921	4
3	10,461	7,214	(12,558)	-
4	30,110	30,110	-	-
5	(134,417)	(108,296)	(24,337)	(1,598)
6	162,387	155,799	6,560	28
7	-	-	-	-
8	(2,257)	(2,165)	(91)	(0)
9	\$ 11,449,771	\$ 9,255,231	\$ 2,045,035	\$ 133,886
10				
11	\$ 6,886,755	\$ 5,855,062	\$ 835,977	\$ 195,716
12				
13	1,607,238	1,359,796	198,085	49,357
14	452,071	365,424	80,744	5,286
15	691,860	424,420	316,189	(54,444)
16	\$ 9,637,923	\$ 8,004,702	\$ 1,430,995	\$ 195,915
17	\$ 1,811,847	\$ 1,250,529	\$ 614,041	\$ (62,030)
18	681,106	556,878	97,276	26,952
19	\$ 1,130,742	\$ 693,651	\$ 516,764	\$ (88,981)
20	\$ 26,605,694	\$ 21,753,035	\$ 3,799,857	\$ 1,052,802
21	6.81%	5.75%	16.16%	-5.89%
22				
23		95.94%	4.04%	0.02%

Percent of Total Customers

Indicated Monthly Minimums and Single-Tier Commodity Rates for 5/8x3/4 Inch Meter

Sched. G-8, pg 4A	Sched. G-8, pg 4B		Sched. G-8, pg 4C		Sched. G-8, pg 4D
	All Classes	Residential	Commercial	Other	Other
Monthly Minimums	\$ 10.68	\$ 11.30	\$ 12.37	\$ 116.53	
Single-Tier Commodity Rate	\$ 1.620	\$ 1.586	\$ 1.292	\$ 1.679	

- 1 Allocated based on customer counts.
- 2 Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 2.
- 3 Property Taxes allocation based on Revenues
- 4 Income Tax from Schedule C-1, at proposed rates. Income Taxes allocated based on taxable income
- 5 Interest Synchronized Interest Expense. Allocation based on Rate Base
- 6 Rate Base computations are shown on Schedule G-3, Page 1
- 7 Operating Income Divided by Rate Base

Line No.	<u>Totals</u>	<u>Residential</u>	<u>Commercial</u>	<u>Other</u>
4	<u>Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)</u>			
5	\$ 5,179,675	\$ 4,029,180	\$ 972,683	\$ 177,811
6	11,992,118	9,022,739	2,106,286	863,093
7	1,524,713	1,462,857	61,594	262
8	2,860,618	2,461,055	390,833	8,730
9	5,048,571	4,777,204	268,462	2,906
10	<u>\$ 26,605,695</u>	<u>\$ 21,753,035</u>	<u>\$ 3,799,857</u>	<u>\$ 1,052,802</u>
11				
12				
13				
14	<u>Summary</u>			
15	\$ 26,605,695	\$ 21,753,035	\$ 3,799,857	\$ 1,052,802
16	100.00%	81.76%	14.28%	3.96%
17				
18				
19				
20				

Line No.	Operation and Maintenance Expense (from Schedule G-6, Page 1)	Adjusted Per C-1	Residential	Commercial	Other	Totals
1	Commodity	\$ 2,303,924	\$ 1,792,183	\$ 432,651	\$ 79,091	\$ 2,303,924
2	Demand	1,613,355	1,213,871	283,368	116,116	1,613,355
3	Customer	2,965,425	2,845,122	119,794	509	2,965,425
4	Service	-	-	-	-	-
5	Meter	-	-	-	-	-
6	Totals	\$ 6,882,705	\$ 5,851,176	\$ 835,813	\$ 195,716	\$ 6,882,705
7						
8	Depreciation Expense on Plant (from Schedule G-6, Page 2)					
9	Commodity	232,999	\$ 181,246	\$ 43,754	\$ 7,999	\$ 232,999
10	Demand	563,137	423,698	98,909	40,530	563,137
11	Customer	117,253	112,496	4,737	20	117,253
12	Service	165,237	142,157	22,575	504	165,237
13	Meter	528,612	500,199	28,109	304	528,612
14	Totals	\$ 1,607,238	\$ 1,359,796	\$ 198,085	\$ 49,357	\$ 1,607,238
15						
16	Operation and Maintenance Expense and Depreciation Expense					
17	Commodity	\$ 2,536,923	\$ 1,973,429	\$ 476,405	\$ 87,089	\$ 2,536,923
18	Demand	2,176,492	1,637,569	382,277	156,646	2,176,492
19	Customer	3,082,678	2,957,618	124,531	529	3,082,678
20	Service	165,237	142,157	22,575	504	165,237
21	Meter	528,612	500,199	28,109	304	528,612
22	Total	\$ 8,489,942	\$ 7,210,972	\$ 1,033,898	\$ 245,073	\$ 8,489,942
23						
24	Total Expenses (excluding Income Tax and Property Taxes)	\$ 8,489,942	\$ 7,210,972	\$ 1,033,898	\$ 245,073	\$ 8,489,942
25						
26	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 436,016				
27	Income Tax, Allocated on Schedules G-1 & G-2	266,803				
28	Total Expenses	\$ 9,192,762				
29						
30						

Sun City Water District

Test Year Ended June 30, 2013

Cost of Service Study, Using Commodity Demand Method

Allocation of Expenses to Customer Classes - Proposed Rates

Exhibit
Rejoinder Schedule G-4
Page 2
Witness: Bourassa

Line No.		At Proposed C-1	Residential	Commercial	Other	Totals
1						
2	Operation and Maintenance Expense (from Schedule G-6, Page 1)					
3	Commodity	\$ 2,303,924	\$ 1,792,183	\$ 432,651	\$ 79,091	\$ 2,303,924
4	Demand	1,613,355	1,213,871	283,368	116,116	1,613,355
5	Customer	2,969,476	2,849,008	119,958	510	2,969,476
6	Service	-	-	-	-	-
7	Meter	-	-	-	-	-
8	Totals	\$ 6,886,755	\$ 5,855,062	\$ 835,977	\$ 195,716	\$ 6,886,755
9						
10	Depreciation Expense on Plant (from Schedule G-6, Page 3.2)					
11	Commodity	\$ 232,999	\$ 181,246	\$ 43,754	\$ 7,999	\$ 232,999
12	Demand	563,137	423,698	98,909	40,530	563,137
13	Customer	117,253	112,496	4,737	20	117,253
14	Service	165,237	142,157	22,575	504	165,237
15	Meter	528,612	500,199	28,109	304	528,612
16	Totals	\$ 1,607,238	\$ 1,359,796	\$ 198,085	\$ 49,357	\$ 1,607,238
17						
18	Operation and Maintenance Expense and Depreciation Expense					
19	Commodity	\$ 2,536,923	\$ 1,973,429	\$ 476,405	\$ 87,089	\$ 2,536,923
20	Demand	2,176,492	1,637,569	382,277	156,646	2,176,492
21	Customer	3,086,729	2,961,505	124,695	530	3,086,729
22	Service	165,237	142,157	22,575	504	165,237
23	Meter	528,612	500,199	28,109	304	528,612
24	Total	\$ 8,493,993	\$ 7,214,858	\$ 1,034,062	\$ 245,073	\$ 8,493,993
25						
26	Total Expenses (excluding Income Tax and					
27	Property Taxes)	\$ 8,493,993	\$ 7,214,858	\$ 1,034,062	\$ 245,073	\$ 8,493,993
28						
29	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 452,071				
30	Income Tax, Allocated on Schedules G-1 & G-2	691,860				
31	Total Expenses	\$ 9,637,923				
32						
33						
34						

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Rate Base by Function

Line No.	Adjusted Per B-2	Demand	Commodity	Customer	Meter	Service
1						
2	Rate Base					
3	Plant minus (Accumulated Depreciation	\$ 26,605,695	\$ 5,179,675	\$ 1,524,713	\$ 5,048,571	\$ 2,860,618
4	Contributions in Aid of Construction					
5	Advances in Aid of Construction,					
6	Meter Deposits and Deferred Income Tax)					
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						

Sun City Water District

Test Year Ended June 30, 2013

Allocation of Plant, Less Contributions and Advances in Aid of Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Plant Cost	Accumulated Depreciation	Total Net Plant Values	Allocation Factor	Ref.	Demand	Commodity	Customer	Meters	Services
1	Intangible											
2	301000	Organization	\$ 471	-	\$ 471	F-1		330	141	-	-	-
3	302000	Franchises	-	-	-	F-1		-	-	-	-	-
4	303100	Other Intangible Plant	-	-	-	F-1		-	-	-	-	-
5	Subtotal Intangible		471	-	471			330	141	-	-	-
6												
7	Source of Supply & Pumping Plant											
8	303200	Land and Land Rights - Supply	\$ 268,738	\$ (60)	\$ 268,798	F-1		\$ 188,158	\$ 80,639	\$ -	\$ -	\$ -
9	303300	Land and Land Rights - Pumping	8,456	3,646	4,810	F-1		3,367	1,443	-	-	-
10	304100	Structures and Improvements - Supply	1,579,931	515,526	1,064,405	F-1		745,084	319,322	-	-	-
11	304200	Structures and Improvements - Pumping	2,788,639	256,219	2,532,420	F-1		1,772,694	759,726	-	-	-
12	305000	Collecting and Impounding Res.	314	139	175	F-1		122	52	-	-	-
13	306000	Lakes, Rivers, Other Intakes	-	-	-	F-1		-	-	-	-	-
14	307000	Wells and Springs	3,812,341	1,684,935	2,127,406	F-1		1,489,184	638,222	-	-	-
15	308000	Infiltration Galleries and Tunnels	-	-	-	F-1		-	-	-	-	-
16	309000	Supply Mains	787,835	56,753	731,082	F-1		511,758	219,325	-	-	-
17	310000	Power Generation Equipment	1,430,917	214,496	1,216,421	F-1		851,495	364,926	-	-	-
18	311000	Pumping Equipment - Steam	-	-	-	F-1		-	-	-	-	-
19	311100	Pumping Equipment - Other	4,473	428	4,044	F-1		2,831	1,213	-	-	-
20	311200	Pumping Equipment - Electric	11,150,383	5,265,102	5,885,282	F-1		4,119,697	1,765,584	-	-	-
21	311300	Pumping Equipment - Diesel	213,446	68,059	145,387	F-1		101,771	43,616	-	-	-
22	311400	Pumping Equipment - Hydraulic	16,219	1,919	14,300	F-1		10,010	4,290	-	-	-
23	311500	Pumping Equipment - Other	210,006	106,288	103,717	F-1		72,602	31,115	-	-	-
24	311530	Pumping Equipment - Water Treatment	35,035	3,540	31,495	F-1		22,046	9,448	-	-	-
25	Subtotal Source of Supply & Pumping Plant		\$ 22,306,733	\$ 8,176,990	\$ 14,129,743			\$ 9,890,820	\$ 4,238,923	\$ -	\$ -	\$ -
26												
27	Water Treatment											
28	303400	Land and Land Rights - Treatment	-	-	-	F-1		-	-	-	-	-
29	304300	Structures and Improvements - Treatment	126,815	37,923	88,892	F-1		62,224	26,668	-	-	-
30	320000	Water Treatment Plant	-	-	-	F-1		-	-	-	-	-
31	320100	Water Treatment Equipment - Non-media	881,710	373,405	508,305	F-1		355,813	152,491	-	-	-
32	320200	Water Treatment Equipment - Media	120,791	15,099	105,692	F-1		73,984	31,708	-	-	-
33	Subtotal Water Treatment		\$ 1,129,315	\$ 426,427	\$ 702,889			\$ 492,022	\$ 210,867	\$ -	\$ -	\$ -
34												
35	Transmission and Distribution Plant											
36	303500	Land and Land Rights - T&D	10,493	210	10,283	F-1		7,198	3,085	-	-	-
37	304400	Structures and Improvements - T&D	34,162	6,676	27,486	F-1		19,240	8,246	-	-	-
38	330000	Distribution Reservoirs & Standpipes	5,621,435	745,411	4,876,024	F-1		3,413,217	1,462,807	-	-	-
39	330100	Elevated Tank & Standpipes	-	-	-	F-1		-	-	-	-	-
40	330200	Ground Level Tanks	88,434	13,900	74,535	F-1		52,174	22,360	-	-	-
41	330300	Below Ground Tanks	-	-	-	F-1		-	-	-	-	-
42	331001	T&D Mains Not Classified	1,128,335	34,429	1,093,907	F-1		765,735	328,172	-	-	-
43	331100	T&D Mains 4in & less	13,290,123	5,408,278	7,881,845	F-1		5,517,291	2,364,553	-	-	-
44	331200	T&D Mains 6in to 8in	4,576,963	358,605	4,218,358	F-1		2,952,851	1,265,507	-	-	-
45	331300	T&D Mains 10in to 16in	5,251,696	291,225	4,960,472	F-1		3,472,330	1,488,141	-	-	-
46	331400	TD Mains 18in & Grtr	152,237	39,673	112,564	F-1		78,795	33,769	-	-	-
47	332000	Fire Mains	0	11	(11)	F-2		(11)	-	-	-	-

Sun City Water District

Test Year Ended June 30, 2013

Allocation of Plant, Less Contributions and Advances in Aid of
Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2.3
Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1		Allocated General Plant									
2	399000	Allocated Corporate General Plant	569,612	183,927	385,685	F-1	269,980	115,706	-	-	-
3	399000	Youngtown Plant	(149,497)	(22,008)	(127,489)	F-1	(89,242)	(38,247)	-	-	-
4	399000	Reconciliation to PIS Balance	-	344	(344)	F-1	(241)	(103)	-	-	-
5		Test Year Ended June 30, 2013	\$ 420,115	\$ 162,263	\$ 257,852		\$ 180,497	\$ 77,356	\$ -	\$ -	\$ -
6		Total Plant	\$ 76,011,241	\$ 26,342,425	\$ 49,668,815		\$ 28,132,870	\$ 12,097,141	\$ 1,524,713	\$ 5,051,023	\$ 2,863,070
7											
8		Contributions in Aid of Construction	(17,500,751)	1,375,475	(16,125,275)	F-1	(11,287,693)	(4,837,583)	-	-	-
9		Advances in Aid of Construction	(6,374,283)		(6,374,283)	F-1	(4,461,998)	(1,912,285)	-	-	-
10		Meter Deposits	(4,903)		(4,903)	F-7	-	-	-	(2,452)	(2,452)
11		Deferred Income Tax	(1,014,247)		(1,014,247)	F-1	(709,973)	(304,274)	-	-	-
12		Working Capital	63,227		63,227	F-1	44,259	18,968	-	-	-
13		Deferred Reg Assets/Liabilities	392,362		392,362	F-1	274,653	117,709	-	-	-
14											
15		Rounding			(1)						
16		Totals	\$ 51,572,645	\$ 27,717,901	\$ 26,605,694		\$ 11,992,118	\$ 5,179,675	\$ 1,524,713	\$ 5,048,571	\$ 2,860,618
17		Rate Bases (Plant - (AIAC, CIAC, Meter Deposits & Accum. Depr.))			\$ 26,605,694		\$ 11,992,118	\$ 5,179,675	\$ 1,524,713	\$ 5,048,571	\$ 2,860,618
18											

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Allocation of Expenses to Functions
 At Present Rates

Exhibit
 Rejoinder Schedule G-6
 Page 1
 Witness: Bourassa

Line No.	Description	Adjusted per C-1	Demand	Commodity	Customer	Meters	Services	Totals
		\$	\$	\$	\$	\$	\$	\$
1	Labor	1,699,230	679,692	339,846	679,692	-	-	1,699,230
2	Purchased Water	1,560,999	-	1,560,999	-	-	-	1,560,999
3	Fuel & Power	34,194	-	34,194	-	-	-	34,194
4	Chemicals	4,661	4,195	466	-	-	-	4,661
5	Waste Disposal	1,396	558	279	558	-	-	1,396
6	Intercompany Support Services	473,416	189,366	94,683	189,366	-	-	473,416
7	Corporate Allocation	275,834	220,668	55,167	-	-	-	275,834
8	Outside Services	489,434	195,774	97,887	195,774	-	-	489,434
9	Group Insurance	6,298	2,519	1,260	2,519	-	-	6,298
10	Pensions	101,188	40,475	20,238	40,475	-	-	101,188
11	Regulatory Expense	288,791	115,517	57,758	115,517	-	-	288,791
12	Insurance Other Than Group	814,520	-	-	814,520	-	-	814,520
13	Customer Accounting	45,805	-	-	45,805	-	-	45,805
14	Rents	205,454	-	-	205,454	-	-	205,454
15	General Office Expense	456,839	-	-	456,839	-	-	456,839
16	Miscellaneous	205,739	164,591	41,148	-	-	-	205,739
17	Maintenance Expense	1,607,238	563,137	232,999	117,253	528,612	165,237	1,607,238
18	Depreciation & Amortization ¹	218,906	-	-	218,906	-	-	218,906
19	General Taxes-Other							
20								
21								
22	Property Taxes, Allocated on Schedules G-1 & G-2							
23	Income Tax, Allocated on Schedules G-1 & G-2							
24								
25	Total	<u>8,489,942</u>	<u>2,176,492</u>	<u>2,536,923</u>	<u>3,082,678</u>	<u>528,612</u>	<u>165,237</u>	<u>8,489,942</u>

¹ Depreciation allocation computed on Schedule G-6, Page 3.1 and 3.2

See Schedule G-7, page 2.2 for allocation factors.

See Schedule G-5, page 1 for allocations by class.

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Allocation of Expenses to Functions
 At Proposed Rates

Exhibit
 Rejoinder Schedule G-6
 Page 2
 Witness: Bourassa

Line No.	Description	At Proposed Per C-1	Demand	Commodity	Customer	Meters	Services	Totals
		\$	\$	\$	\$		\$	\$
1	Labor	1,699,230	679,692	339,846	679,692	-	-	1,699,230
2	Purchased Water	-	-	-	-	-	-	-
3	Fuel & Power	1,560,999	-	1,560,999	-	-	-	1,560,999
4	Chemicals	34,194	-	34,194	-	-	-	34,194
5	Waste Disposal	4,661	4,195	466	-	-	-	4,661
6	Intercompany Support Services	1,396	558	279	558	-	-	1,396
7	Corporate Allocation	473,416	189,366	94,683	189,366	-	-	473,416
8	Outside Services	275,834	220,668	55,167	-	-	-	275,834
9	Group Insurance	489,434	195,774	97,887	195,774	-	-	489,434
10	Pensions	6,298	2,519	1,260	2,519	-	-	6,298
11	Regulatory Expense	101,188	40,475	20,238	40,475	-	-	101,188
12	Insurance Other Than Group	288,791	115,517	57,758	115,517	-	-	288,791
13	Customer Accounting	818,571	-	-	818,571	-	-	818,571
14	Rents	45,805	-	-	45,805	-	-	45,805
15	General Office Expense	205,454	-	-	205,454	-	-	205,454
16	Miscellaneous	456,839	-	-	456,839	-	-	456,839
17	Maintenance Expense	205,739	164,591	41,148	-	-	-	205,739
18	Depreciation & Amortization ¹	1,607,238	563,137	232,999	117,253	528,612	165,237	1,607,238
19	General Taxes-Other	218,906	-	-	218,906	-	-	218,906
20								
21								
22	Property Taxes, Allocated on Schedules G-1 & G-2							
23	Income Tax, Allocated on Schedules G-1 & G-2							
24								
25	Total	8,493,993	2,176,492	2,536,923	3,086,729	528,612	165,237	8,493,993

¹ Depreciation allocation computed on Schedule G-6, Page 3.1 and 3.2

See Schedule G-7, page 2.2 for allocation factors.

See Schedule G-4, page 2 for allocations by class.

Line No.	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor	Ref.	Demand	Commodity	Customer	Meters	Services
1		Intangible										
2	301000	Organization	471	0.000%	\$ -	F-1		\$ -		\$ -		\$ -
3	302000	Franchises	-	0.000%	-	F-1		-		-		-
4	303100	Other Intangible Plant	-	0.000%	-	F-1		-		-		-
5		Subtotal Intangible	<u>471</u>		<u>\$ -</u>			<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
7		Source of Supply & Pumping Plant										
8	303200	Land and Land Rights - Supply	268,738	0.000%	\$ -	F-1		\$ -		\$ -		\$ -
9	303300	Land and Land Rights - Pumping	8,456	0.000%	-	F-1		-		-		-
10	304100	Structures and Improvements - Supply	1,579,931	2.500%	4,748	F-1		3,323	1,424	-		-
11	304200	Structures and Improvements - Pumping	2,788,639	2.000%	3,645	F-1		2,552	1,094	-		-
12	305000	Collecting and Impounding Res.	314	1.667%	5	F-1		4	2	-		-
13	306000	Lakes, Rivers, Other Intakes	-	0.000%	-	F-1		-		-		-
14	307000	Wells and Springs	3,812,341	2.500%	95,309	F-1		66,716	28,593	-		-
15	308000	Infiltration Galleries and Tunnels	-	0.000%	-	F-1		-		-		-
16	309000	Supply Mains	787,835	1.667%	13,131	F-1		9,191	3,939	-		-
17	310000	Power Generation Equipment	1,430,917	3.333%	47,697	F-1		33,388	14,309	-		-
18	311000	Pumping Equipment - Steam	-	4.000%	-	F-1		-		-		-
19	311100	Pumping Equipment - Other	4,473	4.000%	179	F-1		125	54	-		-
20	311200	Pumping Equipment - Electric	11,150,383	4.000%	446,015	F-1		312,211	133,805	-		-
21	311300	Pumping Equipment - Diesel	213,446	4.000%	8,538	F-1		5,976	2,561	-		-
22	311400	Pumping Equipment - Hydraulic	16,219	4.000%	649	F-1		454	195	-		-
23	311500	Pumping Equipment - Other	210,006	4.000%	8,400	F-1		5,880	2,520	-		-
24	311530	Pumping Equipment - Water Treatment	35,035	4.000%	1,401	F-1		981	420	-		-
25		Subtotal Source of Supply & Pumping Plant	<u>22,306,733</u>		<u>\$ 629,717</u>			<u>\$ 440,802</u>	<u>\$ 188,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
27		Water Treatment										
28	303400	Land and Land Rights - Treatment	-	0.000%	\$ -	F-1		\$ -		\$ -		\$ -
29	304300	Structures and Improvements - Treatment	126,815	2.000%	2,536	F-1		1,775	761	-		-
30	320000	Water Treatment Plant	-	0.000%	-	F-1		-		-		-
31	320100	Water Treatment Equipment - Non-media	881,710	5.000%	44,085	F-1		30,860	13,226	-		-
32	320200	Water Treatment Equipment - Media	120,791	10.000%	12,079	F-1		8,455	3,624	-		-
33		Subtotal Water Treatment	<u>1,129,315</u>		<u>\$ 58,701</u>			<u>\$ 41,091</u>	<u>\$ 17,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
34		Transmission and Distribution Plant										
35	303500	Land and Land Rights - T&D	10,493	0.000%	\$ -	F-1		\$ -		\$ -		\$ -
37	304400	Structures and Improvements - T&D	34,162	2.000%	683	F-1		478	205	-		-
38	330000	Distribution Reservoirs & Standpipes	5,621,435	1.538%	86,484	F-1		60,539	25,945	-		-
39	330100	Elevated Tank & Standpipes	-	0.000%	-	F-1		-		-		-
40	330200	Ground Level Tanks	88,434	1.538%	1,361	F-1		952	408	-		-
41	330300	Below Ground Tanks	-	0.000%	-	F-1		-		-		-
42	331001	T&D Mains Not Classified	1,128,335	2.000%	22,567	F-1		15,797	6,770	-		-
43	331100	T&D Mains 4in & less	13,290,123	1.429%	189,859	F-1		132,901	56,958	-		-
44	331200	T&D Mains 6in to 8in	4,576,963	1.429%	65,385	F-1		45,770	19,616	-		-
45	331300	T&D Mains 10in to 16in	5,251,696	1.429%	75,024	F-1		52,517	22,507	-		-
46	331400	TD Mains 18in & Gtr	152,237	1.429%	2,175	F-1		1,522	652	-		-
47	332000	Fire Mains	0	1.429%	0	F-2		0	-	-		-

Sun City Water District
 Test Year Ended June 30, 2013
 Summary of Commodity - Demand Method Functions Factors

Exhibit
 Rejoinder Schedule G-7
 Page 1
 Witness: Bourassa

Line
No.

<u>Class</u>	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
Residential	0.752	0.778	0.959	0.946	0.860
	-	-	-	-	-
Commercial	0.176	0.188	0.040	0.053	0.137
Other	0.072	0.034	0.000	0.001	0.003
Total	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>

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SUPPORTING SCHEDULES
 G-7, page 3

Sun City Water District
 Test Year Ended June 30, 2013
COMMODITY - DEMAND METHOD FUNCTION FACTORS
 Plant-in-Service, Accumulated Depreciation, and Depreciation Expense Allocations Functions

Exhibit
 Rejoinder Schedule G-7
 Page 2.1
 Witness: Bourassa

Line						
<u>No.</u>	<u>Factor</u>	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
1						
2						
3	F-1	0.70	0.30			
4	F-2	1.00				
5	F-3					1.00
6	F-4				1.00	
7	F-5			1.00		
8	F-6	0.25		0.75		
9	F-7				0.50	0.50
10						
11						
12						
13						
14						
15						
16						
17	<u>Development of F-1 Allocation Factor</u>					
18		<u>MGD</u>		<u>RATIO</u>		<u>DEMAND FACTOR</u>
19		(a)		(b)		(c)
20	(1) Avg day	11,280.89	G-7, page 3	1.00		1.00 1/(b)
21	(2) Max day	16,096.35	G-7, page 3	1.43	Max day/Avg day	0.70 1/(b)
22						
23						
24						
25						

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Expense Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 2.2
 Witness: Bourassa

Line

<u>No.</u>	<u>Expense Type</u>	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
2	Labor	0.40	0.20	0.40	-	-
3	Purchased Water	-	1.00	-	-	-
4	Fuel & Power	-	1.00	-	-	-
5	Chemicals	-	1.00	-	-	-
6	Waste Disposal	0.90	0.10	-	-	-
7	Intercompany Support Services	0.40	0.20	0.40	-	-
8	Corporate Allocation	0.40	0.20	0.40	-	-
9	Outside Services	0.80	0.20	-	-	-
10	Group Insurance	0.40	0.20	0.40	-	-
11	Pensions	0.40	0.20	0.40	-	-
12	Regulatory Expense	0.40	0.20	0.40	-	-
13	Insurance Other Than Group	0.40	0.20	0.40	-	-
14	Customer Accounting	-	-	1.00	-	-
15	Rents	-	-	1.00	-	-
16	General Office Expense	-	-	1.00	-	-
17	Miscellaneous	-	-	1.00	-	-
18	Maintenance Expense	0.80	0.20	-	-	-
19	Depreciation & Amortization		See Schedule G-7, page 2.1			
20	General Taxes-Other	-	-	1.00	-	-
21						
22						
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Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.1
 Witness: Bourassa

COMMODITY ALLOCATION FACTOR

Meter Size	Class	(a)	
		Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8x3/4"	Residential	1,623,696	39.43%
5/8x3/4"	Commercial	14,264	0.35%
3/4"	Residential	86,781	2.11%
3/4"	Commercial	3,759	0.09%
1"	Residential	72,361	1.76%
1"	Commercial	48,641	1.18%
1-1/2"	Residential	985,151	23.93%
1-1/2"	Commercial	147,972	3.59%
2"	Residential	419,117	10.18%
2"	Commercial	234,939	5.71%
3"	Residential	7,055	0.17%
3"	Commercial	57,288	1.39%
4"	Residential	-	0.00%
4"	Commercial	63,762	1.55%
6"	Residential	8,791	0.21%
6"	Commercial	202,600	4.92%
8"	Residential	-	0.00%
8"	Commercial	-	0.00%
2"	Irrigation	3,209	0.08%
6"	Raw	138,140	3.35%
		-	0.00%
		-	0.00%
Totals		<u>4,117,527</u>	<u>100.00%</u>

DEMAND ALLOCATION FACTOR

Meter Size	Class	Average Daily Gallons	Demand Factor	Average Peak Demand (1,000's)	Percent
					of Total
5/8x3/4"	Residential	4,448.48	1.22	5,410.21	33.61%
5/8x3/4"	Commercial	39.08	1.28	49.85	0.31%
3/4"	Residential	237.76	1.19	282.60	1.76%
3/4"	Commercial	10.30	1.86	19.20	0.12%
1"	Residential	198.25	1.46	290.33	1.80%
1"	Commercial	133.26	1.43	190.68	1.18%
1-1/2"	Residential	2,699.04	1.68	4,537.23	28.19%
1-1/2"	Commercial	405.40	1.59	645.14	4.01%
2"	Residential	1,148.27	1.33	1,531.66	9.52%
2"	Commercial	643.67	1.35	870.20	5.41%
3"	Residential	19.33	1.45	27.98	0.17%
3"	Commercial	156.95	1.31	205.06	1.27%
4"	Residential	-	0.00	-	0.00%
4"	Commercial	174.69	1.44	250.95	1.56%
6"	Residential	24.08	1.27	30.70	0.19%
6"	Commercial	555.07	1.07	596.07	3.70%
8"	Residential	-	0.00	-	0.00%
8"	Commercial	-	0.00	-	0.00%
2"	Irrigation	8.79	1.65	14.46	0.09%
6"	Raw	378.47	3.02	1,144.02	7.11%
		-	0.00	-	0.00%
		-	0.00	-	0.00%
Totals		<u>11,280.89</u>		<u>16,096.35</u>	<u>100.00%</u>

Class	(a)	
	Total Gallons (in 1,000's) In Test Year	Percent of Total
Residential	3,202,953	77.788%
Commercial	773,224	18.779%
Other	141,349	3.433%
Total	<u>4,117,527</u>	<u>100.000%</u>

Class	Peak Demand (1,000's)	Percent
		of Total
Residential	12,111	75.239%
Commercial	2,827	17.564%
Other	1,158	7.197%
Total	<u>16,096</u>	<u>100.000%</u>

(a) Includes customer and gallons sold annualization.

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.2
 Witness: Bourassa

CUSTOMER ALLOCATION FACTOR

<u>Meter Size</u>	<u>Class</u>	<u>Number of Meters</u>	<u>Percent of Total</u>
5/8x3/4"	Residential	18,784	82.31%
5/8x3/4"	Commercial	221	0.97%
3/4"	Residential	969	4.25%
3/4"	Commercial	16	0.07%
1"	Residential	403	1.77%
1"	Commercial	154	0.67%
1-1/2"	Residential	1,304	5.71%
1-1/2"	Commercial	285	1.25%
2"	Residential	431	1.89%
2"	Commercial	209	0.92%
3"	Residential	2	0.01%
3"	Commercial	25	0.11%
4"	Residential	-	0.00%
4"	Commercial	5	0.02%
6"	Residential	2	0.01%
6"	Commercial	7	0.03%
8"	Residential	-	0.00%
8"	Commercial	-	0.00%
2"	Irrigation	2	0.01%
6"	Raw	2	0.01%
6"	Public Interruptible	0	0.00%
Totals		22,821	100.00%

SERVICES ALLOCATION FACTOR (b)

<u>Meter Size</u>	<u>Class</u>	<u>Number of Services</u>	<u>Installation Cost</u>	<u>Dollar Weighted Number of Services</u>	<u>Percent of Total</u>
5/8x3/4"	Residential	18,784	445.00	8,359,028	78.53%
5/8x3/4"	Commercial	221	445.00	98,493	0.93%
3/4"	Residential	969	445.00	431,205	4.05%
3/4"	Commercial	16	445.00	7,120	0.07%
1"	Residential	403	495.00	199,568	1.87%
1"	Commercial	154	495.00	76,106	0.72%
1-1/2"	Residential	1,304	550.00	717,017	6.74%
1-1/2"	Commercial	285	550.00	156,613	1.47%
2"	Residential	431	830.00	358,076	3.36%
2"	Commercial	209	830.00	173,401	1.63%
3"	Residential	2	1,165.00	2,330	0.02%
3"	Commercial	25	1,165.00	29,028	0.27%
4"	Residential	0	1,670.00	-	0.00%
4"	Commercial	5	1,670.00	8,350	0.08%
6"	Residential	2	2,330.00	4,660	0.04%
6"	Commercial	7	2,330.00	16,893	0.16%
8"	Residential	0	3,262.00	-	0.00%
8"	Commercial	0	3,262.00	-	0.00%
2"	Irrigation	2	830.00	1,660	0.02%
6"	Raw	2	2,330.00	3,689	0.03%
6"	Public Interruptible	0	2,330.00	777	0.01%
Totals		22,821		\$ 10,644,013	100.00%

<u>Class</u>	<u>Number of Meters</u>	<u>Percent of Total</u>
Residential	21,896	95.943%
Commercial	922	4.040%
Other	4	0.017%
Total	22,821	100.000%

<u>Class</u>	<u>Dollar Weighted Number of Services</u>	<u>Percent of Total</u>
Residential	10,071,883	94.625%
Commercial	566,003	5.318%
Other	6,126	0.058%
Total	10,644,013	100.000%

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.3
 Witness: Bourassa

METER ALLOCATION FACTOR (b)

Meter Size		Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8x3/4"	Residential	18,784	155.00	2,911,572	52.14%
5/8x3/4"	Commercial	221	155.00	34,307	0.61%
3/4"	Residential	969	255.00	247,095	4.42%
3/4"	Commercial	16	255.00	4,080	0.07%
1"	Residential	403	315.00	126,998	2.27%
1"	Commercial	154	315.00	48,431	0.87%
1-1/2"	Residential	1,304	525.00	684,425	12.26%
1-1/2"	Commercial	285	525.00	149,494	2.68%
2"	Residential	431	1,890.00	815,378	14.60%
2"	Commercial	209	1,890.00	394,853	7.07%
3"	Residential	2	2,545.00	5,090	0.09%
3"	Commercial	25	2,545.00	63,413	1.14%
4"	Residential	0	3,645.00	0	0.00%
4"	Commercial	5	3,645.00	18,225	0.33%
6"	Residential	2	6,920.00	13,840	0.25%
6"	Commercial	7	6,920.00	50,170	0.90%
8"	Residential	0	9,688.00	0	0.00%
8"	Commercial	0	9,688.00	0	0.00%
2"	Irrigation	2	1,890.00	3,780	0.07%
6"	Raw	2	6,920.00	10,957	0.20%
6"	Public Interruptible	0	6,920.00	2,307	0.04%
Totals		<u>22,821</u>		<u>\$ 5,584,412</u>	<u>100.00%</u>

Class	Weighted Dollars of Meters	Percent of Total
Residential	4,804,397	86.032%
Commercial	762,972	13.663%
Other	17,043	0.305%
Total	<u>5,584,412</u>	<u>100.000%</u>

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Line No.	Customer	Service	Meter
1	103,833	194,808	343,808
2	(162,387)		
3	3,086,729	165,237	528,612
4	452,071		
5	691,860		
6	<u>4,172,105</u>	<u>360,045</u>	<u>872,420</u>
7			
8			
9			
10	273,857		
11			
12	\$ 15.23		
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			

Customer Revenue Requirement divided by Annualized Number of Bills

Service Line and Meter Charge Equivalent 5/8 Meters

Charge per Equivalent Meter

Customer

Service

Meter

36,031 times

12 months

\$ 0.83 \$ 2.02

Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)

Charge per Bill

Charge per Equivalent Meter

(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)

Monthly Minimum for 5/8 Inch Meter, WITHOUT Demand Charge Included

\$ 15.23
 0.83
 2.02
 \$ 18.09

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 ALL CUSTOMER CLASSES

Line No.									
1	<u>DEMAND CHARGE:</u>								
2									
3	Return on Rate Base	6.81%							816,663
4	Demand Expenses (From Schedule G-4, Page 2)								2,176,492
5									
6	Totals								<u>2,993,155</u>
7	Total Revenue Requirement / Demand Component								432,368
8	Equivalent Number of 5/8 Meters billings								<u>\$ 6.92</u>
9	Demand Charge for 5/8 Inch Meter								
10									
11									
12	<u>Demand Charge Per Equivalent</u>								
13	5/8 Inch Meter				5/8" Demand Charge		Meter Ratio	Demand Charge	
14	3/4 Inch Meter				\$ 6.92		1.0	\$ 6.92	
15	1 Inch Meter				6.92		1.5	10.38	
16	1 1/2 Inch Meter				6.92		2.5	17.31	
17	2 Inch Meter				6.92		5.0	34.61	
18	3 Inch Meter				6.92		8.0	55.38	
19	4 Inch Meter				6.92		16.0	110.76	
20	6 Inch Meter				6.92		25.0	173.07	
21	8 Inch Meter				6.92		50.0	346.14	
22	10 Inch Meter				6.92		80.0	553.82	
23	12 Inch Meter				6.92		115.0	796.11	
							215.0	1,488.38	

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 3A
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum						
1	Return on Rate Base	352,736	103,833	194,808	343,808	816,663
2	Less: Miscellaneous Revenues		(162,387)			
3	Expenses (From Sch. G-4, Page 2)	2,536,923	3,086,729	165,237	528,612	2,176,492
4	Property Taxes (From Sched. G-2, page 1)		452,071			
5	Income Taxes (From Sched. G-2, page 1)		691,860			
6	Total Revenue Requirement by function	2,889,659	4,172,105	360,045	872,420	2,993,155
7	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	4,117,527				
8	Computed Commodity Rate (line 9 divided by line 10)	<u>\$ 0.7018</u>				
9	Annualized Number of Bills		273,857			
10	Equivalent Meters and Service Lines			432,368	432,368	432,368
11	Customer Charge (line 9 divided by line 12)		\$ 15.23			
12	Meter, Service Line & Demand Charge (line 9 divided by line 13)			\$ 0.83	\$ 2.02	\$ 6.92
13	Total Monthly Minimum Charge for a 5/8 Inch Meter					<u>\$ 25.01</u>
14	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					
15	Monthly Minimum					
16	5/8 Inch Meter	25.01	1.0	\$ 25.01		
17	3/4 Inch Meter	25.01	1.5	37.51		
18	1 Inch Meter	25.01	2.5	62.52		
19	1 1/2 Inch Meter	25.01	5.0	125.04		
20	2 Inch Meter	25.01	8.0	200.06		
21	3 Inch Meter	25.01	16.0	400.13		
22	4 Inch Meter	25.01	25.0	625.20		
23	6 Inch Meter	25.01	50.0	1,250.39		
24	8 Inch Meter	25.01	80.0	2,000.63		
25	10 Inch Meter	25.01	115.0	2,875.90		
26	12 Inch Meter	25.01	215.0	5,376.68		
27						
28						
29						
30						
31						
32						
33						

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 RESIDENTIAL CLASS

Line No.	<u>DEMAND CHARGE:</u>	
1		614,448
2	Return on Rate Base	1,637,569
3	Demand Expenses (From Schedule G-4, Page 2)	
4		
5	Totals	<u>2,252,017</u>
6	Total Revenue Requirement / Demand Component	376,169
7	Equivalent Number of 5/8 Meters billings	<u>5.99</u>
8	Demand Charge for 5/8 Inch Meter	
9		

	5/8" Demand Charge	Meter Ratio	Demand Charge
\$	5.99	1.0	5.99
	5.99	1.5	8.98
	5.99	2.5	14.97
	5.99	5.0	29.93
	5.99	8.0	47.89
	5.99	16.0	95.79
	5.99	25.0	149.67
	5.99	50.0	299.34
	5.99	80.0	478.94
	5.99	115.0	688.47
	5.99	215.0	1,287.14

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2		274,387	99,621	167,598	325,328	614,448
3	Return on Rate Base					
4	Less: Miscellaneous Revenues		(155,799)			
5		1,973,429	2,961,505	142,157	500,199	1,637,569
6	Expenses (From Sch. G-4, Page 2)		365,424			
7	Property Taxes (From Sched. G-2, page 1)		424,420			
8	Income Taxes (From Sched. G-2, page 1)		3,695,169			
9	Total Revenue Requirement by function	2,247,816	3,695,169	309,755	825,526	2,252,017
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	3,202,953				
11	Computed Commodity Rate (line 9 divided by line 10)	<u>\$ 0.7018</u>				
12	Annualized Number of Bills		262,747			
13	Equivalent Meters and Service Lines			376,169	376,169	376,169
14	Customer Charge (line 9 divided by line 12)		\$ 14.06			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			\$ 0.82	\$ 2.19	\$ 5.99
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					<u>\$ 23.07</u>
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					
18						
19						
20	<u>Monthly Minimum</u>					
21	5/8 Inch Meter	23.07	1.0	23.07		
22	3/4 Inch Meter	23.07	1.5	34.60		
23	1 Inch Meter	23.07	2.5	57.67		
24	1 1/2 Inch Meter	23.07	5.0	115.34		
25	2 Inch Meter	23.07	8.0	184.55		
26	3 Inch Meter	23.07	16.0	369.09		
27	4 Inch Meter	23.07	25.0	576.71		
28	6 Inch Meter	23.07	50.0	1,153.42		
29	8 Inch Meter	23.07	80.0	1,845.47		
30	10 Inch Meter	23.07	115.0	2,652.86		
31	12 Inch Meter	23.07	215.0	4,959.69		
32						
33						

Sun City Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 RESIDENTIAL CLASS

Line No. **Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate**

3	<u>Revenue Requirements Collected via Commodity Charge</u>	Total		Commodity
4		Rev. Req.		Portion of
5		\$ 4,830,450		Rev. Req.
6	Customer, Service, and Meter Costs	\$ 1,932,180	40%	\$ 772,872
7	Demand Costs	2,252,017	40%	900,807
8	Commodity Costs	2,247,816	100%	2,247,816
9	Total Costs to be Collected via Commodity	\$ 5,080,803		\$ 5,080,803
10	Gallons Sold	3,202,953		
11				\$ 1,586
12	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			
13				
14	<u>Revenue Requirement Collected via Monthly Minimum</u>			
15				
16	Monthly Minimum 5/8 Meter			\$ 9,330,284
17	Total Revenue Requirement			(5,080,803)
18	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			\$ 4,249,481
19	Balance to be Recovered through Monthly Minimum			45.55%
20				Percent revenue recovery
21				from monthly mins
22	Number of Equivalent 5/8 Inch Meter Billings			376,169
23				
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			\$ 11.30
25				
26				
27				
28	<u>Meter Size</u>	<u>5/8" Minimum</u>	<u>Meter Ratio</u>	<u>Monthly Minimum</u>
29	5/8 Inch Meter	11.30	1.0	\$ 11.30
30	3/4 Inch Meter	11.30	1.5	16.95
31	1 Inch Meter	11.30	2.5	28.24
32	1 1/2 Inch Meter	11.30	5.0	56.48
33	2 Inch Meter	11.30	8.0	90.37
34	3 Inch Meter	11.30	16.0	180.75
35	4 Inch Meter	11.30	25.0	282.42
36	6 Inch Meter	11.30	50.0	564.84
37	8 Inch Meter	11.30	80.0	903.74
38	10 Inch Meter	11.30	115.0	1,299.12
39	12 Inch Meter	11.30	215.0	2,428.80

Tubac Water
Test Year Ended June 30, 2013
 Computation of Increase in Gross Revenue Requirement

Line No.					
1	Original Cost Rate Base		\$	1,467,051	
2					
3	Adjusted Operating Income		\$	(55,408)	
4					
5	Current Rate of Return			-3.78%	
6					
7	Required Operating Income		\$	99,906	
8					
9	Required Rate of Return			6.81%	
10					
11	Operating Income Deficiency		\$	155,314	
12					
13	Gross Revenue Conversion Factor			1.6447	
14					
15	Increase in Gross Revenue Requirement		\$	255,452	
16					
17					
18	Customer	Present	Proposed	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 408,280	\$ 610,622	\$ 202,342	49.6%
22	Commercial	192,163	254,908	62,745	32.7%
23	Declining Usage Adjustment	(26,239)	(35,875)	(9,636)	36.7%
24					
25					
26					
27	Total Water Revenues	<u>\$ 574,204</u>	<u>\$ 829,655</u>	<u>\$ 255,451</u>	44.5%
28					
29	Other Revenues	\$ 4,990	\$ 4,990	\$ -	0.0%
30					
31	Total Revenues	<u>\$ 579,194</u>	<u>\$ 834,645</u>	<u>\$ 255,451</u>	44.1%
32					
33					
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44					
45					
46	Supporting Schedules:				
47	B-1 Rejoinder				
48	C-1 Rejoinder				
49	H-1 Rejoinder				
50	\\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls				

Tubac Water
 Test Year Ended June 30, 2013
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 Rejoinder
 Page 1
 Witness: Hubbard

Line <u>No.</u>	Original Cost <u>Rate Base</u>
1	
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Recap Schedules:
 A-1 Rejoinder

Tubac Water

Test Year Ended June 30, 2013

Original Cost Rate Base Pro Forma Adjustments

Exhibit

Schedule B-2 Rejoinder

Page 1

Witness: Hubbard

Company Rejoinder

Line No.	[A] Rebuttal Adjusted End of Test Year	[B] ADJ SLH-4RJ Working Capital Adjustment	[C] ADJ SLH-5RJ Remove Arsenic Media	[D]	[E]	[F] Total Rejoinder Pro Forma Adjustments	[G] Rejoinder Adjusted End of Test Year
1	Gross Utility						
2	Plant in Service	\$ 6,467,719	\$ (86,599)			\$ (86,599)	\$ 6,381,120
3		-				-	-
4	Less:	-				-	-
5		-				-	-
6	Accumulated Depreciation	1,942,238	(10,123)			(10,123)	1,932,115
7							
8	Net Utility Plant	\$ 4,525,481	\$ (76,476)			\$ (76,476)	\$ 4,449,005
9	in Service						
10							
11	Less:						
12	Advances in Aid of						
13	Construction	1,952,127				-	1,952,127
14	Contributions in Aid of					-	
15	Construction - Net	1,030,362				-	1,030,362
16						-	
17						-	
18	Customer Meter Deposits	517				-	517
19	Deferred Income Taxes	26,304				-	26,304
20	Investment Tax Credits					-	
21	Regulatory Liabilities					-	
22						-	
23	Plus:						
24	Deferred Debits	23,381				-	23,381
25	Working Capital Allowance	3,496				-	3,975
26	Utility Plant Acquisition Adjustment					479	
27						-	
28	Total	\$ 1,543,048	\$ (76,476)			\$ (75,997)	\$ 1,467,051
29							
30	Supporting Schedules:						
31	B-3, B-5 Revised						
32	E-1						
33							
34							
35	2013 Tubac Water Sch. A-F Rejoinder (

Line
 No.

Remove Arsenic Media

2
 3 In the Tuba ACRM Step 1 proceeding \$86,599 of media costs were disallowed, but they were not
 4 removed from Account 320200. This adjustment reclassifies the engineering overhead and associated
 5 accumulated depreciation allocated to Account 320200 to Account 320100 and adjusts the accumulated
 6 depreciation account for the impacts of the reallocations and media removal.

	Plant in Service	Accumulated Depreciation	Proposed Depreciation Rates	Depreciation Expense
14	162,716	25,030	5.0%	8,136
16	(249,315)	(35,153)	10.0%	(24,932)
18	<u>(86,599)</u>			
20		<u>(10,123)</u>		
22				<u>(76,476)</u>
25				<u>(16,796)</u>
27				<u>(16,796)</u>

- 47 Workpapers and Supporting Documents
- 48 \Tubac Vessel and Media Assets.xlsx
- 49
- 50 \2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls

Tubac Water
 Test Year Ended June 30, 2013
 Computation of Working Capital Allowance
 Rate Base Adjustment SLH-1RJ

Exhibit
 Schedule B-5 Rejoinder
 Page 1
 Witness: Hubbard

Line			
<u>No.</u>			
1			
2	Cash Working Capital Requirement	\$	(878)
3	Required Bank Balances ¹		-
4	Material and Supplies Inventories ¹		-
5	Prepayments ¹		4,853
6			
7	Total Working Capital Allowance	\$	<u>3,975</u>
8			
9	Less Company amount in Rebuttal Filing	\$	3,496
10			
11	Increase / (Decrease) to Working Capital Allowance	\$	<u>479</u>
12			
13			
14	Increase / (Decrease) to Rate Base	\$	<u>479</u>
15			
16			
17			
18			

¹ Calculated using thirteen-month averages.

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43	Supporting Schedules:	Recap Schedules:
44	E-1	B-1 Rejoinder
45		
46	Workpapers & Supporting Documents	
47	\#9 B - Materials and Supplies Prepayments & Deferred Cost.xlsx	
48	\ Lead-Lag Workpapers	
49		
50	\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls	

Line No.	Description	[a]	Test Year Adjusted Results [b]	Revenue Lag Days [c]	Expense Lag Days [d]	Net Lag Days [e] = [c] - [d]	Lead/Lag Factor [f] = [e] / 365	Cash Working Capital Required [g] = [b] x [f]
1	OPERATING EXPENSES							
2	Labor		\$ 178,605	41.01	30.633	10.377	0.028	\$ 5,078
3	Purchased Water		-	41.01	-	41.010	0.112	-
4	Fuel & Power		33,324	41.01	47.613	(6.603)	(0.018)	(603)
5	Chemicals		48,889	41.01	-	41.010	0.112	5,493
6	Waste Disposal		811	41.01	71.838	(30.828)	(0.084)	(68)
7	Intercompany Support Services		95	41.01	30.417	10.593	0.029	3
8	Corporate Allocation		32,313	41.01	30.420	10.590	0.029	938
9	Outside Services		26,538	41.01	33.772	7.238	0.020	526
10	Group Insurance		38,163	41.01	(10.716)	51.726	0.142	5,408
11	Regulatory Expense		7,261	41.01	(48.646)	89.656	0.246	1,784
12	Insurance Other Than Group		12,198	41.01	64.818	(23.808)	(0.065)	(796)
13	Customer Accounting		22,586	41.01	49.829	(8.819)	(0.024)	(546)
14	Rents		7,566	41.01	16.959	24.051	0.066	499
15	General Office Expense		25,712	41.01	33.084	7.926	0.022	558
16	Miscellaneous		6,593	41.01	25.186	15.824	0.043	286
17	Maintenance Expense		38,435	41.01	51.053	(10.043)	(0.028)	(1,058)
18								
19								
20	TAXES							
21	Property Taxes		\$ 34,953	41.01	213.250	(172.240)	(0.472)	\$ (16,494)
22	Taxes - Payroll		13,897	41.01	26.402	14.608	0.040	556
23	Taxes -Other		2,260	41.01	(135.814)	176.824	0.484	1,095
24	Income Tax		38,060	41.01	41.750	(0.740)	(0.002)	(77)
25								
26	Interest		\$ 37,703	41.01	74.500	(33.490)	(0.092)	\$ (3,459)
27								
28								
29								
30								
31	WORKING CASH REQUIREMENT		<u>\$ 605,962</u>					<u>\$ (878)</u>
32								
33								
34								
35								
36								
37								
38								
39								
40								
41								
42								
43	Supporting Schedules:							
44	C-1 Rejoinder							Recap Schedules: B-5 Rejoinder
45								
46	Workpapers & Supporting Documents							
47								
48								
49								
50	\2013 Paradise Valley Water Sch. A-F.xls							

Tubac Water
 Test Year Ended June 30, 2013
 Adjusted Test Year Income Statement

Exhibit
 Schedule C-1 Rejoinder
 Page 1
 Witness: Murrey

Line No.	[A] Test Year Rebuttal Results	[B] Total Pro Forma Adjustments	[C] Test Year Rejoinder Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	Revenues				
2	\$ 574,204	\$ -	\$ 574,204	\$ 255,452	\$ 829,656
3	4,990	-	4,990	-	4,990
4	<u>\$ 579,194</u>	<u>\$ -</u>	<u>\$ 579,194</u>	<u>\$ 255,452</u>	<u>\$ 834,646</u>
5					
6	Operating Expenses				
7	\$ 178,805	\$ (200)	\$ 178,605	\$ -	\$ 178,605
8	-	-	-	-	-
9	33,324	-	33,324	-	33,324
10	48,078	811	48,889	-	48,889
11	811	-	811	-	811
12	95	-	95	-	95
13	32,313	-	32,313	-	32,313
14	26,870	(332)	26,538	-	26,538
15	37,821	(88)	37,733	-	37,733
16	430	-	430	-	430
17	7,261	-	7,261	-	7,261
18	12,198	-	12,198	-	12,198
19	21,926	-	21,926	660	22,586
20	7,566	-	7,566	-	7,566
21	25,761	(49)	25,712	-	25,712
22	6,593	-	6,593	-	6,593
23	38,435	(0)	38,435	-	38,435
24	183,277	(16,796)	166,481	-	166,481
25	30,506	(0)	30,506	4,447	34,953
26	16,157	-	16,157	-	16,157
27	(64,034)	7,063	(56,971)	95,031	38,060
28					
29	<u>\$ 644,192</u>	<u>\$ (9,591)</u>	<u>\$ 634,601</u>	<u>\$ 100,138</u>	<u>\$ 734,739</u>
30	<u>\$ (64,998)</u>	<u>\$ 9,591</u>	<u>\$ (55,408)</u>	<u>\$ 155,314</u>	<u>\$ 99,906</u>
31	Other Income & Deductions				
32	\$ -	\$ -	\$ -	\$ -	\$ -
33	39,656	(1,953)	37,703	-	37,703
34	-	-	-	-	-
35	-	-	-	-	-
36	<u>\$ (39,656)</u>	<u>\$ 1,953</u>	<u>\$ (37,703)</u>	<u>\$ -</u>	<u>\$ (37,703)</u>
37	<u>\$ (104,655)</u>	<u>\$ 11,544</u>	<u>\$ (93,111)</u>	<u>\$ 155,314</u>	<u>\$ 62,203</u>

44 Supporting Schedules:
 45 E-2 Revised
 46 C-2 Rejoinder

Recap Schedules:
 A-1 Rejoinder

Line	[A] Test Year	[B] ADJ SM-1R	[C] ADJ SM-2R	[D] ADJ SM-3R	[E] ADJ SM-4R	[F] ADJ SM-6R	[G] ADJ SLH-7R	[H] Total	[I] Test Year Adjusted Rejoinder	[J] Proposed	[K] Adjusted
	Adjusted Rebuttal	Property Tax	Federal and State Income Tax	Interest Synchronization	Remove Acquisition Costs	Update Chemical Expense	Adj Depreciation for Removal of Arsenic Media	Pro Forma Adjustments	Results	Rate	with Rate
	Results								Increase	Increase	Increase
1	Water Revenues	574,204							574,204	255,452	829,656
2	Water Revenues	4,990							4,990		4,990
3	Other Revenues									255,452	834,646
4											
5											
6	Operating Expenses										
7	Labor	178,805			(200)			(200)	178,605		178,605
8	Purchased Water										
9	Fuel & Power	33,324							33,324		33,324
10	Chemicals	48,078				811		811	48,889		48,889
11	Waste Disposal	811							811		811
12	Intercompany Support Services	95							95		95
13	Corporate Allocation	32,313			(332)			(332)	32,313		32,313
14	Outside Services	26,870			(88)			(88)	26,538		26,538
15	Group Insurance	37,821							37,733		37,733
16	Pensions	430							430		430
17	Regulatory Expense	7,261							7,261		7,261
18	Insurance Other Than Group	12,198							12,198		12,198
19	Customer Accounting	21,926							21,926	660	22,586
20	Rents	7,566							7,566		7,566
21	General Office Expense	25,712			(49)			(49)	25,712		25,712
22	Miscellaneous	6,593							6,593		6,593
23	Maintenance Expense	38,435			(0)			(0)	38,435		38,435
24	Depreciation & Amortization	183,277				(16,796)		(16,796)	166,481		166,481
25	General Taxes-Property	30,506	(0)						30,506	4,447	34,953
26	General Taxes-Other	16,157							16,157		16,157
27	Income Taxes	(64,034)	7,063					7,063	(56,971)	95,031	38,060
28											
29	Total Operating Expenses	644,192	7,063		(669)	811	(16,796)	(9,591)	634,601	100,138	734,739
30	Utility Operating Income	(64,998)	(0)		669	(811)	16,796	9,591	(55,408)	155,314	99,906
31	Other Income & Deductions										
32	Other Income & Deductions			(1,953)							
33	Interest Expense	39,656							39,656		39,656
34	Other Expense										
35	Gain/Loss Sale of Fixed Assets										
36	Total Other Income & Deductions	(39,656)		1,953				1,953	(37,703)		(37,703)
37	Net Profit (Loss)	(104,655)	(7,063)	1,953	669	(811)	16,796	11,544	(93,111)	155,314	62,203
38											
39											
40											
41											
42											
43											
44	Supporting Schedules:										
45	E-6										
46	Workpapers & Supporting Documents:										
47	2013 Tubac Water Sch. A-F Rejoinder (OI										
48											

Recap Schedules:
 C-1 Rejoinder

Line No.	[A]	[B]
1	Property Tax Expense	Property Tax Expense
2		For Conversion Factor
3		
4	Adjusted Revenues in Year Ended June 2013	Adjusted Revenues in Year Ended June 2013
5	\$ 579,194	\$ 579,194
6	Proposed Revenues	Proposed Revenues
7	579,194	834,646
8	<u>\$ 579,194</u>	<u>\$ 664,344</u>
9	\$1,158,387	\$1,328,689
10	Add:	
11	Construction Work in Progress at 10%	Construction Work in Progress at 10%
12	9,880	9,880
13	Deduct:	
14	Net Book Value of Transportation Equipment	Net Book Value of Transportation Equipment
15	\$ -	\$ -
16	Full Cash Value	Full Cash Value
17	\$ 1,168,268	\$ 1,338,569
18	Assessment Ratio (For 2015 per HB 2001 Sec 42-15001)	Assessment Ratio (For 2015 per HB 2001 Sec 42-15001)
19	18.5%	18.5%
20	Assessed Value	Assessed Value
21	\$ 216,130	\$ 247,635
22	Property Tax Rate	Property Tax Rate
23	14.11%	14.11%
24	Property Tax	Property Tax
25	30,506	34,953
26	Tax on Parcels	Tax on Parcels
27	-	-
28	Adjusted Test Year Property Taxes at Present Rates (Line 19+Line 20, Col [A])	Adjusted Test Year Property Taxes at Present Rates (Line 19+Line 20, Col [B])
29	\$ 30,506	\$ 34,953
30	Adjusted Test Year Property Taxes, Rebuttal	Adjusted Test Year Property Taxes, Rebuttal
31	30,506	30,506
32	Adjustment to Revenue and/or Expense (To Sch C-2 Rejoinder, Col [BO])	Adjustment to Revenue and/or Expense (To Sch C-2 Rejoinder)
33	\$ (0)	\$ 4,447
34	Adjusted Test Year Property Taxes at Proposed Rates (Line 19+Line 20, Col [B])	Adjusted Test Year Property Taxes at Proposed Rates (Line 19+Line 20, Col [B])
35		\$ 34,953
36	Adjusted Test Year Property Taxes at Present Rates (Line 22, Col [A])	Adjusted Test Year Property Taxes at Present Rates (Line 22, Col [A])
37		30,506
38	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rejoinder)	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rejoinder)
39		<u>\$ 4,447</u>
40		
41		
42		
43		
44	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 REJOINDER):</u>	
45	Increase in Property Tax Due to Increase in Revenue Requirement (Line 28, Col [B])	\$ 4,447
46	Increase in Revenue Requirement (From Sch. A1 Rejoinder)	\$ 255,452
47	Increase in Property Tax Per Dollar Increase in Revenue (Line 34/Line 36)	1.74%
48		
49		
50	Workpapers & Supporting Documents:	
51		
52		
53		
54		
55		
56		
57		
58		
59		
60	\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls	

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase
1			
2	<u>Calculation of Income Taxes at Proposed Rates</u>		
3			
4			
5	Operating Income Before Inc. Taxes	\$ (112,379)	\$ 137,966
6	Interest Expense	37,703	37,703
7	Arizona Taxable Income	<u>\$ (150,082)</u>	<u>\$ 100,263</u>
8			
9	Less Arizona Income Tax	<u>\$ (9,005)</u>	<u>\$ 6,016</u>
10	Arizona Income Tax Rate =		
11	6.00%		
12	Federal Income Before Taxes	\$ (150,082)	\$ 100,263
13	Less Arizona Income Taxes	(9,005)	6,016
14	Federal Taxable Income	<u>\$ (141,077)</u>	<u>\$ 94,247</u>
15			
16	FEDERAL INCOME TAXES:		
17			
18			
19			
20			
21			
22			
23	Federal Income Taxes	<u>\$ (47,966)</u>	<u>\$ 32,044</u>
24			
25			
26	Total Income Tax	<u>\$ (56,971)</u>	<u>\$ 38,060</u>
27			
28	Tax Rate	<u>37.96%</u>	<u>37.96%</u>
29			
30	Effective Income Tax Rates		
31	State	6.000%	6.000%
32	Federal	31.96%	31.96%
33			
34			
35	Adjusted Test Year Income Taxes	<u>\$ (64,034)</u>	
36	Increase in Income Taxes, Rejoinder	<u>\$ 7,063</u>	
37			
38	Rejoinder Adjustment to Revenues and/or Expense	<u>\$ 7,063</u>	
39			
40	Test Year Income Taxes, Rebuttal		\$ (56,971)
41	Increase in Income Taxes		95,031
42			
43	Rejoinder Adjustment to Revenue and/or Expense		<u>\$ 95,031</u>
44			
45			
46	Workpapers & Supporting Documents:		
47			
48			
49			
50	\\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls		

Line

No.

1 Interest Synchronization

2

3

4 Interest Synchronization with Rate Base

5

6 Original Cost Rate Base (Sch. B-1 Rejoinder, Ln. 28)

\$ 1,467,051

7 Weighted Cost of Debt from Schedule D-1 Rejoinder

2.57%

8 Synchronized Interest Expense

\$ 37,703

9

10 Test Year Interest Expense

\$ 39,656

11

12 Adjusted Test Year Interest Expense

\$ 39,656

13

14 Increase/(Decrease) in Interest Expense

\$ (1,953)

15

16 Rejoinder Adjustment to Revenue and/or Expense

\$ (1,953)

17

18

19

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47 Workpapers & Supporting Documents:

48

49

50 \2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls

Line
No.

1 **Remove Acquisition Costs**
 2 The Company is removing charges related to the acquisition costs as identified in DR RUCO 30.10 (d).
 3
 4
 5

District Four Factor =
 0.00792

<u>Category</u>	<u>Account</u>	<u>Acquisition Costs</u>	<u>District Allocation</u>
9 Labor	5223 Salary-Inter Dept. Operating	\$ 25,216	\$ 200
10 Outside Services	5227 Consulting Engineering	10,365	82
11 Outside Services	5681 Legal Fees	16,526	131
12 Outside Services	5250 Contractors and Consultants	15,011	119
13 Group Insurance	5233 Salary Transfers - Burdens	11,095	88
14 General Office Expense	5630 Parking	78	1
15 General Office Expense	5631 Vehicle Allowance	497	4
16 General Office Expense	5650 Airfare	3,360	27
17 General Office Expense	5651 Accommodation, Other Travel	1,469	12
18 General Office Expense	5652 Meals/Entertainment	781	6
19 Maintenance Expense	5633 Vehicle Fuel	62	0
		<u>\$ 84,461</u>	<u>\$ 669</u>

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 45

Rejoinder Adjustment to Revenue and/or Expense

\$ (669)

46 Workpapers & Supporting Documents:
 47
 48
 49 \2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls
 50

Line
No.

1 **Update Chemical Expense**
 2 The Company is updating chemical expense to address an error made in the calculation in Adj SM-31. In determining the pro forma adjustment, Adj SM-31 removed
 3 \$811 of test year water disposal expense in error. This pro forma is adjusting for that difference.
 4
 5
 6
 7
 8
 9
 10
 11

	Company <u>Rebuttal</u>	Company <u>Rejoinder</u>	<u>Rejoinder Adjustment</u>
14 Test Year Chemical Expense	\$ 3,030	\$ 3,030	\$ -
15 Adj SM-3 Year End Annualization	(37)	(37)	-
16 Adj SM-19 Declining Usage	(105)	(105)	-
17 Adj SM-31 Amortize Media Replacement	(811)	-	811
18 Adj SM-31 Amortize Media Replacement	46,000	46,000	-
19 Adj SM-31 Amortize Media Replacement	<u>50,856</u>	<u>50,856</u>	-
20 Test Year Adjusted Results	98,934	99,745	811
21			
22 Adj SM -7R Chemical Expense	<u>\$ (50,856)</u>	<u>(50,856)</u>	-
23	<u>\$ 48,078</u>	<u>\$ 48,889</u>	<u>\$ 811</u>
24			
25			
26			
27	Rejoinder Adjustment to Revenue/Expense		<u>\$ 811</u>
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
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45			
46	Workpapers & Supporting Documents:		
47			
48			
49	\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls		
50			

Tubac Water
Test Year Ended June 30, 2013
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3 Rejoinder
 Page 1
 Witness: Murrey

Line No.	<u>Description</u>				Percentage of Incremental Gross <u>Revenues</u>
1	Federal Income Taxes				31.96%
2					
3	State Income Taxes				6.00%
4				Combined	37.96%
5	Property Taxes	Effective Rate =	1.74%	One Minus Combined	62.04%
6					1.08%
7	Bad Debt Expense	Effective Rate =	0.26%	One Minus Combined	62.04%
8					<u>0.16%</u>
9	Total Tax Percentage				39.20%
10					
11	Operating Income % = 100% - Tax Percentage				60.80%
12					
13					
14					
15	<u>1</u>	= Gross Revenue Conversion Factor			
16	Operating Income %				1.6447
17					
18					
19					
20					
21					
22					
23					
24					
25					
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41					
42					
43	Supporting Schedules:			Recap Schedules:	
44				A-1 Rejoinder	
45					
46					
47					
48					
49	\June 2013 Rolling 12 Months by BU.xlsx				
50	\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls				

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	\$ 231,761,134	58.55%	4.29%	\$ 231,761,134	59.84%	4.29%
2							
3	Short-Term Debt	\$ 8,560,000	2.16%	0.31%	\$ -	0.00%	0.31%
4							
5	Stockholder's Equity	\$ 155,533,624	39.29%	10.55%	\$ 155,533,624	40.16%	10.55%
6							
7	Totals	<u>\$ 395,854,758</u>	<u>100.00%</u>		<u>\$ 387,294,758</u>	<u>100.00%</u>	
8							<u>6.81%</u>
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Supporting Schedules:						
31	D-2 Rejoinder						
32							
33							
34							
35							

Supporting Schedules: Recap Schedules:
 D-2 Rejoinder A-1 Rejoinder

\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls

Tubac Water

Test Year Ended June 30, 2010
 Summary of Cost of Capital
 Total Company - EPCOR Water Arizona
 District Level - Tubac Water - Proposed

Exhibit
 Schedule D-1 Rejoinder
 Page 2
 Witness: Hubbard

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	\$ 858,915	58.55%	4.29%	\$ 877,898	59.84%	4.29%
2							
3	Short-Term Debt	\$ 31,724	2.16%	0.31%	\$ -	0.00%	0.31%
4							
5	Stockholder's Equity	\$ 576,413	39.29%	10.55%	\$ 589,153	40.16%	10.55%
6							
7	Totals	\$ 1,467,051	100.00%		\$ 1,467,051	100.00%	
8							6.81%
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Supporting Schedules:						
31	D-2 Rejoinder						
32							
33							
34							
35							

Supporting Schedules:
 Recap Schedules:
 A-1 Rejoinder

Tubac Water
 Test Year Ended June 30, 2010
 Cost of Long Term Debt
 Test Year - - Proposed

Line No.		At Parent Level			End of Projected Year		
		Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt						
2	10-Year EPCOR Water USA Note	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
4	WIFA loan	761,134	29,973	3.94%	761,134	29,973	3.94%
5	Totals	<u>\$ 231,761,134</u>	<u>\$ 9,942,276</u>	<u>4.29%</u>	<u>\$ 231,761,134</u>	<u>\$ 9,942,276</u>	<u>4.29%</u>
6							
7							
8							
9	Common Equity						
10	Common Stock	\$ 522,880			\$ 522,880		
11	Paid in Capital	184,882,920			184,882,920		
12	Retained Earnings	(29,872,177)			(29,872,177)		
13		<u>\$ 155,533,624</u>		10.55%	<u>\$ 155,533,624</u>		10.55%
14							
15							
16							
17	Short-Term Debt						
18	S-T Debt from EPCOR Utilities, Inc	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
19							
20	Totals	<u>\$ 8,560,000</u>	<u>\$ 26,536</u>	<u>0.31%</u>	<u>\$ 8,560,000</u>	<u>\$ 26,536</u>	<u>0.31%</u>
21							
22							
23							
24							
25	Supporting Schedules:						
26	E-1						
27							
28							
29	\EUSA TB By BU_131101_Sch E.xlsx						
30	\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls						

Recap Schedules:
 D-1 Rejoinder

Line No.	Description	End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt						
2	10-Year EPCOR Water USA Note	\$ 133,000,000	\$ 5,004,790	3.77%	\$ 133,000,000	\$ 5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
4							
5							
6	Totals	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%
7							
8							
9	Common Equity						
10	Common Stock	\$ 522,880			\$ 522,880		
11	Paid in Capital	184,882,920			184,882,920		
12	Retained Earnings	(29,872,177)			(29,872,177)		
13		\$ 155,533,624		10.55%	\$ 155,533,624		10.55%
14							
15							
16							
17	Short-Term Debt						
18	Intercompany Payable	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
19							
20							
21	Totals	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
22							
23							
24							
25	Supporting Schedules:						
26	E-1						
27							
28							
29	Recap Schedules:						
30	D-1 Rejoinder						

\EUSA TB By BU_131101_Sch E.xlsx
 \2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls

Tubac Water District
 Test Year Ended June 30, 2013

Exhibit
 Rejoinder Schedule H-3
 Page 5
 Witness: Bourassa

Line

No.

1

2 **Arsenic Cost Recovery Charges**

3

4 Residential

Present

Proposed

5

6

Basic

Commodity

Basic

Commodity

7

Service

Rate

First Tier

Service

Rate

First Tier

8

Meter Size (All Classes)

Charge

per 1,000 gals

(gallons)

Charge

per 1,000 gals

(gallons)

9

5/8x3/4 Inch

\$ 3.56

\$ 0.4273

All gallons

\$ -

\$ -

All gallons

10

3/4 Inch

3.56

0.4273

All gallons

-

-

All gallons

11

1 Inch

10.68

0.4273

All gallons

-

-

All gallons

12

1 1/2 Inch

20.81

0.4273

All gallons

-

-

All gallons

13

2 Inch

33.23

0.4273

All gallons

-

-

All gallons

14

3 Inch

66.44

0.4273

All gallons

-

-

All gallons

15

4 Inch

104.06

0.4273

All gallons

-

-

All gallons

16

6 Inch

207.55

0.4273

All gallons

-

-

All gallons

17

8 Inch

332.22

0.4273

All gallons

-

-

All gallons

18

10 Inch

478.51

0.4273

All gallons

-

-

All gallons

19

12 Inch

894.76

0.4273

All gallons

-

-

All gallons

20

21

22 Commercial

Present

Proposed

23

24

Basic

Commodity

Basic

Commodity

25

Service

Rate

First Tier

Service

Rate

First Tier

26

Meter Size (All Classes)

Charge

per 1,000 gals

(gallons)

Charge

per 1,000 gals

(gallons)

27

5/8x3/4 Inch

\$ 3.56

\$ 0.4273

All gallons

\$ -

\$ -

All gallons

28

3/4 Inch

3.56

0.4273

All gallons

-

-

All gallons

29

1 Inch

10.68

0.4273

All gallons

-

-

All gallons

30

1 1/2 Inch

20.81

0.4273

All gallons

-

-

All gallons

31

2 Inch

33.23

0.4273

All gallons

-

-

All gallons

32

3 Inch

66.44

0.4273

All gallons

-

-

All gallons

33

4 Inch

104.06

0.4273

All gallons

-

-

All gallons

34

6 Inch

207.55

0.4273

All gallons

-

-

All gallons

35

8 Inch

332.22

0.4273

All gallons

-

-

All gallons

36

10 Inch

478.51

0.4273

All gallons

-

-

All gallons

37

12 Inch

894.76

0.4273

All gallons

-

-

All gallons

38

39

40

41

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43

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45

Tubac Water District
 Test Year Ended June 30, 2013
 Meter and Service Line Charges

Exhibit
 Rejoinder Schedule H-3
 Page 4
 Witness: Bourassa

Line

No.

1

2 **Refundable Meter and Service Line Charges**

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	Present Service Line Charge	Present Meter Install- ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install- ation Charge	Total Proposed Charge
<u>Meter Size</u>						
5/8 x 3/4 Inch	\$ 445.00	\$ 155.00	\$ 600.00	\$ 445.00	\$ 155.00	\$ 600.00
3/4 Inch	445.00	255.00	700.00	445.00	255.00	700.00
1 Inch	495.00	315.00	810.00	495.00	315.00	810.00
1 1/2 Inch	550.00	525.00	1,075.00	550.00	525.00	1,075.00
2 Inch / Turbine	830.00	1,045.00	1,875.00	830.00	1,045.00	1,875.00
2 Inch / Compound	830.00	1,890.00	2,720.00	830.00	1,890.00	2,720.00
3 Inch / Turbine	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
3 Inch / Compound	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
4 Inch / Turbine	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
4 Inch / Compound	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
6 Inch / Turbine	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
6 Inch / Compound	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
8 Inch & Larger	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

N/T = No Tariff

Tubac Water District
Changes in Representative Rate Schedules
Test Year Ended June 30, 2013

Exhibit
 Rejoinder Schedule H-3
 Page 3
 Witness: Bourassa

Line

No.

	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>
1		
2		
3 <u>Service Charges</u>		
4 Establishment or Re-establishment of Water Service		\$ 35.00
5 Regular Hours	\$ 30.00	Remove
6 After Hours	\$ 45.00	Remove
7 Reconnection of Water Service (Delinquent)		\$ 35.00
8 Regular Hours	\$ 30.00	Remove
9 After Hours	\$ 45.00	Remove
10 Meter Test (if correct)	\$ 10.00	\$ 35.00
11 Meter Reread (if correct)	\$ 5.00	\$ 25.00
12 NSF Check	\$ 25.00	\$ 25.00
13 Late Fee Charge, per month	1.50%	1.50%
14 Deferred Payment	1.50%	1.50%
15 Deposit Requirements	(a)	(a)
16 Deposit Interest	(b)	(b)
17 After Hours Service Charge(c)	NT	\$ 30.00
18		
19		
20		
21		
22		
23		
24 (a) Per ACC Rules R14-2-403(B) <u>Residential</u> - two times the average bill.		
25 <u>Non-residential</u> - two and one-half times the estimated maximum bill.		
26 (b) Interest per A.C.C. Rule 14-2-403(B)		
27 (c) After hours service charge: After regular working hours, Saturdays, Sundays, and holidays if at the customer's		
28 request or for the customer's convenience.		
29		
30		
31 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
32 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
33 TAX. PER COMMISSION RULE 14-2-409D(5).		
34		
35		
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37		

Tubac Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate	Dollar Change
1	2 Inch Meter - Residential, Commercial	1 gallons to over	4.00 \$	6.51 \$	2.51 \$
2			6.00 \$	7.76 \$	1.76 \$
3					
4	3 Inch Meter - Residential, Commercial	1 gallons to over	4.00 \$	6.51 \$	2.51 \$
5			6.00 \$	7.76 \$	1.76 \$
6					
7	4 Inch Meter - Residential, Commercial	1 gallons to over	4.00 \$	6.51 \$	2.51 \$
8			6.00 \$	7.76 \$	1.76 \$
9					
10	6 Inch Meter - Residential, Commercial	1 gallons to over	4.00 \$	6.51 \$	2.51 \$
11			6.00 \$	7.76 \$	1.76 \$
12					
13	8 Inch Meter - Residential, Commercial	1 gallons to over	4.00 \$	6.51 \$	2.51 \$
14			6.00 \$	7.76 \$	1.76 \$
15					
16	10 Inch Meter - Residential, Commercial	1 gallons to over	4.00 \$	6.51 \$	2.51 \$
17			6.00 \$	7.76 \$	1.76 \$
18					
19	12 Inch Meter - Residential, Commercial	1 gallons to over	4.00 \$	6.51 \$	2.51 \$
20			6.00 \$	7.76 \$	1.76 \$
21					

Line No.	Commodity Rates (per 1,000 gallons)	Present Rate	Proposed Rate*
22	Low Income Program Discount Revenue Recovery		40
23	Program Participation Limit (No. of Customers)		7,872
24	Estimated Annual Discounts		-
25	Under(Over) Collections from previous years		7,872
26	Net Discounts to be recovered		13,608
27	Highest Cost Commodity Rate Gallons Sold to Residential, Commercial (in 1,000s)		
28	Low Income Surcharge on Highest Cost Commodity Rate (Residential, Commercial Customers Only)		0.5780
29			
30			
31			

* Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.6810 for the Low Income Surcharge.

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Tubac Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 1
 Witness: Bourassa

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Dollar Change
1	5/8x3/4 Inch Residential Low Income	NT	\$ 24.60	
2	3/4 Inch	24.70	41.00	16.30
3	1 Inch	24.70	41.00	16.30
4	1 1/2 Inch	74.10	102.51	28.41
5	2 Inch	144.38	205.01	60.63
6	3 Inch	230.53	328.02	97.49
7	4 Inch	461.00	656.03	195.03
8	6 Inch	722.00	1,025.05	303.05
9	8 Inch	1,440.00	2,050.10	610.10
10	10 Inch	2,305.00	3,280.16	975.16
11	12 Inch	3,220.00	4,715.23	1,495.23
12		6,208.00	8,815.43	2,607.43
13				
14				
15				
16	Gallons In. Minimum (All Meter Sizes and Classes)			
17				
18				
19	<u>Commodity Rates (per 1,000 gallons)</u>			
20				
21	5/8x3/4 Inch and 3/4 Inch Meter - Residential			
22	1 gallons to	3,000 gallons	\$ 1.90	\$ 4.56
23	3,001 gallons to	10,000 gallons	\$ 3.00	\$ 5.91
24	10,001 gallons to	20,000 gallons	\$ 4.00	\$ 6.96
25	over	20,000 gallons	\$ 6.00	\$ 7.76
26	5/8x3/4 Inch and 3/4 Inch Meter - Commercial			
27	1 gallons to	20,000 gallons	\$ 4.00	\$ 6.51
28	over	20,000 gallons	\$ 6.00	\$ 7.76
29	1 Inch Meter - Residential, Commercial			
30	1 gallons to	35,000 gallons	\$ 4.00	\$ 6.51
31	over	35,000 gallons	\$ 6.00	\$ 7.76
32	1 1/2 Inch Meter - Residential, Commercial			
33	1 gallons to	85,000 gallons	\$ 4.00	\$ 6.51
34	over	85,000 gallons	\$ 6.00	\$ 7.76
35	2 Inch Meter - Residential, Commercial			
36	1 gallons to	150,000 gallons	\$ 4.00	\$ 6.51
37	over	150,000 gallons	\$ 6.00	\$ 7.76
38	3 Inch Meter - Residential, Commercial			
39	1 gallons to	175,000 gallons	\$ 4.00	\$ 6.51
40	over	175,000 gallons	\$ 6.00	\$ 7.76
41				
42				
43				

Tubac Water District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Median Consumption	Median Bill		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8 x3/4Inch Residential	482	5,000 \$	42.10 \$	66.50	24.41	57.98%
2	3/4 Inch Residential	-	\$	28.26 \$	41.00	12.74	45.09%
3	1 Inch Residential	24	10,000	129.05	167.61	38.55	29.87%
4	1.5 Inch Residential	-	-	165.19	205.01	39.82	24.11%
5	2 Inch Residential	4	19,500	350.09	454.96	104.87	29.95%
6	6 Inch Residential	-	-	1,647.55	2,050.10	402.55	24.43%
7	Subtotal	509					
8							
9	5/8 Inch Commercial	52	2,000 \$	37.11 \$	54.02	16.91	45.55%
10	3/4 Inch Commercial	-	-	28.26	41.00	12.74	45.09%
11	1 Inch Commercial	18	8,000	120.20	154.59	34.39	28.61%
12	1.5 Inch Commercial	2	18,500	247.10	325.45	78.35	31.71%
13	2 Inch Commercial	14	27,500	385.51	507.04	121.53	31.52%
14	3 Inch Commercial	0	252,000	1,797.12	2,392.80	595.68	33.15%
15	4 Inch Commercial	-	-	826.06	1,025.05	198.99	24.09%
16	6 Inch Commercial	-	-	1,647.55	2,050.10	402.55	24.43%
17							
18	Subtotal	86					
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33	Total	596					

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

Tubac Water District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Average Consumption	Average Bill		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch Residential	482	8,348	\$ 53.57	\$ 86.29	32.72	61.07%
2	3/4 Inch Residential	-	-	\$ 28.26	\$ 41.00	12.74	45.09%
3	1 Inch Residential	24	13,839	146.05	192.60	46.55	31.87%
4	1.5 Inch Residential	-	-	165.19	205.01	39.82	24.11%
5	2 Inch Residential	4	39,917	440.48	587.87	147.39	33.46%
6	6 Inch Residential	-	-	1,647.55	2,050.10	402.55	24.43%
7	Subtotal	509					
8							
9	5/8x3/4 Inch Commercial	52	7,126	\$ 59.81	\$ 87.39	27.58	46.12%
10	3/4 Inch Commercial	-	-	28.26	41.00	12.74	45.09%
11	1 Inch Commercial	18	25,287	196.73	267.12	70.39	35.78%
12	1.5 Inch Commercial	2	20,708	256.87	339.82	82.95	32.29%
13	2 Inch Commercial	14	54,744	506.13	684.40	178.27	35.22%
14	3 Inch Commercial	0	258,600	1,839.54	2,444.02	604.48	32.86%
15	4 Inch Commercial	-	-	826.06	1,025.05	198.99	24.09%
16	6 Inch Commercial	-	-	1,647.55	2,050.10	402.55	24.43%
17							
18	Subtotal	86					
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33	Total	596					
34							

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

Tubac Water District
Test Year Ended June 30, 2013
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
3	\$ 600,443	\$ 865,530	\$ 265,087	44.15%	103.67%	103.70%
6	(20,841)	(30,062)	(9,221)	44.25%	-3.60%	-3.60%
7	(4,914)	(6,506)	(1,592)	32.40%	-0.85%	-0.78%
8	\$ 574,688	\$ 828,962	\$ 254,274	44.25%	99.22%	99.32%
9	\$ 4,990	\$ 4,990	-	0.00%	0.86%	0.60%
11	(484)	693	1,178	-243.31%	-0.08%	0.08%
12	\$ 579,194	\$ 834,645	\$ 255,452	44.10%	100.00%	100.00%

Schedule H-1, page 4

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Returns at Present Rates by Class

Exhibit
 Rejoinder Schedule G-1
 Page 1
 Witness: Bourassa

Line No.		Totals	Residential	Commercial
1	Water Revenues	\$ 600,443	\$ 408,280	\$ 192,163
2	Fire Service Revenues	-	-	-
3	Revenue Annualizations	(4,914)	(3)	(4,911)
4	Declining Usage	(20,841)	(14,288)	(6,553)
5	Misc. Revenues ¹	4,990	4,268	722
6	Reconciliation H-1 to C-1 ¹	(484)	(414)	(70)
7	Total Revenues	\$ 579,194	\$ 397,843	\$ 181,351
8				
9	Operating Expenses ²	\$ 494,585	\$ 395,423	\$ 99,162
10	Depreciation and			
11	Amortization ²	166,481	131,205	35,277
12	Property Tax ³	30,506	20,954	9,552
13	Income Tax ⁴	(56,971)	(67,809)	10,838
14	Total Operating Expenses	\$ 634,602	\$ 479,773	\$ 154,828
15	Operating Income	\$ (55,407)	\$ (81,930)	\$ 26,523
16	Interest Expense ⁵	37,703	28,893	8,810
17	Net Income	\$ (93,111)	\$ (110,823)	\$ 17,713
18	Rate Base ⁶	\$ 1,467,051	\$ 1,124,260	\$ 342,792
19	Return on Rate Base ⁷	-3.78%	-7.29%	7.74%
20				
21	Percent of Total Customers		85.53%	14.47%
22				
23				
24				
25				
26				
27				
28	¹ Allocated based on customer counts.			
29	² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.			
30	³ Property Taxes allocation based on Revenues.			
31	⁴ Income Tax from Schedule C-1, at present rates. Income Taxes allocated based on taxable income.			
32	⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base			
33	⁶ Rate Base computations are shown on Schedule G-3, Page 1			
34	⁷ Operating Income Divided by Rate Base			
35				
36				

Line No.		Totals	Residential	Commercial
1	Water Revenues	\$ 865,530	\$ 610,622	\$ 254,908
2	Fire Service Revenues	-	-	-
3	Revenue Annualizations	(6,506)	(11)	(6,495)
4	Declining Usage	(30,062)	(25,712)	(4,350)
5	Misc. Revenues ¹	4,990	4,268	722
6	Reconciliation H-1 to C-1 ¹	693	593	100
7	Total Revenues	\$ 834,645	\$ 589,760	\$ 244,885
8				
9	Operating Expenses ²	\$ 495,246	\$ 395,988	\$ 99,258
10	Depreciation and Amortization ²	166,481	131,205	35,277
11	Property Tax ³	34,953	24,698	10,255
12	Income Tax ⁴	38,060	3,407	34,652
13	Total Operating Expenses	\$ 734,740	\$ 555,298	\$ 179,442
14	Operating Income	\$ 99,905	\$ 34,462	\$ 65,443
15	Interest Expense ⁵	37,703	28,893	8,810
16	Net Income	\$ 62,202	\$ 5,569	\$ 56,633
17	Rate Base ⁶	\$ 1,467,051	\$ 1,124,260	\$ 342,792
18	Return on Rate Base ⁷	6.81%	3.07%	19.09%
19				
20				
21	Percent of Total Customers		85.53%	14.47%
22				

Indicated Monthly Minimums and Single-Tier Commodity Rates for 5/8x3/4 Inch Meter

	Sched. G-8, pg 4A	Sched. G-8, pg 4B	Sched. G-8, pg 4C
	All Classes	Residential	Commercial
24	Monthly Minimums	\$ 40.44	\$ 43.18
25	Single-Tier Commodity Rate	\$ 5.897	\$ 6.110
26			
27			
28			
29			
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32			
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35			
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37			

¹ Allocated based on customer counts.
² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 2.
³ Property Taxes allocation based on Revenues
⁴ Income Tax from Schedule C-1, at proposed rates. Income Taxes allocated based on taxable income
⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base
⁶ Rate Base computations are shown on Schedule G-3, Page 1
⁷ Operating Income Divided by Rate Base

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Allocation of Assets to Customer Classes

Exhibit
 Rejoinder Schedule G-3
 Page 1
 Witness: Bourassa

Line No.		Totals	Residential	Commercial
4	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Sche			
5	Commodity	\$ 150,329	\$ 108,484	\$ 41,845
6	Demand	630,499	510,371	120,127
7	Customer	86,157	73,690	12,467
8	Service	447,176	303,965	143,211
9	Meter	152,892	127,750	25,142
10	Total	\$ 1,467,052	\$ 1,124,260	\$ 342,792

<u>Summary</u>	
15	Net Rate Base
16	% of Net Rate Base
17	
18	
19	
20	

\$ 1,467,052	\$ 1,124,260	\$ 342,792
100.00%	76.63%	23.37%

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Expenses to Customer Classes - Present Rates

Exhibit
 Rejoinder Schedule G-4
 Page 1
 Witness: Bourassa

Line No.		Adjusted Per C-1	Residential	Commercial	Totals
1	Operation and Maintenance Expense (from Schedule G-6, Page 1)				
2	Commodity	\$ 148,821	\$ 107,396	\$ 41,425	\$ 148,821
3	Demand	168,140	136,105	32,035	168,140
4	Customer	177,624	151,922	25,702	177,624
5	Service	-	-	-	-
6	Meter	-	-	-	-
7	Totals	\$ 494,585	\$ 395,423	\$ 99,162	\$ 494,585
8	Depreciation Expense on Plant (from Schedule G-6, Page 2)				
9	Commodity	24,749	17,860	6,889	24,749
10	Demand	105,570	85,456	20,114	105,570
11	Customer	3,984	3,408	577	3,984
12	Service	15,439	10,494	4,944	15,439
13	Meter	16,739	13,987	2,753	16,739
14	Totals	\$ 166,481	\$ 131,205	\$ 35,277	\$ 166,481
15					
16	Operation and Maintenance Expense and Depreciation Expense				
17	Commodity	\$ 173,570	\$ 125,256	\$ 48,314	\$ 173,570
18	Demand	273,710	221,561	52,149	273,710
19	Customer	181,608	155,330	26,278	181,608
20	Service	15,439	10,494	4,944	15,439
21	Meter	16,739	13,987	2,753	16,739
22	Total	\$ 661,067	\$ 526,628	\$ 134,439	\$ 661,067
23					
24	Total Expenses (excluding Income Tax and				
25	Property Taxes)	\$ 661,067	\$ 526,628	\$ 134,439	\$ 661,067
26					
27	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 30,506			
28	Income Tax, Allocated on Schedules G-1 & G-2	(56,971)			
29	Total Expenses	\$ 634,602			
30					

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Expenses to Customer Classes - Proposed Rates

Exhibit
 Rejoinder Schedule G-4
 Page 2
 Witness: Bourassa

Line No.	Description	At Proposed C-1 (from Schedule G-6, Page 1)	Residential	Commercial	Totals
1					
2	<u>Operation and Maintenance Expense (from Schedule G-6, Page 1)</u>				
3	Commodity	\$ 148,821	\$ 107,396	\$ 41,425	\$ 148,821
4	Demand	168,140	136,105	32,035	168,140
5	Customer	178,284	152,487	25,797	178,284
6	Service	-	-	-	-
7	Meter	-	-	-	-
8	Totals	<u>\$ 495,246</u>	<u>\$ 395,988</u>	<u>\$ 99,258</u>	<u>\$ 495,246</u>
9					
10	<u>Depreciation Expense on Plant (from Schedule G-6, Page 3.2)</u>				
11	Commodity	\$ 24,749	\$ 17,860	\$ 6,889	\$ 24,749
12	Demand	105,570	85,456	20,114	105,570
13	Customer	3,984	3,408	577	3,984
14	Service	15,439	10,494	4,944	15,439
15	Meter	16,739	13,987	2,753	16,739
16	Totals	<u>\$ 166,481</u>	<u>\$ 131,205</u>	<u>\$ 35,277</u>	<u>\$ 166,481</u>
17					
18	<u>Operation and Maintenance Expense and Depreciation Expense</u>				
19	Commodity	\$ 173,570	\$ 125,256	\$ 48,314	\$ 173,570
20	Demand	273,710	221,561	52,149	273,710
21	Customer	182,269	155,895	26,374	182,269
22	Service	15,439	10,494	4,944	15,439
23	Meter	16,739	13,987	2,753	16,739
24	Total	<u>\$ 661,727</u>	<u>\$ 527,193</u>	<u>\$ 134,534</u>	<u>\$ 661,727</u>
25					
26	<u>Total Expenses (excluding Income Tax and</u>				
27	<u>Property Taxes)</u>	<u>\$ 661,727</u>	<u>\$ 527,193</u>	<u>\$ 134,534</u>	<u>\$ 661,727</u>
28					
29	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 34,953			
30	Income Tax, Allocated on Schedules G-1 & G-2	38,060			
31	Total Expenses	<u>\$ 734,740</u>			
32					
33					
34					

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Rate Base by Function

Exhibit
 Rejoinder Schedule G-5
 Page 1
 Witness: Bourassa

Line No.		Adjusted Per B-2	Demand	Commodity	Customer	Meter	Service
1	<u>Rate Base</u>						
2	Plant minus (Accumulated Depreciation	\$ 1,467,052	\$ 630,499	\$ 150,329	\$ 86,157	\$ 152,892	\$ 447,176
3	Contributions in Aid of Construction						
4	Advances in Aid of Construction,						
5	Meter Deposits and Deferred Income Tax)						
6							
7							
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Tubac Water District
 Test Year Ended June 30, 2013
 Allocation of Plant, Less Contributions and Advances in Aid of
 Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
 Rejoinder Schedule G-5
 Page 2.1
 Witness: Bourassa

Line No.	Account Description	Adjusted Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	Intangible									
2	301000 Organization	567	-	567	F-1	459	108	-	-	-
3	302000 Franchises	2,030	-	2,030	F-1	1,644	386	-	-	-
4	303100 Other Intangible Plant	-	-	-	F-1	-	-	-	-	-
5	Subtotal Intangible	2,597	-	2,597		2,104	493	-	-	-
6										
7	Source of Supply & Pumping Plant									
8	303200 Land and Land Rights - Supply	61,190	-	61,190	F-1	49,564	11,626	-	-	-
9	303300 Land and Land Rights - Pumping	50	-	50	F-1	41	10	-	-	-
10	304100 Structures and Improvements - Supply	25,292	10,361	14,931	F-1	12,094	2,837	-	-	-
11	304200 Structures and Improvements - Pumping	14,608	11,543	3,065	F-1	2,483	582	-	-	-
12	305000 Collecting and Impounding Res.	-	-	-	F-1	-	-	-	-	-
13	306000 Lakes, Rivers, Other Intakes	-	-	-	F-1	-	-	-	-	-
14	307000 Wells and Springs	236,074	148,925	87,149	F-1	70,591	16,558	-	-	-
15	308000 Infiltration Galleries and Tunnels	-	-	-	F-1	-	-	-	-	-
16	309000 Supply Mains	-	-	-	F-1	-	-	-	-	-
17	310000 Power Generation Equipment	20,225	2,629	17,596	F-1	14,253	3,343	-	-	-
18	311000 Pumping Equipment - Steam	-	-	-	F-1	-	-	-	-	-
19	311200 Pumping Equipment - Electric	279,401	211,048	68,353	F-1	55,366	12,987	-	-	-
20	311300 Pumping Equipment - Diesel	879	569	310	F-1	251	59	-	-	-
21	311400 Pumping Equipment - Hydraulic	-	-	-	F-1	-	-	-	-	-
22	311500 Pumping Equipment - Other	403,824	135,138	268,686	F-1	217,635	51,050	-	-	-
23	311530 Pumping Equipment - Water Treatment	-	-	-	F-1	-	-	-	-	-
24	Subtotal Source of Supply & Pumping Plant	1,041,543	520,213	521,330		422,278	99,053	-	-	-
25										
26	Water Treatment									
27	303400 Land and Land Rights - Treatment	50	-	50	F-1	41	10	-	-	-
28	304300 Structures and Improvements - Treatment	302	21	281	F-1	227	53	-	-	-
29	320000 Water Treatment Plant	-	-	-	F-1	-	-	-	-	-
30	320100 Water Treatment Equipment - Non-media	1,858,903	412,766	1,446,137	F-1	1,171,371	274,766	-	-	-
31	320200 Water Treatment Equipment - Media	(0)	35,609	(35,609)	F-1	(28,844)	(6,766)	-	-	-
32	Subtotal Water Treatment	1,859,255	448,397	1,410,858		1,142,795	268,063	-	-	-
33										
34	Transmission and Distribution Plant									
35	303500 Land and Land Rights - T&D	422	(117)	539	F-1	437	102	-	-	-
36	304400 Structures and Improvements - T&D	156	109	47	F-1	38	9	-	-	-
37	330000 Distribution Reservoirs & Standpipes	210,840	58,259	152,581	F-1	123,591	28,990	-	-	-
38	330100 Elevated Tank & Standpipes	-	-	-	F-1	-	-	-	-	-
39	330200 Ground Level Tanks	-	-	-	F-1	-	-	-	-	-
40	330300 Below Ground Tanks	-	-	-	F-1	-	-	-	-	-
41	331001 T&D Mains Not Classified	364,469	62,042	302,427	F-1	244,966	57,461	-	-	-
42	331100 T&D Mains 4in & less	886,119	410,163	475,956	F-1	385,524	90,432	-	-	-
43	331200 T&D Mains 6in to 8in	896,807	95,922	800,885	F-1	648,717	152,168	-	-	-
44	331300 T&D Mains 10in to 16in	37,161	3,971	33,189	F-1	26,883	6,306	-	-	-
45	331400 TD Mains 18in & Gtr	-	-	-	F-1	-	-	-	-	-
46	332000 Fire Mains	-	-	-	F-2	-	-	-	-	-

Tubac Water District
 Test Year Ended June 30, 2013
 Allocation of Plant, Less Contributions and Advances in Aid of
 Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
 Rejoinder Schedule G-5
 Page 2.2
 Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	333000	Services	\$ 617,549	\$ 170,114	\$ 447,435	F-3	-	-	-	-	447,435
2	334100	Meters	194,259	59,958	134,301	F-4	-	-	-	134,301	-
3	334200	Meter Installations	22,040	3,190	18,850	F-4	-	-	-	18,850	-
4	334300	Meter Vaults	-	-	-	F-4	-	-	-	-	-
5	335000	Hydrants	136,093	18,802	117,292	F-5	-	-	117,292	-	-
6	336000	Backflow Prevention Devices	-	-	-	F-1	-	-	-	-	-
7	339100	Other P/E-Intangible	-	-	-	F-1	-	-	-	-	-
8	339200	Other P/E-Supply	-	-	-	F-1	-	-	-	-	-
9	339500	Other P/E-TD	-	-	-	F-1	-	-	-	-	-
10	339600	Other P/E-CPS	461	8	453	F-1	367	86	117,292	-	-
11	Subtotal Transmission and Distribution Plant		\$ 3,366,376	\$ 882,421	\$ 2,483,955		\$ 1,430,524	\$ 335,555	\$ 117,292	\$ 153,150	\$ 447,435
12	General Plant										
13	303600	Land and Land Rights	\$ 2,755	\$ -	\$ 2,755	F-1	\$ 2,232	\$ 523	\$ -	\$ -	\$ -
14	304500	Structures and Improvements - General	-	-	-	F-1	-	-	-	-	-
15	304600	Structures and Improvements - Offices	498	211	287	F-1	232	54	-	-	-
16	304620	Structures and Improvements - Leasehold	-	-	-	F-1	-	-	-	-	-
17	304700	Structures and Improvements - Store, Shop, (	44,598	2,640	41,959	F-1	33,986	7,972	-	-	-
18	304800	Structures and Improvements - General	-	-	-	F-1	-	-	-	-	-
19	340100	Office Furniture & Equipment	5,453	2,546	2,907	F-6	727	-	2,180	-	-
20	340100	Office Furniture & Equipment	1,336	5,104	(3,769)	F-6	(942)	-	(2,826)	-	-
21	340200	Computers & Software	-	-	-	F-6	-	-	-	-	-
22	340300	Computer Software	-	-	-	F-6	-	-	-	-	-
23	340310	Computer Software Mainframe	-	-	-	F-6	-	-	-	-	-
24	340325	Computer Software Customized	-	-	-	F-6	-	-	-	-	-
25	340330	Computer Software Other	-	-	-	F-6	-	-	-	-	-
26	340500	Other Office Equipment	-	-	-	F-6	-	-	-	-	-
27	341100	Transportation Equip Light Duty Trucks	17,166	59,578	(42,412)	F-6	(10,603)	-	(31,809)	-	-
28	341200	Transportation Equip Heavy Duty Trucks	-	-	-	F-6	-	-	-	-	-
29	341300	Transportation Equipment Autos	-	-	-	F-6	-	-	-	-	-
30	341400	Transportation Equipment Other	-	-	-	F-6	-	-	-	-	-
31	342000	Stores Equipment	0	(1,760)	1,761	F-6	440	-	1,320	-	-
32	343000	Tools and Work Equipment	22,179	5,510	16,669	F-1	13,502	3,167	-	-	-
33	344000	Laboratory Equipment	-	-	-	F-1	-	-	-	-	-
34	345000	Power Operated Equipment	-	-	-	F-1	-	-	-	-	-
35	346100	Communication Equipment Non-Telephone	1,932	1,570	362	F-1	293	69	-	-	-
36	346190	Remote Control & Instrument	-	-	-	F-1	-	-	-	-	-
37	346200	Communication Equipment Telephone	-	-	-	F-1	-	-	-	-	-
38	346300	Communication Equipment Other	659	508	151	F-1	122	29	-	-	-
39	347000	Tools and Work Equipment	-	-	-	F-1	-	-	-	-	-
40	348000	Laboratory Equipment	-	-	-	F-1	-	-	-	-	-
41	Subtotal General Plant		\$ 96,576	\$ 75,907	\$ 20,669		\$ 39,989	\$ 11,815	\$ (31,135)	\$ -	\$ -
42	Total Direct Plant		\$ 6,366,348	\$ 1,926,938	\$ 4,439,410		\$ 3,037,689	\$ 714,979	\$ 86,157	\$ 153,150	\$ 447,435

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Allocation of Expenses to Functions
 At Present Rates

Exhibit
 Rejoinder Schedule G-6
 Page 1
 Witness: Bourassa

Line No.	Description	Adjusted per G-1	Demand	Commodity	Customer	Meters	Services	Totals
1	Labor	\$ 178,605	\$ 71,442	\$ 35,721	\$ 71,442	-	-	\$ 178,605
2	Purchased Water	-	-	-	-	-	-	-
3	Fuel & Power	33,324	-	33,324	-	-	-	33,324
4	Chemicals	48,889	-	48,889	-	-	-	48,889
5	Waste Disposal	811	729	81	-	-	-	811
6	Intercompany Support Services	95	38	19	38	-	-	95
7	Corporate Allocation	32,313	12,925	6,463	12,925	-	-	32,313
8	Outside Services	26,538	21,231	5,308	-	-	-	26,538
9	Group Insurance	37,733	15,093	7,547	15,093	-	-	37,733
10	Pensions	430	172	86	172	-	-	430
11	Regulatory Expense	7,261	5,881	1,380	-	-	-	7,261
12	Insurance Other Than Group	12,198	9,881	2,318	-	-	-	12,198
13	Customer Accounting	21,926	-	-	21,926	-	-	21,926
14	Rents	7,566	-	-	7,566	-	-	7,566
15	General Office Expense	25,712	-	-	25,712	-	-	25,712
16	Miscellaneous	6,593	-	-	6,593	-	-	6,593
17	Maintenance Expense	38,435	30,748	7,687	-	-	-	38,435
18	Depreciation & Amortization ¹	166,481	105,570	24,749	3,984	16,739	15,439	166,481
19	General Taxes-Other	16,157	-	-	16,157	-	-	16,157
20								
21								
22	Property Taxes, Allocated on Schedules G-1 & G-2							
23	Income Tax, Allocated on Schedules G-1 & G-2							
24								
25	Total	\$ 661,067	\$ 273,710	\$ 173,570	\$ 181,608	\$ 16,739	\$ 15,439	\$ 661,067

¹ Depreciation allocation computed on Schedule G-6, Page 3.1 through 3.3

See Schedule G-7, page 2.2 for allocation factors.
 See Schedule G-5, page 1 for allocations by class.

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Tubac Water District
 Test Year Ended June 30, 2013
 Allocation of Depreciation Expense to Functions

Exhibit
 Rejoinder Schedule G-6
 Page 3.1
 Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	Intangible	Organization	\$ 567	0.000%	\$ -	F-1	-	-	-	-	-
2	301000	Franchises	2,030	0.000%	-	F-1	-	-	-	-	-
3	303100	Other Intangible Plant	-	0.000%	-	F-1	-	-	-	-	-
4		Subtotal Intangible	\$ 2,597		\$ -						
5											
6											
7											
8	303200	Source of Supply & Pumping Plant	\$ 61,190	0.000%	\$ -	F-1	-	-	-	-	-
9	303300	Land and Land Rights - Supply	50	0.000%	-	F-1	-	-	-	-	-
10	304100	Land and Land Rights - Pumping	25,292	2.500%	632	F-1	512	120	-	-	-
11	304200	Structures and Improvements - Supply	14,508	2.000%	292	F-1	237	56	-	-	-
12	305000	Structures and Improvements - Pumping	-	0.000%	-	F-1	-	-	-	-	-
13	306000	Collecting and Impounding Res.	-	0.000%	-	F-1	-	-	-	-	-
14	307000	Lakes, Rivers, Other Intakes	236,074	2.500%	5,902	F-1	4,781	1,121	-	-	-
15	308000	Wells and Springs	-	0.000%	-	F-1	-	-	-	-	-
16	309000	Infiltration Galleries and Tunnels	-	0.000%	-	F-1	-	-	-	-	-
17	310000	Supply Mains	20,225	3.333%	674	F-1	546	128	-	-	-
18	311000	Power Generation Equipment	-	0.000%	-	F-1	-	-	-	-	-
19	311200	Pumping Equipment - Steam	279,401	4.000%	11,176	F-1	9,053	2,123	-	-	-
20	311300	Pumping Equipment - Electric	879	4.000%	35	F-1	28	7	-	-	-
21	311400	Pumping Equipment - Diesel	-	0.000%	-	F-1	-	-	-	-	-
22	311500	Pumping Equipment - Hydraulic	403,824	4.000%	16,153	F-1	13,084	3,069	-	-	-
23	311530	Pumping Equipment - Other	-	0.000%	-	F-1	-	-	-	-	-
24		Subtotal Source of Supply & Pumping Plant	\$ 1,041,543		\$ 34,855		\$ 28,240	\$ 6,624	\$ -	\$ -	\$ -
25											
26											
27	Water Treatment	Land and Land Rights - Treatment	50	0.000%	-	F-1	-	-	-	-	-
28	304300	Structures and Improvements - Treatment	302	2.000%	6	F-1	5	1	-	-	-
29	320000	Water Treatment Equipment	-	0.000%	-	F-1	-	-	-	-	-
30	320100	Water Treatment Equipment - Non-media	1,858,903	5.000%	92,945	F-1	75,286	17,660	-	-	-
31	320200	Water Treatment Equipment - Media	(0)	10.000%	(0)	F-1	(0)	(0)	-	-	-
32		Subtotal Water Treatment	\$ 1,859,255		\$ 92,951		\$ 75,290	\$ 17,661	\$ -	\$ -	\$ -
33											
34											
35	Transmission and Distribution Plant	Land and Land Rights - T&D	422	0.000%	-	F-1	-	-	-	-	-
36	304400	Structures and Improvements - T&D	156	2.000%	3	F-1	3	1	-	-	-
37	330000	Distribution Reservoirs & Standpipes	210,840	1.538%	3,244	F-1	2,627	616	-	-	-
38	330100	Elevated Tank & Standpipes	-	0.000%	-	F-1	-	-	-	-	-
39	330200	Ground Level Tanks	-	0.000%	-	F-1	-	-	-	-	-
40	330300	Below Ground Tanks	-	0.000%	-	F-1	-	-	-	-	-
41	331001	T&D Mains Not Classified	364,469	2.000%	7,289	F-1	5,904	1,385	-	-	-
42	331100	T&D Mains 4in & less	886,119	1.429%	12,659	F-1	10,254	2,405	-	-	-
43	331200	T&D Mains 6in to 8in	896,807	1.429%	12,812	F-1	10,377	2,434	-	-	-
44	331300	T&D Mains 10in to 16in	37,161	1.429%	531	F-1	430	101	-	-	-
45	331400	TD Mains 18in & Gtr	-	0.000%	-	F-1	-	-	-	-	-
46	332000	Fire Mains	-	0.000%	-	F-2	-	-	-	-	-

Tubac Water District
 Test Year Ended June 30, 2013
 Summary of Commodity - Demand Method Functions Factors

Exhibit
 Rejoinder Schedule G-7
 Page 1
 Witness: Bourassa

Line
No.

	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
2 <u>Class</u>					
3 Residential	0.809	0.722	0.855	0.836	0.680
4 Apartment	-	-	-	-	-
5 Commercial	0.191	0.278	0.145	0.164	0.320
6 Other Public Authority	-	-	-	-	-
7					
8 Total	1.000	1.000	1.000	1.000	1.000

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34 SUPPORTING SCHEDULES
 35 G-7, page 3

Tubac Water District
 Test Year Ended June 30, 2013
COMMODITY - DEMAND METHOD FUNCTION FACTORS
 Plant-in-Service, Accumulated Depreciation, and Depreciation Expense Allocations Functions

Exhibit
 Rejoinder Schedule G-7
 Page 2.1
 Witness: Bourassa

Line						
<u>No.</u>						
1						
2	<u>Factor</u>		<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u> <u>Services</u>
3	F-1		0.81	0.19		
4	F-2		1.00			
5	F-3					1.00
6	F-4				1.00	
7	F-5				1.00	
8	F-6		0.25		0.75	
9	F-7				0.50	0.50
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20	<u>Development of F-1 Allocation Factor</u>					
21		<u>MGD</u>		<u>RATIO</u>		<u>DEMAND FACTOR</u>
22		(a)		(b)		(c)
23	(1) Avg day	205.41	G-7, page 3	1.00		1.00 1/(b)
24	(2) Max day	254.21	G-7, page 3	1.24	Max day/Avg day	0.81 1/(b)
25						

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Expense Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 2.2
 Witness: Bourassa

Line

<u>No.</u>	<u>Expense Type</u>	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
1	Labor	0.40	0.20	0.40	-	-
2	Purchased Water	-	1.00	-	-	-
3	Fuel & Power	-	1.00	-	-	-
4	Chemicals	-	1.00	-	-	-
5	Waste Disposal	0.90	0.10	-	-	-
6	Intercompany Support Services	0.40	0.20	0.40	-	-
7	Corporate Allocation	0.40	0.20	0.40	-	-
8	Outside Services	0.80	0.20	-	-	-
9	Group Insurance	0.40	0.20	0.40	-	-
10	Pensions	0.40	0.20	0.40	-	-
11	Regulatory Expense	0.81	0.19	-	-	-
12	Insurance Other Than Group	0.81	0.19	-	-	-
13	Customer Accounting	-	-	1.00	-	-
14	Rents	-	-	1.00	-	-
15	General Office Expense	-	-	1.00	-	-
16	Miscellaneous	-	-	1.00	-	-
17	Maintenance Expense	0.80	0.20	-	-	-
18	Depreciation & Amortization		See Schedule G-7, page 2.1			
19	General Taxes-Other	-	-	1.00	-	-
20						
21						
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Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.1
 Witness: Bourassa

COMMODITY ALLOCATION FACTOR

Meter Size	Class	(a)	
		Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8x3/4"	Residential	48,228	64.32%
5/8x3/4"	Commercial	4,422	5.90%
3/4"	Residential	-	0.00%
3/4"	Commercial	-	0.00%
1"	Residential	3,964	5.29%
1"	Commercial	5,462	7.28%
1-1/2"	Residential	-	0.00%
1-1/2"	Commercial	497	0.66%
2"	Residential	1,916	2.56%
2"	Commercial	9,197	12.27%
3"	Residential	-	0.00%
3"	Commercial	1,293	1.72%
4"	Residential	-	0.00%
4"	Commercial	-	0.00%
6"	Residential	-	0.00%
6"	Commercial	-	0.00%
8"	Residential	-	0.00%
8"	Commercial	-	0.00%
Totals		<u>74,978</u>	<u>100.00%</u>

DEMAND ALLOCATION FACTOR

Meter Size	Class	Daily Gallons (1,000's)	Demand Factor	Peak Demand (1,000's)	Percent of Total
5/8x3/4"	Commercial	12.11	1.62	19.62	7.72%
3/4"	Residential	-	0.00	-	0.00%
3/4"	Commercial	-	0.00	-	0.00%
1"	Residential	10.86	1.37	14.85	5.84%
1"	Commercial	14.96	1.37	20.48	8.05%
1-1/2"	Residential	-	0.00	-	0.00%
1-1/2"	Commercial	1.36	2.32	3.15	1.24%
2"	Residential	5.25	1.52	7.96	3.13%
2"	Commercial	25.20	0.00	-	0.00%
3"	Residential	-	0.00	-	0.00%
3"	Commercial	3.54	1.46	5.18	2.04%
4"	Residential	-	0.00	-	0.00%
4"	Commercial	-	0.00	-	0.00%
6"	Residential	-	0.00	-	0.00%
6"	Commercial	-	0.00	-	0.00%
8"	Residential	-	0.00	-	0.00%
8"	Commercial	-	0.00	-	0.00%
Totals		<u>205.41</u>		<u>254.21</u>	<u>100.00%</u>

Class	(a)	
	Total Gallons (in 1,000's) in Test Year	Percent of Total
Residential	54,108	72.164%
Commercial	20,871	27.836%
Total	<u>74,978</u>	<u>100.000%</u>

Class	Peak Demand (1,000's)	Percent of Total
Commercial	48.43	19.053%
Total	<u>254.21</u>	<u>100.000%</u>

(a) Includes customer and gallons sold annualization.

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.2
 Witness: Bourassa

CUSTOMER ALLOCATION FACTOR

<u>Meter Size</u>	<u>Class</u>	<u>Number of Meters</u>	<u>Percent of Total</u>
5/8x3/4"	Residential	482	80.86%
5/8x3/4"	Commercial	52	8.69%
3/4"	Residential	-	0.00%
3/4"	Commercial	-	0.00%
1"	Residential	24	4.00%
1"	Commercial	18	3.02%
1-1/2"	Residential	-	0.00%
1-1/2"	Commercial	2	0.34%
2"	Residential	4	0.67%
2"	Commercial	14	2.35%
3"	Residential	-	0.00%
4"	Residential	-	0.00%
4"	Commercial	-	0.00%
6"	Residential	-	0.00%
6"	Commercial	-	0.00%
8"	Residential	-	0.00%
8"	Commercial	-	0.00%
Totals		596	100.00%

SERVICES ALLOCATION FACTOR (b)

<u>Meter Size</u>	<u>Class</u>	<u>Number of Services</u>	<u>Install-ation Cost</u>	<u>Dollar Weighted Number Services</u>	<u>Percent of Total</u>
5/8x3/4"	Residential	482	445.00	214,268	78.05%
5/8x3/4"	Commercial	52	445.00	23,029	8.39%
3/4"	Residential	0	445.00	-	0.00%
3/4"	Commercial	0	445.00	-	0.00%
1"	Residential	24	495.00	11,798	4.30%
1"	Commercial	18	495.00	8,910	3.25%
1-1/2"	Residential	0	550.00	-	0.00%
1-1/2"	Commercial	2	550.00	1,100	0.40%
2"	Residential	4	830.00	3,320	1.21%
2"	Commercial	14	830.00	11,620	4.23%
3"	Residential	0	1,165.00	-	0.00%
4"	Residential	0	1,670.00	-	0.00%
4"	Commercial	0	1,670.00	-	0.00%
6"	Residential	0	2,330.00	-	0.00%
6"	Commercial	0	2,330.00	-	0.00%
8"	Residential	0	3,262.00	-	0.00%
8"	Commercial	0	3,262.00	-	0.00%
Totals		596		\$ 274,529	100.00%

<u>Class</u>	<u>Number of Meters</u>	<u>Percent of Total</u>
Residential	509	85.530%
Commercial	86	14.470%
Total	596	100.000%

<u>Class</u>	<u>Dollar Weighted Number Services</u>	<u>Percent of Total</u>
Residential	229,385	83.566%
Commercial	45,144	16.444%
Total	274,529	100.000%

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.3
 Witness: Bourassa

METER ALLOCATION FACTOR (b)

Meter Size		Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8x3/4"	Residential	482	155.00	74,633	56.56%
5/8x3/4"	Commercial	52	155.00	8,021	6.08%
3/4"	Residential	0	255.00	0	0.00%
3/4"	Commercial	0	255.00	0	0.00%
1"	Residential	24	315.00	7,508	5.69%
1"	Commercial	18	315.00	5,670	4.30%
1-1/2"	Residential	0	525.00	0	0.00%
1-1/2"	Commercial	2	525.00	1,050	0.80%
2"	Residential	4	1,890.00	7,560	5.73%
2"	Commercial	14	1,890.00	26,460	20.05%
3"	Residential	0	2,545.00	0	0.00%
3"	Commercial	0	2,545.00	1,060	0.80%
4"	Residential	0	3,645.00	0	0.00%
4"	Commercial	0	3,645.00	0	0.00%
6"	Residential	0	6,920.00	0	0.00%
6"	Commercial	0	6,920.00	0	0.00%
8"	Residential	0	9,688.00	0	0.00%
8"	Commercial	0	9,688.00	0	0.00%
Totals		596		\$ 131,962	100.00%

Class	Weighted Dollars of Meters	Percent of Total
Residential	89,700	67.974%
Commercial	42,262	32.026%
Total	131,962	100.000%

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 1A
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	CUSTOMER CHARGE:			
2	Return on Rate Base	5,867	30,452	10,412
3	Misc. Revenues (From Sched G-2, page 1)	(4,990)		
4	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	182,269	15,439	16,739
5	Property Taxes (From Sched. G-2, page 1)	34,953		
6	Income Taxes (From Sched. G-2, page 1)	38,060		
7	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	256,159	45,891	27,151
8	Customer Charge			
9	Number of Bills =			
10				
11	596 times 12 months			
12	Charge per Bill	7,146		
13	(Customer Revenue Requirement divided by Annualized Number of Bills)	\$ 35.85		
14	Service Line and Meter Charge			
15	Equivalent 5/8 Meters			
16				
17	799 times			
18	Charge per Equivalent Meter		9,582	9,582
19				
20				
21	CUSTOMER CHARGE:			
22	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
23	Charge per Bill			
24	Charge per Equivalent Service Line		\$ 35.85	
25	Charge per Equivalent Meter		4.79	
26	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)		2.83	
27	Monthly Minimum for 5/8 Inch Meter, <u>WITHOUT</u> Demand Charge Included			\$ 43.47

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 2A
 Witness: Bourassa

Line No.		5/8" Demand Charge	Meter Ratio	Demand Charge
1	DEMAND CHARGE:			
2				42,937
3	Return on Rate Base			273,710
4	Demand Expenses (From Schedule G-4, Page 2)			316,647
5				9,582
6	Totals			<u>33,05</u>
7	Total Revenue Requirement / Demand Component			
8	Equivalent Number of 5/8 Meters billings			
9	Demand Charge for 5/8 Inch Meter			
10				
11				
12	<u>Demand Charge Per Equivalent</u>			
13	5/8 Inch Meter	33.05	1.0	33.05
14	3/4 Inch Meter	33.05	1.5	49.57
15	1 Inch Meter	33.05	2.5	82.62
16	1 1/2 Inch Meter	33.05	5.0	165.23
17	2 Inch Meter	33.05	8.0	264.37
18	3 Inch Meter	33.05	16.0	528.74
19	4 Inch Meter	33.05	25.0	826.15
20	6 Inch Meter	33.05	50.0	1,652.30
21	8 Inch Meter	33.05	80.0	2,643.68
22	10 Inch Meter	33.05	115.0	3,800.29
23	12 Inch Meter	33.05	215.0	7,104.89

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 3A
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2						
3	Return on Rate Base	10,237	5,867	30,452	10,412	42,937
4	Less: Miscellaneous Revenues		(4,990)			
5						
6	Expenses (From Sch. G-4, Page 2)					
7	Property Taxes (From Sched. G-2, page 1)		182,269	15,439	16,739	273,710
8	Income Taxes (From Sched. G-2, page 1)		34,953			
9	Total Revenue Requirement by function		38,060			
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	183,807	256,159	45,891	27,151	316,647
11	Computed Commodity Rate (line 9 divided by line10)	74,978				
12	Annualized Number of Bills		7,146			
13	Equivalent Meters and Service Lines			9,582	9,582	9,582
14	Customer Charge (line 9 divided by line 12)		\$ 35.85			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			\$ 4.79	\$ 2.83	\$ 33.05
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					\$ 76.52
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 76.52
18						
19						
20	<u>Monthly Minimum</u>					
21	5/8 Inch Meter	76.52				
22	3/4 Inch Meter	76.52				
23	1 Inch Meter	76.52				
24	1 1/2 Inch Meter	76.52				
25	2 Inch Meter	76.52				
26	3 Inch Meter	76.52				
27	4 Inch Meter	76.52				
28	6 Inch Meter	76.52				
29	8 Inch Meter	76.52				
30	10 Inch Meter	76.52				
31	12 Inch Meter	76.52				
32						
33						

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 4A
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2	Revenue Requirements Collected via Commodity Charge			
3				
4				
5	Customer, Service, and Meter Costs	\$ 329,201	40%	\$ 131,680
6	Demand Costs	316,647	40%	126,659
7	Commodity Costs	183,807	100%	183,807
8	Total Costs to be Collected via Commodity			<u>\$ 442,146</u>
9	Gallons Sold			<u>74,978</u>
10				
11				
12	Commodity Charge (per 1,000 gallons)(line 9 divided by line10)			<u>\$ 5,897</u>
13				
14	Revenue Requirement Collected via Monthly Minimum			
15	Monthly Minimum 5/8 Meter			\$ 829,655
16	Total Revenue Requirement			(442,146)
17	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			<u>\$ 387,509</u>
18	Balance to be Recovered through Monthly Minimum			46.71%
19				Percent revenue recovery
20				from monthly mins
21				
22	Number of Equivalent 5/8 Inch Meter Billings			9,582
23				
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			<u>\$ 40.44</u>
25				
26				
27				
28	Meter Size			
29	5/8 Inch Meter	\$ 40.44	1.0	\$ 40.44
30	3/4 Inch Meter	40.44	1.5	60.66
31	1 Inch Meter	40.44	2.5	101.10
32	1 1/2 Inch Meter	40.44	5.0	202.21
33	2 Inch Meter	40.44	8.0	323.53
34	3 Inch Meter	40.44	16.0	647.06
35	4 Inch Meter	40.44	25.0	1,011.03
36	6 Inch Meter	40.44	50.0	2,022.07
37	8 Inch Meter	40.44	80.0	3,235.31
38	10 Inch Meter	40.44	115.0	4,650.75
39	12 Inch Meter	40.44	215.0	8,694.88

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
 RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 1B
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	Return on Rate Base			
2	Misc. Revenues (From Sched G-2, page 1)	5,018	20,700	8,700
3	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	(4,268)		
4	Property Taxes (From Sched. G-2, page 1)	155,895	10,494	13,987
5	Income Taxes (From Sched. G-2, page 1)	24,698		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	3,407		
7		<u>184,751</u>	<u>31,194</u>	<u>22,686</u>
8	Customer Charge			
9	Number of Bills =			
10		6,112		
11	Charge per Bill	<u>\$ 30.23</u>		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)			
13				
14	Service Line and Meter Charge			
15	Equivalent 5/8 Meters			
16		573 times		
17	Charge per Equivalent Meter		6.877	6.877
18			<u>\$ 4.54</u>	<u>\$ 3.30</u>
19				
20	CUSTOMER CHARGE:			
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
22	Charge per Bill		\$ 30.23	
23	Charge per Equivalent Service Line		4.54	
24	Charge per Equivalent Meter		3.30	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			
26	Monthly Minimum for 5/8 Inch Meter, <u>WITHOUT</u> Demand Charge Included		<u>\$ 38.06</u>	

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 2B
 Witness: Bourassa

Line No.	DEMAND CHARGE:	5/8" Demand Charge	Meter Ratio	Demand Charge
1				
2	Return on Rate Base	34,756		
3	Demand Expenses (From Schedule G-4, Page 2)	221,561		
4				
5	Totals	256,317		
6	Total Revenue Requirement / Demand Component	6,877		
7	Equivalent Number of 5/8 Meters billings	37,27		
8	Demand Charge for 5/8 Inch Meter	37,27		
9				
10				
11	<u>Demand Charge Per Equivalent</u>			
12	5/8 Inch Meter	37.27	1.0	\$ 37.27
13	3/4 Inch Meter	37.27	1.5	55.91
14	1 Inch Meter	37.27	2.5	93.18
15	1 1/2 Inch Meter	37.27	5.0	186.36
16	2 Inch Meter	37.27	8.0	298.17
17	3 Inch Meter	37.27	16.0	596.35
18	4 Inch Meter	37.27	25.0	931.79
19	6 Inch Meter	37.27	50.0	1,863.58
20	8 Inch Meter	37.27	80.0	2,981.73
21	10 Inch Meter	37.27	115.0	4,286.24
22	12 Inch Meter	37.27	215.0	8,013.40

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 3B
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2						
3	Return on Rate Base	7,388	5,018	20,700	8,700	34,756
4	Less: Miscellaneous Revenues		(4,268)			
5						
6	Expenses (From Sch. G-4, Page 2)					
7	Property Taxes (From Sched. G-2, page 1)					
8	Income Taxes (From Sched. G-2, page 1)					
9	Total Revenue Requirement by function					
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	132,643	184,751	31,194	22,686	256,317
11	Computed Commodity Rate (line 9 divided by line10)	54,108				
12	Annualized Number of Bills		6,112			
13	Equivalent Meters and Service Lines					
14	Customer Charge (line 9 divided by line 12)		30.23	6,877	6,877	6,877
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			4.54	3.30	37.27
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					75.33
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					75.33
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	75.33	1.0	75.33	1.0	75.33
22	3/4 Inch Meter	75.33	1.5	113.00	1.5	113.00
23	1 Inch Meter	75.33	2.5	188.34	2.5	188.34
24	1 1/2 Inch Meter	75.33	5.0	376.67	5.0	376.67
25	2 Inch Meter	75.33	8.0	602.67	8.0	602.67
26	3 Inch Meter	75.33	16.0	1,205.34	16.0	1,205.34
27	4 Inch Meter	75.33	25.0	1,883.35	25.0	1,883.35
28	6 Inch Meter	75.33	50.0	3,766.70	50.0	3,766.70
29	8 Inch Meter	75.33	80.0	6,026.72	80.0	6,026.72
30	10 Inch Meter	75.33	115.0	8,663.41	115.0	8,663.41
31	12 Inch Meter	75.33	215.0	16,196.81	215.0	16,196.81
32						
33						

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 4B
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2				
3	Revenue Requirements Collected via Commodity Charge			
4				
5				
6	Customer, Service, and Meter Costs	\$ 238,631	40%	\$ 95,452
7	Demand Costs	256,317	40%	102,527
8	Commodity Costs	132,643	100%	132,643
9	Total Costs to be Collected via Commodity			<u>\$ 330,623</u>
10	Gallons Sold			<u>54,108</u>
11				
12	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			<u>\$ 6.110</u>
13				
14	Revenue Requirement Collected via Monthly Minimum			
15	Monthly Minimum 5/8 Meter			\$ 627,591
16	Total Revenue Requirement			(330,623)
17	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			<u>\$ 296,969</u>
18	Balance to be Recovered through Monthly Minimum			<u>6,877</u>
19				Percent revenue recovery from monthly mins
20				
21				
22	Number of Equivalent 5/8 Inch Meter Billings			<u>\$ 43.18</u>
23				
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			
25				
26				
27				
28	<u>Meter Size</u>	<u>5/8"</u>		<u>Monthly Minimum</u>
29	5/8 Inch Meter	43.18	1.0	\$ 43.18
30	3/4 Inch Meter	43.18	1.5	64.77
31	1 Inch Meter	43.18	2.5	107.96
32	1 1/2 Inch Meter	43.18	5.0	215.91
33	2 Inch Meter	43.18	8.0	345.46
34	3 Inch Meter	43.18	16.0	690.93
35	4 Inch Meter	43.18	25.0	1,079.57
36	6 Inch Meter	43.18	50.0	2,159.14
37	8 Inch Meter	43.18	80.0	3,454.63
38	10 Inch Meter	43.18	115.0	4,966.03
39	12 Inch Meter	43.18	215.0	9,284.32

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 1C
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	CUSTOMER CHARGE:			
2	Return on Rate Base	849	9,753	1,712
3	Misc. Revenues (From Sched G-2, page 1)	(722)		
4	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	26,374	4,944	2,753
5	Property Taxes (From Sched. G-2, page 1)	10,255		
6	Income Taxes (From Sched. G-2, page 1)	34,652		
7	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	71,408	14,697	4,465
8				
9	Customer Charge			
10	Number of Bills =			
11		1,034		
12	Charge per Bill	\$ 69.06		
13	(Customer Revenue Requirement divided by Annualized Number of Bills)			
14				
15	Service Line and Meter Charge			
16	Equivalent 5/8 Meters			
17		225	times	12
18	Charge per Equivalent Meter			
19				
20				
21	CUSTOMER CHARGE:			
22	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
23	Charge per Bill		\$ 69.06	
24	Charge per Equivalent Service Line		5.43	
25	Charge per Equivalent Meter		1.65	
26	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			
27	Monthly Minimum for 5/8 Inch Meter, WITHOUT Demand Charge Included		\$ 76.14	

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 2C
 Witness: Bourassa

Line No.	Description	5/8" Demand Charge	Meter Ratio	Demand Charge
1	DEMAND CHARGE:			
2	Return on Rate Base	6.81%		8,181
3	Demand Expenses (From Schedule G-4, Page 2)			52,149
4	Totals			60,330
5	Total Revenue Requirement / Demand Component			2,705
6	Equivalent Number of 5/8 Meters billings			22.30
7	Demand Charge for 5/8 Inch Meter			
8				
9				
10				
11				
12	<u>Demand Charge Per Equivalent</u>			
13	5/8 Inch Meter	22.30	1.0	22.30
14	3/4 Inch Meter	22.30	1.5	33.45
15	1 Inch Meter	22.30	2.5	55.76
16	1 1/2 Inch Meter	22.30	5.0	111.52
17	2 Inch Meter	22.30	8.0	178.43
18	3 Inch Meter	22.30	16.0	356.85
19	4 Inch Meter	22.30	25.0	557.58
20	6 Inch Meter	22.30	50.0	1,115.16
21	8 Inch Meter	22.30	80.0	1,784.25
22	10 Inch Meter	22.30	115.0	2,564.86
23	12 Inch Meter	22.30	215.0	4,795.18

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 3C
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2						
3	Return on Rate Base	2,850	849	9,753	1,712	8,181
4	Less: Miscellaneous Revenues		(722)			
5						
6	Expenses (From Sch. G-4, Page 2)					
7		48,314	26,374	4,944	2,753	52,149
8	Income Taxes (From Sched. G-2, page 1)		10,255			
9	Total Revenue Requirement by function		34,652			
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	51,164	71,408	14,697	4,465	60,330
11	Computed Commodity Rate (line 9 divided by line 10)	20,871				
12	Annualized Number of Bills		1,034			
13	Equivalent Meters and Service Lines			2,705	2,705	2,705
14	Customer Charge (line 9 divided by line 12)		\$ 69.06			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			\$ 5.43	\$ 1.65	\$ 22.30
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					\$ 98.45
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	98.45	1.0	\$ 98.45		
22	3/4 Inch Meter	98.45	1.5	147.67		
23	1 Inch Meter	98.45	2.5	246.12		
24	1 1/2 Inch Meter	98.45	5.0	492.23		
25	2 Inch Meter	98.45	8.0	787.58		
26	3 Inch Meter	98.45	16.0	1,575.15		
27	4 Inch Meter	98.45	25.0	2,461.17		
28	6 Inch Meter	98.45	50.0	4,922.35		
29	8 Inch Meter	98.45	80.0	7,875.76		
30	10 Inch Meter	98.45	115.0	11,321.40		
31	12 Inch Meter	98.45	215.0	21,166.10		
32						
33						

Tubac Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 4C
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2				
3	Revenue Requirements Collected via Commodity Charge	\$ 90,570	40%	\$ 36,228
4				
5	Customer, Service, and Meter Costs	60,330	40%	24,132
6	Demand Costs	51,164	100%	51,164
7	Commodity Costs			\$ 111,524
8	Total Costs to be Collected via Commodity			\$ 20,871
9	Gallons Sold			
10				
11	Commodity Charge (per 1,000 gallons) (line 9 divided by line 10)			\$ 5,344
12				
13				
14	Revenue Requirement Collected via Monthly Minimum			\$ 202,064
15	Monthly Minimum 5/8 Meter			(111,524)
16	Total Revenue Requirement			\$ 90,540
17	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			44.81%
18	Balance to be Recovered through Monthly Minimum			Percent revenue recovery from monthly mins
19				
20				
21				
22	Number of Equivalent 5/8 Inch Meter Billings			2,705
23				
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			\$ 33.47
25				
26				
27				
28	Meter Size	5/8" Minimum	Meter Ratio	Monthly Minimum
29	5/8 Inch Meter	33.47	1.0	\$ 33.47
30	3/4 Inch Meter	33.47	1.5	50.21
31	1 Inch Meter	33.47	2.5	83.68
32	1 1/2 Inch Meter	33.47	5.0	167.36
33	2 Inch Meter	33.47	8.0	267.77
34	3 Inch Meter	33.47	16.0	535.54
35	4 Inch Meter	33.47	25.0	836.78
36	6 Inch Meter	33.47	50.0	1,673.57
37	8 Inch Meter	33.47	80.0	2,677.70
38	10 Inch Meter	33.47	115.0	3,849.20
39	12 Inch Meter	33.47	215.0	7,196.33

Tubac Water District
 Test Year Ended June 30, 2013
 Comparison of Proposed Rates to Computed Costs
 For a 5/8x3/4-Inch Residential Meter (With Required Operating Margin)

Exhibit
 Rejoinder Schedule G-9
 Page 1
 Witness: Bourassa

Line No.	Water Usage	Revenues		Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	Total Charges & Costs
		Minimum	Commodity							
1	-	\$ 41.00	\$ -	\$ 33.05	\$ 35.85	\$ 4.79	\$ 2.83	\$ 0	\$ 76.52	\$ (35.51)
2	1,000	41.00	4.56	33.05	35.85	4.79	2.83	2.451	78.97	(33.40)
3	2,000	41.00	9.12	33.05	35.85	4.79	2.83	4.903	81.42	(31.30)
4	3,000	41.00	13.68	33.05	35.85	4.79	2.83	7.354	83.87	(29.19)
5	4,000	41.00	19.59	33.05	35.85	4.79	2.83	9.806	86.32	(25.73)
6	5,000	41.00	25.50	33.05	35.85	4.79	2.83	12.257	88.77	(22.27)
7	6,000	41.00	31.41	33.05	35.85	4.79	2.83	14.709	91.22	(18.81)
8	7,000	41.00	37.32	33.05	35.85	4.79	2.83	17.160	93.68	(15.35)
9	8,000	41.00	43.23	33.05	35.85	4.79	2.83	19.612	96.13	(11.90)
10	9,000	41.00	49.14	33.05	35.85	4.79	2.83	22.063	98.58	(8.44)
11	10,000	41.00	55.05	33.05	35.85	4.79	2.83	24.515	101.03	(4.98)
12	12,000	41.00	68.97	33.05	35.85	4.79	2.83	29.418	105.93	4.04
13	14,000	41.00	82.89	33.05	35.85	4.79	2.83	34.321	110.84	13.06
14	16,000	41.00	96.81	33.05	35.85	4.79	2.83	39.223	115.74	22.07
15	18,000	41.00	110.73	33.05	35.85	4.79	2.83	44.126	120.64	31.09
16	20,000	41.00	124.65	33.05	35.85	4.79	2.83	49.029	125.54	40.11
17	25,000	41.00	163.45	33.05	35.85	4.79	2.83	61.287	137.80	66.65
18	30,000	41.00	202.25	33.05	35.85	4.79	2.83	73.544	150.06	93.19
19	35,000	41.00	241.05	33.05	35.85	4.79	2.83	85.801	162.32	119.74
20	40,000	41.00	279.85	33.05	35.85	4.79	2.83	98.059	174.57	146.28
21	45,000	41.00	318.65	33.05	35.85	4.79	2.83	110.316	186.83	172.82
22	50,000	41.00	357.45	33.05	35.85	4.79	2.83	122.573	199.09	199.36
23	60,000	41.00	435.05	33.05	35.85	4.79	2.83	147.088	223.60	252.45
24	70,000	41.00	512.65	33.05	35.85	4.79	2.83	171.603	248.12	305.53
25	80,000	41.00	590.25	33.05	35.85	4.79	2.83	196.117	272.63	358.62
26	90,000	41.00	667.85	33.05	35.85	4.79	2.83	220.632	297.15	411.70
27	100,000	41.00	745.45	33.05	35.85	4.79	2.83	245.147	321.66	464.79

(Col. 2 - Col. 8)
 Total Revenues minus Total Charges & Costs

Line					
<u>No.</u>					
1	Original Cost Rate Base		\$	23,495,177	
2					
3	Adjusted Operating Income		\$	454,732	
4					
5	Current Rate of Return			1.94%	
6					
7	Required Operating Income		\$	1,600,022	
8					
9	Required Rate of Return			6.81%	
10					
11	Operating Income Deficiency		\$	1,145,290	
12					
13	Gross Revenue Conversion Factor			1.6519	
14					
15	Increase in Gross Revenue				
16	Requirement		\$	1,891,953	
17					
18	Customer	Present	Proposed	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 4,750,534	\$ 6,307,036	\$ 1,556,502	32.8%
22	Commercial	1,231,245	1,507,266	276,021	22.4%
23	Other Public Authority	233,159	317,565	84,406	36.2%
24	Fire	35,756	44,097	8,342	23.3%
25	Declining Usage Adjustment	(117,698)	(151,016)	(33,317)	28.3%
26					
27	Total Water Revenues	<u>\$ 6,132,996</u>	<u>\$ 8,024,949</u>	<u>\$ 1,891,953</u>	30.8%
28					
29	Other Revenues	\$ 221,297	\$ 221,297	\$ -	0.0%
30					
31	Total Revenues	<u>\$ 6,354,293</u>	<u>\$ 8,246,246</u>	<u>\$ 1,891,953</u>	29.8%
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46	Supporting Schedules:				
47	B-1 Rejoinder				
48	C-1 Rejoinder				
49	H-1 Rejoinder				
50	\\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls				

Mohave Water
 Test Year Ended June 30, 2013
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 Rejoinder
 Page 1
 Witness: Hubbard

Line No.		Original Cost Rate Base
1		
2	Gross Utility Plant in Service	\$ 46,684,824
3		
4	Less:	
5		
6	Accumulated Depreciation	<u>15,887,818</u>
7		
8	Net Utility Plant in Service	\$ 30,797,006
9		
10	<u>Less:</u>	
11		
12	Advances in Aid of Construction	\$ 7,012,710
13		
14	Contribution in Aid of Construction -	
15	Net of Amortization	481,135
16		
17	Customer Meter Deposits	8,257
18	Deferred Income Taxes & Credits	696,852
19	Investment Tax Credits	-
20	Regulatory Liabilities	(0)
21		
22	<u>Plus:</u>	
23	Deferred Debits	763,868
24	Working Capital Allowance	133,257
25	Utility Plant Acquisition Adjustment	-
26		
27		
28	Total Rate Base	<u><u>\$ 23,495,177</u></u>
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Supporting Schedules:	
42	B-2 Rejoinder	
43	B-5 Rejoinder	
44	B-3	
45	E-1	
46		
47		
48		
49		
50	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls	

Recap Schedules:
 A-1 Rejoinder

		Company Rejoinder									
Line No.	[A] Rebuttal Adjusted End of Test Year	[B] ADJ SLH-4RJ Working Capital Adjustment	[C] ADJ SLH-5RJ Retire Inactive Wells	[D] ADJ SLH-6RJ Correct Test Year Deferred Debit Balance	[E]	[F]	[G] Total Rejoinder Pro Forma Adjustments	[H] Rejoinder Adjusted End of Test Year			
1	Gross Utility										
2	Plant in Service		\$ (46,307)				\$ (46,307)	\$ 46,684,824			
3								-			
4	Less:							-			
5								-			
6	Accumulated Depreciation		(46,307)				(46,307)	-			
7								-			
8	Net Utility Plant										
9	in Service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,797,006			
10											
11	Less:										
12	Advances in Aid of										
13	Construction							7,012,710			
14	Contributions in Aid of							-			
15	Construction - Net							481,135			
16								-			
17								-			
18	Customer Meter Deposits							8,257			
19	Deferred Income Taxes							696,852			
20	Investment Tax Credits							-			
21	Regulatory Liabilities							(0)			
22								-			
23	Plus:							-			
24	Deferred Debits							-			
25	Working Capital Allowance				(67,042)		(67,042)	763,868			
26	Utility Plant Acquisition Adjustment							133,257			
27								(650)			
28	Total		\$ (650)	\$ -	\$ (67,042)	\$ -	\$ (67,692)	\$ 23,495,177			
29											
30	Supporting Schedules:										
31	B-3, B-5 Revised										
32	E-1										
33											
34											
35											

Recap Schedules:
 B-1 Rejoinder

Line
 No.

Retire Inactive Wells

In responding to data request number RUCO 32.01, it was determined that the following wells need to be retired from the accounting records.

ADWR Well ID	Asset # in OFA	In-Service Date	Original Cost
Mohave Water			
55-603415	55108	1-Jan-47	\$ 3,100
55-603474	54951	1-Jan-59	\$ 9,500
55-603476	55007	1-Jan-60	\$ 1,500
55-603478			\$ -
55-603479	54959	1-Jan-63	\$ 2,743

Camp Mohave

55-603416	55111	1-Jan-64	\$ 2,934
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Lake Mohave Highlands

55-551125	55025	1-Jan-96	\$ 21,106
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Desert Foothills

55-548414	54981	1-Jan-96	\$ 5,424
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Total Inactive Wells in Account 307000 \$ 46,307

Total Adjustment to Accumulated Depreciation for Account 307000 \$ 46,307

Increase / (Decrease) in Plant in Service	<u>\$ (46,307)</u>
Increase / (Decrease) in Accumulated Depreciation	<u>\$ (46,307)</u>
Increase / (Decrease) to Rate Base	<u>\$ -</u>

Workpapers and Supporting Documents
 \2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls
 \Mohave Inactive Wells.xlsx

Line

No.

1	Correct Test Year Deferred Debit Balance	
2	Response to data request number STF BAB 12.2-Revised identified an adjustment to the test year	
3	Deferred Debit balance for Mohave Water that was not reflected in the Company's Oct. 14, 2014	
4	Revised filing or Rebuttal Filing. This adjustment corrects that oversight.	
5		
6	Removal of Deferred Debit Balance at 6/30/13 - Mohave Water	(67,042)
7		
8		
9	Increase / (Decrease) in Deferred Debits	\$ <u>(67,042)</u>
10		
11		
12	Increase / (Decrease) to Rate Base	\$ <u>(67,042)</u>
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
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41		
42		
43		
44		
45	Workpapers and Supporting Documents	
46		
47		
48		
49	\STF BAB 12.2-Revised.doc	
50	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls	

Mohave Water
 Test Year Ended June 30, 2013
 Computation of Working Capital Allowance

Exhibit
 Schedule B-5 Rejoinder
 Page 1
 Witness: Hubbard

Line		
<u>No.</u>		
1		
2	Cash Working Capital Requirement	\$ (12,922)
3	Required Bank Balances ¹	-
4	Material and Supplies Inventories ¹	110,557
5	Prepayments ¹	35,622
6		
7	Total Working Capital Allowance	<u>\$ 133,257</u>
8		
9	Less Company amount in Rebuttal Filing	\$ 133,907
10		
11	Increase / (Decrease) to Working Capital Allowance	<u>\$ (650)</u>
12		
13		
14	Increase / (Decrease) to Rate Base	<u>\$ (650)</u>
15		
16		
17		
18		
19	¹ Calculated using thirteen-month averages.	
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
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33		
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37		
38		
39		
40		
41		
42		
43	Supporting Schedules:	Recap Schedules:
44	E-1	B-1 Rejoinder
45		
46	Workpapers & Supporting Documents	
47	\ #9 B - Materials and Supplies Prepayments & Deferred Cost.xlsx	
48	\ Lead-Lag Workpapers	
49		
50	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls	

Line No.	Description [a]	Test Year Adjusted Results [b]	Revenue Lag Days [c]	Expense Lag Days [d]	Net Lag Days [e] = [c] - [d]	Lead/Lag Factor [f] = [e] / 365	Cash Working Capital Required [g] = [b] x [f]
1	OPERATING EXPENSES						
2	Labor	\$ 1,381,651	41.140	30.633	10.507	0.029	\$ 39,772
3	Purchased Water	26,831	41.140	113.080	(71.940)	(0.197)	(5,288)
4	Fuel & Power	546,720	41.140	50.442	(9.302)	(0.025)	(13,933)
5	Chemicals	10,916	41.140	7.000	34.140	0.094	1,021
6	Waste Disposal	7,886	41.140	32.095	9.045	0.025	195
7	Intercompany Support Services	950	41.140	30.417	10.723	0.029	28
8	Corporate Allocation	322,082	41.140	30.420	10.720	0.029	9,460
9	Outside Services	189,278	41.140	32.333	8.807	0.024	4,567
10	Group Insurance	424,417	41.140	(10.716)	51.856	0.142	60,297
11	Regulatory Expense	85,438	41.140	(33.098)	74.238	0.203	17,377
12	Insurance Other Than Group	101,045	41.140	64.901	(23.761)	(0.065)	(6,578)
13	Customer Accounting	661,670	41.140	49.826	(8.686)	(0.024)	(15,745)
14	Rents	16,923	41.140	39.565	1.575	0.004	73
15	General Office Expense	238,214	41.140	32.570	8.570	0.023	5,593
16	Miscellaneous	55,680	41.140	25.947	15.193	0.042	2,318
17	Maintenance Expense	377,155	41.140	45.634	(4.494)	(0.012)	(4,644)
18							
19							
20	TAXES						
21	Property Taxes	\$ 180,382	41.140	213.250	(172.110)	(0.472)	\$ (85,056)
22	Taxes - Payroll	85,375	41.140	26.402	14.738	0.040	3,447
23	Taxes -Other	64,454	41.140	(130.592)	171.732	0.470	30,326
24	Income Tax	610,973	41.140	41.750	(0.610)	(0.002)	(1,021)
25							
26	Interest	\$ 603,209	41.140	74.500	(33.360)	(0.091)	\$ (55,132)
27							
28							
29							
30							
31	WORKING CASH REQUIREMENT	<u>\$ 5,991,249</u>					<u>\$ (12,922)</u>
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43	Supporting Schedules:		Recap Schedules:				
44	C-1 Rejoinder		B-5 Rejoinder				
45							
46	Workpapers & Supporting Documents						
47							
48							
49							
50	\\2013 Paradise Valley Water Sch. A-F.xls						

Mohave Water
 Test Year Ended June 30, 2013
 Adjusted Test Year Income Statement

Exhibit
 Schedule C-1 Rejoinder
 Page 1
 Witness: Murrey

Line No.	[A] Test Year Rebuttal Results	[B] Total Pro Forma Adjustments	[C] Test Year Rejoinder Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	Revenues				
2	\$ 6,168,480	\$ -	\$ 6,168,480	\$ 1,891,953	\$ 8,060,433
3	221,297	-	221,297	-	221,297
4	<u>\$ 6,389,776</u>	<u>\$ -</u>	<u>\$ 6,389,776</u>	<u>\$ 1,891,953</u>	<u>\$ 8,281,729</u>
5					
6	Operating Expenses				
7	\$ 1,383,642	\$ (1,991)	\$ 1,381,651	-	\$ 1,381,651
8	26,831	-	26,831	-	26,831
9	546,720	-	546,720	-	546,720
10	10,916	-	10,916	-	10,916
11	7,886	-	7,886	-	7,886
12	950	-	950	-	950
13	322,082	-	322,082	-	322,082
14	192,587	(3,309)	189,278	-	189,278
15	418,599	(876)	417,723	-	417,723
16	6,694	-	6,694	-	6,694
17	85,438	-	85,438	-	85,438
18	101,045	-	101,045	-	101,045
19	631,868	-	631,868	29,802	661,670
20	16,923	-	16,923	-	16,923
21	238,703	(488)	238,214	-	238,214
22	55,680	-	55,680	-	55,680
23	377,160	(5)	377,155	-	377,155
24	1,293,668	-	1,293,668	-	1,293,668
25	164,282	-	164,282	16,101	180,382
26	149,829	-	149,829	-	149,829
27	(92,977)	3,189	(89,788)	700,761	610,973
28					
29	<u>\$ 5,938,524</u>	<u>\$ (3,480)</u>	<u>\$ 5,935,045</u>	<u>\$ 746,663</u>	<u>\$ 6,681,708</u>
30	<u>\$ 451,252</u>	<u>\$ 3,480</u>	<u>\$ 454,732</u>	<u>\$ 1,145,290</u>	<u>\$ 1,600,022</u>
31	Other Income & Deductions				
32	\$ -	\$ -	\$ -	\$ -	\$ -
33	603,209	(1,733)	601,477	-	601,477
34	-	-	-	-	-
35	-	-	-	-	-
36	<u>\$ (603,209)</u>	<u>\$ 1,733</u>	<u>\$ (601,477)</u>	<u>\$ -</u>	<u>\$ (601,477)</u>
37	<u>\$ (151,958)</u>	<u>\$ 5,213</u>	<u>\$ (146,745)</u>	<u>\$ 1,145,290</u>	<u>\$ 998,545</u>
38					
39					
40					
41					
42					
43					
44	Supporting Schedules:				Recap Schedules:
45	E-2 Revised				A-1 Rejoinder
46	C-2 Rejoinder				
47					
48					
49					
50	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls				

Line	COMPANY REJOINDER										Increase
	[A] Test Year Adjusted Rebuttal	[B] ADJ SM-1RJ Property Tax	[C] ADJ SM-2RJ Federal and State Income Tax	[D] ADJ SM-3RJ Interest Synchronization	[E] ADJ SM-4RJ Remove Acquisition Costs	[F] Total Pro Forma Adjustments	[G] Test Year Adjusted Rejoinder Results	[H] Proposed Rate Increase	[I] Adjusted with Rate Increase		
1	Revenues										
2	Water Revenues	\$ 6,168,480								\$ 6,168,480	\$ 8,060,433
3	Other Revenues	221,297								221,297	221,297
4		\$ 6,389,776								\$ 6,389,776	\$ 8,281,729
5											
6	Operating Expenses										
7	Labor	1,383,642								1,381,651	1,381,651
8	Purchased Water	26,831				(1,991)				26,831	26,831
9	Fuel & Power	546,720								546,720	546,720
10	Chemicals	10,916								10,916	10,916
11	Waste Disposal	7,886								7,886	7,886
12	Intercompany Support Services	950								950	950
13	Corporate Allocation	322,082								322,082	322,082
14	Outside Services	192,587				(3,309)				189,278	189,278
15	Group Insurance	418,599				(876)				417,723	417,723
16	Pensions	6,694								6,694	6,694
17	Regulatory Expense	85,438								85,438	85,438
18	Insurance Other Than Group	101,045								101,045	101,045
19	Customer Accounting	631,868								631,868	631,868
20	Rents	16,923								16,923	16,923
21	General Office Expense	238,703				(488)				238,214	238,214
22	Miscellaneous	55,680								55,680	55,680
23	Maintenance Expense	377,160								377,155	377,155
24	Depreciation & Amortization	1,293,668				(5)				1,293,668	1,293,668
25	General Taxes-Property	164,282								164,282	164,282
26	General Taxes-Other	149,829								149,829	149,829
27	Income Taxes	(92,977)	\$ 3,189			3,189				(89,788)	610,973
28											
29	Total Operating Expenses	\$ 5,938,524	\$ 3,189			(6,669)				\$ 5,935,045	\$ 6,681,708
30	Utility Operating Income	\$ 451,252				3,480				\$ 454,732	\$ 1,600,022
31	Other Income & Deductions										
32	Other Income & Deductions										
33	Interest Expense										
34	Other Expense				(1,733)						601,477
35	Gain/Loss Sale of Fixed Assets										
36	Total Other Income & Deductions	\$ (603,209)			1,733					\$ (601,477)	\$ (601,477)
37	Net Profit (Loss)	\$ (151,958)			1,733	6,669				\$ (146,745)	\$ 998,545
38											
39											
40											
41											
42											
43											
44	Supporting Schedules:										
45	E-6										
46	Workpapers & Supporting Documents:										

Line No.	[A] Property Tax Expense	[B] Property Tax Expense For Conversion Factor
1		
2	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
3		
4	Adjusted Revenues in Year Ended June 2013	
5	Adjusted Revenues in Year Ended June 2013	
6	Proposed Revenues	
7	Average of Three Year's of Revenue	
8	Average of Three Year's of Revenue, times 2	
9	Add:	
10	Construction Work in Progress at 10%	
11	Deduct:	
12	Net Book Value of Transportation Equipment	
13		
14	Full Cash Value	
15	Assessment Ratio (For 2015 per HB 2001 Sec 42-15001)	
16	Assessed Value	
17	Property Tax Rate	
18		
19	Property Tax	
20	Tax on Parcels	
21		
22	Adjusted Test Year Property Taxes at Present Rates (Line 19+Line 20, Col [A])	
23	Adjusted Test Year Property Taxes, Rejoinder	
24	Adjustment to Revenue and/or Expense (To Sch C-2 Rejoinder, Col [BS])	
25		
26	Adjusted Test Year Property Taxes at Proposed Rates (Line 19+Line 20, Col [B])	
27	Adjusted Test Year Property Taxes at Present Rates (Line 22, Col [A])	
28	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rejoinder)	
29		
30		
31		
32	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 REJOINDER):</u>	
33		
34	Increase in Property Tax Due to Increase in Revenue Requirement (Line 28, Col [B])	
35		
36	Increase in Revenue Requirement (From Sch. A1 Rejoinder)	
37		
38	Increase in Property Tax Per Dollar Increase in Revenue (Line 34/Line 36)	
39		
40		
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44	Workpapers & Supporting Documents:	
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50	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls	

Mohave Water

Test Year Ended June 30, 2013

Income Statement Rejoinder Adjustment SM-2RJ

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase
1			
2	<u>Calculation of Income Taxes at Proposed Rates</u>		
3			
4			
5	Operating Income Before Inc. Taxes	\$ 364,944	\$ 2,210,995
6	Interest Expense	601,477	601,477
7	Arizona Taxable Income	<u>\$ (236,533)</u>	<u>\$ 1,609,518</u>
8			
9	Less Arizona Income Tax	\$ (14,192)	\$ 96,571
10	Arizona Income Tax Rate =	6.000%	
11			
12	Federal Income Before Taxes	\$ (236,533)	\$ 1,609,518
13	Less Arizona Income Taxes	\$ (14,192)	\$ 96,571
14	Federal Taxable Income	<u>\$ (222,341)</u>	<u>\$ 1,512,947</u>
15			
16	FEDERAL INCOME TAXES:		
17			
18			
19			
20			
21			
22			
23	Federal Income Taxes	\$ (75,596)	\$ 514,402
24			
25			
26	Total Income Tax	\$ (89,788)	\$ 610,973
27			
28	Tax Rate	37.96%	37.96%
29			
30	Effective Income Tax Rates		
31	State	6.00%	6.00%
32	Federal	31.96%	31.96%
33			
34			
35	Adjusted Test Year Income Taxes	<u>\$ (92,977)</u>	
36	Increase in Income Taxes, Rejoinder	<u>\$ 3,189</u>	
37			
38	Rejoinder Adjustment to Revenues and/or Expense	<u>\$ 3,189</u>	
39			
40	Test Year Income Taxes, Rejoinder		\$ (89,788)
41	Increase in Income Taxes		<u>\$ 700,761</u>
42			
43	Rejoinder Adjustment to Revenue and/or Expense		<u>\$ 700,761</u>
44			
45			
46	Workpapers & Supporting Documents:		
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50	\\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls		

Line

No.

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Interest Synchronization

Original Cost Rate Base (Sch. B-1 Rejoinder, Ln. 28)	\$	23,495,177
Weighted Cost of Debt from Schedule D-1 Rejoinder		2.56%
Synchronized Interest Expense	\$	601,477
Test Year Interest Expense	\$	603,209
Adjusted Test Year Interest Expense	\$	603,209
Increase/(Decrease) in Interest Expense	\$	(1,733)
Rejoinder Adjustment to Revenue and/or Expense	\$	(1,733)

Workpapers & Supporting Documents:

\\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls

Line
No.

1	<u>Remove Acquisition Costs</u>			
2	The Company is removing charges related to acquisition costs as identified in DR RUCO 30.10 (d).			
3				
4				District Four Factor =
5				0.07896
6				
7	<u>Category</u>	<u>Account</u>	<u>Acquisition Costs</u>	<u>District Allocation</u>
8	Labor	5223 Salary-Inter Dept. Operating	\$ 25,216	\$ 1,991
9	Outside Services	5227 Consulting Engineering	10,365	818
10	Outside Services	5681 Legal Fees	16,526	1,305
11	Outside Services	5250 Contractors and Consultants	15,011	1,185
12	Group Insurance	5233 Salary Transfers - Burdens	11,095	876
13	General Office Expense	5630 Parking	78	6
14	General Office Expense	5631 Vehicle Allowance	497	39
15	General Office Expense	5650 Airfare	3,360	265
16	General Office Expense	5651 Accommodation, Other Travel	1,469	116
17	General Office Expense	5652 Meals/Entertainment	781	62
18	Maintenance Expense	5633 Vehicle Fuel	62	5
19			<u>\$ 53,265</u>	<u>\$ 6,669</u>
20				
21				
22				
23		Rejoinder Adjustment to Revenue/Expense		<u>\$ (6,669)</u>
24				
25				
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47	Workpapers & Supporting Documents:			
48				
49				
50	\2013 Tubac Water Sch. A-F Rejoinder (OCT2014 Direct).xls			

Mohave Water
 Test Year Ended June 30, 2013
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3 Rejoinder
 Page 1
 Witness: Murrey

Line No.	<u>Description</u>				Percentage of Incremental Gross <u>Revenues</u>
1	Federal Income Taxes				31.96%
2					
3	State Income Taxes				6.00%
4				Combined	37.96%
5	Property Taxes	Effective Rate =	0.85%	One Minus Combined	62.04%
6					0.53%
7	Bad Debt Expense	Effective Rate =	1.58%	One Minus Combined	62.04%
8					<u>0.98%</u>
9	Total Tax Percentage				39.47%
10					
11	Operating Income % = 100% - Tax Percentage				60.53%
12					
13					
14					
15	<u>1</u>	= Gross Revenue Conversion Factor			
16					
17					
18	Operating Income %				1.6519
19					
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42					
43	Supporting Schedules:			Recap Schedules:	
44				A-1 Rejoinder	
45					
46					
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48					
49					
50	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls				

Line No.	Item of Capital	End of Test Year			End of Projected Year				
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	\$ 231,000,000	58.47%	4.29%	2.51%	\$ 231,000,000	59.76%	4.29%	2.56%
2	Short-Term Debt	\$ 8,560,000	2.17%	0.31%	0.01%	\$ -	0.00%	0.31%	0.00%
3	Stockholder's Equity	\$ 155,533,624	39.37%	10.55%	4.15%	\$ 155,533,624	40.24%	10.55%	4.25%
4	Totals	\$ 395,093,624	100.00%		6.67%	\$ 386,533,624	100.00%		6.81%

Supporting Schedules:
 D-2 Rejoinder

Recap Schedules:
 A-1 Rejoinder

Mohave Water

Test Year Ended June 30, 2013
 Summary of Cost of Capital
 Total Company - EPCOR Water Arizona
 District Level - Mohave Water - Proposed

Exhibit
 Schedule D-1 Rejoinder
 Page 2
 Witness: Hubbard

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	\$ 13,736,962	58.47%	4.29%	\$ 14,041,174	59.76%	4.29%
2							
3	Short-Term Debt	\$ 509,041	2.17%	0.31%	\$ -	0.00%	0.31%
4							
5	Stockholder's Equity	\$ 9,249,175	39.37%	10.55%	\$ 9,454,003	40.24%	10.55%
6							
7	Totals	\$ 23,495,177	100.00%		\$ 23,495,177	100.00%	
8							6.81%
9							
10							
11							
12							
13							
14							
15							
16							
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26							
27							
28							
29							
30	Supporting Schedules:						
31	D-2 Rejoinder						
32							
33	Recap Schedules:						
34	A-1 Rejoinder						
35							

Line No.	Description	At Parent Level			End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt									
2	10-Year EPCOR Water USA Note	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
4										
5										
6	Totals	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%
7										
8										
9	Common Equity									
10	Common Stock	\$ 522,880			\$ 522,880			\$ 522,880		
11	Paid in Capital	184,882,920			184,882,920			184,882,920		
12	Retained Earnings	(29,872,177)			(29,872,177)			(29,872,177)		
13		\$ 155,533,624		10.55%	\$ 155,533,624		10.55%	\$ 155,533,624		10.55%
14										
15										
16										
17	Short-Term Debt									
18	S-T Debt from EPCOR Utilities, Inc	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
19										
20										
21	Totals	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
22										
23										
24										
25	Supporting Schedules:									
26	E-1									
27										
28										
29	\EUSA TB By BU_131101_Sch E.xlsx									
30	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls									

Recap Schedules:
 D-1 Rejoinder

Mohave Water

Test Year Ended June 30, 2013

Cost of Long Term Debt

Test Year - Mohave Water - Proposed

Exhibit

Schedule D-2 Rejoinder

Page 2

Witness: Hubbard

Line No.	Description	End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt						
2	10-Year EPCOR Water USA Note	\$ 133,000,000	\$ 5,004,790	3.77%	\$ 133,000,000	\$ 5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
4							
5							
6	Totals	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%
7							
8							
9	Common Equity						
10	Common Stock	\$ 522,880			\$ 522,880		
11	Paid in Capital	184,882,920			184,882,920		
12	Retained Earnings	(29,872,177)			(29,872,177)		
13		\$ 155,533,624		10.55%	\$ 155,533,624		10.55%
14							
15							
16							
17	Short-Term Debt						
18	Intercompany Payable	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
19							
20							
21	Totals	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
22							
23							
24							
25	Supporting Schedules:						
26	E-1						
27							
28							
29	\EUSA TB By BU_131101_Sch E.xlsx						
30	\2013 Mohave Water Sch. A-F Rejoinder (Oct2014 Direct).xls						

Recap Schedules:
D-1 Rejoinder

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Present Water Revenues	Proposed Water Revenues	Percent of Proposed Water
1	5/8x3/4 Inch	Residential	\$ 4,107,557	\$ 5,500,316	\$ 1,392,759	33.91%	64.28%	66.42%	66.42%
2	3/4 Inch	Residential	2,149	2,674	525	24.43%	0.03%	0.03%	0.03%
3	1 Inch	Residential	81,146	99,561	18,415	22.69%	1.27%	1.20%	1.20%
4	1.5 Inch	Residential	-	-	-	0.00%	0.00%	0.00%	0.00%
5	2 Inch	Residential	68,590	86,550	17,960	26.19%	1.07%	1.05%	1.05%
6	6 Inch	Residential	-	-	-	0.00%	0.00%	0.00%	0.00%
7		Subtotal	4,259,442	5,689,101	1,429,659	33.56%	66.66%	68.69%	68.69%
8									
9	5/8x3/4 Inch	Apartment	\$ 30,048	\$ 37,630	\$ 7,583	25.24%	0.47%	0.45%	0.45%
10	3/4 Inch	Apartment	132	184	52	39.55%	0.00%	0.00%	0.00%
11	1 Inch	Apartment	48,395	60,555	12,160	25.13%	0.76%	0.73%	0.73%
12	1.5 Inch	Apartment	4,385	5,452	1,067	24.34%	0.07%	0.07%	0.07%
13	2 Inch	Apartment	345,225	439,577	94,352	27.33%	5.40%	5.31%	5.31%
14	4 Inch	Apartment	16,279	20,710	4,431	27.22%	0.25%	0.25%	0.25%
15	6 Inch	Apartment	46,629	53,826	7,197	15.43%	0.73%	0.65%	0.65%
16		Subtotal	491,092	617,935	126,843	25.83%	7.69%	7.46%	7.46%
17									
18	5/8x3/4 Inch	Commercial	\$ 139,286	\$ 174,587	\$ 35,302	25.34%	2.18%	2.11%	2.11%
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	0.00%
20	1 Inch	Commercial	198,662	244,424	45,762	23.04%	3.11%	2.95%	2.95%
21	1.5 Inch	Commercial	3,331	4,524	1,193	35.80%	0.05%	0.05%	0.05%
22	2 Inch	Commercial	700,402	856,387	155,985	22.27%	10.96%	10.34%	10.34%
23	3 Inch	Commercial	56,150	71,291	15,141	26.97%	0.88%	0.86%	0.86%
24	4 Inch	Commercial	17,208	21,668	4,460	25.92%	0.27%	0.26%	0.26%
25	6 Inch	Commercial	116,206	134,384	18,178	15.64%	1.82%	1.62%	1.62%
26		Subtotal	1,231,245	1,507,266	276,021	22.42%	19.27%	18.20%	18.20%
27									
28	5/8 x3/4Inch	Other Public Authority	\$ 6,154	\$ 8,407	\$ 2,254	36.62%	0.10%	0.10%	0.10%
29	1 Inch	Other Public Authority	8,052	11,025	2,974	36.93%	0.13%	0.13%	0.13%
30	1.5 Inch	Other Public Authority	754	1,048	294	38.96%	0.01%	0.01%	0.01%
31	2 Inch	Other Public Authority	143,104	195,195	52,091	36.40%	2.24%	2.36%	2.36%
32	3 Inch	Other Public Authority	29,822	40,396	10,574	35.46%	0.47%	0.49%	0.49%
33	4 Inch	Other Public Authority	10,038	13,687	3,649	36.35%	0.16%	0.17%	0.17%
34	6 Inch	Other Public Authority	35,236	47,807	12,571	35.68%	0.55%	0.58%	0.58%
35		Subtotal	233,159	317,565	84,406	36.20%	3.65%	3.83%	3.83%
36									
37	2 Inch	Fire	\$ 870	\$ 1,114	\$ 244	28.06%	0.01%	0.01%	0.01%
38	4 Inch	Fire	8,285	10,187	1,902	22.95%	0.13%	0.12%	0.12%
39	6 Inch	Fire	7,299	8,865	1,566	21.46%	0.11%	0.11%	0.11%
40	8 Inch	Fire	3,473	4,203	731	21.04%	0.05%	0.05%	0.05%
41	Private Hydrant		15,829	19,728	3,899	24.63%	0.25%	0.24%	0.24%
42									
43									
44									
45		Total Revenues Before Annualization	\$ 6,250,694	\$ 8,175,965	\$ 1,925,271	30.80%	97.82%	98.72%	98.72%

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	Schedule
1									
2									
3									
4	5/8x3/4 Inch	Residential	(800)	(1,078)	(278)	34.78%	0	(435)	See Work Papers
5	3/4 Inch	Residential	(73)	(78)	(5)	6.83%	0	(24)	See Work Papers
6	1 Inch	Residential	130	140	11	8.34%	-	45	See Work Papers
7	1.5 Inch	Residential	-	-	-	0.00%	-	-	See Work Papers
8	2 Inch	Residential	-	-	-	0.00%	-	-	See Work Papers
9	6 Inch	Residential	-	-	-	0.00%	-	-	See Work Papers
10		Subtotal	(743)	(1,016)	(272)	36.66%	0	(414)	
11									
12									
13	5/8x3/4 Inch	Apartment	(23.79)	(25)	(1.44)	6.03%	(0)	(8)	See Work Papers
14	3/4 Inch	Apartment	-	-	-	0.00%	-	-	See Work Papers
15	1 Inch	Apartment	-	-	-	0.00%	-	-	See Work Papers
16	1.5 Inch	Apartment	(21)	(25)	(4)	17.99%	(0)	(9)	See Work Papers
17	2 Inch	Apartment	-	-	-	0.00%	-	-	See Work Papers
18	4 Inch	Apartment	-	-	-	0.00%	-	-	See Work Papers
19	6 Inch	Apartment	-	-	-	0.00%	-	-	See Work Papers
20		Subtotal	(45)	(50)	(5)	11.63%	(0)	(17)	
21									
22	5/8x3/4 Inch	Commercial	5	7	2	37.22%	-	3	See Work Papers
23	3/4 Inch	Commercial	-	-	-	0.00%	-	-	See Work Papers
24	1 Inch	Commercial	(172)	(183)	(12)	6.86%	0	(57)	See Work Papers
25	1.5 Inch	Commercial	(280)	(299)	(19)	6.83%	0	(93)	See Work Papers
26	2 Inch	Commercial	(4)	3	6	-171.94%	(0)	4	See Work Papers
27	3 Inch	Commercial	-	-	-	0.00%	-	-	See Work Papers
28	4 Inch	Commercial	-	-	-	0.00%	-	-	See Work Papers
29	6 Inch	Commercial	-	-	-	0.00%	-	-	See Work Papers
30		Subtotal	(450)	(473)	(23)	5.10%	0	(144)	
31									
32		Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
33	5/8 x3/4inch	Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
34	1 Inch	Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
35	1.5 Inch	Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
36	2 Inch	Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
37	3 Inch	Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
38	4 Inch	Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
39	6 Inch	Other Public Authority	-	-	-	0.00%	-	-	See Work Papers
40		Subtotal	-	-	-	0.00%	-	-	
41									
42									
43	2 Inch	Fire	3	4	1	34.78%	-	2	See Work Papers
44	4 Inch	Fire	-	-	-	0.00%	(0)	0	See Work Papers
45	6 Inch	Fire	-	-	-	0.00%	-	0	See Work Papers
46	8 Inch	Fire	-	-	-	0.00%	-	0	See Work Papers
47	Private Hydrant		-	-	-	0.00%	0	0	See Work Papers
48									
49		Total Revenue Annualization	(1,235)	(1,534)	(299)	24.26%	0	(573)	

Mohave Water District
 Test Year Ended June 30, 2013
 Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Exhibit
 Rejoinder Schedule H-1
 Page 3
 Witness: Bourassa

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	\$ 6,250,694	\$ 8,175,965	\$ 1,925,271	30.80%	97.82%	98.72%
2						
3	35,483	35,483				
4	(114,235)	(149,422)	(35,187)	30.80%	-1.79%	-1.80%
5						Schedule H-1, page 4
6	6,170,708	8,060,492	(299)	24.26%	-0.02%	-0.02%
7	221,297	221,297	1,889,784	30.63%	96.02%	96.90%
8				0.00%	3.46%	2.67%
9						
10	(2,229)	(60)	2,169	-97.31%	-0.03%	0.00%
11	\$ 6,389,776	\$ 8,281,729	\$ 1,891,953	29.61%	99.44%	99.57%
12						
13						
14						
15						
16						

Line No.	Meter Size, Class	Average Number of Customers at 6/30/2013	Average Bill		Proposed Increase		
			Average Consumption	Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch Residential	14,634	6,800	20.63 \$	29.36	8.73	42.33%
2	3/4 Inch Residential	4	15,167	42.02	53.86	11.84	28.18%
3	1 Inch Residential	77	23,601	80.90	103.14	22.24	27.49%
4	1.5 Inch Residential	-	-	55.00	76.75	21.75	39.55%
5	2 Inch Residential	24	61,883	215.65	284.89	69.24	32.11%
6	6 Inch Residential	-	-	550.00	767.53	217.53	39.55%
7	Subtotal	14,740					
8	5/8x3/4 Inch Apartment	66	11,501	33.90 \$	44.96	11.06	32.62%
9	3/4 Inch Apartment	1	-	11.00	15.35	4.35	39.55%
10	1 Inch Apartment	53	19,899	69.80	91.28	21.48	30.78%
11	1.5 Inch Apartment	2	53,083	179.45	225.13	45.68	25.46%
12	2 Inch Apartment	143	46,970	174.43	239.29	64.87	37.19%
13	4 Inch Apartment	2	170,750	613.25	822.27	209.02	34.08%
14	6 Inch Apartment	1	1,227,917	3,885.75	4,485.50	599.75	15.43%
15	Subtotal	268					
17	5/8x3/4 Inch Commercial	384	7,901	25.54 \$	34.94	9.41	36.84%
18	3/4 Inch Commercial	-	-	11.00	15.35	4.35	39.55%
19	1 Inch Commercial	199	21,965	76.00	97.90	21.90	28.82%
20	1.5 Inch Commercial	3	19,139	90.22	124.22	34.00	37.69%
21	2 Inch Commercial	206	76,300	298.90	331.09	72.20	27.89%
22	3 Inch Commercial	13	77,092	317.85	436.80	118.95	37.42%
23	4 Inch Commercial	2	182,583	648.75	860.19	211.44	32.59%
24	6 Inch Commercial	3	971,167	3,115.50	3,662.61	547.11	17.56%
25	Subtotal	810					
27	5/8 x3/4 Inch Other Public Authority	18	9,505	28.49 \$	38.92	10.43	36.62%
28	1 Inch Other Public Authority	11	18,205	61.00	83.52	22.53	36.93%
29	1.5 Inch Other Public Authority	1	4,250	62.82	87.29	24.47	38.96%
30	2 Inch Other Public Authority	46	93,069	259.25	353.61	94.37	36.40%
31	3 Inch Other Public Authority	2	579,667	1,242.59	1,683.18	440.59	35.46%
32	4 Inch Other Public Authority	1	305,167	836.51	1,140.58	304.07	36.35%
33	6 Inch Other Public Authority	1	1,296,917	2,936.33	3,983.88	1,047.55	35.68%
34	Subtotal	80					
36	2 Inch Fire	7	3,346	11.16 \$	14.29	3.13	28.06%
37	4 Inch Fire	54	1,461	12.69	15.60	2.91	22.95%
38	6 Inch Fire	36	1,030	16.90	20.52	3.63	21.46%
39	8 Inch Fire	72	3,204	18.21	22.70	4.49	24.63%
40	Private Hydrant						
41	Total	16,067					

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

Mohave Water District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Median Consumption	Median Bill		Proposed Rates	Proposed Rates	Proposed Increase Dollar Amount	Percent Amount
				Present Rates	Present Rates				
1	5/8 x3/4Inch Residential	14,634	5,000	\$ 17.32	\$ 24.90	7.58	43.77%		
2	3/4 Inch Residential	4	13,500	\$ 37.02	\$ 48.52	11.50	31.06%		
3	1 Inch Residential	77	11,000	47.74	65.66	17.92	37.53%		
4	1.5 Inch Residential	-	-	55.00	76.75	21.75	39.55%		
5	2 Inch Residential	24	40,000	161.60	222.00	60.40	37.38%		
6	6 Inch Residential	-	-	550.00	767.53	217.53	39.55%		
7	Subtotal	14,740							
8	5/8x3/4 Inch Apartment	66	8,000	\$ 25.72	\$ 35.19	9.47	36.82%		
9	3/4 Inch Apartment	1	-	11.00	15.35	4.35	39.55%		
10	1 Inch Apartment	53	10,000	63.18	87.28	24.10	37.64%		
11	1.5 Inch Apartment	2	46,500	159.70	204.04	44.34	27.76%		
12	2 Inch Apartment	143	18,000	121.12	167.44	46.32	38.25%		
13	4 Inch Apartment	2	153,500	561.50	766.98	205.48	36.59%		
14	6 Inch Apartment	1	1,228,000	3,886.00	4,485.77	599.77	15.43%		
15	Subtotal	268							
16	5/8 x3/4Inch Commercial	384	2,000	\$ 14.68	\$ 20.31	5.63	38.35%		
17	3/4 Inch Commercial	-	-	11.00	15.35	4.35	39.55%		
18	1 Inch Commercial	199	10,000	45.90	63.18	17.28	37.64%		
19	1.5 Inch Commercial	3	21,000	93.64	128.83	35.19	37.58%		
20	2 Inch Commercial	206	31,000	145.04	199.68	54.64	37.68%		
21	3 Inch Commercial	13	3,000	181.52	253.05	71.53	39.41%		
22	4 Inch Commercial	2	114,000	484.76	666.48	181.72	37.49%		
23	6 Inch Commercial	3	236,000	984.24	1,352.81	368.57	37.45%		
24	Subtotal	810							
25	5/8 x3/4Inch Other Public Authority	18	-	\$ 11.00	\$ 15.35	4.35	39.55%		
26	1 Inch Other Public Authority	11	9,500	44.98	61.94	16.96	37.70%		
27	1.5 Inch Other Public Authority	1	4,000	62.36	86.67	24.31	38.99%		
28	2 Inch Other Public Authority	46	13,000	111.92	155.04	43.12	38.53%		
29	3 Inch Other Public Authority	2	240,000	617.60	840.81	223.21	36.14%		
30	4 Inch Other Public Authority	1	307,500	840.80	1,146.36	305.56	36.34%		
31	6 Inch Other Public Authority	1	1,314,000	2,967.76	4,026.25	1,058.49	35.67%		
32	Subtotal	80							
33	2 Inch Fire	7	-	\$ 5.00	\$ 5.99	0.99	19.78%		
34	4 Inch Fire	54	1,000	11.84	14.46	2.62	22.11%		
35	6 Inch Fire	36	1,000	16.84	20.45	3.61	21.41%		
36	8 Inch Fire	13	1,000	21.84	26.44	4.60	21.04%		
37	Public Hydrant	72	2,000	16.00	19.72	3.72	23.23%		
38	Total	16,080							

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

Mohave Water District
Test Year Ended June 30, 2013
Present and Proposed Rates

Line No.	Monthly Service Charge for:	Present Rates	Proposed Rates	Dollar Change	Present Rate	Proposed Rate	Dollar Change
1	5/8x3/4 Inch - Residential - Low Income	\$ 6.00	\$ 9.21	\$ 3.21			
2	5/8x3/4 Inch - Residential*	11.00	15.35	4.35			
3	5/8x3/4 Inch - Apartment, Commercial, Industrial, OPA	11.00	15.35	4.35			
3	3/4 Inch - Residential	11.00	15.35	4.35			
3	3/4 Inch - Commercial, Industrial	11.00	15.35	4.35			
4	3/4 Inch - Apartment, OPA	NT	15.35				
4	1 Inch - All classes*	27.50	38.38	10.88			
4	1 Inch - All classes**	55.00	76.75	21.75			
5	1 1/2 Inch - All classes	88.00	122.80	34.80			
6	2 Inch - All classes	176.00	245.61	69.61			
7	3 Inch - All classes	275.00	383.76	108.76			
8	4 Inch - All classes	550.00	767.53	217.53			
9	6 Inch - All classes	880.00	1,228.04	348.04			
10	8 Inch - All classes	1,265.00	1,765.31	500.31			
11	10 Inch - All classes	2,365.00	3,300.36	935.36			
12	12 Inch - All classes						
13							
14	Monthly Fire Service Charges						
14	2 Inch - Private Fire	5.00	5.99	0.99			
15	4 Inch - Private Fire	10.00	11.98	1.98			
16	6 Inch - Private Fire	15.00	17.97	2.97			
17	8 Inch - Private Fire	20.00	23.96	3.96			
18	10 Inch - Private Fire	25.00	29.94	4.94			
19	12 Inch - Private Fire	30.00	34.92	4.92			
20	Public Hydrants	12.32	14.76	2.44			
21	Private Hydrants	12.32	14.76	2.44			
22	Public Sprinkler Head	0.73	0.87	0.14			
23							
24							
25							
26	Gallons in Minimum (All Meter Sizes and Classes)						
27							
28							
29	Commodity Rates (per 1,000 gallons)						
30							
31	5/8x3/4 Inch Meter - Residential*	1 gallon to 3,001 gallons to over	3,000 gallons	0.8800 \$	1,5300 \$	0.6500 \$	
32			10,000 gallons	1.8400 \$	2.4800 \$	0.6400 \$	
33			10,000 gallons	3.0000 \$	3.2050 \$	0.2050 \$	
34							
35	5/8x3/4 Inch Meter - Apartment, Commercial**, Industrial	1 gallon to over	10,000 gallons	1.8400 \$	2.4800 \$	0.6400 \$	
36			10,000 gallons	3.0000 \$	3.2050 \$	0.2050 \$	
37							
38	5/8x3/4 Inch Meter - Other Public Authority	All gallons		1.8400 \$	2.4800 \$	0.6400 \$	
39							
40	* Includes Rio Residential customers						
41	** Includes BHC Veterans Memorial						

Mohave Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Block	Present Rate	Proposed Rate	Dollar Change
1	1 gallons to	\$ 0.8800	\$ 1.5300	\$ 0.6500
2	3,001 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
3	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
4	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
5	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
6	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
7	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
8	1 gallons to	NT	\$ 2.4800	\$ 0.6400
9	over	NT	\$ 3.2050	\$ 0.2050
10	All gallons	NT	\$ 2.4800	\$ 0.6400
11	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
12	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
13	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
14	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
15	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
16	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
17	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
18	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
19	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
20	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
21	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
22	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
23	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
24	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
25	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
26	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
27	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
28	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
29	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
30	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
31	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
32	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
33	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
34	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
35	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
36	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
37	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
38	1 gallons to	\$ 1.8400	\$ 2.4800	\$ 0.6400
39	over	\$ 3.0000	\$ 3.2050	\$ 0.2050
40	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400
41	All gallons	\$ 1.8400	\$ 2.4800	\$ 0.6400

* Includes Rio Residential customers

Mohave Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 3
 Witness: Bourassa

Line No.	Block	Present Rate	Proposed Rate	Dollar Change
3	Commodity Rates (per 1,000 gallons)			
4	6 Inch Meter - Residential, Apartment, Commercial, Industrial	\$ 1.8400	\$ 2.4800	\$ 0.6400
5		\$ 3.0000	\$ 3.2050	\$ 0.2050
6		\$ 1.8400	\$ 2.4800	\$ 0.6400
7	6 Inch Meter - Other Public Authority	\$ 1.8400	\$ 2.4800	\$ 0.6400
8	8 Inch Meter - Residential, Apartment, Commercial, Industrial	\$ 1.8400	\$ 2.4800	\$ 0.6400
9		\$ 3.0000	\$ 3.2050	\$ 0.2050
10		\$ 1.8400	\$ 2.4800	\$ 0.6400
11	8 Inch Meter - Other Public Authority	\$ 1.8400	\$ 2.4800	\$ 0.6400
12	10 Inch Meter - Residential, Apartment, Commercial, Industrial	\$ 1.8400	\$ 2.4800	\$ 0.6400
13		\$ 3.0000	\$ 3.2050	\$ 0.2050
14		\$ 1.8400	\$ 2.4800	\$ 0.6400
15	10 Inch Meter - Other Public Authority	\$ 1.8400	\$ 2.4800	\$ 0.6400
16		\$ 1.8400	\$ 2.4800	\$ 0.6400
17	12 Inch Meter - Residential, Apartment, Commercial, Industrial	\$ 1.8400	\$ 2.4800	\$ 0.6400
18		\$ 3.0000	\$ 3.2050	\$ 0.2050
19		\$ 1.8400	\$ 2.4800	\$ 0.6400
20	12 Inch Meter - Other Public Authority	\$ 1.8400	\$ 2.4800	\$ 0.6400
21		\$ 1.8400	\$ 2.4800	\$ 0.6400
22	Fire and Hydrant Water	\$ 1.8400	\$ 2.4800	\$ 0.6400
23		\$ 1.8400	\$ 2.4800	\$ 0.6400
24	Effluent (per acre foot)	\$ 227.79	See Mohave WW	
25				
26				
27				
28				
29	Low Income Program Discount Revenue Recovery			
30	Program Participation Limit (No. of Customers)		475	
31	Estimated Annual Discounts		\$ 34,999	
32	Under(Over) Collections from previous years		\$ -	
33	Net Annual Discounts to be Recovered		\$ 34,999	
34	Highest Cost Commodity Rate Gallons Sold to Residential, Apartment, Commercial (in 1,000s)		609,633	
35	Estimate of Low Income Surcharge on Highest Cost Commodity Rate (Residential, Apartment, Commercial Customers Only)	\$ 0.2066	\$ 0.0570	
36				
37	* Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.2066 for the			
38	Low Income Surcharge.			
39	** Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.0580 for the			
40	Low Income Surcharge.			
41				
42				

* Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.2066 for the Low Income Surcharge.
 ** Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.0580 for the Low Income Surcharge.

Mohave Water District
Changes in Representative Rate Schedules
Test Year Ended June 30, 2013

Exhibit
 Rejoinder Schedule H-3
 Page 4
 Witness: Bourassa

Line No.	Present Rates	Proposed Rates
1		
2		
3	<u>Service Charges</u>	<u>Rates</u>
4	Establishment or Reestablishment of Service	\$ 35.00
5	Including Sewer Service	Remove
6	Not Including Sewer Service	Remove
7	Regular Hours	Remove
8	After Hours	Remove
9	Reconnection of Service (Delinquent)	\$ 35.00
10	Regular Hours	Remove
11	After Hours	Remove
12	Meter Test (if correct)	\$ 35.00
13	Meter Reread (if correct)	\$ 25.00
14	NSF Check	\$ 25.00
15	Late Fee Charge, per month	1.50%
16	Deferred Payment, Per Month	1.50%
17	Deposit Requirements	(a)
18	Deposit Interest	(b)
19	After Hours Service Charge©	\$ 30.00
20		
21		
22		
23		
24	(a) Per ACC Rules R14-2-403(B) <u>Residential</u> - two times the average bill.	
25	<u>Non-residential</u> - two and one-half times the estimated maximum bill.	
26	(b) Interest per A.C.C. R-14-2-403(B)	
27	(c) After hours service charge: After regular working hours, Saturdays, Sundays, and holidays if at the customer's	
28	request or for the customer's convenience.	
29		
30		
31		
32		
33	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM	
34	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE	
35	TAX. PER COMMISSION RULE 14-2-409D(5).	
36		
37		
38		
39		
40		

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Returns at Present Rates by Class

Exhibit
 Rejoinder Schedule G-1
 Page 1
 Witness: Bourassa

Line No.	Totals	Residential	Apartment	Commercial	Other Public Auth.
1	\$ 6,214,939	\$ 4,259,442	\$ 491,092	\$ 1,231,245	\$ 233,159
2	\$ 35,756	33,151	603	1,821	180
3	(1,235)	(743)	(45)	(450)	3
4	35,483	35,483	-	-	-
5	(114,235)	(78,451)	(8,987)	(22,531)	(4,265)
6	221,297	205,176	3,734	11,273	1,114
7	(2,229)	(2,067)	(38)	(114)	(11)
8	\$ 6,389,776	\$ 4,451,991	\$ 486,360	\$ 1,221,245	\$ 230,179
9					
10	\$ 4,566,883	\$ 3,670,143	\$ 194,380	\$ 560,996	\$ 141,364
11					
12	1,292,510	955,187	77,517	205,306	54,500
13	164,282	114,461	12,504	31,398	5,918
14	(89,788)	(272,914)	61,581	121,509	36
15	\$ 5,933,887	\$ 4,466,877	\$ 345,982	\$ 919,210	\$ 201,818
16	\$ 455,889	\$ (14,886)	\$ 140,378	\$ 302,035	\$ 28,361
17	601,477	427,635	40,527	105,012	28,302
18	\$ (145,588)	\$ (442,521)	\$ 99,851	\$ 197,023	\$ 59
19	\$ 23,495,176	\$ 16,704,487	\$ 1,583,092	\$ 4,102,033	\$ 1,105,564
20	1.94%	-0.09%	8.87%	7.36%	2.57%
21					
22	Percent of Total Customers				
23		92.72%	1.69%	5.09%	0.50%
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					

1 Allocated based on customer counts.
 2 Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
 3 Property Taxes allocation based on Revenues.
 4 Income Tax from Schedule C-1, at present rates. Income Taxes allocated based on taxable income.
 5 Interest Synchronized Interest Expense. Allocation based on Rate Base
 6 Rate Base computations are shown on Schedule G-3, Page 1
 7 Operating Income Divided by Rate Base

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Returns at Proposed Rates by Class

Line No.	Totals	Residential	Apartment	Commercial	Other Public Auth.	
1	Water Revenues	\$ 8,131,867	\$ 5,689,101	\$ 617,935	\$ 1,507,266	\$ 317,565
2	Fire Service Revenues	44,097	40,885	744	2,246	222
3	Revenue Annualizations	(1,534)	(1,016)	(50)	(473)	4
4	Low Income Program Adjustment	35,483	35,483	-	-	-
5	Declining Usage	(149,422)	(104,721)	(11,308)	(27,584)	(5,809)
6	Misc. Revenues ¹	221,297	205,176	3,734	11,273	1,114
7	Reconciliation H-1 to C-1 ¹	(60)	(56)	(1)	(3)	(0)
8	Total Revenues	\$ 8,281,729	\$ 5,864,854	\$ 611,054	\$ 1,492,725	\$ 313,096
9						
10	Operating Expenses ²	\$ 4,596,685	\$ 3,697,774	\$ 194,883	\$ 562,514	\$ 141,514
11	Depreciation and					
12	Amortization ²	1,292,510	955,187	77,517	205,306	54,500
13	Property Tax ³	180,382	127,741	13,309	32,513	6,819
14	Income Tax ⁴	610,973	249,035	108,039	222,809	31,090
15	Total Operating Expenses	\$ 6,680,550	\$ 5,029,737	\$ 393,748	\$ 1,023,142	\$ 233,923
16	Operating Income	\$ 1,601,179	\$ 835,117	\$ 217,306	\$ 469,583	\$ 79,173
17	Interest Expense ⁵	601,477	427,635	40,527	105,012	28,302
18	Net Income	\$ 999,703	\$ 407,482	\$ 176,779	\$ 364,571	\$ 50,870
19	Rate Base ⁶	\$ 23,495,176	\$ 16,704,487	\$ 1,583,092	\$ 4,102,033	\$ 1,105,564
20	Return on Rate Base ⁷	6.81%	5.00%	13.73%	11.45%	7.16%
21						
22	Percent of Total Customers		92.72%	1.69%	5.09%	0.50%
23						
24	Indicated Monthly Minimums and Single-Tier Commodity Rates for 5/8 x3/4 Inch Meter					
25		Sched. G-8, pg 4A	Sched. G-8, pg 4B	Sched. G-8, pg 4C	Sched. G-8, pg 4D	Sched. G-8, pg 4E
26	All Classes	Residential	Apartment	Commercial	Other Public Auth.	
27	Monthly Minimums	\$ 16.03	\$ 16.00	\$ 13.17	\$ 16.68	\$ 21.40
28	Single-Tier Commodity Rate	\$ 2.378	\$ 2.494	\$ 2.186	\$ 2.131	\$ 2.080
29						
30						

¹ Allocated based on customer counts.
² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 2.
³ Property Taxes allocation based on Revenues
⁴ Income Tax from Schedule C-1, at proposed rates. Income Taxes allocated based on taxable income
⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base
⁶ Rate Base computations are shown on Schedule G-3, Page 1
⁷ Operating Income Divided by Rate Base

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Allocation of Assets to Customer Classes

Exhibit
 Rejoinder Schedule G-3
 Page 1
 Witness: Bourassa

Line No.	Totals	Residential	Apartment	Commercial	Other Public Auth.
1	<u>Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)</u>				
2					
3					
4					
5	Commodity				
6	Demand				
7	Customer				
8	Service				
9	Meter				
10	Total				
11					
12					
13					
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20					

<u>Summary</u>						
15	Net Rate Base	\$ 23,495,176	\$ 16,704,487	\$ 1,583,092	\$ 4,102,033	\$ 1,105,564
16	% of Net Rate Base	100.00%	71.10%	6.74%	17.46%	4.71%

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Expenses to Customer Classes - Present Rates

Exhibit
 Rejoinder Schedule G-4
 Page 1
 Witness: Bourassa

Line No.	Operation and Maintenance Expense (from Schedule G-6, Page 1)	Adjusted Per C-1	Residential	Apartment	Commercial	Other Public Auth.	Totals	
1	Commodity	\$ 1,162,447	\$ 808,338	\$ 80,264	\$ 215,548	\$ 58,297	\$ 1,162,447	
2	Demand	1,231,672	847,317	77,454	234,768	72,133	1,231,672	
3	Customer	2,172,764	2,014,489	36,662	110,680	10,934	2,172,764	
4	Service	-	-	-	-	-	-	
5	Meter	-	-	-	-	-	-	
6	Totals	\$ 4,566,883	\$ 3,670,143	\$ 194,380	\$ 560,996	\$ 141,364	\$ 4,566,883	
7								
8	Depreciation Expense on Plant (from Schedule G-6, Page 2)							
9	Commodity	207,377	144,205	14,319	38,453	10,400	207,377	
10	Demand	607,243	417,747	38,187	115,746	35,563	607,243	
11	Customer	54,754	50,765	924	2,789	276	54,754	
12	Service	196,348	137,719	18,427	33,763	6,439	196,348	
13	Meter	226,788	204,751	5,660	14,555	1,823	226,788	
14	Totals	\$ 1,292,510	\$ 955,187	\$ 77,517	\$ 205,306	\$ 54,500	\$ 1,292,510	
15								
16	Operation and Maintenance Expense and Depreciation Expense							
17	Commodity	\$ 1,369,825	\$ 952,543	\$ 94,583	\$ 254,001	\$ 68,697	\$ 1,369,825	
18	Demand	1,838,915	1,265,064	115,640	350,514	107,696	1,838,915	
19	Customer	2,227,518	2,065,254	37,586	113,469	11,209	2,227,518	
20	Service	196,348	137,719	18,427	33,763	6,439	196,348	
21	Meter	226,788	204,751	5,660	14,555	1,823	226,788	
22	Total	\$ 5,859,393	\$ 4,625,331	\$ 271,897	\$ 766,302	\$ 195,864	\$ 5,859,393	
23								
24	Total Expenses (excluding Income Tax and Property Taxes)							
25		\$ 5,859,393	\$ 4,625,331	\$ 271,897	\$ 766,302	\$ 195,864	\$ 5,859,393	
26								
27	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 164,282						
28	Income Tax, Allocated on Schedules G-1 & G-2	(89,789)						
29	Total Expenses	<u>\$ 5,933,887</u>						
30								

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Expenses to Customer Classes - Proposed Rates

Exhibit
 Rejoinder Schedule G-4
 Page 2
 Witness: Bourassa

Line No.		At Proposed C-1	Residential	Apartment	Commercial	Other Public Auth.	Totals
1							
2							
3	Operation and Maintenance Expense (from Schedule G-6, Page 1)						
4	Commodity	\$ 1,162,447	\$ 808,338	\$ 80,264	\$ 215,548	\$ 58,297	\$ 1,162,447
5	Demand	1,231,672	847,317	77,454	234,768	72,133	1,231,672
6	Customer	2,202,566	2,042,119	37,165	112,198	11,084	2,202,566
7	Service	-	-	-	-	-	-
8	Meter	-	-	-	-	-	-
9	Totals	\$ 4,596,685	\$ 3,697,774	\$ 194,883	\$ 562,514	\$ 141,514	\$ 4,596,685
10							
11	Depreciation Expense on Plant (from Schedule G-6, Page 3,2)						
12	Commodity	\$ 207,377	\$ 144,205	\$ 14,319	\$ 38,453	\$ 10,400	\$ 207,377
13	Demand	607,243	417,747	38,187	115,746	35,563	607,243
14	Customer	54,754	50,765	924	2,789	276	54,754
15	Service	196,348	137,719	18,427	33,763	6,439	196,348
16	Meter	226,788	204,751	5,660	14,555	1,823	226,788
17	Totals	\$ 1,292,510	\$ 955,187	\$ 77,517	\$ 205,306	\$ 54,500	\$ 1,292,510
18							
19	Operation and Maintenance Expense and Depreciation Expense						
20	Commodity	\$ 1,369,825	\$ 952,543	\$ 94,583	\$ 254,001	\$ 68,697	\$ 1,369,825
21	Demand	1,838,915	1,265,064	115,640	350,514	107,696	1,838,915
22	Customer	2,257,320	2,092,884	38,089	114,988	11,359	2,257,320
23	Service	196,348	137,719	18,427	33,763	6,439	196,348
24	Meter	226,788	204,751	5,660	14,555	1,823	226,788
25	Total	\$ 5,889,195	\$ 4,652,961	\$ 272,400	\$ 767,820	\$ 196,014	\$ 5,889,195
26							
27	Total Expenses (excluding Income Tax and						
28	Property Taxes)	\$ 5,889,195	\$ 4,652,961	\$ 272,400	\$ 767,820	\$ 196,014	\$ 5,889,195
29							
30	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 180,382					
31	Income Tax, Allocated on Schedules G-1 & G-2	610,973					
32	Total Expenses	<u>\$ 6,680,550</u>					
33							
34							

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Rate Base by Function

Exhibit
 Rejoinder Schedule G-5
 Page 1
 Witness: Bourassa

Line No.		Adjusted Per B-2	Demand	Commodity	Customer	Meter	Service
1							
2	Rate Base						
3	Plant minus (Accumulated Depreciation	\$ 23,495,176	\$ 12,101,666	\$ 4,265,194	\$ 59,654	\$ 1,986,124	\$ 5,082,538
4	Contributions in Aid of Construction						
5	Advances in Aid of Construction,						
6	Meter Deposits and Deferred Income Tax)						
7							
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Mohave Water District
 Test Year Ended June 30, 2013
 Allocation of Plant, Less Contributions and Advances in Aid of
 Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
 Rejoinder Schedule G-5
 Page 2
 Witness: Bourassa

Line No.	Account Description	Adjusted Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	Intangible									
2	301000 Organization	\$ 34,004	\$ -	\$ 34,004	F-1	25,163	8,841	-	-	-
3	302000 Franchises	37,061	-	37,061	F-1	27,425	9,636	-	-	-
4	303100 Other Intangible Plant	-	-	-	F-1	-	-	-	-	-
5	Subtotal Intangible	<u>71,064</u>	<u>-</u>	<u>71,064</u>		<u>52,587</u>	<u>18,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
6	Source of Supply & Pumping Plant									
7	303200 Land and Land Rights - Supply	528,700	-	528,700	F-1	391,238	137,462	-	-	-
8	303300 Land and Land Rights - Pumping	2,351	(10)	2,361	F-1	1,747	614	-	-	\$ -
9	304100 Structures and Improvements - Supply	475,826	220,832	254,994	F-1	188,695	66,298	-	-	-
10	304200 Structures and Improvements - Pumping	31,201	(225)	31,427	F-1	23,256	8,171	-	-	-
11	305000 Collecting and Impounding Res.	663,944	261,543	402,401	F-1	297,777	104,624	-	-	-
12	306000 Lakes, Rivers, Other Intakes	-	-	-	F-1	-	-	-	-	-
13	307000 Wells and Springs	6,542,946	544,596	5,998,350	F-1	4,438,779	1,559,571	-	-	-
14	308000 Infiltration Galleries and Tunnels	-	-	-	F-1	-	-	-	-	-
15	309000 Supply Mains	93,481	5,717	87,764	F-1	64,945	22,819	-	-	-
16	310000 Power Generation Equipment	50,355	15,586	34,769	F-1	25,729	9,040	-	-	-
17	311000 Pumping Equipment - Steam	409,521	11,448	398,074	F-1	294,575	103,499	-	-	-
18	312200 Pumping Equipment - Electric	2,782,895	1,852,565	930,331	F-1	688,445	241,886	-	-	-
19	313000 Pumping Equipment - Diesel	-	-	-	F-1	-	-	-	-	-
20	314000 Pumping Equipment - Hydraulic	-	-	-	F-1	-	-	-	-	-
21	315000 Pumping Equipment - Other	1,009	270	738	F-1	546	192	-	-	-
22	315500 Pumping Equipment - Water Treatment	-	-	-	F-1	-	-	-	-	-
23	Subtotal Source of Supply & Pumping Plant	<u>\$ 11,582,230</u>	<u>\$ 2,912,321</u>	<u>\$ 8,669,909</u>		<u>\$ 6,415,733</u>	<u>\$ 2,254,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
24	Water Treatment									
25	303400 Land and Land Rights - Treatment	-	-	-	F-1	-	-	-	-	-
26	304300 Structures and Improvements - Treatment	47,846	19,748	28,098	F-1	20,793	7,306	-	-	-
27	320000 Water Treatment Plant	-	-	-	F-1	-	-	-	-	-
28	320100 Water Treatment Equipment - Non-media	96,992	117,495	(20,563)	F-1	(15,217)	(5,346)	-	-	-
29	320200 Water Treatment Equipment - Media	360,547	18,027	342,519	F-1	253,464	89,055	-	-	-
30	Subtotal Water Treatment	<u>\$ 505,325</u>	<u>\$ 155,271</u>	<u>\$ 350,055</u>		<u>\$ 259,040</u>	<u>\$ 91,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
31	Transmission and Distribution Plant									
32	303500 Land and Land Rights - T&D	9,609	-	9,609	F-1	7,111	2,498	-	-	-
33	304400 Structures and Improvements - T&D	43,546	6,097	37,449	F-1	27,712	9,737	-	-	-
34	330000 Distribution Reservoirs & Standpipes	2,832,819	627,010	2,205,810	F-1	1,632,299	573,510	-	-	-
35	330100 Elevated Tank & Standpipes	-	3,569	(3,569)	F-1	(2,641)	(928)	-	-	-
36	330200 Ground Level Tanks	-	-	-	F-1	-	-	-	-	-
37	330300 Below Ground Tanks	-	-	-	F-1	-	-	-	-	-
38	331001 T&D Mains Not Classified	269,444	5,719	263,726	F-1	195,157	68,569	-	-	-
39	331100 T&D Mains 4in & less	12,008,818	6,473,604	5,535,214	F-1	4,096,059	1,439,156	-	-	-
40	331200 T&D Mains 6in to 8in	3,693,499	492,852	3,200,647	F-1	2,368,479	832,168	-	-	-
41	331300 T&D Mains 10in to 16in	1,484,810	52,751	1,432,059	F-1	1,059,724	372,335	-	-	-
42	331400 TD Mains 18in & Gtr	78,265	6,813	69,452	F-1	51,395	18,058	-	-	-
43	332000 Fire Mains	-	-	-	F-2	-	-	-	-	-

Mohave Water District
 Test Year Ended June 30, 2013
 Allocation of Plant, Less Contributions and Advances in Aid of
 Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
 Reinder Schedule G-5
 Page 2.1
 Witness: Bourassa

Line No.	Account No.	Description	Adjusted		Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
			Original Cost	Plant								
1	333000	Services	7,853,908	2,767,241	5,086,666	F-3	-	-	-	-	-	5,086,666
2	334100	Meters	2,638,552	827,982	1,810,571	F-4	-	-	-	-	1,810,571	-
3	334200	Meter Installations	276,354	96,672	179,682	F-4	-	-	-	-	179,682	-
4	334300	Meter Vaults	-	-	-	F-4	-	-	-	-	-	-
5	335000	Hydrants	185,402	12,554	172,848	F-5	-	-	-	-	172,848	-
6	336000	Backflow Prevention Devices	-	-	-	F-1	-	-	-	-	-	-
7	339100	Other P/E-Intangible	-	-	-	F-1	-	-	-	-	-	-
8	339200	Other P/E-Supply	82,583	9,128	73,455	F-1	54,356	19,098	-	-	-	-
9	339500	Other P/E-TD	-	-	-	F-1	-	-	-	-	-	-
10	339600	Other P/E-CPS	186,826	32,654	154,172	F-1	114,087	40,085	-	-	-	-
11		Subtotal Transmission and Distribution Plant	\$ 31,642,436	\$ 11,414,646	\$ 20,227,790		\$ 9,603,737	\$ 3,374,286	\$ 172,848	\$ 1,990,253	\$ 5,086,666	
12		General Plant										
13	303600	Land and Land Rights	47,358	-	47,358	F-1	35,045	12,313	-	-	-	-
14	304500	Structures and Improvements - General	43,231	4,016	39,215	F-1	29,019	10,196	-	-	-	-
15	304600	Structures and Improvements - Offices	449,617	137,766	311,851	F-1	230,770	81,081	-	-	-	-
16	304620	Structures and Improvements - Leasehold	-	-	-	F-1	-	-	-	-	-	-
17	304700	Structures and Improvements - Store, Shop, (	29,223	13,582	15,641	F-1	11,574	4,067	-	-	-	-
18	304800	Structures and Improvements - General	-	-	-	F-1	-	-	-	-	-	-
19	340100	Office Furniture & Equipment	101,669	(5,919)	107,588	F-6	26,897	-	-	-	80,691	-
20	340200	Computers & Software	109,956	(254,621)	364,578	F-6	91,144	-	-	-	273,433	-
21	340300	Computer Software	3,521	1,468	2,052	F-6	513	-	-	-	1,539	-
22	340310	Computer Software Mainframe	-	-	-	F-6	-	-	-	-	-	-
23	340325	Computer Software Customized	-	-	-	F-6	-	-	-	-	-	-
24	340330	Computer Software Other	-	-	-	F-6	-	-	-	-	-	-
25	340330	Other Office Equipment	-	-	-	F-6	-	-	-	-	-	-
26	341100	Transportation Equip Light Duty Trucks	99,015	808,721	(709,706)	F-6	(177,426)	-	-	(532,279)	-	-
27	341200	Transportation Equip Heavy Duty Trucks	72,088	29,241	42,847	F-6	10,712	-	-	32,135	-	-
28	341300	Transportation Equipment Autos	-	-	-	F-6	-	-	-	-	-	-
29	341400	Transportation Equipment Other	59,848	18,023	41,825	F-6	10,456	-	-	31,369	-	-
30	342000	Stores Equipment	1,420	1,529	(109)	F-6	(27)	-	-	(82)	-	-
31	343000	Tools and Work Equipment	221,156	209,262	11,894	F-1	8,801	3,092	-	-	-	-
32	344000	Laboratory Equipment	7,623	9,781	(2,156)	F-1	(1,597)	-	-	(661)	-	-
33	345000	Power Operated Equipment	171,959	192,293	(20,334)	F-1	(15,047)	(5,287)	-	-	-	-
34	346100	Communication Equipment Non-Telephone	188,877	86,199	102,679	F-1	75,982	26,686	-	-	-	-
35	346190	Remote Control & Instrument	880,737	44,939	835,798	F-1	618,490	217,307	-	-	-	-
36	346200	Communication Equipment Telephone	5,111	(6,235)	11,346	F-1	8,017	2,817	-	-	-	-
37	346300	Communication Equipment Other	-	-	-	F-1	8,396	2,950	-	-	-	-
38	347000	Structures and Improvements - Offices	-	-	-	F-1	-	-	-	-	-	-
39	348000	Structures and Improvements - Leasehold	-	-	-	F-1	-	-	-	-	-	-
40		Subtotal General Plant	\$ 2,492,409	\$ 1,279,211	\$ 1,213,198		\$ 971,720	\$ 354,672	\$ (113,194)	\$ 1,990,253	\$ 5,086,666	
41		Total Direct Plant	\$ 46,293,465	\$ 15,761,449	\$ 30,532,016		\$ 17,302,818	\$ 6,092,625	\$ 59,654	\$ 1,990,253	\$ 5,086,666	

Mohave Water District
Test Year Ended June 30, 2013
Allocation of Plant, Less Contributions and Advances in Aid of
Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
 Rejoinder Schedule G-5
 Page 2.2
 Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	Allocated General Plant										
2	399000	Allocated Corporate General Plant	391,360	126,369	264,990	F-1	196,093	68,897	-	-	-
3	399000	NMVC Allocation	-	-	-	F-1	-	-	-	-	-
4	399000	Reconciliation to PIS Balance	-	-	-	F-1	-	-	-	-	-
5	Test Year Ended June 30, 2013										
6	Total Plant		<u>\$ 391,360</u>	<u>\$ 126,369</u>	<u>\$ 264,990</u>		<u>\$ 196,093</u>	<u>\$ 68,897</u>	<u>\$ 59,654</u>	<u>\$ 1,990,253</u>	<u>\$ 5,086,666</u>
7	Contributions in Aid of Construction		(570,329)	89,194	(481,135)	F-1	(356,040)	(125,096)	-	-	-
8	Advances in Aid of Construction		(7,012,710)	-	(7,012,710)	F-1	(5,189,405)	(1,823,304)	-	-	-
9	Meter Deposits		(8,257)	-	(8,257)	F-7	-	-	-	-	-
10	Deferred Income Tax		(696,852)	-	(696,852)	F-1	(515,670)	(181,181)	-	(4,129)	(4,129)
11	Working Capital		133,257	-	133,257	F-1	98,610	34,647	-	-	-
12	Deferred Reg Assets/Liabilities		763,868	-	763,868	F-1	565,262	198,606	-	-	-
13	Rounding		(1)	-	(1)	F-1	-	(0)	-	0	0
14	Totals		<u>\$ 39,293,800</u>	<u>\$ 15,977,012</u>	<u>\$ 23,495,176</u>		<u>\$ 12,101,666</u>	<u>\$ 4,265,194</u>	<u>\$ 59,654</u>	<u>\$ 1,986,124</u>	<u>\$ 5,082,538</u>
15	Rate Bases (Plant-(AIAC, CIAC, Meter Deposits & Accum. Depr.))				<u>\$ 23,495,176</u>						
16	Fair Value Rate Base				<u>\$ 23,495,176</u>						

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Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Allocation of Expenses to Functions
 At Proposed Rates

Exhibit
 Rejoinder Schedule G-6
 Page 2
 Witness: Bourassa

Line No.	Description	At Proposed Per-C-1	Demand	Commodity	Customer	Meters	Services	Totals
1	Labor	\$ 1,381,651	\$ 552,660	\$ 276,330	\$ 552,660	\$ -	\$ -	\$ 1,381,651
2	Purchased Water	26,831	-	26,831	-	-	-	26,831
3	Fuel & Power	546,720	-	546,720	-	-	-	546,720
4	Chemicals	10,916	-	10,916	-	-	-	10,916
5	Waste Disposal	7,886	3,154	1,577	3,154	-	-	7,886
6	Intercompany Support Services	950	380	190	380	-	-	950
7	Corporate Allocation	322,082	128,833	64,416	128,833	-	-	322,082
8	Outside Services	189,278	151,422	37,856	-	-	-	189,278
9	Group Insurance	417,723	167,089	83,545	167,089	-	-	417,723
10	Pensions	6,694	2,678	1,339	2,678	-	-	6,694
11	Regulatory Expense	85,438	34,175	17,088	34,175	-	-	85,438
12	Insurance Other Than Group	101,045	40,418	20,209	40,418	-	-	101,045
13	Customer Accounting	661,670	-	-	661,670	-	-	661,670
14	Rents	16,923	-	-	16,923	-	-	16,923
15	General Office Expense	238,214	-	-	238,214	-	-	238,214
16	Miscellaneous	55,680	-	-	55,680	-	-	55,680
17	Maintenance Expense	377,155	150,862	75,431	150,862	-	-	377,155
18	Depreciation & Amortization ¹	1,292,510	607,243	207,377	54,754	226,788	196,348	1,292,510
19	General Taxes-Other	149,829	-	-	149,829	-	-	149,829
20								
21								
22	Property Taxes, Allocated on Schedules G-1 & G-2							
23	Income Tax, Allocated on Schedules G-1 & G-2							
24								
25	Total	\$ 5,889,195	\$ 1,838,915	\$ 1,369,825	\$ 2,257,320	\$ 226,788	\$ 196,348	\$ 5,889,195

¹ Depreciation allocation computed on Schedule G-6, Page 3.1 and 3.2

See Schedule G-7, page 2.2 for allocation factors.
 See Schedule G-4, page 2 for allocations by class.

34
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Mohave Water District
 Test Year Ended June 30, 2013
 Allocation of Depreciation Expense to Functions

Exhibit
 Rejoinder Schedule G-6
 Page 3.1
 Witness: Bourassa

Line	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services	
1	Intangible											
2	301000	Organization	\$ 34,004			F-1						
3	302000	Franchises	37,061			F-1						
4	303100	Other Intangible Plant	-			F-1						
5	Subtotal Intangible											
			<u>\$ 71,064</u>									
6	Source of Supply & Pumping Plant											
7	303200	Land and Land Rights - Supply	528,700	0.000%		F-1						
8	303300	Land and Land Rights - Pumping	2,351	0.000%		F-1						
9	304100	Structures and Improvements - Supply	475,826	2.500%	11,896	F-1	8,803	3,093				
10	304200	Structures and Improvements - Pumping	31,201	2.000%	624	F-1	462	162				
11	305000	Collecting and Impounding Res.	663,944	1.667%	11,066	F-1	8,189	2,877				
12	306000	Lakes, Rivers, Other Intakes	-	0.000%		F-1						
13	307000	Wells and Springs	6,542,946	2.500%	163,574	F-1	121,044	42,529				
14	308000	Infiltration Galleries and Tunnels	-	0.000%		F-1						
15	309000	Supply Mains	93,481	1.667%	1,558	F-1	1,153	405				
16	310000	Power Generation Equipment	50,355	3.333%	1,679	F-1	1,242	436				
17	311000	Pumping Equipment - Steam	409,521	4.000%	16,381	F-1	12,122	4,259				
18	311200	Pumping Equipment - Electric	2,782,895	4.000%	111,316	F-1	82,374	28,942				
19	311300	Pumping Equipment - Diesel	-	0.000%		F-1						
20	311400	Pumping Equipment - Hydraulic	-	0.000%		F-1						
21	311500	Pumping Equipment - Other	1,009	4.000%	40	F-1	30	10				
22	311530	Pumping Equipment - Water Treatment	-	0.000%		F-1						
23	Subtotal Source of Supply & Pumping Plant											
24			<u>\$ 11,582,230</u>		<u>\$ 318,133</u>		<u>\$ 235,418</u>	<u>\$ 82,714</u>				
25	Water Treatment											
26	303400	Land and Land Rights - Treatment	-	0.000%		F-1						
27	304300	Structures and Improvements - Treatment	47,846	2.000%	957	F-1	708	249				
28	320000	Water Treatment Plant	-	0.000%	(0)	F-1	(0)	(0)				
29	320100	Water Treatment Equipment - Non-media	96,932	5.000%	36,055	F-1	26,680	9,374				
30	320200	Water Treatment Equipment - Media	360,547	10.000%	36,055	F-1	26,680	9,374				
31	Subtotal Water Treatment											
32			<u>\$ 505,325</u>		<u>\$ 37,012</u>		<u>\$ 27,389</u>	<u>\$ 9,623</u>				
33	Transmission and Distribution Plant											
34	303500	Land and Land Rights - T&D	9,609	0.000%		F-1						
35	304400	Structures and Improvements - T&D	43,546	2.000%	871	F-1	644	226				
36	330000	Distribution Reservoirs & Standpipes	2,832,819	1.538%	43,582	F-1	32,251	11,331				
37	330100	Elevated Tank & Standpipes	-	0.000%		F-1						
38	330200	Ground Level Tanks	-	0.000%		F-1						
39	330300	Below Ground Tanks	-	0.000%		F-1						
40	331001	T&D Mains Not Classified	269,444	2.000%	5,389	F-1	3,988	1,401				
41	331100	T&D Mains 4in & less	12,008,818	1.429%	171,555	F-1	126,950	44,604				
42	331200	T&D Mains 6in to 8in	3,693,499	1.429%	52,764	F-1	39,046	13,719				
43	331300	T&D Mains 10in to 16in	1,484,810	1.429%	21,212	F-1	15,697	5,515				
44	331400	TD Mains 18in & Gtr	76,265	1.429%	1,089	F-1	806	283				
45	Subtotal Transmission and Distribution Plant											
46	332000	Fire Mains	-	0.000%		F-2						

Mohave Water District
 Test Year Ended June 30, 2013
 Allocation of Depreciation Expense to Functions

Exhibit
 Rejoinder Schedule G-6
 Page 3.1
 Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	333000	Services	7,653,908	2.500%	196,348	F-3	-	-	-	-	\$ 196,348
2	334100	Meters	2,638,552	8.333%	219,879	F-4	-	-	-	219,879	-
3	334200	Meter Installations	276,354	2.500%	6,909	F-4	-	-	-	6,909	-
4	334300	Meter Vaults	-	0.000%	-	F-4	-	-	-	-	-
5	335000	Hydrants	185,402	2.000%	3,708	F-5	-	-	-	-	-
6	336000	Backflow Prevention Devices	-	0.000%	-	F-1	-	-	3,708	-	-
7	339100	Other P/E-Intangible	-	0.000%	-	F-1	-	-	-	-	-
8	339200	Other P/E-Supply	-	0.000%	-	F-1	-	-	-	-	-
9	339500	Other P/E-TD	82,583	3.333%	2,753	F-1	2,037	716	-	-	-
10	339600	Other P/E-CPs	-	0.000%	-	F-1	-	-	-	-	-
11		Subtotal Transmission and Distribution Plant	186,826	3.333%	6,228	F-1	4,608	1,619	-	-	-
12			\$ 31,642,436		\$ 732,286		\$ 226,027	\$ 79,415	\$ 3,708	\$ 226,788	\$ 196,348
13		General Plant									
14	303600	Land and Land Rights	47,358	0.000%	-	F-1	-	-	-	-	-
15	304500	Structures and Improvements - General	43,231	2.500%	1,081	F-1	800	281	-	-	-
16	304600	Structures and Improvements - Offices	449,617	2.500%	11,240	F-1	8,318	2,923	-	-	-
17	304620	Structures and Improvements - Leasehold	-	0.000%	-	F-1	-	-	-	-	-
18	304700	Structures and Improvements - Store, Shop, Ggc	29,223	2.500%	731	F-1	541	190	-	-	-
19	304800	Structures and Improvements - General	-	0.000%	-	F-1	-	-	-	-	-
20	340100	Office Furniture & Equipment	101,669	4.500%	4,575	F-6	1,144	-	3,431	-	-
21	340200	Computers & Software	109,956	10.000%	10,996	F-6	2,749	-	8,247	-	-
22	340300	Computer Software	3,521	20.000%	409	F-6	102	-	307	-	-
23	340310	Computer Software Mainframe	-	0.000%	-	F-6	-	-	-	-	-
24	340325	Computer Software Customized	-	0.000%	-	F-6	-	-	-	-	-
25	340330	Computer Software Other	-	0.000%	-	F-6	-	-	-	-	-
26	340500	Other Office Equipment	-	0.000%	-	F-6	-	-	-	-	-
27	341100	Transportation Equip Light Duty Trucks	99,015	20.000%	0	F-6	0	-	0	-	-
28	341200	Transportation Equip Heavy Duty Trucks	72,088	14.286%	10,298	F-6	2,575	-	7,724	-	-
29	341300	Transportation Equipment Autos	-	0.000%	-	F-6	-	-	-	-	-
30	341400	Transportation Equipment Other	59,848	16.667%	9,975	F-6	2,494	-	7,481	-	-
31	342000	Stores Equipment	1,420	4.000%	(0)	F-6	(0)	-	(0)	-	-
32	343000	Tools and Work Equipment	221,156	4.000%	8,846	F-1	6,546	-	(0)	-	-
33	344000	Laboratory Equipment	7,623	4.000%	8,846	F-1	6,546	-	(0)	-	-
34	345000	Power Operated Equipment	171,959	5.000%	(0)	F-1	(0)	-	(0)	-	-
35	346100	Communication Equipment Non-Telephone	188,877	10.000%	18,888	F-1	13,977	-	4,911	-	-
36	346190	Remote Control & Instrument	880,737	10.000%	88,074	F-1	65,175	-	22,899	-	-
37	346200	Communication Equipment Telephone	5,111	10.000%	511	F-1	378	-	133	-	-
38	346300	Communication Equipment Other	-	10.000%	-	F-1	-	-	-	-	-
39	347000	Structures and Improvements - Offices	-	0.000%	-	F-1	-	-	-	-	-
40	348000	Structures and Improvements - Leasehold	-	0.000%	-	F-1	-	-	-	-	-
41		Subtotal General Plant	\$ 2,492,409		\$ 165,623		\$ 104,797	\$ 33,636	\$ 27,189	\$ -	\$ -
42		Total Direct Plant	\$ 46,293,465		\$ 1,253,053		\$ 593,631	\$ 205,389	\$ 30,897	\$ 226,788	\$ 196,348

Mohave Water District
 Test Year Ended June 30, 2013
 Summary of Commodity - Demand Method Functions Factors

Exhibit
 Rejoinder Schedule G-7
 Page 1
 Witness: Bourassa

Line
No.

	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
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34					
35					

SUPPORTING SCHEDULES
 G-7, page 3.1 to 3.3

Mohave Water District
 Test Year Ended June 30, 2013
 COMMODITY - DEMAND METHOD FUNCTION FACTORS
 Plant-in-Service. Accumulated Depreciation and Depreciation Expense Allocations Functions

Exhibit
 Rejoinder Schedule G-7
 Page 2.1
 Witness: Bourassa

Line						
<u>No.</u>						
1						
2	<u>Factor</u>	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
3	F-1	0.74	0.26			
4	F-2	1.00				
5	F-3					1.00
6	F-4				1.00	
7	F-5			1.00		
8	F-6	0.25		0.75		
9	F-7				0.50	0.50
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25	<u>Development of F-1 Allocation Factor</u>					
26		<u>MGD</u>		<u>RATIO</u>		<u>DEMAND FACTOR</u>
27		(a)		(b)		(c)
28	(1) Avg day	4,863.08	G-7, page 3	1.00		1.00 1/(b)
29	(2) Max day	6,552.19	G-7, page 3	1.35	Max day/Avg day	0.74 1/(b)
30						
31						

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Expense Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 2.2
 Witness: Bourassa

Line No.	Expense Type	Demand	Commodity	Customer	Meters	Services
1	Labor	0.40	0.20	0.40	-	-
2	Purchased Water	-	1.00	-	-	-
3	Fuel & Power	-	1.00	-	-	-
4	Chemicals	-	1.00	-	-	-
5	Waste Disposal	0.40	0.20	0.40	-	-
6	Intercompany Support Services	0.40	0.20	0.40	-	-
7	Corporate Allocation	0.40	0.20	0.40	-	-
8	Outside Services	0.80	0.20	-	-	-
9	Group Insurance	0.40	0.20	0.40	-	-
10	Pensions	0.40	0.20	0.40	-	-
11	Regulatory Expense	0.40	0.20	0.40	-	-
12	Insurance Other Than Group	0.40	0.20	0.40	-	-
13	Customer Accounting	-	-	1.00	-	-
14	Rents	-	-	1.00	-	-
15	General Office Expense	-	-	1.00	-	-
16	Miscellaneous	-	-	1.00	-	-
17	Maintenance Expense	0.40	0.20	0.40	-	-
18	Depreciation & Amortization		See Schedule G-7, page 2.1			
19	General Taxes-Other	-	-	1.00	-	-
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.2
 Witness: Bourassa

CUSTOMER ALLOCATION FACTOR

Meter Size	Class	Number of Meters	Percent of Total
5/8x3/4"	Residential	14,634	92.05%
5/8x3/4"	Apartment	66	0.42%
5/8x3/4"	Commercial	384	2.42%
5/8x3/4"	Other Public Auth.	18	0.11%
3/4"	Residential	4	0.03%
3/4"	Apartment	1	0.01%
3/4"	Commercial	-	0.00%
3/4"	Other Public Auth.	-	0.00%
1"	Residential	77	0.49%
1"	Apartment	53	0.33%
1"	Commercial	199	1.25%
1"	Other Public Auth.	11	0.07%
1-1/2"	Residential	-	0.00%
1-1/2"	Apartment	2	0.01%
1-1/2"	Commercial	3	0.02%
1-1/2"	Other Public Auth.	1	0.01%
2"	Residential	24	0.15%
2"	Apartment	143	0.90%
2"	Commercial	206	1.30%
2"	Other Public Auth.	46	0.29%
3"	Residential	-	0.00%
3"	Apartment	-	0.00%
3"	Commercial	13	0.08%
3"	Other Public Auth.	2	0.01%
4"	Residential	-	0.00%
4"	Apartment	2	0.01%
4"	Commercial	2	0.01%
4"	Other Public Auth.	1	0.01%
6"	Residential	-	0.00%
6"	Apartment	1	0.01%
6"	Commercial	3	0.02%
6"	Other Public Auth.	1	0.01%
8"	Residential	-	0.00%
8"	Apartment	-	0.00%
8"	Commercial	-	0.00%
8"	Other Public Auth.	-	0.00%

Totals 15,898 100.00%

Class	Number of Meters	Percent of Total
Residential	14,740	92.715%
Apartment	268	1.687%
Commercial	810	5.094%
Other Public Auth.	80	0.503%
Total	<u>15,898</u>	<u>100.000%</u>

SERVICES ALLOCATION FACTOR (b)

Meter Size	Class	Number of Services	Installation Cost	Dollar Weighted Number Services	Percent of Total
5/8x3/4"	Residential	14,634	445.00	6,512,167	89.46%
5/8x3/4"	Apartment	66	445.00	29,407	0.40%
5/8x3/4"	Commercial	384	445.00	170,991	2.35%
5/8x3/4"	Other Public Auth.	18	445.00	8,010	0.11%
3/4"	Residential	4	445.00	1,780	0.02%
3/4"	Apartment	1	445.00	445	0.01%
3/4"	Commercial	0	445.00	-	0.00%
3/4"	Other Public Auth.	0	445.00	-	0.00%
1"	Residential	77	495.00	38,321	0.53%
1"	Apartment	53	495.00	26,235	0.36%
1"	Commercial	199	495.00	98,423	1.35%
1"	Other Public Auth.	11	495.00	5,445	0.07%
1-1/2"	Residential	0	550.00	-	0.00%
1-1/2"	Apartment	2	550.00	1,100	0.02%
1-1/2"	Commercial	3	550.00	1,650	0.02%
1-1/2"	Other Public Auth.	1	550.00	550	0.01%
2"	Residential	24	830.00	20,128	0.28%
2"	Apartment	143	830.00	118,828	1.63%
2"	Commercial	206	830.00	171,049	2.35%
2"	Other Public Auth.	46	830.00	38,180	0.52%
3"	Residential	0	1,165.00	-	0.00%
3"	Apartment	0	1,165.00	-	0.00%
3"	Commercial	13	1,165.00	14,757	0.20%
3"	Other Public Auth.	2	1,165.00	2,330	0.03%
4"	Residential	0	1,670.00	-	0.00%
4"	Apartment	2	1,670.00	3,340	0.05%
4"	Commercial	2	1,670.00	3,340	0.05%
4"	Other Public Auth.	1	1,670.00	1,670	0.02%
6"	Residential	0	2,330.00	-	0.00%
6"	Apartment	1	2,330.00	2,330	0.03%
6"	Commercial	3	2,330.00	6,990	0.10%
6"	Other Public Auth.	1	2,330.00	2,330	0.03%
8"	Residential	0	3,262.00	-	0.00%
8"	Apartment	0	3,262.00	-	0.00%
8"	Commercial	0	3,262.00	-	0.00%
8"	Other Public Auth.	0	3,262.00	-	0.00%

Totals 15,898 \$ 7,279,796 100.00%

Class	Dollar Weighted Number Services	Percent of Total
Residential	6,572,396	90.283%
Apartment	181,685	2.496%
Commercial	467,200	6.418%
Other Public Auth.	58,515	0.804%
Total	<u>7,279,796</u>	<u>100.000%</u>

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.3
 Witness: Bourassa

METER ALLOCATION FACTOR (b)

Meter Size		Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8x3/4"	Residential	14,634	155.00	2,268,283	68.00%
5/8x3/4"	Apartment	66	155.00	10,243	0.31%
5/8x3/4"	Commercial	384	155.00	59,559	1.79%
5/8x3/4"	Other Public Auth.	18	155.00	2,790	0.08%
3/4"	Residential	4	255.00	1,020	0.03%
3/4"	Apartment	1	255.00	255	0.01%
3/4"	Commercial	0	255.00	0	0.00%
3/4"	Other Public Auth.	0	255.00	0	0.00%
1"	Residential	77	315.00	24,386	0.73%
1"	Apartment	53	315.00	16,695	0.50%
1"	Commercial	199	315.00	62,633	1.88%
1"	Other Public Auth.	11	315.00	3,465	0.10%
1-1/2"	Residential	0	525.00	0	0.00%
1-1/2"	Apartment	2	525.00	1,050	0.03%
1-1/2"	Commercial	3	525.00	1,575	0.05%
1-1/2"	Other Public Auth.	1	525.00	525	0.02%
2"	Residential	24	1,890.00	45,833	1.37%
2"	Apartment	143	1,890.00	270,585	8.11%
2"	Commercial	206	1,890.00	389,498	11.68%
2"	Other Public Auth.	46	1,890.00	86,940	2.61%
3"	Residential	0	2,545.00	0	0.00%
3"	Apartment	0	2,545.00	0	0.00%
3"	Commercial	13	2,545.00	32,237	0.97%
3"	Other Public Auth.	2	2,545.00	5,090	0.15%
4"	Residential	0	3,645.00	0	0.00%
4"	Apartment	2	3,645.00	7,290	0.22%
4"	Commercial	2	3,645.00	7,290	0.22%
4"	Other Public Auth.	1	3,645.00	3,645	0.11%
6"	Residential	0	6,920.00	0	0.00%
6"	Apartment	1	6,920.00	6,920	0.21%
6"	Commercial	3	6,920.00	20,760	0.62%
6"	Other Public Auth.	1	6,920.00	6,920	0.21%
8"	Residential	0	9,688.00	0	0.00%
8"	Apartment	0	9,688.00	0	0.00%
8"	Commercial	0	9,688.00	0	0.00%
8"	Other Public Auth.	0	9,688.00	0	0.00%
Totals		<u>15,898</u>		<u>#####</u>	<u>100.00%</u>

Class	Weighted Dollars of Meters	Percent of Total
Residential	2,339,522	70.140%
Apartment	313,038	9.385%
Commercial	573,550	17.195%
Other Public Auth.	109,375	3.279%
Total	<u>3,335,485</u>	<u>100.000%</u>

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 1A
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	CUSTOMER CHARGE:			
2	Return on Rate Base	6.81%		
3	Fire and Misc. Revenues (From Sched G-2, page 1)	4,065	346,371	135,353
4	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	(221,297)		
5	Property Taxes (From Sched. G-2, page 1)	2,257,320	196,348	226,788
6	Income Taxes (From Sched. G-2, page 1)	180,382		
7	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	610,973		
8		2,831,444	542,719	362,141
9	Customer Charge			
10	Number of Bills =			
11		15,898	times	12
12	Charge per Bill	190,774		
13	(Customer Revenue Requirement divided by Annualized Number of Bills)	\$ 14.84		
14				
15	Service Line and Meter Charge			
16	Equivalent 5/8 Meters		239,475	239,475
17				
18	Charge per Equivalent Meter		\$ 2.27	\$ 1.51
19				
20				
21	CUSTOMER CHARGE:			
22	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
23	Charge per Bill		\$ 14.84	
24	Charge per Equivalent Service Line		2.27	
25	Charge per Equivalent Meter		1.51	
26	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			
27	Monthly Minimum for 5/8 Inch Meter, WITHOUT Demand Charge Included		\$ 18.62	

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 2A
 Witness: Bourassa

Line No.	Description	5/8" Demand Charge	Meter Ratio	Demand Charge
1	DEMAND CHARGE:			
2				
3	Return on Rate Base	6.81%		824,720
4	Demand Expenses (From Schedule G-4, Page 2)			1,838,915
5	Totals			2,663,635
6	Total Revenue Requirement / Demand Component			239,475
7	Equivalent Number of 5/8 Meters billings			11.12
8	Demand Charge for 5/8 Inch Meter			
9				
10				
11				
12	Demand Charge Per Equivalent	\$ 11.12	1.0	\$ 11.12
13	5/8 Inch Meter	11.12	1.5	16.68
14	3/4 Inch Meter	11.12	2.5	27.81
15	1 Inch Meter	11.12	5.0	55.61
16	1 1/2 Inch Meter	11.12	8.0	88.98
17	2 Inch Meter	11.12	16.0	177.97
18	3 Inch Meter	11.12	25.0	278.07
19	4 Inch Meter	11.12	50.0	556.14
20	6 Inch Meter	11.12	80.0	889.83
21	8 Inch Meter	11.12	115.0	1,279.13
22	10 Inch Meter	11.12	215.0	2,391.41
23	12 Inch Meter	11.12		

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 3A
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2						
3	Return on Rate Base	290,670	4,065	346,371	135,353	824,720
4	Less: Miscellaneous Revenues		(221,297)			
5						
6	Expenses (From Sch. G-4, Page 2)	1,369,825	2,257,320	196,348	226,788	1,838,915
7	Property Taxes (From Sched. G-2, page 1)		180,382			
8	Income Taxes (From Sched. G-2, page 1)		610,973			
9	Total Revenue Requirement by function					
10	Gallons Sold (in 1,000's) (Zero Gallons in Minimum) (G-7, page 3)	1,660,494	2,831,444	542,719	362,141	2,663,635
11	Computed Commodity Rate (line 9 divided by line 10)	1,775,027				
12	Annualized Number of Bills		190,774			
13	Equivalent Meters and Service Lines			239,475	239,475	239,475
14	Customer Charge (line 9 divided by line 12)		\$ 14.84			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			\$ 2.27	\$ 1.51	\$ 11.12
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					\$ 29.74
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	\$ 29.74				
22	3/4 Inch Meter	29.74	1.0			29.74
23	1 Inch Meter	29.74	1.5			44.61
24	1 1/2 Inch Meter	29.74	2.5			74.36
25	2 Inch Meter	29.74	5.0			148.72
26	3 Inch Meter	29.74	8.0			237.95
27	4 Inch Meter	29.74	16.0			475.89
28	6 Inch Meter	29.74	25.0			743.58
29	8 Inch Meter	29.74	50.0			1,487.16
30	10 Inch Meter	29.74	80.0			2,379.46
31	12 Inch Meter	29.74	115.0			3,420.47
32		29.74	215.0			6,394.79
33						

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 4A
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2	Revenue Requirements Collected via Commodity Charge			
3				
4				
5	Customer, Service, and Meter Costs	\$ 3,736,304	40%	\$ 1,494,521
6	Demand Costs	2,663,635	40%	1,065,454
7	Commodity Costs	1,660,494	100%	1,660,494
8	Total Costs to be Collected via Commodity	<u>\$ 4,220,470</u>		<u>\$ 4,220,470</u>
9	Gallons Sold			<u>1,775,027</u>
10				
11	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			<u>\$ 2,378</u>
12				
13	Revenue Requirement Collected via Monthly Minimum			
14	Monthly Minimum 5/8 Meter			\$ 8,060,432
15	Total Revenue Requirement			(4,220,470)
16	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			<u>\$ 3,839,963</u>
17	Balance to be Recovered through Monthly Minimum			47.64%
18				Percent revenue recovery
19				from monthly mins
20				
21	Number of Equivalent 5/8 Inch Meter Billings			239,475
22	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			<u>\$ 16.03</u>
23				
24				
25				
26				
27				
28	Meter Size			
29	5/8 Inch Meter	\$ 16.03	1.0	\$ 16.03
30	3/4 Inch Meter	16.03	1.5	24.05
31	1 Inch Meter	16.03	2.5	40.09
32	1 1/2 Inch Meter	16.03	5.0	80.17
33	2 Inch Meter	16.03	8.0	128.28
34	3 Inch Meter	16.03	16.0	256.56
35	4 Inch Meter	16.03	25.0	400.87
36	6 Inch Meter	16.03	50.0	801.75
37	8 Inch Meter	16.03	80.0	1,282.80
38	10 Inch Meter	16.03	115.0	1,844.02
39	12 Inch Meter	16.03	215.0	3,447.52

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
 RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 1B
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	Return on Rate Base			
2	Misc. Revenues (From Sched G-2, page 1)	3,769	242,946	122,200
3	Customer, Service and Meter Expenses (From Sch. G-4, Page 2)	(205,176)		
4	Property Taxes (From Sched. G-2, page 1)	2,092,884	137,719	204,751
5	Income Taxes (From Sched. G-2, page 1)	127,741		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	<u>2,268,253</u>	<u>380,665</u>	<u>326,951</u>
7				
8	Customer Charge			
9	Number of Bills =	14,740		
10				
11	Charge per Bill	<u>176,877</u>		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)	<u>\$ 12.82</u>		
13				
14	Service Line and Meter Charge			
15	Equivalent 5/8 Meters		180,332	180,332
16				
17	Charge per Equivalent Meter		<u>\$ 2.11</u>	<u>\$ 1.81</u>
18				
19				
20	CUSTOMER CHARGE:			
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
22	Charge per Bill		\$ 12.82	
23	Charge per Equivalent Service Line		2.11	
24	Charge per Equivalent Meter			1.81
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			
26	Monthly Minimum for 5/8 Inch Meter, <u>WITHOUT</u> Demand Charge Included			<u>\$ 16.75</u>

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 2B
 Witness: Bourassa

Line No.	DEMAND CHARGE:	5/8" Demand Charge	Meter Ratio	Demand Charge
1				
2	Return on Rate Base	10.16	1.0	10.16
3	Demand Expenses (From Schedule G-4, Page 2)	10.16	1.5	15.24
4	Totals	10.16	2.5	25.40
5		10.16	5.0	50.81
6	Total Revenue Requirement / Demand Component	10.16	8.0	81.29
7	Equivalent Number of 5/8 Meters billings	10.16	16.0	162.58
8	Demand Charge for 5/8 Inch Meter	10.16	25.0	254.04
9		10.16	50.0	508.07
10		10.16	80.0	812.91
11	Demand Charge Per Equivalent	10.16	115.0	1,168.56
12	5/8 Inch Meter	10.16	215.0	2,184.70
13	3/4 Inch Meter			
14	1 Inch Meter			
15	1 1/2 Inch Meter			
16	2 Inch Meter			
17	3 Inch Meter			
18	4 Inch Meter			
19	6 Inch Meter			
20	8 Inch Meter			
21	10 Inch Meter			
22	12 Inch Meter			

567,358
 1,265,064

1,832,422

180,332
\$ 10.16

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 38
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2						
3	Return on Rate Base	6.81%				
4	Less: Miscellaneous Revenues	202,125	3,769	242,946	122,200	567,358
5			(205,176)			
6	Expenses (From Sch. G-4, Page 2)					
7	Property Taxes (From Sched. G-2, page 1)	952,543	2,092,884	137,719	204,751	1,265,064
8	Income Taxes (From Sched. G-2, page 1)		127,741			
9	Total Revenue Requirement by function		249,035			
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	1,154,668	2,268,253	380,665	326,951	1,832,422
11	Computed Commodity Rate (line 9 divided by line10)	1,234,312				
12	Annualized Number of Bills		176,877			
13	Equivalent Meters and Service Lines					
14	Customer Charge (line 9 divided by line 12)		\$ 12.82	180,332	180,332	180,332
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)					
16	Total Monthly Minimum Charge for a 5/8 Inch Meter			\$ 2.11	\$ 1.81	\$ 10.16
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 26.91
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	26.91		1.0	\$ 26.91	
22	3/4 Inch Meter	26.91		1.5	40.36	
23	1 Inch Meter	26.91		2.5	67.27	
24	1 1/2 Inch Meter	26.91		5.0	134.55	
25	2 Inch Meter	26.91		8.0	215.27	
26	3 Inch Meter	26.91		16.0	430.55	
27	4 Inch Meter	26.91		25.0	672.73	
28	6 Inch Meter	26.91		50.0	1,345.46	
29	8 Inch Meter	26.91		80.0	2,152.74	
30	10 Inch Meter	26.91		115.0	3,094.57	
31	12 Inch Meter	26.91		215.0	5,785.50	
32						
33						

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 4B
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2				
3	Revenue Requirements Collected via Commodity Charge	\$ 2,975,869		\$ 1,190,347
4				
5	Customer, Service, and Meter Costs	1,832,422	40%	732,969
6	Demand Costs	1,154,668	40%	1,154,668
7	Commodity Costs			\$ 3,077,985
8	Total Costs to be Collected via Commodity			\$ 1,234,312
9	Gallons Sold			
10				
11				<u>\$ 2,494</u>
12	Commodity Charge (per 1,000 gallons)(line 9 divided by line10)			
13				
14	Revenue Requirement Collected via Monthly Minimum			\$ 5,962,959
15				(3,077,985)
16	Monthly Minimum 5/8 Meter			<u>\$ 2,884,974</u>
17	Total Revenue Requirement			
18	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			48.38%
19	Balance to be Recovered through Monthly Minimum			Percent revenue recovery
20				from monthly mins
21				
22	Number of Equivalent 5/8 Inch Meter Billings			180,332
23				
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			<u>\$ 16.00</u>
25				
26				
27				
28	<u>Meter Size</u>			
29	5/8 Inch Meter	\$ 16.00		16.00
30	3/4 Inch Meter	16.00	1.5	24.00
31	1 Inch Meter	16.00	2.5	40.00
32	1 1/2 Inch Meter	16.00	5.0	79.99
33	2 Inch Meter	16.00	8.0	127.99
34	3 Inch Meter	16.00	16.0	255.97
35	4 Inch Meter	16.00	25.0	399.95
36	6 Inch Meter	16.00	50.0	799.91
37	8 Inch Meter	16.00	80.0	1,279.85
38	10 Inch Meter	16.00	115.0	1,839.79
39	12 Inch Meter	16.00	215.0	3,439.61

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
 APARTMENT CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 1C
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	Return on Rate Base	69	32,507	3,378
2	Misc. Revenues (From Sched G-2, page 1)	(3,734)		
3	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	38,089	18,427	5,660
4	Property Taxes (From Sched. G-2, page 1)	13,309		
5	Income Taxes (From Sched. G-2, page 1)	108,039		
6	Total Revenue Requirement / Customer, Meter & Service (line 13+15+16+17)	<u>155,772</u>	<u>50,935</u>	<u>9,038</u>
7				
8	Customer Charge			
9	Number of Bills =	268		
10	times 12 months	<u>3,219</u>		
11	Charge per Bill			
12	(Customer Revenue Requirement divided by Annualized Number of Bills)	<u>\$ 48.39</u>		
13				
14	Service Line and Meter Charge			
15	Equivalent 5/8 Meters	1,455	12	12
16	times			
17	Charge per Equivalent Meter	<u>\$ 2.92</u>	<u>\$ 17,485</u>	<u>\$ 17,465</u>
18				
19				
20	CUSTOMER CHARGE:			
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)		\$ 48.39	
22	Charge per Bill		2.92	
23	Charge per Equivalent Service Line		0.52	
24	Charge per Equivalent Meter			<u>\$ 51.83</u>
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			
26	Monthly Minimum for 5/8 Inch Meter, <u>WITHOUT</u> Demand Charge Included			

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 APARTMENT CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 2C
 Witness: Bourassa

Line No.	DEMAND CHARGE:	5/8" Demand Charge	Meter Ratio	Demand Charge
1				
2	Return on Rate Base	6.81%		51,863
3	Demand Expenses (From Schedule G-4, Page 2)			115,640
4	Totals			167,503
5	Total Revenue Requirement / Demand Component			17,465
6	Equivalent Number of 5/8 Meters billings			9.59
7	Equivalent Number of 5/8 Meters billings			
8	Demand Charge for 5/8 Inch Meter			
9				
10				
11	<u>Demand Charge Per Equivalent</u>			
12	5/8 Inch Meter	\$ 9.59	1.0	9.59
13	3/4 Inch Meter	9.59	1.5	14.39
14	1 Inch Meter	9.59	2.5	23.98
15	1 1/2 Inch Meter	9.59	5.0	47.95
16	2 Inch Meter	9.59	8.0	76.73
17	3 Inch Meter	9.59	16.0	153.45
18	4 Inch Meter	9.59	25.0	239.77
19	6 Inch Meter	9.59	50.0	479.54
20	8 Inch Meter	9.59	80.0	767.26
21	10 Inch Meter	9.59	115.0	1,102.94
22	12 Inch Meter	9.59	215.0	2,062.02

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 APARTMENT CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 3C
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2						
3	Return on Rate Base	20,070				
4	Less: Miscellaneous Revenues		(3,734)	32,507	3,378	51,863
5						
6	Expenses (From Sch. G-4, Page 2)	94,583				
7	Property Taxes (From Sched. G-2, page 1)		38,089	18,427		5,660
8	Income Taxes (From Sched. G-2, page 1)		13,309			
9	Total Revenue Requirement by function		108,039			
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	114,653				
11	Computed Commodity Rate (line 9 divided by line 10)	122,561	155,772	50,935	9,038	167,503
12	Annualized Number of Bills		3,219			
13	Equivalent Meters and Service Lines					
14	Customer Charge (line 9 divided by line 12)		\$ 48.39	17,465	17,465	17,465
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)					
16	Total Monthly Minimum Charge for a 5/8 Inch Meter		\$ 2.92	\$ 0.52	\$ 9.59	
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 61.42
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	61.42	1.0	\$ 61.42		
22	3/4 Inch Meter	61.42	1.5	92.12		
23	1 Inch Meter	61.42	2.5	153.54		
24	1 1/2 Inch Meter	61.42	5.0	307.08		
25	2 Inch Meter	61.42	8.0	491.33		
26	3 Inch Meter	61.42	16.0	982.66		
27	4 Inch Meter	61.42	25.0	1,535.40		
28	6 Inch Meter	61.42	50.0	3,070.80		
29	8 Inch Meter	61.42	80.0	4,913.28		
30	10 Inch Meter	61.42	115.0	7,062.84		
31	12 Inch Meter	61.42	215.0	13,204.44		
32						
33						

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 APARTMENT CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 4C
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2				
3	Revenue Requirements Collected via Commodity Charge	215,745	40%	86,298
4				
5	Customer, Service, and Meter Costs	167,503	40%	67,001
6	Demand Costs	114,653	100%	114,653
7	Commodity Costs			<u>267,952</u>
8	Total Costs to be Collected via Commodity			<u>122,561</u>
9	Gallons Sold			
10				
11	Commodity Charge (per 1,000 gallons)(line 9 divided by line10)			<u><u>2.186</u></u>
12				
13	Revenue Requirement Collected via Monthly Minimum			497,901
14				<u>(267,952)</u>
15	Monthly Minimum 5/8 Meter			<u>\$ 229,948</u>
16	Total Revenue Requirement			46.18%
17	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			Percent revenue recovery
18	Balance to be Recovered through Monthly Minimum			from monthly mins
19				
20				
21	Number of Equivalent 5/8 Inch Meter Billings			17,465
22				
23	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			<u><u>\$ 13.17</u></u>
24				
25				
26				
27				
28	Meter Size	5/8"	Meter Ratio	Monthly Minimum
29	5/8 Inch Meter	13.17	1.0	\$ 13.17
30	3/4 Inch Meter	13.17	1.5	19.75
31	1 Inch Meter	13.17	2.5	32.92
32	1 1/2 Inch Meter	13.17	5.0	65.83
33	2 Inch Meter	13.17	8.0	105.33
34	3 Inch Meter	13.17	16.0	210.66
35	4 Inch Meter	13.17	25.0	329.16
36	6 Inch Meter	13.17	50.0	658.31
37	8 Inch Meter	13.17	80.0	1,053.30
38	10 Inch Meter	13.17	115.0	1,514.12
39	12 Inch Meter	13.17	215.0	2,830.74

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 1D
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	CUSTOMER CHARGE:			
2	Return on Rate Base	207	59,560	8,687
3	Misc. Revenues (From Sched G-2, page 1)	(11,273)		
4	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	114,988	33,763	14,555
5	Property Taxes (From Sched. G-2, page 1)	32,513		
6	Income Taxes (From Sched. G-2, page 1)	222,809		
7	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	359,244	93,323	23,241
8				
9	Customer Charge			
10	Number of Bills =			
11	810 times 12 months			
12	Charge per Bill	9,718		
13	(Customer Revenue Requirement divided by Annualized Number of Bills)	\$ 36.97		
14				
15	Service Line and Meter Charge			
16	Equivalent 5/8 Meters			
17	2,948 times			
18	Charge per Equivalent Meter		35,372	35,372
19				
20				
21	CUSTOMER CHARGE:			
22	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
23	Charge per Bill		\$ 36.97	
24	Charge per Equivalent Service Line		2.64	
25	Charge per Equivalent Meter		0.66	
26	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			
27	Monthly Minimum for 5/8 Inch Meter, <u>WITHOUT</u> Demand Charge Included			\$ 40.26

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 2D
 Witness: Bourassa

Line No.		5/8" Demand Charge	Meter Ratio	Demand Charge
1	DEMAND CHARGE:			
2	Return on Rate Base			157,199
3	Demand Expenses (From Schedule G-4, Page 2)			350,514
4	Totals			507,713
5	Total Revenue Requirement / Demand Component			35,372
6	Equivalent Number of 5/8 Meters billings			14.35
7	Demand Charge for 5/8 Inch Meter			
8				
9				
10				
11				
12	<u>Demand Charge Per Equivalent</u>			
13	5/8 Inch Meter	\$ 14.35	1.0	14.35
14	3/4 Inch Meter	14.35	1.5	21.53
15	1 Inch Meter	14.35	2.5	35.88
16	1 1/2 Inch Meter	14.35	5.0	71.77
17	2 Inch Meter	14.35	8.0	114.83
18	3 Inch Meter	14.35	16.0	229.66
19	4 Inch Meter	14.35	25.0	358.84
20	6 Inch Meter	14.35	50.0	717.68
21	8 Inch Meter	14.35	80.0	1,148.28
22	10 Inch Meter	14.35	115.0	1,650.66
23	12 Inch Meter	14.35	215.0	3,086.01

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 3D
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2		53,898	207	59,560	8,687	157,199
3	Return on Rate Base 6.81%					
4	Less: Miscellaneous Revenues		(11,273)			
5						
6	Expenses (From Sch. G-4, Page 2)	254,001	114,988	33,763	14,555	350,514
7			32,513			
8	Income Taxes (From Sched. G-2, page 1)		222,809			
9	Total Revenue Requirement by function	307,899	359,244	93,323	23,241	507,713
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	329,136				
11	Computed Commodity Rate (line 9 divided by line10)	<u>\$ 0.9355</u>				
12	Annualized Number of Bills		9.718			
13	Equivalent Meters and Service Lines			35,372	35,372	35,372
14	Customer Charge (line 9 divided by line 12)		<u>\$ 36.97</u>			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			2.64	\$ 0.66	\$ 14.35
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					<u>\$ 54.62</u>
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	54.62	1.0	\$ 54.62		
22	3/4 Inch Meter	54.62	1.5	81.92		
23	1 Inch Meter	54.62	2.5	136.54		
24	1 1/2 Inch Meter	54.62	5.0	273.08		
25	2 Inch Meter	54.62	8.0	436.93		
26	3 Inch Meter	54.62	16.0	873.85		
27	4 Inch Meter	54.62	25.0	1,365.39		
28	6 Inch Meter	54.62	50.0	2,730.79		
29	8 Inch Meter	54.62	80.0	4,369.26		
30	10 Inch Meter	54.62	115.0	6,280.81		
31	12 Inch Meter	54.62	215.0	11,742.39		
32						
33						

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 4D
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	Commodity Portion of Rev. Req.	5/8" Minimum	Meter Ratio	Monthly Minimum
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate					
2	Revenue Requirements Collected via Commodity Charge					
3	Revenue Requirements Collected via Commodity Charge					
4						
5	Customer, Service, and Meter Costs	\$ 475,808	\$ 190,323	16.68	1.0	\$ 16.68
6	Demand Costs	507,713	203,085	16.68	1.5	25.02
7	Commodity Costs	307,899	307,899	16.68	2.5	41.71
8	Total Costs to be Collected via Commodity	100%	\$ 701,307	16.68	5.0	83.42
9	Gallons Sold		329,136	16.68	8.0	133.46
10				16.68	16.0	266.93
11				16.68	25.0	417.08
12	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)		\$ 2.131	16.68	50.0	834.15
13				16.68	80.0	1,334.64
14	Revenue Requirement Collected via Monthly Minimum			16.68	115.0	1,918.55
15	Monthly Minimum 5/8 Meter			16.68	215.0	3,586.86
16	Total Revenue Requirement		\$ 1,291,420			
17	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)		(701,307)			
18	Balance to be Recovered through Monthly Minimum		\$ 590,113			
19						
20						
21	Number of Equivalent 5/8 Inch Meter Billings					35,372
22	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)					\$ 16.68
23						
24						
25						
26						
27						
28	Meter Size					
29	5/8 Inch Meter					
30	3/4 Inch Meter					
31	1 Inch Meter					
32	1 1/2 Inch Meter					
33	2 Inch Meter					
34	3 Inch Meter					
35	4 Inch Meter					
36	6 Inch Meter					
37	8 Inch Meter					
38	10 Inch Meter					
39	12 Inch Meter					

Percent revenue recovery
 from monthly mins
 45.69%

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses
 OTHER PUBLIC AUTHORITY

Exhibit
 Rejoinder Schedule G-8
 Page 1E
 Witness: Bourassa

Line No.	Description	Customer	Service	Meter
1	CUSTOMER CHARGE:			
2	Return on Rate Base	20	11,358	1,088
3	Misc. Revenues (From Sched G-2, page 1)	(1,114)		
4	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	11,359	6,439	1,823
5	Property Taxes (From Sched. G-2, page 1)	6,819		
6	Income Taxes (From Sched. G-2, page 1)	31,090		
7	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	48,175	17,796	2,911
8				
9	Customer Charge			
10	Number of Bills =	80		
11	times 12 months	960		
12	Charge per Bill	\$ 50.18		
13	(Customer Revenue Requirement divided by Annualized Number of Bills)			
14				
15	Service Line and Meter Charge			
16	Equivalent 5/8 Meters		526	12
17	times		months	
18	Charge per Equivalent Meter		\$ 2.82	\$ 0.46
19				
20			6,306	6,306
21	CUSTOMER CHARGE:			
22	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
23	Charge per Bill		\$ 50.18	
24	Charge per Equivalent Service Line		2.82	
25	Charge per Equivalent Meter		0.46	
26	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			
27	Monthly Minimum for 5/8 Inch Meter, WITHOUT Demand Charge Included		\$ 53.47	

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 OTHER PUBLIC AUTHORITY

Exhibit
 Rejoinder Schedule G-8
 Page 2E
 Witness: Bourassa

Line No.	Description	5/8" Demand Charge	Meter Ratio	Demand Charge
1	DEMAND CHARGE:			
2	Return on Rate Base			48,300
3	Demand Expenses (From Schedule G-4, Page 2)			107,696
4	Totals			155,996
6	Total Revenue Requirement / Demand Component			6,306
7	Equivalent Number of 5/8 Meters billings			24.74
8	Demand Charge for 5/8 Inch Meter			
9				
10				
11	Demand Charge Per Equivalent	\$ 24.74	1.0	\$ 24.74
12	5/8 Inch Meter	24.74	1.5	37.11
13	3/4 Inch Meter	24.74	2.5	61.84
14	1 Inch Meter	24.74	5.0	123.69
15	1 1/2 Inch Meter	24.74	8.0	197.90
16	2 Inch Meter	24.74	16.0	395.80
17	3 Inch Meter	24.74	25.0	618.44
18	4 Inch Meter	24.74	50.0	1,236.89
19	6 Inch Meter	24.74	80.0	1,979.02
20	8 Inch Meter	24.74	115.0	2,844.84
21	10 Inch Meter	24.74	215.0	5,318.61
22	12 Inch Meter	24.74		

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 OTHER PUBLIC AUTHORITY

Exhibit
 Rejoinder Schedule G-8
 Page 3E
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2						
3	Return on Rate Base	14,577		11,358	1,088	48,300
4	Less: Miscellaneous Revenues		(1,114)			
5						
6	Expenses (From Sch. G-4, Page 2)	68,697	11,359	6,439	1,823	107,696
7	Property Taxes (From Sched. G-2, page 1)		6,819			
8	Income Taxes (From Sched. G-2, page 1)		31,090			
9	Total Revenue Requirement by function		48,175	17,796	2,911	155,996
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	83,274				
11	Computed Commodity Rate (line 9 divided by line 10)	89,018				
12	Annualized Number of Bills		960			
13	Equivalent Meters and Service Lines			6,306	6,306	6,306
14	Customer Charge (line 9 divided by line 12)		\$ 50.18			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			\$ 2.82	\$ 0.46	\$ 24.74
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					\$ 78.20
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	78.20				
22	3/4 Inch Meter	78.20	1.0			
23	1 Inch Meter	78.20	1.5			
24	1 1/2 Inch Meter	78.20	2.5			
25	2 Inch Meter	78.20	5.0			
26	3 Inch Meter	78.20	8.0			
27	4 Inch Meter	78.20	16.0			
28	6 Inch Meter	78.20	25.0			
29	8 Inch Meter	78.20	50.0			
30	10 Inch Meter	78.20	80.0			
31	12 Inch Meter	78.20	115.0			
32			215.0			
33						

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 OTHER PUBLIC AUTHORITY

Exhibit
 Rejoinder Schedule G-8
 Page 4E
 Witness: Bourassa

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2				
3	Revenue Requirements Collected via Commodity Charge			
4				
5		\$ 68,882	40%	\$ 27,553
6	Customer, Service, and Meter Costs	155,996	40%	62,398
7	Demand Costs	83,274	100%	83,274
8	Commodity Costs			<u>\$ 173,226</u>
9	Total Costs to be Collected via Commodity			<u>83,274</u>
10	Gallons Sold			
11				<u>\$ 2,080</u>
12	Commodity Charge (per 1,000 gallons)(line 9 divided by line10)			
13				
14	Revenue Requirement Collected via Monthly Minimum			
15				
16	Monthly Minimum 5/8 Meter	\$ 308,153		
17	Total Revenue Requirement	(173,226)		
18	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)	\$ 134,927	43.79%	
19	Balance to be Recovered through Monthly Minimum			Percent revenue recovery from monthly mins
20				
21				
22	Number of Equivalent 5/8 Inch Meter Billings			6,306
23				
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			<u>\$ 21.40</u>
25				
26				
27				
28	<u>Meter Size</u>	<u>5/8"</u>	<u>Meter Ratio</u>	<u>Monthly Minimum</u>
29	5/8 Inch Meter	21.40	1.0	\$ 21.40
30	3/4 Inch Meter	21.40	1.5	32.09
31	1 Inch Meter	21.40	2.5	53.49
32	1 1/2 Inch Meter	21.40	5.0	106.98
33	2 Inch Meter	21.40	8.0	171.17
34	3 Inch Meter	21.40	16.0	342.35
35	4 Inch Meter	21.40	25.0	534.92
36	6 Inch Meter	21.40	50.0	1,069.83
37	8 Inch Meter	21.40	80.0	1,711.73
38	10 Inch Meter	21.40	115.0	2,460.61
39	12 Inch Meter	21.40	215.0	4,600.28

Mohave Water District
 Test Year Ended June 30, 2013
 Comparison of Proposed Rates to Computed Costs
 For a 5/8x3/4-Inch Residential Meter (With Required Operating Margin)

Exhibit
 Rejoinder Schedule G-9
 Page 1
 Witness: Bourassa

Line No.	Water Usage	Revenues		Service					Total Charges & Costs	Total Charges & Costs
		Minimum	Commodity	Demand Charges	Customer Charges	Line Charges	Meter Charges	Commodity Charges		
		\$	\$	\$	\$	\$	\$	\$	\$	\$
1	-	15.35	-	11.12	14.84	2.27	1.51	0	29.74	(14.39)
2	1,000	15.35	1.53	11.12	14.84	2.27	1.51	0.935	30.68	(13.80)
3	2,000	15.35	3.06	11.12	14.84	2.27	1.51	1.871	31.61	(13.20)
4	3,000	15.35	4.59	11.12	14.84	2.27	1.51	2.806	32.55	(12.61)
5	4,000	15.35	7.07	11.12	14.84	2.27	1.51	3.742	33.49	(11.06)
6	5,000	15.35	9.55	11.12	14.84	2.27	1.51	4.677	34.42	(9.52)
7	6,000	15.35	12.03	11.12	14.84	2.27	1.51	5.613	35.36	(7.98)
8	7,000	15.35	14.51	11.12	14.84	2.27	1.51	6.548	36.29	(6.43)
9	8,000	15.35	16.99	11.12	14.84	2.27	1.51	7.484	37.23	(4.89)
10	9,000	15.35	19.47	11.12	14.84	2.27	1.51	8.419	38.16	(3.34)
11	10,000	15.35	21.95	11.12	14.84	2.27	1.51	9.355	39.10	(1.80)
12	12,000	15.35	28.36	11.12	14.84	2.27	1.51	11.226	40.97	2.74
13	14,000	15.35	34.77	11.12	14.84	2.27	1.51	13.097	42.84	7.28
14	16,000	15.35	41.18	11.12	14.84	2.27	1.51	14.968	44.71	11.82
15	18,000	15.35	47.59	11.12	14.84	2.27	1.51	16.839	46.58	16.36
16	20,000	15.35	54.00	11.12	14.84	2.27	1.51	18.710	48.45	20.90
17	25,000	15.35	70.03	11.12	14.84	2.27	1.51	23.387	53.13	32.25
18	30,000	15.35	86.05	11.12	14.84	2.27	1.51	28.064	57.81	43.59
19	35,000	15.35	102.08	11.12	14.84	2.27	1.51	32.742	62.48	54.94
20	40,000	15.35	118.10	11.12	14.84	2.27	1.51	37.419	67.16	66.29
21	45,000	15.35	134.13	11.12	14.84	2.27	1.51	42.096	71.84	77.64
22	50,000	15.35	150.15	11.12	14.84	2.27	1.51	46.774	76.52	88.98
23	60,000	15.35	182.20	11.12	14.84	2.27	1.51	56.129	85.87	111.68
24	70,000	15.35	214.25	11.12	14.84	2.27	1.51	65.483	95.23	134.37
25	80,000	15.35	246.30	11.12	14.84	2.27	1.51	74.838	104.58	157.07
26	90,000	15.35	278.35	11.12	14.84	2.27	1.51	84.193	113.94	179.76
27	100,000	15.35	310.40	11.12	14.84	2.27	1.51	93.548	123.29	202.46

(Col. 2 - Col. 8)
 Total Revenues minus Total Charges & Costs

Paradise Valley Water
 Test Year Ended June 30, 2013
 Computation of Increase in Gross Revenue Requirement

Exhibit
 Schedule A-1 Rejoinder
 Page 1
 Witness: Hubbard

Line No.					
1	Original Cost Rate Base		\$	39,001,876	
2					
3	Adjusted Operating Income		\$	2,307,903	
4					
5	Current Rate of Return			5.92%	
6					
7	Required Operating Income		\$	2,656,028	
8					
9	Required Rate of Return			6.81%	
10					
11	Operating Income Deficiency		\$	348,125	
12					
13	Gross Revenue Conversion Factor			1.6346	
14					
15	Increase in Gross Revenue Requirement		\$	569,054	
16					
17					
18	Customer	Present	Proposed	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 7,360,312	\$ 7,817,281	\$ 456,969	6.2%
22	Commercial	1,789,884	1,901,297	111,413	6.2%
23	Other Public Authority	20,936	22,223	1,287	6.1%
24	Other	451,778	455,902	4,125	0.9%
25	Decline Usage Adjustment	(24,494)	(29,233)	(4,740)	19.4%
26					
27	Total Water Revenues	<u>\$ 9,598,416</u>	<u>\$ 10,167,470</u>	<u>\$ 569,054</u>	5.9%
28					
29	Other Revenues	\$ 58,978	\$ 58,978	\$ -	0.0%
30					
31	Total Revenues	<u>\$ 9,657,394</u>	<u>\$ 10,226,448</u>	<u>\$ 569,054</u>	5.9%
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46	Supporting Schedules:				
47	B-1 Rejoinder				
48	C-1 Rejoinder				
49	H-1 Rejoinder				
50	\\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls				

Paradise Valley Water
 Test Year Ended June 30, 2013
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 Rejoinder
 Page 1
 Witness: Hubbard

Line <u>No.</u>	Original Cost <u>Rate Base</u>
1	
2	\$ 73,128,007
3	
4	Less:
5	
6	23,455,384
7	
8	\$ 49,672,623
9	
10	<u>Less:</u>
11	
12	\$ 1,554,766
13	
14	Contribution in Aid of Construction -
15	Net of Amortization 9,259,772
16	
17	Customer Meter Deposits 23,819
18	Deferred Income Taxes & Credits 212,749
19	Investment Tax Credits 39,646
20	
21	
22	<u>Plus:</u>
23	Deferred Debits 397,156
24	Working Capital Allowance 22,849
25	Utility Plant Acquisition Adjustment -
26	
27	
28	<u>\$ 39,001,876</u>
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	
41	Supporting Schedules:
42	B-2 Rejoinder
43	B-5 Rejoinder
44	B-3
45	E-1
46	
47	
48	
49	
50	\\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls

Recap Schedules:
 A-1 Rejoinder

		Company Rejoinder					
Line No.	[A] Rebuttal Adjusted End of Test Year	[B] ADJ SLH-4RJ Working Capital Adjustment	[C]	[D]	[E]	[F] Total Rejoinder Pro Forma Adjustments	[G] Rejoinder Adjusted End of Test Year
1	Gross Utility						
2	Plant in Service	\$ 73,128,007				\$ -	\$ 73,128,007
3		-				-	-
4	Less:	-				-	-
5		-				-	-
6	Accumulated Depreciation	23,455,384				-	23,455,384
7							
8	Net Utility Plant					\$ -	\$ 49,672,623
9	in Service	\$ 49,672,623				\$ -	\$ 49,672,623
10							
11	Less:						
12	Advances in Aid of						
13	Construction	1,554,766				-	1,554,766
14	Contributions in Aid of	-				-	-
15	Construction - Net	9,259,772				-	9,259,772
16		-				-	-
17		-				-	-
18	Customer Meter Deposits	23,819				-	23,819
19	Deferred Income Taxes	212,749				-	212,749
20	Investment Tax Credits	39,646				-	39,646
21		-				-	-
22		-				-	-
23	Plus:						
24	Deferred Debits	397,156				-	397,156
25	Working Capital Allowance	22,540				309	22,849
26	Utility Plant Acquisition Adjustment	-				-	-
27							
28	Total	\$ 39,001,567	\$ 309	\$ -	\$ -	\$ 309	\$ 39,001,876
29							
30	Supporting Schedules:						
31	B-3, B-5 Rejoinder						
32	E-1						
33							
34							
35	2013 Paradise Valley Water Sch. A-F Rejoind						

Paradise Valley Water
 Test Year Ended June 30, 2013
 Computation of Working Capital Allowance

Exhibit
 Schedule B-5 Rejoinder
 Page 1
 Witness: Hubbard

Line		
<u>No.</u>		
1		
2	Cash Working Capital Requirement	\$ (180,858)
3	Required Bank Balances ¹	-
4	Material and Supplies Inventories ¹	159,515
5	Prepayments ¹	44,192
6		
7	Total Working Capital Allowance	<u>\$ 22,849</u>
8		
9	Less Company amount in Rebuttal Filing	\$ 22,540
10		
11	Increase / (Decrease) to Working Capital Allowance	<u>\$ 309</u>
12		
13		
14	Increase / (Decrease) to Rate Base	<u>\$ 309</u>
15		
16		
17		
18		
19	¹ Calculated using thirteen-month averages.	
20		
21		
22		
23		
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25		
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41		
42		
43	Supporting Schedules:	Recap Schedules:
44	E-1	B-1 Revised
45		
46	Workpapers & Supporting Documents	
47	\#9 B - Materials and Supplies Prepayments & Deferred Cost.xlsx	
48	\Lead-Lag Workpapers	
49		
50	\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls	

Line No.	Description [a]	Test Year Adjusted Results [b]	Revenue Lag Days [c]	Expense Lag Days [d]	Net Lag Days [e] = [c] - [d]	Lead/Lag Factor [f] = [e] / 365	Cash Working Capital Required [g] = [b] x [f]
1	OPERATING EXPENSES						
2	Labor	\$ 1,197,892	41.125	30.633	10.492	0.029	\$ 34,433
3	Purchased Water	-	41.125	-	41.125	0.113	-
4	Fuel & Power	1,329,797	41.125	49.428	(8.303)	(0.023)	(30,250)
5	Chemicals	58,815	41.125	16.000	25.125	0.069	4,049
6	Waste Disposal	15,320	41.125	60.864	(19.739)	(0.054)	(828)
7	Intercompany Support Services	860	41.125	30.417	10.708	0.029	25
8	Corporate Allocation	291,760	41.125	30.420	10.705	0.029	8,557
9	Outside Services	230,421	41.125	51.273	(10.148)	(0.028)	(6,406)
10	Group Insurance	325,052	41.125	(10.716)	51.841	0.142	46,167
11	Regulatory Expense	66,802	41.125	(33.294)	74.419	0.204	13,620
12	Insurance Other Than Group	138,643	41.125	54.919	(13.794)	(0.038)	(5,239)
13	Customer Accounting	193,361	41.125	49.834	(8.709)	(0.024)	(4,614)
14	Rents	30,456	41.125	31.639	9.486	0.026	792
15	General Office Expense	122,889	41.125	34.304	6.821	0.019	2,297
16	Miscellaneous	92,390	41.125	30.349	10.776	0.030	2,728
17	Maintenance Expense	450,689	41.125	50.446	(9.321)	(0.026)	(11,509)
18							
19							
20	TAXES						
21	Property Taxes	\$ 342,754	41.125	213.250	(172.125)	(0.472)	\$ (161,634)
22	Taxes - Payroll	85,375	41.125	26.402	14.723	0.040	3,444
23	Taxes -Other	35,401	41.125	(129.466)	170.591	0.467	16,546
24	Income Tax	1,014,212	41.125	41.750	(0.625)	(0.002)	(1,737)
25							
26	Interest	\$ 998,448	41.125	74.500	(33.375)	(0.091)	\$ (91,296)
27							
28							
29							
30							
31	WORKING CASH REQUIREMENT	<u>\$ 7,021,338</u>					<u>\$ (180,858)</u>

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 43 Supporting Schedules:
 44 C-1 Rejoinder
 45
 46 Workpapers & Supporting Documents
 47
 48
 49
 50 \2013 Paradise Valley Water Sch. A-F.xls

Recap Schedules:
 B-5 Rejoinder

Line No.	[A] Test Year Rebuttal Results	[B] Total Pro Forma Adjustments	[C] Test Year Rejoinder Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	Revenues				
2	\$ 9,598,416	\$ -	\$ 9,598,416	\$ 569,054	\$ 10,167,470
3	58,978	\$ -	58,978	-	58,978
4	<u>\$ 9,657,395</u>	<u>\$ -</u>	<u>\$ 9,657,395</u>	<u>\$ 569,054</u>	<u>\$ 10,226,448</u>
5					
6	Operating Expenses				
7	\$ 1,199,696	\$ (1,804)	\$ 1,197,892	\$ -	\$ 1,197,892
8	-	-	-	-	-
9	1,329,797	-	1,329,797	-	1,329,797
10	58,815	-	58,815	-	58,815
11	15,320	-	15,320	-	15,320
12	860	-	860	-	860
13	291,760	-	291,760	-	291,760
14	233,418	(2,997)	230,421	-	230,421
15	321,965	(794)	321,171	-	321,171
16	3,881	-	3,881	-	3,881
17	66,802	-	66,802	-	66,802
18	138,643	-	138,643	-	138,643
19	192,027	-	192,027	-	193,361
20	30,456	-	30,456	-	30,456
21	123,332	(443)	122,889	-	122,889
22	92,394	(4)	92,390	-	92,390
23	462,182	(11,493)	450,689	(11,493)	450,689
24	1,547,531	-	1,547,531	-	1,547,531
25	336,164	0	336,164	-	342,754
26	120,776	-	120,776	-	120,776
27	794,554	6,653	801,207	-	1,014,212
28					
29	<u>\$ 7,360,373</u>	<u>\$ (10,881)</u>	<u>\$ 7,349,492</u>	<u>\$ (11,493)</u>	<u>\$ 7,570,421</u>
30	<u>\$ 2,297,022</u>	<u>\$ 10,881</u>	<u>\$ 2,307,903</u>	<u>\$ 580,546</u>	<u>\$ 2,656,028</u>
31	Other Income & Deductions				
32	\$ -	\$ -	\$ -	\$ -	\$ -
33	998,440	8	998,448	-	998,448
34	-	-	-	-	-
35	-	-	-	-	-
36	<u>\$ (998,440)</u>	<u>\$ (8)</u>	<u>\$ (998,448)</u>	<u>\$ -</u>	<u>\$ (998,448)</u>
37	<u>\$ 1,298,581</u>	<u>\$ 10,874</u>	<u>\$ 1,309,455</u>	<u>\$ 580,546</u>	<u>\$ 1,657,580</u>
38					
39					
40					
41					
42					
43					
44	Supporting Schedules:				Recap Schedules:
45	E-2 Revised				A-1 Rejoinder
46	C-2 Rejoinder				
47					
48					
49					
50	\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls				

Paradise Valley Water

Test Year Ended June 30, 2013

Income Statement Pro Forma Adjustments

Exhibit

Schedule C-2 Rejoinder

Page 1

Witness: Murrey

Page 2 Page 3 Page 4 Page 5 Page 6 COMPANY REOINDER

Line	No.	Adjusted Rebuttal	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			Test Year	ADJ SM-1RU	ADJ SM-2RU	ADJ SM-3RU	ADJ SM-4RU	ADJ SM-5RU	Total	Test Year	Proposed	Adjusted
		Results	Property Tax	Federal and State Income Tax	Interest Synchronization	Remove Acquisition Costs	Update Tank Maintenance Expense	Adjustments	Results	Increase	with Rate	Increase
1	1	Revenues										
2	2	Water Revenues	\$ 9,598,416						\$ 9,598,416	\$ 569,054	\$ 10,167,470	
3	3	Other Revenues	58,978						58,978		58,978	
4	4		\$ 9,657,395						\$ 9,657,395	\$ 569,054	\$ 10,226,448	
5	5											
6	6	Operating Expenses										
7	7	Labor	\$ 1,199,696						\$ 1,197,892		\$ 1,197,892	
8	8	Purchased Water					(1,804)					
9	9	Fuel & Power	1,329,797						1,329,797		1,329,797	
10	10	Chemicals	58,815						58,815		58,815	
11	11	Waste Disposal	15,320						15,320		15,320	
12	12	Intercompany Support Services	860						860		860	
13	13	Corporate Allocation	291,760						291,760		291,760	
14	14	Outside Services	233,418						230,421		230,421	
15	15	Group Insurance	321,965						321,171		321,171	
16	16	Pensions	3,881						3,881		3,881	
17	17	Regulatory Expense	66,802						66,802		66,802	
18	18	Insurance Other Than Group	138,643						138,643		138,643	
19	19	Customer Accounting	192,027						192,027		192,027	
20	20	Rents	30,456						30,456		30,456	
21	21	General Office Expense	123,332						122,889		122,889	
22	22	Miscellaneous	92,394						92,390		92,390	
23	23	Maintenance Expense	462,182						450,689		450,689	
24	24	Depreciation & Amortization	1,547,531						1,547,531		1,547,531	
25	25	General Taxes-Property	336,164	0					336,164	6,590	342,754	
26	26	General Taxes-Other	120,776						120,776		120,776	
27	27	Income Taxes	794,554		6,653			6,653	801,207	213,005	1,014,212	
28	28											
29	29	Total Operating Expenses	\$ 7,360,373	\$ 0	\$ 6,653				\$ 7,349,492	\$ 220,929	\$ 7,570,421	
30	30	Utility Operating Income	\$ 2,297,022	\$ (0)	\$ (6,653)				\$ 2,307,903	\$ 348,125	\$ 2,656,028	
31	31	Other Income & Deductions										
32	32	Other Income & Deductions										
33	33	Interest Expense	998,440						998,448		998,448	
34	34	Other Expense										
35	35	Gain/Loss Sale of Fixed Assets										
36	36	Total Other Income & Deductions	\$ (998,440)	\$ (0)	\$ (6,653)				\$ (98,448)	\$ -	\$ (98,448)	
37	37	Net Profit (Loss)	\$ 1,298,581	\$ (0)	\$ (6,653)				\$ 1,309,455	\$ 348,125	\$ 1,657,580	
38	38											
39	39											
40	40	Supporting Schedules:										
41	41	E-6										
42	42	Workpapers & Supporting Documents:										
43	43											
44	44	\2013 Paradise Valley Water Sch. A-F Rej										
45	45											
46	46											

Recap Schedules:
C-1 Rejoinder

Line No.	[A] Property Tax Expense	[B] Property Tax Expense For Conversion Factor
1		
2	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
3		
4	Adjusted Revenues in Year Ended June 2010	
5	Adjusted Revenues in Year Ended June 2010	
6	Proposed Revenues	
7	Average of Three Year's of Revenue	
8	Average of Three Year's of Revenue, times 2	
9	Add:	
10	Construction Work in Progress at 10%	
11	Deduct:	
12	Net Book Value of Transportation Equipment	
13		
14	Full Cash Value	
15	Assessment Ratio (For 2015 per HB 2001 Sec 42-15001)	
16	Assessed Value	
17	Property Tax Rate	
18		
19	Property Tax	
20	Tax on Parcels	
21		
22	Adjusted Test Year Property Taxes at Present Rates (Line 19+Line 20, Col [A])	
23	Rebuttal Adjusted Test Year Property Taxes	
24	Adjustment to Revenue and/or Expense (To Sch C-2 Rejoinder)	
25		
26	Adjusted Test Year Property Taxes at Proposed Rates (Line 19+Line 20)	
27	Adjusted Test Year Property Taxes at Present Rates (Line 22, Col [A])	
28	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rejoinder)	
29		
30		
31		
32	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 REJOINDER):</u>	
33		
34	Increase in Property Tax Due to Increase in Revenue Requirement (Line 28, Col [B])	
35	Increase in Revenue Requirement (From Sch. A1 Rejoinder)	
36	Increase in Property Tax Per Dollar Increase in Revenue (Line 34/Line 36)	
37		
38		
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43		
44	Workpapers & Supporting Documents:	
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50	\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls	

Line No.		Test Year Adjusted Results	Adjusted with Rate Increase
1			
2	<u>Calculation of Income Taxes at Proposed Rates</u>		
3			
4			
5	Operating Income Before Inc. Taxes	\$ 3,109,110	\$ 3,670,240
6	Interest Expense	998,448	998,448
7	Arizona Taxable Income	<u>\$ 2,110,662</u>	<u>\$ 2,671,792</u>
8			
9	Less Arizona Income Tax	\$ 126,640	\$ 160,308
10	Arizona Income Tax Rate =	6.000%	
11			
12	Federal Income Before Taxes	\$ 2,110,662	\$ 2,671,792
13	Less Arizona Income Taxes	126,640	160,308
14	Federal Taxable Income	<u>\$ 1,984,023</u>	<u>\$ 2,511,484</u>
15			
16	FEDERAL INCOME TAXES:		
17			
18			
19			
20			
21			
22			
23	Federal Income Taxes	\$ 674,568	\$ 853,905
24			
25			
26	Total Income Tax	<u>\$ 801,207</u>	<u>\$ 1,014,212</u>
27			
28	Tax Rate	<u>37.96%</u>	<u>37.96%</u>
29			
30	Effective Income Tax Rates		
31	State	6.000%	6.000%
32	Federal	31.96%	31.96%
33			
34			
35	Adjusted Test Year Income Taxes	\$ 794,554	
36	Increase in Income Taxes, Rejoinder	<u>\$ 6,653</u>	
37			
38	Rejoinder Adjustment to Revenues and/or Expense	<u>\$ 6,653</u>	
39			
40	Test Year Income Taxes, Rebuttal		\$ 801,207
41	Increase in Income Taxes		213,005
42			
43	Rejoinder Adjustment to Revenue and/or Expense		<u>\$ 213,005</u>
44			
45			
46			
47	Workpapers & Schedules		
48			
49	\\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls		
50			

Line			
<u>No.</u>			
1			
2	<u>Interest Synchronization with Rate Base</u>		
3			
4	Original Cost Rate Base (Sch. B-1 Rejoinder, Ln. 28)	\$	39,001,876
5	Weighted Cost of Debt from Schedule D-1 Rejoinder		<u>2.56%</u>
6	Synchronized Interest Expense	\$	<u>998,448</u>
7			
8	Test Year Interest Expense	<u>\$</u>	<u>998,440</u>
9			
10	Adjusted Test Year Interest Expense	<u>\$</u>	<u>998,440</u>
11			
12	Increase/(Decrease) in Interest Expense	<u>\$</u>	<u>8</u>
13			
14	Rejoinder Adjustment to Revenue and/or Expense	<u>\$</u>	<u>8</u>
15			
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47	Workpapers & Schedules		
48			
49	\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls		
50			

Line

No.

1
 2 **Remove Acquisition Costs**
 3 The Company is removing charges related to acquisition costs as identified in DR RUCO 30.10 (d).
 4
 5

District Four Factor =
 0.07153

<u>Category</u>	<u>Account</u>	<u>Acquisition Costs</u>	<u>District Allocation</u>
9 Labor	5223 Salary-Inter Dept. Operating	\$ 25,216	\$ 1,804
10 Outside Services	5227 Consulting Engineering	10,365	741
11 Outside Services	5681 Legal Fees	16,526	1,182
12 Outside Services	5250 Contractors and Consultants	15,011	1,074
13 Group Insurance	5233 Salary Transfers - Burdens	11,095	794
14 General Office Expense	5630 Parking	78	6
15 General Office Expense	5631 Vehicle Allowance	497	36
16 General Office Expense	5650 Airfare	3,360	240
17 General Office Expense	5651 Accommodation, Other Travel	1,469	105
18 General Office Expense	5652 Meals/Entertainment	781	56
19 Maintenance Expense	5633 Vehicle Fuel	62	4
		<u>\$ 84,461</u>	<u>\$ 6,042</u>

Rejoinder Adjustment to Revenue/Expense

\$ (6,042)

46 Workpapers & Schedules

47
 48 \\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls
 49

50

Line

No.

1	Update Tank Maintenance Expense	
2	The Company is updating tank maintenance expense to the amount recommended by Staff.	
3		
4		
5	Tank Maintenance Expense	
6		
7	Company Original Proposal - Adj SM#24	\$ 185,851
8	Company Rebuttal - Adj #SM-9R	\$ (50,700)
9	Tank Expense in Company Rebuttal	\$ 135,151
10		
11		
12		
13	Staff's Surrebuttal Tank Maintenance Expense	\$ 123,658
14		
15	Increase/ Decrease to Tank Maintenance Expense	\$ (11,493)
16		
17	Rejoinder Adjustment to Revenue/Expense	\$ (11,493)
18		
19		
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46	Workpapers & Schedules	
47		
48	\2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls	
49		
50		

Paradise Valley Water
 Test Year Ended June 30, 2013
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3 Rejoinder
 Page 1
 Witness: Murrey

Line No.	<u>Description</u>				Percentage of Incremental Gross <u>Revenues</u>
1	Federal Income Taxes				31.96%
2					
3	State Income Taxes				6.00%
4				Combined	37.96%
5	Property Taxes	Effective Rate =	1.16%	One Minus Combined	62.04%
6					0.72%
7	Bad Debt Expense	Effective Rate =	0.23%	One Minus Combined	62.04%
8					<u>0.15%</u>
9	Total Tax Percentage				38.82%
10					
11	Operating Income % = 100% - Tax Percentage				61.18%
12					
13					
14					
15	<u>1</u>	= Gross Revenue Conversion Factor			
16	Operating Income %				1.6346
17					
18					
19					
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43	Supporting Schedules:			Recap Schedules:	
44				A-1 Rejoinder	
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50					

Line No.	Item of Capital	End of Test Year			End of Projected Year				
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	\$ 231,000,000	58.47%	4.29%	2.51%	\$ 231,000,000	59.76%	4.29%	2.56%
2									
3	Short-Term Debt	\$ 8,560,000	2.17%	0.31%	0.01%	\$ -	0.00%	0.31%	0.00%
4									
5	Stockholder's Equity	\$ 155,533,624	39.37%	10.55%	4.15%	\$ 155,533,624	40.24%	10.55%	4.25%
6									
7	Totals	\$ 395,093,624	100.00%		6.67%	\$ 386,533,624	100.00%		6.81%
8									
9									
10									
11									
12									
13									
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29									
30	Supporting Schedules:								
31	D-2 Rejoinder								
32									
33									
34									
35	Recap Schedules:								
	A-1 Rejoinder								

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	\$ 22,803,287	58.47%	4.29%	\$ 23,308,279	59.76%	4.29%
2							
3	Short-Term Debt	\$ 845,005	2.17%	0.31%	\$ -	0.00%	0.31%
4							
5	Stockholder's Equity	\$ 15,353,584	39.37%	10.55%	\$ 15,693,598	40.24%	10.55%
6							
7	Totals	\$ 39,001,876	100.00%		\$ 39,001,876	100.00%	
8							6.81%
9							
10							
11							
12							
13							
14							
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29							
30	Supporting Schedules:						
31	D-2 Rejoinder						
32							
33							
34							
35	Recap Schedules:						
	A-1 Rejoinder						

At Parent Level

Line No.		End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt						
2	10-Year EPCOR Water USA Note	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
4							
5	Totals	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%
6							
7							
8							
9	Common Equity						
10	Common Stock	\$ 522,880			\$ 522,880		
11	Paid in Capital	184,862,920			184,862,920		
12	Retained Earnings	(29,872,177)			(29,872,177)		
13		\$ 155,533,624		10.55%	\$ 155,533,624		10.55%
14							
15							
16							
17	Short-Term Debt						
18	S-T Debt from EPCOR Utilities, Inc	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
19							
20							
21	Totals	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
22							
23							
24							
25	Supporting Schedules:						
26	E-1						
27							
28							
29	Recap Schedules:						
30	D-1 Rejoinder						

Line No.	End of Test Year			End of Projected Year		
	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt					
2	10-Year EPCOR Water USA Note	\$ 135,000,000	\$ 5,004,790	\$ 135,000,000	\$ 5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	98,000,000	4,907,513	5.02%
4						
5						
6	Totals	\$ 231,000,000	\$ 9,912,303	\$ 231,000,000	\$ 9,912,303	4.29%
7						
8	Common Equity					
9	Common Stock	\$ 522,880		\$ 522,880		
10	Paid in Capital	184,882,920		184,882,920		
11	Retained Earnings	(29,872,177)		(29,872,177)		
12		\$ 155,533,624		\$ 155,533,624		10.55%
13						
14						
15						
16						
17	Short-Term Debt					
18	Intercompany Payable	\$ 8,560,000	\$ 26,536	\$ 8,560,000	\$ 26,536	0.31%
19						
20						
21	Totals	\$ 8,560,000	\$ 26,536	\$ 8,560,000	\$ 26,536	0.31%
22						
23						
24						
25	Supporting Schedules:					
26	E-1					
27						
28						
29	Recap Schedules:					
30	D-1 Rejoinder					

\\USA TB By BU_131101_Sch E.xlsx
 \2013 Paradise Valley Water Sch. A-F Rejoinder (Oct2014 Direct).xls

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Revenue Summary

Exhibit
 Rejoinder Schedule H-1
 Page 1
 Witness: Bourassa

With Annualized Revenues to Year End Number of Customers

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	\$ 1,554,527	\$ 1,650,680	\$ 96,152	6.19%	16.10%	16.14%
2	3/4 Inch	Residential	21,629	22,966	1,337	6.18%	0.22%	0.22%
3	1 Inch	Residential	4,267,673	4,532,932	265,259	6.22%	44.19%	44.33%
4	1.5 Inch	Residential	551,539	585,773	34,233	6.21%	5.71%	5.73%
5	2 Inch	Residential	964,943	1,024,930	59,987	6.22%	9.99%	10.02%
6	6 Inch	Residential	-	-	-	0.00%	0.00%	0.00%
7								
8		Subtotal	7,360,312	7,817,281	456,969	6.21%	76.21%	76.44%
9								
10	5/8x3/4 Inch	Commercial	\$ 30,488	\$ 32,357	\$ 1,869	6.13%	0.32%	0.32%
11	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
12	1 Inch	Commercial	165,693	176,000	10,307	6.22%	1.72%	1.72%
13	1.5 Inch	Commercial	96,445	102,435	5,990	6.21%	1.00%	1.00%
14	2 Inch	Commercial	1,127,180	1,197,381	70,200	6.23%	11.67%	11.71%
15	3 Inch	Commercial	135,366	143,811	8,426	6.22%	1.40%	1.41%
16	4 Inch	Commercial	22,397	23,791	1,394	6.22%	0.23%	0.23%
17	6 Inch	Commercial	212,295	225,523	13,227	6.23%	2.20%	2.21%
18								
19		Subtotal	1,789,884	1,901,297	111,413	6.22%	18.53%	18.59%
20								
21	5/8x3/4 Inch	Other Public Authority	\$ 1,003	\$ 1,064	\$ 61	6.07%	0.01%	0.01%
22	1 Inch	Other Public Authority	5,351	5,684	333	6.23%	0.06%	0.06%
23	2 Inch	Other Public Authority	14,583	15,475	892	6.12%	0.15%	0.15%
24								
25		Subtotal	20,936	22,223	1,287	6.15%	0.22%	0.22%
26								
27	3 Inch	Turf	26,205	28,008	1,803	6.88%	0.27%	0.27%
28	4 Inch	Turf	112,344	120,155	7,811	6.95%	1.16%	1.17%
29	6 Inch	Paradise Valley Country Club	303,880	298,407	(5,472)	-1.80%	3.15%	2.92%
30	Private Fire		9,349	9,332	(17)	-0.18%	0.10%	0.09%
31								
32								
33								
34								
35								
36	Total Revenues Before Annualization			9,622,910	10,196,703	573,794	5.96%	98.64%
37								99.71%

Paradise Valley Water District
Test Year Ended June 30, 2013
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	Schedule
1			\$ (420)	\$ (447)	(26)	6.29%	1	(215)	See Work papers
2			\$ (279)	\$ (297)	(17)	6.26%	(1)	(130)	See Work papers
3	5/8x3/4 Inch	Residential	470	500	30	6.38%	(4)	194	See Work papers
4	3/4 Inch	Residential	(55)	(58)	(3)	4.76%	(4)	35	See Work papers
5	1 Inch	Residential	(3,014)	(3,201)	(188)	6.23%	(5)	(832)	See Work papers
6	1.5 Inch	Residential	-	-	-	0.00%	-	-	See Work papers
7	2 Inch	Residential	-	-	-	-	-	-	-
8	6 Inch	Residential	-	-	-	-	-	-	-
9		Subtotal	\$ (3,299)	\$ (3,503)	(204)	6.19%	(13)	(950)	
10			\$ -	\$ -	-	0.00%	-	-	See Work papers
11		Commercial	-	-	-	0.00%	-	-	See Work papers
12	5/8x3/4 Inch	Commercial	331	352	21	6.21%	2	118	See Work papers
13	3/4 Inch	Commercial	610	648	37	6.14%	4	127	See Work papers
14	1 Inch	Commercial	1,822	1,936	114	6.26%	1	862	See Work papers
15	1.5 Inch	Commercial	3,835	4,076	241	6.28%	-	1,765	See Work papers
16	2 Inch	Commercial	-	-	-	0.00%	-	-	See Work papers
17	3 Inch	Commercial	(4,632)	(4,921)	(289)	6.23%	(1)	(1,671)	See Work papers
18	4 Inch	Commercial	-	-	-	-	-	-	-
19	6 Inch	Commercial	-	-	-	-	-	-	-
20		Subtotal	\$ 1,966	\$ 2,090	124	6.32%	6	1,202	
21			\$ -	\$ -	-	-	-	-	-
22		Rebuttal 6 Inch Meter Annualization Adjustment	\$ 9,143	\$ 9,689	545	5.96%	-	790	See Work papers
23			\$ -	\$ -	-	-	-	-	-
24			\$ -	\$ -	-	-	-	-	-
25			\$ -	\$ -	-	-	-	-	-
26			\$ -	\$ -	-	-	-	-	-
27			\$ -	\$ -	-	-	-	-	-
28			\$ -	\$ -	-	-	-	-	-
29			\$ -	\$ -	-	-	-	-	-
30			\$ -	\$ -	-	-	-	-	-
31			\$ -	\$ -	-	-	-	-	-
32			\$ -	\$ -	-	-	-	-	-
33			\$ -	\$ -	-	-	-	-	-
34			\$ -	\$ -	-	-	-	-	-
35			\$ -	\$ -	-	-	-	-	-
36			\$ -	\$ -	-	-	-	-	-
37			\$ -	\$ -	-	-	-	-	-
38			\$ 7,811	\$ 8,276	465	5.96%	(7)	1,043	
39		Total Revenue Annualization	\$ -	\$ -	-	-	-	-	-
40			\$ -	\$ -	-	-	-	-	-

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Exhibit
 Rejoinder Schedule H-1
 Page 3
 Witness: Bourassa

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	\$ 9,622,910	\$ 10,186,703	\$ 573,794	5.96%	99.64%	99.71%
2						
3						
4	(36,037)	(38,185)	(2,149)	5.96%	-0.37%	-0.37% H-1, page 4
5	7,811	8,276	465	5.96%	0.08%	0.08%
6	\$ 9,594,684	\$ 10,166,794	\$ 572,109.90	5.96%	99.35%	99.42%
7						
8	58,978	58,978	-	0.00%	0.61%	0.58%
9						
10	3,732	676	(3,056)	-81.89%	0.04%	0.01%
11	\$ 9,657,394	\$ 10,226,448	\$ 569,054	5.89%	100.00%	100.00%
12						
13						

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Average Bill		Proposed Increase	
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8x3/4 Inch Residential	2,121	\$ 52.30	\$ 55.52	3.23	6.17%
2	3/4 Inch Residential	27	\$ 54.92	\$ 58.31	3.38	6.16%
3	1 Inch Residential	1,981	165.40	175.67	10.27	6.21%
4	1.5 Inch Residential	161	261.89	278.13	16.24	6.20%
5	2 Inch Residential	157	495.41	526.20	30.79	6.21%
6	6 Inch Residential	-	930.00	986.27	56.27	6.05%
7	Subtotal	4,447				
8	Commercial	66	\$ 38.49	\$ 40.85	2.36	6.13%
9	5/8x3/4 Inch Commercial	-	26.16	27.74	1.58	6.03%
10	3/4 Inch Commercial	71	192.60	204.58	11.98	6.22%
11	1 Inch Commercial	27	298.32	316.85	18.53	6.21%
12	1.5 Inch Commercial	151	601.62	639.07	37.46	6.23%
13	2 Inch Commercial	10	1,032.39	1,096.59	64.20	6.22%
14	3 Inch Commercial	1	1,866.44	1,982.59	116.15	6.22%
15	4 Inch Commercial	1	4,287.46	4,554.57	267.11	6.23%
16	6 Inch Commercial	4				
17	Subtotal	330				
18	Other Public Authority	3	\$ 27.86	\$ 29.55	1.69	6.07%
19	1 Inch Other Public Authority	2	222.96	236.84	13.89	6.23%
20	2 Inch Other Public Authority	6	202.54	214.93	12.40	6.12%
21	Subtotal	11				
22	Turf	1	\$ 2,183.73	\$ 2,333.96	150.23	6.88%
23	4 Inch Turf	1	9,362.00	10,012.94	650.94	6.95%
24	6 Inch Paradise Valley Country Club	1	25,323.32	24,867.28	(456.04)	-1.80%
25	Private Fire	71	10.96	10.94	(0.02)	-0.18%
26	Subtotal	71				
27	Total	4,862				

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

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Median Consumption	Median Bill		Proposed Rates	Proposed Increase	
				Present Rates	Proposed Rates		Dollar Amount	Percent Amount
1	5/8 x3/4Inch Residential	2,121	10,000 \$	36.65 \$	38.89	2.24	6.12%	
2	3/4 Inch Residential	27	6,000 \$	32.66 \$	34.65	1.99	6.08%	
3	1 Inch Residential	1,981	37,000	116.45	123.65	7.20	6.18%	
4	1.5 Inch Residential	161	40,000	163.29	173.34	10.05	6.15%	
5	2 Inch Residential	157	74,000	307.09	326.05	18.96	6.17%	
6	6 Inch Residential	-	-	930.00	986.27	56.27	6.05%	
7	Subtotal	4,447						
8								
9	5/8 Inch Commercial	66	3,000 \$	31.00 \$	32.89	1.89	6.09%	
10	3/4 Inch Commercial	-	-	26.16	27.74	1.58	6.03%	
11	1 Inch Commercial	71	25,000	99.05	105.15	6.10	6.16%	
12	1.5 Inch Commercial	27	52,500	192.92	204.82	11.91	6.17%	
13	2 Inch Commercial	151	132,000	398.24	422.93	24.69	6.20%	
14	3 Inch Commercial	10	27,500	330.28	350.38	20.10	6.09%	
15	4 Inch Commercial	1	649,000	1,815.46	1,928.41	112.95	6.22%	
16	6 Inch Commercial	4	306,000	1,526.70	1,620.44	93.74	6.14%	
17								
18	Subtotal	330						
19								
20	5/8x3/4 Inch Other Public Authority	3	1,000 \$	27.10 \$	28.74	1.64	6.07%	
21	1 Inch Other Public Authority	2	73,000	192.65	204.63	11.98	6.22%	
22	2 Inch Other Public Authority	6	13,500	167.17	177.34	10.17	6.09%	
23								
24	Subtotal	11						
25								
26	3 Inch Turf	1	1,013,500 \$	1,979.33 \$	2,115.25	135.92	6.87%	
27	4 Inch Turf	1	5,398,000	9,531.40	10,194.20	662.80	6.95%	
28	6 Inch Paradise Valley Country Club	1	17,473,500	28,049.16	27,537.13	(512.03)	-1.83%	
29	Private Fire	71	-	10.00	10.00	-	0.00%	
30								
31								
32								
33	Total	4,791						
34								

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

Paradise Valley Water District
Test Year Ended June 30, 2013
Present and Proposed Rates

Line No.	Monthly Service Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Dollar Change
1	5/8x3/4 Inch Residential Low Income	\$ 25.15	\$ 16.00	\$ 9.15
2	5/8x3/4 Inch	26.16	27.74	(1.58)
3	3/4 Inch	50.30	53.34	(3.04)
4	1 Inch	90.54	96.02	(5.48)
5	1 1/2 Inch	140.84	149.36	(8.52)
6	2 Inch	276.65	293.39	(16.74)
7	3 Inch	462.76	490.76	(28.00)
8	4 Inch	930.00	986.27	(56.27)
9	6 Inch	2,245.00	2,380.82	(135.82)
10	8 Inch	3,228.00	3,423.29	(195.29)
11	10 Inch	6,034.00	6,399.06	(365.06)
12	12 Inch	790.50	838.33	(47.83)
13	6 Inch Paradise Valley Country Club			
14	Private Fire Protection Service	10.00	10.00	-
15				
16				
17				
18				
19	<u>Gallons In Minimum (All Meter Sizes and Classes)</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	
20		-	-	
21				
22	<u>Commodity Rates (per 1,000 gallons)</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Dollar Change</u>
23				
24	5/8x3/4 Inch and 3/4 Inch Meter - Residential	1 gallon to 5,000 gallons	1.1159 \$	0.0659 \$
25		5,001 to 15,000 gallons	1.3285 \$	0.0785 \$
26		15,001 to 40,000 gallons	2.3382 \$	0.1382 \$
27		40,001 to 80,000 gallons	2.9227 \$	0.1727 \$
28		80,000 gallons over	3.4285 \$	0.2026 \$
29				
30	5/8x3/4 Inch and 3/4 Inch Meter - Com., Ind.	1 gallon to 400,000 gallons	1.9500 \$	0.1225 \$
31		400,000 gallons over	2.3000 \$	0.1444 \$
32				
33	5/8x3/4 Inch and 3/4 Inch Meter - Other Public Authority	All gallons	1.9500 \$	0.1225 \$
34				
35	5/8x3/4 Inch and 3/4 Inch Meter - Turf	All gallons	1.6800 \$	0.1176 \$
36				
37				
38				
39				
40				
41				
42				
43				

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate	Dollar Change
1	1 Inch Meter - Residential	1 gallon to	\$ 1.0500	\$ 1.1159	\$ 0.0659
2		5,001 to	\$ 1.2500	\$ 1.3285	\$ 0.0785
3		15,001 to	\$ 2.2000	\$ 2.3382	\$ 0.1382
4		40,001 to	\$ 2.7500	\$ 2.9227	\$ 0.1727
5		over	\$ 3.2259	\$ 3.4285	\$ 0.2026
6					
7	1 Inch Meter - Com., Ind.	1 gallon to	\$ 1.9500	\$ 2.0725	\$ 0.1225
8		over	\$ 2.3000	\$ 2.4444	\$ 0.1444
9					
10					
11	1 Inch Meter - Other Public Authority	All gallons	\$ 1.9500	\$ 2.0725	\$ 0.1225
12					
13	1 Inch Meter - Turf	All gallons	\$ 1.6800	\$ 1.7976	\$ 0.1176
14					
15	1 1/2 Inch Meter - Residential	1 gallon to	\$ 1.0500	\$ 1.1159	\$ 0.0659
16		5,001 to	\$ 1.2500	\$ 1.3285	\$ 0.0785
17		15,001 to	\$ 2.2000	\$ 2.3382	\$ 0.1382
18		40,001 to	\$ 2.7500	\$ 2.9227	\$ 0.1727
19		over	\$ 3.2259	\$ 3.4285	\$ 0.2026
20					
21	1 1/2 Inch Meter - Com., Ind.	1 gallon to	\$ 1.9500	\$ 2.0725	\$ 0.1225
22		over	\$ 2.3000	\$ 2.4444	\$ 0.1444
23					
24	1 1/2 Inch Meter - Other Public Authority	All gallons	\$ 1.9500	\$ 2.0725	\$ 0.1225
25					
26	1 1/2 Inch Meter - Turf	All gallons	\$ 1.6800	\$ 1.7976	\$ 0.1176
27					
28	2 Inch Meter - Residential	1 gallon to	\$ 1.0500	\$ 1.1159	\$ 0.0659
29		5,001 to	\$ 1.2500	\$ 1.3285	\$ 0.0785
30		15,001 to	\$ 2.2000	\$ 2.3382	\$ 0.1382
31		40,001 to	\$ 2.7500	\$ 2.9227	\$ 0.1727
32		over	\$ 3.2259	\$ 3.4285	\$ 0.2026
33					
34	2 Inch Meter - Com., Ind.	1 gallon to	\$ 1.9500	\$ 2.0725	\$ 0.1225
35		over	\$ 2.3000	\$ 2.4444	\$ 0.1444
36					
37	2 Inch Meter - Com., Ind.	1 gallon to	\$ 1.9500	\$ 2.0725	\$ 0.1225
38		over	\$ 2.3000	\$ 2.4444	\$ 0.1444
39					
40					

Paradise Valley Water District
Test Year Ended June 30, 2013
Present and Proposed Rates

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate	Dollar Change
1	2 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725	\$ 0.1225
2	2 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976	\$ 0.1176
3	3 Inch Meter - Residential	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
4	3 Inch Meter - Residential	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
5	3 Inch Meter - Com., Ind.	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
6	3 Inch Meter - Com., Ind.	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
7	3 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725	\$ 0.1225
8	3 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976	\$ 0.1176
9	4 Inch Meter - Residential	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
10	4 Inch Meter - Residential	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
11	4 Inch Meter - Com., Ind.	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
12	4 Inch Meter - Com., Ind.	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
13	4 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725	\$ 0.1225
14	4 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976	\$ 0.1176
15	6 Inch Meter - Residential	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
16	6 Inch Meter - Residential	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
17	6 Inch Meter - Com., Ind.	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
18	6 Inch Meter - Com., Ind.	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
19	6 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725	\$ 0.1225
20	6 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976	\$ 0.1176
21	8 Inch Meter - Residential	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
22	8 Inch Meter - Residential	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
23	8 Inch Meter - Com., Ind.	1 gallon to over	\$ 1,9500	\$ 2,0725	\$ 0.1225
24	8 Inch Meter - Com., Ind.	400,000 gallons	\$ 2,3000	\$ 2,4444	\$ 0.1444
25	8 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725	\$ 0.1225
26	8 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976	\$ 0.1176
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Exhibit
 Rejoinder Schedule H-3
 Page 4
 Witness: Bourassa

Line No.	Commodity Rates (per 1,000 gallons)	Block	Present Rate	Proposed Rate
1	8 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725
2				\$ 0.1225
3	8 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976
4				\$ 0.1176
5	10 Inch Meter - Residential	1 gallon to over	\$ 1,9500	\$ 2,0725
6		400,000 gallons	\$ 2,3000	\$ 2,4444
7		400,000 gallons		\$ 0.1444
8				
9				
10	10 Inch Meter - Com., Ind.	1 gallon to over	\$ 1,9500	\$ 2,0725
11		400,000 gallons	\$ 2,3000	\$ 2,4444
12		400,000 gallons		\$ 0.1444
13	10 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725
14				\$ 0.1225
15	10 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976
16				\$ 0.1176
17	12 Inch Meter - Residential	1 gallon to over	\$ 1,9500	\$ 2,0725
18		400,000 gallons	\$ 2,3000	\$ 2,4444
19		400,000 gallons		\$ 0.1444
20	12 Inch Meter - Com., Ind.	1 gallon to over	\$ 1,9500	\$ 2,0725
21		400,000 gallons	\$ 2,3000	\$ 2,4444
22		400,000 gallons		\$ 0.1444
23	12 Inch Meter - Other Public Authority	All gallons	\$ 1,9500	\$ 2,0725
24				\$ 0.1225
25	12 Inch Meter - Turf	All gallons	\$ 1,6800	\$ 1,7976
26				\$ 0.1176
27	6 Inch Paradise Valley Country Club	All gallons	\$ 1,5600 **	\$ 1,5280
28				\$ (0.0320)

** Paradise Valley Country Club currently pays \$1,428 per thousand per contract.

Line No.	Low Income Program Discount Revenue Recovery*	Present Rate	Proposed Rate*
32	Program Participation Limit (No. of Customers)		50
33	Estimated Annual Discounts	\$	\$ 9,600
34	Under(Over) Collections from previous years	\$	\$ -
35	Net Annual Discounts to be Recovered	\$	\$ 9,600
36	Highest Cost Commodity Rate Gallons Sold to Residential, Apartment, Commercial (in 1,000s)	\$	\$ 770,615
37	Estimate of Low Income Surcharge on Highest Cost Commodity Rate (Residential, Apartment, Commercial Customers Only)	\$	\$ 0,0120

* Low Income Program details are noted in the Terms and Conditions section for General Water Rates. Upper tier rate for residential and commercial customers is comprised of the approved rate listed in table above plus and additional \$0.0130 for the Low Income Surcharge.

Paradise Valley Water District
Changes in Representative Rate Schedules
Test Year Ended June 30, 2013

Exhibit
 Rejoinder Schedule H-3
 Page 5
 Witness: Bourassa

Line
No.

	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>
1		
2		
3 Service Charges		
4 Establishment of Water Service		\$ 35.00
5 Regular Hours	\$ 20.00	Remove
6 After Hours	\$ 40.00	Remove
7 Re-establishment of Service within 12 months	(a)	(a)
8 Reconnection of Water Service (Delinquent)		\$ 35.00
9 Regular Hours	\$ 30.00	Remove
10 After Hours	\$ 60.00	Remove
11 Meter Test (if correct)	\$ 15.00	\$ 35.00
12 Meter Reread (if correct)	\$ 10.00	\$ 25.00
13 NSF Check	\$ 12.00	\$ 25.00
14 Late Fee Charge, per month	1.50%	1.50%
15 Deferred Payment	██████████	1.50%
16 Deposit Requirements	(b)	(b)
17 Deposit Interest	(c)	(c)
18 After Hours Service Charge(d)	NT	\$ 30.00

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- (a) Minimum charge times number of full months off the system. per Rule R14-2-403(D).
 - (b) Per ACC Rules R14-2-403(B) Residential - two times the average bill.
Non-residential - two and one-half times the estimated maximum bill.
 - (c) Interest per A.C.C. Rule 14-2-403(B)
 - (d) After hours service charge: After regular working hours, Saturdays, Sundays, and holidays if at the customer's request or for the customer's convenience.
- IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Returns at Present Rates by Class

Line No.	Totals	Residential	Turf	Commercial	Other Public Auth.
1	\$ 9,613,561	\$ 7,360,312	\$ 442,429	\$ 1,789,884	\$ 20,936
2	9,349	8,672	12	644	21
3	7,811	(3,299)	-	11,109	-
4	(36,037)	(27,561)	(1,656)	(6,741)	(78)
5	58,978	54,709	74	4,060	135
6	3,732	3,462	5	257	9
7	\$ 9,657,394	\$ 7,396,296	\$ 440,863	\$ 1,799,212	\$ 21,023
8					
9	\$ 4,664,589	\$ 3,561,956	\$ 319,260	\$ 775,343	\$ 8,031
10					
11	1,547,531	1,113,626	133,569	297,214	3,122
12	336,164	257,457	15,346	62,629	732
13	801,207	667,443	(45,810)	176,811	2,764
14	\$ 7,349,492	\$ 5,600,482	\$ 422,365	\$ 1,311,996	\$ 14,649
15	\$ 2,307,902	\$ 1,795,813	\$ 18,499	\$ 487,216	\$ 6,375
16	998,448	704,977	93,369	198,244	1,858
17	\$ 1,309,454	\$ 1,090,836	\$ (74,870)	\$ 288,972	\$ 4,517
18	\$ 39,001,876	\$ 27,538,165	\$ 3,647,226	\$ 7,743,921	\$ 72,564
19	5.92%	6.52%	0.51%	6.29%	8.78%
20					
21		92.76%	0.13%	6.88%	0.23%
22					
23					
24					
25					
26					
27					
28	¹ Allocated based on customer counts.				
29	² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.				
30	³ Property Taxes allocation based on Revenues.				
31	⁴ Income Tax from Schedule C-1, at present rates. Income Taxes allocated based on taxable income.				
32	⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base				
33	⁶ Rate Base computations are shown on Schedule G-3, Page 1				
34	⁷ Operating Income Divided by Rate Base				
35					
36					

¹ Allocated based on customer counts.

² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.

³ Property Taxes allocation based on Revenues.

⁴ Income Tax from Schedule C-1, at present rates. Income Taxes allocated based on taxable income.

⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base

⁶ Rate Base computations are shown on Schedule G-3, Page 1

⁷ Operating Income Divided by Rate Base

Paradise Valley Water District
Test Year Ended June 30, 2013
Cost of Service Study, Using Commodity-Demand Method
Returns at Proposed Rates by Class

Line No.	Totals	Residential	Turf	Commercial	Other Public Auth.
1	\$ 10,187,371	\$ 7,817,281	\$ 446,570	\$ 1,901,297	\$ 22,223
2	9,332	8,657	12	642	21
3	8,276	(3,503)	-	11,779	-
4	(38,185)	(29,270)	(1,671)	(7,161)	(83)
5	58,978	54,709	74	4,060	135
6	676	627	1	47	2
7	\$ 10,226,448	\$ 7,848,501	\$ 444,986	\$ 1,910,664	\$ 22,298
8					
9	\$ 4,665,923	\$ 3,563,193	\$ 319,262	\$ 775,434	\$ 8,034
10					
11	1,547,531	1,113,626	133,569	297,214	3,122
12	342,754	263,054	14,914	64,039	747
13	1,014,212	836,506	(44,082)	218,548	3,241
14	\$ 7,570,421	\$ 5,776,379	\$ 423,663	\$ 1,355,235	\$ 15,144
15	\$ 2,656,027	\$ 2,072,122	\$ 21,323	\$ 555,429	\$ 7,154
16	998,448	704,977	93,369	198,244	1,858
17	\$ 1,657,579	\$ 1,367,145	\$ (72,046)	\$ 357,185	\$ 5,296
18	\$ 39,001,876	\$ 27,538,165	\$ 3,647,226	\$ 7,743,921	\$ 72,564
19	6.81%	7.52%	0.58%	7.17%	9.86%
20					
21		92.76%	0.13%	6.88%	0.23%
22					

Indicated Monthly Minimums and Single-Tier Commodity Rates for 3/4 Inch Meter

	All Classes	Residential	Turf	Commercial	Other Public Auth.
Monthly Minimums	\$ 31.29	\$ 29.52	\$ 217.97	\$ 31.14	\$ 13.89
Single-Tier Commodity Rate	\$ 1.886	\$ 1.966	\$ 1.602	\$ 1.731	\$ 2.418

¹ Allocated based on customer counts.
² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 2.
³ Property Taxes allocation based on Revenues
⁴ Income Tax from Schedule C-1, at proposed rates. Income Taxes allocated based on taxable income
⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base
⁶ Rate Base computations are shown on Schedule G-3, Page 1
⁷ Operating Income Divided by Rate Base

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Allocation of Assets to Customer Classes

Line No.	Totals	Residential	Turf	Commercial	Other Public Auth.
4	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)				
5	\$ 11,190,192	\$ 7,877,539	\$ 947,032	\$ 2,349,761	\$ 15,860
6	23,775,372	16,259,143	2,681,125	4,797,571	37,534
7	809,471	750,880	1,013	55,721	1,857
8	1,853,699	1,415,631	14,331	410,608	13,128
9	1,373,142	1,234,972	3,724	130,260	4,186
10	\$ 39,001,876	\$ 27,538,165	\$ 3,647,226	\$ 7,743,921	\$ 72,564
14	Summary				
15	\$ 39,001,876	\$ 27,538,165	\$ 3,647,226	\$ 7,743,921	\$ 72,564
16	100.00%	70.61%	9.35%	19.86%	0.19%

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Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Expenses to Customer Classes - Present Rates

Line No.	Adjusted Per C-1	Residential	Turf	Commercial	Other Public Auth.	Totals
<u>Operation and Maintenance Expense (from Schedule G-6, Page 1)</u>						
1	\$ 1,930,568	\$ 1,359,059	\$ 163,385	\$ 405,388	\$ 2,736	\$ 1,930,568
2	\$ 1,367,080	\$ 934,898	\$ 154,164	\$ 275,859	\$ 2,158	\$ 1,367,080
3	\$ 1,366,941	\$ 1,267,999	\$ 1,711	\$ 94,095	\$ 3,136	\$ 1,366,941
4	-	-	-	-	-	-
5	-	-	-	-	-	-
6	\$ 4,664,589	\$ 3,561,956	\$ 319,260	\$ 775,343	\$ 8,031	\$ 4,664,589
7						
<u>Depreciation Expense on Plant (from Schedule G-6, Page 2)</u>						
8	\$ 405,371	\$ 285,369	\$ 34,307	\$ 85,121	\$ 575	\$ 405,371
9	\$ 870,125	\$ 595,048	\$ 98,123	\$ 175,580	\$ 1,374	\$ 870,125
10	\$ 53,216	\$ 49,364	\$ 67	\$ 3,663	\$ 122	\$ 53,216
11	\$ 95,471	\$ 72,909	\$ 738	\$ 21,147	\$ 676	\$ 95,471
12	\$ 123,349	\$ 110,937	\$ 335	\$ 11,701	\$ 376	\$ 123,349
13	\$ 1,547,531	\$ 1,113,626	\$ 133,569	\$ 297,214	\$ 3,122	\$ 1,547,531
14						
15						
<u>Operation and Maintenance Expense and Depreciation Expense</u>						
16	\$ 2,335,939	\$ 1,644,427	\$ 197,692	\$ 490,510	\$ 3,311	\$ 2,335,939
17	\$ 2,237,204	\$ 1,529,946	\$ 252,287	\$ 451,440	\$ 3,532	\$ 2,237,204
18	\$ 1,420,157	\$ 1,317,363	\$ 1,777	\$ 97,758	\$ 3,259	\$ 1,420,157
19	\$ 95,471	\$ 72,909	\$ 738	\$ 21,147	\$ 676	\$ 95,471
20	\$ 123,349	\$ 110,937	\$ 335	\$ 11,701	\$ 376	\$ 123,349
21	\$ 6,212,120	\$ 4,675,582	\$ 452,829	\$ 1,072,556	\$ 11,153	\$ 6,212,120
22						
23						
24	\$ 6,212,120	\$ 4,675,582	\$ 452,829	\$ 1,072,556	\$ 11,153	\$ 6,212,120
25	<u>Property Taxes</u>					
26						
27	\$ 336,164					
28	\$ 801,207					
29	\$ 7,349,492					
30						

Paradise Valley Water District

Test Year Ended June 30, 2013

Cost of Service Study, Using Commodity Demand Method

Allocation of Expenses to Customer Classes - Proposed Rates

Exhibit
Rejoinder Schedule G-
Page 2
Witness: Bourassa

Line No.		At Proposed C-1	Residential	Turf	Commercial	Other Public Auth.	Totals
1	<u>Operation and Maintenance Expense (from Schedule G-6, Page 1)</u>						
2	Commodity	\$ 1,930,568	\$ 1,359,059	\$ 163,385	\$ 405,388	\$ 2,736	\$ 1,930,568
3	Demand	1,367,080	934,898	154,164	275,859	2,158	1,367,080
4	Customer	1,368,275	1,269,237	1,712	94,187	3,140	1,368,275
5	Service	-	-	-	-	-	-
6	Meter	-	-	-	-	-	-
7	Totals	\$ 4,665,923	\$ 3,563,193	\$ 319,262	\$ 775,434	\$ 8,034	\$ 4,665,923
8							
9							
10	<u>Depreciation Expense on Plant (from Schedule G-6, Page 3.2)</u>						
11	Commodity	\$ 405,371	\$ 285,369	\$ 34,307	\$ 85,121	\$ 575	\$ 405,371
12	Demand	870,125	595,048	98,123	175,580	1,374	870,125
13	Customer	53,216	49,364	67	3,663	122	53,216
14	Service	95,471	72,909	738	21,147	676	95,471
15	Meter	123,349	110,937	335	11,701	376	123,349
16	Totals	\$ 1,547,531	\$ 1,113,626	\$ 133,569	\$ 297,214	\$ 3,122	\$ 1,547,531
17							
18	<u>Operation and Maintenance Expense and Depreciation Expense</u>						
19	Commodity	\$ 2,335,939	\$ 1,644,427	\$ 197,692	\$ 490,510	\$ 3,311	\$ 2,335,939
20	Demand	2,237,204	1,529,946	252,287	451,440	3,532	2,237,204
21	Customer	1,421,491	1,318,600	1,779	97,850	3,262	1,421,491
22	Service	95,471	72,909	738	21,147	676	95,471
23	Meter	123,349	110,937	335	11,701	376	123,349
24	Total	\$ 6,213,454	\$ 4,676,819	\$ 452,831	\$ 1,072,648	\$ 11,156	\$ 6,213,454
25							
26	Total Expenses (excluding Income Tax and						
27	Property Taxes)	\$ 6,213,454	\$ 4,676,819	\$ 452,831	\$ 1,072,648	\$ 11,156	\$ 6,213,454
28							
29	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 342,754					
30	Income Tax, Allocated on Schedules G-1 & G-2	1,014,212					
31	Total Expenses	\$ 7,570,421					
32							
33							
34							

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Rate Base by Function

Line No.	Adjusted Per B-2	Demand	Commodity	Customer	Meter	Service	Totals
2	\$ 39,001,876	\$ 23,775,372	\$ 11,190,192	\$ 809,471	\$ 1,373,142	\$ 1,853,699	\$ 39,001,876
3							
4							
5							
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22							

Paradise Valley Water District
 Test Year Ended June 30, 2013

Allocation of Plant, Less Contributions and Advances in Aid of
 Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
 Rejoinder Schedule G-5
 Page 2.1
 Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor	Ref	Demand	Commodity	Customer	Meters	Services
1		Intangible										
2	301000	Organization	\$ 1,831	(477,283)	\$ 479,113	F-1		325,797	153,316	-	-	-
3	302000	Franchises	-	-	-	F-1		-	-	-	-	-
4	303100	Other Intangible Plant	-	-	-	F-1		-	-	-	-	-
5		Subtotal Intangible	1,831	(477,283)	479,113			325,797	153,316			
6												
7		Source of Supply & Pumping Plant										
8	303200	Land and Land Rights - Supply	-	-	-	F-1		-	-	-	-	\$ -
9	303300	Land and Land Rights - Pumping	-	-	-	F-1		-	-	-	-	\$ -
10	304100	Structures and Improvements - Supply	158,547	986,421	(827,874)	F-1		(562,954)	(264,920)	-	-	-
11	304200	Structures and Improvements - Pumping	1,282,693	(70,795)	1,353,487	F-1		920,371	433,116	-	-	-
12	305000	Collecting and Impounding Res.	-	-	-	F-1		-	-	-	-	-
13	306000	Lakes, Rivers, Other Intakes	-	-	-	F-1		-	-	-	-	-
14	307000	Wells and Springs	2,639,547	814,870	1,824,676	F-1		1,240,780	583,896	-	-	-
15	308000	Infiltration Galleries and Tunnels	-	-	-	F-1		-	-	-	-	-
16	309000	Supply Mains	373,503	18,387	355,116	F-1		241,479	113,637	-	-	-
17	310000	Power Generation Equipment	230,827	8,677	222,150	F-1		151,062	71,088	-	-	-
18	310100	Power Generation Other	554,631	157,986	396,646	F-1		269,719	126,927	-	-	-
19	311000	Pumping Equipment - Steam	-	-	-	F-1		-	-	-	-	-
20	311200	Pumping Equipment - Electric	3,893,762	1,116,616	2,777,146	F-1		1,888,459	888,687	-	-	-
21	311300	Pumping Equipment - Diesel	190	(62,413)	62,603	F-1		42,570	20,033	-	-	-
22	311400	Pumping Equipment - Hydraulic	-	-	-	F-1		-	-	-	-	-
23	311500	Pumping Equipment - Other	-	-	-	F-1		-	-	-	-	-
24	311530	Pumping Equipment - Water Treatment	358,319	39,546	318,773	F-1		216,766	102,007	-	-	-
25		Subtotal Source of Supply & Pumping Plant	9,492,019	3,009,295	6,482,724			4,408,252	2,074,472			\$ -
26												
27		Water Treatment										
28	303400	Land and Land Rights - Treatment	-	-	-	F-1		-	-	-	-	\$ -
29	304300	Structures and Improvements - Treatment	20,737,611	2,410,288	18,327,323	F-1		12,462,580	5,864,743	-	-	\$ -
30	320000	Water Treatment Plant	-	-	-	F-1		-	-	-	-	-
31	320100	Water Treatment Equipment - Non-media	10,628,951	8,353,934	2,275,017	F-1		1,547,011	728,005	-	-	-
32	320200	Water Treatment Equipment - Media	702,863	127,303	575,559	F-1		391,380	184,179	-	-	-
33		Subtotal Water Treatment	32,069,425	10,891,526	21,177,899			14,400,971	6,776,928			\$ -
34												
35		Transmission and Distribution Plant										
36	303500	Land and Land Rights - T&D	8,324	30	8,294	F-1		5,640	2,654	-	-	\$ -
37	304400	Structures and Improvements - T&D	23,764	3,825	19,939	F-1		13,559	6,381	-	-	-
38	330000	Distribution Reservoirs & Standpipes	2,400,280	516,355	1,883,925	F-1		1,281,069	602,856	-	-	-
39	330100	Elevated Tank & Standpipes	-	-	-	F-1		-	-	-	-	-
40	330200	Ground Level Tanks	-	-	-	F-1		-	-	-	-	-
41	330300	Below Ground Tanks	-	-	-	F-1		-	-	-	-	-
42	331001	T&D Mains Not Classified	3,911,448	(2,734,125)	6,645,572	F-1		4,518,989	2,126,583	-	-	-
43	331100	T&D Mains 4in & less	364,519	9,063	355,456	F-1		241,710	113,746	-	-	-
44	331200	T&D Mains 6in to 8in	5,987,202	3,166,751	2,820,451	F-1		1,917,907	902,544	-	-	-
45	331300	T&D Mains 10in to 16in	9,380,895	6,053,081	3,327,815	F-1		2,262,914	1,064,901	-	-	-
46	331400	TD Mains 18in & Grtr	547,004	56,120	490,885	F-1		333,802	157,083	-	-	-
47	332000	Fire Mains	14,058	1,471	12,588	F-2		-	-	-	-	-

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Allocation of Plant, Less Contributions and Advances in Aid of
 Construction, Meter Deposits and Accumulated Depreciation to Functions

Line No.	Account No.	Description	Adjusted Original Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor	Ref	Demand	Commodity	Customer	Meters	Services
1		Allocated General Plant										
2	399000	Allocated Corporate General Plant	119,482	38,964	80,519	F-1		54,753	25,766	-	-	-
3	399000	Reconciliation to PIS Balance	-	-	-	F-1		-	-	-	-	-
4		Test Year Ended June 30, 2013										
5		Total Plant	\$ 73,128,007	\$ 23,455,384	\$ 49,672,623			\$ 31,015,284	\$ 14,597,209	\$ 809,471	\$ 1,385,052	\$ 1,865,608
6												
7		Contributions in Aid of Construction	(18,123,893)	8,864,120	(9,259,772)	F-1		(6,296,645)	(2,963,127)	-	-	-
8		Advances in Aid of Construction	(1,554,766)	-	(1,554,766)	F-1		(1,057,241)	(497,525)	-	-	-
9		Meter Deposits	(23,819)	-	(23,819)	F-7		-	-	-	(11,909)	(11,909)
10		Deferred Income Tax/Invest Tax Credits	(252,395)	-	(252,395)	F-1		(171,629)	(80,767)	-	-	-
11		Working Capital	22,849	-	22,849	F-1		15,537	7,312	-	-	-
12		Deferred Reg Assets/Liabilities	397,156	-	397,156	F-1		270,066	127,090	-	-	-
13												
14		Rounding										
15		Totals	\$ 53,593,140	\$ 32,319,504	\$ 39,001,876			\$ 23,775,372	\$ 11,190,192	\$ 809,471	\$ 1,373,142	\$ 1,853,699
16		Rate Bases (Plant - (AIAC, CIAC, Meter Deposits & Accum. Depr.))						\$ 23,775,372	\$ 11,190,192	\$ 809,471	\$ 1,373,142	\$ 1,853,699
17		Fair Value Rate Base						\$ 23,775,372	\$ 11,190,192	\$ 809,471	\$ 1,373,142	\$ 1,853,699

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Allocation of Expenses to Functions
 At Present Rates

Line No.	Description	Adjusted per C-1	Demand	Commodity	Customer	Meters	Services	Totals
		\$	\$	\$	\$	\$	\$	\$
1	Labor	1,197,892	479,157	239,578	479,157	-	-	1,197,892
2	Purchased Water	1,329,797	-	1,329,797	-	-	-	1,329,797
3	Fuel & Power	58,815	-	58,815	-	-	-	58,815
4	Chemicals	15,320	-	1,532	-	-	-	15,320
5	Waste Disposal	860	13,788	172	344	-	-	860
6	Intercompany Support Services	291,760	116,704	58,352	116,704	-	-	291,760
7	Corporate Allocation	230,421	184,337	46,084	-	-	-	230,421
8	Outside Services	321,171	128,468	64,234	128,468	-	-	321,171
9	Group Insurance	3,881	1,553	776	1,553	-	-	3,881
10	Pensions	66,802	26,721	13,360	26,721	-	-	66,802
11	Regulatory Expense	138,643	55,457	27,729	55,457	-	-	138,643
12	Insurance Other Than Group	192,027	-	-	192,027	-	-	192,027
13	Customer Accounting	30,456	-	-	30,456	-	-	30,456
14	Rents	122,889	-	-	122,889	-	-	122,889
15	General Office Expense	92,390	-	-	92,390	-	-	92,390
16	Miscellaneous	450,689	360,551	90,138	-	-	-	450,689
17	Maintenance Expense	1,547,531	870,125	405,371	53,216	123,349	95,471	1,547,531
18	Depreciation & Amortization ¹	120,776	-	-	120,776	-	-	120,776
19	General Taxes-Other	-	-	-	-	-	-	-
20								
21								
22	Property Taxes, Allocated on Schedules G-1 & G-2							
23	Income Tax, Allocated on Schedules G-1 & G-2							
24								
25	Total	6,212,120	2,237,204	2,335,939	1,420,157	123,349	95,471	6,212,120
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								

¹ Depreciation allocation computed on Schedule G-6, Page 3.1 through 3.3

See Schedule G-7, page 2.2 for allocation factors.

See Schedule G-5, page 1 for allocations by class.

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Allocation of Depreciation Expense to Functions

Line No.	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1		Intangible									
2	301000	Organization	1,831			F-1					
3	302000	Franchises	-			F-1					
4	303100	Other Intangible Plant	-			F-1					
5		Subtotal Intangible	1,831								
6											
7		Source of Supply & Pumping Plant									
8	303200	Land and Land Rights - Supply	-	0.000%		F-1					
9	303300	Land and Land Rights - Pumping	-	0.000%		F-1					
10	304100	Structures and Improvements - Supply	158,547	2.500%	(0)	F-1	(0)				
11	304200	Structures and Improvements - Pumping	1,282,693	2.000%	25,654	F-1	17,445	8,209			
12	305000	Collecting and Impounding Res.	-	0.000%		F-1					
13	306000	Lakes, Rivers, Other Intakes	-	0.000%		F-1					
14	307000	Wells and Springs	2,639,547	2.500%	65,989	F-1	44,872	21,116			
15	308000	Infiltration Galleries and Tunnels	-	0.000%		F-1					
16	309000	Supply Mains	373,503	1.667%	6,225	F-1	4,233	1,992			
17	310000	Power Generation Equipment	230,827	3.333%	7,694	F-1	5,232	2,462			
18	310100	Power Generation Equipment - Other	554,631	3.333%	18,488	F-1	12,572	5,916			
19	311000	Pumping Equipment - Steam	-	0.000%		F-1					
20	311200	Pumping Equipment - Electric	3,893,762	4.000%	155,750	F-1	105,910	49,840			
21	311300	Pumping Equipment - Diesel	190	4.000%	8	F-1	5	2			
22	311400	Pumping Equipment - Hydraulic	-	0.000%		F-1					
23	311500	Pumping Equipment - Other	-	0.000%		F-1					
24	311530	Pumping Equipment - Water Treatment	358,319	4.000%	14,333	F-1	9,746	4,586			
25		Subtotal Source of Supply & Pumping Plant	9,492,019		294,140		200,015	94,125			
26											
27		Water Treatment									
28	303400	Land and Land Rights - Treatment	-	0.000%		F-1					
29	304300	Structures and Improvements - Treatment	20,737,611	2.000%	414,752	F-1	282,032	132,721			
30	320000	Water Treatment Plant	-	0.000%		F-1					
31	320100	Water Treatment Equipment - Non-media	10,628,951	5.000%	531,448	F-1	361,384	170,063			
32	320200	Water Treatment Equipment - Media	702,863	10.000%	70,286	F-1	47,795	22,492			
33		Subtotal Water Treatment	32,069,425		1,016,486		691,211	325,276			
34											
35		Transmission and Distribution Plant									
36	303500	Land and Land Rights - T&D	8,324	0.000%		F-1					
37	304400	Structures and Improvements - T&D	23,764	2.000%	475	F-1	323	152			
38	330000	Distribution Reservoirs & Standpipes	2,400,280	1.538%	36,927	F-1	25,111	11,817			
39	330100	Elevated Tank & Standpipes	-	0.000%		F-1					
40	330200	Ground Level Tanks	-	0.000%		F-1					
41	330300	Below Ground Tanks	-	0.000%		F-1					
42	331001	T&D Mains Not Classified	3,911,448	2.000%	78,229	F-1	53,196	25,033			
43	331100	T&D Mains 4in & less	364,519	1.429%	5,207	F-1	3,541	1,666			
44	331200	T&D Mains 6in to 8in	5,987,202	1.429%	85,531	F-1	58,161	27,370			
45	331300	T&D Mains 10in to 16in	9,380,895	1.429%	134,013	F-1	91,129	42,884			
46	331400	TD Mains 18in & Grtr	547,004	1.429%	7,814	F-1	5,314	2,501			
47	332000	Fire Mains	14,058	1.429%	201	F-2	201	-			

Paradise Valley Water District
Test Year Ended June 30, 2013
Allocation of Depreciation Expense to Functions

Line No.	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services	
1	333000	Services	\$ 3,818,826	2.500%	\$ 95,471	F-3	-	-	-	-	\$ 95,471	
2	334100	Meters	1,426,812	8.333%	118,901	F-4	-	-	-	118,901	-	
3	334200	Meter Installations	177,916	2.500%	4,448	F-4	-	-	-	4,448	-	
4	334300	Meter Vaults	-	0.000%	-	F-4	-	-	-	-	-	
5	335000	Hydrants	1,368,179	2.000%	27,364	F-5	-	-	27,364	-	-	
6	335100	Hydrants replaced	16,118	2.000%	322	F-5	-	-	322	-	-	
7	336000	Backflow Prevention Devices	-	0.000%	-	F-1	-	-	-	-	-	
8	339100	Other P/E-Intangible	-	0.000%	-	F-1	-	-	-	-	-	
9	339200	Other P/E-Supply	-	0.000%	-	F-1	-	-	-	-	-	
10	339500	Other P/E-TD	-	0.000%	-	F-1	-	-	-	-	-	
11	339600	Other P/E-CPS	-	0.000%	-	F-1	-	-	-	-	-	
12		Subtotal Transmission and Distribution Plant	180,523	3.333%	6,017	F-1	4,092	1,926	-	-	-	
13			\$ 29,625,869		\$ 600,921		\$ 241,067	\$ 113,349	\$ 27,686	\$ 123,349	\$ 95,471	
General Plant												
14	303600	Land and Land Rights	\$ -	0.000%	\$ -	F-1	-	-	-	-	\$ -	
15	304500	Structures and Improvements - General	26,113	2.500%	653	F-1	444	209	-	-	-	
16	304600	Structures and Improvements - Offices	-	2.500%	-	F-1	-	-	-	-	-	
17	304620	Structures and Improvements - Leasehold	0	0.000%	-	F-1	-	-	-	-	-	
18	304700	Structures and Improvements - Leasehold	4,629	2.500%	116	F-1	79	37	-	-	-	
19	304800	Structures and Improvements - Sore.Shop.Gge	(8,633)	2.500%	(216)	F-1	(147)	(69)	-	-	-	
20	304100	Office Furniture & Equipment	61,561	4.500%	2,770	F-6	693	-	2,078	-	-	
21	340200	Computers & Software	38,077	10.000%	(0)	F-6	(0)	-	(0)	-	-	
22	340300	Computer Software	37,405	20.000%	(0)	F-6	(0)	-	(0)	-	-	
23	340325	Computer Software Mainframe	-	20.000%	-	F-6	-	-	-	-	-	
24	340330	Computer Software Other	-	20.000%	-	F-6	-	-	-	-	-	
25	340325	Computer Software Customized	(6,528)	20.000%	(1,306)	F-6	(326)	-	(979)	-	-	
26	340330	Computer Software Other	321	6.667%	21	F-6	5	-	16	-	-	
27	340500	Other Office Equipment	(0)	0.000%	-	F-6	-	-	-	-	-	
28	341100	Transportation Equip Light Duty Trucks	-	0.000%	-	F-6	-	-	-	-	-	
29	341200	Transportation Equip Heavy Duty Trucks	-	0.000%	-	F-6	-	-	-	-	-	
30	341300	Transportation Equipment Autos	(0)	0.000%	-	F-6	-	-	-	-	-	
31	341400	Transportation Equipment Other	194,854	16.667%	32,476	F-6	8,119	-	24,357	-	-	
32	342000	Stores Equipment	1,943	4.000%	78	F-6	19	-	58	-	-	
33	343000	Tools and Work Equipment	294,430	4.000%	11,777	F-1	8,009	3,769	-	-	-	
34	344000	Laboratory Equipment	17,620	4.000%	705	F-1	479	226	-	-	-	
35	345000	Power Operated Equipment	32,228	5.000%	1,611	F-1	1,096	516	-	-	-	
36	346100	Communication Equipment Non-Telephone	456,755	10.000%	0	F-1	0	0	-	-	-	
37	346190	Remote Control & Instrument	609,765	10.000%	60,977	F-1	41,464	19,512	-	-	-	
38	346200	Communication Equipment Telephone	-	10.000%	-	F-1	-	-	-	-	-	
39	346300	Communication Equipment Other	58,841	10.000%	5,884	F-1	4,001	1,883	-	-	-	
40	347000	Structures and Improvements - Offices	-	6.250%	-	F-1	-	-	-	-	-	
41	348000	Structures and Improvements - Leasehold	-	0.000%	-	F-1	-	-	-	-	-	
42		Subtotal General Plant	1,819,381		\$ 115,546		\$ 63,934	\$ 26,082	\$ 25,530	\$ -	\$ -	
43		Total Direct Plant	\$ 73,008,525		\$ 2,027,094		\$ 1,196,228	\$ 558,831	\$ 53,216	\$ 123,349	\$ 95,471	

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Summary of Commodity - Demand Method Functions Factors

Exhibit
 Rejoinder Schedule G-7
 Page 1
 Witness: Bourassa

Line No.	Class	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
1						
2						
3	Residential	0.684	0.704	0.928	0.899	0.764
4	Apartment	0.113	0.085	0.001	0.003	0.008
5	Commercial	0.202	0.210	0.069	0.095	0.222
6	Other Public Authority	0.002	0.001	0.002	0.003	0.007
7						
8	Total	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
9						

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34 SUPPORTING SCHEDULES
 35 G-7, page 3

Paradise Valley Water District
 Test Year Ended June 30, 2013
COMMODITY - DEMAND METHOD FUNCTION FACTORS
 Plant-in-Service, Accumulated Depreciation, and Depreciation Expense Allocations Functions

Exhibit
 Rejoinder Schedule G-7
 Page 2.1
 Witness: Bourassa

Line No.	Factor	<u>Demand</u>	<u>Commodity</u>	<u>Customer</u>	<u>Meters</u>	<u>Services</u>
1						
2	<u>Factor</u>					
3	F-1	0.68	0.32			
4	F-2	1.00				
5	F-3					1.00
6	F-4				1.00	
7	F-5			1.00		
8	F-6	0.25		0.75		
9	F-7				0.50	0.50
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21	<u>Development of F-1 Allocation Factor</u>					
22		<u>MGD</u>		<u>RATIO</u>		<u>DEMAND FACTOR</u>
23		(a)		(b)		(c)
24	(1) Avg day	8,607.98	G-7, page 3	1.00		1.00 1/(b)
25	(2) Max day	12,537.54	G-7, page 3	1.46	Max day/Avg day	0.68 1/(b)

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Expense Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 2.2
 Witness: Bourassa

Line No.	Expense Type	Demand	Commodity	Customer	Meters	Services
1	Labor	0.40	0.20	0.40	-	-
2	Purchased Water	-	1.00	-	-	-
3	Fuel & Power	-	1.00	-	-	-
4	Chemicals	-	1.00	-	-	-
5	Waste Disposal	0.90	0.10	-	-	-
6	Intercompany Support Services	0.40	0.20	0.40	-	-
7	Corporate Allocation	0.40	0.20	0.40	-	-
8	Outside Services	0.80	0.20	-	-	-
9	Group Insurance	0.40	0.20	0.40	-	-
10	Pensions	0.40	0.20	0.40	-	-
11	Regulatory Expense	0.40	0.20	0.40	-	-
12	Insurance Other Than Group	0.40	0.20	0.40	-	-
13	Customer Accounting	-	-	1.00	-	-
14	Rents	-	-	1.00	-	-
15	General Office Expense	-	-	1.00	-	-
16	Miscellaneous	-	-	1.00	-	-
17	Maintenance Expense	0.80	0.20	-	-	-
18	Depreciation & Amortization		See Schedule G-7, page 2.1			
19	General Taxes-Other	-	-	1.00	-	-
20						
21						
22						
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Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.2
 Witness: Bourassa

CUSTOMER ALLOCATION FACTOR

Meter Size	Class	Number of Meters	Percent of Total
5/8x3/4"	Residential	2,121	44.24%
5/8x3/4"	Turf	3	0.06%
5/8x3/4"	Commercial	66	1.38%
5/8x3/4"	Other Public Auth.	3	0.06%
3/4"	Residential	27	0.56%
3/4"	Turf	-	0.00%
3/4"	Commercial	-	0.00%
3/4"	Other Public Auth.	-	0.00%
1"	Residential	1,981	41.32%
1"	Turf	-	0.00%
1"	Commercial	71	1.48%
1"	Other Public Auth.	2	0.04%
1-1/2"	Residential	161	3.36%
1-1/2"	Turf	-	0.00%
1-1/2"	Commercial	27	0.56%
1-1/2"	Other Public Auth.	-	0.00%
2"	Residential	157	3.27%
2"	Turf	-	0.00%
2"	Commercial	151	3.15%
2"	Other Public Auth.	6	0.13%
3"	Residential	-	0.00%
3"	Turf	1	0.02%
3"	Commercial	10	0.21%
3"	Other Public Auth.	-	0.00%
4"	Residential	-	0.00%
4"	Turf	1	0.02%
4"	Commercial	1	0.02%
4"	Other Public Auth.	-	0.00%
6"	Residential	-	0.00%
6"	Turf	1	0.02%
6"	Commercial	4	0.08%
6"	Other Public Auth.	-	0.00%
8"	Residential	-	0.00%
8"	Turf	-	0.00%
8"	Commercial	-	0.00%
8"	Other Public Auth.	-	0.00%

Totals 4,794 100.00%

Class	Number of Meters	Percent of Total
Residential	4,447	92.762%
Turf	6	0.125%
Commercial	330	6.884%
Other Public Auth.	11	0.229%
Total	<u>4,794</u>	<u>100.000%</u>

SERVICES ALLOCATION FACTOR (b)

Meter Size	Class	Number of Services	Installation Cost	Dollar Weighted Number of Services	Percent of Total
5/8x3/4"	Residential	2,121	445.00	943,845	39.39%
5/8x3/4"	Turf	3	445.00	1,335	0.06%
5/8x3/4"	Commercial	66	445.00	29,370	1.23%
5/8x3/4"	Other Public Auth.	3	445.00	1,335	0.06%
3/4"	Residential	27	445.00	12,015	0.50%
3/4"	Turf	0	445.00	-	0.00%
3/4"	Commercial	0	445.00	-	0.00%
3/4"	Other Public Auth.	0	445.00	-	0.00%
1"	Residential	1,981	495.00	980,595	40.92%
1"	Turf	0	495.00	-	0.00%
1"	Commercial	71	495.00	35,145	1.47%
1"	Other Public Auth.	2	495.00	990	0.04%
1-1/2"	Residential	161	550.00	88,550	3.70%
1-1/2"	Turf	0	550.00	-	0.00%
1-1/2"	Commercial	27	550.00	14,850	0.62%
1-1/2"	Other Public Auth.	0	550.00	-	0.00%
2"	Residential	157	830.00	130,310	5.44%
2"	Turf	0	830.00	-	0.00%
2"	Commercial	151	830.00	125,330	5.23%
2"	Other Public Auth.	6	830.00	4,980	0.21%
3"	Residential	0	1,165.00	-	0.00%
3"	Turf	1	1,165.00	1,165	0.05%
3"	Commercial	10	1,165.00	11,650	0.49%
3"	Other Public Auth.	0	1,165.00	-	0.00%
4"	Residential	0	1,670.00	-	0.00%
4"	Turf	1	1,670.00	1,670	0.07%
4"	Commercial	1	1,670.00	1,670	0.07%
4"	Other Public Auth.	0	1,670.00	-	0.00%
6"	Residential	0	2,330.00	-	0.00%
6"	Turf	1	2,330.00	2,330	0.10%
6"	Commercial	4	2,330.00	9,320	0.39%
6"	Other Public Auth.	0	2,330.00	-	0.00%
8"	Residential	0	3,262.00	-	0.00%
8"	Turf	0	3,262.00	-	0.00%
8"	Commercial	0	3,262.00	-	0.00%
8"	Other Public Auth.	0	3,262.00	-	0.00%

Totals 4,794 \$ 2,396,455 100.00%

Class	Dollar Weighted Number of Services	Percent of Total
Residential	2,155,315	89.938%
Turf	6,500	0.271%
Commercial	227,335	9.486%
Other Public Auth.	7,305	0.305%
Total	<u>2,396,455</u>	<u>100.000%</u>

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.3
 Witness: Bourassa

METER ALLOCATION FACTOR (b)

Meter Size		Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8x3/4"	Residential	2,121	155.00	328,755	18.72%
5/8x3/4"	Turf	3	155.00	465	0.03%
5/8x3/4"	Commercial	66	155.00	10,230	0.58%
5/8x3/4"	Other Public Auth.	3	155.00	465	0.03%
3/4"	Residential	27	255.00	6,885	0.39%
3/4"	Turf	0	255.00	0	0.00%
3/4"	Commercial	0	255.00	0	0.00%
3/4"	Other Public Auth.	0	255.00	0	0.00%
1"	Residential	1,981	315.00	624,015	35.54%
1"	Turf	0	315.00	0	0.00%
1"	Commercial	71	315.00	22,365	1.27%
1"	Other Public Auth.	2	315.00	630	0.04%
1-1/2"	Residential	161	525.00	84,525	4.81%
1-1/2"	Turf	0	525.00	0	0.00%
1-1/2"	Commercial	27	525.00	14,175	0.81%
1-1/2"	Other Public Auth.	0	525.00	0	0.00%
2"	Residential	157	1,890.00	296,730	16.90%
2"	Turf	0	1,890.00	0	0.00%
2"	Commercial	151	1,890.00	285,390	16.25%
2"	Other Public Auth.	6	1,890.00	11,340	0.65%
3"	Residential	0	2,545.00	0	0.00%
3"	Turf	1	2,545.00	2,545	0.14%
3"	Commercial	10	2,545.00	25,450	1.45%
3"	Other Public Auth.	0	2,545.00	0	0.00%
4"	Residential	0	3,645.00	0	0.00%
4"	Turf	1	3,645.00	3,645	0.21%
4"	Commercial	1	3,645.00	3,645	0.21%
4"	Other Public Auth.	0	3,645.00	0	0.00%
6"	Residential	0	6,920.00	0	0.00%
6"	Turf	1	6,920.00	6,920	0.39%
6"	Commercial	4	6,920.00	27,680	1.58%
6"	Other Public Auth.	0	6,920.00	0	0.00%
8"	Residential	0	9,688.00	0	0.00%
8"	Turf	0	9,688.00	0	0.00%
8"	Commercial	0	9,688.00	0	0.00%
8"	Other Public Auth.	0	9,688.00	0	0.00%
Totals		<u>4,794</u>		<u>\$ 1,755,855</u>	<u>100.00%</u>

Class	Weighted Dollars of Meters	Percent of Total
Residential	1,340,910	76.368%
Turf	13,575	0.773%
Commercial	388,935	22.151%
Other Public Auth.	12,435	0.708%
Total	<u>1,755,855</u>	<u>100.000%</u>

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 ALL CUSTOMER CLASSES

Line No.									
1	<u>DEMAND CHARGE:</u>								
2	Return on Rate Base	6.81%							
3	Demand Expenses (From Schedule G-4, Page 2)								1,619,103
4									2,237,204
5	Totals								<u>3,856,307</u>
6	Total Revenue Requirement / Demand Component								135,558
7	Equivalent Number of 5/8 Meters billings								<u>28.45</u>
8	Demand Charge for 5/8 Inch Meter								\$
9									
10									
11									
12	<u>Demand Charge Per Equivalent</u>								
13	5/8 Inch Meter					5/8" Demand Charge	Meter Ratio	Demand Charge	
14	3/4 Inch Meter					\$ 28.45	1.0	\$ 28.45	
15	1 Inch Meter					28.45	1.5	42.67	
16	1 1/2 Inch Meter					28.45	2.5	71.12	
17	2 Inch Meter					28.45	5.0	142.24	
18	3 Inch Meter					28.45	8.0	227.58	
19	4 Inch Meter					28.45	16.0	455.16	
20	6 Inch Meter					28.45	25.0	711.19	
21	8 Inch Meter					28.45	50.0	1,422.38	
22	10 Inch Meter					28.45	80.0	2,275.81	
23	12 Inch Meter					28.45	115.0	3,271.48	
						28.45	215.0	6,116.25	

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 3A
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2		762,052		126,237	93,511	1,619,103
3	Return on Rate Base 6.81%					
4	Less: Miscellaneous Revenues		(58,978)			
5		2,335,939	1,421,491	95,471	123,349	2,237,204
6	Expenses (From Sch. G-4, Page 2)		342,754			
7	Property Taxes (From Sched. G-2, page 1)		1,014,212			
8	Income Taxes (From Sched. G-2, page 1)		2,774,604			
9	Total Revenue Requirement by function	3,097,991	2,774,604	221,708	216,860	3,856,307
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	3,141,917				
11	Computed Commodity Rate (line 9 divided by line 10)	\$ 0.9860				
12	Annualized Number of Bills		57,528			
13	Equivalent Meters and Service Lines			135,558	135,558	135,558
14	Customer Charge (line 9 divided by line 12)		\$ 48.23			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			1.64	1.60	28.45
16	Total Monthly Minimum Charge for a 5/8 Inch Meter			\$	\$	\$
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 79.91

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 79.91	1.0	79.91
79.91	1.5	119.87
79.91	2.5	199.78
79.91	5.0	399.57
79.91	8.0	639.31
79.91	16.0	1,278.61
79.91	25.0	1,997.84
79.91	50.0	3,995.67
79.91	80.0	6,393.07
79.91	115.0	9,190.04
79.91	215.0	17,181.39

Line No. 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

Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate				
	<u>Revenue Requirements Collected via Commodity Charge</u>	Total		Commodity
		Rev. Req.	%	Portion of
	Customer, Service, and Meter Costs	\$ 3,213,171	40%	Rev. Req.
	Demand Costs	3,856,307	40%	\$ 1,285,269
	Commodity Costs	3,097,991	100%	1,542,523
	Total Costs to be Collected via Commodity			3,097,991
	Gallons Sold			<u>\$ 5,925,783</u>
				3,141,917
	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			<u>\$ 1.886</u>
	<u>Revenue Requirement Collected via Monthly Minimum</u>			
	Monthly Minimum 5/8 Meter			\$ 10,167,470
	Total Revenue Requirement			(5,925,783)
	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			<u>\$ 4,241,687</u>
	Balance to be Recovered through Monthly Minimum			41.72%
				Percent revenue recovery
	Number of Equivalent 5/8 Inch Meter Billings			from monthly mins
	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			135,558
				<u>\$ 31.29</u>
	<u>Meter Size</u>	<u>5/8" Minimum</u>	<u>Meter Ratio</u>	<u>Monthly Minimum</u>
	5/8 Inch Meter	\$ 31.29	1.0	\$ 31.29
	3/4 Inch Meter	31.29	1.5	46.94
	1 Inch Meter	31.29	2.5	78.23
	1 1/2 Inch Meter	31.29	5.0	156.45
	2 Inch Meter	31.29	8.0	250.32
	3 Inch Meter	31.29	16.0	500.65
	4 Inch Meter	31.29	25.0	782.26
	6 Inch Meter	31.29	50.0	1,564.53
	8 Inch Meter	31.29	80.0	2,503.25
	10 Inch Meter	31.29	115.0	3,598.42
	12 Inch Meter	31.29	215.0	6,727.47

Line No.	Customer	Service	Meter
1	51,135	96,404	84,102
2	(54,709)		
3	1,318,600	72,909	110,937
4	263,054		
5	836,506		
6	<u>2,414,586</u>	<u>169,313</u>	<u>195,039</u>
7			
8	53,364		
9			
10			
11	<u>\$ 45.25</u>		
12			
13			
14		110,100	110,100
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			

Return on Rate Base 6.81%

Misc. Revenues (From Sched G-2, page 1)

Customer, Services and Meter Expenses (From Sch. G-4, Page 2)

Property Taxes (From Sched. G-2, page 1)

Income Taxes (From Sched. G-2, page 1)

Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)

Customer Charge

Number of Bills = 4,447 times 12 months

Charge per Bill

(Customer Revenue Requirement divided by Annualized Number of Bills)

Service Line and Meter Charge

Equivalent 5/8 Meters 9,175 times 12 months

Charge per Equivalent Meter

\$ 1.54 \$ 1.77

CUSTOMER CHARGE:

Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)

Charge per Bill

Charge per Equivalent Service Line \$ 45.25

Charge per Equivalent Meter 1.54

(Service and Meter Revenue Requirement divided by Annual Equivalent Meters) 1.77

Monthly Minimum for 5/8 Inch Meter, WITHOUT Demand Charge Included \$ 48.56

Paradise Valley Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 RESIDENTIAL CLASS

Line No.	<u>DEMAND CHARGE:</u>				
1	Return on Rate Base	6.81%			1,107,247
2	Demand Expenses (From Schedule G-4, Page 2)				1,529,946
3	Totals				<u>2,637,193</u>
4	Total Revenue Requirement / Demand Component				110,100
5	Equivalent Number of 5/8 Meters billings				<u>23.95</u>
6	Demand Charge for 5/8 Inch Meter				\$
7					
8					
9					
10					
11	<u>Demand Charge Per Equivalent</u>				
12	5/8 Inch Meter	5/8" Demand Charge	Meter Ratio	Demand Charge	
13	3/4 Inch Meter	\$ 23.95	1.0	\$ 23.95	
14	1 Inch Meter	23.95	1.5	35.93	
15	1 1/2 Inch Meter	23.95	2.5	59.88	
16	2 Inch Meter	23.95	5.0	119.76	
17	3 Inch Meter	23.95	8.0	191.62	
18	4 Inch Meter	23.95	16.0	383.24	
19	6 Inch Meter	23.95	25.0	598.82	
20	8 Inch Meter	23.95	50.0	1,197.64	
21	10 Inch Meter	23.95	80.0	1,916.22	
22	12 Inch Meter	23.95	115.0	2,754.56	
			215.0	5,149.83	

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2		536,460	51,135	96,404	84,102	1,107,247
3	Return on Rate Base					
4	Less: Miscellaneous Revenues		(54,709)			
5		1,644,427	1,318,600	72,909	110,937	1,529,946
6	Expenses (From Sch. G-4, Page 2)					
7	Property Taxes (From Sched. G-2, page 1)		263,054			
8	Income Taxes (From Sched. G-2, page 1)		836,506			
9	Total Revenue Requirement by function					
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	2,180,888	2,414,586	169,313	195,039	2,637,193
11	Computed Commodity Rate (line 9 divided by line 10)	2,211,809				
12	Annualized Number of Bills		53,364			
13	Equivalent Meters and Service Lines					
14	Customer Charge (line 9 divided by line 12)		\$ 45.25		110,100	110,100
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)				\$ 1.54	\$ 1.77
16	Total Monthly Minimum Charge for a 5/8 Inch Meter				\$ 1.54	\$ 1.77
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 72.51

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 72.51	1.0	\$ 72.51
72.51	1.5	108.76
72.51	2.5	181.27
72.51	5.0	362.55
72.51	8.0	580.08
72.51	16.0	1,160.15
72.51	25.0	1,812.74
72.51	50.0	3,625.47
72.51	80.0	5,800.76
72.51	115.0	8,338.59
72.51	215.0	15,589.53

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.	5/8" Minimum	Meter Ratio	Monthly Minimum
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate						
2	<u>Revenue Requirements Collected via Commodity Charge</u>						
3	Customer, Service, and Meter Costs	\$ 2,778,938	40%	\$ 1,111,575	29.52	1.0	\$ 29.52
4	Demand Costs	2,637,193	40%	1,054,877	29.52	1.5	44.27
5	Commodity Costs	2,180,888	100%	2,180,888	29.52	2.5	73.79
6	Total Costs to be Collected via Commodity			\$ 4,347,340	29.52	5.0	147.58
7	Gallons Sold			2,211,809	29.52	8.0	236.13
8	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			\$ 1,966	29.52	16.0	472.25
9	<u>Revenue Requirement Collected via Monthly Minimum</u>				29.52	25.0	737.89
10	Monthly Minimum 5/8 Meter				29.52	50.0	1,475.78
11	Total Revenue Requirement			\$ 7,597,018	29.52	80.0	2,361.26
12	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			(4,347,340)	29.52	115.0	3,394.31
13	Balance to be Recovered through Monthly Minimum			\$ 3,249,679	29.52	215.0	6,345.88
14	Number of Equivalent 5/8 Inch Meter Billings						
15	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)						
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							

Percent revenue recovery from monthly mins

42.78%

Line No.	Description	Customer	Service	Meter
1	Return on Rate Base 6.81%	69	976	254
2	Misc. Revenues (From Sched G-2, page 1)	(74)		
3	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	1,779	738	335
4	Property Taxes (From Sched. G-2, page 1)	14,914		
5	Income Taxes (From Sched. G-2, page 1)	(44,082)		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	<u>(27,394)</u>	<u>1,714</u>	<u>588</u>
7				
8	Customer Charge			
9	Number of Bills = 6 times 12 months	72		
10				
11	Charge per Bill	<u>\$ (380.47)</u>		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)			
13				
14	Service Line and Meter Charge		1,128	1,128
15	Equivalent 5/8 Meters			
16				
17	Charge per Equivalent Meter		<u>\$ 1.52</u>	<u>\$ 0.52</u>
18				
19				
20	CUSTOMER CHARGE:			
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
22	Charge per Bill			
23	Charge per Equivalent Service Line			\$ (380.47)
24	Charge per Equivalent Meter			1.52
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)			0.52
26	Monthly Minimum for 5/8 Inch Meter, <u>WITHOUT</u> Demand Charge Included			<u>\$ (378.43)</u>

Line No.	<u>DEMAND CHARGE:</u>			
1				
2	Return on Rate Base	6.81%		182,585
3	Demand Expenses (From Schedule G-4, Page 2)			252,287
4				
5	Totals			<u>434,872</u>
6	Total Revenue Requirement / Demand Component			1,128
7	Equivalent Number of 5/8 Meters billings			<u>385.52</u>
8	Demand Charge for 5/8 Inch Meter			\$
9				
10				
11	<u>Demand Charge Per Equivalent</u>			
12	5/8 Inch Meter		5/8" Demand Charge	Demand Charge
13	3/4 Inch Meter		\$	
14	1 Inch Meter		1.0	385.52
15	1 1/2 Inch Meter		1.5	578.29
16	2 Inch Meter		2.5	963.81
17	3 Inch Meter		5.0	1,927.62
18	4 Inch Meter		8.0	3,084.20
19	6 Inch Meter		16.0	6,168.40
20	8 Inch Meter		25.0	9,638.12
21	10 Inch Meter		50.0	19,276.24
22	12 Inch Meter		80.0	30,841.98
			115.0	44,335.34
			215.0	82,887.81

Line No.	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum	Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	64,493	69	976	254	182,585
2	Less: Miscellaneous Revenues		(74)			
3	Expenses (From Sch. G-4, Page 2)	197,692	1,779	738	335	252,287
4	Property Taxes (From Sched. G-2, page 1)		14,914			
5	Income Taxes (From Sched. G-2, page 1)		(44,082)			
6	Total Revenue Requirement by function	262,185	(27,394)	1,714	588	434,872
7	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	265,902				
8	Computed Commodity Rate (line 9 divided by line 10)	\$ 0.9860				
9	Annualized Number of Bills		72			
10	Equivalent Meters and Service Lines			1,128	1,128	1,128
11	Customer Charge (line 9 divided by line 12)		\$ (380.47)			
12	Meter, Service Line & Demand Charge (line 9 divided by line 13)			1.52	0.52	385.52
13	Total Monthly Minimum Charge for a 5/8 Inch Meter			\$	\$	\$
14	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 7.10

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 7.10	1.0	7.10
7.10	1.5	10.64
7.10	2.5	17.74
7.10	5.0	35.48
7.10	8.0	56.77
7.10	16.0	113.54
7.10	25.0	177.40
7.10	50.0	354.80
7.10	80.0	567.69
7.10	115.0	816.05
7.10	215.0	1,525.66

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2	<u>Revenue Requirements Collected via Commodity Charge</u>	\$ (25,092)	40%	(10,037)
3	Customer, Service, and Meter Costs	434,872	40%	173,949
4	Demand Costs	262,185	100%	262,185
5	Commodity Costs			426,097
6	Total Costs to be Collected via Commodity			265,902
7	Gallons Sold			
8	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			1.602
9	<u>Revenue Requirement Collected via Monthly Minimum</u>			
10	Monthly Minimum 5/8 Meter			
11	Total Revenue Requirement	\$ 671,965		(426,097)
12	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			245,868
13	Balance to be Recovered through Monthly Minimum			Percent revenue recovery from monthly mins
14	Number of Equivalent 5/8 Inch Meter Billings			1,128
15	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			\$ 217.97
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28	<u>Meter Size</u>			
29	5/8 Inch Meter	5/8" Minimum 217.97	Meter Ratio 1.0	Monthly Minimum 217.97
30	3/4 Inch Meter	217.97	1.5	326.95
31	1 Inch Meter	217.97	2.5	544.92
32	1 1/2 Inch Meter	217.97	5.0	1,089.84
33	2 Inch Meter	217.97	8.0	1,743.75
34	3 Inch Meter	217.97	16.0	3,487.49
35	4 Inch Meter	217.97	25.0	5,449.21
36	6 Inch Meter	217.97	50.0	10,898.41
37	8 Inch Meter	217.97	80.0	17,437.46
38	10 Inch Meter	217.97	115.0	25,066.35
39	12 Inch Meter	217.97	215.0	46,863.18

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2		160,019	3,795	27,962	8,871	326,715
3	Return on Rate Base					
4	Less: Miscellaneous Revenues		(4,060)			
5		490,510	97,850	21,147	11,701	451,440
6	Expenses (From Sch. G-4. Page 2)		64,039			
7			218,548			
8	Income Taxes (From Sched. G-2, page 1)					
9	Total Revenue Requirement by function					
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	650,528	380,171	49,110	20,572	778,154
11	Computed Commodity Rate (line 9 divided by line 10)	<u>\$ 0.9860</u>				
12	Annualized Number of Bills		3,960			
13	Equivalent Meters and Service Lines					
14	Customer Charge (line 9 divided by line 12)		\$ 96.00			
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			2.08	0.87	32.89
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 131.84

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 131.84	1.0	\$ 131.84
131.84	1.5	197.76
131.84	2.5	329.60
131.84	5.0	659.20
131.84	8.0	1,054.72
131.84	16.0	2,109.44
131.84	25.0	3,296.00
131.84	50.0	6,592.00
131.84	80.0	10,547.20
131.84	115.0	15,161.61
131.84	215.0	28,345.61

Paradise Valley Water District
Test Year Ended June 30, 2013
Cost of Service Study Using Commodity / Demand Method
Computation Monthly Minimums and Commodity Charge
COMMERCIAL CLASS

Line No.	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate	Total Rev. Req.	%	Commodity Portion of Rev. Req.
3	<u>Revenue Requirements Collected via Commodity Charge</u>			
6	Customer, Service, and Meter Costs	\$ 449,853	40%	\$ 179,941
7	Demand Costs	778,154	40%	311,262
8	Commodity Costs	650,528	100%	650,528
9	Total Costs to be Collected via Commodity	\$ 1,141,731		\$ 1,141,731
10	Gallons Sold			659,752
12	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			\$ 1.731
14	<u>Revenue Requirement Collected via Monthly Minimum</u>			
16	Monthly Minimum 5/8 Meter			\$ 1,878,536
17	Total Revenue Requirement			(1,141,731)
18	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			\$ 736,804
19	Balance to be Recovered through Monthly Minimum			Percent revenue recovery from monthly mins
22	Number of Equivalent 5/8 Inch Meter Billings			23,658
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			\$ 31.14
28	Meter Size	5/8" Minimum	Meter Ratio	Monthly Minimum
29	5/8 Inch Meter	31.14	1.0	\$ 31.14
30	3/4 Inch Meter	31.14	1.5	46.72
31	1 Inch Meter	31.14	2.5	77.86
32	1 1/2 Inch Meter	31.14	5.0	155.72
33	2 Inch Meter	31.14	8.0	249.15
34	3 Inch Meter	31.14	16.0	498.30
35	4 Inch Meter	31.14	25.0	778.60
36	6 Inch Meter	31.14	50.0	1,557.20
37	8 Inch Meter	31.14	80.0	2,491.52
38	10 Inch Meter	31.14	115.0	3,581.56
39	12 Inch Meter	31.14	215.0	6,695.96

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2	Return on Rate Base	1,080	126	894	285	2,566
3	Less: Miscellaneous Revenues		(135)			
4						
5	Expenses (From Sch. G-4, Page 2)	3,311	3,262	676	376	3,532
6	Property Taxes (From Sched. G-2, page 1)		747			
7	Income Taxes (From Sched. G-2, page 1)		3,241			
8	Total Revenue Requirement by function					
9	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	4,391	7,241	1,570	661	6,088
10	Computed Commodity Rate (line 9 divided by line 10)	4,453				
11	Annualized Number of Bills	<u>0.9860</u>	132			
12	Equivalent Meters and Service Lines					
13	Customer Charge (line 9 divided by line 12)			672	672	672
14	Meter, Service Line & Demand Charge (line 9 divided by line 13)					
15	Total Monthly Minimum Charge for a 5/8 Inch Meter			2.34	0.98	9.06
16	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					
17						
18						
19						
20	Monthly Minimum					
21	5/8 Inch Meter	67.23	1.0	\$ 67.23		
22	3/4 Inch Meter	67.23	1.5	100.85		
23	1 Inch Meter	67.23	2.5	168.08		
24	1 1/2 Inch Meter	67.23	5.0	336.17		
25	2 Inch Meter	67.23	8.0	537.87		
26	3 Inch Meter	67.23	16.0	1,075.74		
27	4 Inch Meter	67.23	25.0	1,680.84		
28	6 Inch Meter	67.23	50.0	3,361.68		
29	8 Inch Meter	67.23	80.0	5,378.69		
30	10 Inch Meter	67.23	115.0	7,731.86		
31	12 Inch Meter	67.23	215.0	14,455.22		
32						
33						

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 67.23	1.0	\$ 67.23
67.23	1.5	100.85
67.23	2.5	168.08
67.23	5.0	336.17
67.23	8.0	537.87
67.23	16.0	1,075.74
67.23	25.0	1,680.84
67.23	50.0	3,361.68
67.23	80.0	5,378.69
67.23	115.0	7,731.86
67.23	215.0	14,455.22

Paradise Valley Water District

Test Year Ended June 30, 2013

Comparison of Proposed Rates to Computed Costs

For a 5/8x3/4-Inch Residential Meter (With Required Operating Margin)

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Bourassa

Line No.	Water Usage	Revenues		Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	Total Revenues minus Total Charges & Costs
		Minimum	Commodity							
1	-	\$ 26.67	\$ -	\$ 28.45	\$ 48.23	\$ 1.64	\$ 1.60	0	\$ 79.91	\$ (53.24)
2	1,000	26.67	1.12	28.45	48.23	1.64	1.60	0.986	80.90	(53.11)
3	2,000	26.67	2.23	28.45	48.23	1.64	1.60	1.972	81.89	(52.98)
4	3,000	26.67	3.35	28.45	48.23	1.64	1.60	2.958	82.87	(52.85)
5	4,000	26.67	4.46	28.45	48.23	1.64	1.60	3.944	83.86	(52.72)
6	5,000	26.67	5.58	28.45	48.23	1.64	1.60	4.930	84.84	(52.59)
7	6,000	26.67	6.91	28.45	48.23	1.64	1.60	5.916	85.83	(52.25)
8	7,000	26.67	8.24	28.45	48.23	1.64	1.60	6.902	86.82	(51.91)
9	8,000	26.67	9.57	28.45	48.23	1.64	1.60	7.888	87.80	(51.56)
10	9,000	26.67	10.89	28.45	48.23	1.64	1.60	8.874	88.79	(51.22)
11	10,000	26.67	12.22	28.45	48.23	1.64	1.60	9.860	89.77	(50.88)
12	12,000	26.67	14.88	28.45	48.23	1.64	1.60	11.832	91.75	(50.19)
13	14,000	26.67	17.54	28.45	48.23	1.64	1.60	13.804	93.72	(49.51)
14	16,000	26.67	21.20	28.45	48.23	1.64	1.60	15.776	95.69	(47.82)
15	18,000	26.67	25.88	28.45	48.23	1.64	1.60	17.748	97.66	(45.11)
16	20,000	26.67	30.56	28.45	48.23	1.64	1.60	19.720	99.63	(42.41)
17	25,000	26.67	42.25	28.45	48.23	1.64	1.60	24.650	104.56	(35.65)
18	30,000	26.67	53.94	28.45	48.23	1.64	1.60	29.581	109.49	(28.89)
19	35,000	26.67	65.63	28.45	48.23	1.64	1.60	34.511	114.42	(22.12)
20	40,000	26.67	77.32	28.45	48.23	1.64	1.60	39.441	119.35	(15.36)
21	45,000	26.67	91.93	28.45	48.23	1.64	1.60	44.371	124.28	(5.68)
22	50,000	26.67	106.55	28.45	48.23	1.64	1.60	49.301	129.21	4.00
23	60,000	26.67	135.77	28.45	48.23	1.64	1.60	59.161	139.07	23.37
24	70,000	26.67	165.00	28.45	48.23	1.64	1.60	69.021	148.93	42.74
25	80,000	26.67	194.23	28.45	48.23	1.64	1.60	78.882	158.79	62.10
26	90,000	26.67	228.51	28.45	48.23	1.64	1.60	88.742	168.66	86.53
27	100,000	26.67	262.80	28.45	48.23	1.64	1.60	98.602	178.52	110.95

Column Number-->

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)
(Col. 2 - Col. 8)
Total Revenues minus Total Charges & Costs

Line					
<u>No.</u>					
1	Original Cost Rate Base		\$	5,365,586	
2					
3	Adjusted Operating Income		\$	95,217	
4					
5	Current Rate of Return			1.77%	
6					
7	Required Operating Income		\$	365,396	
8					
9	Required Rate of Return			6.81%	
10					
11	Operating Income Deficiency		\$	270,180	
12					
13	Gross Revenue Conversion Factor			1.6496	
14					
15	Increase in Gross Revenue				
16	Requirement		\$	445,700	
17					
18	Customer	Present	Proposed	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 974,526	\$ 1,405,267	\$ 430,741	44.2%
22	Commercial	\$ 24,477	\$ 35,295	10,819	44.2%
23	Other Public Authority	\$ 8,822	\$ 12,721	3,899	44.2%
24	Effluent	\$ 44,578	\$ 44,578	-	0.0%
25	Other	\$ (193)	\$ 48	241	-124.9%
26					
27	Total Water Revenues	<u>\$ 1,052,210</u>	<u>\$ 1,497,910</u>	<u>\$ 445,699</u>	42.4%
28					
29	Other Revenues	\$ 3,629	\$ 3,629	-	0.0%
30					
31	Total Revenues	<u>\$ 1,055,840</u>	<u>\$ 1,501,539</u>	<u>\$ 445,699</u>	42.2%
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46	Supporting Schedules:				
47	B-1 Rejoinder				
48	C-1 Rejoinder				
49	H-1 Rejoinder				
50	\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls				

Mohave Wastewater
 Test Year Ended June 30, 2013
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 Rejoinder
 Page 1
 Witness: Hubbard

Line No.		Original Cost Rate Base
1		
2	Gross Utility Plant in Service	\$ 8,866,427
3		
4	Less:	
5		
6	Accumulated Depreciation	693,460
7		
8	Net Utility Plant in Service	\$ 8,172,966
9		
10	Less:	
11		
12	Advances in Aid of Construction	\$ 1,916,421
13		
14	Contribution in Aid of Construction -	
15	Net of Amortization	935,072
16		
17	Customer Meter Deposits	5
18	Deferred Income Taxes & Credits	62,236
19	Investment Tax Credits	-
20		
21		
22	Plus:	
23	Deferred Debits	89,523
24	Working Capital Allowance	16,831
25	Utility Plant Acquisition Adjustment	-
26		
27		
28	Total Rate Base	<u>\$ 5,365,586</u>
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Supporting Schedules:	
42	B-2 Rejoinder	
43	B-5 Rejoinder	
44	B-3	
45	E-1	
46		
47		
48		
49		
50	\\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls	

Recap Schedules:
 A-1 Rejoinder

Company Rejoinder

Line No.	[A] Rebuttal Adjusted End of Test Year	[B] ADJ SLH-4R Working Capital Adjustment	[C]	[D]	[E]	[F] Total Rejoinder Pro Forma Adjustments	[G] Rejoinder Adjusted End of Test Year
1	Gross Utility						
2	Plant in Service	\$ 8,866,427				\$ -	\$ 8,866,427
3							
4	Less:						
5							
6	Accumulated Depreciation	693,460					693,460
7							
8	Net Utility Plant						
9	in Service	\$ 8,172,966	\$ -	\$ -	\$ -	\$ -	\$ 8,172,966
10							
11	Less:						
12	Advances in Aid of						
13	Construction	1,916,421					1,916,421
14	Contributions in Aid of						
15	Construction - Net	935,072					935,072
16							
17							
18	Customer Meter Deposits	5					5
19	Deferred Income Taxes	62,236					62,236
20	Investment Tax Credits						
21	Regulatory Liabilities						
22							
23	Plus:						
24	Deferred Debits	89,523					89,523
25	Working Capital Allowance	16,860	(29)			(29)	16,831
26	Utility Plant Acquisition Adjustment						
27							
28	Total	\$ 5,365,614	\$ (29)	\$ -	\$ -	\$ (29)	\$ 5,365,586
29							
30	Supporting Schedules:						
31	B-3, B-5 Rejoinder						
32	E-1						
33							
34							
35	2013 Mohave Wastewater Sch. A-F Re						

Mohave Wastewater
 Test Year Ended June 30, 2013
 Computation of Working Capital Allowance
 Rate Base Adjustment SLH-4RJ

Exhibit
 Schedule B-5 Rejoinder
 Page 1
 Witness: Hubbard

Line			
<u>No.</u>			
1			
2	Cash Working Capital Requirement	\$	(28,398)
3	Required Bank Balances ¹		-
4	Material and Supplies Inventories ¹		37,363
5	Prepayments ¹		7,866
6			
7	Total Working Capital Allowance	\$	<u>16,831</u>
8			
9	Less Company amount in Rebuttal Filing	\$	16,860
10			
11	Increase / (Decrease) to Working Capital Allowance	\$	<u>(29)</u>
12			
13			
14	Increase / (Decrease) to Rate Base	\$	<u>(29)</u>
15			
16			
17			
18			
19	¹ Calculated using thirteen-month averages.		
20			
21			
22			
23			
24			
25			
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41			
42			
43	Supporting Schedules:	Recap Schedules:	
44	E-1	B-1 Rejoinder	
45			
46	Workpapers & Supporting Documents		
47	\ #9 B - Materials and Supplies Prepayments & Deferred Cost.xlsx		
48	\ Lead-Lag Workpapers		
49			
50	\ 2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls		

Line No.	Description	Test Year Adjusted Results	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead/Lag Factor	Cash Working Capital Required
	[a]	[b]	[c]	[d]	[e] = [c] - [d]	[f] = [e] / 365	[g] = [b] x [f]
1	OPERATING EXPENSES						
2	Labor	\$ 267,164	41.140	30.633	10.507	0.029	\$ 7,691
3	Fuel & Power	46,241	41.140	50.509	(9.369)	(0.026)	(1,187)
4	Chemicals	12,000	41.140	7.000	34.140	0.094	1,122
5	Waste Disposal	34,306	41.140	45.456	(4.316)	(0.012)	(406)
6	Intercompany Support Services	161	41.140	30.417	10.723	0.029	5
7	Corporate Allocation	54,476	41.140	30.420	10.720	0.029	1,600
8	Outside Services	33,865	41.140	42.457	(1.317)	(0.004)	(122)
9	Group Insurance	53,659	41.140	(10.716)	51.856	0.142	7,623
10	Regulatory Expense	11,993	41.140	-	41.140	0.113	1,352
11	Insurance Other Than Group	14,658	41.140	64.818	(23.678)	(0.065)	(951)
12	Customer Accounting	57,455	41.140	49.695	(8.555)	(0.023)	(1,347)
13	Rents	8,199	41.140	16.481	24.659	0.068	554
14	General Office Expense	20,403	41.140	29.563	11.577	0.032	647
15	Miscellaneous	(2)	41.140	25.018	16.122	0.044	(0)
16	Maintenance Expense	51,101	41.140	49.773	(8.633)	(0.024)	(1,209)
17							
18							
19	TAXES						
20	Property Taxes	\$ 61,135	41.140	213.250	(172.110)	(0.472)	\$ (28,827)
21	Taxes - Payroll	18,540	41.140	26.402	14.738	0.040	749
22	Taxes -Other	(6,148)	41.140	(131.290)	172.430	0.472	(2,904)
23	Income Tax	139,528	41.140	41.750	(0.610)	(0.002)	(233)
24							
25	Interest	137,359	41.140	74.500	(33.360)	(0.091)	(12,554)
26							
27							
28							
29							
30	WORKING CASH REQUIREMENT	<u>\$ 1,016,092</u>					<u>\$ (28,398)</u>

42 Supporting Schedules: Recap Schedules:
 43 C-1 Rejoinder B-5 Rejoinder
 44
 45 Workpapers & Supporting Documents
 46
 47
 48
 49 \2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls
 50

Mohave Wastewater
 Test Year Ended June 30, 2013
 Adjusted Test Year Income Statement

Exhibit
 Schedule C-1 Rejoinder
 Page 1
 Witness: Murrey

Line No.		[A] Test Year Rebuttal Results	[B] Total Pro Forma Adjustments	[C] Test Year Rejoinder Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	Revenues					
2	Sewer Revenues	\$ 1,052,210	\$ -	\$ 1,052,210	\$ 445,700	\$ 1,497,910
3	Other Revenues	3,629	-	3,629	-	3,629
4		<u>\$ 1,055,839</u>	<u>\$ -</u>	<u>\$ 1,055,839</u>	<u>\$ 445,700</u>	<u>\$ 1,501,539</u>
5						
6	Operating Expenses					
7	Labor	\$ 268,572	\$ (337)	\$ 267,164	\$ -	\$ 267,164
8	Purchased Water	(0)	-	(0)	-	(0)
9	Fuel & Power	46,241	-	46,241	-	46,241
10	Chemicals	12,000	-	12,000	-	12,000
11	Waste Disposal	34,306	-	34,306	-	34,306
12	Intercompany Support Services	161	-	161	-	161
13	Corporate Allocation	58,694	-	54,476	-	54,476
14	Outside Services	34,425	(560)	33,865	-	33,865
15	Group Insurance	53,082	(148)	52,934	-	52,934
16	Pensions	725	-	725	-	725
17	Regulatory Expense	11,993	-	11,993	-	11,993
18	Insurance Other Than Group	14,658	-	14,658	-	14,658
19	Customer Accounting	53,827	-	54,723	2,733	57,455
20	Rents	8,199	-	8,199	-	8,199
21	General Office Expense	20,902	(83)	20,403	-	20,403
22	Miscellaneous	84	-	(2)	-	(2)
23	Maintenance Expense	51,102	(1)	51,101	-	51,101
24	Depreciation & Amortization	257,946	-	257,411	-	257,411
25	General Taxes-Property	53,660	-	53,660	7,475	61,135
26	General Taxes-Other	12,392	-	12,392	-	12,392
27	Income Taxes	(27,928)	428	(25,785)	165,313	139,528
28						
29	Total Operating Expenses	<u>\$ 965,040</u>	<u>\$ (700)</u>	<u>\$ 960,623</u>	<u>\$ 175,520</u>	<u>\$ 1,136,143</u>
30	Utility Operating Income	<u>\$ 90,799</u>	<u>\$ 700</u>	<u>\$ 95,217</u>	<u>\$ 270,180</u>	<u>\$ 365,396</u>
31	Other Income & Deductions					
32	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -	\$ -
33	Interest Expense	135,810	(1)	137,359	-	137,359
34	Other Expense	-	-	-	-	-
35	Gain/Loss Sale of Fixed Assets	-	-	-	-	-
36	Total Other Income & Deductions	<u>\$ (135,810)</u>	<u>\$ 1</u>	<u>\$ (137,359)</u>	<u>\$ -</u>	<u>\$ (137,359)</u>
37	Net Profit (Loss)	<u>\$ (45,011)</u>	<u>\$ 700</u>	<u>\$ (42,142)</u>	<u>\$ 270,180</u>	<u>\$ 228,037</u>

44 Supporting Schedules:
 45 E-2 Revised
 46 C-2 Rejoinder

Recap Schedules:
 A-1 Rejoinder

Page 2 Page 3 Page 4 Page 5
 COMPANY REJOINDER

Line No.	Adjusted Rebuttal	Federal and State		Interest	Remove	Total	Test Year	Proposed	Adjusted
		Property Tax	Income Tax							ADJ SM-1RJ	ADJ SM-2RJ	ADJ SM-3RJ	ADJ SM-4RJ	Rate	with Rate
	Results			Synchronization	Acquisition Costs	Adjustments	Results	Increase	Increase
1	Revenues								
2	Sewer Revenues	\$ 1,052,210	\$ -	\$ -	\$ -	\$ -	1,052,210	\$ 445,700	\$ 1,497,910
3	Other Revenues	3,629	-	-	-	-	3,629	-	3,629
4		\$ 1,055,839	\$ -	\$ -	\$ -	\$ -	1,055,839	\$ 445,700	\$ 1,501,539
5									
6	Operating Expenses								
7	Labor	\$ 267,501	\$ -	\$ -	\$ -	\$ -	267,501	\$ -	\$ 267,501
8	Purchased Water	(0)					(0)		(0)
9	Fuel & Power	46,241					46,241		46,241
10	Chemicals	12,000					12,000		12,000
11	Waste Disposal & Other Utilities	34,306					34,306		34,306
12	Intercompany Support Services	161					161		161
13	Corporate Allocation	54,476					54,476		54,476
14	Outside Services	34,425					33,865		33,865
15	Group Insurance	53,082					52,934		52,934
16	Pensions	725					725		725
17	Regulatory Expense	11,993					11,993		11,993
18	Insurance Other Than Group	14,658					14,658		14,658
19	Customer Accounting	54,723					54,723	2,733	57,455
20	Rents	8,199					8,199		8,199
21	General Office Expense	20,485					20,403		20,403
22	Miscellaneous	(2)					(2)		(2)
23	Maintenance Expense	51,102					51,101		51,101
24	Depreciation & Amortization	257,411					257,411		257,411
25	General Taxes-Property	53,660					53,660	7,475	61,135
26	General Taxes-Other	12,392					12,392		12,392
27	Income Taxes	(26,214)	\$ 428			428	(25,785)	165,313	139,528
28									
29	Total Operating Expenses	\$ 961,322	\$ 428	\$ -	\$ (1,128)	\$ (700)	960,623	\$ 175,520	\$ 1,136,143
30	Utility Operating Income	\$ 94,517	\$ -	\$ -	\$ 1,128	\$ 700	95,217	\$ 270,180	\$ 365,396
31	Other Income & Deductions								
32	Other Income & Deductions	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -
33	Interest Expense	137,360		(1)		(1)	137,359		137,359
34	Other Expense								
35	Gain/Loss Sale of Fixed Assets								
36	Total Other Income & Deductions	\$ (137,360)	\$ -	\$ 1	\$ -	\$ 1	(137,359)	\$ -	\$ (137,359)
37	Net Profit (Loss)	\$ (42,843)	\$ -	\$ 1	\$ 1,128	\$ 700	(42,142)	\$ 270,180	\$ 228,037
38									
39	Supporting Schedules:								
40	E-6								
42	Workpapers & Supporting Documents:								
43	2013 Mohave Wastewater Sch. A-F								

Recap Schedules:
 C-1 Rejoinder

Line No.	[A] Property Tax Expense	[B] Property Tax Expense For Conversion Factor
1		
2	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
3		
4	Adjusted Revenues in Year Ended June 2013	
	\$ 1,055,839	\$ 1,055,839
5	Adjusted Revenues in Year Ended June 2013	
	1,055,839	1,055,839
6	Proposed Revenues	
	1,055,839	1,501,539
7	Average of Three Year's of Revenue	
	\$ 1,055,839	\$ 1,204,406
8	Average of Three Year's of Revenue, times 2	
	\$2,111,679	\$2,408,812
9	Add:	
10	Construction Work in Progress at 10%	
	21,457	21,457
11	Deduct:	
12	Net Book Value of Transportation Equipment	
	\$ -	\$ -
13		
14	Full Cash Value	
	\$ 2,133,136	\$ 2,430,269
15	Assessment Ratio (For 2015 per HB 2001 Sec 42-15001)	
	18.5%	18.5%
16	Assessed Value	
	\$ 394,630	\$ 449,600
17	Property Tax Rate	
	13.60%	13.60%
18		
19	Property Tax	
	53,660	61,135
20	Tax on Parcels	
	-	-
21		
22	Adjusted Test Year Property Taxes at Present Rates (Line 19+Line 20, Col [A])	
	\$ 53,660	
23	Adjusted Test Year Property Taxes, Rebuttal	
	53,660	
24	Rejoinder Adjustment to Revenue and/or Expense (To Sch C-2 Rejoinder)	
	\$ -	
25		
26	Adjusted Test Year Property Taxes at Proposed Rates (Line 19+Line 20, Col [B])	\$ 61,135
27	Adjusted Test Year Property Taxes at Present Rates (Line 22, Col [A])	53,660
28	Additional Property Taxes on Proposed Revenues (To Sch C-2 Rejoinder)	\$ 7,475
29		
30		
31		
32	<u>CALCULATION OF PROPERTY TAX FACTOR TO COMPUTE GROSS REVENUE CONVERSION FACTOR (SCH C-3 REJOINDER):</u>	
33		
34	Increase in Property Tax Due to Increase in Revenue Requirement (Line 28)	\$ 7,475
35		
36	Increase in Revenue Requirement (From Sch. A1 Rejoinder)	\$ 445,700
37		
38	Increase in Property Tax Per Dollar Increase in Revenue (Line 34/Line 36)	1.68%
39		
40		
41		
42		
43		
44		
45		
46		
47		
48	Workpapers & Schedules	
49		
50	\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls	

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1				
2	<u>Calculation of Income Taxes at Proposed Rates</u>			
3				
4				
5	Operating Income Before Inc. Taxes		\$ 69,431	\$ 504,924
6	Interest Expense		137,359	137,359
7	Arizona Taxable Income		<u>\$ (67,928)</u>	<u>\$ 367,565</u>
8				
9	Less Arizona Income Tax		\$ (4,076)	\$ 22,054
10	Arizona Income Tax Rate =	6.000%		
11				
12	Federal Income Before Taxes		\$ (67,928)	\$ 367,565
13	Less Arizona Income Taxes		(4,076)	22,054
14	Federal Taxable Income		<u>\$ (63,852)</u>	<u>\$ 345,511</u>
15				
16	FEDERAL INCOME TAXES:			
17				
18				
19				
20				
21				
22				
23	Federal Income Taxes	34.000%	<u>\$ (21,710)</u>	<u>\$ 117,474</u>
24				
25				
26	Total Income Tax		<u>\$ (25,785)</u>	<u>\$ 139,528</u>
27				
28	Tax Rate		<u>37.96%</u>	<u>37.96%</u>
29				
30	Effective Income Tax Rates			
31	State		6.000%	6.000%
32	Federal		31.96%	31.96%
33				
34				
35	Adjusted Test Year Income Taxes		<u>\$ (26,214)</u>	
36	Increase in Income Taxes, Rejoinder		<u>\$ 428</u>	
37				
38	Rejoinder Adjustment to Revenues and/or Expense		<u>\$ 428</u>	
39				
40	Test Year Income Taxes, Rebuttal			\$ (25,785)
41	Increase in Income Taxes			165,313
42				
43	Rejoinder Adjustment to Revenue and/or Expense			<u>\$ 165,313</u>
44				
45				
46				
47				
48	Workpapers & Supporting Documents:			
49				
50	\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls			

Line

No.

1	<u>Interest Synchronization with Rate Base</u>		
2			
3	Original Cost Rate Base (Sch. B-1 Rejoinder, Ln. 28)	\$	5,365,586
4	Weighted Cost of Debt from Schedule D-1 Rejoinder		<u>2.56%</u>
5	Synchronized Interest Expense	\$	<u>137,359</u>
6			
7	Test Year Interest Expense	\$	<u>137,360</u>
8			
9	Adjusted Test Year Interest Expense	\$	<u>137,360</u>
10			
11	Increase/(Decrease) in Interest Expense	\$	<u>(1)</u>
12			
13	Rejoinder Adjustment to Revenue and/or Expense	\$	<u>(1)</u>
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48	Workpapers & Supporting Documents:		
49			
50	\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls		

Line
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1 Remove Acquisition Costs

2 The Company is removing charges related to acquisition costs as identified in DR RUCO 30.10 (d).

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<u>Category</u>	<u>Account</u>	<u>Acquisition Costs</u>	<u>District Allocation</u>
Labor	5223 Salary-Inter Dept. Operating	\$ 25,216	\$ 337
Outside Services	5227 Consulting Engineering	10,365	138
Outside Services	5681 Legal Fees	16,526	221
Outside Services	5250 Contractors and Consultants	15,011	200
Group Insurance	5233 Salary Transfers - Burdens	11,095	148
General Office Expense	5630 Parking	78	1
General Office Expense	5631 Vehicle Allowance	497	7
General Office Expense	5650 Airfare	3,360	45
General Office Expense	5651 Accommodation, Other Trav.	1,469	20
General Office Expense	5652 Meals/Entertainment	781	10
Maintenance Expense	5633 Vehicle Fuel	62	1
		<u>\$ 84,461</u>	<u>\$ 1,128</u>
	Rejoinder Adjustment to Revenue/Expense		<u>\$ (1,128)</u>

Workpapers & Supporting Documents:

\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls

Mohave Wastewater
Test Year Ended June 30, 2013
Income Statement Rejoinder Adjustment SM-

Mohave Wastewater
Test Year Ended June 30, 2013
Income Statement Rejoinder Adjustment SM-

Exhibit
Schedule C-2 Rejoinder
Page 6
Witness: Murrey

Line
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47 Workpapers & Supporting Documents:

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- 48 Workpapers & Supporting Documents:
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- 48 Workpapers & Supporting Documents:
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- 50 \2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls

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Workpapers & Supporting Documents:

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Workpapers & Supporting Documents:

\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls

Exhibit

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Workpapers & Schedules

\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls

Mohave Wastewater
 Test Year Ended June 30, 2013
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3 Rejoinder
 Page 1
 Witness: Murrey

Line No.	<u>Description</u>				Percentage of Incremental Gross <u>Revenues</u>
1	Federal Income Taxes				31.96%
2					
3	State Income Taxes				6.00%
4				Combined	37.96%
5	Property Taxes	Effective Rate =	1.68%	One Minus Combined	62.04%
6					1.04%
7	Bad Debt Expense	Effective Rate =	0.61%	One Minus Combined	62.04%
8					<u>0.38%</u>
9	Total Tax Percentage				39.38%
10					
11	Operating Income % = 100% - Tax Percentage				60.62%
12					
13					
14					
15	<u>1</u> = Gross Revenue Conversion Factor				
16					
17					
18	Operating Income %				1.6496
19					
20					
21					
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43	Supporting Schedules:			Recap Schedules:	
44				A-1 Rejoinder	
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50	\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls				

Mohave Wastewater

Test Year Ended June 30, 2013

Summary of Cost of Capital

Total Company - EPCOR Water Arizona

Exhibit

Schedule D-1 Rejoinder

Page 1

Witness: Hubbard

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	\$ 231,000,000	58.47%	4.29%	\$ 231,000,000	59.76%	4.29%
2							
3	Short-Term Debt	\$ 8,560,000	2.17%	0.31%	\$ -	0.00%	0.31%
4							
5	Stockholder's Equity	\$ 155,533,624	39.37%	10.55%	\$ 155,533,624	40.24%	10.55%
6							
7	Totals	\$ 395,093,624	100.00%		\$ 386,533,624	100.00%	
8							6.81%
9							
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30	Supporting Schedules:						
31	D-2 Rejoinder						
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35							

Recap Schedules:

A-1 Rejoinder

Supporting Schedules:

D-2 Rejoinder

Mohave Wastewater

Test Year Ended June 30, 2013

Summary of Cost of Capital

Total Company - EPCOR Water Arizona

District Level - Mohave WasteWater - Proposed

Exhibit

Schedule D-1 Rejoinder

Page 2

Witness: Hubbard

Line No.	Item of Capital	End of Test Year			End of Projected Year				
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	\$ 3,137,105	58.47%	4.29%	2.51%	\$ 3,206,578	59.76%	4.29%	2.56%
2									
3	Short-Term Debt	\$ 116,249	2.17%	0.31%	0.01%	\$ -	0.00%	0.31%	0.00%
4									
5	Stockholder's Equity	\$ 2,112,231	39.37%	10.55%	4.15%	\$ 2,159,007	40.24%	10.55%	4.25%
6									
7	Totals	<u>\$ 5,365,586</u>	<u>100.00%</u>			<u>\$ 5,365,586</u>	<u>100.00%</u>		<u>6.81%</u>
8									
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30	Supporting Schedules:								
31	D-2 Rejoinder								
32									
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Recap Schedules:
A-1 Rejoinder

Mohave Wastewater
 Test Year Ended June 30, 2013
 Cost of Long Term Debt
 Test Year - Mohave Wastewater - Proposed

Line No.	At Parent Level			End of Test Year			End of Projected Year		
	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%	133,000,000	5,004,790	3.77%
2	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
3									
4									
5									
6	<u>\$ 231,000,000</u>	<u>\$ 9,912,303</u>	<u>4.29%</u>	<u>\$ 231,000,000</u>	<u>\$ 9,912,303</u>	<u>4.29%</u>	<u>\$ 231,000,000</u>	<u>\$ 9,912,303</u>	<u>4.29%</u>
7									
8									
9	<u>Common Equity</u>								
10	Common Stock			522,880			522,880		
11	Paid in Capital			184,882,920			184,882,920		
12	Retained Earnings			(29,872,177)			(29,872,177)		
13				<u>\$ 155,533,624</u>		10.55%	<u>\$ 155,533,624</u>		10.55%
14									
15									
16									
17	<u>Short-Term Debt</u>								
18	S-T Debt from EPCOR Utilities, Inc			8,560,000	26,536	0.31%	8,560,000	26,536	0.31%
19									
20									
21	<u>Totals</u>			<u>\$ 8,560,000</u>	<u>\$ 26,536</u>	<u>0.31%</u>	<u>\$ 8,560,000</u>	<u>\$ 26,536</u>	<u>0.31%</u>
22									
23									
24									
25	Supporting Schedules:								
26	E-1								
27									
28									
29	Recap Schedules:								
30	D-1 Rejoinder								

Line No.		End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
1	Long-Term Debt						
2	10-Year EPCOR Water USA Note	\$ 133,000,000	\$ 5,004,790	3.77%	\$ 133,000,000	\$ 5,004,790	3.77%
3	30-Year EPCOR Water USA Note	98,000,000	4,907,513	5.02%	98,000,000	4,907,513	5.02%
4							
5							
6	Totals	\$ 231,000,000	\$ 9,912,303	4.29%	\$ 231,000,000	\$ 9,912,303	4.29%
7							
8							
9	Common Equity						
10	Common Stock	\$ 522,880			\$ 522,880		
11	Paid in Capital	184,882,920			184,882,920		
12	Retained Earnings	(29,872,177)			(29,872,177)		
13		\$ 155,533,624		10.55%	\$ 155,533,624		10.55%
14							
15							
16							
17	Short-Term Debt						
18	Intercompany Payable	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
19							
20							
21	Totals	\$ 8,560,000	\$ 26,536	0.31%	\$ 8,560,000	\$ 26,536	0.31%
22							
23							
24							
25	Supporting Schedules:						
26	E-1						
27							
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29	\EUSA TB By BU_131101_Sch E.xlsx						
30	\2013 Mohave Wastewater Sch. A-F Rejoinder (Oct2014 Direct).xls						

Recap Schedules:
 D-1 Rejoinder

Mohave Wastewater District
 Test Year Ended June 30, 2013
 Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Exhibit
 Rejoinder Schedule H-1
 Page 1
 Witness: Bourassa

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Residential		\$ 974,526	\$ 1,405,267	430,741	44.20%	92.30%	93.59%
2	Commercial (1 ERU)		2,036	2,936	900	44.20%	0.19%	0.20%
3	Commercial (3 ERU)		8,143	11,742	3,599	44.20%	0.77%	0.78%
4	Other Public Authority		8,822	12,721	3,899	44.20%	0.84%	0.85%
5	Large Commercial/Industrial		14,298	20,617	6,320	44.20%	1.35%	1.37%
6								
7	Effluent		44,578	44,578	-	0.00%	4.22%	2.97%
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37								
38	Total Revenues Before Annualization			\$ 1,052,403	\$ 1,497,862	445,458	42.33%	99.67%
39								99.76%
40								

Mohave Wastewater District
 Test Year Ended June 30, 2013
 Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Line No.	Meter Size	Class	Revenue Annualization			Percent Change	Additional Bills	Additional Gallons to be Pumped (In 1,000's)	Schedule
			Present Revenues	Proposed Revenues	Dollar Change				
1			\$ -	\$ -	-	(0)	-	See Work Papers	
2					-		-	See Work Papers	
3					-		-	See Work Papers	
4					-		-	See Work Papers	
5	Residential				-		-	See Work Papers	
6	Commercial (1 ERU)				-		-	See Work Papers	
7	Commercial (3 ERU)				-		-	See Work Papers	
8	Other Public Authority				-		-	See Work Papers	
9	Large Commercial/Industrial				-		-	See Work Papers	
10					-		-		
11					-		-		
12					-		-		
13					-		-		
14					-		-		
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39					-		-		
40					-		-		
41	Total Revenue Annualization			\$ -	\$ -	0.00%	(0)	-	

Mohave Wastewater District
 Test Year Ended June 30, 2013
 Revenue Summary

Exhibit
 Rejoinder Schedule H-1
 Page 3
 Witness: Bourassa

With Annualized Revenues to Year End Number of Customers

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Schedule
1	\$ 1,052,403	\$ 1,497,862	\$ 445,458	42.33%	99.67%	99.76%	
2							
3							
4							
5							
6	\$ 1,052,403	\$ 1,497,862	\$ 445,458.47	42.33%	99.67%	99.76%	
7	\$ 3,629	\$ 3,629	-	0.00%	0.34%	0.24%	
8							
9	(193)	48	241	-124.87%	-0.02%	0.00%	
10	\$ 1,055,840	\$ 1,501,539	\$ 445,699	42.21%	100.00%	100.00%	
11							
12							
13							
14							
15							

Mohave Wastewater District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Average Bill		Proposed Increase		
			Average Consumption	Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	Residential	1,436	-	\$ 56.55	\$ 81.55	25.00	44.20%
2	Commercial (1 ERU)	3	-	\$ 56.55	\$ 81.55	25.00	44.20%
3	Commercial (3 ERU)	4	-	\$ 169.65	\$ 244.64	74.99	44.20%
4	Other Public Authority	1	-	\$ 735.15	\$ 1,060.09	324.94	44.20%
5	Large Commercial/Industrial	3	142,222	\$ 397.16	\$ 572.70	175.54	44.20%
6	Effluent	1	6,376,938	\$ 4,457.85	\$ 4,457.85	-	0.00%
7							
8	Subtotal	1,448					

Total
1,448

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

Mohave Wastewater District
 Test Year Ended June 30, 2013
 Customer Summary

Exhibit
 Rejoinder Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 6/30/2013	Median Consumption	Median Bill		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	Residential	1,436	-	\$ 56.55	\$ 81.55	25.00	44.20%
2	Commercial (1 ERU)	3	-	\$ 56.55	\$ 81.55	25.00	44.20%
3	Commercial (3 ERU)	4	-	\$ 169.65	\$ 244.64	74.99	44.20%
4	Other Public Authority	1	-	\$ 735.15	\$ 1,060.09	324.94	44.20%
5	Large Commercial/Industrial	3	162,000	\$ 442.25	\$ 637.72	195.47	44.20%
6	Effluent	1	6,614,816	\$ 4,624.14	\$ 4,624.14	-	0.00%
7							
8	Subtotal	1,448					

Total 1,448

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

Mohave Wastewater District
 Test Year Ended June 30, 2013
 Present and Proposed Rates

Line No.	Monthly Service Charge for:	Present Rates	Proposed Rates	Dollar Change
1		\$		
2	Residential (per ERU)	56.55	81.55	25.00
3	Commercial (per ERU)	56.55	81.55	25.00
4	Public Authority (per ERU)	56.55	81.55	25.00
5	Large Commercial	72.89	105.11	32.22
6				
7				
8				
9				
10	Commodity Rates (per 1,000 gallons)			
11				
12	Residential (per ERU)			
13	Commercial (per ERU)			
14	Public Authority (per ERU)			
15	Large Commercial			
16				
17				
18	Effluent (per acre foot)			
19				
20				
21				
22				
23				
24				
25				
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27				
28				
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30				
31				
32				
33				

See Mohave Water \$ 227.79

Mohave Wastewater District
 Changes in Representative Rate Schedules
 Test Year Ended June 30, 2013

Exhibit
 Rejoinder Schedule H-3
 Page 2
 Witness: Bourassa

Line

No.

1			
2			
3	<u>Service Charges</u>	<u>Present</u>	<u>Proposed</u>
4	Establishment of Service	<u>Rates</u>	<u>Rates</u>
5	Regular Hours	\$ 20.00	\$ 35.00
6	After Hours	\$ 30.00	Remove
7	Re-establishment of Service (within 12 months)	(a)	(a)
8	Reconnection of Service (Delinquent)		\$ 35.00
9	Regular Hours	\$ 30.00	Remove
10	After Hours		Remove
11	NSF Check	\$ 25.00	\$ 25.00
12	Late Fee Charge, per month	(c)	1.50%
13	Deferred Payment, Per Month		1.50%
14	Deposit Requirements	(b)	(b)
15	Deposit Interest	(b)	(b)
16	After Hours Service Charge(d)	NT	\$ 30.00
17			
18			
19			
20	(a) Months off system times minimum per ACC Rules R-14-603(D).		
21	(b) Per ACC Rules R14-2-603(B)		
22	(c) Per ACC Rules R14-2-608(F)		
23	(d) After hours service charge: After regular working hours, Saturdays, Sundays, and holidays if at the customer's		
24	request or for the customer's convenience.		
25			
26			
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30			
31	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
32	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
33	TAX. PER COMMISSION RULE 14-2-608(D).		
34			
35			
36			
37			

Mohave Wastewater District
 Test Year Ended June 30, 2013
 Meter and Service Line Charges

Exhibit
 Rejoinder Schedule H-3
 Page 3
 Witness: Bourassa

Line

No.

1

2

Non-refundable Service Line Charges

3

4

Present

Proposed

5

Charge

Charge

6

Residential

Cost

Cost

7

Commercial

Cost

Cost

8

School

Cost

Cost

9

Multiple Dwelling

Cost

Cost

10

Mobile Home Park

Cost

Cost

11

Effluent

Cost

Cost

12

13

14

Treatment Plant Availability Fee

15

Present

Proposed

16

Per New Connection

Charge

Charge

17

4 Inch

\$ 785

\$ 785

18

6 Inch

1,570

1,570

19

8 Inch

2,748

2,748

20

21

22

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study, Using Commodity-Demand Method
Returns at Present Rates by Class

Exhibit
Rejoinder Schedule G-1
Page 1
Witness: Bourassa

Line No.	Totals	Residential	Apartment	Commercial	Other Public Auth.
1	Water Revenues	\$ 6,214,939	\$ 4,259,442	\$ 491,092	\$ 233,159
2	Fire Service Revenues	\$ 35,756	33,151	603	180
3	Revenue Annualizations	(1,235)	(743)	(45)	3
4	Low Income Program Adjustment	35,483	35,483	-	-
5	Declining Usage	(114,235)	(78,451)	(8,987)	(4,265)
6	Misc. Revenues ¹	221,297	205,176	3,734	1,114
7	Reconciliation H-1 to C-1 ¹	(2,229)	(2,067)	(38)	(11)
8	Total Revenues	\$ 6,389,776	\$ 4,451,991	\$ 486,360	\$ 230,179
9					
10	Operating Expenses ²	\$ 4,566,883	\$ 3,670,143	\$ 194,380	\$ 141,364
11	Depreciation and Amortization ²	1,292,510	955,187	77,517	54,500
13	Property Tax ³	164,282	114,461	12,504	5,918
14	Income Tax ⁴	(89,788)	(272,914)	61,581	36
15	Total Operating Expenses	\$ 5,933,887	\$ 4,466,877	\$ 345,982	\$ 201,818
16	Operating Income	\$ 455,889	\$ (14,886)	\$ 140,378	\$ 28,361
17	Interest Expense ⁵	601,477	427,635	40,527	28,302
18	Net Income	\$ (145,588)	\$ (442,521)	\$ 99,851	\$ 59
19	Rate Base ⁶	\$ 23,495,176	\$ 16,704,487	\$ 1,583,092	\$ 1,105,564
20	Return on Rate Base ⁷	1.94%	-0.09%	8.87%	2.57%
21					
22	Percent of Total Customers		92.72%	1.69%	5.09%
23					0.50%
24					
25					
26					
27					
28					
29	¹ Allocated based on customer counts.				
30	² Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.				
31	³ Property Taxes allocation based on Revenues.				
32	⁴ Income Tax from Schedule C-1, at present rates. Income Taxes allocated based on taxable income.				
33	⁵ Interest Synchronized Interest Expense. Allocation based on Rate Base				
34	⁶ Rate Base computations are shown on Schedule G-3, Page 1				
35	⁷ Operating Income Divided by Rate Base				
36					
37					

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Returns at Proposed Rates by Class

Line No.	Totals	Residential	Apartment	Commercial	Other Public Auth.
1	\$ 8,131,867	\$ 5,689,101	\$ 617,935	\$ 1,507,266	\$ 317,565
2	44,097	40,885	744	2,246	222
3	(1,534)	(1,016)	(50)	(473)	4
4	35,483	35,483	-	-	-
5	(149,422)	(104,721)	(11,308)	(27,584)	(5,809)
6	221,297	205,176	3,734	11,273	1,114
7	(60)	(56)	(1)	(3)	(0)
8	\$ 8,281,729	\$ 5,864,854	\$ 611,054	\$ 1,492,725	\$ 313,096
9					
10	\$ 4,596,685	\$ 3,697,774	\$ 194,883	\$ 562,514	\$ 141,514
11					
12	1,292,510	955,187	77,517	205,306	54,500
13	180,382	127,741	13,309	32,513	6,819
14	610,973	249,035	108,039	222,809	31,090
15	\$ 6,680,550	\$ 5,029,737	\$ 393,748	\$ 1,023,142	\$ 233,923
16	\$ 1,601,179	\$ 835,117	\$ 217,306	\$ 469,583	\$ 79,173
17	601,477	427,635	40,527	105,012	28,302
18	\$ 999,703	\$ 407,482	\$ 176,779	\$ 364,571	\$ 50,870
19	\$ 23,495,176	\$ 16,704,487	\$ 1,583,092	\$ 4,102,033	\$ 1,105,564
20	6.81%	5.00%	13.73%	11.45%	7.16%
21					
22		92.72%	1.69%	5.09%	0.50%
23					
24	Indicated Monthly Minimums and Single-Tier Commodity Rates for 5/8 x3/4 Inch Meter				
25	Sched. G-8, pg 4A	Sched. G-8, pg 4B	Sched. G-8, pg 4C	Sched. G-8, pg 4D	Sched. G-8, pg 4E
26	All Classes	Residential	Apartment	Commercial	Other Public Auth.
27	\$ 16.03	\$ 16.00	\$ 13.17	\$ 16.68	\$ 21.40
28	\$ 2.378	\$ 2.494	\$ 2.186	\$ 2.131	\$ 2.080
29					
30					

1 Allocated based on customer counts.
 2 Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 2.
 3 Property Taxes allocation based on Revenues
 4 Income Tax from Schedule C-1, at proposed rates. Income Taxes allocated based on taxable income
 5 Interest Synchronized Interest Expense. Allocation based on Rate Base
 6 Rate Base computations are shown on Schedule G-3, Page 1
 7 Operating Income Divided by Rate Base

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Allocation of Assets to Customer Classes

Line No.	Totals	Residential	Apartment	Commercial	Other Public Auth.
4	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)				
5	\$ 4,265,194	\$ 2,965,914	\$ 294,502	\$ 790,877	\$ 213,900
6	Commodity	12,101,666	8,325,227	761,015	2,306,689
7	Demand	59,654	55,309	1,007	300
8	Customer	5,082,538	3,564,911	477,000	873,963
9	Service	1,986,124	1,793,126	49,569	127,465
10	Meter				
11	Total	\$ 23,495,176	\$ 16,704,487	\$ 1,583,092	\$ 4,102,033
12					
13					
14					
15	Summary				
16	Net Rate Base	\$ 23,495,176	\$ 16,704,487	\$ 1,583,092	\$ 4,102,033
17	% of Net Rate Base	100.00%	71.10%	6.74%	17.46%
18					
19					
20					

Line No.	Operation and Maintenance Expense (from Schedule G-6, Page 1)	Adjusted Per C-1	Residential	Apartment	Commercial	Other Public Auth.	Totals
1	Commodity	\$ 1,162,447	\$ 808,338	\$ 80,264	\$ 215,548	\$ 58,297	\$ 1,162,447
2	Demand	1,231,672	847,317	77,454	234,768	72,133	1,231,672
3	Customer	2,172,764	2,014,489	36,662	110,680	10,934	2,172,764
4	Service	-	-	-	-	-	-
5	Meter	-	-	-	-	-	-
6	Totals	\$ 4,566,883	\$ 3,670,143	\$ 194,380	\$ 560,996	\$ 141,364	\$ 4,566,883
7							
8	Depreciation Expense on Plant (from Schedule G-6, Page 2)						
9	Commodity	207,377	144,205	14,319	38,453	10,400	207,377
10	Demand	607,243	417,747	38,187	115,746	35,563	607,243
11	Customer	54,754	50,765	924	2,789	276	54,754
12	Service	196,348	137,719	18,427	33,763	6,439	196,348
13	Meter	226,788	204,751	5,660	14,555	1,823	226,788
14	Totals	\$ 1,292,510	\$ 955,187	\$ 77,517	\$ 205,306	\$ 54,500	\$ 1,292,510
15							
16	Operation and Maintenance Expense and Depreciation Expense						
17	Commodity	\$ 1,369,825	\$ 952,543	\$ 94,583	\$ 254,001	\$ 68,697	\$ 1,369,825
18	Demand	1,838,915	1,265,064	115,640	350,514	107,696	1,838,915
19	Customer	2,227,518	2,065,254	37,586	113,469	11,209	2,227,518
20	Service	196,348	137,719	18,427	33,763	6,439	196,348
21	Meter	226,788	204,751	5,660	14,555	1,823	226,788
22	Total	\$ 5,859,393	\$ 4,625,331	\$ 271,897	\$ 766,302	\$ 195,864	\$ 5,859,393
23							
24	Total Expenses (excluding Income Tax and						
25	Property Taxes)	\$ 5,859,393	\$ 4,625,331	\$ 271,897	\$ 766,302	\$ 195,864	\$ 5,859,393
26							
27	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 164,282					
28	Income Tax, Allocated on Schedules G-1 & G-2	(89,788)					
29	Total Expenses	\$ 5,933,887					
30							

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study, Using Commodity Demand Method

Allocation of Expenses to Customer Classes - Proposed Rates

Exhibit
Rejoinder Schedule G-4
Page 2
Witness: Bourassa

Line No.	Operation and Maintenance Expense (from Schedule G-6, Page 1)	At Proposed C-1	Residential	Apartment	Commercial	Other Public Auth.	Totals
1							
2	<u>Operation and Maintenance Expense (from Schedule G-6, Page 1)</u>						
3	Commodity	\$ 1,162,447	\$ 808,338	\$ 80,264	\$ 215,548	\$ 58,297	\$ 1,162,447
4	Demand	1,231,672	847,317	77,454	234,768	72,133	1,231,672
5	Customer	2,202,566	2,042,119	37,165	112,198	11,084	2,202,566
6	Service	-	-	-	-	-	-
7	Meter	-	-	-	-	-	-
8	Totals	\$ 4,596,685	\$ 3,697,774	\$ 194,883	\$ 562,514	\$ 141,514	\$ 4,596,685
9							
10	<u>Depreciation Expense on Plant (from Schedule G-6, Page 3.2)</u>						
11	Commodity	\$ 207,377	\$ 144,205	\$ 14,319	\$ 38,453	\$ 10,400	\$ 207,377
12	Demand	607,243	417,747	38,187	115,746	35,563	607,243
13	Customer	54,754	50,765	924	2,789	276	54,754
14	Service	196,348	137,719	18,427	33,763	6,439	196,348
15	Meter	226,788	204,751	5,660	14,555	1,823	226,788
16	Totals	\$ 1,292,510	\$ 955,187	\$ 77,517	\$ 205,306	\$ 54,500	\$ 1,292,510
17							
18	<u>Operation and Maintenance Expense and Depreciation Expense</u>						
19	Commodity	\$ 1,369,825	\$ 952,543	\$ 94,583	\$ 254,001	\$ 68,697	\$ 1,369,825
20	Demand	1,838,915	1,265,064	115,640	350,514	107,696	1,838,915
21	Customer	2,257,320	2,092,884	38,089	114,988	11,359	2,257,320
22	Service	196,348	137,719	18,427	33,763	6,439	196,348
23	Meter	226,788	204,751	5,660	14,555	1,823	226,788
24	Total	\$ 5,889,195	\$ 4,652,961	\$ 272,400	\$ 767,820	\$ 196,014	\$ 5,889,195
25							
26	Total Expenses (excluding Income Tax and						
27	Property Taxes)	\$ 5,889,195	\$ 4,652,961	\$ 272,400	\$ 767,820	\$ 196,014	\$ 5,889,195
28							
29	Property Taxes, Allocated on Schedules G-1 & G-2	\$ 180,382					
30	Income Tax, Allocated on Schedules G-1 & G-2	610,973					
31	Total Expenses	\$ 6,680,550					
32							
33							
34							

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity Demand Method
 Allocation of Rate Base by Function

Line No.	Adjusted Per B-2	Demand	Commodity	Customer	Meter	Service
1						
2	<u>Rate Base</u>					
3	\$ 23,495,176	\$ 12,101,666	\$ 4,265,194	\$ 59,654	\$ 1,986,124	\$ 5,082,538
4	Plant minus (Accumulated Depreciation					
5	Contributions in Aid of Construction					
6	Advances in Aid of Construction,					
7	Meter Deposits and Deferred Income Tax)					
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						

Mohave Water District

Test Year Ended June 30, 2013

Allocation of Plant, Less Contributions and Advances in Aid of
Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	301000	Organization	\$ 34,004	\$ -	\$ 34,004	F-1	25,163	8,841	-	-	-
2	302000	Franchises	37,061	-	37,061	F-1	27,425	9,636	-	-	-
3	303100	Other Intangible Plant	-	-	-	F-1	-	-	-	-	-
4	Subtotal Intangible		71,064		71,064		52,587	18,477			
5		Source of Supply & Pumping Plant									
6	303200	Land and Land Rights - Supply	\$ 528,700	\$ -	\$ 528,700	F-1	\$ 391,238	\$ 137,462	\$ -	\$ -	\$ -
7	303300	Land and Land Rights - Pumping	2,351	(10)	2,361	F-1	1,747	614	-	-	-
8	304100	Structures and Improvements - Supply	475,826	220,832	254,994	F-1	188,695	66,298	-	-	-
9	304200	Structures and Improvements - Pumping	31,201	(225)	31,427	F-1	23,256	8,171	-	-	-
10	305000	Collecting and Impounding Res.	663,944	261,543	402,401	F-1	297,777	104,624	-	-	-
11	306000	Lakes, Rivers, Other Intakes	-	-	-	F-1	-	-	-	-	-
12	307000	Wells and Springs	6,542,946	544,596	5,998,350	F-1	4,438,779	1,559,571	-	-	-
13	308000	Infiltration Galleries and Tunnels	-	-	-	F-1	-	-	-	-	-
14	309000	Supply Mains	93,481	5,717	87,764	F-1	64,945	22,819	-	-	-
15	310000	Power Generation Equipment	50,355	15,586	34,769	F-1	25,729	9,040	-	-	-
16	311000	Pumping Equipment - Steam	409,521	11,448	398,074	F-1	294,575	103,499	-	-	-
17	311200	Pumping Equipment - Electric	2,782,895	1,852,565	930,331	F-1	688,445	241,886	-	-	-
18	311300	Pumping Equipment - Diesel	-	-	-	F-1	-	-	-	-	-
19	311400	Pumping Equipment - Hydraulic	-	-	-	F-1	-	-	-	-	-
20	311500	Pumping Equipment - Other	1,009	270	738	F-1	546	192	-	-	-
21	311530	Pumping Equipment - Water Treatment	-	-	-	F-1	-	-	-	-	-
22	Subtotal Source of Supply & Pumping Plant		\$ 11,582,230	\$ 2,912,321	\$ 8,669,909		\$ 6,415,733	\$ 2,254,176	\$ -	\$ -	\$ -
23		Water Treatment									
24	303400	Land and Land Rights - Treatment	\$ -	\$ -	\$ -	F-1	-	-	-	-	-
25	304300	Structures and Improvements - Treatment	47,846	19,748	28,098	F-1	20,793	7,306	-	-	-
26	320000	Water Treatment Plant	-	-	-	F-1	-	-	-	-	-
27	320100	Water Treatment Equipment - Non-media	96,932	117,495	(20,563)	F-1	(15,217)	(5,346)	-	-	-
28	320200	Water Treatment Equipment - Media	360,547	18,027	342,519	F-1	253,464	89,055	-	-	-
29	Subtotal Water Treatment		\$ 505,325	\$ 155,271	\$ 350,055		\$ 259,040	\$ 91,014	\$ -	\$ -	\$ -
30		Transmission and Distribution Plant									
31	303500	Land and Land Rights - T&D	\$ 9,609	\$ -	\$ 9,609	F-1	7,111	2,498	-	-	-
32	304400	Structures and Improvements - T&D	43,546	6,097	37,449	F-1	27,712	9,737	-	-	-
33	330000	Distribution Reservoirs & Standpipes	2,832,819	627,010	2,205,810	F-1	1,632,299	573,510	-	-	-
34	330100	Elevated Tank & Standpipes	-	3,569	(3,569)	F-1	(2,641)	(928)	-	-	-
35	330200	Ground Level Tanks	-	-	-	F-1	-	-	-	-	-
36	330300	Below Ground Tanks	-	-	-	F-1	-	-	-	-	-
37	331001	T&D Mains Not Classified	269,444	5,719	263,726	F-1	195,157	68,569	-	-	-
38	331100	T&D Mains 4in & less	12,008,818	6,473,604	5,535,214	F-1	4,096,059	1,439,156	-	-	-
39	331200	T&D Mains 6in to 8in	3,693,499	492,852	3,200,647	F-1	2,368,479	832,168	-	-	-
40	331300	T&D Mains 10in to 16in	1,484,810	52,751	1,432,059	F-1	1,059,724	372,335	-	-	-
41	331400	TD Mains 18in & Grtr	76,265	6,813	69,452	F-1	51,395	18,058	-	-	-
42	332000	Fire Mains	-	-	-	F-2	-	-	-	-	-

Mohave Water District
Test Year Ended June 30, 2013
Allocation of Plant, Less Contributions and Advances in Aid of
Construction, Meter Deposits and Accumulated Depreciation to Functions

Line No.	Account No.	Description	Adjusted Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1	333000	Services	7,853,908	2,767,241	5,086,666	F-3	-	-	-	-	5,086,666
2	334100	Meters	2,638,552	827,982	1,810,571	F-4	-	-	-	1,810,571	-
3	334200	Meter Installations	276,354	96,672	179,682	F-4	-	-	-	179,682	-
4	334300	Meter Vaults	-	-	-	F-4	-	-	-	-	-
5	335000	Hydrants	185,402	12,554	172,848	F-5	-	-	172,848	-	-
6	336000	Backflow Prevention Devices	-	-	-	F-1	-	-	-	-	-
7	339100	Other P/E-Intangible	-	-	-	F-1	-	-	-	-	-
8	339200	Other P/E-Supply	82,583	9,128	73,455	F-1	54,356	19,098	-	-	-
9	339500	Other P/E-TD	-	-	-	F-1	-	-	-	-	-
10	339600	Other P/E-CPS	186,826	32,654	154,172	F-1	114,087	40,085	-	-	-
11		Subtotal Transmission and Distribution Plant	\$ 31,642,436	\$ 11,414,646	\$ 20,227,790		\$ 9,603,737	\$ 3,374,286	\$ 172,848	\$ 1,990,253	\$ 5,086,666
12											
13		General Plant									
14	303600	Land and Land Rights	\$ 47,358	\$ -	\$ 47,358	F-1	\$ 35,045	\$ 12,313	\$ -	\$ -	\$ -
15	304500	Structures and Improvements - General	43,231	4,016	39,215	F-1	29,019	10,196	-	-	-
16	304600	Structures and Improvements - Offices	449,617	137,766	311,851	F-1	230,770	81,081	-	-	-
17	304620	Structures and Improvements - Leasehold	-	-	-	F-1	-	-	-	-	-
18	304700	Structures and Improvements - Store, Shop, (	29,223	13,582	15,641	F-1	11,574	4,067	-	-	-
19	304800	Structures and Improvements - General	-	-	-	F-1	-	-	-	-	-
20	340100	Office Furniture & Equipment	101,669	(5,919)	107,588	F-6	26,897	-	80,691	-	-
21	340200	Computers & Software	109,966	(254,621)	364,578	F-6	91,144	-	273,433	-	-
22	340300	Computer Software	3,521	1,468	2,052	F-6	513	-	1,539	-	-
23	340310	Computer Software Mainframe	-	-	-	F-6	-	-	-	-	-
24	340325	Computer Software Customized	-	-	-	F-6	-	-	-	-	-
25	340330	Computer Software Other	-	-	-	F-6	-	-	-	-	-
26	340500	Other Office Equipment	-	-	-	F-6	-	-	-	-	-
27	341100	Transportation Equip Light Duty Trucks	99,015	808,721	(709,706)	F-6	(177,426)	-	(532,279)	-	-
28	341200	Transportation Equip Heavy Duty Trucks	72,088	29,241	42,847	F-6	10,712	-	32,135	-	-
29	341300	Transportation Equipment Autos	-	-	-	F-6	-	-	-	-	-
30	341400	Transportation Equipment Other	59,848	18,023	41,825	F-6	10,456	-	31,369	-	-
31	342000	Stores Equipment	1,420	1,529	(109)	F-6	(27)	-	(82)	-	-
32	343000	Tools and Work Equipment	221,156	209,262	11,894	F-1	8,801	3,092	-	-	-
33	344000	Laboratory Equipment	7,623	9,781	(2,158)	F-1	(1,597)	(561)	-	-	-
34	345000	Power Operated Equipment	171,959	192,293	(20,334)	F-1	(15,047)	(5,287)	-	-	-
35	346100	Communication Equipment Non-Telephone	188,877	86,199	102,679	F-1	75,982	26,696	-	-	-
36	346190	Remote Control & Instrument	880,737	44,939	835,798	F-1	618,490	217,307	-	-	-
37	346200	Communication Equipment Telephone	-	(10,833)	10,833	F-1	8,017	2,817	-	-	-
38	346300	Communication Equipment Other	-	(6,235)	11,346	F-1	8,396	2,950	-	-	-
39	347000	Structures and Improvements - Offices	-	-	-	F-1	-	-	-	-	-
40	348000	Structures and Improvements - Leasehold	-	-	-	F-1	-	-	-	-	-
41		Subtotal General Plant	\$ 2,492,409	\$ 1,279,211	\$ 1,213,198		\$ 971,720	\$ 354,672	\$ (113,194)	\$ -	\$ -
42		Total Direct Plant	\$ 46,293,465	\$ 15,761,449	\$ 30,532,016		\$ 17,302,818	\$ 6,092,625	\$ 59,654	\$ 1,990,253	\$ 5,086,666

Mohave Water District

Test Year Ended June 30, 2013

Allocation of Plant, Less Contributions and Advances in Aid of Construction, Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2.2
Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Plant	Accumulated Depreciation	Total Net Plant Values	Allocation Factor Ref.	Demand	Commodity	Customer	Meters	Services
1		Allocated General Plant									
2	399000	Allocated Corporate General Plant	391,360	126,369	264,990	F-1	196,093	68,897	-	-	-
3	399000	NMVC Allocation	-	-	-	F-1	-	-	-	-	-
4	399000	Reconciliation to PIS Balance	-	-	-	F-1	-	-	-	-	-
5		Test Year Ended June 30, 2013									
6		Total Plant	\$ 391,360	\$ 126,369	\$ 264,990		\$ 196,093	\$ 68,897	\$ -	\$ -	\$ -
7			\$ 46,684,824	\$ 15,887,818	\$ 30,797,006		\$ 17,498,910	\$ 6,161,523	\$ 59,654	\$ 1,990,253	\$ 5,086,666
8		Contributions in Aid of Construction	(570,329)	89,194	(481,135)	F-1	(356,040)	(125,095)	-	-	-
9		Advances in Aid of Construction	(7,012,710)	-	(7,012,710)	F-1	(5,189,405)	(1,823,304)	-	-	-
10		Meter Deposits	(8,257)	-	(8,257)	F-7	-	-	-	(4,129)	(4,129)
11		Deferred Income Tax	(696,852)	-	(696,852)	F-1	(515,670)	(181,181)	-	-	-
12		Working Capital	133,257	-	133,257	F-1	98,610	34,647	-	-	-
13		Deferred Reg Assets/Liabilities	763,868	-	763,868	F-1	565,262	198,606	-	-	-
14		Rounding	(1)	-	(1)	F-1	(1)	(0)	-	0	0
15		Totals	\$ 39,293,800	\$ 15,977,012	\$ 23,495,176		\$ 12,101,666	\$ 4,265,194	\$ 59,654	\$ 1,986,124	\$ 5,082,538
16		Rate Bases (Plant-(AIAC, CIAC, Meter Deposits & Accum. Depr.)					\$ 12,101,666	\$ 4,265,194	\$ 59,654	\$ 1,986,124	\$ 5,082,538
17		Fair Value Rate Base					\$ 12,101,666	\$ 4,265,194	\$ 59,654	\$ 1,986,124	\$ 5,082,538

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Mohave Water District
Test Year Ended June 30, 2013
Cost of Service Study, Using Commodity-Demand Method
Allocation of Expenses to Functions
At Present Rates

Line No.	Description	Adjusted per C-1	Demand	Commodity	Customer	Meters	Services	Totals
		\$	\$	\$	\$	\$	\$	\$
1	Labor	1,381,651	552,660	276,330	552,660	-	-	1,381,651
2	Purchased Water	26,831	-	26,831	-	-	-	26,831
3	Fuel & Power	546,720	-	546,720	-	-	-	546,720
4	Chemicals	10,916	-	10,916	-	-	-	10,916
5	Waste Disposal	7,886	3,154	1,577	3,154	-	-	7,886
6	Intercompany Support Services	950	380	190	380	-	-	950
7	Corporate Allocation	322,082	128,833	64,416	128,833	-	-	322,082
8	Outside Services	189,278	151,422	37,856	-	-	-	189,278
9	Group Insurance	417,723	167,089	83,545	167,089	-	-	417,723
10	Pensions	6,694	2,678	1,339	2,678	-	-	6,694
11	Regulatory Expense	85,438	34,175	17,088	34,175	-	-	85,438
12	Insurance Other Than Group	101,045	40,418	20,209	40,418	-	-	101,045
13	Customer Accounting	631,868	-	-	631,868	-	-	631,868
14	Rents	16,923	-	-	16,923	-	-	16,923
15	General Office Expense	238,214	-	-	238,214	-	-	238,214
16	Miscellaneous	55,680	-	-	55,680	-	-	55,680
17	Maintenance Expense	377,155	150,862	75,431	150,862	-	-	377,155
18	Depreciation & Amortization ¹	1,292,510	607,243	207,377	54,754	226,788	196,348	1,292,510
19	General Taxes-Other	149,829	-	-	149,829	-	-	149,829
20								
21								
22	Property Taxes, Allocated on Schedules G-1 & G-2							
23	Income Tax, Allocated on Schedules G-1 & G-2							
24								
25	Total	\$ 5,859,393	\$ 1,838,915	\$ 1,369,825	\$ 2,227,518	\$ 226,788	\$ 196,348	\$ 5,859,393

¹ Depreciation allocation computed on Schedule G-6, Page 3.1 and 3.2

See Schedule G-7, page 2.2 for allocation factors.
See Schedule G-5, page 1 for allocations by class.

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study, Using Commodity-Demand Method

Allocation of Expenses to Functions

At Proposed Rates

Exhibit
Rejoinder Schedule G-6
Page 2

Witness: Bourassa

Line No.	Description	At Proposed Per C-1	Demand	Commodity	Customer	Meters	Services	Totals
1	Labor	\$ 1,381,651	\$ 552,660	\$ 276,330	\$ 552,660	-	\$ -	\$ 1,381,651
2	Purchased Water	26,831	-	26,831	-	-	-	26,831
3	Fuel & Power	546,720	-	546,720	-	-	-	546,720
4	Chemicals	10,916	-	10,916	-	-	-	10,916
5	Waste Disposal	7,886	3,154	1,577	3,154	-	-	7,886
6	Intercompany Support Services	950	380	190	380	-	-	950
7	Corporate Allocation	322,082	128,833	64,416	128,833	-	-	322,082
8	Outside Services	189,278	151,422	37,856	-	-	-	189,278
9	Group Insurance	417,723	167,089	83,545	167,089	-	-	417,723
10	Pensions	6,694	2,678	1,339	2,678	-	-	6,694
11	Regulatory Expense	85,438	34,175	17,088	34,175	-	-	85,438
12	Insurance Other Than Group	101,045	40,418	20,209	40,418	-	-	101,045
13	Customer Accounting	661,670	-	-	661,670	-	-	661,670
14	Rents	16,923	-	-	16,923	-	-	16,923
15	General Office Expense	238,214	-	-	238,214	-	-	238,214
16	Miscellaneous	55,680	-	-	55,680	-	-	55,680
17	Maintenance Expense	377,155	150,862	75,431	150,862	-	-	377,155
18	Depreciation & Amortization ¹	1,292,510	607,243	207,377	54,754	226,788	196,348	1,292,510
19	General Taxes-Other	149,829	-	-	149,829	-	-	149,829
20								
21								
22	Property Taxes, Allocated on Schedules G-1 & G-2							
23	Income Tax, Allocated on Schedules G-1 & G-2							
24								
25	Total	\$ 5,889,195	\$ 1,838,915	\$ 1,369,825	\$ 2,257,320	\$ 226,788	\$ 196,348	\$ 5,889,195
26								
27								

¹ Depreciation allocation computed on Schedule G-6, Page 3.1 and 3.2

See Schedule G-7, page 2.2 for allocation factors.

See Schedule G-4, page 2 for allocations by class.

See Schedule G-4, page 2 for allocations by class.

See Schedule G-4, page 2 for allocations by class.

See Schedule G-4, page 2 for allocations by class.

See Schedule G-4, page 2 for allocations by class.

Mohave Water District
 Test Year Ended June 30, 2013
 Allocation of Depreciation Expense to Functions

Line No.	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor	Ref.	Demand	Commodity	Customer	Meters	Services
1	301000	Organization	\$ 34,004			F-1		\$ -	\$ -	\$ -	\$ -	\$ -
2	302000	Franchises	37,061			F-1		-	-	-	-	-
3	303100	Other Intangible Plant	-			F-1		-	-	-	-	-
4	303100	Other Intangible Plant	-			F-1		-	-	-	-	-
5		Subtotal Intangible	\$ 71,064					\$ -	\$ -	\$ -	\$ -	\$ -
6		Source of Supply & Pumping Plant										
7	303200	Land and Land Rights - Supply	\$ 528,700	0.000%	-	F-1		\$ -	\$ -	\$ -	\$ -	\$ -
8	303300	Land and Land Rights - Pumping	2,351	0.000%	-	F-1		-	-	-	-	-
9	304100	Structures and Improvements - Supply	475,826	2.500%	11,896	F-1		8,803	3,093	-	-	-
10	304200	Structures and Improvements - Pumping	31,201	2.000%	624	F-1		462	162	-	-	-
11	305000	Collecting and Impounding Res.	663,944	1.667%	11,066	F-1		8,189	2,877	-	-	-
12	306000	Lakes, Rivers, Other Intakes	-	0.000%	-	F-1		-	-	-	-	-
13	307000	Wells and Springs	6,542,946	2.500%	163,574	F-1		121,044	42,529	-	-	-
14	308000	Infiltration Galleries and Tunnels	-	0.000%	-	F-1		-	-	-	-	-
15	309000	Supply Mains	93,481	1.667%	1,558	F-1		1,153	405	-	-	-
16	310000	Power Generation Equipment	50,355	3.333%	1,679	F-1		1,242	436	-	-	-
17	311000	Pumping Equipment - Steam	409,521	4.000%	16,381	F-1		12,122	4,259	-	-	-
18	311200	Pumping Equipment - Electric	2,782,895	4.000%	111,316	F-1		82,374	28,942	-	-	-
19	311300	Pumping Equipment - Diesel	-	0.000%	-	F-1		-	-	-	-	-
20	311400	Pumping Equipment - Hydraulic	-	0.000%	-	F-1		-	-	-	-	-
21	311500	Pumping Equipment - Other	1,009	4.000%	40	F-1		30	10	-	-	-
22	311530	Pumping Equipment - Water Treatment	-	0.000%	-	F-1		-	-	-	-	-
23		Subtotal Source of Supply & Pumping Plant	\$ 11,582,230		\$ 318,133			\$ 235,418	\$ 82,714	\$ -	\$ -	\$ -
24		Water Treatment										
25	303400	Land and Land Rights - Treatment	\$ -	0.000%	-	F-1		\$ -	\$ -	\$ -	\$ -	\$ -
26	304300	Structures and Improvements - Treatment	47,846	2.000%	957	F-1		708	249	-	-	-
27	320000	Water Treatment Plant	-	0.000%	-	F-1		-	-	-	-	-
28	320100	Water Treatment Equipment - Non-media	96,932	5.000%	(0)	F-1		(0)	(0)	-	-	-
29	320200	Water Treatment Equipment - Media	360,547	10.000%	36,055	F-1		26,680	9,374	-	-	-
30		Subtotal Water Treatment	\$ 505,325		\$ 37,012			\$ 27,389	\$ 9,623	\$ -	\$ -	\$ -
31		Transmission and Distribution Plant										
32	303500	Land and Land Rights - T&D	\$ 9,609	0.000%	-	F-1		\$ -	\$ -	\$ -	\$ -	\$ -
33	304400	Structures and Improvements - T&D	43,546	2.000%	871	F-1		644	226	-	-	-
34	300000	Distribution Reservoirs & Standpipes	2,832,819	1.538%	43,582	F-1		32,251	11,331	-	-	-
35	330100	Elevated Tank & Standpipes	-	1.538%	-	F-1		-	-	-	-	-
36	330200	Ground Level Tanks	-	0.000%	-	F-1		-	-	-	-	-
37	330300	Below Ground Tanks	269,444	0.000%	-	F-1		3,988	1,401	-	-	-
38	331001	T&D Mains Not Classified	12,008,818	1.429%	171,555	F-1		126,950	44,604	-	-	-
39	331100	T&D Mains 4in & less	3,693,499	1.429%	52,764	F-1		39,046	13,719	-	-	-
40	331200	T&D Mains 6in to 8in	1,484,810	1.429%	21,212	F-1		15,697	5,515	-	-	-
41	331300	T&D Mains 10in to 16in	76,265	1.429%	1,089	F-1		806	283	-	-	-
42	331400	TD Mains 18in & Grtr	-	0.000%	-	F-2		-	-	-	-	-
43	332000	Fire Mains	-	0.000%	-	F-2		-	-	-	-	-

Mohave Water District
 Test Year Ended June 30, 2013
 Allocation of Depreciation Expense to Functions

Exhibit
 Rejoinder Schedule G-6
 Page 3.1
 Witness: Bourassa

Line No.	Account No.	Description	Adjusted Original Cost	Depreciation Rate	Depr./Amort. Expense	Allocation Factor	Ref.	Demand	Commodity	Customer	Meters	Services
1	333000	Services	\$ 7,853,908	2.500%	\$ 196,348	F-3		-	-	-	-	\$ 196,348
2	334100	Meters	2,638,552	8.333%	219,879	F-4		-	-	-	219,879	-
3	334200	Meter Installations	276,354	2.500%	6,909	F-4		-	-	-	6,909	-
4	334300	Meter Vaults	-	0.000%	-	F-4		-	-	-	-	-
5	335000	Hydrants	185,402	2.000%	3,708	F-5		-	-	3,708	-	-
6	336000	Backflow Prevention Devices	-	0.000%	-	F-1		-	-	-	-	-
7	339100	Other P/E-Intangible	-	0.000%	-	F-1		-	-	-	-	-
8	339200	Other P/E-Supply	82,583	3.333%	2,753	F-1		2,037	716	-	-	-
9	339500	Other P/E-TD	-	0.000%	-	F-1		-	-	-	-	-
10	339600	Other P/E-CPS	186,826	3.333%	6,228	F-1		4,608	1,619	-	-	-
11		Subtotal Transmission and Distribution Plant	\$ 31,642,436		\$ 732,286			\$ 226,027	\$ 79,415	\$ 3,708	\$ 226,788	\$ 196,348
12		General Plant										
13	303600	Land and Land Rights	\$ 47,358	0.000%	-	F-1		-	-	-	-	-
14	304500	Structures and Improvements - General	43,231	2.500%	1,081	F-1		800	281	-	-	-
15	304600	Structures and Improvements - Offices	449,617	2.500%	11,240	F-1		8,318	2,923	-	-	-
16	304620	Structures and Improvements - Leasehold	-	0.000%	-	F-1		-	-	-	-	-
17	304700	Structures and Improvements - Sore, Shop, Ggr	29,223	2.500%	731	F-1		541	190	-	-	-
18	304800	Structures and Improvements - General	-	0.000%	-	F-1		-	-	-	-	-
19	340100	Office Furniture & Equipment	101,669	4.500%	4,575	F-6		1,144	-	3,431	-	-
20	340200	Computers & Software	109,956	10.000%	10,996	F-6		2,749	-	8,247	-	-
21	340300	Computer Software	3,521	20.000%	409	F-6		102	-	307	-	-
22	340310	Computer Software Mainframe	-	0.000%	-	F-6		-	-	-	-	-
23	340325	Computer Software Customized	-	0.000%	-	F-6		-	-	-	-	-
24	340330	Computer Software Other	-	0.000%	-	F-6		-	-	-	-	-
25	340500	Other Office Equipment	-	0.000%	-	F-6		-	-	-	-	-
26	341100	Transportation Equip Light Duty Trucks	99,015	20.000%	0	F-6		0	-	0	-	-
27	341200	Transportation Equip Heavy Duty Trucks	72,088	14.286%	10,298	F-6		2,575	-	7,724	-	-
28	341300	Transportation Equipment Autos	-	0.000%	-	F-6		-	-	-	-	-
29	341400	Transportation Equipment Other	59,848	16.667%	9,975	F-6		2,494	-	7,481	-	-
30	342000	Stores Equipment	1,420	4.000%	(0)	F-6		(0)	-	(0)	-	-
31	343000	Tools and Work Equipment	221,156	4.000%	8,846	F-1		6,546	2,300	-	-	-
32	344000	Laboratory Equipment	7,623	4.000%	-	F-1		-	-	-	-	-
33	345000	Power Operated Equipment	171,959	5.000%	(0)	F-1		(0)	(0)	-	-	-
34	346100	Communication Equipment Non-Telephone	188,877	10.000%	18,888	F-1		13,977	4,911	-	-	-
35	346190	Remote Control & Instrument	880,737	10.000%	88,074	F-1		65,175	22,899	-	-	-
36	346200	Communication Equipment Telephone	-	10.000%	-	F-1		-	-	-	-	-
37	346300	Communication Equipment Other	5,111	10.000%	511	F-1		378	133	-	-	-
38	347000	Structures and Improvements - Offices	-	0.000%	-	F-1		-	-	-	-	-
39	348000	Structures and Improvements - Leasehold	-	0.000%	-	F-1		-	-	-	-	-
40		Subtotal General Plant	\$ 2,492,409		\$ 165,623			\$ 104,797	\$ 33,636	\$ 27,189	\$ 226,788	\$ 196,348
41		Total Direct Plant	\$ 46,293,465		\$ 1,253,053			\$ 593,631	\$ 205,389	\$ 30,897	\$ 226,788	\$ 196,348

Mohave Water District
 Test Year Ended June 30, 2013
 Summary of Commodity - Demand Method Functions Factors

Exhibit
 Rejoinder Schedule G-7
 Page 1
 Witness: Bourassa

Line No.	Class	Demand	Commodity	Customer	Meters	Services
1						
2						
3	Residential	0.688	0.695	0.927	0.903	0.701
4	Apartment	0.063	0.069	0.017	0.025	0.094
5	Commercial	0.191	0.185	0.051	0.064	0.172
6	Other Public Authority	0.059	0.050	0.005	0.008	0.033
7						
8	Total	1.000	1.000	1.000	1.000	1.000
9						

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34 SUPPORTING SCHEDULES
 35 G-7, page 3.1 to 3.3

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Expense Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 2.2
 Witness: Bourassa

Line No.	Expense Type	Demand	Commodity	Customer	Meters	Services
1	Labor	0.40	0.20	0.40	-	-
2	Purchased Water	-	1.00	-	-	-
3	Fuel & Power	-	1.00	-	-	-
4	Chemicals	-	1.00	-	-	-
5	Waste Disposal	0.40	0.20	0.40	-	-
6	Intercompany Support Services	0.40	0.20	0.40	-	-
7	Corporate Allocation	0.40	0.20	0.40	-	-
8	Outside Services	0.80	0.20	-	-	-
9	Group Insurance	0.40	0.20	0.40	-	-
10	Pensions	0.40	0.20	0.40	-	-
11	Regulatory Expense	0.40	0.20	0.40	-	-
12	Insurance Other Than Group	0.40	0.20	0.40	-	-
13	Customer Accounting	-	-	1.00	-	-
14	Rents	-	-	1.00	-	-
15	General Office Expense	-	-	1.00	-	-
16	Miscellaneous	-	-	1.00	-	-
17	Maintenance Expense	0.40	0.20	0.40	-	-
18	Depreciation & Amortization		See Schedule G-7, page 2.1			
19	General Taxes-Other	-	-	1.00	-	-
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Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.2
 Witness: Bourassa

CUSTOMER ALLOCATION FACTOR

Meter Size	Class	Number of Meters	Percent of Total
5/8x3/4"	Residential	14,634	92.05%
5/8x3/4"	Apartment	66	0.42%
5/8x3/4"	Commercial	384	2.42%
5/8x3/4"	Other Public Auth.	18	0.11%
3/4"	Residential	4	0.03%
3/4"	Apartment	1	0.01%
3/4"	Commercial	-	0.00%
3/4"	Other Public Auth.	-	0.00%
1"	Residential	77	0.49%
1"	Apartment	53	0.33%
1"	Commercial	199	1.25%
1"	Other Public Auth.	11	0.07%
1-1/2"	Residential	-	0.00%
1-1/2"	Apartment	2	0.01%
1-1/2"	Commercial	3	0.02%
1-1/2"	Other Public Auth.	1	0.01%
2"	Residential	24	0.15%
2"	Apartment	143	0.90%
2"	Commercial	206	1.30%
2"	Other Public Auth.	46	0.29%
3"	Residential	-	0.00%
3"	Apartment	-	0.00%
3"	Commercial	13	0.08%
3"	Other Public Auth.	2	0.01%
4"	Residential	-	0.00%
4"	Apartment	2	0.01%
4"	Commercial	2	0.01%
4"	Other Public Auth.	1	0.01%
6"	Residential	-	0.00%
6"	Apartment	1	0.01%
6"	Commercial	3	0.02%
6"	Other Public Auth.	1	0.01%
8"	Residential	-	0.00%
8"	Apartment	-	0.00%
8"	Commercial	-	0.00%
8"	Other Public Auth.	-	0.00%

Totals 15,898 100.00%

Class	Number of Meters	Percent of Total
Residential	14,740	92.715%
Apartment	268	1.687%
Commercial	810	5.094%
Other Public Auth.	80	0.503%
Total	<u>15,898</u>	<u>100.000%</u>

SERVICES ALLOCATION FACTOR (b)

Meter Size	Class	Number of Services	Installation Cost	Dollar Weighted Number Services	Percent of Total
5/8x3/4"	Residential	14,634	445.00	6,512,167	89.46%
5/8x3/4"	Apartment	66	445.00	29,407	0.40%
5/8x3/4"	Commercial	384	445.00	170,991	2.35%
5/8x3/4"	Other Public Auth.	18	445.00	8,010	0.11%
3/4"	Residential	4	445.00	1,780	0.02%
3/4"	Apartment	1	445.00	445	0.01%
3/4"	Commercial	0	445.00	-	0.00%
3/4"	Other Public Auth.	0	445.00	-	0.00%
1"	Residential	77	495.00	38,321	0.53%
1"	Apartment	53	495.00	26,235	0.36%
1"	Commercial	199	495.00	98,423	1.35%
1"	Other Public Auth.	11	495.00	5,445	0.07%
1-1/2"	Residential	0	550.00	-	0.00%
1-1/2"	Apartment	2	550.00	1,100	0.02%
1-1/2"	Commercial	3	550.00	1,650	0.02%
1-1/2"	Other Public Auth.	1	550.00	550	0.01%
2"	Residential	24	830.00	20,128	0.28%
2"	Apartment	143	830.00	118,828	1.63%
2"	Commercial	206	830.00	171,049	2.35%
2"	Other Public Auth.	46	830.00	38,180	0.52%
3"	Residential	0	1,165.00	-	0.00%
3"	Apartment	0	1,165.00	-	0.00%
3"	Commercial	13	1,165.00	14,757	0.20%
3"	Other Public Auth.	2	1,165.00	2,330	0.03%
4"	Residential	0	1,670.00	-	0.00%
4"	Apartment	2	1,670.00	3,340	0.05%
4"	Commercial	2	1,670.00	3,340	0.05%
4"	Other Public Auth.	1	1,670.00	1,670	0.02%
6"	Residential	0	2,330.00	-	0.00%
6"	Apartment	1	2,330.00	2,330	0.03%
6"	Commercial	3	2,330.00	6,990	0.10%
6"	Other Public Auth.	1	2,330.00	2,330	0.03%
8"	Residential	0	3,262.00	-	0.00%
8"	Apartment	0	3,262.00	-	0.00%
8"	Commercial	0	3,262.00	-	0.00%
8"	Other Public Auth.	0	3,262.00	-	0.00%

Totals 15,898 \$ 7,279,796 100.00%

Class	Dollar Weighted Number Services	Percent of Total
Residential	6,572,396	90.283%
Apartment	181,685	2.496%
Commercial	467,200	6.418%
Other Public Auth.	58,515	0.804%
Total	<u>7,279,796</u>	<u>100.000%</u>

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study, Using Commodity-Demand Method
 Development of Class Allocation Factors

Exhibit
 Rejoinder Schedule G-7
 Page 3.3
 Witness: Bourassa

METER ALLOCATION FACTOR (b)

Meter Size		Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8x3/4"	Residential	14,634	155.00	2,268,283	68.00%
5/8x3/4"	Apartment	66	155.00	10,243	0.31%
5/8x3/4"	Commercial	384	155.00	59,559	1.79%
5/8x3/4"	Other Public Auth.	18	155.00	2,790	0.08%
3/4"	Residential	4	255.00	1,020	0.03%
3/4"	Apartment	1	255.00	255	0.01%
3/4"	Commercial	0	255.00	0	0.00%
3/4"	Other Public Auth.	0	255.00	0	0.00%
1"	Residential	77	315.00	24,386	0.73%
1"	Apartment	53	315.00	16,695	0.50%
1"	Commercial	199	315.00	62,633	1.88%
1"	Other Public Auth.	11	315.00	3,465	0.10%
1-1/2"	Residential	0	525.00	0	0.00%
1-1/2"	Apartment	2	525.00	1,050	0.03%
1-1/2"	Commercial	3	525.00	1,575	0.05%
1-1/2"	Other Public Auth.	1	525.00	525	0.02%
2"	Residential	24	1,890.00	45,833	1.37%
2"	Apartment	143	1,890.00	270,585	8.11%
2"	Commercial	206	1,890.00	389,498	11.68%
2"	Other Public Auth.	46	1,890.00	86,940	2.61%
3"	Residential	0	2,545.00	0	0.00%
3"	Apartment	0	2,545.00	0	0.00%
3"	Commercial	13	2,545.00	32,237	0.97%
3"	Other Public Auth.	2	2,545.00	5,090	0.15%
4"	Residential	0	3,645.00	0	0.00%
4"	Apartment	2	3,645.00	7,290	0.22%
4"	Commercial	2	3,645.00	7,290	0.22%
4"	Other Public Auth.	1	3,645.00	3,645	0.11%
6"	Residential	0	6,920.00	0	0.00%
6"	Apartment	1	6,920.00	6,920	0.21%
6"	Commercial	3	6,920.00	20,760	0.62%
6"	Other Public Auth.	1	6,920.00	6,920	0.21%
8"	Residential	0	9,688.00	0	0.00%
8"	Apartment	0	9,688.00	0	0.00%
8"	Commercial	0	9,688.00	0	0.00%
8"	Other Public Auth.	0	9,688.00	0	0.00%
Totals		<u>15,898</u>		<u>#####</u>	<u>100.00%</u>

Class	Weighted Dollars of Meters	Percent of Total
Residential	2,339,522	70.140%
Apartment	313,038	9.385%
Commercial	573,550	17.195%
Other Public Auth.	109,375	3.279%
Total	<u>3,335,485</u>	<u>100.000%</u>

(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 ALL CUSTOMER CLASSES

Line No.			
1	<u>DEMAND CHARGE:</u>		
2		824,720	
3	Return on Rate Base	1,838,915	
4	Demand Expenses (From Schedule G-4, Page 2)		
5		<u>2,663,635</u>	
6	Totals		
7	Total Revenue Requirement / Demand Component	239,475	
8	Equivalent Number of 5/8 Meters billings	<u>\$ 11.12</u>	
9	Demand Charge for 5/8 Inch Meter		
10			

	5/8" Demand Charge	Meter Ratio	Demand Charge
\$	11.12	1.0	\$ 11.12
	11.12	1.5	16.68
	11.12	2.5	27.81
	11.12	5.0	55.61
	11.12	8.0	88.98
	11.12	16.0	177.97
	11.12	25.0	278.07
	11.12	50.0	556.14
	11.12	80.0	889.83
	11.12	115.0	1,279.13
	11.12	215.0	2,391.41

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 ALL CUSTOMER CLASSES

Exhibit
 Rejoinder Schedule G-8
 Page 3A
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum						
1	Return on Rate Base	290,670	4,065	346,371	135,353	824,720
2	Less: Miscellaneous Revenues		(221,297)			
3	Expenses (From Sch. G-4, Page 2)	1,369,825	2,257,320	196,348	226,788	1,838,915
4	Property Taxes (From Sched. G-2, page 1)		180,382			
5	Income Taxes (From Sched. G-2, page 1)		610,973			
6	Total Revenue Requirement by function	1,660,494	2,831,444	542,719	362,141	2,663,635
7	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	1,775,027				
8	Computed Commodity Rate (line 9 divided by line 10)	\$ 0.9355				
9	Annualized Number of Bills		190,774			
10	Equivalent Meters and Service Lines			239,475	239,475	239,475
11	Customer Charge (line 9 divided by line 12)		\$ 14.84			
12	Meter, Service Line & Demand Charge (line 9 divided by line 13)			2.27	1.51	11.12
13	Total Monthly Minimum Charge for a 5/8 Inch Meter			\$	\$	\$
14	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 29.74
15	Monthly Minimum					
16	5/8 Inch Meter	29.74	1.0	29.74		
17	3/4 Inch Meter	29.74	1.5	44.61		
18	1 Inch Meter	29.74	2.5	74.36		
19	1 1/2 Inch Meter	29.74	5.0	148.72		
20	2 Inch Meter	29.74	8.0	237.95		
21	3 Inch Meter	29.74	16.0	475.89		
22	4 Inch Meter	29.74	25.0	743.58		
23	6 Inch Meter	29.74	50.0	1,487.16		
24	8 Inch Meter	29.74	80.0	2,379.46		
25	10 Inch Meter	29.74	115.0	3,420.47		
26	12 Inch Meter	29.74	215.0	6,394.79		
27						
28						
29						
30						
31						
32						
33						

Line No.	Description	Total Rev. Req. \$	%	Commodity Portion of Rev. Req. \$
1	<u>Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate</u>			
2	<u>Revenue Requirements Collected via Commodity Charge</u>			
3	Customer, Service, and Meter Costs	3,736,304	40%	1,494,521
4	Demand Costs	2,663,635	40%	1,065,454
5	Commodity Costs	1,660,494	100%	1,660,494
6	Total Costs to be Collected via Commodity			<u>4,220,470</u>
7	Gallons Sold			1,775,027
8	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			<u>2.378</u>
9	<u>Revenue Requirement Collected via Monthly Minimum</u>			
10	Monthly Minimum 5/8 Meter			
11	Total Revenue Requirement			8,060,432
12	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			(4,220,470)
13	Balance to be Recovered through Monthly Minimum			<u>3,839,963</u>
14				47.64%
15				Percent revenue recovery from monthly mins
16	Number of Equivalent 5/8 Inch Meter Billings			239,475
17	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			<u>16.03</u>
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28	<u>Meter Size</u>			
29	5/8 Inch Meter	16.03	1.0	16.03
30	3/4 Inch Meter	16.03	1.5	24.05
31	1 Inch Meter	16.03	2.5	40.09
32	1 1/2 Inch Meter	16.03	5.0	80.17
33	2 Inch Meter	16.03	8.0	128.28
34	3 Inch Meter	16.03	16.0	256.56
35	4 Inch Meter	16.03	25.0	400.87
36	6 Inch Meter	16.03	50.0	801.75
37	8 Inch Meter	16.03	80.0	1,282.80
38	10 Inch Meter	16.03	115.0	1,844.02
39	12 Inch Meter	16.03	215.0	3,447.52

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Customer, Service, Meter
 Using Function Costs and Expenses

RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 1B
 Witness: Bourassa

Line No.		Customer	Service	Meter
1	Return on Rate Base	3,769	242,946	122,200
2	Misc. Revenues (From Sched G-2, page 1)	(205,176)		
3	Customer, Services and Meter Expenses (From Sch. G-4, Page 2)	2,092,884	137,719	204,751
4	Property Taxes (From Sched. G-2, page 1)	127,741		
5	Income Taxes (From Sched. G-2, page 1)	249,035		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	<u>2,268,253</u>	<u>380,665</u>	<u>326,951</u>
7				
8	Customer Charge			
9	Number of Bills =	176,877		
10				
11	Charge per Bill	<u>\$ 12.82</u>		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)			
13				
14	Service Line and Meter Charge			
15	Equivalent 5/8 Meters		180,332	180,332
16				
17	Charge per Equivalent Meter		<u>\$ 2.11</u>	<u>\$ 1.81</u>
18				
19				
20	CUSTOMER CHARGE:			
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)			
22	Charge per Bill			
23	Charge per Equivalent Service Line		\$ 12.82	
24	Charge per Equivalent Meter		2.11	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)		<u>1.81</u>	
26	Monthly Minimum for 5/8 Inch Meter, WITHOUT Demand Charge Included		<u>\$ 16.75</u>	

15,028 times

12 months

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 RESIDENTIAL CLASS

Line No.	<u>DEMAND CHARGE:</u>				
1	Return on Rate Base	6.81%			567,358
2	Demand Expenses (From Schedule G-4, Page 2)				1,265,064
3	Totals				<u>1,832,422</u>
4	Total Revenue Requirement / Demand Component				180,332
5	Equivalent Number of 5/8 Meters billings				<u>10.16</u>
6	Demand Charge for 5/8 Inch Meter				\$
7	<u>Demand Charge Per Equivalent</u>				
8	5/8 Inch Meter	10.16	1.0	Demand Charge	10.16
9	3/4 Inch Meter	10.16	1.5		15.24
10	1 Inch Meter	10.16	2.5		25.40
11	1 1/2 Inch Meter	10.16	5.0		50.81
12	2 Inch Meter	10.16	8.0		81.29
13	3 Inch Meter	10.16	16.0		162.58
14	4 Inch Meter	10.16	25.0		254.04
15	6 Inch Meter	10.16	50.0		508.07
16	8 Inch Meter	10.16	80.0		812.91
17	10 Inch Meter	10.16	115.0		1,168.56
18	12 Inch Meter	10.16	215.0		2,184.70

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 RESIDENTIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 3B
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2	Return on Rate Base	202,125	3,769	242,946	122,200	567,358
3	Less: Miscellaneous Revenues		(205,176)			
4						
5						
6	Expenses (From Sch. G-4, Page 2)	952,543	2,092,884	137,719	204,751	1,265,064
7	Property Taxes (From Sched. G-2, page 1)		127,741			
8	Income Taxes (From Sched. G-2, page 1)		249,035			
9	Total Revenue Requirement by function					
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	1,154,668	2,268,253	380,665	326,951	1,832,422
11	Computed Commodity Rate (line 9 divided by line 10)	1,234,312				
12	Annualized Number of Bills	\$ 0.9355				
13	Equivalent Meters and Service Lines		176,877			
14	Customer Charge (line 9 divided by line 12)		\$ 12.82	180,332	180,332	180,332
15	Meter, Service Line & Demand Charge (line 9 divided by line 13)			\$ 2.11	\$ 1.81	\$ 10.16
16	Total Monthly Minimum Charge for a 5/8 Inch Meter					
17	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 26.91
18						
19						

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 26.91	1.0	\$ 26.91
26.91	1.5	40.36
26.91	2.5	67.27
26.91	5.0	134.55
26.91	8.0	215.27
26.91	16.0	430.55
26.91	25.0	672.73
26.91	50.0	1,345.46
26.91	80.0	2,152.74
26.91	115.0	3,094.57
26.91	215.0	5,785.50

Line No.	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	<u>Revenue Requirements Collected via Commodity Charge</u>	\$ 2,975,869	40%	\$ 1,190,347
2		1,832,422	40%	732,969
3	Customer, Service, and Meter Costs	1,154,668	100%	1,154,668
4	Demand Costs			
5	Commodity Costs			
6	Total Costs to be Collected via Commodity			\$ 3,077,985
7	Gallons Sold			1,234,312
8				
9	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			\$ 2.494
10				
11	<u>Revenue Requirement Collected via Monthly Minimum</u>			
12	Monthly Minimum 5/8 Meter			\$ 5,962,959
13	Total Revenue Requirement			(3,077,985)
14	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			\$ 2,884,974
15	Balance to be Recovered through Monthly Minimum			48.38%
16				Percent revenue recovery from monthly mins
17				180,332
18	Number of Equivalent 5/8 Inch Meter Billings			
19	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			\$ 16.00
20				
21				
22				
23				
24				
25				
26				
27				
28	<u>Meter Size</u>	5/8" Minimum	Meter Ratio	Monthly Minimum
29	5/8 Inch Meter	16.00	1.0	\$ 16.00
30	3/4 Inch Meter	16.00	1.5	24.00
31	1 Inch Meter	16.00	2.5	40.00
32	1 1/2 Inch Meter	16.00	5.0	79.99
33	2 Inch Meter	16.00	8.0	127.99
34	3 Inch Meter	16.00	16.0	255.97
35	4 Inch Meter	16.00	25.0	399.95
36	6 Inch Meter	16.00	50.0	799.91
37	8 Inch Meter	16.00	80.0	1,279.85
38	10 Inch Meter	16.00	115.0	1,839.79
39	12 Inch Meter	16.00	215.0	3,439.61

Line No.	Customer	Service	Meter
1	69	32,507	3,378
2	(3,734)		
3	38,089	18,427	5,660
4	13,309		
5	108,039		
6	155,772	50,935	9,038
7			

8	Customer Charge		
9	Number of Bills =	268	times 12 months
10		3,219	
11	Charge per Bill	48.39	
12	(Customer Revenue Requirement divided by Annualized Number of Bills)		
13			

14	Service Line and Meter Charge		
15	Equivalent 5/8 Meters		
16			
17	Charge per Equivalent Meter	17,465	12 months
18			
19			
20			
21			
22			
23			
24			
25			
26			

20	CUSTOMER CHARGE:		
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)		
22	Charge per Bill		
23	Charge per Equivalent Service Line	\$ 48.39	
24	Charge per Equivalent Meter	2.92	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)	0.52	
26	Monthly Minimum for 5/8 Inch Meter, <u>WITHOUT</u> Demand Charge Included	\$ 51.83	

1,455 times

12 months

\$ 2.92 \$ 0.52

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation of Monthly Minimums for Demand Charge
 APARTMENT CLASS

Line No.	<u>DEMAND CHARGE:</u>			
1	Return on Rate Base	6.81%		51,863
2	Demand Expenses (From Schedule G-4, Page 2)			115,640
3	Totals			<u>167,503</u>
4	Total Revenue Requirement / Demand Component			17,465
5	Equivalent Number of 5/8 Meters billings			<u>\$ 9.59</u>
6	Demand Charge for 5/8 Inch Meter			
7				
8				
9				
10				
11	<u>Demand Charge Per Equivalent</u>			
12	5/8 Inch Meter	9.59	1.0	\$ 9.59
13	3/4 Inch Meter	9.59	1.5	14.39
14	1 Inch Meter	9.59	2.5	23.98
15	1 1/2 Inch Meter	9.59	5.0	47.95
16	2 Inch Meter	9.59	8.0	76.73
17	3 Inch Meter	9.59	16.0	153.45
18	4 Inch Meter	9.59	25.0	239.77
19	6 Inch Meter	9.59	50.0	479.54
20	8 Inch Meter	9.59	80.0	767.26
21	10 Inch Meter	9.59	115.0	1,102.94
22	12 Inch Meter	9.59	215.0	2,062.02

Line No.	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum	Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	20,070	69	32,507	3,378	51,863
2	Less: Miscellaneous Revenues		(3,734)			
3	Expenses (From Sch. G-4, Page 2)	94,583	38,089	18,427	5,660	115,640
4	Property Taxes (From Sched. G-2, page 1)		13,309			
5	Income Taxes (From Sched. G-2, page 1)		108,039			
6	Total Revenue Requirement by function	114,653	155,772	50,935	9,038	167,503
7	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	122,561				
8	Computed Commodity Rate (line 9 divided by line 10)	\$ 0.9355				
9	Annualized Number of Bills		3,219			
10	Equivalent Meters and Service Lines			17,465	17,465	17,465
11	Customer Charge (line 9 divided by line 12)		\$ 48.39			
12	Meter, Service Line & Demand Charge (line 9 divided by line 13)			2.92	0.52	9.59
13	Total Monthly Minimum Charge for a 5/8 Inch Meter			\$	\$	\$
14	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 61.42

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 61.42	1.0	\$ 61.42
61.42	1.5	92.12
61.42	2.5	153.54
61.42	5.0	307.08
61.42	8.0	491.33
61.42	16.0	982.66
61.42	25.0	1,535.40
61.42	50.0	3,070.80
61.42	80.0	4,913.28
61.42	115.0	7,062.84
61.42	215.0	13,204.44

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 APARTMENT CLASS

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate			
2				
3	<u>Revenue Requirements Collected via Commodity Charge</u>	\$ 215,745	40%	\$ 86,298
4				
5	Customer, Service, and Meter Costs	167,503	40%	67,001
6	Demand Costs	114,653	100%	114,653
7	Commodity Costs			
8	Total Costs to be Collected via Commodity	\$ 267,952		\$ 267,952
9	Gallons Sold	122,561		122,561
10				
11	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)	\$ 2.186		\$ 2.186
12				
13				
14	<u>Revenue Requirement Collected via Monthly Minimum</u>			
15	Monthly Minimum 5/8 Meter	\$ 497,901		\$ 497,901
16	Total Revenue Requirement	(267,952)		(267,952)
17	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)	\$ 229,948		\$ 229,948
18	Balance to be Recovered through Monthly Minimum			
19				
20				
21				
22	Number of Equivalent 5/8 Inch Meter Billings	17,465		17,465
23				
24	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)	\$ 13.17		\$ 13.17
25				
26				
27				
28	<u>Meter Size</u>			
29	5/8 Inch Meter	1.0		13.17
30	3/4 Inch Meter	1.5		19.75
31	1 Inch Meter	2.5		32.92
32	1 1/2 Inch Meter	5.0		65.83
33	2 Inch Meter	8.0		105.33
34	3 Inch Meter	16.0		210.66
35	4 Inch Meter	25.0		329.16
36	6 Inch Meter	50.0		658.31
37	8 Inch Meter	80.0		1,053.30
38	10 Inch Meter	115.0		1,514.12
39	12 Inch Meter	215.0		2,830.74

Percent revenue recovery
 from monthly mins
 46.18%

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 COMMERCIAL CLASS

Exhibit
 Rejoinder Schedule G-8
 Page 3D
 Witness: Bourassa

Line No.	Description	Commodity	Customer	Service	Meter	Demand
1	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum					
2	Return on Rate Base	53,898	207	59,560	8,687	157,199
3	Less: Miscellaneous Revenues		(11,273)			
4	Expenses (From Sch. G-4, Page 2)	254,001	114,988	33,763	14,555	350,514
5	Income Taxes (From Sched. G-2, page 1)		32,513			
6	Total Revenue Requirement by function		222,809			
7	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	307,899	359,244	93,323	23,241	507,713
8	Computed Commodity Rate (line 9 divided by line 10)	329,136				
9	Annualized Number of Bills	\$ 0.9355				
10	Equivalent Meters and Service Lines		9,718			
11	Customer Charge (line 9 divided by line 12)		\$ 36.97	35,372	35,372	35,372
12	Meter, Service Line & Demand Charge (line 9 divided by line 13)			2.64	0.66	14.35
13	Total Monthly Minimum Charge for a 5/8 Inch Meter			\$	\$	\$
14	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 54.62

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 54.62	1.0	\$ 54.62
54.62	1.5	81.92
54.62	2.5	136.54
54.62	5.0	273.08
54.62	8.0	436.93
54.62	16.0	873.85
54.62	25.0	1,365.39
54.62	50.0	2,730.79
54.62	80.0	4,369.26
54.62	115.0	6,280.81
54.62	215.0	11,742.39

Line No.	Description	5/8" Monthly Minimum	Meter Ratio	Demand Charge
20	Monthly Minimum			
21	5/8 Inch Meter	\$ 54.62	1.0	\$ 54.62
22	3/4 Inch Meter	54.62	1.5	81.92
23	1 Inch Meter	54.62	2.5	136.54
24	1 1/2 Inch Meter	54.62	5.0	273.08
25	2 Inch Meter	54.62	8.0	436.93
26	3 Inch Meter	54.62	16.0	873.85
27	4 Inch Meter	54.62	25.0	1,365.39
28	6 Inch Meter	54.62	50.0	2,730.79
29	8 Inch Meter	54.62	80.0	4,369.26
30	10 Inch Meter	54.62	115.0	6,280.81
31	12 Inch Meter	54.62	215.0	11,742.39
32				
33				

Mohave Water District
Test Year Ended June 30, 2013
Cost of Service Study Using Commodity / Demand Method
Computation Monthly Minimums and Commodity Charge
COMMERCIAL CLASS

Line No.	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate	Total Rev. Req.	%	Commodity Portion of Rev. Req.
1	<u>Revenue Requirements Collected via Commodity Charge</u>	\$ 475,808	40%	\$ 190,323
2				
3	Customer, Service, and Meter Costs	507,713	40%	203,085
4	Demand Costs	307,899	100%	307,899
5	Commodity Costs			
6	Total Costs to be Collected via Commodity			\$ 701,307
7	Gallons Sold			329,136
8				
9	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			\$ 2.131
10				
11	<u>Revenue Requirement Collected via Monthly Minimum</u>			
12	Monthly Minimum 5/8 Meter			\$ 1,291,420
13	Total Revenue Requirement			(701,307)
14	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			\$ 590,113
15	Balance to be Recovered through Monthly Minimum			45.69%
16				Percent revenue recovery from monthly mins
17	Number of Equivalent 5/8 Inch Meter Billings			35,372
18	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)			\$ 16.68
19				
20				
21				
22				
23				
24				
25				
26				
27				
28	<u>Meter Size</u>	5/8" Minimum	Meter Ratio	Monthly Minimum
29	5/8 Inch Meter	16.68	1.0	\$ 16.68
30	3/4 Inch Meter	16.68	1.5	25.02
31	1 Inch Meter	16.68	2.5	41.71
32	1 1/2 Inch Meter	16.68	5.0	83.42
33	2 Inch Meter	16.68	8.0	133.46
34	3 Inch Meter	16.68	16.0	266.93
35	4 Inch Meter	16.68	25.0	417.08
36	6 Inch Meter	16.68	50.0	834.15
37	8 Inch Meter	16.68	80.0	1,334.64
38	10 Inch Meter	16.68	115.0	1,918.55
39	12 Inch Meter	16.68	215.0	3,586.86

Line No.	Customer	Service	Meter
1	20	11,358	1,088
2	(1,114)		
3	11,359	6,439	1,823
4	6,819		
5	31,090		
6	48,175	17,796	2,911
7			
8			
9	960		
10			
11			
12	\$ 50.18		
13			
14			
15			
16			
17			
18			
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22			
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24			
25			
26			
27			

526	times	12	months
\$	2.82	\$	0.46

\$	50.18
	2.82
	0.46
\$	53.47

CUSTOMER CHARGE:

Return on Rate Base 6.81%
 Misc. Revenues (From Sched G-2, page 1)
 Customer, Services and Meter Expenses (From Sch. G-4, Page 2)
 Property Taxes (From Sched. G-2, page 1)
 Income Taxes (From Sched. G-2, page 1)
 Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)

Customer Charge
 Number of Bills = 80 times 12 months

Charge per Bill
 (Customer Revenue Requirement divided by Annualized Number of Bills)

Service Line and Meter Charge
 Equivalent 5/8 Meters

Charge per Equivalent Meter

CUSTOMER CHARGE:

Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)
 Charge per Bill
 Charge per Equivalent Service Line
 Charge per Equivalent Meter
 (Service and Meter Revenue Requirement divided by Annual Equivalent Meters)
 Monthly Minimum for 5/8 Inch Meter, WITHOUT Demand Charge Included

Mohave Water District

Test Year Ended June 30, 2013

Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 OTHER PUBLIC AUTHORITY

Exhibit
 Rejoinder Schedule G-8
 Page 3E
 Witness: Bourassa

Line No.	Single Tier Rate Design with All Customer and Demand Costs Recovered in the Monthly Minimum	Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	14,577	20	11,358	1,088	48,300
2	Less: Miscellaneous Revenues		(1,114)			
3	Expenses (From Sch. G-4, Page 2)	68,697	11,359	6,439	1,823	107,696
4	Property Taxes (From Sched. G-2, page 1)		6,819			
5	Income Taxes (From Sched. G-2, page 1)		31,090			
6	Total Revenue Requirement by function	83,274	48,175	17,796	2,911	155,996
7	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)	89,018				
8	Computed Commodity Rate (line 9 divided by line 10)	\$ 0.9355				
9	Annualized Number of Bills		960			
10	Equivalent Meters and Service Lines			6,306	6,306	6,306
11	Customer Charge (line 9 divided by line 12)		\$ 50.18			
12	Meter, Service Line & Demand Charge (line 9 divided by line 13)			2.82	0.46	24.74
13	Total Monthly Minimum Charge for a 5/8 Inch Meter			\$	\$	\$
14	(Sum of Customer, Service, Meter and Demand Charge on lines 14 & 15)					\$ 78.20

5/8" Monthly Minimum	Meter Ratio	Demand Charge
\$ 78.20	1.0	\$ 78.20
78.20	1.5	117.31
78.20	2.5	195.51
78.20	5.0	391.02
78.20	8.0	625.63
78.20	16.0	1,251.26
78.20	25.0	1,955.09
78.20	50.0	3,910.19
78.20	80.0	6,256.30
78.20	115.0	8,993.44
78.20	215.0	16,813.82

Mohave Water District
 Test Year Ended June 30, 2013
 Cost of Service Study Using Commodity / Demand Method
 Computation Monthly Minimums and Commodity Charge
 OTHER PUBLIC AUTHORITY

Line No.	Description	Total Rev. Req.	%	Commodity Portion of Rev. Req.	5/8" Minimum	Meter Ratio	Monthly Minimum
1	Single Tier Rate Design with Some Customer and Demand Costs Recovered via the Commodity Rate						
2	<u>Revenue Requirements Collected via Commodity Charge</u>						
3	Customer, Service, and Meter Costs	\$ 68,882	40%	\$ 27,553	1.0	1.0	\$ 21.40
4	Demand Costs	155,996	40%	62,398	1.5	1.5	32.09
5	Commodity Costs	83,274	100%	83,274	2.5	2.5	53.49
6	Total Costs to be Collected via Commodity			\$ 173,226	5.0	5.0	106.98
7	Gallons Sold			83,274	8.0	8.0	171.17
8	Commodity Charge (per 1,000 gallons)(line 9 divided by line 10)			\$ 2.080	16.0	16.0	342.35
9	<u>Revenue Requirement Collected via Monthly Minimum</u>				25.0	25.0	534.92
10	Monthly Minimum 5/8 Meter				50.0	50.0	1,069.83
11	Total Revenue Requirement	\$ 308,153		\$ (173,226)	80.0	80.0	1,711.73
12	Less: Portion of Revenue Requirement Collected via Commodity Charge (line 9)			\$ 134,927	115.0	115.0	2,460.61
13	Balance to be Recovered through Monthly Minimum				215.0	215.0	4,600.28
14	Number of Equivalent 5/8 Inch Meter Billings						
15	Computed Monthly Minimum 5/8 Inch Meter (line 19 divided by line 22)						
16							
17							
18							
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21							
22							
23							
24							
25							
26							
27							
28	Meter Size						
29	5/8 Inch Meter						
30	3/4 Inch Meter						
31	1 Inch Meter						
32	1 1/2 Inch Meter						
33	2 Inch Meter						
34	3 Inch Meter						
35	4 Inch Meter						
36	6 Inch Meter						
37	8 Inch Meter						
38	10 Inch Meter						
39	12 Inch Meter						

43.79%
 Percent revenue recovery
 from monthly mins

\$ 6,306
 \$ 21.40

Mohave Water District

Test Year Ended June 30, 2013

Comparison of Proposed Rates to Computed Costs

For a 5/8x3/4-Inch Residential Meter (With Required Operating Margin)

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Bourassa

Line No.	Water Usage	Revenues				Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	Total Revenues minus Total Charges & Costs
		Monthly Minimum	Commodity	Total	Total							
1	-	\$ 15.35	\$ -	\$ 15.35	\$ 11.12	\$ 14.84	\$ 2.27	\$ 1.51	0	\$ 29.74	(14.39)	
2	1,000	15.35	1.53	16.88	11.12	14.84	2.27	1.51	0.935	30.68	(13.80)	
3	2,000	15.35	3.06	18.41	11.12	14.84	2.27	1.51	1.871	31.61	(13.20)	
4	3,000	15.35	4.59	19.94	11.12	14.84	2.27	1.51	2.806	32.55	(12.61)	
5	4,000	15.35	7.07	22.42	11.12	14.84	2.27	1.51	3.742	33.49	(11.06)	
6	5,000	15.35	9.55	24.90	11.12	14.84	2.27	1.51	4.677	34.42	(9.52)	
7	6,000	15.35	12.03	27.38	11.12	14.84	2.27	1.51	5.613	35.36	(7.98)	
8	7,000	15.35	14.51	29.86	11.12	14.84	2.27	1.51	6.548	36.29	(6.43)	
9	8,000	15.35	16.99	32.34	11.12	14.84	2.27	1.51	7.484	37.23	(4.89)	
10	9,000	15.35	19.47	34.82	11.12	14.84	2.27	1.51	8.419	38.16	(3.34)	
11	10,000	15.35	21.95	37.30	11.12	14.84	2.27	1.51	9.355	39.10	(1.80)	
12	12,000	15.35	28.36	43.71	11.12	14.84	2.27	1.51	11.226	40.97	2.74	
13	14,000	15.35	34.77	50.12	11.12	14.84	2.27	1.51	13.097	42.84	7.28	
14	16,000	15.35	41.18	56.53	11.12	14.84	2.27	1.51	14.968	44.71	11.82	
15	18,000	15.35	47.59	62.94	11.12	14.84	2.27	1.51	16.839	46.58	16.36	
16	20,000	15.35	54.00	69.35	11.12	14.84	2.27	1.51	18.710	48.45	20.90	
17	25,000	15.35	70.03	85.38	11.12	14.84	2.27	1.51	23.387	53.13	32.25	
18	30,000	15.35	86.05	101.40	11.12	14.84	2.27	1.51	28.064	57.81	43.59	
19	35,000	15.35	102.08	117.43	11.12	14.84	2.27	1.51	32.742	62.48	54.94	
20	40,000	15.35	118.10	133.45	11.12	14.84	2.27	1.51	37.419	67.16	66.29	
21	45,000	15.35	134.13	149.48	11.12	14.84	2.27	1.51	42.096	71.84	77.64	
22	50,000	15.35	150.15	165.50	11.12	14.84	2.27	1.51	46.774	76.52	88.98	
23	60,000	15.35	182.20	197.55	11.12	14.84	2.27	1.51	56.129	85.87	111.68	
24	70,000	15.35	214.25	229.60	11.12	14.84	2.27	1.51	65.483	95.23	134.37	
25	80,000	15.35	246.30	261.65	11.12	14.84	2.27	1.51	74.838	104.58	157.07	
26	90,000	15.35	278.35	293.70	11.12	14.84	2.27	1.51	84.193	113.94	179.76	
27	100,000	15.35	310.40	325.75	11.12	14.84	2.27	1.51	93.548	123.29	202.46	

Column Number-->

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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

DIRECT TESTIMONY OF SHAWN BRADFORD

March 7, 2014

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8956567.1

EXECUTIVE SUMMARY

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Mr. Bradford testifies as follows:

The purpose of my testimony in this proceeding is to describe the service areas and facilities for two of the districts that are included in this case: Sun City Water District and Tubac Water District. I will also quantify the arsenic media costs incurred to replace the media in two vessels in the Tubac arsenic reclamation facility. In addition, I am sponsoring testimony in support of changes in the tariffs for all of the districts in this proceeding related to miscellaneous service fees.

1 I. INTRODUCTION AND QUALIFICATIONS
2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE
3 NUMBER.
4 A. My name is Shawn Bradford. My business address is 15626 N. Del Webb Blvd.,
5 Sun City, Arizona 85351, and my business phone is (623) 815-3136.
6 Q. IN WHAT CAPACITY AND BY WHOM ARE YOU EMPLOYED?
7 A. I am employed by EPCOR Water Arizona Inc. ("EWAZ" or "Company") as
8 Director of Operations for the Central Division. My division includes the Sun City
9 Water and Tubac Water District, which two systems are included in the Company's
10 rate filing.
11 Q. PLEASE DESCRIBE YOUR PRIMARY JOB RESPONSIBILITIES.
12 A. I am responsible for managing the Central Division, which includes over 79,000
13 water and 43,000 sewer connections. I am responsible for ensuring that reliable
14 water treatment, water distribution, wastewater treatment, and wastewater
15 collections services are provided for these customers. My job involves
16 administering and implementing infrastructure improvement plans for water
17 facilities and wastewater facilities, ensuring operational and financial targets are
18 met, and ensuring that facilities are in regulatory compliance. I oversee a \$72
19 million annual operating budget and a \$5 million annual capital improvement
20 program.
21 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND
22 EDUCATION.
23 A. I graduated from Becker College with a Bachelor of Science degree. I also have an
24 MBA with a concentration in Strategic Leadership from Amberton University.
25 I am a member of the American Water Works Association (AWWA) and the
26

1 Arizona Water Association. I am also a member of the board of Environmental
2 Certification Testing, Inc.

3 I joined EWAZ in 2011. Before joining EWAZ, I was Director of Business
4 Development for Burgess & Niple, an engineering and architectural firm. Prior to
5 that, I provided utility consulting services to various entities in the United States
6 and Canada, and I also worked for the City of Goodyear as the Director of the
7 Public Works & Water Resources Department. Collectively, I have over 26 years
8 of public works and utility operations and management experience, 15 of which
9 were spent in the public sector.

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

11 **A. No.**

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

13 **A.** The purpose of my testimony in this case is to provide an overview of the Sun City
14 Water and Tubac Water Districts' operations. I will also quantify the arsenic
15 media costs incurred to replace the media in two vessels in the Tubac arsenic
16 reclamation facility. In addition, I am sponsoring testimony in support of changes
17 in the tariffs for all of the districts in this proceeding related to miscellaneous
18 service fees.

19 **II. SUN CITY WATER DISTRICT**

20 **Q. PLEASE DESCRIBE THE SUN CITY WATER DISTRICT.**

21 **A.** The Sun City Water District is located in Maricopa County. It serves the
22 community of Sun City, the Town of Youngtown, and a portion of the City of
23 Peoria. There are approximately 23,000 customers in the district.

24

25

26

1 Q. PLEASE DESCRIBE THE SUN CITY WATER PRODUCTION AND
2 DISTRIBUTION SYSTEM.

3 A. Our Sun City Water District customers currently receive treated water from seven
4 water plants located throughout the service territory. The plants store and
5 distribute water from 26 wells that range in depth from 600 to 1,300 feet and have
6 flow rates from 500 to 2,500 gallons per minute. The distribution system, which
7 covers about 19.53 square miles, consists of approximately 318 miles of mains
8 ranging in size from one to 18 inches in diameter. The combined capacity of the
9 14 storage tanks is approximately 10.3 million gallons.

10 **III. TUBAC WATER DISTRICT**

11 Q. PLEASE DESCRIBE THE TUBAC WATER DISTRICT.

12 A. The Tubac Water District is located in Santa Cruz County in southern Arizona.
13 There are approximately 600 customers in the Tubac Water District.

14 Q. PLEASE DESCRIBE THE TUBAC WATER DISTRICT'S PRODUCTION
15 AND DISTRIBUTION SYSTEM.

16 A. The Tubac district supplies potable water to the community of Tubac. The Tubac
17 system consists of three wells having a combined well capacity of 680 gpm, one
18 500 gpm Arsenic Treatment Facility and one storage tank with a capacity of 50,000
19 gallons.

20 Q. PLEASE DESCRIBE THE ARSENIC TREATMENT FACILITY IN
21 TUBAC.

22 A. The facility consists of a 500 gpm granular iron media treatment facility located at
23 the Well 5 site. Equipment includes two 9-ft diameter Severn Trent GIM arsenic
24 removal vessels using Bayoxide E33 Media, facility piping and instrumentation.
25 The two 9-ft diameter vessels are operated in a lead-lag configuration to extend the
26 life of the arsenic media and lower O&M costs.

1 Per the Severn Trent O&M manual, when working in series flow
2 configuration, one of the absorbers is set as the "lead" position and the other one as
3 the "lag" position. Raw water from the wells will pass through the "lead" vessel
4 first, where arsenic is removed from the water until reaching a limit of 10 ug/L
5 (MCL) or less. The "lead" vessel removes most, if not all, of the arsenic from the
6 water. The water then passes through the "lag" vessel, where, if there is any
7 arsenic remaining in the effluent from the "lead" vessel, it is removed. Backwash
8 of the media in a vessel is necessary before the measured pressure differential for
9 that vessel is 10 psi. When the effluent water from the "lead" vessel exceeds an
10 arsenic level of 10 ug/L, the media from this vessel has reached the end of its
11 useful life and must be replaced. The "lag" vessel is then switched to "lead"
12 position. Once the media has been replaced the vessel with the fresh media
13 becomes the "lag" vessel. The arsenic treatment facility was put into service in
14 December of 2009.

15 A 12-inch transmission main was also part of this project and conveys
16 treated water from Well 5 to distribution system piping near Well 4. The treated
17 water is disinfected by injecting a sodium hypochlorite solution into the water
18 before it is delivered to customers.

19 **Q. IS THE ARSENIC TREATMENT FACILITY NECESSARY, USED AND**
20 **USEFUL?**

21 **A.** Yes. This facility is necessary for this district to comply with the rules established
22 by the United States Environmental Protection Agency that established an MCL for
23 arsenic in potable water to be reduced from 50 parts per billion ("ppb") to 10 ppb,
24 effective January 23, 2006.

1 Q. HOW MANY EMPLOYEES ARE CURRENTLY OPERATING THE
2 TUBAC WATER SYSTEM?

3 A. There is currently one full-time employee and one part-time employee who work
4 for EWAZ in the district, performing system operations and maintenance, meter
5 reading, and customer service. There are no immediate plans to increase staffing
6 levels.

7 Q. HAS EWAZ INCURRED COSTS ASSOCIATED WITH THE OPERATION
8 AND MAINTENANCE OF THE ARSENIC TREATMENT FACILITY?

9 A. Yes, the Company spent \$101,712 in costs to replace the arsenic media in both
10 vessels. In July 2012, the media in vessel #1 was replaced and in July 2013,
11 the media in vessel #2 was replaced.

12 The performance of each vessel exceeded design data developed by Severn
13 Trent. The performance data estimated that each vessel was capable of treating
14 48,600 bed volumes or 124 million gallons of water. Table 1 summarized the
15 performance of each vessel and the costs associated with the media replacement.

16

17 **TABLE 1 - Tubac Arsenic Treatment Facility**

	Date of Replacement	Bed Volume (Design)	Bed Volume (Actual)	Gallons Treated (Design)	Gallons Treated (Actual)	Cost
Vessel #1	July 2012	48,600	50,626	124,000,000	128,894,000	\$55,412
Vessel #2	July 2013	48,600	62,316	124,000,000	158,970,000	\$46,300
Total						\$101,712

18

19

20

21

22

23 Q. IS EWAZ PROPOSING TO RECOVER THE MEDIA REPLACEMENT
24 COSTS ASSOCIATED WITH THE VESSEL #1 AND VESSEL #2?

25 A. Yes. When the media in Vessel #1 was replaced in July 2012, the Company
26 deferred the \$49,818 pursuant to Decision Number 71410 authorizing an Arsenic

1 Cost Recovery Mechanism. The media replacement for Vessel #2 completed in
2 July 2013 was likewise deferred for recovery in a Step 2 ACRM request.
3 See Exhibit Schedule C-2 Page 24.

4 Pursuant to Decision Nos. 67093, 67593, 68310, 68825, and 71410,
5 EPCOR filed an application on March 5, 2010, with the Arizona Corporation
6 Commission ("Commission") requesting authorization to implement Step-One of
7 the Arsenic Cost Recovery Mechanism ("ACRM") for its Tubac Water District.
8 The Commission approved this request on August 10, 2010. Based on prior
9 Commission decisions, EWAZ is now requesting recovery of costs associated with
10 deferred and on-going media replacement operating and maintenance ("O&M")
11 costs for the Tubac Water District. We anticipate on-going costs to replace the
12 arsenic media will be \$46,000 annually. This is based on our most recent costs in
13 Tubac and assumes a media life cycle of 24 months with one vessel being replaced
14 each year.

15 **IV. SERVICE CHARGES (ALL DISTRICTS)**

16 **Q. IS EWAZ ASKING FOR A REVISED ESTABLISHMENT, RE-**
17 **ESTABLISHMENT AND/OR RECONNECTION OF SERVICE CHARGES**
18 **FOR THE DISTRICTS IN THIS RATE CASE?**

19 **A.** Yes. Commission Rule 14-2-403-D authorizes a water utility to charge for the
20 establishment, reestablishment, or reconnection of utility services. Should service
21 be established during a period other than regular working hours at the customer's
22 request, the Commission has approved an after-hour charge for the service
23 connection. Currently, the approved charge during regular working hours varies
24 from \$20.00 in our Paradise Valley Water District to \$30.00 in our Sun City Water
25 District as summarized in Table 2, although the costs to provide this service in
26 reality does not vary significantly.

1 The majority of establishment, reestablishment and reconnection of utility
2 services are performed during normal business hours. The Company's average
3 employee's wages and benefits do not vary from district to district and the time to
4 complete the process is consistent. As such, it makes sense to standardize the
5 establishment, reestablishment, or reconnection charge in each district.
6 We evaluated our average cost when providing this service taking into account
7 travel time, labor and equipment cost. Based on this analysis we request the
8 normal hours fee be increased to \$35.00 as summarized in Table 3. This new fee
9 would better reflect the true costs to complete the service and would provide
10 consistency among our districts, simplify our rate schedules and reducing potential
11 confusion among customer service representatives and field service
12 representatives.

13 **Q. WHAT ABOUT CHARGES FOR THESE SERVICES AFTER-HOURS?**

14 **A.** The approved after-hours establishment, reestablishment, or reconnection of utility
15 services charges range from \$30.00 in our Mohave Wastewater District to \$45.00
16 in our Tubac Water District. Again, however, the costs to provide these services
17 do not vary significantly between districts. In the event that a customer chooses to
18 establish or re-establish service after hours, an on-call employee is dispatched to
19 perform the service and is paid overtime pay to complete the service request.
20 Our average employee's wages and benefits do not vary from district to district and
21 the time to complete the process after-hours is consistent. Therefore, it also makes
22 sense to standardize the after-hours establishment, reestablishment, or reconnection
23 charge in each district.

24 As with the normal hours charge above, we evaluated our average cost when
25 providing this service taking into account travel time, labor and equipment cost.
26 Based on this analysis we request this fee be increased to \$60.00 as summarized

1 Table 3. This new fee also better reflects the actual costs, and would provide
 2 consistency among our districts.
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TABLE 2 - Existing Miscellaneous Charges

District		Mohave Water	PV Water	Sun City Water	Tubac Water	Mohave WW
Establishment Reestablishment and/or reconnection of service	Regular Hours	-	\$20.00	\$30.00	\$30.00	\$20.00
	After Hours	-	\$40.00	\$40.00	\$45.00	\$30.00
	Including Sewer Service	\$25.00				
	Not Including Sewer Service	\$20.00				
Reconnection of service (delinquent)	Regular Hours	\$35.00	\$30.00	\$30.00	\$30.00	\$30.00
	After Hours	\$35.00	\$60.00	\$40.00	\$45.00	-
Water Meter Test (if correct)		\$35.00	\$15.00	\$10.00	\$10.00	-
Meter Re-Read (if correct)		\$25.00	\$10.00	\$5.00	\$5.00	-
NSF Check Charge		\$25.00	\$12.00	\$25.00	\$25.00	\$25.00
Late Fee Charge		1.50%	1.50%	-	1.50%	-
Deferred Payment Finance Charge		1.50%	-	-	1.50%	-

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17 Q. IS EPCOR ASKING FOR A REVISED RECONNECTION OF SERVICE
 18 (DELINQUENT) CHARGE?

19 A. Yes. Commission Rule 14-2-403-D authorizes a water utility to charge for the
 20 reconnection of utility services for delinquent accounts. When service is
 21 reestablished after a shut-off for non-payment, the Commission had previously
 22 authorized the Company to charge for the service reconnection. Currently, the
 23 approved charge during regular working hours varies from \$30.00 in our Paradise
 24 Valley Water district to \$35.00 in our Mohave Water district, although the costs to
 25 provide this service also do not vary significantly. Based on a similar cost analysis
 26 to those discussed above, we request this fee be increased to \$35.00 as summarized

1 in Table 3. This new fee provides the same benefits discussed earlier – actual cost
2 recovery and simplicity.

3 **Q. IS THERE A DIFFERENT CHARGE FOR AFTER HOURS**
4 **RECONNECTION AFTER DELINQUENCY?**

5 A. Yes. The current approved after-hours reconnection charges range from \$35.00 in
6 our Mohave Water District to \$60.00 in our Paradise Valley Water District,
7 although the costs to provide this service in reality do not vary significantly. If the
8 customer wants to re-establish service after hours, an on-call employee is
9 dispatched to perform the service and is paid overtime pay to complete the service
10 request. Based on our analysis, we request this fee be increased to \$65.00 as
11 summarized in Table 3. This new fee would better reflect true costs and provide
12 consistency and simplicity between our districts.

13 **Q. IS EWAZ ASKING FOR A REVISED WATER METER TEST CHARGE?**

14 A. Yes. Each utility is obligated to test a meter upon a customer's request.
15 Commission Rule 14-2-408-F authorizes a water utility to charge the customer for
16 such meter test provided that the meter is found to be accurate within 3% of
17 allowable limits. Currently, the approved charge for meter tests varies from \$10.00
18 in our Sun City Water District to \$35.00 in our Mohave Water District. As with
19 the other charges I discussed, the costs to provide this service in reality does not
20 vary significantly. Accordingly, and after our analysis of the average costs,
21 we request this fee be increased to \$35.00 as summarized in Table 3.

22 **Q. IS EWAZ ALSO ASKING FOR A REVISED METER RE-READ CHARGE?**

23 A. Yes. Each utility is obligated at the request of a customer to re-read the customer's
24 meter within 10 working days after such request by the customer. Commission
25 Rule 14-2-408-C authorizes a water utility to charge for any re-reads provided that
26 the original reading was not in error.

1 Currently, the approved charge for meter re-reads varies from \$5.00 in our
2 Sun City Water District to \$25.00 in our Mohave Water District, although the costs
3 to provide this service do not vary significantly. We request this fee be increased
4 to \$25.00 as summarized in Table 3 based on a similar analysis and for similar
5 reasons as those I have discussed above in my testimony.

6 **Q. IS EWAZ ALSO ASKING FOR A REVISED INSUFFICIENT FUNDS (NSF)**
7 **CHECKS CHARGE?**

8 **A.** Yes. Commission Rule 14-2-409-F authorizes a utility to charge a fee, to cover the
9 cost incurred when a customer tenders payment for utility service with an
10 insufficient funds check. Currently, the approved charge for NSF varies from
11 \$10.00 in our Sun City Wastewater District to \$25.00 in our Mohave Water
12 District. The cost that we incur from the various financial institutions we deal with
13 ranges from \$10.00 to \$35.00 each NSF check charge. These costs are not
14 controlled by the Company and have been difficult to manage, often resulting in
15 our inability to recover our costs. It makes sense to standardize the NSF charge in
16 each district to \$25.00. This would provide consistency among our districts,
17 simplify our rate schedules, and in most cases provide for a full-cost recovery of
18 costs incurred.

19 **Q. IS EWAZ ASKING FOR A REVISED LATE FEE CHARGE?**

20 **A.** Yes. The Commission approved a finance charge, to cover costs incurred when
21 residential customers have unpaid bills for utility service in several of our districts.
22 Currently, the approved Late Fee Charge varies from 0% in our Sun City
23 Wastewater District to 1.5% in our Mohave Water District. It also makes sense to
24 standardize the Late Fee Charge in each district to 1.5%.

1 Q. IS EWAZ ALSO ASKING FOR NEW DEFERRED PAYMENT FINANCE
2 CHARGE?

3 A. Yes. Commission Rule 14-2-409-G authorizes a utility to include a finance charge,
4 to cover costs incurred when qualifying residential customers are place on a
5 deferred payment plan to retire unpaid bills for utility service. Currently, the
6 approved Deferred Payment Finance Charge varies from 0% in our Sun City
7 Wastewater District to 1.5% in our Mohave Water District, although the cost to
8 cover these charges is consistent. It makes sense to standardize the Deferred
9 Payment Finance Charge in each district to 1.5% to provide consistency, simplify
10 our rate schedules, and provide for a full-cost recovery of costs incurred.

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TABLE 3 - Requested Miscellaneous Charges						
District		Mohave Water	PV Water	Sun City Water	Tubac Water	Mohave WW
Establishment Reestablishment and/or reconnection of service	Regular Hours	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00
	After Hours	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Reconnection of service (delinquent)	Regular Hours	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00
	After Hours	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Water Meter Test (if correct)		\$35.00	\$35.00	\$35.00	\$35.00	-
Meter Re-Read (if correct)		\$25.00	\$25.00	\$25.00	\$25.00	-
NSF Check Charge		\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Late Fee Charge		1.50%	1.50%	1.50%	1.50%	1.50%
Deferred Payment Finance Charge		1.50%	1.50%	1.50%	1.50%	1.50%

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

EXHIBIT

A-5
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REBUTTAL TESTIMONY
OF
SHAWN BRADFORD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

**REBUTTAL TESTIMONY
OF
SHAWN BRADFORD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

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1 **EXECUTIVE SUMMARY**

2 Shawn Bradford testifies that:

3 EPCOR Water Arizona Inc. ("EWAZ") has reviewed the testimony provided by ACC
4 Staff and RUCO and has revised its requested recovery for arsenic media costs in Tubac. The
5 Company agrees with ACC Staff's recommendation for additional storage in Tubac but
6 wishes to conduct a hydraulic analysis to determine the volume of storage that is needed. The
7 Company also agrees with ACC Staff's recommended changes associated with miscellaneous
8 service charges.

9

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE
3 NUMBER.

4 A. My name is Shawn Bradford. My business address is 2355 W. Pinnacle Peak Road, Suite
5 300, Phoenix, Arizona 85027, and my business phone is (623) 815-3136.

6 Q. ARE YOU THE SAME SHAWN BRADFORD WHO SUBMITTED DIRECT
7 TESTIMONY IN THIS CASE?

8 A. Yes.

9 II. PURPOSE OF TESTIMONY

10 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.

11 A. The purpose of my testimony is to respond to recommendations of the Arizona
12 Corporation Commission Staff ("ACC Staff") and the Residential Utility Consumer
13 Office ("RUCO") related to the Arsenic Treatment System in EPCOR Water Arizona,
14 Inc.'s ("EWAZ" or "Company") Tubac Water District, storage capacity in Tubac, and the
15 Company's proposed changes to miscellaneous services charges in all of the districts
16 involved in this rate filing.

17 III. TUBAC WATER DISTRICT

18 Q. HAVE YOU REVIEWED ACC STAFF'S AND RUCO'S RECOMMENDATIONS
19 REGARDING THE TUBAC ARSENIC PLANT?

20 A. Yes, I have. ACC Staff through its witness, Ms. Christine L. Payne, recommends \$0 in
21 Chemical Expense for Tubac. RUCO's witness, Mr. Jeffrey M. Michlik, is
22 recommending \$48,202 of Chemical Expense.

1 **Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST AS IT RELATES TO**
2 **CHEMICAL EXPENSE FOR THE TUBAC WATER DISTRICT.**

3 A. Chemical Expense for the Tubac Water District of \$98,934 was comprised of the
4 components in the Company's revised schedules filed October 14, 2014:

5	• Test Year expenses	\$	3,030
6	• Customer Annualization Adjustment (SM-3)		(37)
7	• Declining Usage Adjustment (SM-19)		(105)
8	• Amortize Arsenic Media Replacement		<u>96,045</u>
9	Total Chemical Expense – Tubac	\$	98,934

10 The \$96,045 figure is comprised of the \$46,000 of on-going arsenic media replacement
11 costs and \$50,856 to recover the arsenic media replacement costs deferred pursuant to the
12 Company's Arsenic Cost Recovery Mechanism ("ACRM") less \$811 of test year costs.
13 The deferred costs totaled \$101,712 and the Company proposed a two-year recovery
14 period resulting in an annual cost of \$50,856. The Company realized through the course
15 of responding to data requests that the \$50,856 amortization cost had been double
16 counted and noted in its revised response to data request number RUCO 23.5 attached as
17 Exhibit SB-1 that an adjustment would be made in its rebuttal case filing to remove the
18 double counted costs.

19 **Q. WHAT IS THE BASIS OF THE ACC STAFF'S RECOMMENDATION TO**
20 **ELIMINATE ALL CHEMICAL EXPENSE FOR THE TUBAC WATER**
21 **DISTRICT?**

22 A. ACC Staff asserts that the on-going expense requested by the Company should be
23 depreciated because it lasts for two years. ACC Staff's understanding of the media
24 replacement is incorrect. Yes, the media lasts two years, however, there are two vessels
25 and one is replaced each year at a cost of \$46,000 each. Instead of requesting \$92,000

1 and amortizing the cost over 2 years, the Company requested the annual expense for one
2 vessel.

3 Regarding the recovery of the deferred arsenic media replacement costs of \$101,712,
4 ACC Staff witness, Ms. Mary J. Rimback discusses ACC Staff's recommendation.

5 **Q. WHAT IS MS. RIMBACK'S RECOMMENDATION REGARDING THE**
6 **TREATMENT OF THE ARSENIC MEDIA REPLACEMENT COSTS?**

7 A. Ms. Rimback recommends inclusion of the media replacement cost in rate base, however,
8 she does not provide an amount or an adjustment for the recovery of that cost in the ACC
9 Staff's revenue requirement calculations. Rather, she states that an adjustment to the
10 media balance and associated depreciation will be forthcoming in ACC Staff's surrebuttal
11 testimony.

12 **Q. HAS THE COMPANY REVISED ITS REQUEST REGARDING THE**
13 **TREATMENT OF THE DEFERRED ARSENIC MEDIA REPLACEMENT**
14 **COSTS?**

15 A. Yes. The Company has heard the concerns expressed by the ACC Staff and RUCO
16 regarding an amortization of the deferred arsenic media replacement costs in Tubac's
17 base rates and would now recommend that the \$101,712 of deferred charges be recovered
18 via a surcharge that ceases upon completion of the recovery of the charges.

19 **Q. HAS THE COMPANY IDENTIFIED A RECOVERY PERIOD OVER WHICH**
20 **THIS SURCHARGE SHOULD BE COLLECTED?**

21 A. Yes. Although the ACRM contemplated a one-year recovery period of deferred O&M
22 charges such as the arsenic media replacement costs, the Company would propose a 3-
23 year recovery period to reduce the impact of the surcharge on customers.

1 **Q. HAS THE COMPANY QUANTIFIED THE SURCHARGE AMOUNTS THAT IT**
2 **IS PROPOSING?**

3 A. Yes. Consistent with the surcharge calculations in the ACRM, the Company has
4 calculated an annual charge of \$33,904 to be collected 50 percent via the basic service
5 charge and 50 percent via the commodity charge. The resulting rate design is included on
6 the H-Schedules sponsored by Mr. Bourassa.

7 **Q. HAS THE COMPANY REVIEWED THE RECOMMENDATION OF RUCO'S**
8 **WITNESS MR. MICHLIK AS IT RELATES TO THE DEFERRED ARSENIC**
9 **MEDIA REPLACEMENTS COSTS WHICH YOU HAVE BEEN DISCUSSING**
10 **ABOVE?**

11 A. Yes.

12 **Q. IS THE COMPANY OPPOSED TO TREATING THE DEFERRED ARSENIC**
13 **MEDIA REPLACEMENTS COSTS AS A REGULATORY ASSET WITH A 5-**
14 **YEAR RECOVERY PERIOD?**

15 A. The only problem the Company sees with RUCO's recommendation is that the recovery
16 period is rather long, and when the Commission authorized the deferral of this O&M
17 expense, it specifically denied inclusion of the regulatory asset in rate base. Because of
18 this, the Company believes a shorter recovery period is more reasonable to the Company
19 and its customers. Also, including the amortization of this deferred expense in Tubac's
20 base rates will create the same concerns that a 2-year amortization period raises regarding
21 the expense remaining in rates after the expense has been fully recovered. The Company
22 believes that its recommendation in its rebuttal testimony for a surcharge that ends upon
23 recovery as discussed above will address all potential concerns with the recovery of this
24 Commission-authorized deferral.

1 Q. **WHAT IS RUCO'S POSITION REGARDING THE ON-GOING COSTS FOR**
2 **MEDIA REPLACEMENT REQUESTED BY THE COMPANY?**

3 A. Mr. Michlik supports the Company's request to include the \$46,000 of on-going media
4 replacement costs in Chemical Expense and has made the appropriate adjustment to
5 remove the \$50,856 that was inadvertently double counted in the Chemical Expenses
6 requested by the Company in its revised filing of October 14, 2014.

7 Q. **ACC STAFF RECOMMENDS THAT THE COMPANY INSTALL ADDITIONAL**
8 **STORAGE CAPACITY IN THE TUBAC SYSTEM. IS THIS ADDITIONAL**
9 **STORAGE CAPACITY NECESSARY?**

10 A. The Company has reviewed the ACC Staff Engineering Report submitted by Mr. Michael
11 Thompson and agrees with his recommendation that additional storage is needed in the
12 Tubac system. Given the cost of additional storage and the potential impact this
13 investment will have on rates the Company recommends that a hydraulic analysis of the
14 Tubac distribution system be conducted to determine the volume of additional storage
15 that is needed. The Company will share the findings of this analysis with ACC Staff. The
16 Company also agrees to begin design on a new storage tank by the end of 2015 with
17 construction scheduled to start in 2016.

18 Q. **BASED ON ACC STAFF'S RECOMMENDATION THAT THE COMPANY**
19 **INSTALL ADDITIONAL STORAGE CAPACITY IN THE TUBAC SYSTEM,**
20 **WHAT IS THE COMPANY'S POSITION ON RECOVERING THIS**
21 **INVESTMENT IN RATES?**

22 A. As previously stated, the Company agrees with the recommendation that additional
23 storage is needed in the Tubac system. Given the cost of additional storage and the
24 potential impact this investment will have on rates the Company wishes to seek a cost

1 recovery mechanism similar to the Commission-approved APS Four Corners rate
2 adjustor that will pay for costs associated with APS's investment and expenses for the
3 purchase of existing capacity and to cover costs associated with the retirement of existing
4 infrastructure. The Company proposes to work with Staff on a plan to develop an adjustor
5 mechanism that would be filed at a later day that would permit an increase in rates to
6 cover this needed investment but with the understanding that the additional storage must
7 be completed within a year of the new rates being in effect in Tubac.

8 **IV. SERVICE CHARGES (ALL DISTRICTS)**

9 **Q. HAVE YOU REVIEWED ACC STAFF'S RECOMMENDATIONS REGARDING**
10 **SERVICE CHARGES?**

11 **A.** Yes, the Company has reviewed the ACC Staff testimony of Ms. Phan Tsan and supports
12 her proposed changes regarding service charges.

13 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

14 **A.** Yes.

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-14-0010

Response provided by: Sandy Murrey
Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: RUCO 23.5 REVISED

Q: Tubac Deferred Debits – The Company has recorded \$55,412 as deferred debits in its filing. Please identify the unknown amount of \$4,556, and cite the Commission Decision No. it was approved in, as presented below:

\$ 50,856 (i.e. \$101,712/2) Deferral of ACRM O&M Costs
4,556 Unknown Amount (Possible Y2K?)

A. The Company is uncertain of the source of the \$4,556 amount referred to in this data request. The total annual amortization of regulatory assets of \$51,140 is displayed on Schedule C-2, page 17, IS Adjustment SM-13, line 35. This \$51,140 is comprised of the following amounts

\$50,855.96	Arsenic Media (\$101,712 / 2)
<u>\$ 283.59</u>	Y2K amortization allocated to Tubac
<u>\$51,139.55</u>	

The annual amortization for Y2K costs for Tubac of \$283.59 is reflected on workpaper "Test Year Adjustments 12-19.xlsx", tab "Amortization".

In reexamining the supporting documentation, it appears that the arsenic amortization was double counted in Adjustment SM-13 Depreciation & Amortization Expense and Adjustment SM-31 Amortize Arsenic Media Replacement. In its Rebuttal filing, the Company will correct Adjustment SM-31 Amortize Arsenic Media Replacement by removing the \$50,856 applicable to the proposed 2-year amortization of the deferred arsenic media costs currently adjusting test year Chemical Expenses. The Company's rebuttal adjustment will retain the portion of Adjustment SM-31 associated with the on-going annual arsenic media replacement expense of \$46,000 in its Chemical Expense.



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REJOINDER TESTIMONY
OF
SHAWN BRADFORD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

**REJOINDER TESTIMONY
OF
SHAWN BRADFORD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

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1 **EXECUTIVE SUMMARY**

2 Shawn Bradford responds to the surrebuttal testimony of ACC Staff and RUCO in relation to the
3 Tubac Water District. Specifically, Mr. Bradford responds to the surrebuttal testimony of ACC
4 Staff and RUCO on the issue of the treatment of arsenic media replacement costs. Mr. Bradford
5 also describes the Company's position in relation to additional storage capacity in the Tubac
6 Water District.

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Shawn Bradford. My business address is 2355 W. Pinnacle Peak Road, Suite
5 300, Phoenix, Arizona 85027, and my business phone is (623) 815-3136.

6 **Q. ARE YOU THE SAME SHAWN BRADFORD WHO SUBMITTED DIRECT AND**
7 **REBUTTAL TESTIMONY IN THIS CASE?**

8 A. Yes.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

11 A. The purpose of my Rejoinder Testimony is to respond to issues in the Surrebuttal
12 Testimony of Arizona Corporation Commission (“ACC”) Staff and the Residential
13 Utility Consumer Office (“RUCO”) relating to the Tubac Water District.

14 **III. TUBAC WATER DISTRICT**

15 **Q. HAS ACC STAFF NOW ACCEPTED THE COMPANY’S POSITION RELATING**
16 **TO ARSENIC MEDIA REPLACEMENT COSTS THAT WERE DEFERRED**
17 **PURSUANT TO THE ARSENIC COST RECOVERY MECHANISM (“ACRM”)**
18 **IN THE TUBAC WATER DISTRICT?**

19 A. Yes, in the surrebuttal testimony of ACC Staff witness Mary J. Rimback she states that
20 “Staff previously recommended that arsenic media replacement be treated as a capitalized
21 item and recovered through depreciation expense. Based on Mr. Bradford's testimony,
22 Staff agrees with the Company that this is more appropriately accounted for as an
23 operating expense.” Staff provided, in the surrebuttal testimony of ACC Staff witness

1 Christine L. Payne, an allowance for chemical expense to cover the cost of the arsenic
2 media on an annual basis. Staff agreed with EWAZ that the Company should be able to
3 recover the deferred media replacement costs from 2011 and 2012 of \$101,712.

4 **Q. HAS ACC STAFF ALSO PROPOSED AN ADJUSTMENT TO PLANT IN**
5 **SERVICE TO REMOVE \$249,315 LESS ACCUMULATED DEPRECIATION OF**
6 **\$70,762?**

7 A. Yes, however, that adjustment is being addressed in the rejoinder testimony of Ms.
8 Hubbard.

9 **Q. WHAT IS RUCO'S POSITION IN RELATION TO THOSE COSTS?**

10 A. Based on the surrebuttal testimony of RUCO witness Jeffrey Michlik, RUCO is agreeable
11 to the Company's proposal provided that the Company files a yearly compliance report
12 showing the amount of surcharges collected and the amount to be collected on a yearly
13 basis, and that the Company files a final report showing that the Deferred O&M charges
14 of \$101,712 have been fully recovered.

15 **Q. HOW DOES THE COMPANY RESPOND TO THE POSITION TAKEN BY**
16 **RUCO?**

17 A. The Company agrees with RUCO's recommendation that the Company file a yearly
18 compliance report identifying the amount of surcharges collected and the amount to be
19 collected on a yearly basis, and that the Company files a final report showing that the
20 Deferred O&M charges of \$101,712 have been fully recovered.

1 **Q. BASED ON STAFF'S PREVIOUS RECOMMENDATION THAT THE**
2 **COMPANY INSTALL ADDITIONAL STORAGE CAPACITY IN THE TUBAC**
3 **SYSTEM, WHAT IS THE COMPANY'S POSITION ON RECOVERING THIS**
4 **INVESTMENT IN RATES?**

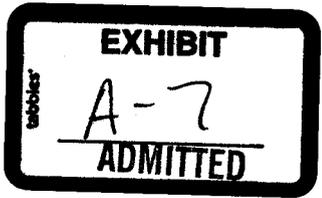
5 A. As previously stated, the Company agrees with the recommendation that additional
6 storage is needed in the Tubac system. Given the cost of additional storage and the
7 potential impact this investment will have on rates, the Company wishes to seek a cost
8 recovery mechanism similar to the Arsenic Cost Recovery Mechanism ("ACRM") that
9 the Commission approved in Tubac that provided expedited rate relief for costs
10 associated with the Company's investment in water treatment equipment needed to
11 comply with the Environmental Protection Agency's revised arsenic maximum
12 contaminant level of 10 ug/L. The Company proposes to work with ACC Staff to develop
13 an adjustor mechanism that would be filed at a later day. The adjustor mechanism would
14 permit an increase in rates to recover this needed investment with the understanding that
15 the additional storage must be completed within a year of the new rates resulting from
16 this proceeding being in effect in Tubac. The Company agrees to communicate this
17 information to customers in Tubac and allow them the opportunity to offer written
18 comment on the size of the storage tank.

19 **Q. DOES YOUR SILENCE ON ANY ISSUE RAISED BY ANY PARTY IN THEIR**
20 **SURREBUTTAL TESTIMONY INDICATE YOUR ACCEPTANCE OF THEIR**
21 **POSITION?**

22 A. No.

23 **Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**

24 A. Yes.



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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

DIRECT TESTIMONY OF
SHERYL L. HUBBARD

March 7, 2014

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1 functions resulting from a reduction in management fees from American Water and the
2 establishment of services in Phoenix.

3 EWAZ's cost of capital is not less than 6.87%. The average cost of long-term debt
4 is 4.29% and the cost of equity is 10.70%.

5 EWAZ's proposed rate case expense is \$650,000.

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7 **EXHIBIT SLH-1 – Summary of Schedule A-1s, B-1s and C-1s**

8 **EXHIBIT SLH-2 - Rate Case Expense**

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1 I. BACKGROUND, QUALIFICATIONS AND EXPERIENCE

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE
3 NUMBER.

4 A. My name is Sheryl L. Hubbard. My business address is 2355 W. Pinnacle Peak
5 Road, Phoenix, Arizona 85027, and my business phone number is (623) 445-2419.

6 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

7 A. I am employed by EPCOR Water USA ("EWUS") as Director, Regulatory and
8 Rates.

9 Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES WITH EWUS.

10 A. My primary responsibilities with EWUS are to direct the preparation of rate
11 applications and other regulatory filings consistent with the applicable regulatory
12 agency's filing requirements in Arizona and New Mexico. I am also the regulatory
13 liaison between EWUS and the regulators of EPCOR Water Arizona Inc.
14 ("EWAZ") and EPCOR Water New Mexico Inc. ("EWNM") and any public
15 outreach.

16 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND
17 EDUCATION.

18 A. I have been employed by EWUS since the purchase of Arizona-American Water
19 Company in February 2012. I was employed by Arizona-American Water
20 Company ("AZAM") commencing in March of 2007.

21 I have more than 30 years of experience in public utility accounting and
22 regulation; 20 years of service with utility regulatory agencies in Michigan and
23 Arizona with the remainder of time with water and gas utilities in Arizona. During
24 my employment with the regulatory agencies in Michigan and Arizona, my
25 responsibilities included managing and preparing revenue requirement calculations
26 for water, steam and electric utilities.

1 My subsequent employment has been with Citizens Communications
2 Company, Arizona Water Company, AZAM, and now EWUS. My responsibilities
3 have primarily been in the rates and regulatory areas of all of the utilities, but I also
4 managed the financial planning and analysis function as well as the financial
5 reporting side of the business.

6 I have a Masters of Business Administration from the University of Phoenix
7 and a Bachelor of Arts degree with a major in Accounting from Michigan State
8 University. I am a licensed, certified public accountant in the states of Arizona and
9 Michigan. I am a member of the Arizona Society of Certified Public Accountants
10 and the American Institute of Certified Public Accountants.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

12 **A.** Yes, I have. I have also testified before other regulatory commissions in various
13 jurisdictions.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

15 **A.** EWAZ is seeking to increase the rates and charges in its Mohave Water District,
16 Paradise Valley Water District, Sun City Water District, Tubac Water District, and
17 Mohave Wastewater District. My testimony provides a broad overview of the
18 requested relief, and in addition provides support for: a) the requested Rate Base
19 for each district; b) recovery of rate case expense; c) the disposition of balances
20 collected for low-income programs in Mohave Water District and Sun City Water
21 District; d) a new low-income program for customers of Paradise Valley Water
22 District, Tubac Water District, and Mohave Wastewater District; and e) the cost of
23 debt.

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1 **II. EPCOR WATER ARIZONA INC.'S FINANCIAL CONDITION**

2 **Q. WHAT IS EWAZ'S CURRENT FINANCIAL CONDITION?**

3 A. AAWC was sold to EWUS and renamed EPCOR Water Arizona Inc. and a new era
4 began February 1, 2012. Although, EWAZ's earnings have improved over the
5 earnings of the period from 2001 to 2009 when it was AZAM, EWAZ is still not
6 recovering the rates of return authorized by the Commission under present rates.
7 Table 1 below shows the returns on equity earned from 2001 to 2011 pre-EWAZ,
8 and Table 2 below shows the returns on equity for EWAZ through the end of the
9 test year.

10 **Table 1 AAWC's Historical ROE**

11 Historical ROE (%)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
12 ROE	-0.83%	2.25%	0.71%	-19.05%	-1.48%	-4.04%	-2.16%	-2.15%	-0.06%	1.49%	6.30%

14 **Table 2 EWAZ's Historical ROE**

15 EWAZ's ROE%

	2012	6/30/2013
16 ROE	6.30%	6.50%

17
18 From Table 2 above, it is evident that the financial health of EWAZ still requires
19 additional rate relief if EWAZ is to have a reasonable opportunity to earn its
20 authorized rate of return on its investment.

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1 Q. HAS EWAZ IMPLEMENTED ANY PROCEDURES TO CONTROL COST
2 INCREASES DURING ITS OWNERSHIP OF THE COMPANY?

3 A. Yes. As part of the transition from American Water, the functions previously
4 provided by the shared services center in New Jersey and St. Louis are now
5 provided by local employees supplemented by limited corporate services from
6 Edmonton, Alberta, Canada, the headquarters of the parent company, EPCOR
7 Utilities, Inc. ("EUI"). Locally provided functions include the Finance,
8 Accounting, Human Resources, Public and Governmental Affairs, Rates and
9 Regulatory, Customer Service, and the Supply Chain functions. Operations,
10 including GIS mapping services, and water testing services are all locally-provided.
11 In the process of expanding the workforce to perform all of the newly-required
12 functions, EWAZ started out by only adding 25 positions to the existing workforc
13 in Arizona. This enabled the Company to determine where additional resources
14 were needed as time progressed. In bringing the Supply Chain function into the
15 local operations, EWAZ has been able to implement a purchase order system for
16 purchasing supplies in conjunction with a focus on developing local vendor
17 relationships to gain better pricing options.

18 Q. ARE THE RESULTS OF THESE COST CONTROLLING PROCEDURES
19 REFLECTED IN THE OPERATING EXPENSES REQUESTED IN THIS
20 RATE CASE APPLICATION?

21 A. Yes, they are. If you compare Operations and Maintenance ("O&M") expenses
22 with the level of expense requested in the last rate case for each district, you can
23 see that the costs have not increased at the same rate as inflation during the same
24 periods of time. Table 3 below is a comparison of the O&M expenses approved in
25 the last rate case for each of the five districts in this rate case application.
26

1 **Table 3 O&M Expense Comparison (Last rate case vs. Current rate case)**

	TY Last Case	Last Rate Case	Current Rate Case	Increase (Decrease)	
2 Mohave Water	6/30/2010	\$4,474,285	\$4,350,673	\$ (123,612)	-2.76%
3 Paradise Valley 4 Water	12/31/2007	\$3,578,094	\$4,670,951	\$1,092,857	30.54%
5 Sun City Water	12/31/2008	\$ 6,582,548	\$6,776,112	\$193,564	2.94%
6 Tubac Water	12/31/2007	\$398,293	\$485,261 ¹	\$86,968	21.84%
7 Mohave 8 Wastewater	12/31/2007	\$549,372	\$672,207	\$122,835	22.36%
9 Total O&M 10 Expenses		\$15,582,592	\$17,005,204	\$1,422,612	9.13%

11
12
13 Since the end of the 2007 through the end of the 2012, the United States CPI-U
14 (Urban) has increased only 13.8%.² However, the sub-component of the United
15 States CPI-U (Urban) for Water, Sewer and Trash Collection increased 38.7% over
16 the same period. EWAZ has experienced an average increase of 9.13% in the five
17 districts thru prudent management.

18 **III. COMMUNITY INVESTMENT AND CORPORATE RESPONSIBILITY**

19 **Q. PLEASE DISCUSS EWUS'S POSITION ON COMMUNITY INVESTMENT
20 AND CORPORATE RESPONSIBILITY.**

21 **A.** An essential part of EWUS's business philosophy centers around providing A+
22 customer service and also being actively involved in the communities where we
23

24 ¹ Total Adjusted Test Year O&M expense of \$535,261 less \$50,000 amortization of
arsenic media replacement costs incurred in other periods.

25 ² The US CPI-U equaled 201.8 in December 2006 and 229.5 in June 2013. The US CPI-U
26 Water, Sewer and Trash Collection equaled 139.3 in December 2006 and 196.9 in June
2013.

1 provide water and wastewater service, and where our employees live or work.
2 This includes supporting and participating in service organizations and community
3 events that contribute to the quality of life in the communities in which we operate.
4 Some examples of events and programs we have recently participated in include
5 Project W.E.T., Join the Chase/Fix-a-Leak Week and the Sun City Fire Department
6 parade. Employees have volunteered time or contributed to the St. Mary's Food
7 Bank and the Salvation Army's Toys for Tots campaign. EWUS also encourages
8 employee volunteerism as part of our commitment to the communities we serve.
9 In 2013, employees contributed to organizations and programs that included United
10 Way and organizations supported through United Way, such as the Boy Scouts of
11 America, Girl Scouts of America, St. Mary's Food Bank, Bullhead City Meals on
12 Wheels, S.T.A.R.S. and St. Mary's Food Bank Alliance. Our employees are
13 actively engaged in the communities we serve, volunteering their own personal
14 time as Boy Scout troop leaders, youth sports coaches, animal rescue volunteers,
15 and volunteering with organizations that support our local first responders and
16 veterans.

17 **Q. ARE THERE ANY ACTIVITIES PERFORMED BY EWAZ THAT**
18 **DIRECTLY PROVIDE BENEFITS TO THE CUSTOMERS OF THE**
19 **COMPANY?**

20 **A.** All of the activities discussed in the previous response provide benefits to our
21 customers, but one program that provides a direct reduction to our cost of service
22 for customers is EWAZ's participation in the APS Peak Solutions® Program.

23 **Q. PLEASE PROVIDE SOME ADDITIONAL DETAILS ON THE APS PEAK**
24 **SOLUTIONS® PROGRAM.**

25 **A.** The APS Peak Solutions® program sponsored by the power company is a way to
26 control the amount of energy consumed based on usage, peak times and planned

1 reductions and is designed to benefit the Company without impacting availability
2 of power during times of high demand. APS provided an evaluation, on a test
3 program basis for EWAZ specifically, that included recommendations for power
4 reductions, which would result in both use and cost savings for the Company.

5 Based on the result of the test program, EWAZ has successfully reduced
6 usage in some districts without impacting our service quality to our customers
7 which demonstrates our commitment to sustainability and conservation.

8 **IV. SUMMARY OF RATE CASE (ALL DISTRICTS)**

9 **Q. WHAT IS EWAZ'S REQUESTED REVENUE REQUIREMENT INCREASE**
10 **IN THIS CASE?**

11 A. The application in this case includes the Mohave, Paradise Valley, Sun City, and
12 Tubac water districts, as well as the Mohave Wastewater District. The test year is
13 the twelve months ended June 30, 2013. EWAZ's requested revenue increase, rate
14 base and operating expenses are summarized in Exhibit SLH-1 Summary of
15 Schedule A-1s, B-1s and C-1s. The total requested annual revenue increase is
16 \$5.459 million, a combined increase of 19.6%.

17 **Q. WHY IS EWAZ IS REQUESTING COMMISSION APPROVAL TO**
18 **INCREASE RATES AT THIS TIME FOR THE DISTRICTS INCLUDED IN**
19 **THIS RATE APPLICATION?**

20 A. The Company has made necessary capital investments to continue to provide safe
21 and reliable water service to its customers. Since the time of the last rate case for
22 each of the districts, operations and maintenance expenses have increased even
23 though EWAZ has implemented some cost saving processes to contain costs.

24 For the Paradise Valley Water District, Tubac Water District, and Mohave
25 Wastewater District, a rate application has not been filed reflecting increased
26

1 investment in plant or cost increases in the five and one-half years since the
2 calendar year 2007 test year.

3 Increases to utility plant in service in the Tubac Water District include plant
4 related to maintaining compliance with Federal water quality standards.

5 For the Mohave Water District, Sun City Water District, and Tubac Water
6 District, actual June 30, 2013 test year revenues were significantly below the
7 amount previously authorized by the Commission due to continuing declining
8 residential water usage per customer.

9 Some districts have experienced increases to taxes other than income
10 associated with increases in property taxes.

11 In addition, EWAZ is seeking authority to implement several new and
12 continuing adjustor mechanisms in this proceeding. The new adjustor mechanism
13 would provide more timely recovery of increases in costs outside of the Company's
14 direct control such as increases in power costs and employee benefit costs. Along
15 that same line, EWAZ is requesting continuation of its purchased water adjustor
16 mechanisms in its Sun City Water and Paradise Valley Water districts.

17 In an attempt to simplify our tariffs for the benefit of both customers and
18 customer service representatives, EWAZ is also proposing more consistent
19 Miscellaneous Charges in all districts. By averaging the labor costs and applying a
20 standardized service call time, uniform service charges can be implemented
21 throughout the EWAZ system.

22 **Q. ANY OTHER RELIEF BEING SOUGHT BY EWAZ IN THIS RATE CASE**
23 **THAT YOU WOULD LIKE TO MENTION?**

24 **A.** Yes. Company witness Ms. Candace Coleman is sponsoring testimony for a
25 System Improvement Benefit Surcharge Mechanism ("SIB") for the Sun City
26 Water District, Mohave Water District, and Paradise Valley Water District.

1 Q. WHAT OTHER WITNESSES ARE PROVIDING DIRECT TESTIMONY IN
2 SUPPORT OF EWAZ'S RATE APPLICATION IN THIS PROCEEDING?

3 A. The following witnesses are providing direct testimony on the following subject
4 matters in support of EWAZ's rate application:

5 Mr. Shawn Bradford - For the Central Division districts, which include Sun City
6 Water and Tubac Water, Mr. Bradford provides testimony on major utility plant
7 additions since the previous test year for each district, operations, and proposed
8 tank maintenance expenses.

9 Mr. Jeffrey Stuck - For the Eastern Division districts, which include Paradise
10 Valley Water, Mohave Water, and Mohave Wastewater, Mr. Stuck provides
11 testimony on major utility plant additions since the previous test year for each
12 district, operations, and proposed tank maintenance expenses.

13 Mr. Jake Lenderking - Mr. Lenderking provides testimony on water resources
14 and retention of the surcharge mechanisms for purchasing Central Arizona Project
15 water.

16 Ms. Candace Coleman - Ms. Coleman requests approval of a System
17 Improvement Benefits Mechanism ("SIB").

18 Mr. Mike Worlton - Mr. Worlton provides testimony on post test year plant
19 additions.

20 Ms. Sandra L. Murrey - Ms. Murrey provides testimony on various revenue and
21 expense pro forma adjustments.

22 Mr. Thomas J. Bourassa - Mr. Bourassa provides testimony on Cost of Service
23 Study (G Schedules) and H Schedules, and rate design for all districts.

24 Ms. Pauline Ahern - Ms. Ahern provides testimony on cost of equity.
25
26

- 1 V. SPONSORED SCHEDULES
- 2 Q. PLEASE IDENTIFY THE SCHEDULES YOU ARE SPONSORING.
- 3 A. I am sponsoring the following schedules for the Company, all of which were either
- 4 prepared by me or prepared under my direct supervision:
- 5 • Schedule A-1 – Computation of Increase In Gross Revenue Requirements
 - 6 • Schedule A-2 – Summary of Operations
 - 7 • Schedule A-3 – Summary of Capital Structure
 - 8 • Schedule A-4 – Construction Expenditures and Gross Utility Plant in Service
 - 9 • Schedule A-5 – Summary of Cash Flows
 - 10 • Schedule B-1 – Summary of Fair Value Rate Base
 - 11 • Schedule B-2 – Original Cost Rate Base Pro Forma Adjustments
 - 12 • Schedule B-3 – RCND Rate Base Pro Forma Adjustments
 - 13 • Schedule B-4 – RCND Detail of Plant Accounts
 - 14 • Schedule B-5 – Computation of Working Capital Allowance
 - 15 • Schedule B-6 – Lead/Lag Study – Cash Working Capital Requirement
 - 16 • Schedule D-1 – Summary of Cost of Capital
 - 17 • Schedule D-2 – Cost of Long-Term Debt
 - 18 • Schedule D-3 – Cost of Preferred Stock
 - 19 • Schedule D-4 – Cost of Common Equity
- 21
- 22 VI. REVENUE REQUIREMENT – SUMMARY SCHEDULES (A SCHEDULES
- 23 - ALL DISTRICTS)
- 24 Q. PLEASE EXPLAIN SCHEDULE A-1.
- 25 A. Schedule A-1 titled “Computation of Increase In Gross Revenue Requirements”
- 26 shows the calculation of the increase in gross revenue and summarizes the change

1 in gross revenues that the Company has determined is necessary to continue to
 2 provide safe and reliable water and wastewater services to its customers while
 3 providing the Company an opportunity to earn a reasonable rate of return on its
 4 investments dedicated to utility service in these five districts. For purposes of this
 5 proceeding, the increase in the gross revenue requirement for the districts included
 6 in this rate change application is based on a test year ending June 30, 2013, and
 7 totals \$5,458,907 as summarized in Table 1 below.

8 Table 1. Requested Revenue Increase

9

	Mohave Water	Paradise Valley Water	Sun City Water	Tubac Water	Mohave Wastewater	Total
10						
11	Increase in Gross					
12	Revenue Requirement	\$1,983,872	\$950,774	\$1,646,454	\$410,000	\$467,806
						\$5,458,907

13 Q. PLEASE EXPLAIN SCHEDULE A-2.

14 A. Schedule A-2 titled "Summary Results of Operations" contains operating history
 15 for the unadjusted and adjusted test year ended June 30, 2013, 2012, and 2011 as
 16 well as projected year 2014 for the each district. The test year 2013 figures on this
 17 exhibit are presented as recorded in the accounting records of the Company and are
 18 also adjusted for the pro forma changes identified in the Company's application.

19 Q. PLEASE EXPLAIN SCHEDULE A-3.

20 A. Schedule A-3 titled "Summary of Capital Structure" summarizes the debt and
 21 equity of the Company allocated to the individual districts for test year ending June
 22 30, 2013, 2012, and 2011 as well as projected year 2014. The test year 2013
 23 figures are presented unadjusted as well as adjusted for pro forma changes
 24 recommended in the Company's application.

25 Q. PLEASE EXPLAIN SCHEDULE A-4.

26 A. Schedule A-4 is titled "Construction Expenditures and Gross Utility Plant in

1 Service". This exhibit presents the historical construction expenditures for test
2 year ending June 30, 2013, 2012, and 2011, as well as three years of projected
3 expenditures for the district. This schedule also contains annual cost data for net
4 plant placed in service and balances of gross utility plant in service for the same
5 time periods shown for construction expenditures. Company witness Mike
6 Worlton is sponsoring the explanation of construction expenditures in this
7 proceeding.

8 **Q. PLEASE EXPLAIN SCHEDULE A-5.**

9 A. For each district, Schedule A-5 titled "Summary of Cash Flows" is a statement of
10 cash flows detailing the changes in the cash accounts for test year ending June 30,
11 2013, 2012, and 2011.

12 **VII. RATE BASE SCHEDULES (B SCHEDULES - ALL DISTRICTS)**

13 **Q. PLEASE EXPLAIN SCHEDULE B-1.**

14 A. Schedule B-1 titled "Summary of Fair Value Rate Base" sets forth the Summary of
15 Fair Value Rate Base for each district as of the end of the test year ending June 30,
16 2013. Rate Base represents the investor-supplied plant facilities and other
17 investments required to provide utility service to customers. The components
18 typically recognized in the calculation of rate base are plant in service,
19 accumulated depreciation and amortization, customer advances in aid of
20 construction ("AIAC"), contributions in aid of construction ("CIAC"), customer
21 deposits, deferred income tax liabilities/investment tax credits also known as
22 ADITS (if applicable), and working capital. Other items that may be considered in
23 the calculation of rate base on a case-by-case basis include regulatory assets (also
24 referred to as deferred debits), regulatory liabilities, acquisition adjustments and
25 construction work in progress.

26 ...

1 Net Plant, plant in service less the associated accumulated depreciation and
2 amortization, is generally the largest component of rate base. Rate base is
3 computed by offsetting Net Plant by AIAC, CIAC-Net of Amortizations, and
4 ADITs. The accumulated balance of AIAC is shown on Line 12 of Schedule B-1.
5 Line 15 of Schedule B-1 shows the CIAC, net of applicable amortizations, for
6 EWAZ. Line 17 shows the amount of Customer Deposits at the end of the test year
7 and Line 18 of the schedule shows the ADITs as of the end of the test year.
8 Paradise Valley Water District is the only district in this proceeding that has
9 Investment Tax Credits remaining on its accounting records and the associated
10 balance has been included as a reduction in the calculation of Rate Base for that
11 district, which is shown on Line 19.

12 The Working Capital Allowance that is shown on Line 24 of Schedule B-1
13 is supported by calculations on Schedule B-5 and will be discussed later in this
14 testimony. For ratemaking purposes, a working capital allowance is developed to
15 adjust rate base to reflect the additional investment required for on-going utility
16 operations over and above the amount reflected in net plant.

17 The Utility Plant Acquisition Adjustment paid by EWUS when AZAM was
18 purchased from American Water Company has not been included in the calculation
19 of Rate Base for the purposes of this proceeding. Line 25 of Schedule B-1 reflects
20 this exclusion on Line 25 of Schedule B-1.

21 The Company accepts the use of its Original Cost Rate Base as the Fair
22 Value Rate Base for purposes of this proceeding and did not conduct a study to
23 determine rate base based Reconstructed Cost New Depreciated ("RCND").
24 Accordingly, there is no RCND summary calculation reflected on Schedule B-1.

25 ...

26 ...

1 Table 2 below is a summary of the original cost rate base values proposed
 2 for each district in this proceeding.

3 Table 2. Original Cost Rate Base

4

	Mohave	Paradise	Sun City	Tubac	Mohave	Total	
	Water	Valley Water	Water	Water	Wastewater		
5							
6							
7	Original Cost Rate Base	\$23,711,859	\$40,102,943	\$25,867,081	\$1,622,613	\$5,250,928	\$96,555,426

8

9 Q. PLEASE EXPLAIN SCHEDULE B-2.

10 A. Schedule B-2 titled "Original Cost Rate Base Pro Forma Adjustments" is a five-
 11 page schedule. This schedule details the pro forma adjustments identified and
 12 proposed as necessary to adjust the historical test year-end plant in order to include
 13 all investments required to provide satisfactory service to historical test year
 14 customers when the rates resulting from this application become effective.

15 Q: ARE YOU RECOMMENDING ANY ADJUSTMENTS TO THE TEST
 16 YEAR LEVELS OF PLANT IN SERVICE?

17 A. Yes. The adjustments that I am recommending to the test year levels of plant are
 18 reflected on each district's Schedule B-2. The adjustments for all districts include
 19 an adjustment for post test year plant additions (Adj SLH-1), a request for a 24-
 20 month deferral of post in service allowance for funds used during construction
 21 ("AFUDC") and depreciation expense (Adj SLH-2), a removal of CIAC for plant
 22 not in service (Adj SLH-3), and removal of the acquisition premium associated
 23 with the purchase of AZAM by EWUS (Adj SLH-4).

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1 Q. PLEASE EXPLAIN YOUR ADJUSTMENT SLH-1 – POST TEST YEAR
2 PLANT ADDITIONS.

3 A. Adjustment SLH-1 – Post Test Year Plant Additions adjusts Plant in Service to
4 include projects that were completed as of the end of the test year but still in the
5 Construction Work in Progress (“CWIP”) account due to delays in recording the
6 completed projects to Plant in Service. In addition to the projects still in CWIP,
7 some additional projects slated to be completed by June 30, 2014 are included as
8 well. Company witness, Mike Worlton discusses the proposed post test year plant
9 additions in greater detail in his direct testimony.

10 All of the CWIP projects included in Adj-SLH-1 consist entirely of revenue-
11 neutral replacements of current facilities necessary to provide continued quality
12 service to existing customers. Investments in new meters and services that will
13 provide service related to growth have not been included in the proposed rate base
14 adjustments.

15 Q. WERE THE CWIP PROJECTS THAT THE COMPANY SEEKS TO
16 INCLUDE IN RATE BASE IN THIS PROCEEDING APPROVED DURING
17 THE COMPANY’S CAPITAL BUDGETING PROCESS?

18 A. Yes, they were. As part of its overall strategic business plan, EWAZ prepares a
19 five-year capital investment plan. Each year, the capital investment plan is
20 revisited to identify and prioritize necessary capital improvement projects to ensure
21 safe and reliable water and wastewater utility services, including resolving
22 operational challenges, complying with regulatory requirements, and steps to
23 formalize and approve the annual budget. An assessment of capital improvements
24 completed during the prior year is performed, and adjustments, if applicable, are
25 made in accordance with the remaining years of the current five-year investment
26 plan.

1 Q. PLEASE EXPLAIN THE BASIS OF EWAZ'S CAPITAL INVESTMENT
2 PLAN?

3 A. The Company's capital investment plan is developed from capital improvements
4 identified in Comprehensive Planning Studies ("CPS") conducted on a district-
5 specific basis. From these studies, capital improvement projects are identified in
6 response to any areas of concern identified in the CPS.

7 Q. THANK YOU. PLEASE DISCUSS ADJUSTMENT SLH-2 - 24-MONTH
8 DEFERRAL REQUEST.

9 A. Adjustment SLH-2 - 24-Month Deferral Request reflects the effects on Rate Base
10 of deferral accounting for a portion of Post in Service AFUDC and depreciation
11 expense on investment between rate cases. The addition to Rate Base reflects the
12 unamortized balance of deferred Post in Service AFUDC and depreciation expense
13 computed by continuing to compute AFUDC on projects completed on day one of
14 the test year which in this case is July 1, 2012 and accumulating the depreciation
15 expense on those projects from the time they are placed into service. I am
16 sponsoring the calculation of the amortization of the balance using the composite
17 depreciation rates calculated by Company witness Ms. Sandra Murrey on Schedule
18 C-2, Adjustment SM-13 for each district. The amortization of the deferred balance
19 is carried to the income statement pro forma adjustment to Depreciation and
20 Amortization sponsored by Ms. Murrey.

21 Q. PLEASE EXPLAIN HOW THE COMPOSITE DEPRECIATION RATE
22 USED TO AMORTIZE THE DEFERRED POST IN SERVICE AFUDC AND
23 DEPRECIATION WAS CALCULATED?

24 A. The composite depreciation rate is merely the annualized depreciation expense
25 based on test year end plant in service divided by the test year end depreciable
26 plant in service. The calculation is district specific. Table 3 below shows the

1 composite depreciation rates used for each of the districts in this case. The
2 Company is not opposed to providing the actual plant in service and associated
3 depreciation expense as the case progresses, but for purposes of this application, an
4 estimate is all that is available at this time.

5 Table 3. 24- Month Deferral AFUDC and Depreciation Composite Depreciation
6 Rates

	Composite Depreciation Rate
Mohave Water	2.65%
Paradise Valley Water	3.41%
Sun City Water	3.22%
Tubac Water	2.81%
Mohave Wastewater	2.89%

13
14 **Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED ADJUSTMENTS**
15 **TO REMOVE DEFERRED DEBITS AND CIAC ASSOCIATED WITH**
16 **DEVELOPER-FUNDED CWIP AND THE UTILITY PLANT**
17 **ACQUISITION ADJUSTMENT FROM RATE BASE FOR THE TEST**
18 **YEAR?**

19 **A.** Table 4 sets forth the Company's proposed adjustments to rate base labeled
20 Adj SLH-3 and Adj SLH-4 on Schedule B-2.

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26 ...

1 Table 4 – Removal of CIAC not in Plant in Service and Utility Plant Acquisition
 2 Adjustment.

<u>Districts</u>	<u>SLH-3 Removal of CIAC not in Plant in Service</u>	<u>SLH-4 Remove Utility Plant Acquisition Adjustment</u>
Sun City Water	(\$ 854,540)	(\$ 3,252,282)
Mohave Water	(\$ 84,169)	(\$ 2,234,523)
Paradise Valley Water	(\$ 48,632)	(\$ 682,202)
Tubac Water	(\$ 74,010)	(\$ 84,345)
Mohave Wastewater	(\$ 228,459)	(\$ 199,566)
Total	(\$ 1,289,810)	(\$ 6,452,918)

9
 10 **Q. PLEASE DISCUSS ADJUSTMENTS ADJ SLH-3 AND ADJ SLH-4 THAT**
 11 **YOU ARE SPONSORING.**

12 **A.** Adjustment SLH-3 – Removal of CIAC not in Plant in Service decreases the CIA'
 13 balance associated with developer-funded projects that are still in CWIP at the enc
 14 of the test year. Since these projects were not transferred from CWIP to Utility
 15 Plant in Service prior to June 30, 2013, they are not included in the Company's
 16 requested Rate Base, and accordingly, the contributions associated with these
 17 developer-funded projects should not be reflected as a reduction to the Company's
 18 Rate Base.

19 Adjustment Adj SLH-4 – Remove Plant Acquisition Adjustment eliminates
 20 the plant acquisition adjustment from the calculation of Rate Base. When AZAM
 21 was acquired by EWUS, an acquisition adjustment was recorded in the accounting
 22 records. This adjustment merely removes the acquisition adjustment from
 23 inclusion in Rate Base.

24 **Q. PLEASE EXPLAIN SCHEDULE B-5.**

25 **A.** Schedule B-5 provides the Computation of Working Capital Allowance. Working
 26 capital is a measure of funding requirements of daily operating expenditures and

1 other non-plant investments that are necessary to sustain ongoing operations of the
2 utility. This measurement is designed to identify the average ongoing funding
3 requirements of investors for the test year. Working Capital consists of Cash
4 Working Capital derived from a Lead/Lag study, as well as 13-month averages
5 applicable to Required Bank Balances, Inventories, and Prepayments on the
6 Company's Balance Sheet. 13-month averages of the required bank balances,
7 inventories, both plant materials and chemicals, if applicable, and the prepayment
8 balances from the balance sheet have been calculated and are reflected on Schedule
9 B-5.

10 **Q. PLEASE DISCUSS THE PREPAYMENTS COMPONENT OF THE**
11 **WORKING CAPITAL REQUIREMENT.**

12 A. Prepayments are included as a component of working capital to recognize an
13 investment of funds made by a company. Prepayments represent payments of
14 expenses made in advance of the period to which they apply. A 13-month average
15 balance is used to quantify the working capital allowance due to investments in
16 prepayments to be added to the Company's rate base.

17 **Q. PLEASE DISCUSS THE CASH WORKING CAPITAL COMPONENT OF**
18 **THE WORKING CAPITAL REQUIREMENT.**

19 A. Cash working capital should represent the average amount of capital provided by
20 investors, over and above the investment in plant and other rate base items, to
21 finance the cost of service during the time lag before revenues are collected.
22 In conjunction with the other components of rate base, the cash working capital
23 component measures the amount of investor-supplied capital required to provide
24 service. There are several acceptable methods for computing the cash working
25 capital component, but the ACC Staff has adopted the use of the lead/lag
26 methodology for determining cash working capital for large water utilities in this

1 jurisdiction. The Company's lead/lag cash working capital calculation will be
2 discussed in conjunction with the discussion of Schedule B-6 below.

3 **Q. PLEASE EXPLAIN SCHEDULE B-6.**

4 A. Schedule B-6 titled "Lead/Lag Study – Cash Working Capital Requirement" details
5 the calculation of the investor-provided working cash component of the working
6 capital allowance. To compute the working cash component, it is necessary to
7 measure the time lag between services rendered and the receipt of revenues for
8 those services. This measurement, referred to as Revenue Lag Days, reflects a
9 provision of working capital by investors and is shown in Column (C) of Schedule
10 B-6. It is also necessary to measure the time lag between the incurrence of
11 expenses and the payment of those expenses referred to as the Expense Lag Days
12 (Column (D) of Schedule B-6), which offsets the revenue lag. This is referred to as
13 the Net Lag Days and is summarized by expense category in Column (E) of
14 Schedule B-6. When the Revenue Lag Days exceed the Expense Lag Days, there
15 is a net provision of working capital by investors. If the converse is true, there is a
16 net provision of working capital by customers. The cash working capital
17 calculation in this case is based on the adjusted test year results multiplied by the
18 lead/lag factors derived from the exercise discussed above. This is true except for
19 customer accounting, property taxes, and income tax expenses, in which case, the
20 level of expense at the proposed rate levels has been used to account for changes
21 that are impacted by changes in revenue.

22 **VIII. RATE CASE EXPENSE (ALL DISTRICTS)**

23 **Q. WHAT IS EWAZ'S PROPOSED RATE CASE EXPENSE FOR THIS**
24 **PROCEEDING?**

25 A. Exhibit SLH-2 Rate Case Expense displays by our estimated rate case expense of
26 \$650,000.

1 Ms. Murrey sponsors Schedule C-2 income statement adjustment SM-7,
2 which relies on a four-factor allocation of the proposed rate case expense to each
3 district with a three-year amortization period.

4 **Q. HOW DID YOU ARRIVE AT THIS AMOUNT?**

5 A. Based on our experience with rate cases before the Commission, and given
6 EWAZ's size and the anticipated nature, length and complexity of the proceedings.
7 If the processing of this application turns out to be more complicated than
8 anticipated, the Company will modify its request to account for the additional
9 incurred expense. Conversely, if the case proceeds as anticipated and rate case
10 expense is lower than expected, we will make an appropriate adjustment
11 downward.

12 **IX. COST OF CAPITAL SCHEDULES (ALL DISTRICTS)**

13 **Q. WHAT IS THE REQUESTED COST OF CAPITAL IN THIS**
14 **PROCEEDING?**

15 A. EWAZ's cost of capital is not less than 6.87%, which is calculated on the D
16 Schedules that I am sponsoring.

17 **Q. PLEASE DISCUSS SCHEDULES D-1 THROUGH D-4?**

18 A. Schedules D-1 through D-4 provide the overall cost of capital and its component
19 details – summary of cost of capital (Schedule D-1), cost of debt (Schedule D-2),
20 cost of preferred stock (Schedule D-3), and cost of equity (Schedule D-4) for the
21 total EWAZ as well as for each district.

22 **Q. WHAT IS THE AMOUNT AND COST OF DEBT?**

23 A. Schedule D-2 displays an average cost of long-term debt of 4.29%, which has been
24 in effect since the purchase by EWUS of the AZAM districts from American Water
25 Company on February 1, 2012.
26

1 Q. WHAT DEBT ISSUANCES RESULTED FROM THE ACQUISITION BY
2 EWUS?

3 A. In Decision No. 72668 issued November 17, 2011, the Commission authorized
4 EWAZ to refinance all of the then existing long-term debt as part of the purchase
5 by EWUS. This was done in 2012 at an interest rate adjusted for issuance costs of
6 4.29%.

7 Q. WHAT IS THE ESTIMATED COST OF EQUITY?

8 A. The estimated cost of equity of 10.70%. Ms. Pauline Ahern's Direct Testimony on
9 behalf of the Company supports this cost of equity as fair and reasonable.

10 X. NEW ADJUSTOR MECHANISMS

11 Q. IS THE COMPANY PROPOSING ANY NEW ADJUSTOR MECHANISMS
12 IN THIS RATE CASE APPLICATION?

13 A. Yes. Based upon the uncertainties facing power supply and employee medica-
14 expenses, EWAZ is seeking to add a Power Cost Adjustment Mechanism
15 ("PCAM") and an Affordable Care Act Adjustment Mechanism ("ACAM") to its
16 tariffs.

17 Q. PLEASE DISCUSS THE BENEFITS OF A PURCHASED POWER
18 ADJUSTMENT MECHANISM FOR CUSTOMERS AND THE COMPANY.

19 A. The Commission long ago recognized the benefits of adjuster mechanisms like our
20 proposed PCAM as noted in the following decision:

21 *"If purchased power and/or water costs are trending upward, gradually*
22 *recognizing those increasing cost through incremental rate adjustments*
23 *sends a more appropriate price signal to users and receives greater*
24 *customer acceptance than the less frequent, but far larger, rate increases...*
25 *If purchased power and/or water costs are trending downward, Staff's*

26

1 *proposal would delay the refund owing to customers.” Decision No. 58120*
2 (December 23, 1992, p. 30).

3 **Q. ARE THERE ANY OTHER COMPELLING REASONS WHY THE PCAM**
4 **SHOULD BE AUTHORIZED?**

5 A. The Commission and the Company share a concern over rate shock. In fact, the
6 current Commission has requested its staff to investigate ways to minimize the
7 impact of a needed rate increase on customer bills. The best way to send
8 appropriate price signals to customers is to enable companies to pass through cost
9 increases and decreases in a more timely fashion. With the proper determination of
10 the base cost of power and a mechanism that includes actual sales volume true ups,
11 an adjustor mechanism can accomplish that goal without harm to customers.

12 **Q. DOES EWAZ HAVE A RECOMMENDATION OF HOW TO ADMINISTER**
13 **A PCAM?**

14 A. Again, I will turn to the Commission which noted from a PCAM type adjuster in a
15 prior decision for Arizona Water Company decision matter.

16 *“We still believe that AWC should have a PPAM, and it should be based on*
17 *gallons pumped and not gallons sold. We recognize that this will not allow*
18 *AWC to fully collect increased power costs but believe that this will serve as*
19 *an incentive for AWC to minimize costs. ... As to the PWAM, we believe a*
20 *similar type of pass-through mechanism, ... will provide sufficient incentive*
21 *for AWC to hold down costs.” Decision No. 55061 (June 11, 1986 pp. 20-*
22 *21).*

23 EWAZ also is willing to accept Commission Staff’s recommended
24 conditions for approval of a PPAM in the 2013 rate case for Litchfield Park Service
25 Company. There, Commission Staff recommended approval of LPSCO’s PPAM
26 subject to two conditions: (1) that the Company provide an annual report on purchased

1 power; and (2) that Staff calculate an annual increase or decrease, and provide a
2 Recommended Opinion and Order for Commission approval within 30 days of the
3 Company's annual report. Both of these conditions are acceptable to EWAZ.

4 **Q. ARE YOU ALSO REQUESTING AN ADJUSTMENT MECHANISM FOR**
5 **EMPLOYEE HEALTH CARE COSTS?**

6 A. Yes. Medical costs for employees have become quite volatile and unpredictable,
7 two key criteria cited to justify adjustment mechanisms. EWAZ is seeking to
8 establish an adjustor mechanism that would enable the increases or decreases in
9 medical costs for employees to be recovered in a more timely fashion, the ACAM.
10 With the passage of the new health care law, predicting the impact of changes in
11 requirements surrounding employee health care coverage by employers is difficult,
12 if not impossible. An adjustor mechanism would provide protection for both th
13 Company and our customers for changes in this cost.

14 **Q. DOES EWAZ HAVE A RECOMMENDATION OF HOW TO ADMINISTER**
15 **AN ACAM?**

16 A. Yes. Medical costs are based on employee levels and generally include some
17 individual selection criteria. In the case of EWAZ, an average cost per employee
18 has been used to determine the known and measurable expense. The Company
19 recommends using the average cost per employee and the current employee count
20 as the base and provide an adjustment when the average cost per employee
21 changes. Limiting the employee count to the number in the test year would
22 provide an incentive to the Company to control increasing employee levels.

23 ...

24 ...

25 ...

26

1 **XI. LOW-INCOME PROGRAMS**

2 **Q. IS EWAZ PROPOSING TO ADD LOW-INCOME PROGRAMS TO**
3 **TARIFFS IN ANY OF THE DISTRICTS IN THIS PROCEEDING?**

4 **A.** Yes. Currently, EWAZ has low-income programs in its Sun City Water and
5 Mohave Water districts; however, the Company is proposing to add low-income
6 programs in the Tubac Water, Paradise Valley Water and Mohave Wastewater
7 districts.

8 **Q. HOW WILL THE LOW-INCOME PROGRAM BE STRUCTURED IN**
9 **THESE DISTRICTS?**

10 **A.** The existing low-income programs have pre-established participation maximums
11 and a third party assists in screening eligible customers into the programs. For the
12 new programs the Company would propose to continue the use of a third party
13 coordinator and has determined the participation maximums based on 4 percent of
14 the 5/8-inch residential customers. In addition, the proposal contemplates a forty
15 percent discount on the monthly minimum usage charge.

16 **Q. HOW WILL THE LOW-INCOME DISCOUNT BE RECOVERED BY THE**
17 **COMPANY?**

18 **A.** The cost of the program should be a recoverable charge and the Company has
19 computed a surcharge for each district to be added to the highest block usage rate
20 as discussed in the rate design testimony of Company witness Mr. Thomas J.
21 Bourassa.

22 **Q. HAS THE COMPANY DETERMINED HOW IT WILL HANDLE OVER-**
23 **OR UNDER-COLLECTIONS FROM THE SURCHARGE?**

24 **A.** Yes. The Company will monitor the annual collections associated with the
25 surcharge applied to the highest usage block and when it has collected sufficient
26 revenue to cover the discounts for the maximum participant levels, the surcharge

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for the low-income program will cease. If there are any over- or under- collections, they will be used to offset the subsequent year's low-income program costs.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

EPCOR Water Arizona
 Test Year Ended June 30, 2013
 Computation of Increase In Gross Revenue Requirement

EXHIBIT SLH-1
 Page 1 of 4

Summary of Schedule A-1's

Line No.	Description	Mohave Water	Paradise Valley	Sun City Water	Tubac Water	Mohave Wastewater	Total
1	Original Cost Rate Base	\$23,711,859	\$40,102,943	\$25,867,081	\$1,622,613	\$5,250,928	\$96,555,426
2							
3	Adjusted Operating Income	\$ 424,406	\$ 2,176,797	\$ 782,241	\$ (135,672)	\$78,532	\$3,326,304
4							
5	Current Rate of Return	1.79%	5.43%	3.02%	-8.36%	1.50%	3.44%
6							
7	Required Operating Income	\$1,629,005	\$2,755,072	\$1,777,068	\$111,474	\$380,739	\$6,633,358
8							
9	Required Rate of Return	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%
10							
11	Operating Income Deficiency	\$1,204,599	\$578,275	\$994,828	\$247,146	\$282,207	\$3,307,054
12							
13	Gross Revenue Conversion Factor	1.6469	1.6442	1.6550	1.6589	1.6577	1.6507
14							
15	Increase in Gross Revenue Requirement	\$1,983,872	\$950,774	\$1,546,454	\$410,000	\$467,806	\$5,458,907
16							
17							
18	Test Year Adjusted Present Rate Revenue	\$ 6,354,293	\$ 9,648,251	\$ 10,265,553	\$ 579,194	\$ 1,055,839	\$ 27,903,131
19							
20	Percent Rate Increase	31.2%	9.9%	16.0%	70.8%	44.3%	19.6%
21							
22	Test Year Adjusted Current ROE	-0.77%	2.87%	0.46%	-10.92%	-1.06%	
23							
24	Year End Number of Annualized Customer	16,067	4,862	23,004	566	1,448	45,977

Line No.	Summary of Schedule B-1's	Mohave Water	Paradise Valley	Sun City Water	Tubac Water	Mohave Wastewater	Total
1							
2	Gross Utility Plant In Service	\$47,525,169	\$73,416,661	\$76,164,423	\$6,488,991	\$9,226,311	\$212,821,555
3							
4							
5							
6	Less: Accumulated Depreciation	16,401,763	23,028,171	27,310,802	1,949,872	1,075,072	69,765,880
7							
8	Net Utility Plant In Service	\$31,123,407	\$50,388,490	\$48,853,621	\$4,539,119	\$8,151,239	\$143,055,875
9							
10	Less:						
11	Advances In Aid of						
12	Construction	\$7,012,710	\$1,554,766	\$6,313,480	\$1,952,127	\$1,916,421	\$18,749,505
13							
14	Contributions In Aid of						
15	Construction - Net of amortization	481,135	9,259,772	16,125,275	1,030,362	935,072	27,831,617
16							
17	Customer Meter Deposits	8,257	23,819	4,903	517	5	37,502
18	Deferred Income Taxes & Credits	696,652	212,749	1,014,247	26,304	62,236	2,012,387
19	Investment tax Credits	0	39,646	0	0	0	39,646
20	Regulatory Liabilities	106,450	0	90,329	0	0	196,779
21	Plus:						
22	Unamortized Finance						
23	Charges	0	0	0	0	0	0
24	Deferred Debts	873,903	778,686	225,112	83,390	28,717	1,989,807
25	Allowance for Working Capital	19,953	26,520	336,585	9,415	(15,292)	377,180
26	Utility Plant Acquisition Adjustment	0	0	0	0	0	0
27							
28	Total Rate Base	\$23,771,859	\$40,102,943	\$25,867,081	\$1,622,613	\$5,250,928	\$96,555,426

Summary of Schedule C-1s

Line No.		Mohave Water	Paradise Valley	Sun City Water	Tubac Water	Mohave Wastewater	Total
1	Revenues						
2	Water Revenues	6,132,996	9,589,273	10,103,166	574,204	1,052,210	\$ 27,451,849
3	Other Revenues	221,297	68,978	162,387	4,990	3,629	451,282
4							
5	Total Revenue	\$ 6,354,293	\$ 9,648,251	\$ 10,265,553	\$ 579,194	\$ 1,055,839	\$ 27,903,131
6	Operating Expenses						
7	Labor	1,389,973	1,205,431	1,711,461	179,440	266,572	\$ 4,754,876
8	Purchased Water	26,831	-	-	-	(0)	26,831
9	Fuel & Power	546,720	1,329,578	1,557,580	33,324	46,241	3,513,444
10	Chemicals	(8,257)	58,605	34,119	88,934	12,000	195,602
11	Waste Disposal	7,886	15,320	4,661	811	34,306	62,983
12	Intercompany Support Services	950	860	1,396	95	161	3,462
13	Corporate Allocation	347,018	314,349	510,069	34,814	58,694	1,264,944
14	Outside Services	192,587	221,463	245,413	26,569	27,731	713,762
15	Group Insurance	418,599	321,965	490,722	33,124	53,082	1,317,492
16	Pensions	6,694	3,881	6,298	430	725	18,029
17	Regulatory Expense	104,574	84,137	129,316	9,181	15,230	342,439
18	Insurance Other Than Group	101,045	138,643	286,791	16,895	14,658	560,032
19	Customer Accounting	581,279	187,288	834,153	20,561	53,827	1,687,109
20	Rents	16,923	30,456	45,805	7,566	8,199	108,948
21	General Office Expense	260,964	144,287	231,731	29,509	23,103	689,585
22	Miscellaneous	(20,272)	91,606	478,848	5,574	4,577	560,333
23	Maintenance Expense	377,160	512,882	206,746	38,435	51,102	1,185,325
24	Depreciation & Amortization	1,379,320	1,630,224	1,979,668	242,898	273,729	5,505,839
25	General Taxes-Property Taxes	163,376	335,846	434,142	30,506	53,660	1,017,530
26	General Taxes-Other	149,829	120,776	218,906	16,157	12,392	518,061
27	Income Taxes	(113,311)	713,656	74,485	(109,957)	(34,680)	530,193
28							
29	Total Operating Expenses	\$ 5,929,887	\$ 7,471,454	\$ 9,483,313	\$ 714,866	\$ 977,308	\$ 24,676,827
30	Utility Operating Income	\$ 424,406	\$ 2,176,797	\$ 782,241	\$ (135,672)	\$ 78,532	\$ 3,326,304
31	Other Income & Deductions						
32	Other Income & Deductions						
33	Interest Expense	607,024	1,026,635	662,197	41,539	134,424	2,471,819
34	Other Expense						
35	Gain/Loss Sale of Fixed Assets						
36	Total Other Income & Deductions	\$ (607,024)	\$ (1,026,635)	\$ (662,197)	\$ (41,539)	\$ (134,424)	\$ (2,471,819)
37	Net Profit (Loss)	\$ (182,618)	\$ 1,150,162	\$ 120,044	\$ (177,211)	\$ (56,882)	\$ 854,485
38							

Item of Capital	End of Test Year				End of Projected Year			
	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
Long-Term Debt	\$ 231,000,000	58.47%	4.29%	2.51%	\$ 231,000,000	59.76%	4.29%	2.56%
Short-Term Debt	\$ 8,560,000	2.17%	0.31%	0.01%	\$	0.00%	0.31%	0.00%
Stockholder's Equity	\$ 155,533,624	39.37%	10.70%	4.21%	\$ 155,533,624	40.24%	10.70%	4.31%
Totals	<u>\$ 395,093,624</u>	<u>100.00%</u>		<u>6.73%</u>	<u>\$ 386,533,624</u>	<u>100.00%</u>		<u>6.87%</u>

EPCOR WATER ARIZONA
Docket No. WS-01303A-14-____
Rate Case Expense

EXHIBIT SLH - 2
Page 1 of 1

Estimated Rate Case Expense

\$ 650,000

Proposed Amortization (Years)

3

Annual Rate Case Expense

\$ 216,667

EXHIBIT

A-8
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REBUTTAL TESTIMONY
OF
SHERYL L. HUBBARD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

**REBUTTAL TESTIMONY
OF
SHERYL L. HUBBARD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

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1 **EXECUTIVE SUMMARY**

2 Sheryl L. Hubbard first describes the challenges that led to EPCOR Water Arizona Inc.
3 (“EWAZ” or “Company”) filing revised schedules on October 14, 2014. Ms. Hubbard also
4 responds to concerns raised by ACC Staff and RUCO regarding the Company’s accounting
5 records.

6 Ms. Hubbard then presents the Company’s revised requested annual revenue increase of
7 \$4,443,437, or a 15.9% increase, highlighting the major changes from the October 14, 2014
8 filing in response to issues raised by other parties to this case.

9 Ms. Hubbard next addresses recommendations by ACC Staff and RUCO witnesses to the
10 Company’s proposed Rate Base components and several adjustments to expenses level in the
11 proposed Adjusted Test Year Operating Income. Specifically, she addresses adjustments
12 proposed by ACC Staff and RUCO to the Company’s request for the expense categories
13 identified as Depreciation and Amortization, Labor (specifically incentive compensation
14 expense), and Corporate Allocation (specifically at-risk compensation and public and
15 governmental affairs expenses).

16 Finally, Ms. Hubbard responds to certain recommendations relating to the Company’s proposed
17 adjustor mechanisms.

18

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Sheryl L. Hubbard. My business address is 2355 W. Pinnacle Peak Road,
5 Suite 300, Phoenix, Arizona 85027, and my business phone number is (623) 445-2419.

6 **Q. ARE YOU THE SAME SHERYL L. HUBBARD THAT SUBMITTED DIRECT**
7 **TESTIMONY IN THIS CASE?**

8 A. Yes.

9 **Q. PLEASE EXPLAIN WHY THE COMPANY FILED NEW SCHEDULES IN THIS**
10 **CASE ON OCTOBER 14, 2014.**

11 A. The Company prepared and filed revised schedules based on discussions with, and to
12 address the concerns raised by, the Arizona Corporation Commission Staff ("ACC Staff")
13 and the Residential Consumer Utility Office ("RUCO") in regards to the Company's
14 responses to some data requests. More specifically, in response to data request number
15 RUCO 1.52, the Company submitted plant and accumulated depreciation calculations
16 incorporating adjustments ordered in each district's previous rate decision that had not
17 been included in the Company's direct case filing. The calculations involved using the
18 plant and accumulated depreciation balances authorized in each district's last rate case
19 decision and rolling those balances forward to the end of the test year in this case. To roll
20 forward the plant balances by the National Association of Regulatory Utility
21 Commissioners ("NARUC") account, monthly plant additions, retirements, and
22 transfers/adjustments from the last case's test year end through and including the current
23 test year end are included. Depreciation expense calculations, plant retirements, costs of
24 removal associated with retirements, and salvage activities are the inputs included in the
25 Accumulated Depreciation roll forward calculations.

1 For Paradise Valley Water, Tubac Water, and Mohave Wastewater, the starting point for
2 the roll forward calculations was December 31, 2007, the test year in those districts' last
3 rate case. For Sun City Water, the starting point was December 31, 2008. For Mohave
4 Water district and the Arizona Corporate business unit, the starting point was June 30,
5 2010. The Arizona Corporate business unit has historically been rolled forward with
6 each rate case filing so the most recent test year ended June 30, 2010 as was used in
7 Docket No. W-01303A-10-0448.

8 Numerous iterations were required to accurately incorporate the starting point from the
9 last Commission decisions for each district and to include the timing of depreciation rate
10 changes to the satisfaction of the ACC Staff and the RUCO analysts. One challenge is
11 that the detail for the authorized plant and accumulated depreciation balances are not set
12 forth in ACC decisions, which requires the use of working papers and exhibits from the
13 last rate cases. In addition, the manner in which the plant and accumulated depreciation
14 are combined in the final plant and accumulated depreciation schedules submitted by the
15 parties to the respective cases was inconsistent. For instance, in some cases, plant,
16 corporate plant, and post-test year plant were combined and reflected in the total plant
17 and accumulated depreciation by NARUC account balances and had to be segregated to
18 accurately reflect the district-only plant and accumulated depreciation for the roll forward
19 calculations. While the Company worked tirelessly to provide this level of detail,
20 ultimately these challenges contributed to the delay in accurately responding to RUCO's
21 data request number 1.52.

22 The roll forward calculations resulted in revised balances to the test year for both the
23 plant and accumulated depreciation components of the rate base calculations in the
24 current case. Due to the need to reflect these revised balances in the Company's rate base

1 schedules, which the Company would have done in conjunction with their rebuttal filing,
2 ACC Staff and RUCO requested the Company file revised schedules incorporating the
3 revised June 30, 2013 balances sooner than the rebuttal phase of the case. The Company
4 filed those revised schedules on October 14, 2014. In addition, the Company worked
5 closely with all of the parties involved in this case and agreed to a 90-day delay to the
6 procedural schedule to provide all parties involved adequate time to review the revised
7 data.

8 **Q. WERE THERE ANY OTHER CHANGES REFLECTED IN THE OCTOBER 14,**
9 **2014 REVISED SCHEDULES?**

10 A. Yes. Through the course of responding to data requests in this case, the Company
11 identified some adjustments that should be made to some adjusted test year expenses. In
12 some of our data responses, we noted that adjustments would be made in our Rebuttal
13 filing. However, since revised schedules were being submitted on October 14, 2014, all
14 of the adjustments that had been noted in responses to data requests were identified and
15 included in the revised schedules as well. Exhibit SLH-1R, attached to this testimony, is
16 a copy of the Notice of Filing Schedules that accompanied the filing of revised schedules
17 on October 14, 2014. The Notice identifies all of the schedules that were affected by
18 revisions to the Company's original application.

19 **II. COMPANY'S ACCOUNTING RECORDS**

20 **Q. ACC STAFF AND RUCO HAVE RAISED CONCERNS ABOUT THE**
21 **COMPANY'S RECORD KEEPING AND ACCOUNTING RECORDS. HOW**
22 **DOES THE COMPANY RESPOND?**

23 A. The Company acknowledges that there were some challenges with the plant accounting
24 record keeping that contributed to the difficulty in processing this case in a timely

1 fashion. The Company willingness to agree to a 90-day delay in the procedural schedule
2 to allow the parties ample time to investigate the revisions to the original application
3 reinforces the Company's willingness to work with all parties involved in the filing.

4 **Q. CAN YOU ELABORATE ON THE CHALLENGES THAT YOU REFER TO**
5 **ABOVE?**

6 A. Yes. In February 2012, EPCOR Water USA ("EWUS") purchased Arizona American
7 Water Company from American Water. At the time of the purchase, the Company was
8 using JD Edwards accounting software and PowerPoint capital asset software to maintain
9 its general ledger accounting and fixed asset (plant) accounting transactions, respectively.
10 The accounting software in use by EPCOR Utilities Inc. ("EUI"), the parent company of
11 EWUS, was ORACLE, which includes general ledger accounting, fixed assets (plant),
12 and inventory (IVARA) modules. All of the existing accounting in place at the time of
13 purchase had to be remapped to the new ORACLE systems and the finance team
14 (finance, accounting and rates personnel) had to convert to using these new systems. In
15 addition, all of the fixed assets had to be remapped and uploaded into the ORACLE fixed
16 asset ("OFA") module.

17 **Q. IS IT THE COMPANY'S POSITION THAT THE RATE BASE FIGURES**
18 **SUBMITTED WITH THE OCTOBER 14, 2014 FILING REFLECT THE**
19 **APPROPRIATE BALANCES FOR PURPOSES OF ESTABLISHING RATES**
20 **FOR WATER AND WASTEWATER SERVICE FOR THE DISTRICTS**
21 **INCLUDED IN THIS RATE APPLICATION?**

22 A. Yes.
23

1 **III. PURPOSE OF TESTIMONY**

2 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

3 A. The purpose of my rebuttal testimony is to present the Company's **revised** requested
4 annual revenue increase of \$4,443,437, or a 15.9% increase.

5 My rebuttal testimony will also provide a summary of the Company's rebuttal case
6 presentation highlighting the major changes from the October 14, 2014 filing in response
7 to issues raised by other parties to this case.

8 In addition, my rebuttal testimony will provide the Company's response to
9 recommendations by ACC Staff and RUCO witnesses to the Company's proposed Rate
10 Base components and several adjustments to expenses level in the proposed Adjusted
11 Test Year Operating Income. Specifically, my rebuttal testimony will respond to
12 adjustments proposed by ACC Staff and RUCO to the Company's request for the
13 expense categories identified as Depreciation and Amortization, Labor (specifically
14 incentive compensation expense), and Corporate Allocation (specifically at-risk
15 compensation and public and governmental affairs expenses).

16 **Q. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED?**

17 A. Section IV of my rebuttal testimony will provide a summary of the Company's **revised**
18 requested revenue requirement including a brief summary of other witnesses' support to
19 the Company's rebuttal presentation.

20 Section V of my rebuttal testimony will identify schedules and exhibits that I am
21 sponsoring.

1 Section VI of my rebuttal testimony will focus on the Company's response to
2 recommended adjustments to the Company's Adjusted Test Year Rate Base. This part of
3 the testimony will be arranged by subject matter including plant, accumulated
4 depreciation, Contributions in Aid of Construction ("CIAC"), deferred debits (including
5 the 24-month deferral request), and cash working capital.

6 Section VII of my rebuttal testimony will present the Company's response to
7 recommended adjustments to the requested Adjusted Test Year Operating Income for
8 Depreciation and Amortization, Labor (specifically incentive compensation expense), and
9 Corporate Allocation (specifically at-risk compensation and public and governmental
10 affairs expenses).

11 **IV. SUMMARY OF REVISED REVENUE REQUIREMENT**

12 **Q. WHAT IS EWAZ'S REVISED REQUESTED REVENUE INCREASE IN THIS**
13 **CASE?**

14 A. The Company's revised requested revenue increase, rate base and operating expense are
15 summarized on column [c] of Rebuttal Exhibit SLH-2R. The Company's revised
16 requested annual revenue increase of \$4,443,437, or a 15.9% increase as summarized in
17 Table 1 below.

District	Mohave Water	Paradise Valley	Sun City Water	Tubac Water	Mohave Wastewater	Total 5 Districts
Revenue Increase	\$1,889,415	\$587,088	\$1,239,639	\$280,652	\$446,643	\$4,443,437

18 **Q. PLEASE EXPLAIN EXHIBIT SLH-2R.**

19 A. Exhibit SLH-2R labeled "Summary of Parties' Positions" is an eighteen page exhibit
20 which enables a comparison of the adjustments to the Company's October 14, 2014 filing
21 recommended by ACC Staff (column [D]) and RUCO (column [F]). Pages 1-6 are

1 summaries of the Company's, ACC Staff's and RUCO's Schedule A-1 - Computation of
2 Increase in Gross Revenue Requirement schedules. Pages 7-12 are summaries of the
3 Company's, ACC Staff's and RUCO's Schedule B-1 - Summary of Fair Value Rate Base
4 schedules. Pages 13-18 are summaries of the Company's, ACC Staff's and RUCO's
5 Schedule C-1 - Calculation of Operating Income schedules. For each schedule (A-1, B-1,
6 and C-1), there are separate pages for each of the districts in this case as well as a total of
7 all of the districts. The Company's requested revenue requirement has been revised as a
8 result of accepting certain of the positions recommended by ACC Staff and RUCO, as
9 well as correcting some minor errors uncovered in the discovery process.

10

11 **Q. PLEASE PROVIDE A HIGH-LEVEL SUMMARY OF THE CHANGES TO THE**
12 **COMPANY'S ORIGINAL REVENUE INCREASE PRESENTED IN THE**
13 **OCTOBER 14, 2014 FILING AND ITS REBUTTAL PRESENTATION.**

14 **A.** The **original** requested annual revenue increase (as reflected in the Company's revised
15 schedules filed October 14, 2014) of \$5,276,122, has been reduced to \$4,443,338 in the
16 Company's rebuttal presentation. The Company, through rebuttal testimony of Ms.
17 Pauline Ahern, has updated its cost of equity calculation to reflect updated calculations
18 for the three cost of common equity models including forecasted interest rates in the risk
19 premium and CAPM analyses and some recognition of ACC Staff's Mr. Cassidy's
20 economic assessment adjustment for a revised cost of equity of 10.55 percent.

21 The Company, in my testimony, adjusted its request for a 24-month deferral of post in
22 service AFUDC and depreciation to reflect actual additions to plant in service from July
23 1, 2012 through June 30, 2014. The Company is also accepting recommendations of

1 ACC Staff and RUCO to exclude the balances due to collections from the low income
2 surcharges from rate base and, instead, refund them to customers over a three year period.

3 Expense changes include elimination of the request to recover deferred arsenic media
4 replacement costs in base rates for recovery through a separate surcharge that would
5 cease upon full recovery of the expense as discussed by Mr. Shawn Bradford. Tank
6 Maintenance expense has been reduced, as discussed in greater detail by Mr. Jeffrey W.
7 Stuck, to incorporate more recent cost estimates similar to those proposed by ACC Staff.
8 Other expense changes, discussed in my testimony, include revisions to depreciation
9 expense to accept ACC Staff's recommendations to exclude depreciation on fully-
10 depreciated assets, exclusion of incentive compensation dependent on financial metrics
11 consistent with past treatment of this component of employees' compensation in both the
12 Labor expense and Corporate Allocation as discussed further in my testimony. The
13 Company has also revised its customer annualization to accept a correction identified by
14 RUCO which impacts customer accounting expenses. As a separate calculation, the
15 Company annualized revenue and associated expenses for fuel and power, and chemicals
16 to reflect the addition of two 6-inch meter commercial customers as discussed in the
17 testimony of Ms. Sandra L. Murrey. Changes to property and income taxes reflect
18 acceptance of corrections identified by ACC Staff or RUCO or conforming changes to
19 incorporate income or expense adjustments are also discussed in the testimony of Ms.
20 Sandra L. Murrey.

21 **Q. HOW DOES EWAZ'S REVISED REVENUE REQUIREMENT COMPARE TO**
22 **THE ACC STAFF'S AND RUCO'S POSITIONS SUBMITTED ON JANUARY 23,**
23 **2015?**

1 A. ACC Staff recommends the Company be authorized approximately 47% of the
2 Company's October 14, 2014 revised requested overall revenue requirement, and RUCO
3 recommends the Company be authorized approximately 2% of the Company's October
4 14, 2014 revised requested overall revenue requirement. Although RUCO and the ACC
5 Staff have recommended increases that are significantly less than EWAZ's original
6 requested increase, the Company has reviewed each of their recommendations and
7 accepted as many of the ACC Staff's and RUCO's recommendations as possible to
8 reduce the remaining open issues.

9 **Q. WHAT OTHER WITNESSES ARE SUPPORTING THE COMPANY'S REVISED**
10 **REVENUE REQUIREMENT THROUGH THEIR REBUTTAL TESTIMONY?**

11 A. The Company's rebuttal presentation is supported by testimony from the following
12 witnesses:

13 **Mr. Shawn Bradford** (ACC Staff's and RUCO's recommendations regarding Tubac
14 Water's on-going and deferred arsenic media replacement costs, storage capacity in
15 Tubac, and miscellaneous service charges)

16 **Mr. Jeffrey Stuck** (ACC Staff's and RUCO's tank maintenance recommendations)

17 **Mr. Mike Worlton** (Rebuttal of RUCO's recommendation regarding post test year plant
18 additions)

19 **Ms. Candace Coleman** (Rebuttal of RUCO's and the Resorts' recommendations
20 opposing a System Improvement Benefit mechanism)

21 **Mr. Jake Lenderking** (Rebuttal of RUCO's recommendation regarding discontinuance
22 of the Company's existing Central Arizona Project ("CAP") purchased water adjustment
23 mechanisms and non-compliance allegations)

1 **Ms. Sandra L. Murrey** (Rebuttal of ACC Staff's and RUCO's operating expense
2 recommendations, excluding Arizona incentive compensation included in Labor expense,
3 Corporate Allocation, and depreciation)

4 **Mr. Thomas J. Bourassa** (Rebuttal of Cost of Service Study recommendations by the
5 ACC Staff and Rate Design)

6 **Ms. Pauline Ahern** (Rebuttal of the ACC Staff's and RUCO's recommended returns on
7 equity)

8 **Mr. John F. Guastella** (Rebuttal of ACC Staff's and RUCO's recommendations
9 regarding debit balances in accumulated depreciation, and over-depreciation of some
10 asset groups and RUCO's recommendation regarding depreciation studies)

11 **V. SPONSORED SCHEDULES AND EXHIBITS**

12 **Q. PLEASE IDENTIFY THE SCHEDULES YOU ARE SPONSORING.**

13 **A. I am sponsoring the following schedules in the Company's Rebuttal filing¹ :**

- 14 • Schedule A-1 Rebuttal –Computation of Increase In Gross Revenue Requirements
- 15 • Schedule B-1 Rebuttal – Summary of Fair Value Rate Base
- 16 • Schedule B-2 Rebuttal – Original Cost Rate Base Pro Forma Adjustments
- 17 • Schedule B-5 Rebuttal – Computation of Working Capital Allowance
- 18 • Schedule B-6 Rebuttal – Lead/Lag Study – Cash Working Capital Requirement
- 19 • Schedule D-1 Rebuttal – Summary of Cost of Capital
- 20 • Schedule D-2 Rebuttal – Cost of Long-Term Debt

¹ The same witnesses that sponsored schedules from the initial filing will be sponsoring the corresponding revised schedules in the Company's October 14, 2014 filing.

1 **Q. PLEASE IDENTIFY THE EXHIBITS YOU ARE SPONSORING.**

2 A. I am sponsoring the following exhibits, which are attached to this rebuttal testimony:

- 3 • Exhibit SLH-1R – Notice of Filing Schedules (October 14, 2014)
4 • Exhibit SLH-2R - Summary of Parties' Positions

5 **VI. ADJUSTMENTS TO RATE BASE**

6 **A Utility Plant in Service**

7 **Q. HAVE YOU REVIEWED THE ADJUSTMENTS PROPOSED BY THE ACC**
8 **STAFF AND RUCO TO EWAZ'S UTILITY PLANT IN SERVICE?**

9 A. Yes.

10 **Q. PLEASE RESPOND TO STAFF'S COMMENTS REGARDING NEGATIVE**
11 **BALANCES FOR CERTAIN PLANT ASSETS.**

12 A. The ACC Staff has proposed adjustments to the Company's requested utility plant in
13 service for Paradise Valley Water of \$15,161 and for Sun City Water of \$98,493 because
14 certain plant asset accounts had negative balances. The negative balance for Paradise
15 Valley is comprised of the following 2 accounts:

16 304800 – Structures & Improvements – Misc (\$8,633.09)
17 340330-Computer Software Other (\$6,527.83)

18 The (\$8,633.09) was a plant balance approved in the last rate case for Paradise Valley
19 while the (\$6,527.83) appears to be the result of unitizing an asset to the wrong account
20 in July 2008. My suggestion for both of these would be to transfer the credits and any
21 accumulated depreciation (debit balances) to the appropriate accounts and eliminate these

1 negative balances. The Company disagrees with the position taken by Ms. Rimback,
2 where she recommends to just increase plant. Clearly, an entry to reflect a credit
3 received after construction had been completed and classified was charged to the
4 incorrect account. Account 340300 should be used for the (\$6,527.83) correction and
5 account 340300 has the same depreciation rate so no further adjustment is needed to the
6 Company's case.

7 The credit balance for Sun City Water of \$98,492.54 in Account 340100-Structures and
8 Improvements Supply is a case of the recording of an as-built true up being charged to
9 the wrong subaccount.

10 The Company will commit to making these entries which should not have any effect on
11 plant or accumulated depreciation balances in total.

12 **B ACCUMULATED DEPRECIATION**

13 **Q. HAVE YOU REVIEWED RUCO'S PROPOSED ADJUSTMENTS TO**
14 **ACCUMULATED DEPRECIATION?**

15 **A.** Yes, I have.

16 **Q. PLEASE DISCUSS THE PROPOSED ADJUSTMENTS THAT RUCO IS**
17 **RECOMMENDING.**

18 **A.** RUCO has quantified assets by district where the net book value is less than \$0 at the test
19 year end and to that amount has added additional depreciation expense from June 30,
20 2013 through an estimated decision date. Based on this calculation, a regulatory liability
21 is established to require the Company to refund these amounts to customers over a 5 year
22 period. The Company is opposed to this treatment, because it implies that something was
23 done incorrectly, but without some prior guidance from the Commission that a Company

1 should stop recording depreciation expense on an asset, even though the expense is
2 included in rates that are charged to its customers, seems extreme and unnecessary. The
3 reduction to rate base associated with the additional depreciation expense is included in
4 the Company's application and unless the Company is shown to have over-earned its
5 authorized rate of return, refunding an authorized expense should not be required. Please
6 see also the rebuttal testimony of the Company's witness, John F. Guastella, for more of
7 the Company's response to RUCO's proposed adjustments to the district's accumulated
8 depreciation accounts.

9 1 Regulatory Liability

10 **Q. RUCO HAS ALSO CREATED A REGULATORY LIABILITY IN RELATION TO**
11 **CERTAIN ASSETS IT DEEMS TO BE OVER DEPRECIATED. HOW DOES**
12 **THIS COMPANY RESPOND TO RUCO'S RECOMMENDATION?**

13 **A.** The Company has applied the depreciation rates authorized by the Commission in each
14 rate case decision applicable to the periods since the last rate case and has expensed the
15 level of depreciation expense that those rates were intended to generate. The Company
16 has asked a depreciation expert to analyze this issue and provide some industry
17 perspective on this subject on behalf of the Company. Please see the testimony of Mr.
18 John F. Guastella. Mr. Guastella has provided expert testimony on behalf of EPCOR's
19 predecessor, Arizona American Water Company, in the development of some of the
20 depreciation rates that the Company uses today.

21 The Company is in compliance with GAAP and the Commission's decisions in regards to
22 depreciation accounting. For every dollar of depreciation expense that the Company has
23 recorded, rate base is decreased which ultimately results in reduced rates to customers..

1 **Q. IF THE COMMISSION CHOSE TO REVERSE THE DEPRECIATION ON**
2 **ASSETS EFFECTIVE FROM THE TIME THEY BECAME FULLY**
3 **DEPRECIATED, HOW SHOULD THEY ACCOMPLISH THIS?**

4 A. The Company is unaware that any adjustment of this kind has ever been done, so it is
5 purely hypothetical to discuss, but hypothetically, the depreciation expense calculations
6 that were made from the time the groups of assets became fully-depreciated would need
7 to be quantified and that amount would be removed from the accumulated depreciation
8 balances. The other side of the entry would be a credit to retained earnings (net income)
9 as this type of adjustment would be recognized as a prior period adjustment and would be
10 accounted for as an adjustment to retained earnings. The impact on retained earnings
11 would also be reflected as an increase to the equity balance in the capital structure.

12 **Q. WHAT IS WRONG WITH RUCO'S RECOMMENDATION TO ESTABLISH A**
13 **REGULATORY LIABILITY AND REFUND THE OVER DEPRECIATION OF**
14 **SOME ASSETS?**

15 A. The Commission authorized the plant and accumulated depreciation balances in the last
16 rate cases for each district as discussed above. Included in those balances were both asset
17 groups with net book values less than or equal to \$0 which implies over-depreciation of
18 the group. In addition, there were accumulated depreciation balances that showed debit
19 balances which resulted from early retirements. Based on that plant, the ACC Staff and
20 RUCO recommended depreciation expense levels that were, in turn, approved by the
21 Commission. The Company has not earned more than its authorized return on equity
22 during the ensuing periods subsequent to the Commission decisions. Adopting RUCO's
23 recommendation in this case has no merit and would be punitive to the Company,
24 constitutes retroactive ratemaking, sets a dangerous precedent for all regulated utilities in
25 Arizona and has no real foundational basis.

1 C 24-MONTH DEFERRAL REQUEST

2 Q. **BOTH THE ACC STAFF AND RUCO ARE RECOMMENDING THE**
3 **REJECTION OF THE COMPANY'S REQUEST FOR A 24-MONTH DEFERRAL**
4 **OF POST IN SERVICE AFUDC AND DEPRECIATION. CAN YOU**
5 **ELABORATE ON THE COMPANY'S REQUEST FOR THIS DEFERRAL?**

6 A. This request for a 24-month deferral of post in service AFUDC and depreciation is
7 intended to reduce regulatory lag by deferring the return on and of an investment in plant
8 until such time as a Commission decision can be issued. Once an asset goes into service,
9 AFUDC on that investment ceases, both the interest cost and the return on the
10 investment, until such time as a Commission decision can be requested and issued; a
11 process that can take anywhere from 13 months to 24 months. In addition, depreciation
12 on that asset starts immediately once an asset is in service whether or not the expense is
13 recovered through rates, contributing to an additional drain on a Company's ability to
14 earn its authorized rate of return. The impact of this regulatory lag can be demonstrated
15 by looking at the cost of \$1 million dollars of investment placed in service where the rate
16 decision is issued 24 months later. For every \$1 million of investment at a 6.81% cost of
17 capital (debt and equity as requested in this rebuttal filing), and a composite depreciation
18 rate of approximately 3%, the annual lost revenue to the Company is approximately
19 \$157,000 of revenue, or \$13,080 per month.

20 The Company's proposal for a 24-month deferral of both a post in-service return
21 (AFUDC) and depreciation expense starting with day one of a test year and continuing up
22 to the time the Commission issues a decision but not more than 24 months, would
23 compensate the Company with a return on plant already in service and providing a
24 benefit to our customers that otherwise, is lost until such time as a rate case request to
25 include that plant in rate base and a Commission decision can be issued. In addition to

1 the loss of any return on its investment until a decision can be issued, depreciation of the
2 asset must commence once an asset goes into service, whether it is included in rates or
3 not. Depreciation, absent recovery in rates, immediately begins to drain the company's
4 earnings impeding the Company from earning its authorized return.

5 This inability to recover a return on assets that are providing service to customers and the
6 associated depreciation expense until a rate decision can be issued has long been referred
7 to as regulatory lag, and the ACC Staff had proposed a deferral method such as the
8 Company's requested 24-month deferral of post in service AFUDC and depreciation to
9 address this lag in a March 19, 2012 Staff Report. Interestingly, Staff now claims that
10 this approach is contrary to the NARUC Uniform System of Accounts. Post in-service
11 AFUDC is a regulatory asset to provide recovery of the financing costs (both debt and
12 equity) associated with an asset once it is in service. It is not truly AFUDC, because
13 AFUDC becomes part of the cost of the asset and that is not what the Company is
14 proposing. This Commission has authorized the creation of a regulatory asset on several
15 occasions based on providing the financing costs of a project after it has gone into
16 service².

17 The deferral mechanism, if approved, would allow the deferral of financing costs
18 (AFUDC), both debt and equity, and the depreciation expense throughout the processing
19 of a rate application beginning on day one of the test year. The deferrals would continue
20 on any plant placed in service throughout the test year and for the following 12 months to
21 allow for the processing of the rate application that would be filed as soon after the end of
22 the test year as possible.

² One instance, see Decision 69914, issued September 27, 2007.

1 Although both the ACC Staff and RUCO have rejected the Company's request for this
2 deferral mechanism, they do so based on a faulty premise and attempt to make the
3 Company's request sound illogical. The deferral of the financing component (AFUDC)
4 and depreciation would be unnecessary if rates could be adjusted to provide a return on
5 investment in a shorter period of time than is now the case such as occurred with the
6 Arsenic Cost Recovery Mechanisms ("ACRM") and now the System Improvement
7 Benefit ("SIB") mechanism or as in some states through the use of interim rates
8 implemented within an abbreviated time frame after an application for rate change is
9 filed. Typically, these interim rates can be implemented in 3- to 6-months after the filing
10 of a rate application and are always subject to refund to protect customers from utilities
11 that might request higher rates than are ultimately approved.

12 **Q. ARE THE 24-MONTH DEFERRAL MECHANISM AND THE SIB MECHANISM**
13 **INTENDED TO RECOVER A DEFERRED RETURN AND DEFERRED**
14 **DEPRECIATION ON THE SAME ASSETS?**

15 **A.** No. The SIB Mechanism has strictly been limited to replacing mains, meters, hydrants,
16 services, and valves. The Company's request for a 24-month deferral would encompass
17 all other types of investment such as wells, treatment facilities, and storage tanks. The
18 need for these types of mechanisms has been the subject of a Commission-initiated
19 working group which resulted in a Staff Report that identified several alternatives to
20 assist in reducing regulatory lag and the 24-month deferral was one of the alternatives.
21 The Company did not see the alternatives proposed as mutually exclusive and the
22 adoption of a SIB mechanism is definitely a step in the right direction.

23 A SIB Mechanism is designed to recover a return on and of assets placed in service a full year
24 after the completion of a rate case while the 24-month deferral mechanism is intended to

1 recover a return on and of assets placed in service starting on day one of a test year
2 through the 24-month period that ends with the issuance of a decision. Because the SIB
3 period does not begin until a full year after the issuance of a decision on this rate
4 application and the 24-month deferral period ends June 30, 2014 in this rate application,
5 there could not be any overlap of the two mechanisms with the request in this case.
6 However, in the future, the deferrals would clearly apply only to non-SIB eligible assets
7 in the test year; the Company would exclude any SIB-eligible investments from the
8 Company's calculations for this deferral of post in service AFUDC and depreciation
9 because those assets are subject to the SIB mechanisms and its requirements. As noted
10 above, in this case, this cannot be an issue as the Company's calculation does not include
11 the time period in which the SIB mechanism would be in place.

12 **Q. HAS EWAZ UPDATED THE CALCULATION OF ITS 24-MONTH DEFERRAL**
13 **REQUEST IN THIS CASE?**

14 **A.** Yes, and the original request has been revised to \$1,733,331 with an associated revision in
15 the requested amortization of \$44,827. The revised amount does not include any SIB-
16 eligible projects because it reflects actual plant additions from July 1, 2012 through June
17 30, 2014, a time period when the SIB Mechanism was not in place.

18 **Q. DID THE COMPANY APPLY THE ACTUAL DEPRECIATION RATES TO THE**
19 **PLANT ADDITIONS THAT HAVE BEEN INCLUDED IN THE REVISED 24-**
20 **MONTH DEFERRAL MECHANISM IN COMPUTING THE ASSOCIATED**
21 **DEPRECIATION EXPENSE?**

22 **A.** No. The depreciation calculation is based on the actual composite depreciation rates in
23 effect from July 1, 2012 to June 30, 2014.

24 **A. CASH WORKING CAPITAL**

1 **Q. HAVE YOU REVIEWED THE CASH WORKING CAPITAL**
2 **RECOMMENDATIONS OF THE ACC STAFF AND RUCO IN THIS**
3 **PROCEEDING?**

4 A. Yes, I have.

5 **Q. DOES THE COMPANY AGREE WITH THE ACC STAFF'S ADJUSTMENTS TO**
6 **CASH WORKING CAPITAL?**

7 A. No. ACC Staff recommends exclusion of rate case expense from the calculation of cash
8 working capital stating the amount included in the income statement is a non-cash
9 amortization expense in future operating years and on that basis it should be excluded
10 from the cash working capital allowance calculation.

11 **Q. DO YOU AGREE THAT RATE CASE EXPENSE SHOULD BE EXCLUDED**
12 **FROM THE CALCULATION OF CASH WORKING CAPITAL?**

13 A. No, I do not. On the contrary, to be correct, the lag days should be extended to account
14 for the time between the incurrence of the expense and the recovery in rates of the
15 expense. The Company has historically used the annual amortization as the basis for this
16 expense in its operating expenses because this is the manner in which the Commission
17 historically authorizes recovery of this expense item. One could argue that the amount
18 that should be included in the determination of the cash working capital calculation
19 should be the full cost to litigate a rate case application. For the ACC Staff to exclude
20 this expense from the calculation of the cash working capital without any consideration
21 of the lengthy time between incurrence of the expense and recovery of the expense in
22 rates is simply unreasonable. Utilities have settled on using the annual rate case expense
23 recovery as a proxy for the annual expense associated with the cash outlay.

24

1 **Q. DOES THE COMPANY CONCUR WITH RUCO'S RECOMMENDED**
2 **ADJUSTMENTS TO THE CALCULATION OF CASH WORKING CAPITAL?**

3 A. No. RUCO has revised the calculation of the interest expense lag based upon a
4 hypothetical payment process, whereas, the Company's lag is based on actual payment
5 history. Also, RUCO proposed to exclude bad debt expense from the working capital
6 calculation even though the Company's bad debt expense is based on actual debts written
7 off and are uncollectible accounts which represent a loss of revenue to the Company and
8 should be included in the calculation of the cash working capital.

9 **B. CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")**

10 **Q. ACC STAFF HAS TAKEN ISSUE WITH THE COMPANY'S TREATMENT OF**
11 **CIAC AS IT RELATES TO DEVELOPER-FUNDED CONSTRUCTION WORK**
12 **IN PROGRESS ("CWIP"). PLEASE DESCRIBE THE COMPANY'S RESPONSE.**

13 A. The adjustment that the Company made in the Schedule B-2s submitted for each district
14 is necessary to properly match the CIAC amortization to the depreciation deduction for
15 developer-funded projects. When the situation arises where the plant funded by
16 developer contributions is in construction work in progress at the end of the test year,
17 there will not be any depreciation expense on that plant. If the associated CIAC is
18 included as a reduction to rate base, the associated amortization reduces depreciation
19 expense in the determination of the cost of service creating a mismatch between
20 depreciation on developer-funded plant and the related amortization of the CIAC.

21 The adjustment that the Company proposed in its direct case presentation preserves the
22 matching principle by removing the CIAC and its associated amortization until such time
23 as the depreciation on the related plant is included in rate base.

1 The Company would also point out that developer-funded CWIP does not accumulate
2 any allowance for funds used during construction ("AFUDC") and the Company does not
3 earn anything on the developer-funded projects either while they are in CWIP or when
4 they are completed and transferred into plant in service.

5 **Q. RUCO HAS ALSO MADE AN ADJUSTMENT RELATING TO CIAC. PLEASE**
6 **EXPLAIN THE COMPANY'S RATIONALE FOR ITS APPROACH.**

7 A. RUCO's adjustment to reject the Company's removal of developer-funded CWIP is the
8 same as the ACC Staff's adjustment discussed above. Both parties' positions must be
9 rejected in order to preserve a matching of the depreciation expense and the related
10 amortization of the CIAC on developer-funded plant that is in plant in service at the end
11 of the test year. To make one adjustment to reduce depreciation expense without
12 providing the Company the opportunity to make an off-setting adjustment for the
13 amortization is inappropriate and does not satisfy the matching principle. It should also
14 be noted that none of the developer-funded CWIP is included in the Company's post-test
15 year plant additions ("PTYPA"). The Company's PTYPA are all intended to provide
16 service to test year customers and are funded by the Company. Conversely, developer-
17 funded projects are for growth adding additional revenue and expenses and are not
18 funded by the Company.

19 **C. LOW INCOME PROGRAMS FUNDS AS REGULATORY LIABILITY**

20 **Q. BOTH ACC STAFF AND RUCO HAVE TAKEN ISSUE WITH THE**
21 **COMPANY'S TREATMENT OF THE LOW INCOME FUND AS A**
22 **REGULATORY LIABILITY. PLEASE DESCRIBE THE COMPANY'S**
23 **POSITION.**

1 A. The Company currently has low-income programs in the Sun City Water and Mohave
2 Water districts. Both of the programs provide discounted monthly service charges and
3 the costs to fund these discounts are recovered via a commodity surcharge that is assessed
4 to usage in the highest block tier of the Company's rate structures. The collection of the
5 funding for these programs has occurred since the decisions were issued in each district's
6 prior rate cases. For Sun City Water, the surcharge has been in effect since January 1,
7 2011 and for Mohave Water, the surcharge has been in effect since July 1, 2012.

8 Participation in the low-income program has been greater in the Sun City Water district
9 than in the Mohave Water district, but it took a couple of years to achieve the level of
10 participation that the Company now experiences in that district. This lower than
11 anticipated participation rate in the beginning of the programs has contributed to the
12 balances that are recorded as liability accounts in both districts. In the Company's direct
13 case presentation, the liability account was treated as a reduction to rate base to provide
14 the customers with the benefit to the Company of the availability of those funds.

15 The Company is not opposed to including a portion of the funds as an adjustment to
16 revenue, and has accepted the 3-year periods proposed by the ACC Staff and RUCO. In
17 addition, however, the ongoing expense of continuing the program should be recovered
18 through a surcharge to the highest block commodity rate. Based on the experience of the
19 few years that these programs have been in effect, the Company estimates the cost to be
20 \$37,528 per year for Sun City Water and \$34,987 for Mohave Water. The proposed rate
21 design for these programs is reflected in the H Schedules for these districts.

1 **VII. ADJUSTED OPERATING INCOME ADJUSTMENTS**

2 **A CORPORATE ALLOCATIONS**

3 **Q. BOTH ACC STAFF AND RUCO PROPOSE ADJUSTMENTS TO THE**
4 **COMPANY'S CORPORATE ALLOCATION EXPENSE. PLEASE GENERALLY**
5 **DESCRIBE THE ACC STAFF'S ADJUSTMENTS AND WHETHER THE**
6 **COMPANY ACCEPTS ACC STAFF'S PROPOSED ADJUSTMENT.**

7 A. ACC Staff's proposed adjustment to the corporate allocation cost pool impacts many
8 different expense categories including the Corporate Allocation line item on Schedules
9 C-1 and C-2. Company witness, Ms. Sandy Murrey, will address each expense category
10 at the corporate level except for the Labor adjustment related to the Arizona corporate
11 employees' incentive compensation and the at-risk compensation included in the
12 Corporate Allocation which will then be allocated to the districts based on their
13 appropriate 4-factor allocator. Please see the Company's rebuttal adjustment SM-5R on
14 Schedule C-2 Rebuttal for all districts. My testimony will respond to the ACC Staff's
15 proposed adjustments to the Labor adjustment related to the Arizona corporate
16 employees' incentive compensation (ACC Staff Adj 5a) and the at-risk compensation
17 included in the Corporate Allocation (ACC Staff Adj 5b).

18 **Q. PLEASE DISCUSS THE ACC STAFF'S ADJ 5A AS IT RELATES TO THE**
19 **LABOR EXPENSE LINE OF THE INCOME STATEMENT.**

20 A. ACC Staff's proposed adjustment 5a to the Labor Expense line of the income statement
21 removes the entire incentive compensation related to Arizona employees in the Arizona
22 Corporate business unit. The affected employees provide finance, accounting, tax,
23 engineering, water resources, environmental compliance and managerial oversight of the
24 EPCOR Water Arizona organization. From discussions with ACC Staff, it appears that
25 their major concern is that the metrics include not only a target payout, but also a stretch

1 payout when safety (30%), customer service (30%), operational efficiency (30%), and
2 financial (10%) goals are achieved. As a point of clarification, the Company limited the
3 requested incentive compensation to a 100% payout if targets for all metrics are achieved
4 and only included the Pool A incentive compensation (Pool B was not included at all).

5 To further address the concerns of the parties that the Company may over recover this
6 expense if targets are in fact not achieved, in our rebuttal, the Company has voluntarily
7 removed 10% of the incentive compensation to eliminate the portion of the incentive
8 compensation based on meeting the Pool A financial target to be consistent with how
9 incentive compensation was treated in the past for Arizona American Water Company,
10 EPCOR Water Arizona, Inc.'s ("EWAZ") predecessor. Please see the labor expense pro
11 forma on Company's rebuttal adjustment SH-15R on Schedule C-2 Rebuttal for all
12 districts. I would also note that a removal of the financial target portion of the Arizona
13 Corporate incentive compensation was not made in the Chaparral City Water Company
14 ("CCWC") case and the full 100% of the incentive compensation for Arizona Corporate
15 and CCWC employees.

16 **Q. PLEASE DISCUSS THE ACC STAFF'S ADJ 5B AS IT RELATES TO THE**
17 **CORPORATE ALLOCATION LINE OF THE INCOME STATEMENT.**

1 A. ACC Staff's proposed adjustment 5b removes \$890,336 of incentive compensation
2 included in the Corporate Allocation from the parent company. However, the actual
3 amount of incentive compensation (also referred to as at-risk compensation) included in
4 the Company's adjusted test year expense in the Corporate Allocation line on the Income
5 Statement is only \$597,657 due to reductions in the test year expenses reflected in pro
6 forma ADJ SM-18. This error in the ACC Staff's recommendation overstates the
7 disallowance by \$292,679 which is then allocated to the districts using a 4-factor
8 allocator.

9 The employees that are included in the Corporate Allocation at-risk compensation
10 provide Corporate Finance, Executive, Information Technology and Human Resources
11 functions to the EWAZ operations.

12 In this rebuttal filing, the Company is modifying its request related to inclusion of the
13 Corporate Allocation at-risk compensation to be consistent with its request for recovery
14 of the incentive compensation for Arizona employees discussed above. The revised
15 request only includes 90% of the Pool A incentive compensation and removes all other
16 at-risk compensation from the Corporate Allocation costs. The revised Corporate
17 Allocation at-risk compensation adjustment removes \$315,793 of all other at-risk
18 compensation which is allocated based on the 4-factor allocation methodology and
19 appears as pro forma adjustment SLH-11R on Schedule C-2.

20 **Q. PLEASE DISCUSS THE ACC STAFF'S ADJ 5C AS IT RELATES TO THE**
21 **CORPORATE ALLOCATION LINE OF THE INCOME STATEMENT.**

1 A. ACC Staff's proposed adjustment 5c disallows \$105,782 from the Corporate Allocation
2 for Public and Government Affairs ("P&GA") activities. However, the calculation of pro
3 forma adjustment SM-18 in the Company's October 14, 2014 revised Schedule C-2 that
4 annualized the Corporate Allocation already removed all of the P&GA costs (in their
5 entirety). The Company requested clarification from ACC Staff in our Data Request
6 number 1-21 to better understand the source of the expenditures that ACC Staff was
7 disallowing. From the response to that data request, we are still unable to determine the
8 source of ACC Staff's expenses, and we are therefore unable to address ACC Staff's
9 concerns and we must, therefore, reject this proposed adjustment.

10 **Q. STAFF REMOVED ALL INCENTIVE COMPENSATION FROM THE**
11 **CORPORATE ALLOCATION EXPENSE BASED ON THE COMMISSION'S**
12 **DECISION IN THE CHAPARRAL CITY WATER COMPANY RATE CASE**
13 **(DOCKET NO. W-02113A-13-0118). WHY DID THE COMPANY INCLUDE**
14 **THESE AMOUNTS?**

15 A. The basis of the Commission's rejection of the Company's request to include incentive
16 compensation related to employees that have labor costs allocated to EWAZ through the
17 Corporate Allocation in the Chaparral City Water Company case seemed to be the lack of
18 detailed support of the related charges. In this case, the Company has provided more
19 detailed information about the calculations to all parties and in this rebuttal phase of the
20 case, the Company is addressing the concerns about financial metrics included in the at-
21 risk compensation determinations.

1 **Q. ACC STAFF REMOVED CERTAIN GENERAL OFFICE EXPENSES FROM**
2 **THE CORPORATE ALLOCATION. WHY WERE THESE INCLUDED BY THE**
3 **COMPANY?**

4 A. ACC Staff's corporate allocation cost pool has co-mingled the Arizona Corporate
5 functions provided in Phoenix with the Corporate Allocation that is comprised of cost
6 allocated to EWAZ from the Canadian parent. The Company, through its witness, Ms.
7 Sandra Murrey has tried to segregate the expenses to provide more detailed information
8 on these costs as well as the source of the charges that support the Company's position.

9 **Q. HAS THE COMMISSION ACCEPTED THIS TYPE OF ALLOCATION IN**
10 **PRIOR DECISIONS?**

11 A. Most certainly. The Arizona Corporate charges are merely a centralized service company
12 function for all of the operating districts while the corporate headquarters are in
13 Edmonton and there are some corporate governance charges that are allocated to the
14 EWAZ operations.

15 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 6 RECOMMENDS AN**
16 **ADJUSTMENT TO CORPORATE ALLOCATION EXPENSE IN ALL**
17 **DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

18 A. No. The Company believes that it is important to better define the elements that are
19 allocated to the districts both from Arizona Corporate activities and Canadian Corporate
20 Allocation activities. RUCO's adjustment to the corporate allocation cost pool impacts
21 many expense categories. Both the ACC Staff and RUCO are combining the Arizona
22 Corporate office charges (which are charged to the appropriate NARUC categories of
23 expensed) and the Canadian Corporate office charges (which are only charged to the

1 Corporate Allocation line of the income statement) in one basket which appears to be
2 confusing the arguments for and against their recommendations. The Arizona Corporate
3 office function provides accounting, finance, engineering, rates and senior management
4 functions for the EWAZ operations. Please see the Company's rebuttal adjustment SM-
5 10R. RUCO has confused the Corporate Allocation and has assumed Arizona Corporate
6 employees' costs are included in the Corporate Allocation line item on the income
7 statement. Arizona employees' labor costs, benefits, as well as incentive compensation
8 awards are included in labor expense line of the income statement.

9 **Q. MORE SPECIFICALLY, RUCO ADJUSTMENT 6A DISALLOWS ALL**
10 **INCENTIVE PAY AND BASES THEIR ADJUSTMENT ON DECISION 74568 IN**
11 **THE CHAPARRAL CITY WATER COMPANY CASE REFERRED TO ABOVE.**
12 **DOES THE COMPANY AGREE THAT THE COMMISSION DISALLOWED**
13 **ALL INCENTIVE PAY IN THAT DECISION?**

14 **A.** No. In Decision No. 74568, specifically in the section labeled Corporate Allocation³, the
15 Commission agreed with an ACC Staff recommendation to disallow incentive pay noting
16 the Company failed to quantify or justify its proposed recovery of incentive pay. The
17 Company notes that only the Corporate Allocation portion of incentive pay was
18 disallowed and 100% of the Arizona and Direct district incentive pay was approved. The
19 Company believes that it has remedied the "quantify and justify" arguments through
20 additional data provided to intervenors.
21

³ Decision No. 74568 at pages 24-25.

1 **Q. HAS THE COMMISSION HISTORICALLY DISALLOWED A PORTION OF**
2 **INCENTIVE PAY ON THE BASIS THAT IT WAS TIED TO FINANCIAL**
3 **PERFORMANCE?**

4 A. Yes. In this filing only 10% of the Company's Pool A incentive compensation has a
5 financial metric. As discussed above in relation to the ACC Staff's adjustments to
6 incentive compensation and at-risk compensation, to address concerns of the parties, the
7 Company has submitted a detailed calculation of the incentive calculation and we have
8 voluntarily removed all of the incentive compensation representing the financial
9 component to be consistent with how incentive compensation has been treated in the past
10 with EWAZ's predecessor (as discussed in RUCO's testimony). Also, I would note that
11 the adjustment to the Corporate Allocation expense line item made by RUCO for
12 \$801,709, and then allocated using the 4 factor, is not part of the Corporate Allocation
13 but rather it is related to Arizona Corporate employees and is included in the Labor
14 expense line in Schedules C-1 and C-2 in the Company's filing.

15 **Q. HAS RUCO ALSO REMOVED COSTS ASSOCIATED WITH AN INCENTIVE**
16 **PLAN THAT THE COMPANY DID NOT AND HAS NOT SOUGHT TO**
17 **RECOVER IN THIS PROCEEDING?**

18 A. Yes. RUCO's Adjustment 6b removes incentive compensation of \$179,100 that the
19 Company never included in its requested expenses.

20 **Q. WHERE DID RUCO'S MISUNDERSTANDING ORIGINATE?**

1 A. In response to data request number RUCO 17.31, the Company suggested an intent to
2 include an additional \$179,100 in the Arizona Corporate labor expense. However, the
3 Company has decided not to make a pro forma adjustment to its October 2014 filing, nor
4 are we requesting such an adjustment at this time. Therefore, RUCO's removal is
5 unnecessary.

6 **Q. HAS RUCO ALSO VOICED CONCERNS ABOUT THE INCLUSION OF POOL
7 B INCENTIVE COMPENSATION IN ITS REQUESTED EXPENSES?**

8 A. Yes. RUCO expressed "that it is not entirely clear from the information provided to date
9 by EPCOR" whether Pool B incentive compensation is included in the Company's filing.
10 The Company did not include any Pool B incentive compensation in the filing for
11 Arizona Corporate employees and clarifies further that only 90% of any eligible incentive
12 pay for district employees and Arizona Corporate employees, has been included in the
13 rebuttal Labor Expense line item.

14 **B DEPRECIATION EXPENSE**

15 **Q. HAVE YOU REVIEWED THE DEPRECIATION EXPENSE ADJUSTMENTS
16 PROPOSED BY THE ACC STAFF AND RUCO?**

17 A. Yes, I have.

18 **Q. WHAT IS THE COMPANY'S POSITION ON THE ADJUSTMENTS PROPOSED
19 BY ACC STAFF AND RUCO?**

20 A. The Company agrees that additional depreciation expense should not be computed on
21 groups of assets where the net book value, that is the plant balance less the accumulated
22 depreciation balance is less than or equal to \$0. The Company has accepted the ACC
23 Staff's adjustment no. 2 which is shown on Schedule C-2 for each district as ADJ SLH-
24 2R.

1 1 **DEPRECIATION ON FULLY-DEPRECIATED ASSETS**

2 **Q. THE ACC STAFF AND RUCO HAVE PROPOSED AN ADJUSTMENT TO**
3 **REMOVE PLANT ASSETS FROM THE CALCULATION OF DEPRECIATION**
4 **EXPENSE ON THE BASIS THAT THEY DEEM THESE ASSETS TO BE FULLY**
5 **DEPRECIATED. DOES EWAZ AGREE WITH THIS ADJUSTMENT?**

6 **A.** Yes, on a prospective basis. It has been my experience that utility assets that are
7 depreciated using the group method of depreciation remain in service until they are
8 retired from service and the entire group of assets continues to be depreciated during that
9 time. The rationale for this is that other assets in the same depreciable group may not
10 realize the useful life that has been used in determining their depreciation rate. As a
11 result, the corresponding depreciation rate and the accumulated depreciation of all the
12 group's assets offset each other over time. However, once the net book value of the
13 group, plant in service less accumulated depreciation, reaches \$0, depreciation should
14 cease. The Company's witness, Mr. John F. Guastella discusses this issue in greater
15 detail in his rebuttal testimony.

16 **Q. DID THIS ISSUE ARISE IN THE CHAPARRAL CITY WATER CASE?**

17 **A.** Yes. However, the circumstances were somewhat different and the problem was resolved
18 by modifying the depreciation rates. There were two asset groups, pumping equipment
19 and transportation equipment, that the ACC Staff recommended no depreciation expense
20 because they would be fully depreciated in a few years. The Company proposed longer
21 depreciable lives for these accounts which the Commission accepted in that case.

22 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 2 RECOMMENDS**
23 **A DECREASE TO DEPRECIATION EXPENSE IN ALL DISTRICTS. DOES**
24 **THE COMPANY AGREE WITH THIS ADJUSTMENT?**

1 A. ACC Staff has proposed adjustments to depreciation expense totaling \$449,904 for all
2 five districts. The Company has calculated that \$332,056 of this adjustment relates to
3 depreciation expense on groups of assets that at the end of the test year in this case are
4 fully depreciated assets, \$43,141 is the associated amortization of the regulatory assets
5 associated with the Company's request for a 24-month deferral of Post In-Service
6 AFUDC and depreciation, \$69,676 relates to the amortization of Regulatory assets,
7 \$5,700 relates to differences between the ACC Staff's CIAC balances and composite
8 depreciation rate and the Company's, and \$669 from rounding.

9 The Company acknowledges and accepts conforming adjustments to depreciation
10 expense on fully depreciated assets and the portion of Tubac Water's regulatory asset
11 amortization related to arsenic media replacement costs provided such costs may be
12 recovered through a surcharge mechanism over the next three years. The Company
13 believes the regulatory asset amortization of Mummy Mountain Acquisition costs in
14 Paradise Valley, Sun City Fire Hydrant testing and Fire Flow costs in Sun City Water (as
15 ordered in Decision No. 67093) and Y2K preparation costs and a depreciation study
16 where applicable to the five districts should be included and accepted in the Company's
17 calculation of depreciation expense.

18 In addition, the Company is adjusting its request related to the 24-month deferral of Post
19 In-Service AFUDC and depreciation. In Adj. SM-12R, the Company revises its
20 calculation of the deferral and the associated amortization of the deferral to incorporate
21 actual plant completed during the 24-month period and uses the composite depreciation
22 rates from the last rate case for each district. In addition, adjustments to reflect actual
23 contributions in aid of construction have been included for the 24-month period. If the
24 Commission approves the Company's request for the 24-month deferral of Post In-

1 Service AFUDC and depreciation, the associated amortization included in the Company's
2 request should also be reflected in the calculation of total depreciation expense.

3 A. AMORTIZATION OF 24-MONTH DEFERRAL

4 Q. AS DISCUSSED ABOVE, BOTH THE ACC STAFF AND RUCO ARE OPPOSED
5 TO INCLUSION OF THE 24-MONTH DEFERRAL OF AFUDC AND
6 DEPRECIATION AND THE ASSOCIATED AMORTIZATION OF THE
7 BALANCE OF THAT DEFERRAL. WHAT IS THE COMPANY'S POSITION?

8 A. As discussed above in conjunction with Company's position on the inclusion in Rate
9 Base of the 24-month deferral of AFUDC and depreciation, including the regulatory asset
10 and providing an amortization to expense alleviates some of the regulatory lag inherent in
11 the current process seeking rate relief for water utilities.

12 VIII. ADJUSTOR MECHANISMS

13 Q. RUCO RECOMMENDS DENIAL OF THE COMPANY'S REQUEST FOR A
14 POWER COST ADJUSTMENT MECHANISM. WHAT IS THE COMPANY'S
15 RESPONSE?

16 A. RUCO bases its denial of the Company's request for a power cost adjustment mechanism
17 on its assertion that the Company has not met "adjustor mechanism criteria laid-out by
18 the Commission" and there "simply has not been shown that there is a need for it".
19 RUCO does, however, acknowledge that the cost of power has increased.

20 Q. IF THE COMMISSION TRULY WANTS TO PROVIDE WATER COMPANIES
21 WITH RELIEF FROM REGULATORY LAG, AREN'T MECHANISMS SUCH
22 AS A POWER COST ADJUSTOR MECHANISM A REASONABLE TOOL FOR
23 THE COMMISSION TO USE?

1 A. Yes. A mechanism such as a power cost adjustor mechanism can enable a water utility to
2 recover the changes in the costs of power that it has little control over, but are passed on
3 from the power companies through fuel and power adjustment mechanisms. It should be
4 noted that ACC Staff supports the Company's request for a power cost adjustor
5 mechanism.

6 **Q. RUCO ALSO RECOMMENDS DENIAL OF THE COMPANY'S REQUEST FOR**
7 **AN AFFORDABLE HEALTH CARE COST ADJUSTOR. DOES THE**
8 **COMPANY AGREE WITH RUCO'S POSITION?**

9 A. When the Affordable Care Act adjustor mechanism was proposed by the Company,
10 changes in costs due to this federally-directed program were a looming, potentially costly
11 expense outside of the Company's control. An adjustor mechanism is the perfect vehicle
12 to enable recovery of the potential large cost increases associated with that program and a
13 reasonable option for the Commission to authorize. The Company is continuing to
14 assess the impact the Affordable Care Act will have on its health care costs and continues
15 to seek the approval of its request for the Affordable Care Act adjustor mechanism.

16 **Q. REGARDING THE SIB ADJUSTOR MECHANISM, BOTH MR. MEASE ON**
17 **BEHALF OF RUCO AND MR. THORNTON ON BEHALF OF THE RESORTS,**
18 **QUESTION WHETHER THE SIB MECHANISM INCLUDES A RATE BASE**
19 **ADJUSTMENT FOR ACCUMULATED DEPRECIATION. HOW DOES THE**
20 **COMPANY RESPOND?**

21 A. Based on a review of the SIB Plan of Administration submitted in compliance with the
22 Chaparral City Water Company decision authorizing a SIB mechanism, there is an offset
23 for accumulated depreciation based on a half-year convention for computing the

1 depreciation expense in the determination of rate base for purposes of calculating the
2 revenue requirement.

3 **Q. MR. THORNTON'S TESTIMONY REFERS TO CONCERNS PERTAINING TO**
4 **LABOR EXPENSES AND OVERHEAD CHARGES THAT MAY BE DOUBLE-**
5 **COUNTED BY INCLUSION IN SIB PROJECTS. HOW DOES THE COMPANY**
6 **RESPOND?**

7 A. Mr. Thornton specifically refers to Company labor for field services and oversight and
8 Company labor for project management as potentially double counted in the SIB
9 surcharge mechanism. These types of labor charges are typically capitalized with the
10 projects that they are related to and as such are not part of labor costs reflected in the
11 operating and maintenance expenses in the Company's revenue requirement calculation
12 and as such would not be double counted. The same is true of overhead charges that are
13 capitalized in the normal course of business.

14 **Q. RUCO ALSO CLAIMS THAT CERTAIN CAP EXPENSES ARE NOT**
15 **ACCOUNTED FOR CORRECTLY. HOW DOES THE COMPANY RESPOND?**

16 A. The Company is recording its CAP expenses in accordance with Generally Accepted
17 Accounting Principles (GAAP) to reflect the over- or under-recovery of its costs to
18 purchase CAP water outstanding at any reporting period. The Company has been using
19 this accounting for many years and has filed annual reconciliations of the revenue
20 collected and expenses incurred which are subject to reviews by ACC Staff based on this
21 accounting. The accounting that has been in use has not been an issue with which ACC
22 Staff has taken issue in its Staff Reports authorizing the annual changes in CAP
23 surcharges.

24

1 **Q. HAVE YOU RESPONDED TO EVERY RECOMMENDATION PROPOUNDED**
2 **BY ALL OF THE PARTIES TO THIS PROCEEDING?**

3 A. No, and my failure to respond to any issue should not be construed as acceptance of that
4 issue.

5 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6 A. Yes.

EXHIBIT SLH - 1R

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **BOB STUMP**
 Chairman

3 **GARY PIERCE**
4 Commissioner

5 **BRENDA BURNS**
 Commissioner

6 **SUSAN BITTER SMITH**
7 Commissioner

8 **BOB BURNS**
 Commissioner

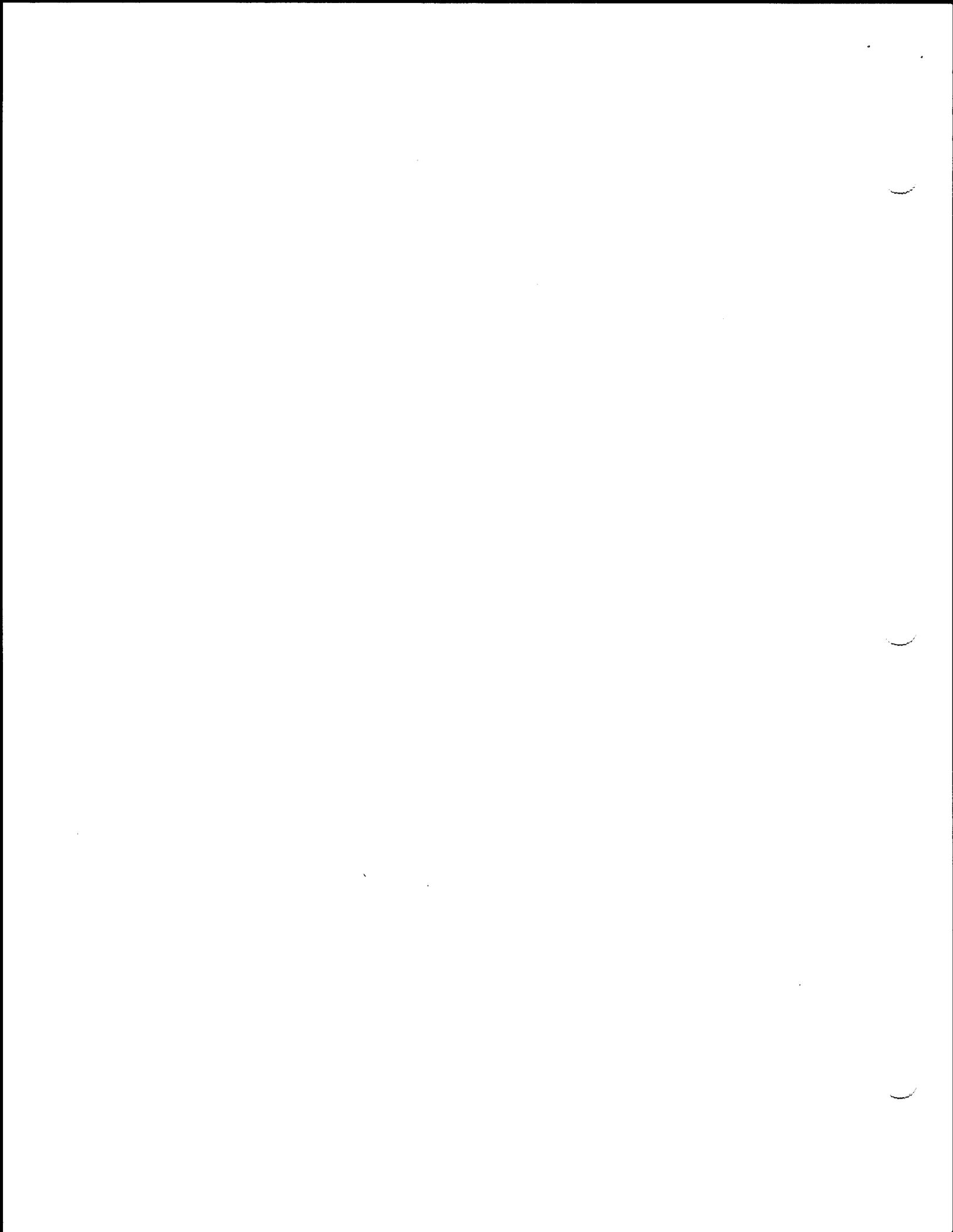
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10 **IN THE MATTER OF THE**
11 **APPLICATION OF EPCOR WATER**
12 **ARIZONA, INC. FOR A**
13 **DETERMINATION OF THE CURRENT**
14 **FAIR VALUE OF ITS UTILITY PLANT**
15 **AND PROPERTY AND FOR**
16 **INCREASES IN ITS RATES AND**
17 **CHARGES FOR UTILITY SERVICE BY**
18 **ITS MOHAVE WATER DISTRICT,**
19 **PARADISE VALLEY WATER**
20 **DISTRICT, SUN CITY WATER**
21 **DISTRICT, TUBAC WATER**
22 **DISTRICT, AND MOHAVE**
23 **WASTEWATER DISTRICT**

DOCKET NO. WS-01303A-14-0010
NOTICE OF FILING SCHEDULES

24 At the request of Commission Staff, EPCOR Water Arizona, Inc. is docketing
25 certain revised schedules based on its discussions with Commission Staff and RUCO and
26 related data responses. The revised schedules are as follows:

27 **I. Revised Schedules for all districts (unless noted):**

- A-1, A-2, A-5,
- B-1, B-2, B-5, B-6
- C-1, C-2
- D-1 (pp. 1-2) – Tubac only
- D-1 (p. 2)
- D-2 – Tubac only
- E-1 – Sun City Water only (Reclass Other Credit amount of \$60,803 to AIAC)
- E-2
- F-1, F-2



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- H-1 through H-4

II. Rate Base Adjustments for all Districts (unless noted):

Revisions of roll-forwards resulted in the plant and accumulated depreciation adjustments below:

- RB ADJ SLH-10 Beginning Balance Pro Forma
- RB ADJ SLH-11 Additional YE Pro Forma
- RB ADJ SLH-12 Post Test Year Pro Forma
- B-5--Material and Supplies updated (Mohave Water, Mohave Wastewater and Sun City Water only)
- B-6--Revised Expense Lag Days (all districts)

III. Income Statement Adjustments for all Districts unless noted:

- IS SM-40 Revised Depreciation
- IS SM-41 Reclass Water Testing Expense
- IS SM-42 Reclass Adj SM-10
- IS SM-43 Update Regulatory Expense
- IS SM-44 Reclass Group Insurance (Tubac Water only)
- IS SM-45 Update Miscellaneous Expense (Mohave Water only)

IV. Income Statement Conforming adjustments:

- IS SM-14 REV Federal and State Income Tax
- IS SM-16 REV Interest Synchronization

RESPECTFULLY SUBMITTED this 14th day of October, 2014.

LEWIS ROCA ROTHGERBER, LLP



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ORIGINAL AND thirteen (13) copies
of the foregoing hand-delivered this
14th day of October, 2014, to:

The Arizona Corporation Commission
Utilities Division - Docket Control
1200 W. Washington Street

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LEWIS ROCA
ROTHGERBER

1 The Arizona Corporation Commission
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3
4 Copy of the foregoing hand-delivered
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6 Arizona Corporation Commission
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14 Copy of the foregoing mailed
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**LEWIS ROCA
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EPCOR WATER ARIZONA - TOTAL OF ALL 5 DISTRICTS
 Rebuttal Summary of Schedule A-1s
 Computation of Increase in Gross Revenue Requirement
 Test Year Ended June 30, 2013

Line No.	[A] Company		[B] Company		[C] Rebuttal		[D] Staff		[E] As Adjusted		[F] RUCO		[G]
	Direct	ROE	Rebuttal	Adjustments	As Adjusted	ROE	Adjustments to	Direct	As Adjusted	Company Direct	As Adjusted	Direct	
1	\$ 96,199,100	@ 10.7%	\$ (59,326)	\$ 96,139,774	\$ 90,373,070	10.55%	\$ (5,826,030)	\$ 90,373,070	\$ 80,380,496	\$ (15,818,604)	\$ 80,380,496		
2													
3	\$ 3,412,691		\$ 428,075	\$ 3,840,767	\$ 4,245,705		\$ 833,014	\$ 4,245,705	\$ 4,797,294	\$ 1,384,603	\$ 4,797,294		
4													
5	3.55%			3.99%	4.70%								5.97%
6													
7	\$ 6,608,878		\$ 6,547,119	\$ 6,547,119	\$ 5,783,876		\$ 5,783,876	\$ 4,895,172	\$ 4,895,172	\$ 4,895,172	\$ 4,895,172		
8													
9	6.87%			6.81%	6.40%								6.09%
10													
11	\$ 3,196,187		\$ 2,706,352	\$ 2,706,352	\$ 1,538,171		\$ 1,538,171	\$ 97,885	\$ 97,885	\$ 97,885	\$ 97,885		
12													
13	1.6508			1.6419	1.6257								1.2698
14													
15	\$ 5,276,155		\$ 4,443,437	\$ 4,443,437	\$ 2,508,541		\$ 2,508,541	\$ 124,299	\$ 124,299	\$ 124,299	\$ 124,299		
16													
17	\$ 27,903,131		\$ 27,992,123	\$ 27,992,123	\$ 27,968,724		\$ 27,968,724	\$ 28,344,937	\$ 28,344,937	\$ 28,344,937	\$ 28,344,937		
18													
19	18.91%			15.87%	8.97%								0.44%

(a) ACC Staff's Miscellaneous Expense Adjustment does not use the Company's October 14, 2014 filed amount of \$6,577 for Tubac, so Revenue Increase is slightly different than their filing.

EPCOR WATER ARIZONA - MOHAVE WATER
 Rebuttal Summary of Schedule A-1s
 Computation of Increase in Gross Revenue Requirement
 Test Year Ended June 30, 2013

Line No.	[A] Company		[B] Company		[C] Rebuttal		[D] Staff		[E] Direct		[F] RUCO		[G]
	Company	@ 10.7% ROE	Adjustments	As Adjusted	Adjustments to Company Direct	As Adjusted	As Adjusted	Adjustments to Company Direct	As Adjusted	As Adjusted	Adjustments to Company Direct	As Adjusted	
1		\$ 23,496,514	\$ 66,355	\$ 23,562,869	\$ (1,135,595)	\$ 22,360,919	\$ (7,327,265)	\$ 16,169,249					
2	Original Cost Rate Base												
3	Adjusted Operating Income	\$ 416,266	\$ 34,986	\$ 451,252	\$ 177,788	\$ 594,054	\$ 403,332	\$ 819,598					
4	Current Rate of Return	1.77%		1.92%		2.66%		5.07%					
5	Required Operating Income	\$ 1,614,211		\$ 1,604,631		\$ 1,431,099		\$ 984,707					
6	Required Rate of Return	6.87%		6.81%		6.40%		6.09%					
7	Operating Income Deficiency	\$ 1,197,945		\$ 1,153,380		\$ 837,045		\$ 165,112					
8	Gross Revenue Conversion Factor	1.6469		1.6382		1.6257		1.6378					
9	Increase in Gross Revenue Requirement	\$ 1,972,914		\$ 1,889,415		\$ 1,360,784		\$ 270,427					
10	Test Year Adjusted Present Rate Revenue	\$ 6,354,293		\$ 6,389,776		\$ 6,389,776		\$ 6,455,475					
11	Percent Rate Increase	31.05%		29.57%		21.30%		4.19%					

EPCOR WATER ARIZONA - SUN CITY WATER
 Rebuttal Summary of Schedule A-1s
 Computation of Increase in Gross Revenue Requirement
 Test Year Ended June 30, 2013

Line No.	[A] Company		[B] Company		[C] Rebuttal		[D] Staff		[E] Direct		[F] RUCO		[G]
	@ 10.7% ROE		Adjustments	As Adjusted	Adjustments to Company Direct	As Adjusted	Adjustments to Company Direct	As Adjusted	Adjustments to Company Direct	As Adjusted	As Adjusted		
1	\$ 26,409,286	\$ 267,389	\$ 26,666,676	\$ 24,790,107	\$ (1,619,179)	\$ 24,790,107	\$ (3,665,291)	\$ 22,743,995					
2	\$ 843,696	\$ 219,279	\$ 1,062,975	\$ 1,180,619	\$ 336,923	\$ 1,180,619	\$ 543,547	\$ 1,387,243					
3													
4													
5		3.19%		3.99%		4.76%		6.10%					
6													
7	\$ 1,814,318		\$ 1,816,001	\$ 1,586,567		\$ 1,586,567		\$ 1,385,109					
8													
9		6.87%		6.81%		6.40%		6.09%					
10													
11	\$ 970,622		\$ 753,026	\$ 405,948		\$ 405,948		\$ (2,131)					
12													
13	1.6550		1.6462	1.6257		1.6257		1.6459					
14													
15	\$ 1,606,392		\$ 1,239,639	\$ 659,949		\$ 659,949		\$ (3,507)					
16													
17	\$ 10,265,553		\$ 10,309,919	\$ 10,295,663		\$ 10,295,663		\$ 10,498,798					
18													
19	15.65%		12.02%	6.41%		6.41%		-0.03%					

EPCOR WATER ARIZONA - TUBAC WATER
 Rebuttal Summary of Schedule A-1s
 Computation of Increase in Gross Revenue Requirement
 Test Year Ended June 30, 2013

Line No.	[A] Company		[B] Company Rebuttal		[C] Rebuttal		[D] Staff Direct		[E] As Adjusted		[F] Adjustments to Company Direct		[G] RUCO Direct	
	@ 10.7% ROE		Adjustments	As Adjusted			Adjustments to Company Direct	As Adjusted		As Adjusted	Adjustments to Company Direct	As Adjusted	As Adjusted	
1	\$ 1,607,775		\$ (64,727)	\$ 1,543,048			\$ (170,110)	\$ 1,437,665		\$ 1,475,944	\$ (131,831)	\$ 1,475,944		
2														
3			\$ 66,795	\$ (64,998)			\$ 104,858	\$ (26,935)		\$ (71,464)	\$ 60,329	\$ (71,464)		
4														
5		-8.20%							-1.87%					-4.84%
6														
7		\$ 110,454		\$ 105,082				\$ 92,011		\$ 89,885		\$ 89,885		
8														
9		6.87%		\$ 6.81%					6.40%					6.09%
10														
11		\$ 242,247		\$ 170,080				\$ 118,946		\$ 161,352		\$ 161,352		
12														
13		1.6589		1.6501				1.6404		1.4456		1.4456		
14														
15		\$ 401,874		\$ 280,652				\$ 195,118		\$ 233,251		\$ 233,251		
16														
17		\$ 579,194		\$ 579,194				\$ 579,194		\$ 537,388		\$ 537,388		
18														
19		69.39%		48.46%					33.69%					43.40%

(a) ACC Staff's Miscellaneous Expense Adjustment does not use the Company's October 14, 2014 filed amount of \$6,577 for Tubac, so Revenue Increase is slightly different than their filing.

EPCOR WATER ARIZONA - MOHAVE WASTEWATER
 Rebuttal Summary of Schedule A-1s
 Computation of Increase in Gross Revenue Requirement
 Test Year Ended June 30, 2013

Line No.	[A] Company		[B] Company Rebuttal		[C] Rebuttal		[D] Staff Direct		[E] Adjustments to Company Direct		[F] RUCO Direct		[G]
	@ 10.7% ROE		Adjustments	As Adjusted	As Adjusted		Adjustments to Company Direct	As Adjusted	As Adjusted	Adjustments to Company Direct	As Adjusted		
1	\$	5,305,082	\$	5,365,614	\$	5,365,614	\$	4,635,386	\$	4,494,753	\$		
2													
3	\$	90,799	\$	94,517	\$	94,517	\$	114,413	\$	114,494	\$		
4													
5		1.71%		1.76%		1.76%		2.47%		2.55%			
6													
7	\$	364,459	\$	365,398	\$	365,398	\$	296,665	\$	273,730	\$		
8													
9		6.87%		6.81%		6.81%		6.40%		6.09%			
10													
11	\$	273,660	\$	270,881	\$	270,881	\$	182,251	\$	159,239	\$		
12													
13		1.6577		1.6489		1.6489		1.6257		1.5996			
14													
15	\$	453,638	\$	446,643	\$	446,643	\$	296,286	\$	254,720	\$		
16													
17	\$	1,055,839	\$	1,055,839	\$	1,055,839	\$	1,055,839	\$	1,055,839	\$		
18													
19		42.96%		42.30%		42.30%		28.06%		24.12%			

EPCOR WATER ARIZONA - MOHAVE WATER
 Rebuttal Summary of Schedule B-1s
 Summary of Fair Value Rate Base
 Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Company Rebuttal Adjustments		[C] Rebuttal As Adjusted		[D] Staff Direct Adjustments to Company Direct		[E] Staff Direct As Adjusted		[F] RUCO Direct Adjustments to Company Direct		[G] As Adjusted
1	\$	46,731,131	\$	-	\$	46,731,131	\$	46,731,131	\$	46,731,131	\$	(6,121,255)	\$ 40,609,876
2													
3													
4													
5													
6		15,934,125		-		15,934,125		279,644		16,213,769		(1,016,767)	14,917,358
7													
8	\$	30,797,006	\$	-	\$	30,797,006	\$	(279,644)	\$	30,517,362	\$	(5,104,488)	\$ 25,692,518
9													
10													
11													
12	\$	7,012,710	\$	-	\$	7,012,710	\$	69,169	\$	7,081,879	\$	69,169	\$ 7,081,879
13													
14													
15		481,135		-		481,135				481,135			481,135
16													
17		8,257		-		8,257				8,257			8,257
18		696,852		-		696,852				696,852			696,852
19													
20		106,450		(106,450)		(0)		(106,450)		(0)		1,265,114	1,371,564
21													
22													
23		873,903		(42,994)		830,910		(873,903)		0		(873,903)	0
24		131,008		2,899		133,907		(19,329)		111,679		(14,591)	116,417
25													
26													
27													
28	\$	23,496,514	\$	66,355	\$	23,562,869	\$	(1,135,595)	\$	22,360,919	\$	(7,327,265)	\$ 16,169,249

EPCOR WATER ARIZONA - PARADISE VALLEY WATER

Rebuttal Summary of Schedule B-1s
Summary of Fair Value Rate Base
Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Company Rebuttal		[C] Rebuttal As Adjusted		[D] Staff Direct		[E] As Adjusted		[F] Adjustments to Company Direct		[G] RUCO Direct As Adjusted	
1														
2		\$ 73,128,007	\$ -	\$ 73,128,007	\$ 15,161	\$ 73,143,168	\$ -	\$ 73,143,168	\$ -	\$ 73,143,168	\$ (1,639,177)	\$ 71,488,830		
3														
4	Less:													
5														
6	Accumulated Depreciation	23,455,384	-	23,455,384	1,416,773	24,872,157		24,872,157		24,872,157	961,222	24,416,606		
7														
8	Net Utility Plant in Service	\$ 49,672,623	\$ -	\$ 49,672,623	\$ (1,401,612)	\$ 48,271,011		\$ 48,271,011		\$ 48,271,011	\$ (2,600,399)	\$ 47,072,224		
9	Less:													
10														
11														
12	Advances in Aid of Construction	\$ 1,554,766	\$ -	\$ 1,554,766		\$ 1,554,766		\$ 1,554,766		\$ 1,554,766		\$ 1,554,766		
13														
14	Contribution in Aid of Construction -													
15	Net of Amortization	9,259,772	-	9,259,772	43,632	9,303,404		9,303,404		9,303,404	43,632	9,303,404		
16														
17	Customer Meter Deposits	23,819	-	23,819		23,819		23,819		23,819		23,819		
18	Deferred Income Taxes & Credits	212,749	-	212,749		212,749		212,749		212,749		212,749		
19	Investment Tax Credits	39,646	-	39,646		39,646		39,646		39,646		39,646		
20	Regulatory Liabilities	-	-	-		-		-		-		426,346		426,346
21														
22	Plus:													
23	Deferred Debits	778,686	(381,529)	397,156	(778,686)	(0)		(0)		(0)		(0)		
24	Working Capital Allowance	19,885	2,655	22,540	(7,520)	12,365		12,365		12,365		(14,940)		
25	Utility Plant Acquisition Adjustment	-	-	-		-		-		-		-		
26														
27														
28	Total Rate Base	\$ 39,380,442	\$ (378,875)	\$ 39,001,567	\$ (2,231,450)	\$ 37,148,992		\$ 37,148,992		\$ 37,148,992	\$ (3,683,888)	\$ 35,496,554		

EPCOR WATER ARIZONA - SUN CITY WATER
 Rebuttal Summary of Schedule B-1s
 Summary of Fair Value Rate Base
 Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Company Rebuttal Adjustments		[C] Rebuttal As Adjusted		[D] Staff Direct Adjustments to Company Direct		[E] Staff Direct As Adjusted		[F] Adjustments to Company Direct		[G] RUICO Direct As Adjusted	
1	\$	76,011,241	\$	-	\$	76,011,241	\$	98,493	\$	76,109,734	\$	(1,941,674)	\$	74,069,667
2														
3														
4	<u>Less:</u>													
5														
6		26,280,898		-		26,280,898		715,283		26,996,181		(2,117,287)		24,163,611
7														
8	\$	49,730,343	\$	-	\$	49,730,343	\$	(616,790)	\$	49,113,553	\$	175,613	\$	49,905,966
9														
10	<u>Less:</u>													
11														
12		6,374,283		-		6,374,283				6,374,283				6,374,283
13														
14														
15		16,125,275		-		16,125,275		845,933		16,971,208		845,933		16,971,208
16														
17		4,903		-		4,903				4,903				4,903
18		1,014,247		-		1,014,247				1,014,247				1,014,247
19														
20		90,329		(90,329)		0		(90,329)		0		2,732,719		2,823,048
21														
22	<u>Plus:</u>													
23		225,112		167,250		392,361		(225,112)		(0)		(225,112)		(0)
24		62,870		(190)		62,681		(21,673)		41,197		(37,140)		25,730
25														
26														
27														
28	\$	26,409,286	\$	257,389	\$	26,666,676	\$	(1,619,179)	\$	24,790,107	\$	(3,665,291)	\$	22,743,995

EPCOR WATER ARIZONA - MOHAVE WASTEWATER

Rebuttal Summary of Schedule B-1s
Summary of Fair Value Rate Base
Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Company Rebuttal Adjustments		[C] Rebuttal As Adjusted		[D] Staff Direct Adjustments to Company Direct		[E] Staff Direct As Adjusted		[F] RUCO Direct Adjustments to Company Direct		[G] RUCO Direct As Adjusted	
1														
2		\$ 8,866,427	\$ -	\$ 8,866,427	\$ -	\$ 8,866,427	\$ -	\$ 8,866,427	\$ -	\$ 8,866,427	\$ (102,622)	\$ 8,763,805		
3														
4	Less:													
5														
6	Accumulated Depreciation	693,460	-	693,460	-	693,460	413,326	1,106,786	-	1,106,786	408,778	1,102,238		
7														
8	Net Utility Plant in Service	8,172,966	-	8,172,966	-	8,172,966	(413,326)	7,759,640	-	7,759,640	(511,400)	7,661,566		
9														
10	Less:													
11														
12	Advances in Aid of Construction	1,916,421	-	1,916,421	-	1,916,421	-	1,916,421	-	1,916,421	-	1,916,421		
13														
14	Contribution in Aid of Construction -													
15	Net of Amortization	935,072	-	935,072	-	935,072	227,674	1,162,746	-	1,162,746	227,674	1,162,746		
16														
17	Customer Meter Deposits	5	-	5	-	5	-	5	-	5	-	5		
18	Deferred Income Taxes & Credits	62,236	-	62,236	-	62,236	-	62,236	-	62,236	-	62,236		
19	Investment Tax Credits	-	-	-	-	-	-	-	-	-	-	-		
20	Regulatory Liabilities	-	-	-	-	-	-	-	-	-	-	-		
21														
22	Plus:													
23	Deferred Debits	28,717	60,806	89,523	60,806	89,523	(28,717)	(0)	(28,717)	(0)	(28,717)	(0)		
24	Working Capital Allowance	17,134	(274)	16,860	(274)	16,860	21	17,155	21	17,155	(10,979)	6,155		
25	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-	-	-	-	-		
26														
27														
28	Total Rate Base	5,305,082	60,532	5,365,614	60,532	5,365,614	(669,696)	4,635,386	(669,696)	4,635,386	(810,329)	4,494,753		

EPCOR WATER ARIZONA - TOTAL OF ALL 5 DISTRICTS
 Rebuttal Summary of Schedule C-1s
 Calculation of Operating Income
 Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Company Rebuttal		[C] Rebuttal As Adjusted		[D] Adjustments to Company Direct		[E] Staff Direct As Adjusted		[F] Adjustments to Company Direct		[G] As Adjusted
1	Revenues												
2	Water Revenues	\$ 27,451,849	\$ 88,992	\$ 27,540,841	\$ 65,593	\$ 27,517,442	\$ 441,806	\$ 27,893,655					
3	Other Revenues	451,282	-	451,282	-	451,282	-	451,282					
4													
5		\$ 27,903,131	\$ 88,992	\$ 27,992,123	\$ 65,593	\$ 27,968,724	\$ 441,806	\$ 28,344,937					
6	Operating Expenses												
7	Labor	\$ 4,754,876	\$ (23,076)	\$ 4,731,800	\$ (230,761)	\$ 4,524,115	\$ -	\$ 4,754,876					
8	Purchased Water	26,831	-	26,831	-	26,831	-	26,831					
9	Fuel & Power	3,513,444	3,638	3,517,081	-	3,513,444	-	3,513,444					
10	Chemicals	214,775	(50,771)	164,003	(98,934)	115,841	(98,934)	166,954					
11	Waste Disposal	62,983	-	62,983	-	62,983	-	62,983					
12	Intercompany Support Services	3,462	-	3,462	-	3,462	-	3,462					
13	Corporate Allocation	1,264,944	(90,897)	1,174,047	(286,719)	978,225	(286,719)	785,841					
14	Outside Services	767,997	-	767,997	(19,288)	748,709	(19,288)	767,997					
15	Group Insurance	1,322,188	-	1,322,188	-	1,322,188	-	1,322,188					
16	Pensions	18,029	-	18,029	(15,619)	2,410	(15,619)	18,029					
17	Regulatory Expense	272,683	-	272,683	(23,147)	249,536	(23,147)	249,536					
18	Insurance Other Than Group	555,336	-	555,336	-	555,336	-	555,336					
19	Customer Accounting	1,687,109	27,955	1,715,064	(76,569)	1,610,540	(76,569)	1,701,201					
20	Rents	108,948	-	108,948	-	108,948	-	108,948					
21	General Office Expense	642,158	(27,705)	614,453	(79,236)	562,922	(79,236)	642,158					
22	Miscellaneous	611,450	53	611,503	120	611,570	120	611,450					
23	Maintenance Expense	1,185,325	(50,700)	1,134,625	(63,908)	1,121,417	(63,908)	999,474					
24	Depreciation & Amortization	5,352,957	(385,347)	4,967,610	(449,903)	4,903,054	(449,903)	3,442,588					
25	General Taxes-Property	1,017,530	3,098	1,020,628	1,914	1,019,444	1,914	1,009,685					
26	General Taxes-Other	518,061	-	518,061	-	518,061	-	518,061					
27	Income Taxes	589,355	254,670	844,025	574,628	1,163,983	574,628	1,710,319					
28													
29	Total Operating Expenses	\$ 24,490,439	\$ (339,083)	\$ 24,151,356	\$ (767,422)	\$ 23,723,017	\$ (942,797)	\$ 23,547,642					
30	Utility Operating Income	\$ 3,412,691	\$ 428,075	\$ 3,840,767	\$ 833,015	\$ 4,245,706	\$ 1,384,603	\$ 4,797,294					
31	Other Income & Deductions												
32	Other Income & Deductions												
33	Interest Expense	2,462,858	(8,114)	2,454,744	-	2,462,858	-	2,462,858					
34	Other Expense												
35	Gain/(Loss) Sale of Fixed Assets												
36	Total Other Income & Deductions	\$ (2,462,858)	\$ 8,114	\$ (2,454,744)	\$ -	\$ (2,462,858)	\$ -	\$ (2,462,858)					
37	Net Profit (Loss)	\$ 949,833	\$ 436,190	\$ 1,386,023	\$ 833,015	\$ 1,782,848	\$ 1,384,603	\$ 2,334,436					

(a) ACC Staff's Miscellaneous Expense Adjustment does not use the Company's October 14, 2014 filed amount of \$6,577 for Tubac, so Revenue Increase is slightly different than their filing.

EPCOR WATER ARIZONA - MOHAVE WATER
 Rebuttal Summary of Schedule C-1s
 Calculation of Operating Income
 Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Company Rebuttal		[C] Rebuttal As Adjusted		[D] Staff Direct		[E] As Adjusted		[F] Adjustments to Company Direct		[G] RUCO Direct	
1	Revenues													
2	Water Revenues	\$ 6,132,996	\$ 35,483	\$ 6,168,480	\$ 6,168,480	\$ 6,168,480	\$ 35,483	\$ 6,168,479	\$ 6,168,479	\$ 101,182	\$ 6,234,178		\$ 6,234,178	
3	Other Revenues	221,297	-	221,297	221,297	221,297	-	221,297	221,297	-	221,297		221,297	
4														
5	Operating Expenses	\$ 6,354,293	\$ 35,483	\$ 6,389,776	\$ 6,389,776	\$ 6,389,776	\$ 35,483	\$ 6,389,776	\$ 6,389,776	\$ 101,182	\$ 6,455,475		\$ 6,455,475	
6	Labor													
7	Purchased Water	1,389,973	(6,331)	1,383,642	1,383,642	1,383,642	(63,306)	1,326,667	1,326,667		1,389,973		1,389,973	
8	Fuel & Power	26,831	-	26,831	26,831	26,831	-	26,831	26,831	(52)	26,779		26,779	
9	Chemicals	546,720	-	546,720	546,720	546,720	-	546,720	546,720	(1,638)	545,082		545,082	
10	Waste Disposal	7,886	-	7,886	7,886	7,886	-	7,886	7,886	(49)	7,837		7,837	
11	Intercompany Support Services	950	-	950	950	950	-	950	950		950		950	
12	Corporate Allocation	347,018	(24,936)	322,082	322,082	322,082	(78,657)	268,361	268,361	(134,211)	212,807		212,807	
13	Outside Services	192,587	-	192,587	192,587	192,587	(5,291)	187,296	187,296		192,587		192,587	
14	Group Insurance	418,599	-	418,599	418,599	418,599	-	418,599	418,599		418,599		418,599	
15	Pensions	6,694	-	6,694	6,694	6,694	(4,285)	2,409	2,409		6,694		6,694	
16	Regulatory Expense	85,438	-	85,438	85,438	85,438	(15,667)	69,771	69,771	(29,720)	55,718		55,718	
17	Insurance Other Than Group	101,045	-	101,045	101,045	101,045	(21,006)	101,045	101,045	(602)	101,045		101,045	
18	Customer Accounting	581,279	-	581,279	581,279	581,279	-	581,279	581,279		581,279		581,279	
19	Rents	16,923	-	16,923	16,923	16,923	-	16,923	16,923		16,923		16,923	
20	General Office Expense	247,950	(9,248)	238,703	238,703	238,703	(21,737)	226,213	226,213		247,950		247,950	
21	Miscellaneous	50,657	5,023	55,680	55,680	55,680	5,023	55,680	55,680		50,657		50,657	
22	Maintenance Expense	377,160	-	377,160	377,160	377,160	-	377,160	377,160		377,160		377,160	
23	Depreciation & Amortization	1,331,139	(37,471)	1,293,668	1,293,668	1,293,668	(60,978)	1,270,161	1,270,161	(501,828)	829,311		829,311	
24	General Taxes-Property	163,376	906	164,282	164,282	164,282	906	164,282	164,282	(1,159)	162,217		162,217	
25	General Taxes-Other	149,829	-	149,829	149,829	149,829	-	149,829	149,829		149,829		149,829	
26	Income Taxes	(114,941)	21,964	(92,977)	(92,977)	(92,977)	122,693	7,752	7,752	387,109	252,168		252,168	
27														
28														
29	Total Operating Expenses	\$ 5,938,027	\$ 497	\$ 5,938,524	\$ 5,938,524	\$ 5,938,524	\$ (142,305)	\$ 5,795,723	\$ 5,795,723	\$ (302,150)	\$ 5,635,877		\$ 5,635,877	
30	Utility Operating Income	\$ 416,266	\$ 34,986	\$ 451,252	\$ 451,252	\$ 451,252	\$ 177,788	\$ 594,053	\$ 594,053	\$ 403,332	\$ 819,598		\$ 819,598	
31	Other Income & Deductions													
32	Other Income & Deductions													
33	Interest Expense		1,698	603,209	603,209	603,209		601,511	601,511		601,511		601,511	
34	Other Expense													
35	Gain/(Loss) Sale of Fixed Assets													
36	Total Other Income & Deductions	\$ (601,511)	\$ (1,698)	\$ (603,209)	\$ (603,209)	\$ (603,209)	\$ -	\$ (601,511)	\$ (601,511)	\$ -	\$ (601,511)		\$ (601,511)	
37	Net Profit (Loss)	\$ (185,245)	\$ 33,288	\$ (151,958)	\$ (151,958)	\$ (151,958)	\$ 177,788	\$ (7,468)	\$ (7,468)	\$ 403,332	\$ 218,087		\$ 218,087	

EPGOR WATER ARIZONA - PARADISE VALLEY WATER

Rebuttal Summary of Schedule C-1s
Calculation of Operating Income
Test Year Ended June 30, 2013

Line No.	[A] Company		[B] Company		[C] Rebuttal		[D] Staff		[E] Direct		[F] RUCO		[G]
	Direct	As Adjusted	Rebuttal Adjustments	As Adjusted	As Adjusted	As Adjusted	Company Direct	As Adjusted	Company Direct	As Adjusted	Company Direct	As Adjusted	As Adjusted
1													
2	\$ 9,589,273	\$ 9,598,416	\$ 9,143	\$ 9,598,416	\$ 9,589,273	\$ -	\$ -	\$ 9,589,273	\$ -	\$ 9,589,273	\$ 149,185	\$ 9,738,458	
3	58,978	58,978	-	58,978	58,978	-	-	58,978	-	58,978	-	58,978	
4													
5	\$ 9,648,251	\$ 9,657,395	\$ 9,143	\$ 9,657,395	\$ 9,648,251	\$ -	\$ -	\$ 9,648,251	\$ -	\$ 9,648,251	\$ 149,185	\$ 9,797,436	
6													
7	\$ 1,205,431	\$ 1,199,696	(5,735)	\$ 1,199,696	\$ 1,148,085	(57,346)	\$ -	\$ 1,148,085	\$ -	\$ 1,148,085	\$ 151,278	\$ 1,205,431	
8													
9	1,329,578	1,329,797	219	1,329,797	1,329,578	-	-	1,329,578	-	1,329,578	(21,500)	1,308,078	
10	58,805	58,815	10	58,815	58,805	-	-	58,805	-	58,805	2,073	60,878	
11	15,320	15,320	-	15,320	15,320	-	-	15,320	-	15,320	-	15,320	
12	860	860	-	860	860	-	-	860	-	860	-	860	
13	314,349	291,760	(22,589)	291,760	243,097	(71,252)	(71,252)	243,097	-	243,097	(118,248)	196,101	
14	233,418	233,418	-	233,418	228,825	(4,793)	(4,793)	228,825	-	228,825	-	233,418	
15	321,965	321,965	-	321,965	321,965	-	-	321,965	-	321,965	-	321,965	
16	3,881	3,881	-	3,881	0	(3,881)	(3,881)	0	-	0	(26,922)	3,881	
17	66,802	66,802	-	66,802	65,035	(1,767)	(1,767)	65,035	-	65,035	-	39,880	
18	138,643	138,643	-	138,643	138,643	-	-	138,643	-	138,643	-	138,643	
19	197,288	192,027	(5,261)	192,027	178,260	(19,028)	(19,028)	178,260	-	178,260	(832)	196,456	
20	30,456	30,456	-	30,456	30,456	-	-	30,456	-	30,456	-	30,456	
21	132,498	123,332	(9,166)	123,332	112,807	(19,691)	(19,691)	112,807	-	112,807	-	132,498	
22	91,440	92,394	954	92,394	92,394	954	954	92,394	-	92,394	-	91,440	
23	512,882	462,182	(50,700)	462,182	448,974	(63,908)	(63,908)	448,974	-	448,974	(185,851)	327,031	
24	1,608,655	1,547,531	(61,124)	1,547,531	1,527,744	(80,911)	(80,911)	1,527,744	-	1,527,744	(277,730)	1,330,925	
25	335,846	336,164	318	336,164	335,846	-	-	335,846	-	335,846	(2,503)	333,343	
26	120,776	120,776	-	120,776	120,776	-	-	120,776	-	120,776	-	120,776	
27	735,635	794,554	58,920	794,554	867,427	131,792	131,792	867,427	-	867,427	275,720	1,011,355	
28													
29	\$ 7,454,528	\$ 7,360,373	\$ (94,155)	\$ 7,360,373	\$ 7,264,697	\$ (189,831)	\$ (189,831)	\$ 7,264,697	\$ -	\$ 7,264,697	\$ (204,515)	\$ 7,250,013	
30	\$ 2,193,723	\$ 2,297,022	\$ 103,299	\$ 2,297,022	\$ 2,383,554	\$ 189,831	\$ 189,831	\$ 2,383,554	\$ -	\$ 2,383,554	\$ 353,700	\$ 2,547,423	
31													
32	1,008,139	-	(9,699)	998,440	1,008,139	-	-	1,008,139	-	1,008,139	-	1,008,139	
33													
34													
35													
36	\$ (1,008,139)	\$ (998,440)	\$ 9,699	\$ (998,440)	\$ (1,008,139)	\$ -	\$ -	\$ (1,008,139)	\$ -	\$ (1,008,139)	\$ -	\$ (1,008,139)	
37	\$ 1,185,594	\$ 1,298,581	\$ 112,987	\$ 1,298,581	\$ 1,375,415	\$ 189,831	\$ 189,831	\$ 1,375,415	\$ -	\$ 1,375,415	\$ 353,700	\$ 1,539,284	

EPCOR WATER ARIZONA - TUBAC WATER
 Rebuttal Summary of Schedule C-1s
 Calculation of Operating Income
 Test Year Ended June 30, 2013

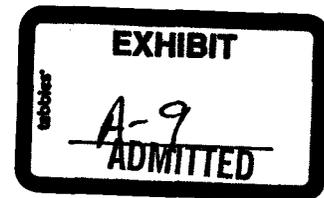
Line No.	[A] Company		[B] Company		[C] Rebuttal		[D] Staff		[E] As Adjusted		[F] RUCO		[G] As Adjusted	
	Direct	Rebuttal	Adjustments	As Adjusted	Adjustments to Company Direct	As Adjusted								
1	\$ 574,204	\$ -	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ (41,806)	\$ 532,398	\$ -	\$ 532,398
2	4,990	-	-	4,990	-	4,990	-	4,990	-	4,990	-	4,990	-	4,990
3														
4														
5														
6	\$ 579,194	\$ -	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ (41,806)	\$ 537,388	\$ -	\$ 537,388
7	\$ 179,440	\$ (635)	\$ (635)	\$ 178,805	\$ (6,351)	\$ 173,089	\$ (6,351)	\$ 173,089	\$ (6,351)	\$ 173,089	\$ -	\$ 179,440	\$ -	\$ 179,440
8														
9	33,324	-	-	33,324	-	33,324	-	33,324	-	33,324	-	33,324	-	33,324
10	98,934	(50,856)	(50,856)	48,078	(98,934)	(0)	(98,934)	(0)	(0)	(0)	1,316	34,640	1,316	34,640
11	811	-	-	811	-	811	-	811	-	811	-	811	-	811
12	95	-	-	95	-	95	-	95	-	95	-	95	-	95
13	34,814	(2,502)	(2,502)	32,313	(7,891)	26,923	(7,891)	26,923	(7,891)	26,923	(14,980)	19,834	(14,980)	19,834
14	26,870	-	-	26,870	(531)	26,339	(531)	26,339	(531)	26,339	-	26,870	-	26,870
15	37,821	-	-	37,821	(430)	37,821	(430)	37,821	(430)	37,821	-	37,821	-	37,821
16	430	-	-	430	(196)	(0)	(196)	(0)	(0)	(0)	-	430	-	430
17	7,261	-	-	7,261	-	7,261	-	7,261	-	7,261	(2,982)	4,279	(2,982)	4,279
18	12,198	-	-	12,198	-	12,198	-	12,198	-	12,198	-	12,198	-	12,198
19	20,561	1,364	1,364	21,926	(2,107)	18,454	(2,107)	18,454	(2,107)	18,454	3,046	23,607	3,046	23,607
20	7,566	-	-	7,566	(2,181)	26,023	(2,181)	26,023	(2,181)	26,023	-	7,566	-	7,566
21	28,204	(2,443)	(2,443)	25,761	83	6,660	83	6,660	83	6,660	-	28,204	-	28,204
22	6,577	16	16	6,593	-	6,593	-	6,593	-	6,593	-	6,577	-	6,577
23	38,435	-	-	38,435	-	38,435	-	38,435	-	38,435	-	38,435	-	38,435
24	238,395	(55,118)	(55,118)	183,277	(58,003)	180,392	(58,003)	180,392	(58,003)	180,392	(90,770)	147,625	(90,770)	147,625
25	30,506	0	0	30,506	(268)	30,238	(268)	30,238	(268)	30,238	-	27,685	-	27,685
26	16,157	-	-	16,157	-	16,157	-	16,157	-	16,157	-	16,157	-	16,157
27	(107,414)	43,379	43,379	(64,034)	71,951	(35,463)	71,951	(35,463)	71,951	(35,463)	55,788	(51,626)	55,788	(51,626)
28														
29	\$ 710,987	\$ (66,795)	\$ (66,795)	\$ 644,192	\$ (104,858)	\$ 606,129	\$ (104,858)	\$ 606,129	\$ (104,858)	\$ 606,129	\$ (102,135)	\$ 608,852	\$ (102,135)	\$ 608,852
30	(131,793)	\$ 66,795	\$ 66,795	(64,998)	\$ 104,858	(26,935)	\$ 104,858	(26,935)	\$ (26,935)	\$ (26,935)	\$ 60,329	(71,464)	\$ 60,329	(71,464)
31														
32														
33	41,320	(1,664)	(1,664)	39,656	-	41,320	-	41,320	-	41,320	-	41,320	-	41,320
34														
35														
36	(41,320)	1,664	1,664	(39,656)	-	(41,320)	-	(41,320)	-	(41,320)	-	(41,320)	-	(41,320)
37	(173,113)	68,458	68,458	(104,655)	104,858	(68,255)	104,858	(68,255)	(68,255)	(68,255)	60,329	(112,784)	60,329	(112,784)

(a) ACC Staff's Miscellaneous Expense Adjustment does not use the Company's October 14, 2014 filed amount of \$6,577 for Tubac, so Revenue Increase is slightly different than their filing.

EPCOR WATER ARIZONA - MOHAVE WASTEWATER

Rebuttal Summary of Schedule C-1s
Calculation of Operating Income
Test Year Ended June 30, 2013

Line No.	Description	[A] Company Direct		[B] Company Rebuttal Adjustments		[C] Rebuttal As Adjusted		[D] Staff Direct Adjustments to Company Direct		[E] Staff Direct As Adjusted		[F] RUCO Direct Adjustments to Company Direct		[G] RUCO Direct As Adjusted	
1	Revenues														
2	Water Revenues	\$	1,052,210	\$	-	\$	1,052,210			\$	1,052,210			\$	1,052,210
3	Other Revenues		3,629		-		3,629				3,629				3,629
4															
5	Operating Expenses	\$	1,055,839	\$	-	\$	1,055,839				1,055,839				1,055,839
6	Labor														
7	Purchased Water	\$	268,572		(1,071)	\$	267,501		(10,707)	\$	257,865			\$	268,572
8	Fuel & Power		(0)		-		(0)				(0)				(0)
9	Chemicals		46,241		-		46,241				46,241		(22)		46,219
10	Waste Disposal		12,000		-		12,000				12,000				12,000
11	Intercompany Support Services		34,306		-		34,306				34,306				34,306
12	Corporate Allocation		161		(4,218)		161		(13,304)		161		(21,553)		161
13	Outside Services		56,694		-		54,476		(895)		45,390				37,141
14	Group Insurance		34,425		-		34,425		(725)		33,530				34,425
15	Pensions		53,082		-		53,082		(2,650)		53,082				53,082
16	Regulatory Expense		725		-		725		(2,650)		9,343		(5,027)		725
17	Insurance Other Than Group		11,993		-		11,993				14,658				6,966
18	Customer Accounting		14,658		-		14,658		(3,553)		50,274				14,658
19	Rents		53,827		895		54,723		(3,677)		8,199				53,827
20	General Office Expense		8,199		(417)		8,199		(87)		17,225				8,199
21	Miscellaneous		20,902		(87)		20,485		(2)		51,102				20,902
22	Maintenance Expense		84		-		84				(3)				84
23	Depreciation & Amortization		51,102		(535)		51,102		(12,208)		51,102				51,102
24	General Taxes-Property		257,946		-		257,411				245,738		(24,120)		233,826
25	General Taxes-Other		53,660		-		53,660				53,660		(1,209)		52,451
26	Income Taxes		12,392		-		12,392				12,392				12,392
27	Income Taxes		(27,928)		1,714		(26,214)		24,191		(3,737)		28,236		308
28															
29	Total Operating Expenses	\$	965,040	\$	(3,718)	\$	961,322	\$	(23,614)	\$	941,425	\$	(23,695)	\$	941,345
30	Utility Operating Income	\$	90,799	\$	3,718	\$	94,517	\$	23,614	\$	114,414	\$	23,695	\$	114,494
31	Other Income & Deductions														
32	Other Income & Deductions														
33	Interest Expense		135,810		1,550		137,360				135,810				135,810
34	Other Expense		-		-		-				-				-
35	Gain/(Loss) Sale of Fixed Assets		-		-		-				-				-
36	Total Other Income & Deductions	\$	(135,810)	\$	(1,550)	\$	(137,360)	\$	-	\$	(135,810)	\$	-	\$	(135,810)
37	Net Profit (Loss)	\$	(45,011)	\$	2,168	\$	(42,843)	\$	23,614	\$	(21,396)	\$	23,695	\$	(21,316)



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REJOINDER TESTIMONY
OF
SHERYL L. HUBBARD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

**REJOINDER TESTIMONY
OF
SHERYL L. HUBBARD
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

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1 **EXECUTIVE SUMMARY**

2 Sheryl L. Hubbard supports the Company's **revised** requested annual revenue increase of
3 \$4,302,011, or a 15.37% increase. Ms. Hubbard then responds to the surrebuttal testimony of
4 certain witnesses for ACC Staff and RUCO.

5 Ms. Hubbard first responds to RUCO and ACC Staff on the issue of accumulated depreciation.
6 She explains that portions of the debit balances that have raised concerns for ACC Staff and
7 RUCO were approved by the Commission in prior rate cases. She then explains that debit
8 balances since the prior rate cases are primarily caused by early retirements in the Mohave
9 Wastewater District. Ms. Hubbard then addresses Mr. Coley's arguments as to the causes of
10 these debit balances.

11 Ms. Hubbard next addresses Staff's cash working capital arguments in relation to rate case
12 expense and explains that these expenses are a normal operating expense requiring the
13 expenditure of investor capital.

14 Next, Ms. Hubbard addresses RUCO's arguments in relation to CIAC attributed to CWIP. As
15 set forth in her testimony, the concerns raised by RUCO are fully addressed by the segregation of
16 developer funded CWIP from Company funded CWIP. She also notes Staff's support for the
17 Company's position.

18 Ms. Hubbard then provides further support for the Company's request for a 24-month deferral of
19 post in service AFUDC and depreciation. As she explains, this is a means to further address
20 regulatory lag that will allow the Company to recover amounts that are otherwise permanently
21 foregone.

22 Ms. Hubbard responds to the testimony of RUCO witness Ralph Smith on the issue of ADIT and
23 the bonus depreciation deduction for income tax purposes and identifies the inaccuracies of his
24 analysis.

25 On the issue of depreciation expense, Ms. Hubbard explains that although the Company has
26 agreed to change its approach going forward, under this approach, customers will no longer

1 benefit from the reduction to rate base if depreciation expense ends when the asset is fully
2 depreciated between rate cases.

3 Ms. Hubbard explains that with regard to incentive compensation, the recommendations of ACC
4 Staff and RUCO with regard to this labor expense are inconsistent with prior Commission
5 decisions addressing this issue for the Company's predecessor, Arizona-American Water.

6 Lastly, Ms. Hubbard responds to the phase-in proposal of the SCVCC and to RUCO's testimony
7 regarding the rate impact of the Company's SIB proposal.

8

9

10

11

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Sheryl L. Hubbard. My business address is 2355 W. Pinnacle Peak Road,
5 Phoenix, Arizona 85027, and my business phone number is (623) 445-2419.

6 **Q. ARE YOU THE SAME SHERYL HUBBARD WHO SUBMITTED DIRECT AND**
7 **REBUTTAL TESTIMONY IN THIS CASE?**

8 A. Yes.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

11 A. I will respond to certain surrebuttal testimony of Arizona Corporation Commission
12 (“ACC”) Staff, the Residential Utility Consumer Office (“RUCO”), and the Santa Cruz
13 Valley Citizens Council (“SCVCC”).

14 **Q. HOW IS YOUR REJOINDER TESTIMONY ORGANIZED?**

15 A. Section III of my rejoinder testimony will summarize EPCOR Water Arizona, Inc.’s
16 (“EWAZ” or the “Company”) revenue requirement request in this proceeding. Section
17 IV will identify which of the Company’s schedules that I am sponsoring and discuss
18 exhibits that I am sponsoring in conjunction with this rejoinder testimony. Section V will
19 discuss the Company’s response to recommendations of ACC Staff and RUCO pertaining
20 to elements of the Company’s Rate Base, and Section VI will summarize the Company’s
21 response to recommendations of ACC Staff and RUCO regarding incentive
22 compensation, including at-risk compensation included in the Corporate Allocation
23 expense category, and depreciation expense as they are included in the Company’s
24 calculation of Adjusted Operating Income. Section VII will discuss other
25 recommendations of other intervenors.

1 **III. SUMMARY OF REVISED REVENUE REQUIREMENT**

2 **Q. WHAT IS EWAZ'S REVISED REQUESTED REVENUE INCREASE IN THIS**
3 **CASE?**

4 A. The Company's revised requested revenue increase, rate base and operating income are
5 summarized on column [c] of Rejoinder Exhibit SLH-2RJ. The Company's **revised**
6 requested annual revenue increase of \$4,302,011, or a 15.37% increase is summarized in
7 Table 1 below.

8 **Table 1. Requested Revenue Increase by District**
9

District	Mohave	Paradise	Sun City	Tubac	Mohave	Total
	Water	Valley	Water	Water	Wastewater	5 Districts
Revenue Increase	\$1,891,953	\$569,054	\$1,139,852	\$255,452	\$445,700	\$4,302,011

10
11 **Q. PLEASE EXPLAIN EXHIBIT SLH-2RJ.**

12 A. Exhibit SLH-2RJ labeled "Summary of Parties' Positions" is an eighteen page exhibit
13 which enables a comparison of the adjustments to the Company's October 14, 2014 and
14 filing recommended by ACC Staff in its direct testimony in column [F] and its surrebuttal
15 testimony in column [H] and RUCO's direct testimony in column [J] and its surrebuttal
16 testimony in column [L]. Pages 1-6 are summaries of the Company's, ACC Staff's and
17 RUCO's Schedule A-1 - Computation of Increase in Gross Revenue Requirement. Pages
18 7-12 are summaries of the Company's, ACC Staff's and RUCO's Schedule B-1 -
19 Summary of Fair Value Rate Base. Pages 13-18 are summaries of the Company's, ACC
20 Staff's and RUCO's Schedule C-1 - Calculation of Operating Income. For each schedule
21 (A-1, B-1, and C-1), there are separate pages for each of the districts in this case as well
22 as a total of all of the districts. The Company's requested revenue requirement in its

1 rejoinder filing has been revised as a result of accepting certain of the positions
2 recommended by ACC Staff and RUCO in their surrebuttal case presentations, as well as
3 correcting some minor errors uncovered in the discovery process.

4
5 **Q. PLEASE PROVIDE A HIGH-LEVEL SUMMARY OF THE CHANGES TO THE**
6 **COMPANY'S REVENUE INCREASE PRESENTED IN THE REJOINDER**
7 **PRESENTATION.**

8 A. The **original** requested annual revenue increase (as reflected in the Company's revised
9 schedules filed October 14, 2014) of \$5,276,122, has been reduced to \$4,302,011 in the
10 Company's rejoinder presentation.

11 **Q. PLEASE PROVIDE A HIGH-LEVEL SUMMARY OF THE CHANGES TO THE**
12 **COMPANY'S ORIGINAL REVENUE INCREASE PRESENTED IN THE**
13 **OCTOBER 14, 2014 FILING AND ITS REJOINDER PRESENTATION.**

14 A. The **original** requested annual revenue increase (as reflected in the Company's revised
15 schedules filed October 14, 2014) of \$5,276,122, was reduced to \$4,443,338 in the
16 Company's rebuttal presentation and has been reduced further to \$4,302,011. The
17 Company has not revised its cost of equity request from its rebuttal position of 10.55
18 percent.

19 Rate base for Mohave Water has been revised to correct the Deferred Debit balance at the
20 end of the test year which included unamortized rate case expenses from Docket No. W-
21 01303A-10-0448 which should not have been included in the calculation of Rate Base.

22 Operating Income has been adjusted for a reduction in Tank Maintenance expense to
23 accept the ACC Staff's revised level of expense of \$123,658, as discussed in greater
24 detail by Mr. Jeffrey W. Stuck. The Company has also accepted an adjustment to several

1 expense items proposed by RUCO to remove some acquisition costs included in error.
2 These adjustments affected all of the districts and are discussed in greater detail in Ms.
3 Sandra L. Murrey's testimony. Changes to property taxes, income taxes and the interest
4 synchronization adjustments proposed in the Company's rejoinder Schedule C-2 are
5 conforming changes to incorporate income or expense adjustments and are also discussed
6 in the testimony of Ms. Sandra L. Murrey.

7 **Q. HOW DOES EWAZ'S REVISED REVENUE REQUIREMENT COMPARE TO**
8 **THE ACC STAFF'S AND RUCO'S POSITIONS SUBMITTED ON FEBRUARY**
9 **26, 2015?**

10 A. ACC Staff recommends the Company be authorized approximately 71.54% of the
11 Company's requested overall revenue requirement as proposed in its rebuttal
12 presentation, and RUCO recommends the Company be authorized a decrease in revenue
13 of approximately 0.43% from the Company's current overall revenue requirement.
14 Although RUCO and the ACC Staff have recommended increases that are significantly
15 less than EWAZ's requested increase in its rebuttal presentation, the Company has
16 continued to review each of their recommendations and accepted as many of the ACC
17 Staff's and RUCO's recommendations as possible to reduce the remaining open issues.

18 **Q. WHAT OTHER WITNESSES ARE SUPPORTING THE COMPANY'S REVISED**
19 **REVENUE REQUIREMENT THROUGH THEIR REJOINDER TESTIMONY?**

20 A. The Company's rejoinder presentation is supported by testimony from the following
21 witnesses:

1 **Mr. Shawn Bradford** (ACC Staff's and RUCO's recommendations regarding Tubac
2 Water's Water Treatment Plant –Media construction costs and recommendations for
3 recovery of deferred arsenic media replacement costs, and the SCVCC's
4 recommendations pertaining to additional storage capacity in Tubac)

5 **Mr. Jeffrey Stuck** (ACC Staff's and RUCO's tank maintenance recommendations)

6 **Mr. Troy Day** (Rebuttal of RUCO's recommendation regarding post test year plant
7 additions)

8 **Mr. Jake Lenderking** (Rebuttal of RUCO's recommendation regarding discontinuance
9 of the Company's existing Central Arizona Project ("CAP") purchased water adjustment
10 mechanisms)

11 **Ms. Sandra L. Murrey** (Rebuttal of ACC Staff's and RUCO's operating expense
12 recommendations, excluding Arizona incentive compensation included in Labor expense,
13 Corporate Allocation, and depreciation)

14 **Mr. Thomas J. Bourassa** (Rebuttal of Cost of Service Study recommendations by the
15 ACC Staff and Rate Design)

16 **Ms. Pauline Ahern** (Rebuttal of the ACC Staff's and RUCO's recommended returns on
17 equity)

18 **Mr. John F. Guastella** (Rebuttal of ACC Staff's and RUCO's recommendations
19 regarding debit balances in accumulated depreciation, and over-depreciation of some
20 asset accounts)

1 **IV. SPONSORED SCHEDULES AND EXHIBITS**

2 **Q. PLEASE IDENTIFY THE SCHEDULES YOU ARE SPONSORING.**

3 A. I am sponsoring the following schedules in the Company's Rejoinder filing:

- 4 • Schedule A-1 Rejoinder – Computation of Increase In Gross Revenue Requirements
- 5 • Schedule B-1 Rejoinder – Summary of Fair Value Rate Base
- 6 • Schedule B-2 Rejoinder – Original Cost Rate Base Pro Forma Adjustments
- 7 • Schedule B-5 Rejoinder – Computation of Working Capital Allowance
- 8 • Schedule B-6 Rejoinder – Lead/Lag Study – Cash Working Capital Requirement
- 9 • Schedule D-1 Rejoinder – Summary of Cost of Capital
- 10 • Schedule D-2 Rejoinder – Cost of Long-Term Debt

11 **Q. PLEASE IDENTIFY THE EXHIBITS YOU ARE SPONSORING.**

12 A. I am sponsoring the following exhibits, which are attached to this rejoinder testimony:

- 13 • Exhibit SLH-1RJ - Summary of Parties' Positions
- 14 • Exhibit SLH-2RJ – Debit Accumulated Depreciation Balance Details
- 15 • Exhibit SLH-3RJ – Data Response RUCO 31.01-Mohave Wastewater

16 **V. RATE BASE**

17 **A ACCUMULATED DEPRECIATION**

18 **Q. MS. RIMBACK INDICATES THAT STAFF STILL REQUIRES ADDITIONAL**
19 **INFORMATION REGARDING HOW THE COMPANY INTENDS TO ADDRESS**
20 **CERTAIN ACCOUNTS. HAS THE COMPANY ADDRESSED THOSE**
21 **ACCOUNTS?**

1 A. Yes. For Sun City Water, an adjustment has been proposed to reflect the reclassification
2 that was discussed in my rebuttal testimony regarding account 340100-Structures and
3 Improvements-Supply with a credit balance of \$98,493. In the last Sun City Water rate
4 case, entries to record the Well 9.2 construction costs were recorded to Structures and
5 Improvements-Pumping and subsequently reclassified as Structures and Improvements-
6 Supply. This adjustment corrects the accounting for that reclassification including the
7 effects on accumulated depreciation. It has been labeled ADJ SLH-6RJ on Schedule B-2
8 and the impacts on depreciation expense are shown as ADJ SLH-7RJ on Schedule C-2.

9 **Q. WITH REGARD TO ACCUMULATED DEPRECIATION, DOES THE**
10 **COMPANY CONTINUE TO BELIEVE THAT IT HAS HANDLED**
11 **ACCUMULATED DEPRECIATION IN ACCORDANCE WITH NARUC**
12 **REQUIREMENTS?**

13 A. Yes. The Company has added depreciation expense to the accumulated depreciation
14 account and retired assets by debiting the original cost of the retired asset to the
15 accumulated depreciation account consistent with the accounting guidance of the
16 NARUC Uniform System of Accounts. Although some groups of assets were
17 depreciated beyond the net book value for the group, the assets were still in service and
18 the accumulated depreciation account was credited for that depreciation.

19 **Q. MUCH OF THE DISCUSSION IN THE SURREBUTTAL TESTIMONY OF THE**
20 **ACC STAFF AND RUCO PERTAINS TO “ABNORMAL” DEBIT**
21 **ACCUMULATED DEPRECIATION BALANCES (I.E. “PHANTOM ASSETS”)**
22 **OF CERTAIN ACCOUNTS. HOW DOES THE COMPANY RESPOND?**

23 A. First, it should be noted that the five districts in this rate case application all had debit
24 accumulated depreciation balances that were authorized by the Commission in each of

1 the district's last rate cases. Exhibit SLH-²BRJ provides the detail by NARUC account for
2 the debit accumulated depreciation balances authorized in the last rate case as well as the
3 debit accumulated depreciation balances included in the rate base request in this case for
4 each district. To get a better understanding of the magnitude of the debit balances
5 approved in the last rate cases and the test year debit balances, a summary in total by
6 district is included in Table 2 below. Table 2 – Debit Accumulated Depreciation
7 Balances sets forth the debit balances authorized in the last rate case by district and
8 shows the debit balances as of the test year ended June 30, 2013 in this proceeding and
9 the incremental change since the last rate case.

10 **Table 2. Debit Accumulated Depreciation Balances**
11

District	Authorized Balances from Last Rate Case	Requested Balances in Current Rate Case	Change in Balances since Last Rate Case
Mohave Water	\$ (275,563)	\$ (279,644)	\$ (4,081)
Paradise Valley Water	\$ (1,370,721)	\$(1,416,773)	\$ (46,052)
Sun City Water	\$ (1,120,255)	\$(1,045,483)	\$ 74,772
Tubac Water	\$ (1,877)	\$ (1,877)	\$ 0
Mohave Wastewater	\$ (2,155)	\$ (413,326)	\$ (411,171)
Total	\$ (2,770,571)	\$(3,157,103)	\$ (386,532)

12
13 **Q. FROM TABLE 2, IT APPEARS THAT THE LARGEST CHANGE IN THE**
14 **DEBIT BALANCES SINCE THE LAST RATE CASE OCCURRED IN THE**
15 **MOHAVE WASTEWATER DISTRICT. WERE EARLY RETIREMENTS THE**
16 **CAUSE OF THE INCREASE IN THE DEBIT BALANCE IN THAT DISTRICT?**

17 **A.** Yes. The Company provided its response to data request number RUCO 31.01 setting
18 forth all of the retirements to the Mohave Wastewater District since the last rate case.
19 Exhibit SLH-³BRJ is a copy of the response to data request number RUCO 31.01 and it
20 discusses the retirements that are contributing to the debit accumulated depreciation

1 balance in the Mohave Wastewater district. These retirements were, in fact, accounted
2 for consistent with the requirements of the NARUC Uniform System of Account
3 requirements.

4 **Q. AGAIN LOOKING AT TABLE 2, THE CHANGE IN THE DEBIT**
5 **ACCUMULATED DEPRECIATION BALANCE HAS ACTUALLY GONE**
6 **DOWN IN THE SUN CITY WATER DISTRICT. WHAT IS THE**
7 **EXPLANATION FOR THAT CHANGE?**

8 A. A decrease in any debit balances is exactly what you would expect to occur over time as
9 the remaining assets in the plant account are depreciated. As time elapses and the
10 Company continues to depreciate assets that are still in service and providing service to
11 customers, credits are recorded to the accumulated depreciation account which reduces
12 any debit balances that resulted from retirements before their useful lives.

13 **Q. ARE THERE OTHER ACCEPTABLE REGULATORY METHODS TO**
14 **ELIMINATE THE "ABNORMAL" DEBIT BALANCES?**

15 A. Yes. However, they must be authorized by the Commission. Upon Commission
16 approval and establishment of a recovery period for rate recovery, the debit accumulated
17 depreciation balances could be transferred to a regulatory asset account (by crediting the
18 accumulated depreciation account and debiting a regulatory asset account) The recovery
19 of the investment that was retired before the end of its useful life would typically be
20 spread over the remaining average service life by applying the group depreciation rates
21 authorized by the Commission for that asset group.

22 **Q. IN THE CASE OF THE MOHAVE WASTEWATER RETIREMENT, WHAT**
23 **IMPACT WOULD THAT HAVE ON THE CURRENT REQUEST IN THIS**
24 **CASE?**

1 A. Account 380100 - Treatment and Disposal Equipment has an average service life of
2 27.78 years (a depreciation rate of 3.60 percent). The retirement amounts, \$467,154 and
3 \$1,209, would be treated as an extraordinary event and reclassified to a regulatory asset
4 account and amortized at the same rate as the depreciation rate of 3.60 percent to
5 Depreciation and Amortization expense. The impact of this reclassification would
6 increase the revenue requirement for Mohave Wastewater by \$16,861 ($\$468,363 \times 3.6\%$)
7 annually for the remaining service lives.

8 **Q. IN HIS TESTIMONY, MR. COLEY DESCRIBES THREE REASONS THAT HE**
9 **BELIEVES HAVE LED TO DEBIT ACCUMULATED DEPRECIATION**
10 **BALANCES OF CERTAIN ACCOUNTS. DO YOU AGREE WITH HIS**
11 **ASSESSMENT?**

12 A. From my investigation of the debit balances in order to respond to the data requests
13 propounded by both the ACC Staff and RUCO, I believe that the debit balances were the
14 result of retirements before there was sufficient accumulated depreciation to offset the
15 retirements, which resulted in a net debit balance in accumulated depreciation.
16 Retirements reduce the accumulated depreciation balance, and when the accumulated
17 depreciation balance is less than the retirement, a debit balance in the accumulated
18 depreciation balance occurs as is the case here. There has been no evidence presented by
19 RUCO or any findings in my analysis that makes me think that there was any "improper
20 accounting when retiring a group of assets from non-depreciable accounts" or any
21 "improper accounting when making transfers of assets from one account to another" as
22 Mr. Coley claims.

1 **Q. MR. COLEY ALSO INDICATES THAT BASED ON TWO PRIOR MOTIONS**
2 **FOR AN EXTENSION OF TIME THESE ISSUES HAVE EXISTED IN PRIOR**
3 **CASES. DO YOU AGREE?**

4 A. I don't have any recollection of the reasons that RUCO required an additional week to
5 complete its direct case testimony. However, I do note that only one district in this case,
6 the Sun City Water District, was involved in the case that he cites. In addition, I am not
7 aware of any party in that proceeding raising issues relating to debit balances in its
8 testimony. And, as noted above, the Commission approved a debit balance for the Sun
9 City Water District in the last rate case.

10 **Q. IN HIS TESTIMONY, MR. COLEY REFERS TO SPECIFIC EXAMPLES THAT**
11 **DEMONSTRATE THE ISSUES WITH THESE BALANCES. HOW DO YOU**
12 **RESPOND?**

13 A. One example that Mr. Coley uses to demonstrate his point is the Mohave Wastewater
14 accumulated depreciation balance in December 2008 of \$20,641 which is clearly the
15 early retirement referred to in the response to data request number RUCO 31.01 (Exhibit
16 SLH-4RJ). It appears that RUCO is trying to distort the Company's accounting into a
17 problem that does not exist.

18 **Q. HOW DO THESE DEBIT BALANCES IMPACT CUSTOMERS?**

19 A. Debit balances in any account included in the calculation of rate base have the effect of
20 increasing rate base. The alternative treatment that I mention above in which the
21 unrecovered balance is reclassified as an extraordinary early retirement in a regulatory
22 asset account and amortized over the remaining average service life would have a
23 slightly larger impact due to the amortization, if you will, of the regulatory asset.

1 **Q. MR. COLEY ALSO PROVIDES EXAMPLES OF CREDIT BALANCES THAT**
2 **HE BELIEVES ARE A CONCERN FOR CERTAIN ACCOUNTS. HOW DID**
3 **THOSE ARISE?**

4 A. Credit balances are the result of continued depreciation of assets after the asset group has
5 reached a net book value of \$0. Net book value is the original cost of the asset group less
6 the accumulated depreciation for the same assets. It is important to remember that the
7 Accumulated Depreciation also includes salvage proceeds (credits) from asset
8 dispositions and costs incurred to retire assets, also referred to as cost of removal (debits).

9 **Q. MR. COLEY CLAIMS THAT THE COMPANY OVER-RECOVERED MORE**
10 **THAN \$7 MILLION IN DEPRECIATION EXPENSE. IS THAT CORRECT?**

11 A. No. The Company has calculated its depreciation expense based on rates established by
12 the Commission in Decision Number 71410 (issued December 8, 2009) for Paradise
13 Valley, Mohave Wastewater and Tubac Water, Decision Number 72047 (issued January
14 6, 2011) for Sun City Water, and Decision Number 73145 (issued May 1, 2012) for
15 Mohave Water. Depreciation expense is established by the Commission in the course of
16 setting rates for a utility. As with other expenses, this expense will not remain fixed from
17 the date of the decision, but absent a subsequent determination from the Commission that
18 changes the depreciation rates, adjustments for past costs constitute retroactive
19 ratemaking. Based on that, there is no over-recovery of depreciation expense as Mr.
20 Coley alleges. The Company has agreed with the ACC Staff that continuing to
21 depreciate these assets for purposes of calculating future revenue requirements is
22 appropriate and has adjusted test year depreciation expense to reflect this concept. If the
23 Commission determines that the Company recorded additional depreciation expense to
24 the accumulated depreciation account in error, then an adjustment should be made to
25 reverse those credits to the accumulated depreciation account with a corresponding credit

1 to the retained earnings account to reverse the expense that was deducted from the
2 income statement in error. However, it is critical to note that the Company did not collect
3 more depreciation expense from customers than it was authorized and therefore no refund
4 as proposed by RUCO is appropriate as that would constitute retroactive ratemaking.

5 **B CASH WORKING CAPITAL**

6 **Q. MS. RIMBACK ARGUES THAT CERTAIN AMOUNTS OF RATE CASE**
7 **EXPENSE SHOULD BE EXCLUDED FROM CASH WORKING CAPITAL.**
8 **DOES THE COMPANY AGREE?**

9 A. No. Rate case expense is a normal operating expense of the Company and requires the
10 provision of investor capital to pay for that expense. Cash is expended for the incurred
11 expenses and there is an associated lag in the recovery of that expense from customers
12 which is the premise of providing an allowance for cash working capital.

13 **C CIAC ATTRIBUTED TO CONSTRUCTION WORK IN PROGRESS**

14 **Q. HAS STAFF ACCEPTED THE COMPANY'S POSITION WITH REGARD TO**
15 **THE REMOVAL OF CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")**
16 **ATTRIBUTABLE TO DEVELOPER-FUNDED CONSTRUCTION WORK IN**
17 **PROGRESS ("CWIP")?**

18 A. Yes. ACC Staff has accepted the Company's adjustment and has recommended in its
19 surrebuttal testimony that developer-funded CIAC remaining in CWIP at the end of the
20 test year and not included in plant in service or post test year plant additions be excluded
21 from the CIAC balance used as a reduction to rate base consistent with the Company's
22 request.

23 **Q. WHAT IS RUCO'S POSITION ON THIS ISSUE?**

1 A. RUCO does not agree with the Company's adjustment to remove the developer-funded
2 capital (CIAC) from the calculation of rate base. RUCO's testimony is that developer
3 contributions could potentially be included in the cost of assets in construction work in
4 progress ("CWIP") at the end of the test year that the Company is seeking to include in
5 rate base through its post test year plant additions. This is not the case, however, as
6 developer-funded CWIP is clearly segregated from Company-funded CWIP and excluded
7 from the post test year plant additions. For every dollar of developer-funded CWIP, there
8 should be a corresponding dollar in the CIAC account. Those developer-funded dollars
9 correspond to Adj SLH-3 in the Company's direct case presentation which reduces the
10 CIAC balance that is then used as a reduction to rate base for all plant included in the
11 plant in service balances.

12 **D 24-MONTH DEFERRAL OF AFUDC AND DEPRECIATION**

13 **Q. BOTH STAFF AND RUCO CONTINUE TO OPPOSE THE COMPANY'S**
14 **REQUEST FOR A DEFERRAL OF POST IN-SERVICE AFUDC AND**
15 **DEPRECIATION. HOW DOES THE COMPANY RESPOND?**

16 A. ACC Staff appears to base its recommendation to oppose an allowance for post in service
17 AFUDC and depreciation on plant additions until they can be included in the Company's
18 rate base and operating income on the premise that the additional AFUDC is not
19 consistent with traditional ratemaking principals. The Company is not arguing that its
20 request is traditional ratemaking, but rather is requesting the Commission to reevaluate
21 this potential means of reducing regulatory lag associated with processing cases. The
22 return on these investments, which includes interest expense, is permanently lost to the
23 Company from the time the asset begins providing service to customers through and until
24 the time that a rate case decision can be issued by the Commission. The Company's
25 request preserves the earning potential of its investments notwithstanding the time it takes

1 to process a rate change request. The Company is not seeking deferral treatment for all
2 assets that it places in service; only the assets placed in service during a test year and for
3 the 12 months subsequent to the test year end to allow time to litigate the rate case
4 application. Additionally, in future rate requests, the Company would not include assets
5 which have been identified as System Improvement Benefit (“SIB”)-eligible. The
6 requested 24-month period is a conservative request, in the Company’s opinion, because
7 it has historically taken longer than 24 months to complete a rate case application for
8 EWAZ and its predecessor, Arizona American Water as shown in Table 3 below.

9 **Table 3. Rate Case Application Durations**

Decision Number	Test Year	Filing Date	Sufficiency	Day 1 of Test Year	Decision Date	# of Months from Day 1 of Test Year to Decision
69440	6/24/2005	1/13/2006	3/10/2006	6/25/2004	5/1/2007	33.5
70209	12/9/2005	7/28/2006	2/2/2007	12/10/2004	3/20/2008	38.6
70351	12/31/2006	4/2/2007	4/30/2007	1/1/2006	5/16/2008	27.9
70372	12/31/2005	6/16/2006	9/28/2006	1/1/2005	6/13/2008	40.6
71410	12/31/2007	5/2/2008	7/23/2008	1/1/2007	12/8/2009	34.6
72047	12/31/2008	7/2/2009	8/24/2009	1/1/2008	1/6/2011	35.5
73145	6/30/2010	11/3/2010	12/22/2010	7/1/2009	5/1/2012	33.4
74568	12/31/2012	4/26/2013	5/28/2013	1/1/2012	6/20/2014	29.1

10
11 RUCO has only provided the rationale for opposing the Company’s request for a 24-
12 month deferral of AFUDC and depreciation in their direct case presentation by noting
13 that they also oppose the System Improvement Benefit (“SIB”) mechanism. Both
14 mechanisms are intended to reduce regulatory lag and provide an opportunity for a
15 regulated company to earn its authorized rate of return on its investments that are used
16 and useful and providing safe and reliable service to customers.

1 E TUBAC ARSENIC MEDIA

2 **Q. HAVE YOU REVIEWED ACC STAFF'S RECOMMENDED ADJUSTMENT TO**
3 **THE ACCOUNTING FOR ARSENIC MEDIA IN TUBAC?**

4 **A. Yes.**

5 **Q. HOW DOES THE COMPANY RESPOND TO THE POSITION TAKEN BY ACC**
6 **STAFF?**

7 **A. The Company disagrees with ACC Staff's recommendation to remove the net amount of**
8 **\$178,533 (\$249,315-\$70,762) currently included in Account 320200 Water Treatment**
9 **Equipment-Media. This account also includes an allocation of treatment plant**
10 **engineering costs and overhead incurred during the construction of the arsenic treatment**
11 **plant. While investigating the ACC Staff's recommended adjustment, however, it was**
12 **determined that \$86,599 of media costs were disallowed in the Arsenic Cost Recovery**
13 **Mechanism Step 1 proceeding and those costs were not removed from the Company's**
14 **plant in service. An adjustment to remove the \$86,599 and associated accumulated**
15 **depreciation of \$10,123 has been made on Schedule B-2 as Adj SLH-5RJ and the**
16 **removal of the associated request for depreciation on this cost has been adjusted out via**
17 **ADJ SLH-6RJ on Schedule C-2. The remainder of the plant in Account 320200 Water**
18 **Treatment Equipment-Media has been transferred to Account 320100 Water Treatment**
19 **Equipment-Non Media on Schedule B-2 on ADJ SLH-5RJ with the impact on**
20 **depreciation expense reflected on ADJ SLH-6RJ on Schedule C-2.**

21 F ACCUMULATED DEFERRED INCOME TAXES ("ADIT")

22 **Q. RUCO PROPOSES TO INCLUDE AN ADJUSTMENT FOR ADIT ASSOCIATED**
23 **WITH BONUS DEPRECIATION ON POST TEST YEAR PLANT ADDITIONS.**
24 **HOW DOES THE COMPANY RESPOND?**

1 A. The Company included all recorded ADIT as of the end of the test year in this case in the
2 calculation of rate base for each district. This calculation is based on the corporate
3 income tax return and is allocated to the districts by use of a 4-factor allocator based on
4 net plant, general metered customers, labor and O&M (excluding labor).

5 ADIT related to the bonus depreciation for all of EWAZ's assets placed in service during
6 2013 and eligible for bonus depreciation was appropriately recorded when the election to
7 take bonus depreciation on the Company's 2013 tax return occurred in September of
8 2014. It should be noted that not all assets placed in service in a tax year are eligible for
9 the bonus depreciation deduction. For purposes of the 2014 tax return, due to be filed in
10 September of this year, the Company had not expected to receive the bonus depreciation
11 deduction due to the expiration of these tax provisions on December 31, 2013. It was not
12 until December 16, 2014, that the bonus depreciation provisions were extended for the
13 2014 tax year. Under the extended tax provisions, the Company can elect to utilize the
14 bonus depreciation rules or use the normal modified accelerated cost recovery system
15 ("MACRS") tax depreciation methodology. The Company has not determined if it will
16 utilize these extended tax provisions and doesn't foresee making that decision until
17 immediately prior to filing our income tax return in September of 2015.

18
19 **Q. ON PAGE 13 OF MR. SMITH'S TESTIMONY, HE DISCUSSES THE**
20 **MATCHING PRINCIPLE AS IT RELATES TO ADIT AND UTILITY PLANT.**
21 **HOW DOES THE COMPANY RESPOND?**

22 A. Mr. Smith neglected to complete his matching analysis by failing to take into
23 consideration the ultimate impact of the 2013 bonus depreciation deduction. He is
24 correct in stating that 2013 bonus depreciation impacted the ADIT but did not complete

1 his analysis to determine that 2013 bonus tax depreciation caused the Company's
2 consolidated income tax return to show a taxable loss which contributed to the creation of
3 a net operating loss ("NOL") deferred tax asset which in effect nullifies any adjustment to
4 rate base even absent the argument that the proposed ADIT adjustment reaches too far
5 past the end of the test year.

6 **Q. DO YOU AGREE WITH RUCO THAT THERE SHOULD BE AN ADJUSTMENT**
7 **TO ADIT TO REFLECT 2013 BONUS TAX DEPRECIATION?**

8 A. No. The Company did not receive any tax benefit for the 2013 bonus depreciation
9 deduction and therefore the ADIT balance reflected in rate base should not be adjusted.

10 **Q. DO YOU AGREE THERE SHOULD BE AN ADJUSTMENT TO ADIT TO**
11 **REFLECT 2014 BONUS TAX DEPRECIATION?**

12 A. No, at least not in this case. Bonus depreciation had expired in December 2013 and was
13 not extended until December of 2014. The Company had not planned on bonus
14 depreciation all year and had not included it in any of its deferred tax calculations which
15 was proper accounting. It is unclear at this point if the Company will even use the bonus
16 depreciation deduction in the determination of its 2014 depreciation calculations and that
17 decision won't be made until closer to its income tax return filing in September of 2015.
18 ADIT is more appropriately reflected in rate base based on the actual required accounting
19 for this tax benefit. There are too many nuances to the determination of tax liabilities to
20 try to take advantage of tax deferrals outside of the normal tax accounting guidelines
21 which RUCO's proposed adjustment would.

1 **VI. ADJUSTED OPERATING INCOME**

2 **A DEPRECIATION EXPENSE**

3 **Q. IN MS. RIMBACK'S TESTIMONY, SHE NOTES THAT THE COMPANY HAS**
4 **AGREED TO CHANGE ITS APPROACH TO DEPRECIATION ON A GOING**
5 **FORWARD BASIS. WHY HAS THE COMPANY AGREED TO THIS?**

6 **A.** The Company has agreed to cease depreciation on asset groups when the net book value,
7 plant less accumulated depreciation, reaches zero because at that point the asset group has
8 been fully depreciated. .

9 **Q. HAS THE COMPANY ALSO ADDRESSED THIS ISSUE IN ITS ADJUSTED**
10 **TEST YEAR DEPRECIATION EXPENSE?**

11 **A.** Yes, as noted above, this has been reflected in the Company's adjusted test year
12 depreciation expense. However, once again, it must be noted that the authorized
13 depreciation expense does not change as a result of an asset group becoming fully
14 depreciated absent a rate case. Keep in mind that investments in new assets are
15 continuously made. When a new plant addition goes into service it increases the net book
16 value all other things remaining constant eliminating net book values of \$0 theoretically.
17 For asset groups' net book values to reach \$0 means either the useful (i.e. depreciable)
18 lives are too short for depreciation purposes or investments in new plant assets has been
19 deferred which could be the result of several factors. One such factor could be an
20 economic downturn where a company doesn't have the capital to invest or it could be a
21 conscious decision of the investors to restrict capital spending. Typically, these decisions
22 are not long term and net book values of \$0 are not the norm because they become
23 positive as soon as a new asset is added to the asset group.

1 The effect of ACC Staff's recommendation is to remove the rate base reduction that is
2 created when depreciation is recorded on these asset groups that have remained in service
3 longer than their average service lives (i.e. after the net book value reaches zero) until a
4 rate case is filed and processed. The authorized depreciation expense level will continue
5 to be collected in a company's Commission-authorized rates for service to its customers;
6 however, the depreciation expense will not be reflected on the books either as an
7 operating expense or as a credit to accumulated depreciation which reduces rate base as
8 the Company has reflected it now. This treatment is no different than when an authorized
9 amortization, like rate case expense, expires prior to a Company filing for a rate case
10 except that in the case of an amortization, there is usually no corresponding reduction to
11 rate base such as occurs with depreciation expense. It would be retroactive ratemaking
12 for the Commission to attempt to quantify the amount of amortization expense that was
13 authorized but expired before the company filed a new rate case to change its authorized
14 expenses and require a refund to customers as RUCO is recommending in this case for
15 depreciation expense. In the case of the continuation of depreciation on assets that were
16 fully depreciated, the corresponding reduction to rate base has been reflected. Under
17 ACC Staff's proposal, customers will no longer benefit from the reduction to rate base if
18 depreciation expense ends when the asset group is fully depreciated between rate cases.

19 **B INCENTIVE COMPENSATION**

20 **Q. THE COMPANY'S REQUEST FOR INCENTIVE COMPENSATION IS**
21 **REFLECTED IN TWO EXPENSE ACCOUNTS. WOULD YOU EXPLAIN THE**
22 **RATIONALE FOR THIS SEGREGATION?**

23 **A.** Yes. Incentive Compensation for employees located in Arizona is included in Labor
24 Expense and includes the district's employees and an allocated share of the EWUS
25 employees' incentive compensation. Incentive Compensation for employees located in

1 Canada, also referred to as At-Risk Compensation, is reflected in the Corporate
2 Allocation line item on the income statement.

3 **Q. WERE THE METHODS OF CALCULATING THE PRO FORMA**
4 **ADJUSTMENTS FOR THE INCENTIVE COMPENSATION IN THE LABOR**
5 **EXPENSE AND THE AT-RISK COMPENSATION INCLUDED IN THE**
6 **CORPORATE ALLOCATION THE SAME?**

7 A. No.

8 **Q. PLEASE EXPLAIN THE METHOD OF CALCULATING THE PRO FORMA**
9 **ADJUSTMENT FOR THE INCENTIVE COMPENSATION IN THE LABOR**
10 **EXPENSE LINE.**

11 A. The pro forma adjustment for the incentive compensation for employees located in
12 Arizona was based on test year end labor rates adjusted for increases known and
13 measurable after the test year. The incentive compensation rates for each Arizona
14 employee were applied to the labor costs resulting in 100 percent of the Pool A incentive
15 compensation. No Pool B incentive compensation or Mid-Term Incentive Plan ("MTIP")
16 expenses were included for AZ employees. In rebuttal, the Company removed the entire
17 financial component related to the Pool A incentive compensation which was a reduction
18 of 10 percent of the Pool A incentive compensation.

19 **Q. WHAT AMOUNT OF INCENTIVE COMPENSATION IS INCLUDED IN THE**
20 **LABOR EXPENSE FOR ARIZONA EMPLOYEES?**

21 A. The total incentive compensation for Arizona employees included in Labor expense for
22 the 5 districts in this case is \$207,765 of the total Arizona incentive compensation of
23 \$801,710 versus ACC Staff's recommendation of \$115,381 based on their 50 / 50 sharing
24 proposal of the incentive compensation expense between shareholders and customers.

1
2 **Q. PLEASE EXPLAIN THE METHOD OF CALCULATING THE PRO FORMA**
3 **ADJUSTMENT FOR THE AT RISK COMPENSATION IN THE CORPORATE**
4 **ALLOCATION LINE.**

5 A. The pro forma adjustment for the At-Risk Compensation for employees in Canada was
6 computed for the test year ending June 30, 2013 by using the actual 2013 At-Risk
7 expense level. The Corporate Allocation is based on estimates throughout the year and
8 tried-up at year end. Since the actual 2013 expense was available when this case was
9 being prepared, the actual 2013 At-Risk Compensation was used as the basis of the pro
10 forma adjustment. The actual 2013 At-Risk Compensation included in the Corporate
11 Allocation pro forma adjustment included Pool A, Pool B, and MTIP. In rebuttal, the
12 Company removed the financial component of the Pool A At-Risk compensation which
13 was a reduction of 10 percent of the Pool A At-Risk compensation and all other At-Risk
14 Compensation from the Corporate Allocation. For the adjusted test year in the
15 Company's rebuttal presentation, the non-financial Pool A portion of the At-Risk
16 Compensation represented approximately 47% of the total At-Risk Compensation
17 included in the Corporate Allocation. The removal of the financial component reduced
18 this request by approximately 53%.

19 **Q. HAS ACC STAFF CHANGED ITS POSITION WITH REGARD TO AT RISK**
20 **COMPENSATION INCLUDED IN THE CORPORATION ALLOCATION**
21 **EXPENSED AND LABOR EXPENSE?**

22 A. Yes. ACC Staff has recommended that 50 percent of the total at risk compensation
23 included in the Corporate Allocation be included in the Company's operating expenses.
24 ACC Staff is recommending a sharing of the at risk compensation so that rate payers and

1 shareholders are each responsible for 50 percent of the at risk compensation included in
2 the Corporate Allocation.

3 **Q. IS THIS CONSISTENT WITH ACC STAFF'S TREATMENT OF THESE**
4 **EXPENSE ITEMS IN THE PAST FOR EWAZ'S PREDECESSOR?**

5 A. No. In prior rate cases for EWAZ's predecessor, Arizona-American Water Company
6 (Arizona-American), the ACC Staff has evaluated the metrics of the incentive plans and
7 historically disallowed the financially-based component. In the most recent Arizona-
8 American rate cases that were not settled cases, Docket No. W-01303A-09-0343; S-
9 01303A-09-0343 and Docket No. W-01303A-08-0227, the financial component of the
10 incentive plans in those cases represented 30% of the plan and this is the amount
11 disallowed by the Commission. The financial component in the Company's current
12 incentive plan is only 10%.

13 **Q. IS THIS CONSISTENT WITH THE COMMISSION'S TREATMENT OF THESE**
14 **EXPENSE ITEMS IN THE PAST?**

15 A. The Commission, in previous Arizona-American cases, adopted recommendations to
16 disallow the financial component of the incentive compensation packages and rejected
17 other recommendations that were for greater percentages.

18 **Q. WHAT DOES RUCO RECOMMEND WITH REGARD TO THESE EXPENSES?**

19 A. RUCO, through its witness, Mr. Ralph C. Smith, proposes to disallow all at risk
20 compensation included in the Corporate Allocation by the Company after reviewing each
21 element of the at risk compensation.

1 **VII. OTHER RECOMMENDATIONS MADE BY INTERVENORS**

2 **Q. THE SANTA CRUZ VALLEY COMMUNITY COUNCIL RECOMMENDS A**
3 **PHASE IN APPROACH TO ANY RATE INCREASE WHICH WOULD RESULT**
4 **FROM EWAZ'S PROPOSED RATE INCREASE. HOW DOES THE COMPANY**
5 **RESPOND?**

6 A. It has been my experience that phasing-in rate increases typically results from a
7 settlement agreement among parties to a rate case as opposed to the issuance of a
8 Commission decision and the phase-in plan provides for recovery of the foregone
9 revenues plus the associated carrying costs from the beginning of the rate phase-in until
10 full rate implementation occurs. When these phase-in programs are accomplished in a
11 just and fair manner, the ending rates are generally higher than they otherwise would
12 have been with implementation at the completion of the rate case. Based on the
13 adjustments the Company has made to its requested revenue requirement, the Company is
14 not requesting a phase-in of rates.

15 **Q. IN MR. MEASE'S SURREBUTTAL TESTIMONY ON SYSTEM**
16 **IMPROVEMENT BENEFITS ("SIB"), WERE THE FINANCIAL IMPACTS ON**
17 **CUSTOMERS PRESENTED?**

18 A. Yes.

19 **Q. DOES THE COMPANY HAVE ANY CONCERNS ABOUT THE**
20 **CALCULATIONS OR THE RESULTING REVENUE INCREASES**
21 **PRESENTED?**

22 A. Yes. The Company was unable to get workpapers that provided adequate detail to verify
23 the calculations of the depreciation and associated depreciation offset and has concerns
24 about the manner in which the annual increase to residential ratepayers is shown on Mr.

1 Mease's Schedule 2 which consists of three pages showing separate calculations of SIB-
2 related increases to residential ratepayers by district.

3 **Q. IS THE DEPICTION OF THE ANNUAL INCREASES ON MR. MEASE'S**
4 **SCHEDULES ACCURATE?**

5 A. I don't believe so. Instead of showing the incremental increase that customers will
6 experience each year, the increases that Mr. Mease shows have been compounded with
7 the rate increase request in this application when the reality of it is that the annual
8 incremental increases are much smaller than shown on his Schedule 2. The intended
9 purpose of a SIB Mechanism is to increase rates in smaller increments and reduce
10 potential rate shock that may occur when Company's wait longer periods of time to
11 request rate changes. The Company's proposed SIB Mechanisms exhibit that intent by
12 including small increases each year.

13 **Q. HAS THE COMPANY CALCULATED SCHEDULES SIMILAR TO MR.**
14 **MEASE?**

15 A. No. At this time there are still several variables that are dependent on the ultimate
16 resolution of issues in this pending rate case application. For instance, the overall rate of
17 return, the final revenue requirement to determine the efficiency credit, and the increase
18 to customers which is dependent on final rate design, to name just a few. Final schedules
19 will be submitted upon completion of this proceeding along with a Plan of
20 Administration.

21 **Q. DOES YOUR SILENCE ON ANY ISSUE RAISED BY ANY PARTY IN**
22 **TESTIMONY INDICATE YOUR ACCEPTANCE OF THEIR POSITION?**

23 A. No.

1 Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?

2 A. Yes.

EXHIBIT SLH – 1RJ

EPCOR WATER ARIZONA - TOTAL OF ALL 6 DISTRICTS
Rebuttal Summary of Schedule A-1s
Computation of Increase in Gross Revenue Requirement
Test Year Ended June 30, 2013

Line No.	[A] Company		[B] Rebuttal		[C] Company		[D] Remainder		[E]		[F] Direct		[G] Staff		[H] Surrebuttal		[I] Surrebuttal		[J] Direct		[K] RUCO		[L] Surrebuttal		[M]			
	Company @ 10.7% ROE	As Adjusted ROE-10.55%	Rebuttal Adjustments	As Adjusted ROE-10.55%	Rebuttal Adjustments	As Adjusted ROE-10.55%	Rebuttal Adjustments	As Adjusted ROE-10.55%	As Adjusted ROE-9.5%	As Adjusted ROE-9.5%	As Adjusted ROE-9.5%	As Adjusted ROE-8.91%																
1	\$ 96,199,100	\$ 96,139,774	\$ (59,326)	\$ 95,935,383	\$ 95,935,383	\$ 90,373,070	\$ (5,826,030)	\$ 835,055	\$ 90,373,070	\$ 90,373,070	\$ 80,380,496	\$ (15,818,604)	\$ 1,384,603	\$ 80,380,496	\$ 80,380,496	\$ 4,797,294	\$ 1,044,818	\$ 80,380,496	\$ 80,380,496	\$ 4,797,294	\$ 1,044,818	\$ 80,380,496	\$ 80,380,496	\$ 4,797,294	\$ 1,044,818	\$ 80,380,496	\$ 80,380,496	
2	\$ 3,412,691	\$ 3,840,767	\$ 428,075	\$ 3,919,600	\$ 3,919,600	\$ 4,247,746	\$ 835,055	\$ 3,919,600	\$ 4,247,746	\$ 4,247,746	\$ 5,783,876	\$ 5,851,118	\$ 562,256	\$ 5,783,876	\$ 5,783,876	\$ 4,797,294	\$ 1,044,818	\$ 5,783,876	\$ 5,783,876	\$ 4,797,294	\$ 1,044,818	\$ 5,783,876	\$ 5,783,876	\$ 4,797,294	\$ 1,044,818	\$ 5,783,876	\$ 5,783,876	
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(a) ACC Staff's Miscellaneous Expense Adjustment does not use the Company's October 14, 2014 filed amount of \$6,577 for Tubac, so Revenue Increase is slightly different than their filing.

EPCOR WATER ARIZONA - MOHAVE WATER
Rebuttal Summary of Schedule A-1s
Computation of Increase in Gross Revenue Requirement
Test Year Ended June 30, 2013

Line No.	Company @ 10.7% ROE	Rebuttal		Company		[D] Reimburse	[E] As Adjusted	[F] Direct	[G] Staff	Surrebuttal		[I] As Adjusted	[J] Direct	RUOCO		[M] As Adjusted
		[B] Rebuttal Adjustments	[C] As Adjusted	[H] Direct	[K] As Adjusted					[L] Direct	[N] As Adjusted					
1	\$ 23,486,514	\$ 66,365	\$ 23,562,869	\$ (67,692)	\$ 23,495,177	\$ (1,135,595)	\$ 22,360,919	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203
2																
3		1.77%	\$ 416,266	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
4																
5		0.14%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
6																
7		1.92%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
8																
9		0.16%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
10																
11		6.81%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
12																
13		6.81%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
14																
15		6.81%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
16																
17		6.81%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	
18																
19		31.05%	\$ 34,986	\$ 34,986	\$ 3,480	\$ 454,732	\$ 177,787	\$ 594,053	\$ 115,339	\$ 531,605	\$ 22,434,123	\$ (7,327,265)	\$ 16,106,858	\$ 420,502	\$ 16,226,203	

EPCOR WATER ARIZONA - SUN CITY WATER
Rebuttal Summary of Schedule A-1s
Computation of Increase in Gross Revenue Requirement
Test Year Ended June 30, 2013

Line No.	[A] Company @ 10.7% ROE	[B] Rebuttal		[C] Company		[D] Reimbursement		[E] Staff		[F] Direct		[G] Staff		[H] Surrebuttal		[I] Direct		[J] Surrebuttal		[K] RUCO		[L] Surrebuttal		[M]	
		Company @ 10.7% ROE	Rebuttal Adjustments	As Adjusted	Reimbursement Adjustments	As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	Staff As Adjusted	Direct As Adjusted	As Adjusted
1	\$ 26,409,286	\$ 257,389	\$ 26,666,676	\$ (60,963)	\$ 26,605,693	\$ 24,790,107	\$ (1,619,179)	\$ 24,790,107	\$ (770,262)	\$ 25,639,024	\$ 22,743,985	\$ (4,210,262)	\$ 22,743,985	\$ (4,210,262)	\$ 22,395,411	\$ 22,743,985	\$ (4,210,262)	\$ 22,395,411	\$ 22,743,985	\$ (4,210,262)	\$ 22,395,411	\$ 22,743,985	\$ (4,210,262)	\$ 22,395,411	\$ 22,395,411
2	\$ 843,696	\$ 219,279	\$ 1,062,975	\$ 54,182	\$ 1,117,156	\$ 1,180,619	\$ 336,923	\$ 1,180,619	\$ 233,821	\$ 1,077,517	\$ 1,387,243	\$ 277,555	\$ 1,387,243	\$ 277,555	\$ 1,394,711	\$ 1,387,243	\$ 277,555	\$ 1,394,711	\$ 1,387,243	\$ 277,555	\$ 1,394,711	\$ 1,387,243	\$ 277,555	\$ 1,394,711	\$ 1,394,711
3	3.19%	0.79%	3.99%	0.21%	4.20%	4.76%		4.76%	1.01%	4.20%	6.10%		6.10%	6.23%	6.10%		6.23%	6.10%		6.23%	6.10%		6.23%	6.23%	
4	\$ 1,814,318	\$ 1,683	\$ 1,816,001	\$ (4,153)	\$ 1,811,848	\$ 1,586,587	\$ (173,420)	\$ 1,586,587	\$ (173,420)	\$ 1,640,898	\$ 1,385,109	\$ (447,967)	\$ 1,385,109	\$ (447,967)	\$ 1,363,881	\$ 1,385,109	\$ (447,967)	\$ 1,363,881	\$ 1,385,109	\$ (447,967)	\$ 1,363,881	\$ 1,385,109	\$ (447,967)	\$ 1,363,881	\$ 1,363,881
5	6.87%	-0.06%	6.81%	0.00%	6.81%	6.40%		6.40%	-0.47%	6.40%	6.09%		6.09%	6.09%	6.09%		6.09%	6.09%		6.09%	6.09%		6.09%	6.09%	
6	\$ 970,622	\$ (217,596)	\$ 753,026	\$ (58,335)	\$ 694,691	\$ 405,948	\$ (407,241)	\$ 405,948	\$ (407,241)	\$ 563,380	\$ 2,134	\$ (725,521)	\$ 2,134	\$ (725,521)	\$ (30,830)	\$ 2,134	\$ (725,521)	\$ (30,830)	\$ 2,134	\$ (725,521)	\$ 2,134	\$ (725,521)	\$ (30,830)	\$ (30,830)	
7	1.6550	-0.0088	1.6462	-0.0054	1.6408	1.6349		1.6349	-0.0144	1.6406	1.6459		1.6459	1.6457	1.6457		1.6457	1.6457		1.6457	1.6459		1.6457	1.6457	
8	\$ 1,606,392	\$ (366,753)	\$ 1,239,639	\$ (99,787)	\$ 1,139,852	\$ 663,681	\$ (682,098)	\$ 663,681	\$ (682,098)	\$ 924,294	\$ 1,609,904	\$ (1,190,569)	\$ 1,609,904	\$ (1,190,569)	\$ (50,737)	\$ 1,609,904	\$ (1,190,569)	\$ (50,737)	\$ 1,609,904	\$ (1,190,569)	\$ 1,609,904	\$ (1,190,569)	\$ (50,737)	\$ (50,737)	
9	\$ 10,285,553	\$ 44,965	\$ 10,309,919	\$ -	\$ 10,309,919	\$ 10,285,563	\$ 30,110	\$ 10,285,563	\$ 30,110	\$ 10,285,563	\$ 233,245	\$ 218,990	\$ 10,498,798	\$ 218,990	\$ 10,528,908	\$ 10,498,798	\$ 218,990	\$ 10,528,908	\$ 10,498,798	\$ 218,990	\$ 10,528,908	\$ 10,498,798	\$ 218,990	\$ 10,528,908	
10	15.65%		12.02%		11.06%	6.45%		6.45%		8.98%	-0.03%		-0.03%	-0.48%	-0.03%		-0.48%	-0.03%		-0.48%	-0.03%		-0.48%	-0.48%	

EPCOR WATER ARIZONA - TUBAC WATER
Rebuttal Summary of Schedule A-1s
Computation of Increase in Gross Revenue Requirement
Test Year Ended June 30, 2013

Line No.	Company @ 10.7% ROE		Rebuttal		Company		Reimder		E		F		G		H		I		J		K		L		M			
	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	
1	\$ 1,607,775	\$ (84,727)	\$ 1,543,048	\$ (75,997)	\$ 1,467,051	\$ (170,110)	\$ 1,437,666	\$ (266,996)	\$ 1,340,779	\$ (131,831)	\$ 1,475,944	\$ (83,343)	\$ 1,383,708															
2	\$ (131,793)	\$ 66,795	\$ (64,998)	\$ 9,581	\$ (55,409)	\$ 106,900	\$ (24,893)	\$ 70,906	\$ (60,887)	\$ 60,329	\$ (71,464)	\$ (5,830)	\$ (61,238)															
3	-8.20%	3.98%	-4.21%	0.44%	-3.78%		-1.73%	3.66%	-4.54%		-4.84%	-0.65%	-4.43%															
4	\$ 110,454	\$ (5,373)	\$ 105,082	\$ (5,175)	\$ 99,906		\$ 89,135	\$ (27,326)	\$ 83,128		\$ 89,885	\$ (15,638)	\$ 64,268															
5	6.87%	-0.06%	6.81%	0.00%	6.81%		6.20%	-0.67%	6.20%		6.09%	-0.72%	6.09%															
6	\$ 242,247	\$ (72,167)	\$ 170,080	\$ (14,766)	\$ 155,314		\$ 114,029	\$ (98,232)	\$ 144,015		\$ 161,349	\$ (9,808)	\$ 145,506															
7	1.6589	-0.0088	1.6501	-0.0054	1.6447		1.6404	-0.0146	1.6443		1.4456	-0.2285	1.4162															
8	\$ 401,874	\$ (121,222)	\$ 280,652	\$ (25,200)	\$ 255,452	\$ (214,820)	\$ 187,054	\$ (165,063)	\$ 236,810	\$ (168,628)	\$ 233,246	\$ (49,382)	\$ 206,070															
9	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ 0	\$ 579,194	\$ 0	\$ 579,194	\$ (41,806)	\$ 537,388	\$ (41,806)	\$ 537,388															
10	68.59%		48.46%		44.10%		32.30%		40.89%		43.40%		38.35%															

(a) ACC Staff's Miscellaneous Expense Adjustment does not use the Company's October 14, 2014 filed amount of \$6,577 for Tubac, so Revenue Increase is slightly different than their filing.

EPCOR WATER ARIZONA - MOHAVE WASTEWATER
Rebuttal Summary of Schedule A-1s
Computation of Increase in Gross Revenue Requirement
Test Year Ended June 30, 2013

Line No.	[A] Company @ 10% ROE	[B] Rebuttal		[C] Company		[D] Rebuttal		[E] As Adjusted		[F] Direct		[G] Staff		[H] Surrebuttal		[I] Direct		[J] Surrebuttal		[K] RUCO		[L] Direct		[M] Surrebuttal		
		Rebuttal Adjustments	As Adjusted	As Adjusted	Rebuttal Adjustments	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted	As Adjusted
1	Original Cost Rate Base	\$ 5,305,082	\$ 5,365,614	\$ 5,365,614	\$ (29)	\$ 5,365,586	\$ 95,217	\$ 5,365,586	\$ (669,696)	\$ 4,695,890	\$ 4,635,386	\$ 114,413	\$ 4,635,386	\$ (441,942)	\$ 4,863,140	\$ 4,863,140	\$ (810,329)	\$ 4,494,753	\$ 114,494	\$ 4,494,753	\$ (887,687)	\$ 4,467,898	\$ 4,467,898	\$ (887,687)	\$ 4,467,898	\$ 4,467,898
2	Adjusted Operating Income	\$ 90,799	\$ 3,718	\$ 94,517	\$ 700	\$ 95,217	\$ 1,77%	\$ 95,217	\$ 23,614	\$ 114,413	\$ 2.47%	\$ 114,413	\$ 10,566	\$ 0.37%	\$ 101,365	\$ 23,695	\$ 23,695	\$ 114,494	\$ 2.55%	\$ 114,494	\$ 18,088	\$ 113,304	\$ 18,088	\$ 113,304	\$ 113,304	
3	Current Rate of Return	1.71%	0.05%	1.76%	0.01%	1.77%	1.77%	1.77%							2.08%	2.08%	2.08%	2.55%	2.55%	2.55%	0.76%	2.54%	0.76%	2.54%	2.54%	
4	Required Operating Income	\$ 364,459	\$ 939	\$ 365,398	\$ (2)	\$ 365,396	6.81%	\$ 365,396							\$ 311,241			\$ 273,730	\$ 6.09%	\$ 273,730	\$ (93,301)	\$ 272,095	\$ (93,301)	\$ 272,095	\$ 272,095	
5	Required Rate of Return	6.87%	-0.06%	6.81%	0.00%	6.81%	6.81%	6.81%							6.40%	6.40%	6.40%	6.09%	6.09%	6.09%	-0.72%	6.09%	-0.72%	6.09%	6.09%	
6	Operating Income Deficiency	\$ 273,660	\$ (2,778)	\$ 270,881	\$ (702)	\$ 270,180		\$ 270,180							\$ 209,876			\$ 159,239	\$ (111,389)	\$ 159,239	\$ (111,389)	\$ 158,791	\$ (111,389)	\$ 158,791	\$ 158,791	
7	Gross Revenue Conversion Factor	1.6577	-0.0088	1.6489	0.0008	1.6486		1.6486							1.6495			1.5996	1.5996	1.5996	-0.0522	1.5975	-0.0522	1.5975	1.5975	
8	Increase in Gross Revenue Requirement	\$ 453,638	\$ (6,994)	\$ 446,643	\$ (943)	\$ 445,700		\$ 445,700	\$ (154,850)	\$ 298,788	\$ (107,455)	\$ 346,183	\$ 346,183	\$ (107,455)	\$ 254,719	\$ 254,719	\$ (192,037)	\$ 254,719	\$ 254,719	\$ (192,037)	\$ 253,663	\$ (192,037)	\$ 253,663	\$ 253,663		
9	Test Year Adjusted Present Rate Revenue	\$ 1,055,839	\$ -	\$ 1,055,839	\$ -	\$ 1,055,839		\$ 1,055,839	\$ -	\$ 1,055,839	\$ 28.30%	\$ 1,055,839	\$ (0)	\$ 1,055,839	\$ 32.79%	\$ 1,055,839	\$ -	\$ 1,055,839	\$ 1,055,839	\$ 1,055,839	\$ -	\$ 1,055,839	\$ -	\$ 1,055,839	\$ 1,055,839	
10	Percent Rate Increase	42.96%		42.30%		42.21%		42.21%							42.21%			24.12%	24.12%	24.12%	-	24.02%	-	24.02%	24.02%	

EPCOR WATER ARIZONA - MOHAVE WATER
Rebuttal Summary of Schedule B-1s
Summary of Fair Value Rate Base
Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Rebuttal		[C] Company		[D] Reimder		[E] Reimder		[F] Direct		[G] Staff		[H] Surrebuttal		[I] Direct		[J] Direct		[K] RUCC		[L] Surrebuttal		[M] As Adjusted		
	Company Direct	As Adjusted	Rebuttal Adjustments	As Adjusted	Reimder Adjustments	As Adjusted	Reimder Adjustments	As Adjusted	Reimder Adjustments	As Adjusted	Adjustments to Company Direct	As Adjusted	As Adjusted														
1																											
2	\$ 46,731,131	\$ 46,731,131	\$ (46,307)	\$ 46,684,824	\$ (46,307)	\$ 46,684,824	\$ (46,307)	\$ 46,684,824	\$ 46,731,131	\$ 46,731,131	\$ (46,307)	\$ 46,684,824	\$ 46,731,131	\$ 46,731,131	\$ (46,307)	\$ 46,684,824	\$ 46,731,131	\$ 46,731,131	\$ (46,307)	\$ 46,684,824	\$ (6,121,255)	\$ 40,609,876	\$ (6,121,255)	\$ 40,609,876	\$ (6,121,255)	\$ 40,609,876	\$ 40,609,876
3																											
4																											
5																											
6																											
7	\$ 15,934,125	\$ 15,934,125	\$ (46,307)	\$ 15,887,818	\$ (46,307)	\$ 15,887,818	\$ (46,307)	\$ 15,887,818	\$ 15,934,125	\$ 15,934,125	\$ (46,307)	\$ 15,887,818	\$ 15,934,125	\$ 15,934,125	\$ (46,307)	\$ 15,887,818	\$ 15,934,125	\$ 15,934,125	\$ (46,307)	\$ 15,887,818	\$ (1,016,767)	\$ 14,917,358	\$ (1,016,767)	\$ 14,917,358	\$ (1,016,767)	\$ 14,917,358	
8	\$ 30,797,006	\$ 30,797,006	\$ -	\$ 30,797,006	\$ -	\$ 30,797,006	\$ -	\$ 30,797,006	\$ 30,797,006	\$ 30,797,006	\$ -	\$ 30,517,362	\$ 30,797,006	\$ 30,797,006	\$ (279,644)	\$ 30,517,362	\$ 30,797,006	\$ 30,797,006	\$ (279,644)	\$ 30,517,362	\$ (5,104,488)	\$ 25,692,518	\$ (5,104,488)	\$ 25,692,518	\$ (5,104,488)	\$ 25,692,518	
9																											
10																											
11																											
12	\$ 7,012,710	\$ 7,012,710	\$ -	\$ 7,012,710	\$ -	\$ 7,012,710	\$ -	\$ 7,012,710	\$ 7,012,710	\$ 7,012,710	\$ -	\$ 7,012,710	\$ 7,012,710	\$ 7,012,710	\$ -	\$ 7,012,710	\$ 7,012,710	\$ 7,012,710	\$ -	\$ 7,012,710	\$ 69,169	\$ 7,081,879	\$ -	\$ 7,081,879	\$ -	\$ 7,012,710	
13																											
14																											
15																											
16	481,135	481,135	-	481,135	-	481,135	-	481,135	481,135	481,135	-	481,135	481,135	481,135	-	481,135	481,135	481,135	-	481,135	481,135	481,135	481,135	481,135	481,135	481,135	481,135
17	8,257	8,257	-	8,257	-	8,257	-	8,257	8,257	8,257	-	8,257	8,257	8,257	-	8,257	8,257	8,257	-	8,257	8,257	8,257	8,257	8,257	8,257	8,257	8,257
18	696,852	696,852	-	696,852	-	696,852	-	696,852	696,852	696,852	-	696,852	696,852	696,852	-	696,852	696,852	696,852	-	696,852	696,852	696,852	696,852	696,852	696,852	696,852	696,852
19																											
20	106,450	(106,450)	-	(106,450)	-	(106,450)	-	(106,450)	(106,450)	(106,450)	-	(106,450)	(106,450)	(106,450)	-	(106,450)	(106,450)	(106,450)	-	(106,450)	(106,450)	(106,450)	(106,450)	(106,450)	(106,450)	(106,450)	(106,450)
21																											
22																											
23	873,903	(42,994)	-	830,910	-	830,910	-	830,910	830,910	830,910	-	830,910	830,910	830,910	-	830,910	830,910	830,910	-	830,910	830,910	830,910	830,910	830,910	830,910	830,910	830,910
24	131,008	2,899	(67,042)	66,865	(67,042)	66,865	(67,042)	66,865	133,907	133,907	(67,042)	66,865	131,008	131,008	(67,042)	66,865	131,008	131,008	(67,042)	66,865	111,679	111,679	111,679	111,679	111,679	111,679	111,679
25																											
26																											
27																											
28	\$ 23,496,514	\$ 66,355	\$ (67,692)	\$ 23,465,177	\$ (67,692)	\$ 23,465,177	\$ (67,692)	\$ 23,465,177	\$ 23,562,869	\$ 23,562,869	\$ (67,692)	\$ 23,465,177	\$ 23,562,869	\$ 23,562,869	\$ (67,692)	\$ 23,465,177	\$ 23,562,869	\$ 23,562,869	\$ (67,692)	\$ 23,465,177	\$ (7,327,265)	\$ 16,186,249	\$ (7,327,265)	\$ 16,186,249	\$ (7,327,265)	\$ 16,226,203	

EPCOR WATER ARIZONA - PARADISE VALLEY WATER

Rebuttal Summary of Schedule B-1s
Summary of Fair Value Rate Base
Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Rebuttal Adjustments		[C] Company As Adjusted		[D] Rejoinder Adjustments		[E] As Adjusted		[F] Direct As Adjusted		[G] Staff As Adjusted		[H] Surrebuttal As Adjusted		[I] Direct As Adjusted		[J] As Adjusted		[K] RUCC As Adjusted		[L] Surrebuttal As Adjusted		[M] As Adjusted			
1	\$	73,128,007	\$	-	\$	73,128,007	\$	-	\$	73,128,007	\$	15,161	\$	73,143,168	\$	8,633	\$	73,136,640	\$	(1,639,177)	\$	71,488,830	\$	(1,639,177)	\$	71,488,830	\$	-
2																												
3																												
4																												
5																												
6																												
7	\$	49,672,623	\$	-	\$	49,672,623	\$	-	\$	49,672,623	\$	(1,408,140)	\$	48,271,011	\$	(1,408,140)	\$	48,264,483	\$	(2,600,399)	\$	47,072,224	\$	(1,825,073)	\$	47,847,550	\$	-
8																												
9																												
10																												
11																												
12	\$	1,554,766	\$	-	\$	1,554,766	\$	-	\$	1,554,766	\$	-	\$	1,554,766	\$	-	\$	1,554,766	\$	-	\$	1,554,766	\$	-	\$	1,554,766	\$	-
13																												
14																												
15																												
16																												
17																												
18																												
19																												
20																												
21																												
22																												
23																												
24																												
25																												
26																												
27																												
28																												
	\$	39,380,442	\$	(378,875)	\$	39,001,567	\$	309	\$	39,001,876	\$	(2,231,450)	\$	37,148,992	\$	(2,191,894)	\$	37,186,548	\$	(3,883,888)	\$	35,496,554	\$	(3,820,521)	\$	35,559,921	\$	-

EPCOR WATER ARIZONA - TOTAL OF ALL 5 DISTRICTS
Rebuttal Summary of Schedule C-1s
Calculation of Operating Income
Test Year Ended June 30, 2013

Line No.	[A] Company Direct		[B] Rebuttal Adjustments		[C] Company As Adjusted		[D] Reimburse Adjustments		[E] Reimburse As Adjusted		[F] Direct As Adjusted		[G] Staff As Adjusted		[H] Staff As Adjusted		[I] Surrebuttal As Adjusted		[J] Direct As Adjusted		[K] RUCO As Adjusted		[L] Adjustments to Company Direct		[M] Surrebuttal As Adjusted			
1		\$ 27,451,849	\$ 88,992	\$ 27,540,841	\$ -	\$ 27,540,841	\$ -	\$ 27,540,841	\$ -	\$ 27,540,841	\$ 65,593	\$ 27,517,442	\$ 65,593	\$ 27,517,442	\$ 65,593	\$ 27,517,442	\$ 65,593	\$ 27,517,442	\$ 65,593	\$ 27,517,442	\$ 441,806	\$ 27,893,655	\$ 441,806	\$ 27,893,655	\$ 441,806	\$ 27,893,655	\$ 441,806	\$ 27,893,655
2		451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282	-	451,282
3		\$ 27,903,131	\$ 88,992	\$ 27,992,123	\$ -	\$ 27,992,123	\$ -	\$ 27,992,123	\$ -	\$ 27,992,123	\$ 65,593	\$ 27,968,724	\$ 65,593	\$ 27,968,724	\$ 65,593	\$ 27,968,724	\$ 65,593	\$ 27,968,724	\$ 65,593	\$ 27,968,724	\$ 441,806	\$ 28,344,937	\$ 441,806	\$ 28,344,937	\$ 441,806	\$ 28,344,937	\$ 441,806	\$ 28,344,937
4		\$ 4,754,876	\$ (23,076)	\$ 4,731,800	\$ (7,258)	\$ 4,724,542	\$ (7,258)	\$ 4,724,542	\$ (7,258)	\$ 4,724,542	\$ (230,761)	\$ 4,524,115	\$ (230,761)	\$ 4,524,115	\$ (230,761)	\$ 4,524,115	\$ (230,761)	\$ 4,524,115	\$ (230,761)	\$ 4,524,115	\$ 441,806	\$ 4,754,876	\$ 441,806	\$ 4,754,876	\$ 441,806	\$ 4,754,876	\$ 441,806	\$ 4,754,876
5		26,831	-	26,831	-	26,831	-	26,831	-	26,831	26,831	26,831	26,831	26,831	26,831	26,831	26,831	26,831	26,831	26,831	441,806	727,584	441,806	727,584	441,806	727,584	441,806	727,584
6		3,513,444	3,638	3,517,081	-	3,517,081	-	3,517,081	-	3,517,081	3,513,444	3,513,444	3,513,444	3,513,444	3,513,444	3,513,444	3,513,444	3,513,444	3,513,444	3,513,444	441,806	3,474,162	441,806	3,474,162	441,806	3,474,162	441,806	3,474,162
7		214,775	(50,771)	164,003	811	164,814	811	164,814	811	164,814	(98,934)	115,841	(98,934)	115,841	115,841	115,841	115,841	115,841	115,841	115,841	441,806	166,954	441,806	166,954	441,806	166,954	441,806	166,954
8		62,983	-	62,983	-	62,983	-	62,983	-	62,983	62,983	62,983	62,983	62,983	62,983	62,983	62,983	62,983	62,983	62,983	441,806	62,983	441,806	62,983	441,806	62,983	441,806	62,983
9		3,462	-	3,462	-	3,462	-	3,462	-	3,462	3,462	3,462	3,462	3,462	3,462	3,462	3,462	3,462	3,462	3,462	441,806	3,462	441,806	3,462	441,806	3,462	441,806	3,462
10		1,264,944	(90,897)	1,174,047	(12,061)	1,174,047	(12,061)	1,174,047	(12,061)	1,174,047	(286,719)	978,225	(286,719)	978,225	978,225	978,225	978,225	978,225	978,225	978,225	441,806	785,841	441,806	785,841	441,806	785,841	441,806	785,841
11		767,997	-	767,997	(3,194)	764,803	(3,194)	764,803	(3,194)	764,803	(19,288)	748,709	(19,288)	748,709	748,709	748,709	748,709	748,709	748,709	748,709	441,806	767,997	441,806	767,997	441,806	767,997	441,806	767,997
12		1,322,188	-	1,322,188	-	1,322,188	-	1,322,188	-	1,322,188	1,322,188	1,322,188	1,322,188	1,322,188	1,322,188	1,322,188	1,322,188	1,322,188	1,322,188	1,322,188	441,806	1,322,188	441,806	1,322,188	441,806	1,322,188	441,806	1,322,188
13		18,029	-	18,029	-	18,029	-	18,029	-	18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029	441,806	18,029	441,806	18,029	441,806	18,029	441,806	18,029
14		272,663	-	272,663	-	272,663	-	272,663	-	272,663	272,663	272,663	272,663	272,663	272,663	272,663	272,663	272,663	272,663	272,663	441,806	272,663	441,806	272,663	441,806	272,663	441,806	272,663
15		555,336	-	555,336	-	555,336	-	555,336	-	555,336	555,336	555,336	555,336	555,336	555,336	555,336	555,336	555,336	555,336	555,336	441,806	555,336	441,806	555,336	441,806	555,336	441,806	555,336
16		1,687,109	27,955	1,715,064	-	1,715,064	-	1,715,064	-	1,715,064	(76,569)	1,610,540	(76,569)	1,610,540	1,610,540	1,610,540	1,610,540	1,610,540	1,610,540	1,610,540	441,806	1,701,201	441,806	1,701,201	441,806	1,701,201	441,806	1,701,201
17		108,948	-	108,948	-	108,948	-	108,948	-	108,948	108,948	108,948	108,948	108,948	108,948	108,948	108,948	108,948	108,948	108,948	441,806	108,948	441,806	108,948	441,806	108,948	441,806	108,948
18		642,158	(27,705)	614,453	(1,781)	614,453	(1,781)	614,453	(1,781)	614,453	(79,236)	562,922	(79,236)	562,922	562,922	562,922	562,922	562,922	562,922	562,922	441,806	642,158	441,806	642,158	441,806	642,158	441,806	642,158
19		611,450	53	611,503	(4)	611,499	(4)	611,499	(4)	611,499	611,503	611,503	611,503	611,503	611,503	611,503	611,503	611,503	611,503	611,503	441,806	611,450	441,806	611,450	441,806	611,450	441,806	611,450
20		1,185,325	(50,700)	1,134,625	(11,506)	1,134,625	(11,506)	1,134,625	(11,506)	1,134,625	(63,908)	1,121,417	(63,908)	1,121,417	1,121,417	1,121,417	1,121,417	1,121,417	1,121,417	1,121,417	441,806	999,474	441,806	999,474	441,806	999,474	441,806	999,474
21		5,352,957	(385,347)	4,967,610	(95,282)	4,967,610	(95,282)	4,967,610	(95,282)	4,967,610	(449,903)	4,903,054	(449,903)	4,903,054	4,903,054	4,903,054	4,903,054	4,903,054	4,903,054	4,903,054	441,806	3,442,588	441,806	3,442,588	441,806	3,442,588	441,806	3,442,588
22		1,017,530	3,098	1,020,628	0	1,020,628	0	1,020,628	0	1,020,628	1,914	1,019,444	1,914	1,019,444	1,019,444	1,019,444	1,019,444	1,019,444	1,019,444	1,019,444	441,806	1,009,685	441,806	1,009,685	441,806	1,009,685	441,806	1,009,685
23		518,061	-	518,061	-	518,061	-	518,061	-	518,061	518,061	518,061	518,061	518,061	518,061	518,061	518,061	518,061	518,061	518,061	441,806	518,061	441,806	518,061	441,806	518,061	441,806	518,061
24		589,355	254,670	844,025	51,441	895,467	51,441	895,467	51,441	895,467	574,528	1,163,983	574,528	1,163,983	1,163,983	1,163,983	1,163,983	1,163,983	1,163,983	1,163,983	441,806	1,710,319	441,806	1,710,319	441,806	1,710,319	441,806	1,710,319
25		\$ 24,490,439	\$ (339,083)	\$ 24,151,356	\$ (78,833)	\$ 24,072,523	\$ (78,833)	\$ 24,072,523	\$ (78,833)	\$ 24,072,523	\$ (767,422)	\$ 23,723,017	\$ (767,422)	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	441,806	\$ 23,547,642	441,806	\$ 23,547,642	441,806	\$ 23,547,642	441,806	\$ 23,547,642
26		\$ 3,412,691	\$ 428,075	\$ 3,840,767	\$ 78,833	\$ 3,919,600	\$ 78,833	\$ 3,919,600	\$ 78,833	\$ 3,919,600	\$ 833,015	\$ 4,245,706	\$ 833,015	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	441,806	\$ 4,797,294	441,806	\$ 4,797,294	441,806	\$ 4,797,294	441,806	\$ 4,797,294
27		2,462,858	(8,114)	2,454,744	(5,240)	2,449,504	(5,240)	2,449,504	(5,240)	2,449,504	(117,471)	2,345,387	(117,471)	2,345,387	2,345,387	2,345,387	2,345,387	2,345,387	2,345,387	2,345,387	441,806	2,025,589	441,806	2,025,589	441,806	2,025,589	441,806	2,025,589
28		\$ 24,490,439	\$ (339,083)	\$ 24,151,356	\$ (78,833)	\$ 24,072,523	\$ (78,833)	\$ 24,072,523	\$ (78,833)	\$ 24,072,523	\$ (767,422)	\$ 23,723,017	\$ (767,422)	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	\$ 23,723,017	441,806	\$ 23,547,642	441,806	\$ 23,547,642	441,806	\$ 23,547,642	441,806	\$ 23,547,642
29		\$ 3,412,691	\$ 428,075	\$ 3,840,767	\$ 78,833	\$ 3,919,600	\$ 78,833	\$ 3,919,600	\$ 78,833	\$ 3,919,600	\$ 833,015	\$ 4,245,706	\$ 833,015	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	\$ 4,245,706	441,806	\$ 4,797,294	441,806	\$ 4,797,294	441,806	\$ 4,797,294	441,806	\$ 4,797,294
30		2,462,858	(8,114)	2,454,744	(5,240)	2,449,504	(5,240)	2,449,504	(5,240)	2,449,504	(117,471)	2,345,387	(117,471)	2,345,387	2,345,387	2,345,387	2,345,387	2,345,387	2,345,387	2,345,387	441,806	2,025,589	441,806	2,025,589	441,806	2,025,589	441,806	2,025,589
31		\$ 2,462,858	\$ 8,114	\$ 2,454,744	\$ 5,240	\$ 2,449,504	\$ 5,240	\$ 2,449,504	\$ 5,240	\$ 2,449,504	\$ 117,471	\$ 2,345,387	\$ 117,471	\$ 2,345,387	\$ 2,345,387	\$ 2,345,387	\$ 2,345,387	\$ 2,345,387	\$ 2,345,387	\$ 2,345,387	441,806	\$ 2,025,589	441,806	\$ 2,025,589	441,806	\$ 2,025,589	441,806	\$ 2,025,589
32		\$ 949,833	\$ 438,190	\$ 1,388,023	\$ 84,074	\$ 1,470,097	\$ 84,074	\$ 1,470,097	\$ 84,074	\$ 1,470,097	\$ 950,486	\$ 1,900,320	\$ 950,486															

EPGOR WATER ARIZONA - MOHAVE WATER
Rebuttal Summary of Schedule C-1s
Calculation of Operating Income
Test Year Ended June 30, 2013

Line No.	Company Direct		Rebuttal		Company		Rebutter		Staff		Surrebuttal		Direct		RUCO		Surrebuttal			
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)		
	Company Direct	Rebuttal Adjustments	As Adjusted	Rebutter Adjustments	As Adjusted	Adjustments to Company Direct	As Adjusted													
1																				
2	\$ 6,132,996	\$ 35,483	\$ 6,168,480	\$ -	\$ 6,168,480	\$ 35,483	\$ 6,168,479	\$ 35,483	\$ 6,168,479	\$ 35,483	\$ 6,168,479	\$ 35,483	\$ 6,234,178	\$ 101,182	\$ 6,234,178	\$ 101,182	\$ 6,234,178	\$ 101,182	\$ 6,234,178	\$ 6,234,178
3	221,297	-	221,297	-	221,297	-	221,297	-	221,297	-	221,297	-	221,297	-	221,297	-	221,297	-	221,297	221,297
4																				
5	\$ 6,354,293	\$ 35,483	\$ 6,389,776	\$ -	\$ 6,389,776	\$ 35,483	\$ 6,389,776	\$ 35,483	\$ 6,389,776	\$ 35,483	\$ 6,389,776	\$ 35,483	\$ 6,455,475	\$ 136,665	\$ 6,455,475	\$ 136,665	\$ 6,455,475	\$ 136,665	\$ 6,455,475	\$ 6,490,958
6																				
7	\$ 1,389,973	(6,331)	\$ 1,383,642	(1,991)	\$ 1,381,651	(6,306)	\$ 1,326,667	(31,653)	\$ 1,358,320	(31,653)	\$ 1,389,973	(52)	\$ 1,389,973	(52)	\$ 1,389,973	(52)	\$ 1,389,973	(52)	\$ 1,389,973	\$ 1,389,973
8	26,831	-	26,831	-	26,831	-	26,831	-	26,831	-	26,831	-	26,831	-	26,831	-	26,831	-	26,831	26,779
9	546,720	-	546,720	-	546,720	-	546,720	-	546,720	-	546,720	-	546,720	-	546,720	-	546,720	-	546,720	545,082
10	10,916	-	10,916	-	10,916	-	10,916	-	10,916	-	10,916	-	10,916	-	10,916	-	10,916	-	10,916	10,867
11	7,886	-	7,886	-	7,886	-	7,886	-	7,886	-	7,886	-	7,886	-	7,886	-	7,886	-	7,886	7,866
12	950	-	950	-	950	-	950	-	950	-	950	-	950	-	950	-	950	-	950	950
13	347,018	(24,936)	322,082	(3,309)	322,082	(78,657)	268,361	(23,697)	323,421	(23,697)	323,421	(134,211)	212,807	(126,416)	212,807	(126,416)	212,807	(126,416)	212,807	220,603
14	192,587	-	192,587	(876)	189,278	(5,291)	187,296	-	192,587	-	192,587	-	192,587	-	192,587	-	192,587	-	192,587	192,587
15	418,599	-	418,599	-	418,599	-	418,599	-	418,599	-	418,599	-	418,599	-	418,599	-	418,599	-	418,599	418,599
16	6,694	-	6,694	-	6,694	-	6,694	-	6,694	-	6,694	-	6,694	-	6,694	-	6,694	-	6,694	6,694
17	85,438	-	85,438	-	85,438	-	85,438	-	85,438	-	85,438	-	85,438	-	85,438	-	85,438	-	85,438	85,438
18	101,045	-	101,045	-	101,045	-	101,045	-	101,045	-	101,045	-	101,045	-	101,045	-	101,045	-	101,045	101,045
19	581,279	-	581,279	-	581,279	-	581,279	-	581,279	-	581,279	-	581,279	-	581,279	-	581,279	-	581,279	581,279
20	16,923	50,590	67,513	-	67,513	(21,006)	69,771	-	69,771	(13,717)	71,721	(28,720)	55,718	(29,720)	55,718	(29,720)	55,718	(29,720)	55,718	55,718
21	247,960	-	247,960	-	247,960	-	247,960	-	247,960	-	247,960	-	247,960	-	247,960	-	247,960	-	247,960	247,960
22	90,657	5,023	95,680	(488)	95,680	(21,737)	226,213	(21,737)	226,213	(21,737)	226,213	(602)	16,923	(602)	16,923	(602)	16,923	(602)	16,923	16,923
23	377,160	-	377,160	-	377,160	-	377,160	-	377,160	-	377,160	-	377,160	-	377,160	-	377,160	-	377,160	377,160
24	1,331,139	(37,471)	1,293,668	(5)	1,293,668	(60,978)	1,270,161	(57,992)	1,273,747	(57,992)	1,273,747	(501,828)	829,311	(501,828)	829,311	(501,828)	829,311	(501,828)	829,311	829,311
25	163,376	906	164,282	-	164,282	906	164,282	906	164,282	906	164,282	(1,159)	162,117	(273)	162,117	(273)	162,117	(273)	162,117	163,103
26	149,829	-	149,829	-	149,829	-	149,829	-	149,829	-	149,829	-	149,829	-	149,829	-	149,829	-	149,829	149,829
27	(114,941)	21,964	(92,977)	3,189	(89,788)	122,683	7,752	83,317	(31,824)	83,317	(31,824)	367,109	376,738	367,109	376,738	367,109	376,738	367,109	376,738	261,797
28																				
29	\$ 5,938,027	\$ 497	\$ 5,938,524	(3,480)	\$ 5,935,045	(142,305)	\$ 5,795,723	(79,855)	\$ 5,858,171	(79,855)	\$ 5,858,171	(302,150)	\$ 5,535,877	(283,840)	\$ 5,535,877	(283,840)	\$ 5,535,877	(283,840)	\$ 5,535,877	\$ 5,654,190
30	\$ 416,266	\$ 34,986	\$ 451,252	\$ 3,480	\$ 454,732	\$ 177,788	\$ 594,053	\$ 115,338	\$ 531,605	\$ 115,338	\$ 531,605	\$ 403,352	\$ 819,598	\$ 420,505	\$ 819,598	\$ 420,505	\$ 819,598	\$ 420,505	\$ 819,598	\$ 836,765
31																				
32																				
33																				
34	601,511	1,698	603,209	(1,733)	601,477	(20,127)	581,394	(18,224)	583,287	(18,224)	583,287	(194,046)	407,465	(192,611)	407,465	(192,611)	407,465	(192,611)	407,465	408,900
35																				
36	\$ (601,511)	\$ (1,698)	\$ (603,209)	\$ 1,733	\$ (601,477)	\$ 20,127	\$ (581,394)	\$ 18,224	\$ (583,287)	\$ 18,224	\$ (583,287)	\$ 194,046	\$ (407,465)	\$ 192,611	\$ (407,465)	\$ 192,611	\$ (407,465)	\$ 192,611	\$ (407,465)	\$ (408,900)
37	\$ (185,245)	\$ 33,288	\$ (151,956)	\$ 5,213	\$ (146,743)	\$ 197,915	\$ 12,669	\$ 133,562	\$ (51,862)	\$ 133,562	\$ (51,862)	\$ 597,378	\$ 412,133	\$ 613,116	\$ 412,133	\$ 613,116	\$ 412,133	\$ 613,116	\$ 412,133	\$ 427,868

EPCOR WATER ARIZONA - TUBAC WATER
 Rebuttal Summary of Schedule C-1s
 Calculation of Operating Income
 Test Year Ended June 30, 2013

Line No.	(A) Company Direct		(B) Rebuttal Adjustments		(C) Company As Adjusted		(D) Reimburse Adjustments		(E) Reimburse As Adjusted		(F) Adjustments to Company Direct		(G) Staff As Adjusted		(H) Adjustments to Company Direct		(I) Surrebuttal As Adjusted		(J) Direct Adjustments to Company Direct		(K) RUCCO As Adjusted		(L) Surrebuttal Adjustments to Company Direct		(M) As Adjusted				
1																													
2	Revenues	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ 574,204	\$ -	\$ -	\$ 532,388	\$ -	\$ (41,806)	\$ -	\$ 532,388	\$ -	\$ 532,388	
3	Water Revenues	4,990	-	4,990	-	4,990	-	4,990	-	4,990	-	-	4,990	-	4,990	-	4,990	-	4,990	-	-	4,990	-	(41,806)	-	4,990	-	4,990	
4	Other Revenues																												
5		\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ 579,194	\$ -	\$ -	\$ 537,388	\$ -	\$ (41,806)	\$ -	\$ 537,388	\$ -	\$ 537,388	
6	Operating Expenses	\$ 179,440	(635)	\$ 178,805	(200)	\$ 178,605	(200)	\$ 178,089	(200)	\$ 178,089	(6,351)	\$ 173,089	(3,176)	\$ 176,284		\$ 179,440		\$ 179,440		\$ 179,440		\$ 179,440		\$ -		\$ 179,440		\$ 179,440	
7	Labor																												
8	Purchased Water	33,324	-	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	811	33,324	
9	Fuel & Power	98,834	(60,856)	37,978	-	37,978	-	37,978	-	37,978	(98,834)	(0)	(98,834)	(0)	37,978	(98,834)	(0)	37,978	(98,834)	(0)	37,978	(98,834)	(0)	37,978	(98,834)	(0)	37,978	(98,834)	
10	Chemicals	811	-	811	-	811	-	811	-	811	-	-	811	-	811	-	811	-	811	-	811	-	-	-	811	-	811	-	
11	Waste Disposal	95	-	95	-	95	-	95	-	95	-	95	-	95	-	95	-	95	-	95	-	95	-	-	-	95	-	95	
12	Intercompany Support Services	34,814	(2,502)	32,312	(332)	32,312	(332)	32,312	(332)	32,312	(7,881)	(2,367)	32,447	(2,367)	32,447	(7,881)	(2,367)	32,447	(7,881)	(2,367)	32,447	(7,881)	(14,980)	(14,980)	19,834	(14,980)	20,617		
13	Corporate Allocation	26,870	-	26,870	(98)	26,870	(98)	26,870	(98)	26,870	(531)	(531)	26,870	(531)	26,870	(531)	(531)	26,870	(531)	(531)	26,870	(531)	(531)	(531)	26,870	(531)	26,870	(531)	
14	Outside Services	37,821	-	37,821	(88)	37,821	(88)	37,821	(88)	37,821	(37,821)	(37,821)	37,821	(37,821)	37,821	(37,821)	(37,821)	37,821	(37,821)	(37,821)	37,821	(37,821)	(37,821)	(37,821)	37,821	(37,821)	37,821	(37,821)	
15	Group Insurance	430	-	430	-	430	-	430	-	430	(430)	(0)	430	(0)	430	(430)	(0)	430	(0)	430	(0)	430	(0)	(0)	(0)	430	(0)	430	
16	Pensions	7,261	-	7,261	-	7,261	-	7,261	-	7,261	(196)	(196)	7,261	(196)	7,261	(196)	(196)	7,261	(196)	(196)	7,261	(196)	(196)	(196)	7,261	(196)	7,261	(196)	
17	Regulatory Expense	12,198	-	12,198	-	12,198	-	12,198	-	12,198	(2,107)	(2,107)	12,198	(2,107)	12,198	(2,107)	(2,107)	12,198	(2,107)	(2,107)	12,198	(2,107)	(2,107)	(2,107)	12,198	(2,107)	12,198	(2,107)	
18	Insurance Other Than Group	20,961	-	20,961	-	20,961	-	20,961	-	20,961	(2,107)	(2,107)	20,961	(2,107)	20,961	(2,107)	(2,107)	20,961	(2,107)	(2,107)	20,961	(2,107)	(2,107)	(2,107)	20,961	(2,107)	20,961	(2,107)	
19	Customer Accounting	7,566	-	7,566	-	7,566	-	7,566	-	7,566	(7,566)	(7,566)	7,566	(7,566)	7,566	(7,566)	(7,566)	7,566	(7,566)	(7,566)	7,566	(7,566)	(7,566)	(7,566)	7,566	(7,566)	7,566	(7,566)	
20	Rent	28,204	(2,443)	25,761	(49)	25,761	(49)	25,761	(49)	25,761	(2,181)	(2,181)	26,023	(2,181)	26,023	(2,181)	(2,181)	26,023	(2,181)	(2,181)	26,023	(2,181)	(2,181)	(2,181)	26,023	(2,181)	26,023	(2,181)	
21	General Office Expense	6,577	16	6,593	(0)	6,593	(0)	6,593	(0)	6,593	83	83	6,660	83	6,660	83	6,660	83	6,660	83	6,660	83	6,660	83	6,660	83	6,660	83	
22	Miscellaneous	38,435	-	38,435	-	38,435	-	38,435	-	38,435	(38,435)	(38,435)	38,435	(38,435)	38,435	(38,435)	(38,435)	38,435	(38,435)	(38,435)	38,435	(38,435)	(38,435)	(38,435)	38,435	(38,435)	38,435	(38,435)	
23	Maintenance Expense	238,395	(55,118)	183,277	(16,796)	183,277	(16,796)	183,277	(16,796)	183,277	(58,003)	(58,003)	180,382	(58,003)	180,382	(58,003)	(58,003)	180,382	(58,003)	(58,003)	180,382	(58,003)	(58,003)	(58,003)	180,382	(58,003)	180,382	(58,003)	
24	Depreciation & Amortization	30,506	0	30,506	(0)	30,506	(0)	30,506	(0)	30,506	(266)	(266)	30,238	(266)	30,238	(266)	(266)	30,238	(266)	(266)	30,238	(266)	(266)	(266)	30,238	(266)	30,238	(266)	
25	General Taxes-Property	16,157	-	16,157	-	16,157	-	16,157	-	16,157	(16,157)	(16,157)	16,157	(16,157)	16,157	(16,157)	(16,157)	16,157	(16,157)	(16,157)	16,157	(16,157)	(16,157)	(16,157)	16,157	(16,157)	16,157	(16,157)	
26	General Taxes-Other	(107,414)	43,379	(64,034)	7,063	(66,971)	7,063	(66,971)	7,063	(66,971)	71,951	71,951	(35,463)	71,951	(35,463)	71,951	(35,463)	71,951	(35,463)	(35,463)	71,951	(35,463)	(35,463)	(35,463)	71,951	(35,463)	71,951	(35,463)	
27	Income Taxes																												
28		\$ 710,987	\$ (65,769)	\$ 644,192	\$ (9,591)	\$ 634,601	\$ (9,591)	\$ 634,601	\$ (9,591)	\$ 634,601	\$ (104,855)	\$ (104,855)	\$ 606,129	\$ (104,855)	\$ 606,129	\$ (104,855)	\$ (104,855)	\$ 606,129	\$ (104,855)	\$ (104,855)	\$ 606,129	\$ (104,855)	\$ (104,855)	\$ (104,855)	\$ 606,129	\$ (104,855)	\$ 606,129	\$ (104,855)	\$ 606,129
29	Total Operating Expenses																												
30	Utility Operating Income	\$ (131,793)	\$ 66,795	\$ (64,998)	\$ 9,591	\$ (55,408)	\$ 9,591	\$ (55,408)	\$ 9,591	\$ (55,408)	\$ 104,855	\$ 104,855	\$ (26,935)	\$ 104,855	\$ (26,935)	\$ 104,855	\$ (26,935)	\$ 104,855	\$ (26,935)	\$ (26,935)	\$ 104,855	\$ (26,935)	\$ (26,935)	\$ (26,935)	\$ 104,855	\$ (26,935)	\$ 104,855	\$ (26,935)	
31	Other Income & Deductions																												
32	Interest Expense	41,320	(1,664)	39,656	(1,953)	37,703	(1,953)	37,703	(1,953)	37,703	(8,254)	(8,254)	33,066	(8,254)	33,066	(8,254)	(8,254)	33,066	(8,254)	(8,254)	33,066	(8,254)	(8,254)	(8,254)	33,066	(8,254)	33,066	(8,254)	
33	Other Expense																												
34	Gain/(Loss) Sale of Fixed Assets	(41,320)	1,664	(39,656)	1,953	(37,703)	1,953	(37,703)	1,953	(37,703)	8,254	8,254	(33,066)	8,254	(33,066)	8,254	(33,066)	8,254	8,254	8,254	(33,066)	8,254	8,254	8,254	(33,066)	8,254	(33,066)	8,254	
35	Total Other Income & Deductions	(173,113)	68,458	(104,655)	11,544	(93,111)	11,544	(93,111)	11,544	(93,111)	113,112	113,112	(60,001)	113,112	(60,001)	113,112	(60,001)	113,112	(60,001)	(60,001)	113,112	(60,001)	(60,001)	(60,001)	113,112	(60,001)	113,112	(60,001)	
36	Net Profit (Loss)																												
37		\$ 532,388	\$ -	\$ 532,388	\$ -	\$ 532,388	\$ -	\$ 532,388	\$ -	\$ 532,388	\$ -	\$ -	\$ 532,388	\$ -	\$ 532,388	\$ -	\$ 532,388	\$ -	\$ 532,388	\$ -	\$ -	\$ 532,388	\$ -	\$ (41,806)	\$ -	\$ 532,388	\$ -	\$ 532,388	

(e) ACC Staff's Miscellaneous Expense Adjustment does not use the Company's October 14, 2014 filed amount of \$6,577 for Tubac, so Revenue Increase is slightly different than their filing.

EXHIBIT SLH – 2RJ

ACCUMULATED DEPRECIATION BALANCES AUTHORIZED IN EACH DISTRICT'S LAST RATE CASE
COMPARED TO 6/30/13 BALANCES INCLUDED IN CURRENT RATE CASE REQUEST

MOHAVE WATER (7M)			PARADISE VALLEY WATER (7P)			SUN CITY WATER (7B)		
Last Rate Case	Current Rate Case	Difference	Last Rate Case	Current Rate Case	Difference	Last Rate Case	Current Rate Case	Difference
10-0448	14-0010		08-0227	14-0010		09-0343	14-0010	
73145 (5/11/12)	6/30/2013		12/31/2007	6/30/2013		12/31/2008	6/30/2013	
15,934,125	16,213,769	279,644	23,455,384	24,872,157	1,416,773	26,280,898	26,996,181	715,283

Docket Number	Decision Number (Issue Date)	Test Year Ended	Accumulated Depreciation Balance	MOHAVE WATER (7M)	PARADISE VALLEY WATER (7P)	SUN CITY WATER (7B)
				Last Rate Case	Current Rate Case	Difference
301000 Other Tangible Plant			\$ -	(477,283)	(477,283)	\$ -
303200 Land & Land Rights SS			\$ -			\$ -
303300 Land and Land Rights Pumping			\$ -			\$ -
303500 Land & Land Rights T&D			\$ -			\$ -
304200 Structures and Improvements			\$ (2,077)	(85,611)	(83,586)	(2,025)
304500 Structures and Improvements General			\$ -	(4,674)	(704)	(3,970)
304700 Structures & Improvements Store, Shop Garage			\$ -	(18,889)	(17,912)	(977)
304800 Structures & Improvements Misc			\$ -	(131,856)	(133,751)	1,895
304100 Structures and Improvements Supply			\$ -			\$ -
311300 Pumping Equipment Diesel			\$ -	(62,458)	(62,413)	(46)
334200 Meter Installations			\$ -			\$ -
339600 Other P/E CPS			\$ -	(589,386)	(573,526)	(15,860)
340100 Office Furniture & Equipment			\$ (5,242)			\$ (5,242)
340200 Computer & peripheral Equipment			\$ (287,608)			\$ (287,608)
340300 Computer Software Other			\$ -			\$ -
340500 Other office Equipment			\$ -			\$ -
342000 Stores Equipment			\$ -			\$ -
344000 Laboratory Equipment			\$ -			\$ -
345000 Power Operated Equipment			\$ -			\$ -
346190 Remote Control Inst			\$ 305	13,765	(43,446)	57,211
346200 Communication Equipment Telephone			\$ 26,664		(88)	88
346300 Communication Equipment Other			\$ (7,379)			\$ (7,379)
347000 Misc Equip			\$ -		(462)	462
355400 Power Generation Equipment Treatment			\$ -			\$ -
360000 Collection Sewers - Forced			\$ -			\$ -
380100 TD Equipment SED Tanks/ACC			\$ -			\$ -
380600 TD Equipment Other Disp			\$ -			\$ -
397000 Misc Equip			\$ -			\$ -
Total			\$ (275,563)	(1,370,721)	(1,416,773)	46,052

	Last Rate Case	Current Rate Case	Difference	Last Rate Case	Current Rate Case	Difference
Activity Since Last Decision						
	\$ (10,833)	\$ (52,575)	\$ (41,742)	\$ (1,120,255)	\$ (1,045,483)	\$ (74,772)
304100	\$ 3,049,569	\$ 3,049,569	\$ -	\$ 3,041,000	\$ 3,049,569	\$ 1/31/2009
334200	\$ 19,355	\$ 19,355	\$ -	\$ 33,420	\$ 19,355	\$ 2/28/2011
346190	\$ 80,608	\$ 80,608	\$ -	\$ 34,619	\$ 80,608	\$ 2/29/2012

EXHIBIT SLH – 3RJ

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-14-0010

Response provided by: Sheryl L. Hubbard
Title: Director, Regulatory & Rates

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: RUCO 31.01 Page 1 of 3

Q: Mohave Wastewater District's Retirements – During the course of this rate proceeding, RUCO identified that the Company or its predecessor, AZ-AM, recorded significant retirements from plant in service since year 2001 in the Mohave Wastewater District. Please identify separately the causes and reasons that led the Company to retire the plant in the following periods as follows:

- a) 2001 – Retirement of \$139,838 (month N/A);
- b) 2004 - Retirement of \$233,752 (month N/A);
- c) December 2008 – Retirement of \$470,383;
- d) September 2010 – Retirement of \$352,213; and
- e) June 2012 – Retirement of \$48,793.

A: In accordance with Utility Plant Instructions, EPCOR (“the company”) charges the book cost of all retired property in its entirety to the accumulated depreciation of Utility Plant in Service (NARUC account 108). The amounts above were treated as such for regulatory accounting purposes. The causes and reasons that led the Company to retire the plant are as follows:

- a) The Company notes that the asset retirement mentioned herein was recorded in 2001 and there have been at least 2 rate case applications and Commission Decisions since that time which have authorized plant in service in the respective test years. As such, this request is outside the scope of this proceeding.

It should be also noted that in Decision No. 69440, dated May 1, 2007, the Commission adopted the Company’s Net Plant in Service amount for the Mohave Wastewater District of \$2,595,635, which was also accepted by Commission Staff in its post hearing schedules. RUCO, its post hearing schedules, proposed a Net Plant in Service amount of \$2,587,086. In addition, based on its review of the Company’s filing, RUCO, in its direct testimony, indicated that, for purposes of its review, it had “ started with the last Commission approved balance and reconstructed all plant

Continued to next page.....

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-14-0010

Response provided by: Sheryl L. Hubbard
Title: Director, Regulatory & Rates

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: RUCO 31.01

Page 2 of 3

additions, retirements, adjustments, and transfers at the approved depreciation rates." Coley Direct Testimony at 5 (Docket No. 06-0014).

- b) The Company notes that the asset retirement mentioned herein was recorded in 2004 and there have been at least 2 rate case applications and Commission Decisions since that time which have authorized plant in service in the respective test years. As such, this request is outside the scope of this proceeding.

It should be noted that in Decision No. 69440, dated May 1, 2007, the Commission adopted the Company's Net Plant in Service amount for the Mohave Wastewater District of \$2,595,635, which was also accepted by Commission Staff in its post hearing schedules. RUCO, its post hearing schedules, proposed a Net Plant in Service amount of \$2,587,086. In addition, based on its review of the Company's filing, RUCO, in its direct testimony, indicated that, for purposes of its review, it had "started with the last Commission approved balance and reconstructed all plant additions, retirements, adjustments, and transfers at the approved depreciation rates." Coley Direct Testimony at 5 (Docket No. 06-0014).

- c) In December 2008, \$467,154 was retired from NARUC account 380100 WW Treatment and Disposal Equipment Sediment Tanks, \$1,370 was retired from NARUC 380300 Treatment and Disposal Equipment Sludge Filtration, and \$1,859 was retired from NARUC 380500 Treatment and Disposal Equipment Chemical Treatment Plant. The facility was owned by Arizona American Water at the time.

The total of these disposals (\$470,383) relate to a single retirement event. During 2008, Mohave Wastewater expanded the Wishing Well Wastewater treatment plant, and removed/demolished sections of the existing plant to expand and upgrade the plant to its current standards and capacity.

Continued on next page...

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-14-0010

Response provided by: Sheryl L. Hubbard
Title: Director, Regulatory & Rates

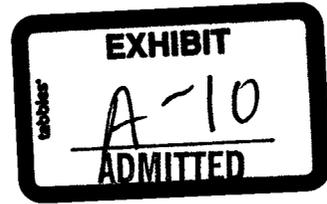
Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: RUCO 31.01 **Page 3 of 3**

d) In September 2010, \$291,773 was retired from NARUC account 380625 WW Transmission Equipment General Treatment, \$47,033 was retired from NARUC 3554400 WW Power Generating Equipment, \$1,267 was retired from NARUC 380000 WW Treatment and Disposal Equipment, \$749 was retired from NARUC 380100 Treatment and Disposal Equipment Sediment Tanks, \$693 was retired from NARUC 394000 WW Laboratory Equipment, and \$10,698 was retired from NARUC account 397000 WW Miscellaneous Equipment. The facility was owned by Arizona American Water at the time.

The total of these disposals (\$352,213) relate to a single retirement event. EPCOR investigation of documents and files available from American Water leads the Company to understand the cause as follows; In February 2010, a storm flooded the Mohave Wastewater facility. The flood damaged or destroyed blower and electrical components contained in the NARUC accounts described. The Company notes that asset additions (to replace the damaged assets) from February 2010 to December 2010 totaled \$902,730 in the Mohave Wastewater Facility.

e) In June 2012 \$48,793 was retired from NARUC account 361100, WW Collecting Mains. This was caused by manholes being replaced before their useful lives (50 years) had been reached.



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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

DIRECT TESTIMONY OF
SANDRA L. MURREY

March 7, 2014

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- 1 • Adjustment SM-9 – Annualize Postage Expense
- 2 • Adjustment SM-10 – Miscellaneous Expense Clean-Up
- 3 • Adjustment SM-11 – Remove Other Income and Deductions
- 4 • Adjustment SM-12 – Annualize Rent Expense
- 5 • Adjustment SM-13 – Depreciation and Amortization Expense
- 6 • Adjustment SM-14 – Federal and State Income Taxes
- 7 • Adjustment SM-15 – Annualize Property Expense
- 8 • Adjustment SM-16 – Interest Synchronization
- 9 • Adjustment SM-17 – Water Testing Expense
- 10 • Adjustment SM-18 – Annualize Corporate Allocation
- 11 • Adjustment SM-19 – Declining Usage Adjustment (all districts except Mohave Wastewater)
- 12 • Adjustment SM - 20 – Annualize Miscellaneous Revenues
- 13 • Adjustment SM - 21 – Reclassify Purchased Water (Mohave Water and Mohave Wastewater only)
- 14 • Adjustment SM - 22 – Reclassify Effluent Sales (Mohave Water and Mohave Wastewater only)
- 15 • Adjustment SM-23 - Annualize Rate Change (Mohave Water Only)
- 16 • Adjustment SM-24 – Tank Maintenance Expense (Paradise Valley Water only)
- 17 • Adjustment SM-25 – Remove CAP Expense Surcharge and Associated Expense (Paradise Valley Water only)
- 18 • Adjustment SM-26 – Remove CAP Expense Recovered Through Surcharge (Paradise Valley Water only)
- 19 • Adjustment SM-27 – Adjust for Rate Difference on PVCC (Paradise Valley Water only)
- 20 • Adjustment SM-28 – Reclassify 2-inch Irrigation from Other Revenue to Water Revenue (Sun City Water only)
- 21 • Adjustment SM-29 – Reclassify Revenues (all districts except Mohave Wastewater and Tubac Water)
- 22 • Adjustment SM-30 – Reclassify Revenue for ACRM Surcharge (Tubac Water only)
- 23 • Adjustment SM-31 – Amortize Arsenic Media Replacement (Tubac Water only)
- 24
- 25
- 26

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE
3 NUMBER.

4 A. My name is Sandra L. Murrey. My business address is 2355 West Pinnacle Peak
5 Road, Suite 300, Phoenix, Arizona 85027, and my business phone is 623-445-
6 2490.

7 Q. IN WHAT CAPACITY AND BY WHOM ARE YOU EMPLOYED?

8 A. I am employed by EPCOR Water USA ("EWUS"), as a Senior Rate Analyst.

9 Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR THE
10 COMPANY.

11 A. My primary responsibilities are to prepare and support rate applications and other
12 regulatory filings for EPCOR Water Arizona Inc. ("EWAZ" or "Company") and
13 EPCOR Water New Mexico Inc. ("EWNM").

14 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND
15 EDUCATION.

16 A. I joined EWUS (formerly Arizona-American Water Company) in 2007 as a
17 Regional Capital Compliance Analyst and was promoted to the position of Rate
18 Analyst in December of 2008 and to my current position in April of 2012. I have
19 over 23 years of experience working in the public utility industry, most of that time
20 being employed with WE Energies. My responsibilities there included financial
21 reporting, pension analysis, unbilled revenue calculations, accounts payable and
22 power marketing settlements. I progressed to Project Manager in the Federal
23 Regulatory Affairs and Policy Group where my responsibilities included
24 monitoring tariffs to assure compliance with all federal/state decisions and rulings,
25 tracking industry changes to determine company impact, as well as interactions
26 with the Federal Energy Regulatory Commission, North American Electric

1 Reliability Corporation, North American Energy Standards Board, and the National
2 Association of Regulatory Utility Commissioners. (a.k.a, NARUC) to assure WE
3 Energies' position was fairly represented.

4 I have a Bachelor of Business Administration degree with a double major in
5 Accounting and Real Estate from the University of Wisconsin – Milwaukee. I am
6 a certified public accountant, licensed in the states of Arizona and Wisconsin.
7 I have also attended the NARUC Utility Rate School.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 **A. Yes.**

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

11 **A. The purpose of my testimony is to provide explanations of the pro forma**
12 **adjustments that impact revenues and expenses in determining the revenue**
13 **requirements for Mohave Water District, Paradise Water District, Sun City Water**
14 **District, Tubac Water District, and Mohave Wastewater District.**

15 **Q. DOES YOUR TESTIMONY INCORPORATE RECOMMENDATIONS OF**
16 **OTHER COMPANY WITNESSES?**

17 **A. Yes. I have incorporated recommendations sponsored by Mr. Shawn Bradford,**
18 **Mr. Jeffrey Stuck, Mr. Jake Lenderking, and Ms. Sheryl Hubbard as pro forma**
19 **adjustments to test year expenses and revenues when applicable.**

20 **II. SPONSORED SCHEDULES**

21 **Q. PLEASE IDENTIFY THE SCHEDULES YOU ARE SPONSORING.**

22 **A. I am sponsoring the following schedules for each of the four water districts and one**
23 **wastewater district in this case:**

- 24
- Schedule C-1: Adjusted Test Year Income Statement
 - 25 • Schedule C-2: Income Statement Pro Forma Adjustments
 - 26 • Schedule C-3: Computation of Gross Revenue Conversion Factor

- 1 • Schedule E-1: Comparative Balance Sheets
- 2 • Schedule E-2: Comparative Income Statements
- 3 • Schedule E-3: Comparative Statement of Changes in Financial Position
- 4 • Schedule E-4: Statement of Changes in Stockholders Equity
- 5 • Schedule E-5: Detail of Plant in Service
- 6 • Schedule E-6: Comparative Departmental Statements of Operating Income
- 7 • Schedule E-7: Operating Statistics
- 8 • Schedule E-8: Taxes Charged to Operations
- 9 • Schedule E-9: Notes to Financial Statements
- 10 • Schedule F-1: Projected Income Statements
- 11 • Schedule F-2: Projected Statement of Changes in Financial Position
- 12 • Schedule F-3: Projected Construction Requirements
- 13 • Schedule F-4: Assumptions Used in Developing Projections

14

15 **III. EWAZ'S FINANCIAL STATEMENTS (ALL DISTRICTS)**

16 **Q. PLEASE EXPLAIN THE E SCHEDULES SUMMARIZED ABOVE.**

17 **A.** Schedule E-1 for each of EWAZ's districts titled "Comparative Balance Sheets"
18 contains balance sheets for the Test Year Ended June 30, 2013 and prior years
19 ending June 30, 2012 and June 30, 2011.

20 Schedule E-2 is titled "Comparative Income Statements". This schedule
21 summarizes each district's unadjusted Income Statements as reflected in the
22 Company's accounting records, and includes the district's allocated share of
23 Corporate expenses for the test year (12 months ending June 30, 2013), as well as
24 for the prior two years.

25 Schedule E-3 is titled "Comparative Statements of Changes in Financial
26 Position". This schedule summarizes the sources and applications of funds by the

1 districts for the test year (12 months ending June 2013), as well as for the prior two
2 years.

3 Schedule E-4 is titled "Statement of Changes in Stockholders Equity."
4 This schedule details the changes in components comprising stockholder's equity
5 since June 30, 2010 through the end of the test year.

6 Schedule E-5 titled "Detail of Plant in Service" displays plant balances by
7 NARUC sub account at June 30, 2012 and June 30, 2013. The net change in plant
8 from June 30, 2012, to June 30, 2013, is presented in the column labeled Plant
9 Additions, Reclassifications or Retirements.

10 Schedule E-6 titled "Comparative Departmental Statements of Operating
11 Income" summarizes the operating income statements on a functional basis for the
12 Test year Ended June 30, 2013, as well as for the prior two years.

13 Schedule E-7 titled "Operating Statistics" displays the operating statistics
14 for sales quantities and customers for the test year as well as the prior two years.

15 Schedule E-8 titled "Taxes Charged to Operations" provides details
16 regarding taxes incurred for the test year as well as the prior two years.

17 Schedule E-9 titled "Notes to Financial Statements" provides a list of notes
18 specific to each district.

19 **Q. PLEASE EXPLAIN THE F SCHEDULES YOU ARE SPONSORING.**

20 **A.** Schedule F-1 titled "Projected Income Statements – Present and Proposed Rates"
21 displays the test year income and forecasted income for the year ending June 30,
22 2014, using test year rates and proposed revenue from this case.

23 Schedule F-2 titled "Projected Statement of Changes in Financial Position –
24 Present and Proposed Rates" displays the sources and applications of funds for the
25 test year and projected results using the same assumptions as Schedule F-1.

26

1 Schedule F-3 titled "Projected Construction Requirements" presents the
 2 actual construction expenditures through the test year of June 30, 2013, as well as
 3 the projected construction expenditures for the periods June 30, 2014, June 30,
 4 2015 and June 30, 2016, broken down by Investment Projects (IP) and Recurring
 5 Projects (RP). This schedule provides additional detail concerning the construction
 6 expenditures on Schedule A-4.

7 Schedule F-4 titled "Assumptions Used in Developing Projections" provides
 8 a summary of assumptions by district that the Company used in preparation of this
 9 filing.

10 **IV. ADJUSTED OPERATING INCOME**

11 **Q. WHAT IS SCHEDULE C-1?**

12 A. Schedule C-1 titled "Adjusted Test Year Income Statement" sets forth revenues
 13 and expenses and the resulting net income both on an historical unadjusted basis
 14 and an adjusted (including pro forma adjustments) basis. This schedule also
 15 contains a summary of the proposed revenue increase and the associated tax
 16 effects, and an allowance for bad debt expense related to the revenue increase.

17 **Q. WHAT IS EWAZ'S ADJUSTED TEST YEAR OPERATING INCOME BY**
 18 **DISTRICT IN THIS PROCEEDING?**

19 A. The following table summarizes Adjusted Test Year Operating Income for each
 20 water and wastewater district seeking rate increases in this proceeding:

21 **Table 1 – Adjusted Test Year Operating Income -All Districts**

	Mohave Water	Paradise Valley Water	Sun City Water	Tubac Water	Mohave Wastewater
Adjusted Test Year Operating Income	\$424,406	\$2,176,797	\$782,241	(\$135,672)	\$78,532

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A. OPERATING REVENUES

Q. ARE YOU SPONSORING THE OPERATING REVENUES IN THIS PROCEEDING?

A. I am sponsoring Schedule C-2 and all of the Pro Forma adjustments on that schedule. I have provided the proposed revenue increase to Company witness Mr. Tom Bourassa who is responsible for the development of the H Schedules that support the derivation of the present and proposed revenues in this case. The following table summarizes adjusted test year operating revenues for each district.

Table 2 – Adjusted Test Year Revenues -All Districts

	Mohave Water	Paradise Valley Water	Sun City Water	Tubac Water	Mohave Wastewater
Adjusted Test Year Revenues	\$6,354,293	\$9,648,251	\$10,265,553	\$579,194	\$1,055,839

B. OPERATING EXPENSES

Q. WHAT ARE EWAZ'S REQUESTED TOTAL OPERATING EXPENSES BY DISTRICT?

A. The following tables summarize adjusted test year operating expenses for each district.

Table 3 – Adjusted Test Year Operating Expenses -All Districts

	Mohave Water	Paradise Valley Water	Sun City Water	Tubac Water	Mohave Wastewater
Adjusted Test Year Operating Expenses	\$5,929,887	\$7,471,454	\$9,483,313	\$714,866	\$977,308

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C. PRO FORMA ADJUSTMENTS

Q. WHAT PRO FORMA ADJUSTMENTS IS EWAZ PROPOSING TO THE HISTORICAL TEST YEAR?

A. EWAZ has identified known and measurable changes to the historical test year revenues and expenses. Listed below are those pro forma adjustments that are common to all districts except where noted.

- Adjustment SM-1 – Remove Unbilled Revenue
- Adjustment SM-2 – Annualize Year End Customers - Residential
- Adjustment SM-3 – Annualize Year End Customers- Commercial
- Adjustment SM-4 – Annualize Payroll Expense
- Adjustment SM-5 – Annualize Payroll Tax Expense
- Adjustment SM-6 – Annualize 401k and Group Insurance
- Adjustment SM-7 – Amortize Rate Case Expense
- Adjustment SM-8 – Annualize Fuel and Power Expense
- Adjustment SM-9 – Annualize Postage Expense
- Adjustment SM-10 – Miscellaneous Expense Clean-Up
- Adjustment SM-11 – Remove Other Income and Deductions
- Adjustment SM-12 – Annualize Rent Expense
- Adjustment SM-13 – Depreciation and Amortization Expense
- Adjustment SM-14 – Federal & State Income Taxes
- Adjustment SM-15 – Annualize Property Taxes
- Adjustment SM-16 – Interest Synchronization
- Adjustment SM-17 – Water Testing Expense
- Adjustment SM-18 – Annualize Corporate Allocation
- Adjustment SM-19 – Declining Usage Adjustment (all districts except Mohave Wastewater)
- Adjustment SM-20 – Annualize Miscellaneous Revenues
- Adjustment SM-29 – Reclassify Revenues (all districts except Mohave Wastewater and Tubac)

Q. THERE ARE OTHER PRO FORMA ADJUSTMENTS PROPOSED. WHAT ARE THESE?

A. Yes. There are several pro forma adjustments that are district specific and listed below:

1 Mohave Water

- 2 • Adjustment SM-21 – Reclassify Purchased Water
3 • Adjustment SM-22 – Reclassify Effluent Sales
4 • Adjustment SM-23 – Annualize Rate Change

4 Mohave Wastewater

- 5 • Adjustment SM-21 – Reclassify Purchased Water
6 • Adjustment SM-22 – Reclassify Effluent Sales

6 Paradise Valley Water

- 7 • Adjustment SM-24 – Tank Maintenance
8 • Adjustment SM-25 – Remove CAP Expense Surcharge
9 • Adjustment SM-26 – Remove CAP Expense Recovered Through Surcharge
10 • Adjustment SM-27 – Adjust for Rate Difference on PVCC

9 Sun City Water

- 10 • Adjustment SM-28 – Reclassify 2-Inch Irrigation from Other to Water

11 Tubac Water

- 12 • Adjustment SM-30 – Reclassify Revenue for ACRM Surcharge
13 • Adjustment SM-31 – Amortize Arsenic Media Replacement

14 Q. ARE YOU SPONSORING ALL OF THE PRO FORMA ADJUSTMENTS
15 LISTED ABOVE?

16 A. Yes. I will address all these adjustments starting first with those common to all
17 districts and then those that are district specific.

18 Q. WHAT IS ADJUSTMENT SM-1 – REMOVE UNBILLED REVENUE?

19 A. Adjustment SM-1 is a *pro forma* adjustment to remove unbilled revenues from the
20 test year booked revenues. Unbilled revenue is an estimate of the usage at the end
21 of the month that has yet to be billed. Because the Company performs a separate
22 bill analysis to annualize district revenues, which involves accommodating any
23 changes in customer counts or rate increases that occurred in the test year, it is not
24 appropriate to consider unbilled revenues in this calculation. Therefore, unbilled
25 revenues are removed.

26

1 Q. WHAT ARE ADJUSTMENTS SM-2 - ANNUALIZE YEAR END
2 CUSTOMERS - RESIDENTIAL, AND SM-3 - ANNUALIZE YEAR END
3 CUSTOMERS - COMMERCIAL?

4 A. Adjustment SM-2 and Adjustment SM-3 are *pro forma* adjustments to annualize
5 year end customer levels to reflect changes in the test year. This calculation
6 computes the average number of monthly customers during the test year compared
7 to the actual number of customers at month end for each customer class. This
8 increase/decrease in number of monthly customers is multiplied by the average
9 monthly revenue and totaled for the test year to get the annualized revenue
10 adjustment. This calculation was performed for each customer class.

11 Q. DID YOU ALSO ADJUST OPERATING EXPENSES WHEN YOU
12 ADJUSTED REVENUE FOR THE CHANGE IN TEST YEAR
13 CUSTOMERS?

14 A. Yes. For each district, Purchased Water, Fuel & Power, and Chemicals expenses
15 were adjusted based on the change in sales volumes per customer bill, whereas
16 Postage and Customer Accounting expenses were updated based on the change in
17 the number of customer bills.

18 Q. PLEASE EXPLAIN ADJUSTMENT SM-4 - ANNUALIZE PAYROLL
19 EXPENSE AND ADJUSTMENT SM-5 - ANNUAL PAYROLL TAX
20 EXPENSE?

21 A. These *pro forma* adjustments annualize the labor charges at the end of the test year
22 and calculate the payroll tax expense associated with the change in payroll expense
23 based on employees employed by EWAZ at the end of the test year. These
24 adjustments recognize actual labor rates in effect as of this case's filing date and
25 increases them by 3% to reflect labor costs at the time rates in this case are expected to
26 go into effect.

1 Q. WHAT IS ADJUSTMENT SM-6 – ANNUALIZE 401K AND GROUP
2 INSURANCE?

3 A. Adjustment SM-6 – Annualize 401K and Group Insurance is a pro forma
4 adjustment to annualize the various employee benefit-related items including group
5 insurance, 401K, and pension expense. Group Insurance includes premiums for
6 life insurance, medical insurance, dental insurance, long-term disability insurance
7 and short-term disability. A portion of this adjustment segregates all group
8 insurance items and applies the current 2014 premium cost per benefit for each
9 employee. Also included in this pro forma adjustment is the annualization of the
10 Company's contribution to its employees' 401K retirement savings program.
11 This consists of the Company's contribution of 5.25% of the employees' pay as
12 well as the Company's 100% matching of the first 3% of employee contribution
13 and an additional 50% matching of employee contributions greater than 3% up to
14 5%. Finally, employees hired before January 1, 2006, are eligible for a defined-
15 benefit pension. This adjustment also annualizes the increase in pension costs
16 based on the 2014 funding liability.

17 Q. PLEASE EXPLAIN ADJUSTMENT SM-7 – AMORTIZE RATE CASE
18 EXPENSE?

19 A. Adjustment SM-7 is a *pro forma* adjustment necessary to include the annual rate
20 case expense amortization to be recovered in customers' rates. This amortization
21 is determined by taking the total estimated rate case expense and applying a three
22 year amortization period. All prior case amortizations were removed from the test
23 year amounts. Please refer to the Direct Testimony of Company witness
24 Ms. Sheryl Hubbard for details on how the total estimated rate case expense was
25 derived.

26

1 Q. WHAT IS ADJUSTMENT SM-8 – ANNUALIZE FUEL AND POWER
2 EXPENSE?

3 A. Adjustment SM-8 is a *pro forma* adjustment to annualize the rate increases
4 approved for Mohave Electric Cooperative (“MEC”) effective 9/1/2012, and based
5 on a UniSource Electric (“UNS”) pending settlement approval. Although Arizona
6 Public Service Company (“APS”) did not have a general rate increase, we were
7 provided an internal APS forecasting process study titled “Electric Industry
8 Outlook and APS Rate Overview” which indicated the increase in associated
9 power rate adjustors. These published changes and forecasted amounts are
10 incorporated into the Company’s power expense pro forma adjustment.
11 The Company’s Mohave Water and Mohave Wastewater districts are served by
12 both UNS and MEC, whereas the Tubac Water District is served only by UNS.
13 APS serves Sun City Water and Paradise Valley Water Districts.

14 Q. WHAT IS ADJUSTMENT SM-9 – ANNUALIZE POSTAGE EXPENSE?

15 A. Adjustment SM-9 is a *pro forma* adjustment to annualize changes in the first-class
16 postage rate. The United States Postal Service increased rates in January 2013 and
17 again in January 2014. The increase that was effective in January 2013 was a
18 2.47% increase over the prior rate of \$0.242 for 5-digit automation whereas the
19 2014 rate increased by 5.25%. Postage expense for the first six months of the test
20 year, July 1 through December 31, 2012, is adjusted for both of these postage rate
21 increases. Postage expense for the second six month of the test year, January 1
22 through June 30, 2013, is adjusted for the postage rate increase that was effective in
23 January 2014.

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- 1 Q. WHAT IS ADJUSTMENT SM-10 – MISCELLANEOUS EXPENSE CLEAN-
2 UP?
- 3 A. Adjustment SM-10 is a *pro forma* adjustment that removes expenses that would
4 typically be disallowed for ratemaking purposes, such as charitable and civic
5 contributions and other miscellaneous expenses that are normally not recoverable
6 from customers. While we still believe these expenses should be recoverable
7 through rates, we have removed them to minimize issues in dispute.
- 8 Q. WHAT IS ADJUSTMENT SM-11 – REMOVE OTHER INCOME AND
9 DEDUCTIONS?
- 10 A. Adjustment SM-11 is a *pro forma* adjustment to remove items that are “below the
11 line” or not related to the provision of water or wastewater service.
12 This adjustment is necessary to exclude other revenue and expense items that are
13 not included in the Company’s cost of service to its customers.
- 14 Q. WHAT IS ADJUSTMENT SM-12 – ANNUALIZE RENT EXPENSE?
- 15 A. Adjustment SM-12 is a *pro forma* adjustment to annualize the changes in rent and
16 lease costs. This adjustment updates each district’s specific expenses plus their
17 portion of corporate rent that is allocated to each district based on the 4-factor
18 allocation.
- 19 Q. WHAT IS ADJUSTMENT SM-13 – DEPRECIATION AND
20 AMORTIZATION EXPENSE?
- 21 A. Adjustment SM-13 annualizes the depreciation and amortization expense to reflect
22 plant balances and CIAC balances at the end of the test year. The amortization of
23 CIAC is accomplished by using each district’s composite depreciation rate
24 calculated in this adjustment. This adjustment also incorporates the effects of the
25 24-month deferral request as outlined in the direct testimony of Ms. Sheryl
26 Hubbard as well as the amortization of regulatory assets. Also included is th

1 calculation of the annual depreciation expense associated with the Company's
2 request to include some post-test year plant additions that will be completed during
3 2014 in the calculation of its Rate Base (post-test year plant additions are included
4 on Rate Base Adjustment SLH-1). These post-test year plant additions are detailed
5 in the Direct Testimony of Michael Worlton.

6 **Q. IS THE COMPANY PROPOSING A CHANGE TO DEPRECIATION**
7 **RATES?**

8 A. Yes. The Company is proposing to update the depreciation rates for all districts in
9 this case (Mohave Water already has these rates approved), as well as its corporate
10 district, to those rates that were approved in Decision No. 73145 for our Agua Fria
11 Water, Havasu Water and Mohave Water districts.

12 **Q. DOES THE COMPANY HAVE ANY EXCEPTIONS TO THE PROPOSED**
13 **DEPRECIATION RATES THAT WERE PREVIOUSLY APPROVED?**

14 A. Yes, only one. The Company is proposing to change the depreciation rate for
15 Account 334100 – Meters to 8.33% based on a 12-year service life. This change is
16 requested in response to the Small Meter Replacement Program that is detailed in
17 the direct testimony of Company witness Mr. Jeffrey W. Stuck.

18 **Q. WHAT IS ADJUSTMENT SM-14 – FEDERAL AND STATE INCOME**
19 **TAXES?**

20 A. Adjustment SM-14 is a *pro forma* adjustment that adjusts test year income taxes to
21 reflect the federal and state income tax effects of the *pro forma* adjustments
22 included on Schedule C-2.

23 **Q. WHAT IS ADJUSTMENT SM-15 – ANNUALIZE PROPERTY TAXES?**

24 A. Adjustment SM-15 is a *pro forma* adjustment to adjust property taxes to the level
25 based upon the adjusted test year revenue and also to compute a property tax factor
26 to include in the gross revenue conversion factor calculation needed for the

1 property tax increases that will result from the revenue increases in this proceeding.
2 The Company has applied an Assessment Ratio of 18.5% as outlined in HB 2001
3 Section 42-15001 for the period ending December 30, 2015.

4 **Q. WHAT IS ADJUSTMENT SM-16 – INTEREST SYNCHRONIZATION?**

5 A. Adjustment SM-16 is a *pro forma* adjustment to synchronize the interest deduction
6 that is a function of rate base and weighted cost of debt and the interest deduction
7 that is a component in the test year income tax calculation. For ratemaking
8 purposes, a utility's revenue requirement reflects the recovery of interest expense
9 based on the weighted cost of debt in the capital structure. It is this interest
10 expense that should be used for the interest deduction when calculating the tax
11 expense. An Interest Synchronization adjustment is necessary to match the rate
12 base used in determining revenue requirements with the proportionate part of the
13 total amount of debt and equity used to determine the cost of capital. The amount
14 of interest expense that customers contribute through their payment of water rates
15 should be the same as the amount of interest expense deducted from revenues in
16 calculating tax expense. Synchronizing the interest deduction for ratemaking with
17 the interest deduction for earnings purposes accomplishes this goal.

18 **Q. WHAT IS ADJUSTMENT SM-17 – WATER TESTING?**

19 A. Adjustment SM-17 is a *pro forma* adjustment that annualizes water testing
20 expense. The Water Quality Group determined all necessary tests required over a
21 three year period and priced them out at the current known contract price.
22 Total costs for the three year period were used to determine an annual cost
23 resulting in this *pro forma* adjustment.

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1 Q. WHAT IS ADJUSTMENT SM-18 - ANNUALIZE CORPORATE
2 ALLOCATION?

3 A. Adjustment SM-18 is a *pro forma* adjustment to annualize the effect of the payroll
4 rate increase associated with the labor portion of Corporate Allocations excluding
5 costs related to Public and Government Affairs. This adjustment is based on 2013
6 Corporate Allocation amounts and was increased by 3.5% for an estimated 2014
7 labor increase and 2.5% to reflect the estimated increase for 2015.

8 Q. WHAT IS ADJUSTMENT SM-19 - DECLINING USAGE ADJUSTMENT?

9 A. Adjustment SM-19 is a *pro forma* adjustment to compensate for the effect that
10 declining residential usage per customer has on the ability to collect the authorized
11 revenue requirement of a district. EWAZ has been experiencing declining usage
12 per customer in all of its water districts for some time now and this prevents the
13 Company from attaining its authorized revenue requirement for a given water
14 district. Thus, in order for the Company to preserve its authorized revenue, a
15 declining residential usage adjustment is necessary. The declining usage
16 adjustment is based upon the decline in annual metered revenues that have
17 occurred since the last test year which is measured by comparing the revenues from
18 current level of customers at the average revenue per customer from the last rate
19 case and the average revenue per customer during the test year. See Schedule H-1,
20 page 4. The estimated decline in revenues is isolated to changes in water usage
21 which is primarily caused by the inverted tier rate design and resulting
22 conservation. This adjustment impacts all districts except Mohave Wastewater
23 district.

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1 Q. WHAT IS ADJUSTMENT SM-20 – ANNUALIZE MISCELLANEOUS
2 REVENUES?
3 A. Adjustment SM-20 is a *pro forma* adjustment that annualizes the impact of the
4 proposed rates for the miscellaneous service charges assuming the same occurrence
5 level in the test year. Company witness Mr. Shawn Bradford is providing
6 justification for the proposed changes in the miscellaneous service charges for each
7 district.
8 Q. WHAT IS ADJUSTMENT SM-29 – RECLASS REVENUES?
9 A. Adjustment SM-29 is a *pro forma* adjustment that reclassifies revenues that were
10 incorrectly coded. During the test year, revenues received from fire line protection
11 and recycled water were miscoded to Other Revenue rather than Water Revenue.
12 This adjustment properly moves these revenues to the Water Revenue line of the
13 income statement. This adjustment impacts all districts except Mohave
14 Wastewater and Tubac Water districts.
15 Q. YOU HAVE JUST ADDRESSED THE ADJUSTMENTS THAT ARE
16 COMMON TO ALL OR MOST DISTRICTS. CAN YOU PLEASE NOW
17 SUMMARIZE THE DISTRICT SPECIFIC ADJUSTMENTS?
18 A. Yes, I will start with those adjustments that impact Mohave Wastewater.
19 Q. PLEASE SUMMARIZE THE ADJUSTMENTS THAT ARE SPECIFIC TO
20 THE MOHAVE WASTEWATER DISTRICT?
21 A. Mohave Wastewater has two district-specific adjustments. The first adjustment is
22 SM-21- Reclassify Purchased Water recorded to Mohave Wastewater in error.
23 During the test year there were a few invoices that were incorrectly coded to
24 Mohave Wastewater rather than Mohave Water. This adjustment corrects that
25 miscoding.
26

1 The other adjustment is Adjustment SM-22 – Reclassify Purchased Water recorded
2 in Mohave Wastewater in error. EWAZ’s Mohave Water District holds the CC&N
3 giving it the exclusive authority to sell water within that district. Effluent sales
4 have historically been included in the tariffs of that water district, but treatment
5 costs to produce that effluent are recorded in the Company’s Mohave Wastewater
6 District's expenses. In that EWAZ holds both the water and the wastewater
7 CC&Ns for the subject area, and to allow for more transparent rate setting for the
8 sale of effluent within that area, EWAZ is proposing that effluent sales within the
9 area be subject to an effluent rate tariff for the Mohave Wastewater District. I wish
10 to note though that, by making this proposal, the Company is not waiving any
11 rights it has under its Mohave Water District CC&N to be the exclusive water
12 provider in the area subject to that CC&N. Also, both of these adjustments have
13 corresponding adjustments in the Mohave Water district.

14 **Q. PLEASE SUMMARIZE THOSE ADJUSTMENTS SPECIFIC TO MOHAVE**
15 **WATER DISTRICT.**

16 **A.** Aside from Adjustments SM-21 & SM-22 that were just discussed under the
17 Mohave Wastewater section, Mohave Water only has one additional adjustment.

18 Adjustment SM-23 – Annualize Rate Change is a pro forma adjustment to
19 annualize the rate increase that occurred at the beginning of the test year. Mohave
20 Water received a rate increase in July 2012 per Commission Decision No. 73145
21 (issued May 1, 2012). Bills that were issued in July 2012, the first month that this
22 rate increase was in effect, do not reflect a full month of the effective rate increase.
23 The purpose of this adjustment is to annualize the rate increase to reflect a full
24 12 months of revenue due to the timing of the rate increase relative to the test year
25 in this case, so that an accurate adjusted operating income figure could be derived
26 and utilized in the revenue increase calculation. The rate increase annualization is

1 calculated by taking the test year customer billing determinants and applying the
2 authorized rates from Decision No. 73145 to come up with a district level revenue
3 figure. This figure is then subtracted from the actual billed revenues in the test
4 year based on the same billing determinants to arrive at the rate increase
5 annualization adjustment.

6 Q. PLEASE SUMMARIZE THE ADJUSTMENTS SPECIFIC TO PARADISE
7 VALLEY WATER DISTRICT.

8 A. Paradise Valley Water district has several district-specific adjustments that I will
9 address below.

10 Adjustment SM-24 – Tank Maintenance Expense is a pro forma adjustment
11 to reflect tank maintenance expense. The Company is proposing a tank
12 maintenance program in Paradise Valley Water District similar to programs already
13 approved in our Sun City, Havasu and Mohave Water Districts. The costs for this
14 program will amount to \$185,851 annually. Please refer to the Direct Testimony of
15 Company witness Mr. Jeffrey W. Stuck for more details.¹

16 Adjustment SM -25 – Remove CAP Expense Surcharge and Associated
17 Expense. This adjustment removed the impact of this surcharge from both the
18 Purchased Water account and Other Revenues.

19 Adjustment SM-26 – Remove CAP Expenses Recovered Through
20 Surcharge. All CAP related expenses and revenues are to be recovered through the
21 Paradise Valley CAP Surcharge. There were several CAP related expense items
22 that were incorrectly coded to acct #5618 - Purchased Water during the test year
23 period. These items were reclassified on the Company's books prior to 2013 close
24 and reflected here as a pro forma adjustment.

25
26 ¹ See Direct Testimony of Jeffrey W. Stuck at 4-5.

1 The final adjustment in Paradise Valley Water District is Adjustment SM-27
2 – Adjust for Rate Difference on PVCC. The Paradise Valley Country Club has a
3 contract with the Company that provides a 15% discount on the Turf Rate. This
4 *pro forma* adjustment increases the Company's revenues by the amount
5 discounted.

6 Q. DOES SUN CITY WATER HAVE ANY DISTRICT SPECIFIC
7 ADJUSTMENTS?

8 A. Sun City Water only has one district specific *pro forma* adjustment, Adjustment
9 SM-29 – Reclassify 2-Inch Irrigation from Other Revenue to Water Revenue.
10 This adjustment is necessary to reclassify revenues that were incorrectly recorded.

11 Q. PLEASE EXPLAIN THE ADJUSTMENTS SPECIFIC TO THE TUBAC
12 WATER DISTRICT?

13 A. Tubac Water District has a couple of district-specific adjustments that I will
14 address below.

15 Adjustment SM – 30 – Annualize Revenue for ACRM Surcharge. In
16 Decision No. 71867 issued September 1, 2010, Tubac Water District was allowed
17 to implement a Phase 1 Arsenic Cost Recovery Mechanism. This ACRM began
18 September 1, 2010. Amounts were collected in the Test Year for ACRM
19 surcharges by meter size and recorded in Other Revenue (Account 4531). This
20 adjustment moves those amounts from Other Revenue to Water Revenue.

21 Adjustment SM – 31 – Amortize Arsenic Media Replacement. In Decision
22 No. 71410, Tubac Water District was authorized an Arsenic Cost Recovery
23 Mechanism for the recovery of investment in an arsenic treatment facility to
24 comply with the EPA's revised maximum contaminant level for arsenic effective in
25 January 2006. In addition, Tubac Water District was authorized to defer O&M
26 expenses related to arsenic media replacement cost. This adjustment includes an

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amortization of the deferral and the on-going annual arsenic media replacement costs.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

REBUTTAL TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015

**REBUTTAL TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
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III.	REBUTTAL SCHEDULES AND EXHIBITS (ALL DISTRICTS).....	1
IV.	OPERATING EXPENSES ADJUSTMENTS.....	2

1 **EXECUTIVE SUMMARY**

2 Sandra L. Murrey testifies as follows:

3
4 **Sponsored Rebuttal Schedules**

5 Ms. Murrey sponsors the following schedules in this case:

- 6
7 • Schedule C-1 Rebuttal: Adjusted Test Year Income Statement
8 • Schedule C-2 Rebuttal: Income Statement Pro Forma Adjustments
9 • Schedule C-3 Rebuttal: Computation of Gross Revenue Conversion Factor

10
11 **Adjusted Operating Income and Operating Expense**

12 EPCOR Water Arizona Inc.'s rebuttal position for Adjusted Operating Income and Expense is:

13

	EPCOR Water Arizona, Inc.
Adjusted TY Operating Income	\$ 3,840,767
Adjusted TY Operating Expense	\$ 24,151,356

14
15 **Operating Income Adjustments**

16 The Company's position on ACC Staff's proposed adjustments. These adjustments apply to all
17 districts unless noted:
18

- 19 • Accept Water Revenue (ACC Staff Adj #1. Mohave Water & Sun City Water only),
20 • Revised Depreciation Expense (ACC Staff Adj #2),
21 • Revised Property Tax (ACC Staff Adj #3),
22 • Revised Income Tax (ACC Staff Adj #4),
23 • Revised Corporate Allocation (ACC Staff Adj #5),
24 • Accept Water Testing (ACC Staff Adj #6),
25 • Revised Rate Case Expense (ACC Staff Adj #7),
26 • Revised Chemicals (ACC Staff Adj #8. Tubac Water only)

1 The Company's position on RUCO's proposed adjustments. These adjustments apply to all
2 districts unless noted:

- 3 • Oppose Annualization (RUCO Adj #1),
- 4 • Oppose Reverse Declining Usage Expense (RUCO Adj #2),
- 5 • Oppose Include CAP charges in Base Rates (RUCO Adj #3, Paradise Valley Only),
- 6 • Oppose Remove APS Estimated Power Costs (RUCO Adj #4),
- 7 • Accept Remove ACRM Surcharge and Deferred O&M Costs (RUCO Adj #5),
- 8 • Revised Corporate Allocations (RUCO Adj #6),
- 9 • Revised Rate Case Expense (RUCO Adj #7),
- 10 • Oppose Tank Maintenance Expense (RUCO Adj #8, Paradise Valley Only),
- 11 • Revised Depreciation Expense (RUCO Adj #9),
- 12 • Revised Property Tax Expense (RUCO Adj #10),
- 13 • Revised Income Tax Expense (RUCO Adj #11)

14
15
16
17 **Company Rebuttal Income Statement Adjustments**

- 18
- 19 • Adj SM – 1R Water Revenue (Mohave Water and Sun City Water only)
- 20 • Adj SLH– 2R Depreciation Expense
- 21 • Adj SM – 3R Property Tax
- 22 • Adj SM – 4R Federal and State Income Tax
- 23 • Adj SM – 5R Arizona Corporate
- 24 • Adj SM – 6R Water Testing (Water districts only)
- 25 • Adj SM – 7R Chemical Expense (Tubac Only)
- 26 • Adj SM – 8R Interest Synchronization
- 27 • Adj SM – 9R Tank Maintenance
- 28 • Adj SM – 10R Promotions, Donations,
- 29 • Adj SLH – 11R Corporate Allocations
- 30 • Adj SLH– 12R 24-Month Deferral Request
- 31 • Adj SM – 13R New Large Customer Annualization
- 32 • Adj SM – 14R Customer Accounting / Postage Annualization
- 33 • Adj SLH – 15R Arizona Labor Allocation
- 34

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
3 **NUMBER.**

4 **A.** My name is Sandra L. Murrey. My business address is 2355 W. Pinnacle Peak Road,
5 Suite 300, Phoenix, Arizona 85027, and my business phone is 623-445-2490.

6 **Q. ARE YOU THE SAME SANDRA L. MURREY WHO PROVIDED DIRECT**
7 **TESTIMONY IN THIS MATTER?**

8 **A.** Yes.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

11 **A.** I will respond to the Arizona Corporation Commission Staff's ("ACC Staff") and the
12 Residential Utility Consumer Office's ("RUCO") testimony concerning adjustments to
13 the Company's proposed operating expenses.

14 **III. REBUTTAL SCHEDULES AND EXHIBITS (ALL DISTRICTS)**

15 **Q. PLEASE IDENTIFY THE REBUTTAL SCHEDULES YOU ARE SPONSORING.**

16 **A.** I am sponsoring the following rebuttal schedules for each of the districts:

- 17 • Schedule C-1 Rebuttal – Adjusted Test Year Income Statement
- 18 • Schedule C-2 Rebuttal – Income Statement Pro Forma Adjustments
- 19 • Schedule C-3 Rebuttal – Gross Revenue Conversion Factor

20 **Q. DOES YOUR TESTIMONY IN THIS PROCEEDING INCORPORATE**
21 **RECOMMENDATIONS OF OTHER COMPANY WITNESSES?**

1 A. Yes, it does. I have incorporated recommendations sponsored by Company witnesses
2 Ms. Sheryl L. Hubbard, Mr. Jeffrey Stuck, and Mr. Shawn Bradford, resulting in revised
3 *pro forma* adjustments to test-year expenses where applicable.

4 **IV. OPERATING EXPENSES ADJUSTMENTS**

5 **Q. HAVE YOU REVIEWED ACC STAFF'S AND RUCO'S RECOMMENDED**
6 **ADJUSTMENTS TO OPERATING EXPENSES?**

7 A. Yes, I have. The Company will be proposing several rebuttal Income Statement
8 adjustments, as outlined below, in response to ACC Staff's and RUCO's recommended
9 adjustments. In the next few pages of my testimony, I will address the recommendations
10 made by ACC Staff and then move on to RUCO's recommendations.

- 11 • Adj SM – 1R Water Revenue
- 12 • Adj SLH – 2R Depreciation Expense
- 13 • Adj SM – 3R Property Tax
- 14 • Adj SM – 4R Federal and State Income Tax
- 15 • Adj SM – 5R Corporate Allocations
- 16 • Adj SM – 6R Water Testing
- 17 • Adj SM – 7R Chemical Expense
- 18 • Adj SM – 8R Interest Synchronization
- 19 • Adj SM – 9R Tank Maintenance
- 20 • Adj SM – 10R Promotions, Donations,
- 21 • Adj SLH – 11R Corporate Allocations
- 22 • Adj SLH – 12R 24-Month Deferral Request
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- 8 • Revised Corporate Allocations (RUCO Adj #6),
- 9 • Revised Rate Case Expense (RUCO Adj #7),
- 10 • Oppose Tank Maintenance Expense (RUCO Adj #8, Paradise Valley Only),
- 11 • Revised Depreciation Expense (RUCO Adj #9),
- 12 • Revised Property Tax Expense (RUCO Adj #10),
- 13 • Revised Income Tax Expense (RUCO Adj #11)

14
15
16
17 **Company Rebuttal Income Statement Adjustments**

- 19 • Adj SM – 1R Water Revenue (Mohave Water and Sun City Water only)
- 20 • Adj SLH– 2R Depreciation Expense
- 21 • Adj SM – 3R Property Tax
- 22 • Adj SM – 4R Federal and State Income Tax
- 23 • Adj SM – 5R Arizona Corporate
- 24 • Adj SM – 6R Water Testing (Water districts only)
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- 27 • Adj SM – 9R Tank Maintenance
- 28 • Adj SM – 10R Promotions, Donations,
- 29 • Adj SLH – 11R Corporate Allocations
- 30 • Adj SLH– 12R 24-Month Deferral Request
- 31 • Adj SM – 13R New Large Customer Annualization
- 32 • Adj SM – 14R Customer Accounting / Postage Annualization
- 33 • Adj SLH – 15R Arizona Labor Allocation

34

1 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 1 RECOMMENDS**
2 **AN INCREASE TO REVENUES FOR BOTH MOHAVE WATER AND SUN**
3 **CITY WATER DISTRICTS FOR OVERCOLLECTION OF REVENUES FROM**
4 **THE LOW INCOME PROGRAMS. PLEASE DESCRIBE THEIR**
5 **ADJUSTMENTS AND WHETHER THE COMPANY ACCEPTS THEIR**
6 **RECOMMENDATIONS.**

7 **A.** The Company has low income programs available in Mohave Water and Sun City Water
8 districts. These programs are funded via a surcharge which is added to the highest tier
9 rate commodity rate for residential and commercial customers. The funding began as
10 soon as the rates were effective per the decision that authorized the low income
11 programs. However, since the programs are relatively new, it has taken some time to
12 build up the low income recipient base which has contributed to the over collection of
13 revenue. ACC Staff is recommending a pro forma adjustment for Mohave Water of
14 \$35,483 to increase water revenue by normalizing and refunding the \$106,450 over
15 collection in that district over a three year period. A similar pro forma adjustment for
16 Sun City Water of \$30,110 increasing water revenue to normalize and refund the \$90,330
17 over collection over a three-year period is proposed. The Company accepts ACC Staff's
18 proposed income statement adjustment #1 for both Mohave Water District and Sun City
19 Water District, however, the Company plans to continue to administer the program as
20 currently approved and implemented. Please see Company's rebuttal adjustment SM-1R
21 on Schedule C-2 Rebuttal for each of the districts.

22 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 2 RECOMMENDS**
23 **A DECREASE TO DEPRECIATION EXPENSE IN ALL DISTRICTS. ARE YOU**
24 **THE COMPANY WITNESS THAT WILL YOU BE ADDRESSING THE**
25 **COMPANY'S POSITION?**

1 A. No, Company witness Ms. Sheryl L. Hubbard will sponsor the Company's positions on
2 depreciation and amortization expense.

3 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO.3 ADJUSTS**
4 **PROPERTY TAX EXPENSE. PLEASE DESCRIBE THEIR ADJUSTMENT AND**
5 **WHETHER THE COMPANY ACCEPTS THEIR RECOMMENDATION.**

6 A. Changes in Property Tax Expense are typical due to the inclusion of recommended
7 revenues and the need to reflect the conforming changes that result. ACC Staff has made
8 conforming adjustments to property tax expense for Mohave Water and Sun City Water
9 related to adjustment # 1, which increases the revenue in these districts.

10 In reviewing the calculations for property tax expense, the Company noticed an error in
11 ACC Staff's calculation of property tax expense for the Tubac Water District. The
12 Company believes the failure of ACC Staff to exclude 10% of outstanding CWIP
13 balances in calculating Tubac Water's annual property tax expense is an oversight by
14 ACC Staff. Ten percent of the outstanding CWIP at the end of the test year is \$9,880.

15 The Company accepts the conforming adjustment to property tax expense in Mohave
16 Water and Sun City Water, as we have accepted the adjustment to revenues (please see
17 response to ACC Staff adjustment #1). However, the Company does not agree with the
18 adjustment for the Tubac Water District as it appears to be an error. Please see the
19 Company's rebuttal adjustment SM-3R on Schedule C-2 Rebuttal for all districts which
20 use the same assessment ratios and tax rates as the ACC Staff's calculations with
21 conforming changes based on the Company's rebuttal adjusted test year revenues.

22 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO.4 ADJUSTS**
23 **INCOME TAX EXPENSE. PLEASE DESCRIBE THEIR ADJUSTMENT AND**
24 **WHETHER THE COMPANY ACCEPTS THEIR POSITION.**

1 A. ACC Staff applied a tax rate of 6.0% as obtained from the Arizona Department of
2 Revenue for the taxable years beginning from and after December 31, 2014 through
3 December 31, 2015. The Company is in agreement with their position and will update
4 the tax rate to 6.0% in the calculation of proposed state income tax expense in all
5 districts. Please see the Company's rebuttal adjustment SM-4R on Schedule C-2
6 Rebuttal for all districts.

7 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 5 RECOMMENDS**
8 **A DECREASE TO CORPORATE ALLOCATION EXPENSE IN ALL**
9 **DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

10 A. No. This adjustment to the corporate allocation cost pool impacts many different expense
11 categories including the Corporate Allocation line item on Schedules C-1 and C-2. ACC
12 Staff Adjustments 5a and 5b will be discussed in the testimony of Ms. Sheryl L. Hubbard
13 and my rebuttal testimony will discuss ACC Staff Adjustments 5c through 5h. I will
14 address each expense category at the corporate level which will then be allocated to the
15 districts based on their appropriate 4-factor allocator. Please see the Company's rebuttal
16 adjustment SM-5R on Schedule C-2 Rebuttal for all districts.

17
18 Outside Services (ACC Staff Adj 5c) – ACC Staff recommended that \$67,011 of outside
19 services costs be disallowed. ACC Staff is proposing the removal of costs related to
20 lobbying expense as well as a charge to accrue unbilled legal expenses related to Thunder
21 Mountain. The Company requested clarification from Staff in our Data Request number
22 1-20. We attempted to work with ACC Staff but given the information provided, we are
23 still unable to determine the source of their adjustment. We therefore must reject this
24 proposed adjustment.

1 Pensions (ACC Staff Adj 5d) – ACC Staff recommended that \$54,262 be disallowed
2 from pension costs for relocation costs that were charged to pension expense in error.
3 The Company requested clarification from Staff in our Data Request number 1-20. We
4 attempted to work with ACC Staff but given the information provided, we are still unable
5 to determine the source of their adjustment. We therefore must reject this proposed
6 adjustment.

7
8 Regulatory Expense (ACC Staff Adj 5e) – ACC Staff recommended that \$24,699 of
9 regulatory expense related to the amortization of year 2000 (Y2K) software costs be
10 disallowed. The Company accepts adjusting this amortization from the regulatory
11 expense account, however, this amortization should be added to depreciation and
12 amortization expense. Please see the regulatory expense adjustment on Company's
13 rebuttal adjustment SM-5R on Schedule C-2 Rebuttal for all districts.

14 Customer Accounting (ACC Staff Adj 5f) – ACC Staff recommends that \$266,016 of
15 customer accounting expenses be removed for the EWAZ bad debt expense that should
16 not have been included in the corporate cost pool because EWAZ already charges bad
17 debts directly to the districts. In its original calculation, the Company included \$266,016
18 in bad debt expense for the period July 2012 to December 2012 on a consolidated basis
19 for its Arizona (business unit 7A) operations. This consolidated bad debt was then
20 allocated to each of the five districts involved in the current case filing using the 4-factor
21 allocation methodology. For the remaining months of the test year, the period from
22 January 2013 to June 2013, the Company recorded \$256,213 in bad debt expense on a
23 consolidated basis for its Arizona operations. However, the bad debt expense for this
24 period was allocated to the districts directly through the accounting system using a factor

1 based on the percentage of connections and was also included in the Company's request
2 for bad debt expense.

3 After reviewing the allocation methods for both six month periods, the Company has
4 determined that calculating bad debt expense on a per district basis is a more accurate and
5 reasonable method and our pro forma adjustment shown on adjustment SM-5R is based
6 on that methodology. The Company compiled write-off data by district for the test year,
7 the twelve months ended June 30, 2013, and determined a slight increase was necessary
8 to reflect actual bad debt expense by district for the test year. Please see the customer
9 accounting expense pro forma on Company's rebuttal adjustment SM-5R on Schedule C-
10 2 Rebuttal for all districts.

11 General Office Expense (ACC Staff Adj 5g) – ACC Staff recommends that \$275,278 of
12 general office expense be removed. ACC Staff had provided a listing of the categories
13 and amounts they proposed to be excluded on Exhibit CLP-16. The Company requested
14 clarification from Staff in our Data Request number 1-20. From the information provided,
15 we are still unable to determine the source of ACC Staff's adjustment. We therefore must
16 reject this proposed adjustment. The Company believes ACC Staff is concerned with
17 Promotions, Advertising and Donations expense included in the test year general office
18 expense category but given the lack of information provided we are not certain. The
19 Company has identified the total direct and Arizona allocated costs associated with
20 Promotions, Advertising, and Donations. The Company does not object to the adjustment
21 of some of these items, however, several categories listed by ACC Staff, had already
22 been excluded by the Company in the Company's direct case presentation as ADJ SM-
23 10. The Company partially accepts the ACC Staff's Adj 5g including the removal of the
24 duplicate IT invoice and the promotions, advertising, and donations in excess of the

1 amount already removed by the Company. Please see the general office expense pro
2 forma on Company's rebuttal adjustment SM-5R on Schedule C-2 Rebuttal for all
3 districts.

4 Miscellaneous Expense (ACC Staff Adj 5h) – ACC Staff recommends that \$6,485 of
5 miscellaneous expenses be disallowed. The Company accepts ACC Staff's adjustment.
6 Please see the miscellaneous expense pro forma on Company's rebuttal adjustment SM-
7 5R on Schedule C-2 Rebuttal for all districts.

8 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 6 RECOMMENDS**
9 **AN ADJUSTMENT TO WATER TESTING EXPENSE IN ALL WATER**
10 **DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

11 A. The Company accepts ACC Staff's proposed water testing expenses as outlined in each
12 district's Engineering Report included in the testimony of ACC Staff witness Mr.
13 Michael Thompson. Please see Company's rebuttal adjustment SM-6R on Schedule C-2
14 Rebuttal for all districts.

15 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 7 (EXCLUDING**
16 **PARADISE VALLEY WATER DISTRICT) RECOMMENDS A DECREASE TO**
17 **RATE CASE EXPENSE IN ALL DISTRICTS. DOES THE COMPANY ACCEPT**
18 **THIS ADJUSTMENT?**

19 A. No. ACC Staff is recommending a reduction to the Company's rate case expense of
20 \$650,000 citing several unwarranted claims. The Company is not seeking to recover any
21 more than the amount of expenses actually incurred and will update ACC Staff on the
22 amounts spent through closing briefs. The Company contracted with outside agencies to
23 supplement its abbreviated workforce on an hourly basis. The issue that the Company
24 originally filed for a nine district case is irrelevant as the Company has contracted on an

1 hourly basis and has only been billed for work done on the five districts currently
2 submitted for consideration. The Company does not agree with these claims and believes
3 the \$650,000 is still a valid amount of rate case expense for this proceeding. As of
4 December 31, 2014 the Company has spent \$542,820, which does not include costs for
5 consultants participating in the rebuttal/rejoinder phases of this case.

6 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 7 FOR PARADISE**
7 **VALLEY WATER DISTRICT RECOMMENDS A DECREASE TO TANK**
8 **MAINTENANCE EXPENSE. DOES THE COMPANY ACCEPT THIS**
9 **ADJUSTMENT?**

10 A. No. ACC Staff is recommending annual tank maintenance for Paradise Valley Water
11 District of \$121,943, a reduction of \$63,908 in the Company's requested annual tank
12 maintenance expense of \$185,851. As discussed in the rebuttal testimony of Mr. Jeffrey
13 W. Stuck, the Company's revised tank maintenance program proposed for Paradise
14 Valley Water District uses an updated professional tank maintenance pricing list and the
15 revised estimate is similar to ACC Staff's total cost of \$1,707,208, or \$121,943 per year.
16 The Company's revised request is a total cost of \$1,892,108 over a 14-year period or
17 \$135,151. The reduction in the Company's request of \$50,700 is reflected on Adj SM -
18 9R for Paradise Valley Water District. Please refer to the rebuttal testimony of Mr. Stuck
19 for more details on the Company's proposed tank maintenance program for Paradise
20 Valley Water District.

21 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 8 RECOMMENDS**
22 **A DECREASE TO CHEMICAL EXPENSE IN TUBAC WATER DISTRICT**
23 **ONLY. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

24 A. Not in its entirety. ACC Staff is recommending a total reduction of \$98,934 to chemical
25 expense which is comprised of \$46,000 in on-going media replacement costs, \$2,078 in

1 other chemical costs and \$50,856 in deferred costs (2-year amortization of deferred
2 arsenic media replacement costs of \$101,712). The Company agrees to remove the
3 amortization of arsenic media costs of \$50,856 and now proposes to recover the deferred
4 charges of \$101,712 via a separate surcharge over a 3-year period, or \$33,904 per year as
5 discussed in the rebuttal testimony of Mr. Shawn Bradford. However, the Company
6 requests that \$48,078 of actual on-going media replacement costs and chemicals be
7 accepted in this proceeding.

8 **Q. HAVE YOU COMPLETED ADDRESSING ACC STAFF'S INCOME**
9 **STATEMENT ADJUSTMENTS?**

10 A. Yes. I will now move on to the Company's response to RUCO's income statement
11 adjustments.

12 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 1 RECOMMENDS AN**
13 **ANNUALIZATION ADJUSTMENT IN ALL WATER DISTRICTS. DOES THE**
14 **COMPANY ACCEPT THIS ADJUSTMENT?**

15 A. RUCO discusses that the Company's witness, Mr. Thomas Bourassa, used the average
16 number of customers in each district rather than test year-end number of customers to
17 annualize revenues. In service areas such as are included in this rate application, seasonal
18 variations in customer count is not unusual. Using an average number of customers
19 during the test year provides a more accurate determination of the change in customers
20 that should be included in a calculation of the customer annualization adjustment for rate
21 making purposes. The use of average number of customers has been an accepted practice
22 for EPCOR's predecessor by the Commission in the past and provides a more accurate
23 basis upon which to annualize additional revenue.

1 **Q. HAS THE COMPANY ADDED OR LOST ANY LARGE COMMERCIAL**
2 **CUSTOMERS IN ANY OF THE DISTRICTS INCLUDED IN THIS RATE**
3 **INCREASE APPLICATION?**

4 **A.** Yes. In the Paradise Valley Water District, as well as the Sun City Water District, one
5 large customer has been added in each. In the Paradise Valley Water District, Motorola
6 Solutions added a 6" meter which that customer uses to backwash its own water
7 treatment process once or twice per year. In the Sun City Water District, Banner Boswell
8 Medical installed a new 6" meter. The Company is proposing an adjustment labeled Adj
9 SM-13R to annualize the revenues and increased expenses associated with these two new
10 customers.

11 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 2 RECOMMENDS A**
12 **DECLINING USAGE ADJUSTMENT IN ALL WATER DISTRICTS. DOES THE**
13 **COMPANY ACCEPT THIS ADJUSTMENT?**

14 **A.** No. RUCO recommends the reversal of the Company's declining usage adjustment. The
15 Company refers to ACC Staff's acceptance of the declining usage adjustments as well as
16 ACC Staff's consistent acknowledgement of the existence of declining usage in the
17 Company's service territories.

18 **Q. RUCO STATED THAT IF THE COMMISSION DOES APPROVE A DECLINING**
19 **USAGE ADJUSTMENT, IT WOULD RECOMMEND ADDITIONAL FILING**
20 **REQUIREMENTS UPON THE COMPANY. WHAT ARE THESE REPORTS?**

1 A. RUCO recommends the Company file an annual report by March 30th of each year
2 showing the increase/decrease in water usage for each customer class and meter size
3 using a calendar year. Also, RUCO recommends that the Company file a Plan of
4 Administration (POA) to explain how customers will be refunded if there is an increase
5 in customer usage in future years.

6 **Q. HOW DOES THE COMPANY RESPOND TO THESE ADDITIONAL**
7 **REQUIRED REPORTS?**

8 A. The Company is opposed to certain aspects of the annual report as discussed in greater
9 detail in the rebuttal testimony of Mr. Thomas J. Bourassa. Mr. Bourassa also addresses
10 the POA in his rebuttal testimony.

11 **Q. DOES RUCO ADJUSTMENT NO. 2 ALSO NOTE AN ERROR IN THE**
12 **CALCULATION OF THE COMPANY'S ANNUALIZATION OF EXPENSES**
13 **ASSOCIATED WITH THE CUSTOMER ANNUALIZATION ADJUSTMENT**
14 **SM-2?**

15 A. Yes. The Company has reviewed the original calculations and is proposing an
16 adjustment to postage and customer accounting expenses to incorporate the number of
17 bills analysis as recommended by RUCO. The Company's proposed adjustment is SM-
18 14R.

19 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 3 RECOMMENDS THAT**
20 **CAP COSTS BE INCLUDED IN BASE RATES FOR PARADISE VALLEY AND**
21 **SUN CITY WATER DISTRICTS. DOES THE COMPANY ACCEPT THIS**
22 **ADJUSTMENT?**

1 A. No. The Company currently has surcharge mechanisms in place in both of these districts
2 and ACC Staff has accepted the Company's proposal to retain the surcharges due to the
3 difficulty in unwinding them and the future uncertainties facing the CAP costs in general.
4 The Company requests that the Commission continues to authorize these mechanisms to
5 remain in effect as proposed in the Company's direct case. Please refer to the testimony
6 of Mr. Jake Lenderking for additional justification to maintain the existing surcharges
7 with the minor modifications proposed to update them to today's cost environment.

8 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 4 RECOMMENDS AN**
9 **ADJUSTMENT TO REMOVE APS ESTIMATED POWER COSTS. DOES THE**
10 **COMPANY ACCEPT THIS ADJUSTMENT?**

11 A. No. The Company prepared a pro forma increase to power costs based on an APS
12 forecast of 3.65%. RUCO argues to exclude APS's study of projected costs because it is
13 not known and measurable. The Company communicated with APS and obtained a
14 forecasted 3.56% increase in power costs for 2014. APS has numerous adjustor
15 mechanisms that are designed to pass through changes in their power costs on a regular
16 basis. It is only reasonable to allow water companies an opportunity to recover these cost
17 changes as well. Some of the adjustors that APS includes in their business and water
18 pumping tariffs include the following:

- 19 o Four Corners Generation stations purchase adjustor
- 20 o Power Supply Adjustor
- 21 o Lost Fixed Cost Recovery adjustor
- 22 o Environmental Improvement Surcharge
- 23 o Renewal Energy Standard Adjustment Schedule
- 24 o Water Pumping Service – Time of Use

1 The Company calculated the actual increase to power costs for the operating year ended
2 December 31, 2014 as compared to the year ended December 31, 2013 for the three
3 districts affected by the APS increase, (Mohave Water, Paradise Valley Water, and Sun
4 City Water) and identified an average 4.16% increase in power costs for that period
5 which more than supports the Company's request for a 3.65 percent increase in power
6 expenses.

7 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 5 RECOMMENDS THE**
8 **REMOVAL OF ACRM SURCHARGE REVENUE AND DEFERRED O&M**
9 **COSTS FOR TUBAC WATER DISTRICT. DOES THE COMPANY ACCEPT**
10 **THIS ADJUSTMENT?**

11 A. The Company has already adjusted the Tubac deferred arsenic media replacement costs
12 consistent with the ACC Staff's proposal to remove the arsenic media amortization.
13 Please see Company ADJ SM-7R on Schedule C-2 Rebuttal. The Company is proposing
14 a 3-year recovery of the deferred O&M costs through a surcharge which will contain a
15 50% fixed component and 50% variable component to be segregated among current
16 billing determinants. This is further discussed in the Rebuttal Testimony of Mr. Shawn
17 Bradford and Mr. Thomas Bourassa for the rate design component.

18
19 **Q. IS THE ADJUSTMENT THAT RUCO PROPOSES TO REMOVE THE ACRM**
20 **SURCHARGE REVENUE APPROPRIATE IN THIS CASE?**

21 A. No. Although the Company intends to eliminate the ACRM Step 1 surcharge, the
22 customers are paying the surcharge and the revenue should remain in the test year
23 revenue. When the revenue requirement is determined, the new rates will be designed to
24 recover the entire revenue requirement without a surcharge. If the surcharge revenue is

1 eliminated, the revenue increase is overstated and misleading to customers because they
2 are currently paying the base rates plus the surcharge.

3 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 6 RECOMMENDS AN**
4 **ADJUSTMENT TO CORPORATE ALLOCATION EXPENSE IN ALL**
5 **DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

6
7 **A.** Not entirely. This adjustment to the corporate allocation expense, like ACC Staff's
8 Adjustment 5 discussed above, impacts many different expense categories including the
9 Corporate Allocation line item on Schedules C-1 and C-2. RUCO's Adjustments 6a and
10 6b will be discussed in the testimony of Ms. Sheryl L. Hubbard and my rebuttal
11 testimony will discuss RUCO's Adjustments 6c and 6d. I will address each expense
12 category at the corporate level which will then be allocated to the districts based on their
13 appropriate 4-factor allocator.

14 IT Charges (RUCO Adjustment 6c) -- RUCO inquired in DR 17.16 about corporate IT
15 affiliated charges. The Company identified \$11,010.36 in duplicate license fee billings
16 and accepts the proposed total adjustment before allocation of (\$3,169).

17 Advertising, Promotions, and Donations (RUCO Adjustment 6d) -- RUCO identified and
18 proposes to disallow district direct-charged Advertising, Promotions, and Donations
19 expenses for each of the districts. The Company is not opposed to this adjustment,
20 however, the adjustment removes some of the Donations already removed by the
21 Company for each District totaling \$1,169 in costs. The Company has accepted RUCO's
22 Adjustment 6d excluding removals that are duplicates. The Company's proposed
23 adjustment is SM-15R.

1 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 7 RECOMMENDS AN**
2 **ADJUSTMENT TO RATE CASE EXPENSE. DOES THE COMPANY ACCEPT**
3 **THIS ADJUSTMENT?**

4 **A.** No. RUCO states that the Company's proposed rate case expense of \$650,000 is out of
5 the range of reasonableness citing examples of three other utilities. It is difficult to
6 address costs of the other utilities as the rate case costs across different organizations,
7 districts, and circumstances are not easily comparable. For example, if one were to
8 attempt comparison, Chaparral City Water Company's approved rate case expense of
9 \$275,000 (RUCO's cited example) and declare that expense to be the standard per district
10 cost, the Company could argue a five district case should amount to \$1.375 million
11 dollars. The Company's proposed \$650,000 in rate case expense is comprised of the best
12 known estimate of costs at this time. As of December 31, 2014, the Company has spent
13 \$542,820.

14 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 8 RECOMMENDS AN**
15 **ADJUSTMENT TO TANK MAINTENANCE EXPENSE IN PARADISE VALLEY**
16 **WATER DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

17 **A.** No. Please refer to the rebuttal testimony of Mr. Stuck as he addresses the Company's
18 position on Tank Maintenance for Paradise Valley Water District. The adjustment that
19 Mr. Stuck proposes is shown as Adj SM-9R on Schedule C-2 Rebuttal.

20 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 9 RECOMMENDS AN**
21 **ADJUSTMENT TO DEPRECIATION EXPENSE IN ALL DISTRICTS. DOES**
22 **THE COMPANY ACCEPT THIS ADJUSTMENT?**

1 A. No. Please refer to the rebuttal testimonies of Ms. Sheryl L. Hubbard and Mr. John
2 Guastella as they address the Company's position on all matters related to plant
3 accounting and depreciation.
4

5 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 10 RECOMMENDS AN**
6 **ADJUSTMENT TO PROPERTY TAX EXPENSE. DOES THE COMPANY**
7 **ACCEPT THIS ADJUSTMENT?**

8 A. RUCO has calculated an average property tax assessment ratio of 18.056 percent. This is
9 based on a December 31, 2014 property tax assessment ratio of 18.5 percent and a
10 December 31, 2015 property tax assessment ratio of 18.0 percent. RUCO calculated the
11 average using 4 months at 18.5 percent and 32 months of 18.0 percent. The Company
12 argues that the January 1, 2013 to December 31, 2013 property tax assessment ratio was
13 19% and those tax expenses payable in 2014 should also be used to calculate an average
14 assessment ratio. The Company calculates an adjusted assessment ratio of 18.33% using
15 6 months of the 2013 rate for the last 6 months of the test year, 12 months of the 2014
16 rate, and 18 months of the 2015 rate. Because this difference is immaterial when
17 compared to the company's filing of 18.5%, the company feels no adjustment to property
18 tax expense is necessary at this time. Any conforming adjustment to the Company's
19 property tax expense is reflected on Adj SM-3R on Schedule C-2 Rebuttal.

20 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 11 RECOMMENDS AN**
21 **ADJUSTMENT TO INCOME TAX EXPENSE. DOES THE COMPANY ACCEPT**
22 **THIS ADJUSTMENT?**

1 A. Income tax adjustments typically reflect conforming changes necessitated by virtue of
2 different revenue or expense items. However, in this case, the adjustment also includes a
3 correction in the Arizona state income tax rate. The Company's direct case filing used an
4 Arizona state income tax rate of 6.5% and this rate has changed to 6.0% effective January
5 1, 2015. The Company agrees that the Arizona state income tax rate for purposes of
6 calculating the state income taxes should be 6% and also agrees that any conforming
7 changes to taxable income due to proposed changes in revenue and expenses are
8 appropriate. The correcting and conforming adjustment to the Company's income tax
9 expense is reflected on Adj SM-4R on Schedule C-2 Rebuttal.

10
11 **Q. HAS THE COMPANY MADE CONFORMING CHANGES TO THE INTEREST**
12 **SYNCHRONIZATION CALCULATION?**

13 A. Yes. The Company has a conforming adjustment to interest synchronization based on
14 rate base rebuttal adjustments. Please see Company's rebuttal adjustment SM-8R on
15 Schedule C-2 Rebuttal.

16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17 A. Yes.

EXHIBIT

A-11
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REBUTTAL TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

**REBUTTAL TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

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IV.	OPERATING EXPENSES ADJUSTMENTS.....	2

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1 **EXECUTIVE SUMMARY**

2 Sandra L. Murrey testifies as follows:

3
4 **Sponsored Rebuttal Schedules**

5 Ms. Murrey sponsors the following schedules in this case:

- 6
7 • Schedule C-1 Rebuttal: Adjusted Test Year Income Statement
8 • Schedule C-2 Rebuttal: Income Statement Pro Forma Adjustments
9 • Schedule C-3 Rebuttal: Computation of Gross Revenue Conversion Factor

10
11 **Adjusted Operating Income and Operating Expense**

12 EPCOR Water Arizona Inc.'s rebuttal position for Adjusted Operating Income and Expense is:

13

	EPCOR Water Arizona, Inc.
Adjusted TY Operating Income	\$ 3,840,767
Adjusted TY Operating Expense	\$ 24,151,356

14
15 **Operating Income Adjustments**

16
17 The Company's position on ACC Staff's proposed adjustments. These adjustments apply to all
18 districts unless noted:

- 19 • Accept Water Revenue (ACC Staff Adj #1. Mohave Water & Sun City Water only),
20 • Revised Depreciation Expense (ACC Staff Adj #2),
21 • Revised Property Tax (ACC Staff Adj #3),
22 • Revised Income Tax (ACC Staff Adj #4),
23 • Revised Corporate Allocation (ACC Staff Adj #5),
24 • Accept Water Testing (ACC Staff Adj #6),
25 • Revised Rate Case Expense (ACC Staff Adj #7),
26 • Revised Chemicals (ACC Staff Adj #8. Tubac Water only)

1 The Company's position on RUCO's proposed adjustments. These adjustments apply to all
2 districts unless noted:

- 3 • Oppose Annualization (RUCO Adj #1),
- 4 • Oppose Reverse Declining Usage Expense (RUCO Adj #2),
- 5 • Oppose Include CAP charges in Base Rates (RUCO Adj #3, Paradise Valley Only),
- 6 • Oppose Remove APS Estimated Power Costs (RUCO Adj #4),
- 7 • Accept Remove ACRM Surcharge and Deferred O&M Costs (RUCO Adj #5),
- 8 • Revised Corporate Allocations (RUCO Adj #6),
- 9 • Revised Rate Case Expense (RUCO Adj #7),
- 10 • Oppose Tank Maintenance Expense (RUCO Adj #8, Paradise Valley Only),
- 11 • Revised Depreciation Expense (RUCO Adj #9),
- 12 • Revised Property Tax Expense (RUCO Adj #10),
- 13 • Revised Income Tax Expense (RUCO Adj #11)

14
15
16
17 **Company Rebuttal Income Statement Adjustments**

- 18
- 19 • Adj SM – 1R Water Revenue (Mohave Water and Sun City Water only)
- 20 • Adj SLH– 2R Depreciation Expense
- 21 • Adj SM – 3R Property Tax
- 22 • Adj SM – 4R Federal and State Income Tax
- 23 • Adj SM – 5R Arizona Corporate
- 24 • Adj SM – 6R Water Testing (Water districts only)
- 25 • Adj SM – 7R Chemical Expense (Tubac Only)
- 26 • Adj SM – 8R Interest Synchronization
- 27 • Adj SM – 9R Tank Maintenance
- 28 • Adj SM – 10R Promotions, Donations,
- 29 • Adj SLH – 11R Corporate Allocations
- 30 • Adj SLH– 12R 24-Month Deferral Request
- 31 • Adj SM – 13R New Large Customer Annualization
- 32 • Adj SM – 14R Customer Accounting / Postage Annualization
- 33 • Adj SLH – 15R Arizona Labor Allocation
- 34

Page 1 of 18

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Sandra L. Murrey. My business address is 2355 W. Pinnacle Peak Road,
5 Suite 300, Phoenix, Arizona 85027, and my business phone is 623-445-2490.

6 **Q. ARE YOU THE SAME SANDRA L. MURREY WHO PROVIDED DIRECT**
7 **TESTIMONY IN THIS MATTER?**

8 A. Yes.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

11 A. I will respond to the Arizona Corporation Commission Staff's ("ACC Staff") and the
12 Residential Utility Consumer Office's ("RUCO") testimony concerning adjustments to
13 the Company's proposed operating expenses.

14 **III. REBUTTAL SCHEDULES AND EXHIBITS (ALL DISTRICTS)**

15 **Q. PLEASE IDENTIFY THE REBUTTAL SCHEDULES YOU ARE SPONSORING.**

16 A. I am sponsoring the following rebuttal schedules for each of the districts:

- 17 • Schedule C-1 Rebuttal – Adjusted Test Year Income Statement
18 • Schedule C-2 Rebuttal – Income Statement Pro Forma Adjustments
19 • Schedule C-3 Rebuttal – Gross Revenue Conversion Factor

20 **Q. DOES YOUR TESTIMONY IN THIS PROCEEDING INCORPORATE**
21 **RECOMMENDATIONS OF OTHER COMPANY WITNESSES?**

1 A. Yes, it does. I have incorporated recommendations sponsored by Company witnesses
2 Ms. Sheryl L. Hubbard, Mr. Jeffrey Stuck, and Mr. Shawn Bradford, resulting in revised
3 *pro forma* adjustments to test-year expenses where applicable.

4 **IV. OPERATING EXPENSES ADJUSTMENTS**

5 **Q. HAVE YOU REVIEWED ACC STAFF'S AND RUCO'S RECOMMENDED**
6 **ADJUSTMENTS TO OPERATING EXPENSES?**

7 A. Yes, I have. The Company will be proposing several rebuttal Income Statement
8 adjustments, as outlined below, in response to ACC Staff's and RUCO's recommended
9 adjustments. In the next few pages of my testimony, I will address the recommendations
10 made by ACC Staff and then move on to RUCO's recommendations.

- 11 • Adj SM – 1R Water Revenue
- 12 • Adj SLH – 2R Depreciation Expense
- 13 • Adj SM – 3R Property Tax
- 14 • Adj SM – 4R Federal and State Income Tax
- 15 • Adj SM – 5R Corporate Allocations
- 16 • Adj SM – 6R Water Testing
- 17 • Adj SM – 7R Chemical Expense
- 18 • Adj SM – 8R Interest Synchronization
- 19 • Adj SM – 9R Tank Maintenance
- 20 • Adj SM – 10R Promotions, Donations,
- 21 • Adj SLH – 11R Corporate Allocations
- 22 • Adj SLH – 12R 24-Month Deferral Request
- 23 • Adj SM – 13R New Customer Annualization
- 24 • Adj SM – 14R Customer Accounting / Postage Annualization
- 25 • Adj SLH – 15R Arizona Labor Allocation

26
27

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Adjusted TY Operating Income	\$ 3,840,767
Adjusted TY Operating Expense	\$ 24,151,356

14
15 **Operating Income Adjustments**

16
17 The Company's position on ACC Staff's proposed adjustments. These adjustments apply to all
18 districts unless noted:

- 19 • Accept Water Revenue (ACC Staff Adj #1. Mohave Water & Sun City Water only),
20 • Revised Depreciation Expense (ACC Staff Adj #2),
21 • Revised Property Tax (ACC Staff Adj #3),
22 • Revised Income Tax (ACC Staff Adj #4),
23 • Revised Corporate Allocation (ACC Staff Adj #5),
24 • Accept Water Testing (ACC Staff Adj #6),
25 • Revised Rate Case Expense (ACC Staff Adj #7),
26 • Revised Chemicals (ACC Staff Adj #8. Tubac Water only)

1 The Company's position on RUCO's proposed adjustments. These adjustments apply to all
2 districts unless noted:

- 3 • Oppose Annualization (RUCO Adj #1),
- 4 • Oppose Reverse Declining Usage Expense (RUCO Adj #2),
- 5 • Oppose Include CAP charges in Base Rates (RUCO Adj #3, Paradise Valley Only),
- 6 • Oppose Remove APS Estimated Power Costs (RUCO Adj #4),
- 7 • Accept Remove ACRM Surcharge and Deferred O&M Costs (RUCO Adj #5),
- 8 • Revised Corporate Allocations (RUCO Adj #6),
- 9 • Revised Rate Case Expense (RUCO Adj #7),
- 10 • Oppose Tank Maintenance Expense (RUCO Adj #8, Paradise Valley Only),
- 11 • Revised Depreciation Expense (RUCO Adj #9),
- 12 • Revised Property Tax Expense (RUCO Adj #10),
- 13 • Revised Income Tax Expense (RUCO Adj #11)

14
15
16
17 **Company Rebuttal Income Statement Adjustments**

- 18
- 19 • Adj SM – 1R Water Revenue (Mohave Water and Sun City Water only)
- 20 • Adj SLH– 2R Depreciation Expense
- 21 • Adj SM – 3R Property Tax
- 22 • Adj SM – 4R Federal and State Income Tax
- 23 • Adj SM – 5R Arizona Corporate
- 24 • Adj SM – 6R Water Testing (Water districts only)
- 25 • Adj SM – 7R Chemical Expense (Tubac Only)
- 26 • Adj SM – 8R Interest Synchronization
- 27 • Adj SM – 9R Tank Maintenance
- 28 • Adj SM – 10R Promotions, Donations,
- 29 • Adj SLH – 11R Corporate Allocations
- 30 • Adj SLH– 12R 24-Month Deferral Request
- 31 • Adj SM – 13R New Large Customer Annualization
- 32 • Adj SM – 14R Customer Accounting / Postage Annualization
- 33 • Adj SLH – 15R Arizona Labor Allocation
- 34

1 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 1 RECOMMENDS**
2 **AN INCREASE TO REVENUES FOR BOTH MOHAVE WATER AND SUN**
3 **CITY WATER DISTRICTS FOR OVERCOLLECTION OF REVENUES FROM**
4 **THE LOW INCOME PROGRAMS. PLEASE DESCRIBE THEIR**
5 **ADJUSTMENTS AND WHETHER THE COMPANY ACCEPTS THEIR**
6 **RECOMMENDATIONS.**

7 **A.** The Company has low income programs available in Mohave Water and Sun City Water
8 districts. These programs are funded via a surcharge which is added to the highest tier
9 rate commodity rate for residential and commercial customers. The funding began as
10 soon as the rates were effective per the decision that authorized the low income
11 programs. However, since the programs are relatively new, it has taken some time to
12 build up the low income recipient base which has contributed to the over collection of
13 revenue. ACC Staff is recommending a pro forma adjustment for Mohave Water of
14 \$35,483 to increase water revenue by normalizing and refunding the \$106, 450 over
15 collection in that district over a three year period. A similar pro forma adjustment for
16 Sun City Water of \$30,110 increasing water revenue to normalize and refund the \$90,330
17 over collection over a three-year period is proposed. The Company accepts ACC Staff's
18 proposed income statement adjustment #1 for both Mohave Water District and Sun City
19 Water District, however, the Company plans to continue to administer the program as
20 currently approved and implemented. Please see Company's rebuttal adjustment SM-1R
21 on Schedule C-2 Rebuttal for each of the districts.

22 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 2 RECOMMENDS**
23 **A DECREASE TO DEPRECIATION EXPENSE IN ALL DISTRICTS. ARE YOU**
24 **THE COMPANY WITNESS THAT WILL YOU BE ADDRESSING THE**
25 **COMPANY'S POSITION?**

1 A. No, Company witness Ms. Sheryl L. Hubbard will sponsor the Company's positions on
2 depreciation and amortization expense.

3 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO.3 ADJUSTS**
4 **PROPERTY TAX EXPENSE. PLEASE DESCRIBE THEIR ADJUSTMENT AND**
5 **WHETHER THE COMPANY ACCEPTS THEIR RECOMMENDATION.**

6 A. Changes in Property Tax Expense are typical due to the inclusion of recommended
7 revenues and the need to reflect the conforming changes that result. ACC Staff has made
8 conforming adjustments to property tax expense for Mohave Water and Sun City Water
9 related to adjustment # 1, which increases the revenue in these districts.

10 In reviewing the calculations for property tax expense, the Company noticed an error in
11 ACC Staff's calculation of property tax expense for the Tubac Water District. The
12 Company believes the failure of ACC Staff to exclude 10% of outstanding CWIP
13 balances in calculating Tubac Water's annual property tax expense is an oversight by
14 ACC Staff. Ten percent of the outstanding CWIP at the end of the test year is \$9,880.

15 The Company accepts the conforming adjustment to property tax expense in Mohave
16 Water and Sun City Water, as we have accepted the adjustment to revenues (please see
17 response to ACC Staff adjustment #1). However, the Company does not agree with the
18 adjustment for the Tubac Water District as it appears to be an error. Please see the
19 Company's rebuttal adjustment SM-3R on Schedule C-2 Rebuttal for all districts which
20 use the same assessment ratios and tax rates as the ACC Staff's calculations with
21 conforming changes based on the Company's rebuttal adjusted test year revenues.

22 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO.4 ADJUSTS**
23 **INCOME TAX EXPENSE. PLEASE DESCRIBE THEIR ADJUSTMENT AND**
24 **WHETHER THE COMPANY ACCEPTS THEIR POSITION.**

1 A. ACC Staff applied a tax rate of 6.0% as obtained from the Arizona Department of
2 Revenue for the taxable years beginning from and after December 31, 2014 through
3 December 31, 2015. The Company is in agreement with their position and will update
4 the tax rate to 6.0% in the calculation of proposed state income tax expense in all
5 districts. Please see the Company's rebuttal adjustment SM-4R on Schedule C-2
6 Rebuttal for all districts.

7 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 5 RECOMMENDS**
8 **A DECREASE TO CORPORATE ALLOCATION EXPENSE IN ALL**
9 **DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

10 A. No. This adjustment to the corporate allocation cost pool impacts many different expense
11 categories including the Corporate Allocation line item on Schedules C-1 and C-2. ACC
12 Staff Adjustments 5a and 5b will be discussed in the testimony of Ms. Sheryl L. Hubbard
13 and my rebuttal testimony will discuss ACC Staff Adjustments 5c through 5h. I will
14 address each expense category at the corporate level which will then be allocated to the
15 districts based on their appropriate 4-factor allocator. Please see the Company's rebuttal
16 adjustment SM-5R on Schedule C-2 Rebuttal for all districts.

17
18 Outside Services (ACC Staff Adj 5c) – ACC Staff recommended that \$67,011 of outside
19 services costs be disallowed. ACC Staff is proposing the removal of costs related to
20 lobbying expense as well as a charge to accrue unbilled legal expenses related to Thunder
21 Mountain. The Company requested clarification from Staff in our Data Request number
22 1-20. We attempted to work with ACC Staff but given the information provided, we are
23 still unable to determine the source of their adjustment. We therefore must reject this
24 proposed adjustment.

1 Pensions (ACC Staff Adj 5d) – ACC Staff recommended that \$54,262 be disallowed
2 from pension costs for relocation costs that were charged to pension expense in error.
3 The Company requested clarification from Staff in our Data Request number 1-20. We
4 attempted to work with ACC Staff but given the information provided, we are still unable
5 to determine the source of their adjustment. We therefore must reject this proposed
6 adjustment.

7
8 Regulatory Expense (ACC Staff Adj 5e) – ACC Staff recommended that \$24,699 of
9 regulatory expense related to the amortization of year 2000 (Y2K) software costs be
10 disallowed. The Company accepts adjusting this amortization from the regulatory
11 expense account, however, this amortization should be added to depreciation and
12 amortization expense. Please see the regulatory expense adjustment on Company's
13 rebuttal adjustment SM-5R on Schedule C-2 Rebuttal for all districts.

14 Customer Accounting (ACC Staff Adj 5f) – ACC Staff recommends that \$266,016 of
15 customer accounting expenses be removed for the EWAZ bad debt expense that should
16 not have been included in the corporate cost pool because EWAZ already charges bad
17 debts directly to the districts. In its original calculation, the Company included \$266,016
18 in bad debt expense for the period July 2012 to December 2012 on a consolidated basis
19 for its Arizona (business unit 7A) operations. This consolidated bad debt was then
20 allocated to each of the five districts involved in the current case filing using the 4-factor
21 allocation methodology. For the remaining months of the test year, the period from
22 January 2013 to June 2013, the Company recorded \$256,213 in bad debt expense on a
23 consolidated basis for its Arizona operations. However, the bad debt expense for this
24 period was allocated to the districts directly through the accounting system using a factor

1 based on the percentage of connections and was also included in the Company's request
2 for bad debt expense.

3 After reviewing the allocation methods for both six month periods, the Company has
4 determined that calculating bad debt expense on a per district basis is a more accurate and
5 reasonable method and our pro forma adjustment shown on adjustment SM-5R is based
6 on that methodology. The Company compiled write-off data by district for the test year,
7 the twelve months ended June 30, 2013, and determined a slight increase was necessary
8 to reflect actual bad debt expense by district for the test year. Please see the customer
9 accounting expense pro forma on Company's rebuttal adjustment SM-5R on Schedule C-
10 2 Rebuttal for all districts.

11 General Office Expense (ACC Staff Adj 5g) – ACC Staff recommends that \$275,278 of
12 general office expense be removed. ACC Staff had provided a listing of the categories
13 and amounts they proposed to be excluded on Exhibit CLP-16. The Company requested
14 clarification from Staff in our Data Request number 1-20. From the information provided,
15 we are still unable to determine the source of ACC Staff's adjustment. We therefore must
16 reject this proposed adjustment. The Company believes ACC Staff is concerned with
17 Promotions, Advertising and Donations expense included in the test year general office
18 expense category but given the lack of information provided we are not certain. The
19 Company has identified the total direct and Arizona allocated costs associated with
20 Promotions, Advertising, and Donations. The Company does not object to the adjustment
21 of some of these items, however, several categories listed by ACC Staff, had already
22 been excluded by the Company in the Company's direct case presentation as ADJ SM-
23 10. The Company partially accepts the ACC Staff's Adj 5g including the removal of the
24 duplicate IT invoice and the promotions, advertising, and donations in excess of the

1 amount already removed by the Company. Please see the general office expense pro
2 forma on Company's rebuttal adjustment SM-5R on Schedule C-2 Rebuttal for all
3 districts.

4 Miscellaneous Expense (ACC Staff Adj 5h) – ACC Staff recommends that \$6,485 of
5 miscellaneous expenses be disallowed. The Company accepts ACC Staff's adjustment.
6 Please see the miscellaneous expense pro forma on Company's rebuttal adjustment SM-
7 5R on Schedule C-2 Rebuttal for all districts.

8 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 6 RECOMMENDS**
9 **AN ADJUSTMENT TO WATER TESTING EXPENSE IN ALL WATER**
10 **DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

11 A. The Company accepts ACC Staff's proposed water testing expenses as outlined in each
12 district's Engineering Report included in the testimony of ACC Staff witness Mr.
13 Michael Thompson. Please see Company's rebuttal adjustment SM-6R on Schedule C-2
14 Rebuttal for all districts.

15 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 7 (EXCLUDING**
16 **PARADISE VALLEY WATER DISTRICT) RECOMMENDS A DECREASE TO**
17 **RATE CASE EXPENSE IN ALL DISTRICTS. DOES THE COMPANY ACCEPT**
18 **THIS ADJUSTMENT?**

19 A. No. ACC Staff is recommending a reduction to the Company's rate case expense of
20 \$650,000 citing several unwarranted claims. The Company is not seeking to recover any
21 more than the amount of expenses actually incurred and will update ACC Staff on the
22 amounts spent through closing briefs. The Company contracted with outside agencies to
23 supplement its abbreviated workforce on an hourly basis. The issue that the Company
24 originally filed for a nine district case is irrelevant as the Company has contracted on an

1 hourly basis and has only been billed for work done on the five districts currently
2 submitted for consideration. The Company does not agree with these claims and believes
3 the \$650,000 is still a valid amount of rate case expense for this proceeding. As of
4 December 31, 2014 the Company has spent \$542,820, which does not include costs for
5 consultants participating in the rebuttal/rejoinder phases of this case.

6 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 7 FOR PARADISE**
7 **VALLEY WATER DISTRICT RECOMMENDS A DECREASE TO TANK**
8 **MAINTENANCE EXPENSE. DOES THE COMPANY ACCEPT THIS**
9 **ADJUSTMENT?**

10 A. No. ACC Staff is recommending annual tank maintenance for Paradise Valley Water
11 District of \$121,943, a reduction of \$63,908 in the Company's requested annual tank
12 maintenance expense of \$185,851. As discussed in the rebuttal testimony of Mr. Jeffrey
13 W. Stuck, the Company's revised tank maintenance program proposed for Paradise
14 Valley Water District uses an updated professional tank maintenance pricing list and the
15 revised estimate is similar to ACC Staff's total cost of \$1,707,208, or \$121,943 per year.
16 The Company's revised request is a total cost of \$1,892,108 over a 14-year period or
17 \$135,151. The reduction in the Company's request of \$50,700 is reflected on Adj SM -
18 9R for Paradise Valley Water District. Please refer to the rebuttal testimony of Mr. Stuck
19 for more details on the Company's proposed tank maintenance program for Paradise
20 Valley Water District.

21 **Q. ACC STAFF'S INCOME STATEMENT ADJUSTMENT NO. 8 RECOMMENDS**
22 **A DECREASE TO CHEMICAL EXPENSE IN TUBAC WATER DISTRICT**
23 **ONLY. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

24 A. Not in its entirety. ACC Staff is recommending a total reduction of \$98,934 to chemical
25 expense which is comprised of \$46,000 in on-going media replacement costs, \$2,078 in

1 other chemical costs and \$50,856 in deferred costs (2-year amortization of deferred
2 arsenic media replacement costs of \$101,712). The Company agrees to remove the
3 amortization of arsenic media costs of \$50,856 and now proposes to recover the deferred
4 charges of \$101,712 via a separate surcharge over a 3-year period, or \$33,904 per year as
5 discussed in the rebuttal testimony of Mr. Shawn Bradford. However, the Company
6 requests that \$48,078 of actual on-going media replacement costs and chemicals be
7 accepted in this proceeding.

8 **Q. HAVE YOU COMPLETED ADDRESSING ACC STAFF'S INCOME**
9 **STATEMENT ADJUSTMENTS?**

10 A. Yes. I will now move on to the Company's response to RUCO's income statement
11 adjustments.

12 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 1 RECOMMENDS AN**
13 **ANNUALIZATION ADJUSTMENT IN ALL WATER DISTRICTS. DOES THE**
14 **COMPANY ACCEPT THIS ADJUSTMENT?**

15 A. RUCO discusses that the Company's witness, Mr. Thomas Bourassa, used the average
16 number of customers in each district rather than test year-end number of customers to
17 annualize revenues. In service areas such as are included in this rate application, seasonal
18 variations in customer count is not unusual. Using an average number of customers
19 during the test year provides a more accurate determination of the change in customers
20 that should be included in a calculation of the customer annualization adjustment for rate
21 making purposes. The use of average number of customers has been an accepted practice
22 for EPCOR's predecessor by the Commission in the past and provides a more accurate
23 basis upon which to annualize additional revenue.

1 **Q. HAS THE COMPANY ADDED OR LOST ANY LARGE COMMERCIAL**
2 **CUSTOMERS IN ANY OF THE DISTRICTS INCLUDED IN THIS RATE**
3 **INCREASE APPLICATION?**

4 A. Yes. In the Paradise Valley Water District, as well as the Sun City Water District, one
5 large customer has been added in each. In the Paradise Valley Water District, Motorola
6 Solutions added a 6" meter which that customer uses to backwash its own water
7 treatment process once or twice per year. In the Sun City Water District, Banner Boswell
8 Medical installed a new 6" meter. The Company is proposing an adjustment labeled Adj
9 SM-13R to annualize the revenues and increased expenses associated with these two new
10 customers.

11 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 2 RECOMMENDS A**
12 **DECLINING USAGE ADJUSTMENT IN ALL WATER DISTRICTS. DOES THE**
13 **COMPANY ACCEPT THIS ADJUSTMENT?**

14 A. No. RUCO recommends the reversal of the Company's declining usage adjustment. The
15 Company refers to ACC Staff's acceptance of the declining usage adjustments as well as
16 ACC Staff's consistent acknowledgement of the existence of declining usage in the
17 Company's service territories.

18 **Q. RUCO STATED THAT IF THE COMMISSION DOES APPROVE A DECLINING**
19 **USAGE ADJUSTMENT, IT WOULD RECOMMEND ADDITIONAL FILING**
20 **REQUIREMENTS UPON THE COMPANY. WHAT ARE THESE REPORTS?**

1 A. RUCO recommends the Company file an annual report by March 30th of each year
2 showing the increase/decrease in water usage for each customer class and meter size
3 using a calendar year. Also, RUCO recommends that the Company file a Plan of
4 Administration (POA) to explain how customers will be refunded if there is an increase
5 in customer usage in future years.

6 **Q. HOW DOES THE COMPANY RESPOND TO THESE ADDITIONAL**
7 **REQUIRED REPORTS?**

8 A. The Company is opposed to certain aspects of the annual report as discussed in greater
9 detail in the rebuttal testimony of Mr. Thomas J. Bourassa. Mr. Bourassa also addresses
10 the POA in his rebuttal testimony.

11 **Q. DOES RUCO ADJUSTMENT NO. 2 ALSO NOTE AN ERROR IN THE**
12 **CALCULATION OF THE COMPANY'S ANNUALIZATION OF EXPENSES**
13 **ASSOCIATED WITH THE CUSTOMER ANNUALIZATION ADJUSTMENT**
14 **SM-2?**

15 A. Yes. The Company has reviewed the original calculations and is proposing an
16 adjustment to postage and customer accounting expenses to incorporate the number of
17 bills analysis as recommended by RUCO. The Company's proposed adjustment is SM-
18 14R.

19 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 3 RECOMMENDS THAT**
20 **CAP COSTS BE INCLUDED IN BASE RATES FOR PARADISE VALLEY AND**
21 **SUN CITY WATER DISTRICTS. DOES THE COMPANY ACCEPT THIS**
22 **ADJUSTMENT?**

1 A. No. The Company currently has surcharge mechanisms in place in both of these districts
2 and ACC Staff has accepted the Company's proposal to retain the surcharges due to the
3 difficulty in unwinding them and the future uncertainties facing the CAP costs in general.
4 The Company requests that the Commission continues to authorize these mechanisms to
5 remain in effect as proposed in the Company's direct case. Please refer to the testimony
6 of Mr. Jake Lenderking for additional justification to maintain the existing surcharges
7 with the minor modifications proposed to update them to today's cost environment.

8 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 4 RECOMMENDS AN**
9 **ADJUSTMENT TO REMOVE APS ESTIMATED POWER COSTS. DOES THE**
10 **COMPANY ACCEPT THIS ADJUSTMENT?**

11 A. No. The Company prepared a pro forma increase to power costs based on an APS
12 forecast of 3.65%. RUCO argues to exclude APS's study of projected costs because it is
13 not known and measurable. The Company communicated with APS and obtained a
14 forecasted 3.56% increase in power costs for 2014. APS has numerous adjustor
15 mechanisms that are designed to pass through changes in their power costs on a regular
16 basis. It is only reasonable to allow water companies an opportunity to recover these cost
17 changes as well. Some of the adjustors that APS includes in their business and water
18 pumping tariffs include the following:

- 19 ○ Four Corners Generation stations purchase adjustor
- 20 ○ Power Supply Adjustor
- 21 ○ Lost Fixed Cost Recovery adjustor
- 22 ○ Environmental Improvement Surcharge
- 23 ○ Renewal Energy Standard Adjustment Schedule
- 24 ○ Water Pumping Service – Time of Use

1 The Company calculated the actual increase to power costs for the operating year ended
2 December 31, 2014 as compared to the year ended December 31, 2013 for the three
3 districts affected by the APS increase, (Mohave Water, Paradise Valley Water, and Sun
4 City Water) and identified an average 4.16% increase in power costs for that period
5 which more than supports the Company's request for a 3.65 percent increase in power
6 expenses.

7 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 5 RECOMMENDS THE**
8 **REMOVAL OF ACRM SURCHARGE REVENUE AND DEFERRED O&M**
9 **COSTS FOR TUBAC WATER DISTRICT. DOES THE COMPANY ACCEPT**
10 **THIS ADJUSTMENT?**

11 A. The Company has already adjusted the Tubac deferred arsenic media replacement costs
12 consistent with the ACC Staff's proposal to remove the arsenic media amortization.
13 Please see Company ADJ SM-7R on Schedule C-2 Rebuttal. The Company is proposing
14 a 3-year recovery of the deferred O&M costs through a surcharge which will contain a
15 50% fixed component and 50% variable component to be segregated among current
16 billing determinants. This is further discussed in the Rebuttal Testimony of Mr. Shawn
17 Bradford and Mr. Thomas Bourassa for the rate design component.

18
19 **Q. IS THE ADJUSTMENT THAT RUCO PROPOSES TO REMOVE THE ACRM**
20 **SURCHARGE REVENUE APPROPRIATE IN THIS CASE?**

21 A. No. Although the Company intends to eliminate the ACRM Step 1 surcharge, the
22 customers are paying the surcharge and the revenue should remain in the test year
23 revenue. When the revenue requirement is determined, the new rates will be designed to
24 recover the entire revenue requirement without a surcharge. If the surcharge revenue is

1 eliminated, the revenue increase is overstated and misleading to customers because they
2 are currently paying the base rates plus the surcharge.

3 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 6 RECOMMENDS AN**
4 **ADJUSTMENT TO CORPORATE ALLOCATION EXPENSE IN ALL**
5 **DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

6
7 **A.** Not entirely. This adjustment to the corporate allocation expense, like ACC Staff's
8 Adjustment 5 discussed above, impacts many different expense categories including the
9 Corporate Allocation line item on Schedules C-1 and C-2. RUCO's Adjustments 6a and
10 6b will be discussed in the testimony of Ms. Sheryl L. Hubbard and my rebuttal
11 testimony will discuss RUCO's Adjustments 6c and 6d. I will address each expense
12 category at the corporate level which will then be allocated to the districts based on their
13 appropriate 4-factor allocator.

14 IT Charges (RUCO Adjustment 6c) – RUCO inquired in DR 17.16 about corporate IT
15 affiliated charges. The Company identified \$11,010.36 in duplicate license fee billings
16 and accepts the proposed total adjustment before allocation of (\$3,169).

17 Advertising, Promotions, and Donations (RUCO Adjustment 6d) – RUCO identified and
18 proposes to disallow district direct-charged Advertising, Promotions, and Donations
19 expenses for each of the districts. The Company is not opposed to this adjustment,
20 however, the adjustment removes some of the Donations already removed by the
21 Company for each District totaling \$1,169 in costs. The Company has accepted RUCO's
22 Adjustment 6d excluding removals that are duplicates. The Company' proposed
23 adjustment is SM-15R.

1 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 7 RECOMMENDS AN**
2 **ADJUSTMENT TO RATE CASE EXPENSE. DOES THE COMPANY ACCEPT**
3 **THIS ADJUSTMENT?**

4 A. No. RUCO states that the Company's proposed rate case expense of \$650,000 is out of
5 the range of reasonableness citing examples of three other utilities. It is difficult to
6 address costs of the other utilities as the rate case costs across different organizations,
7 districts, and circumstances are not easily comparable. For example, if one were to
8 attempt comparison, Chaparral City Water Company's approved rate case expense of
9 \$275,000 (RUCO's cited example) and declare that expense to be the standard per district
10 cost, the Company could argue a five district case should amount to \$1.375 million
11 dollars. The Company's proposed \$650,000 in rate case expense is comprised of the best
12 known estimate of costs at this time. As of December 31, 2014, the Company has spent
13 \$542,820.

14 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 8 RECOMMENDS AN**
15 **ADJUSTMENT TO TANK MAINTENANCE EXPENSE IN PARADISE VALLEY**
16 **WATER DISTRICTS. DOES THE COMPANY ACCEPT THIS ADJUSTMENT?**

17 A. No. Please refer to the rebuttal testimony of Mr. Stuck as he addresses the Company's
18 position on Tank Maintenance for Paradise Valley Water District. The adjustment that
19 Mr. Stuck proposes is shown as Adj SM-9R on Schedule C-2 Rebuttal.

20 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 9 RECOMMENDS AN**
21 **ADJUSTMENT TO DEPRECIATION EXPENSE IN ALL DISTRICTS. DOES**
22 **THE COMPANY ACCEPT THIS ADJUSTMENT?**

1 A. No. Please refer to the rebuttal testimonies of Ms. Sheryl L. Hubbard and Mr. John
2 Guastella as they address the Company's position on all matters related to plant
3 accounting and depreciation.
4

5 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 10 RECOMMENDS AN**
6 **ADJUSTMENT TO PROPERTY TAX EXPENSE. DOES THE COMPANY**
7 **ACCEPT THIS ADJUSTMENT?**

8 A. RUCO has calculated an average property tax assessment ratio of 18.056 percent. This is
9 based on a December 31, 2014 property tax assessment ratio of 18.5 percent and a
10 December 31, 2015 property tax assessment ratio of 18.0 percent. RUCO calculated the
11 average using 4 months at 18.5 percent and 32 months of 18.0 percent. The Company
12 argues that the January 1, 2013 to December 31, 2013 property tax assessment ratio was
13 19% and those tax expenses payable in 2014 should also be used to calculate an average
14 assessment ratio. The Company calculates an adjusted assessment ratio of 18.33% using
15 6 months of the 2013 rate for the last 6 months of the test year, 12 months of the 2014
16 rate, and 18 months of the 2015 rate. Because this difference is immaterial when
17 compared to the company's filing of 18.5%, the company feels no adjustment to property
18 tax expense is necessary at this time. Any conforming adjustment to the Company's
19 property tax expense is reflected on Adj SM-3R on Schedule C-2 Rebuttal.

20 **Q. RUCO'S INCOME STATEMENT ADJUSTMENT NO. 11 RECOMMENDS AN**
21 **ADJUSTMENT TO INCOME TAX EXPENSE. DOES THE COMPANY ACCEPT**
22 **THIS ADJUSTMENT?**

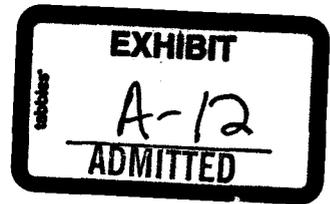
1 A. Income tax adjustments typically reflect conforming changes necessitated by virtue of
2 different revenue or expense items. However, in this case, the adjustment also includes a
3 correction in the Arizona state income tax rate. The Company's direct case filing used an
4 Arizona state income tax rate of 6.5% and this rate has changed to 6.0% effective January
5 1, 2015. The Company agrees that the Arizona state income tax rate for purposes of
6 calculating the state income taxes should be 6% and also agrees that any conforming
7 changes to taxable income due to proposed changes in revenue and expenses are
8 appropriate. The correcting and conforming adjustment to the Company's income tax
9 expense is reflected on Adj SM-4R on Schedule C-2 Rebuttal.

10
11 **Q. HAS THE COMPANY MADE CONFORMING CHANGES TO THE INTEREST**
12 **SYNCHRONIZATION CALCULATION?**

13 A. Yes. The Company has a conforming adjustment to interest synchronization based on
14 rate base rebuttal adjustments. Please see Company's rebuttal adjustment SM-8R on
15 Schedule C-2 Rebuttal.

16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17 A. Yes.



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REJOINDER TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

**REJOINDER TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

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2 Sandra L. Murrey testifies as follows:

3 **Sponsored Rejoinder Schedules**

4 Ms. Murrey sponsors the following schedules in this case:

- 5 • Schedule C-1 Rejoinder: Adjusted Test Year Income Statement
- 6 • Schedule C-2 Rejoinder: Income Statement Pro Forma Adjustments
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9 EPCOR Water Arizona Inc.'s rejoinder position for Adjusted Operating Income and Expense is:

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Adjusted TY Operating Income	\$ 3,872,108
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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
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4 A. My name is Sandra L. Murrey. My business address is 2355 West Pinnacle Peak
5 Road, Suite 300, Phoenix, Arizona 85027, and my business phone is 623-445-
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7 **Q. ARE YOU THE SAME SANDRA L. MURREY WHO PROVIDED DIRECT AND**
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5 **Q. HAVE YOU REVIEWED ACC STAFF'S AND RUCO'S RECOMMENDED**
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9 I will then address the Company's rejoinder income statement adjustments.

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11 **THEIR BAD DEBT EXPENSE CALCULATION IN THEIR REBUTTAL**
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13 A. Yes. In the Company's rebuttal testimony, the Company provided its actual bad debt
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4 **Q. DID THE COMPANY UPDATE BAD DEBT EXPENSE ON SCHEDULE C-3**
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9 **Q. MOVING ON TO RATE CASE EXPENSE, DO YOU HAVE ANY COMMENTS**
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11 **STAFF'S SURREBUTTAL SCHEDULE CLP-11?**

12 A. Yes. The Company's position on rate case expense has not changed. The Company
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21 A. Yes, I have reviewed RUCO'S income tax calculations. RUCO appears to calculate
22 income tax for these two districts based on the various income brackets and their
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5 **OF 34 PERCENT IN ITS CALCULATION OF THE GROSS REVENUE**
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9 **Q. IS THE COMPANY PROPOSING ANY REJOINDER INCOME STATEMENT**
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11 A. Yes. The Company will be proposing several rejoinder Income Statement adjustments,
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20 **Q. THE FIRST THREE ADJUSTMENTS APPEAR TO BE CONFORMING**
21 **ADJUSTMENTS. WERE ANY CHANGES MADE IN THE COMPONENTS OF**
22 **THESE CALCULATIONS?**

23 A. No. The Company did not make any changes in the components or methodology of these
24 calculations. Adjustments SM-1RJ, SM-2RJ and SM-3RJ are merely conforming
25 adjustments to reflect proposed changes that impact rate base or revenue/expense items.

1 **Q. PLEASE EXPLAIN ADJUSTMENT SM-4RJ – REMOVE ACQUISITION COSTS.**
2 **ARE THESE THE SAME COSTS ADDRESSED IN RUCO SURREBUTTAL**
3 **ADJUSTMENT #12?**

4 A. Yes, these are the same amounts that RUCO is adjusting for the “CONFIDENTIAL”
5 component in RUCO Surrebuttal Adj #12. In responding to RUCO Data Request
6 Number RUCO 35.03, it was determined that acquisition costs were included in the test
7 year expenses in error. At the time the case was filed, it was not known that these costs
8 were included in the expenses that were allocated to the districts included in this
9 application. The Company has identified these costs and stated the costs would be
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21 media replacement costs of \$46,000 should have been an addition to the test year
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23 water disposal expense of \$811 was deducted in error. This pro forma is adjusting for
24 that difference. Please see Company’s rejoinder adjustment SM-6RJ on Schedule C-2
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1 **Q. ARE THERE ANY OTHER REJOINDER INCOME STATEMENT**
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3 A. Yes. Ms. Hubbard is sponsoring ADJ SLH-7RJ which adjusts depreciation expense for
4 Sun City water and Tubac water district. Please refer to her testimony for a discussion of
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6 **Q. DOES YOUR SILENCE ON ANY ISSUE RAISED BY ANY PARTY IN**
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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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EPCOR WATER ARIZONA INC., AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
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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

**REJOINDER TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

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3 debt expense.

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16 adjustment for rate case expense. For the Sun City Water District, Staff's schedule
17 displays this adjustment however the formula in Staff Adjusted, Column J, does not pick
18 up this adjustment.

19 **Q. HAVE YOU REVIEWED RUCO'S CALCULATION OF INCOME TAX FOR**
20 **TUBAC WATER AND MOHAVE WASTEWATER DISTRICT?**

21 A. Yes, I have reviewed RUCO'S income tax calculations. RUCO appears to calculate
22 income tax for these two districts based on the various income brackets and their
23 associated tax bracket rates. However, the Company does not pay taxes on a district
24 level. The Company files a consolidated tax return and the average and marginal tax

1 rates are 34 percent when federal taxable income is over \$335,000. The Company
2 disagrees with RUCO's methodology, which impacts the Gross Revenue Conversion
3 Factor as well, and continues to apply the same methodology it has used in the past.

4 **Q. DOES THE ACC STAFF USE THE AVERAGE AND MARGINAL TAX RATES**
5 **OF 34 PERCENT IN ITS CALCULATION OF THE GROSS REVENUE**
6 **CONVERSION FACTORS FOR MOHAVE WASTEWATER AND TUBAC**
7 **WATER?**

8 A. Yes.

9 **Q. IS THE COMPANY PROPOSING ANY REJOINDER INCOME STATEMENT**
10 **ADJUSTMENTS?**

11 A. Yes. The Company will be proposing several rejoinder Income Statement adjustments,
12 as outlined below.

- 13 • Adj SM – 1RJ Property Tax
- 14 • Adj SM – 2RJ Federal and State Income Tax
- 15 • Adj SM – 3RJ Interest Synchronization
- 16 • Adj SM – 4RJ Remove Acquisition Costs
- 17 • Adj SM – 5RJ Update Tank Maintenance Expense (Paradise Valley Water only)
- 18 • Adj SM – 6RJ Update Chemical Expense (Tubac Water only)
- 19 • Adj SLH – 7RJ Depreciation Expense (Sun City Water and Tubac Water only)

20 **Q. THE FIRST THREE ADJUSTMENTS APPEAR TO BE CONFORMING**
21 **ADJUSTMENTS. WERE ANY CHANGES MADE IN THE COMPONENTS OF**
22 **THESE CALCULATIONS?**

23 A. No. The Company did not make any changes in the components or methodology of these
24 calculations. Adjustments SM-1RJ, SM-2RJ and SM-3RJ are merely conforming
25 adjustments to reflect proposed changes that impact rate base or revenue/expense items.

1 **Q. PLEASE EXPLAIN ADJUSTMENT SM-4RJ – REMOVE ACQUISITION COSTS.**
2 **ARE THESE THE SAME COSTS ADDRESSED IN RUCO SURREBUTTAL**
3 **ADJUSTMENT #12?**

4 A. Yes, these are the same amounts that RUCO is adjusting for the “CONFIDENTIAL”
5 component in RUCO Surrebuttal Adj #12. In responding to RUCO Data Request
6 Number RUCO 35.03, it was determined that acquisition costs were included in the test
7 year expenses in error. At the time the case was filed, it was not known that these costs
8 were included in the expenses that were allocated to the districts included in this
9 application. The Company has identified these costs and stated the costs would be
10 removed in its rejoinder filing. Please see Company’s rejoinder adjustment SM-4RJ on
11 Schedule C-2 Rejoinder for each of the districts in this case.

12 **Q. PLEASE EXPLAIN ADJUSTMENT SM-5RJ TANK MAINTENANCE EXPENSE.**

13 A. In the surrebuttal testimony of ACC Staff witness, Michael Thompson, Utilities Engineer,
14 he recommends an increase in ACC Staff’s proposed annual tank maintenance expense
15 from \$121,943 to \$123,658. The Company accepts ACC Staff’s proposal as discussed in
16 the rejoinder testimony of Mr. Jeffrey W. Stuck. Please see Company’s rejoinder
17 adjustment SM-5RJ on Schedule C-2 Rejoinder for Paradise Valley Water District only.

18 **Q. PLEASE EXPLAIN ADJUSTMENT SM-6RJ – UPDATE CHEMICAL EXPENSE.**

19 A. The Company is updating chemical expense to address an error in the calculation in ADJ
20 SM-31. In determining the pro forma adjustment, Adj SM-31, the on-going arsenic
21 media replacement costs of \$46,000 should have been an addition to the test year
22 chemicals expense of \$3,030 as those expenses will continue. Instead, the test year
23 water disposal expense of \$811 was deducted in error. This pro forma is adjusting for
24 that difference. Please see Company’s rejoinder adjustment SM-6RJ on Schedule C-2
25 Rejoinder for Tubac Water District only.

1 **Q. ARE THERE ANY OTHER REJOINDER INCOME STATEMENT**
2 **ADJUSTMENTS THE COMPANY IS PROPOSING?**

3 A. Yes. Ms. Hubbard is sponsoring ADJ SLH-7RJ which adjusts depreciation expense for
4 Sun City water and Tubac water district. Please refer to her testimony for a discussion of
5 the purpose of the adjustment.

6 **Q. DOES YOUR SILENCE ON ANY ISSUE RAISED BY ANY PARTY IN**
7 **TESTIMONY INDICATE YOUR ACCEPTANCE OF THEIR POSITION?**

8 A. No.

9 **Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**

10 A. Yes.

11



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REBUTTAL TESTIMONY
OF
JOHN F. GUASTELLA
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

**REBUTTAL TESTIMONY
OF
JOHN F. GUASTELLA
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
FEBRUARY 9, 2015**

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1 **EXECUTIVE SUMMARY**

2 EPCOR Water Arizona Inc. (“EWAZ” or “Company”) filed an application for rate
3 increases for its Mohave Water, Paradise Valley Water, Sun City Water, Tubac Water and
4 Mohave Wastewater districts on the basis of a test year ended June 30, 2013.

5
6 I have reviewed certain testimony of the Arizona Corporation Commission (“ACC” or
7 “Commission”) Staff and the Residential Utility Consumer Office (“RUCO”) witnesses
8 regarding depreciation issues. On the basis of my review, I recommend that the following
9 proposed ACC Staff and RUCO adjustments to the Company’s rate filing be rejected by the
10 Commission:

11 RUCO

12 *Mohave Water:*

13 RUCO’s proposal to reduce rate base by \$1,265,114 for “Regulatory Liability - Over-Collected
14 Dep. Exp”. RUCO’s proposal to reduce depreciation expense by \$253,023 for the “Amortization
15 of Regulatory Liability over 5 Years”. Note, unlike the other districts, RUCO’s schedules for
16 Mohave Water related to this rate base adjustment do not net the first year amortization of its
17 total Regulatory Liability.

18
19 *Paradise Valley Water:*

20 RUCO’s proposal to reduce rate base by \$426,346 for “Net Regulatory Liability - Over-
21 Collected Dep. Exp”. RUCO’s proposal to reduce depreciation expense by \$106,586 for the
22 “Amortization of Regulatory Liability over 5 Years”.

1 *Sun City Water:*

2 RUCO's proposal to reduce rate base by \$2,732,719 for "Net Regulatory Liability - Over-
3 Collected Dep. Exp". RUCO's proposal to reduce depreciation expense by \$883,180 for the
4 "Amortization of Regulatory Liability over 5 Years".

5
6 *Tubac Water:*

7 RUCO's proposal to reduce rate base by \$55,990 for "Net Regulatory Liability - Over-Collected
8 Dep. Exp". RUCO's proposal to reduce depreciation expense by \$13,997 for the "Amortization
9 of Regulatory Liability over 5 Years".

10
11 *Mohave Wastewater:*

12 RUCO's proposal to reduce rate base by \$31,559 for "Net Regulatory Liability - Over-Collected
13 Dep. Exp". RUCO's proposal to reduce depreciation expense by \$7,889.82 for the "Amortization
14 of Regulatory Liability over 5 Years".

15
16 RUCO's recommendation that debit balances in accumulated depreciation be eliminated by
17 increasing the acquisition premium associated with the purchase of Arizona American Water
18 Company by EPCOR Water USA.

19 ACC STAFF

20 ACC Staff's proposal to decrease rate base by increasing accumulated depreciation for "Phantom
21 Assets" on accounts with debit accumulated balances, as follows:

22 Mohave Water - \$279,644
23 Paradise Valley Water - \$1,416,273
24 Sun City Water - \$715,283
25 Tubac Water - \$1,877
26 Mohave Wastewater - \$413,326.

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
3 **NUMBER.**

4 A. My name is John F. Guastella; I am President of Guastella Associates, LLC. My business
5 address is 775 N. Highway A1A, Suite B103, Jupiter, Florida 33477. My telephone
6 number is (561) 747-9867.

7 **Q. BRIEFLY DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.**

8 A. I graduated from Steven Institute of Technology with a degree in Mechanical
9 Engineering. My professional career began with employment by the New York State
10 Public Service Commission where I worked for 16 years. When I left the Commission to
11 form my own consulting firm I was Director of the Water Division responsible for the
12 regulation of some 450 water utilities, involving all aspects of rate and valuation, and the
13 service provided by the water utilities. While with the Commission I served as Chairman
14 of the Staff Committee of the Water Committee of the National Association of
15 Regulatory Utility Commissioners, ("NARUC"), and I was one of the founders and
16 faculty of the NARUC Water Rate Seminar. I have continued, to date, as a faculty
17 member of this rate seminar and have taught the basics of rate setting and utility
18 regulation to some 7,000 students over the last 40 years. As a consultant, I have been
19 involved in the preparation of rate analyses, valuations, appraisals, depreciation studies,
20 and various studies regarding utility regulatory issues. I have testified as an expert in
21 some 23 states with respect to rate setting, valuation, depreciation, appraisals and
22 condemnation cases, before either regulatory agencies, courts or municipal hearings. A
23 detailed statement of my qualifications and experience is attached as Exhibit JFG-1R.

24 **II. PURPOSE OF TESTIMONY**

25 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

1 A. The purpose of my testimony is to examine specific issues regarding depreciation and, if
2 necessary, prepare related rebuttal testimony.

3 **III. RESPONSE TO ACC STAFF AND RUCO**

4 **Q. HAVE YOU REVIEWED THE TESTIMONY OF WITNESSES ON BEHALF OF**
5 **RUCO AND THE ACC STAFF, FOCUSING ON DEPRECIATION ISSUES?**

6 A. Yes. I have reviewed the testimony and exhibits of RUCO's witnesses Mr. Timothy J.
7 Coley, Mr. Jeffrey M. Michlik and Mr. Frank W. Radigan, and ACC Staff witness Ms.
8 Mary J. Rimback.

9 **Q. WHAT ARE THE SPECIFIC DEPRECIATION ISSUES ABOUT WHICH YOU**
10 **HAVE FOCUSED YOUR REVIEW?**

11 A. Both RUCO and ACC Staff propose adjustments to rate base with respect to the
12 Company's debit balances in accumulated depreciation for certain accounts. RUCO also
13 proposes adjustments to depreciation expense.

14 **Q. HAS THE COMPANY PROVIDED AN EXPLANATION OF THE DEBIT**
15 **BALANCES IN ACCUMULATED DEPRECIATION?**

16 A. Yes. The Company provides an explanation in its response number STFMJR19.1,
17 attached as Exhibit JFG-2R.

18 **Q. IS THE COMPANY'S EXPLANATION REASONABLE?**

19 A. Yes. In accordance with the NARUC Uniform System of Accounts ("NARUC USOA"),
20 the accounting for a retirement is to credit Utility Plant in Service and debit Accumulated
21 Depreciation both with the original cost of the retired asset. If an asset is retired before
22 the average service life that was used to establish its depreciation rate, the accumulated
23 depreciation that was booked for the asset is less than the original cost. Accordingly, the

1 net effect is a debit balance for that asset. If, on the other hand, the asset had not been
2 retired until after the related average service life, there would have been more
3 depreciation than its original cost. The result of this routine and required accounting is
4 not only common but expected. The Company's explanation is also obviously correct
5 that the booking of depreciation expense is a credit, or increase, to accumulated
6 depreciation.

7 **Q. THE RUCO WITNESSES REFER TO THE DEBIT BALANCES IN**
8 **ACCUMULATED DEPRECIATION FOR CERTAIN ASSET GROUPS AS**
9 **"PHANTOM ASSETS." IS THAT DESCRIPTION CORRECT?**

10 A. No. The debit balances in accumulated depreciation for those asset groups, which were
11 caused by early retirements, represent the under recovery of the cost of the assets. The
12 debit balances were created because, as required under the NARUC USOA, the
13 accumulated depreciation was reduced by the original cost of the retired assets, which
14 was greater than the respective accumulated depreciation that had been booked for those
15 assets up to the time of the retirements. Thus, the debit balances in accumulated
16 depreciation represent an under-recovery or shortfall in the recovery of the original cost
17 of the assets.

18 **Q. RUCO'S WITNESS, MR. COLEY, PROPOSES THAT THE COMPANY**
19 **REMOVE THE DEBIT BALANCES FROM ACCUMULATED DEPRECIATION**
20 **WITH THE OFFSETTING ENTRY TO THE ACQUISITION PREMIUM. HOW**
21 **DOES THE COMPANY RESPOND TO THIS RECOMMENDATION?**

22 A. When EPCOR purchased these systems from Arizona-American Water Company, the
23 authorized rate base for each district was included in the determination of the purchase
24 price. If these debit balances existed on the records of Arizona-American Water

1 Company in their last rate cases, the only appropriate treatment would be to 1) leave the
2 balances as they exist until the group depreciation provides the recovery of the
3 unrecovered amounts, or 2) to establish a regulatory asset and amortize the unrecovered
4 amounts to expense over some period of time with average unamortized balances
5 included in rate base.

6 **Q. DO YOU AGREE WITH MS. RIMBACK'S DESCRIPTION OF THE DEBIT**
7 **BALANCES IN ACCUMULATED DEPRECIATION AS "PHANTOM ASSETS?"**

8 A. No. The retirement of an asset earlier than its average service life is a common
9 occurrence for groups of assets, creating an undepreciated balance for that asset. The
10 debit balance simply means that the total original cost was not recovered through
11 depreciation accruals because of the early retirement. Accordingly, the debit balances in
12 accumulated depreciation are, in fact, undepreciated balances or unrecovered costs, not
13 Phantom Assets. As a further explanation, depreciation rates are based on average
14 service lives that reflect the *average* anticipated life span of assets, some of which will be
15 retired before the average and some after the average. The undepreciated balance in
16 accumulated depreciation does not represent some mysteriously created "Phantom Asset"
17 but, instead, represents the unrecovered portion of the cost of the assets that were retired
18 before reaching their average service lives. The acceptance by the Commission of Ms.
19 Rimback's proposal to remove the debit balances from accumulated depreciation and
20 effectively increase accumulated depreciation and, thereby, reduce rate base by the
21 undepreciated portion of the cost of the retired assets would result in a failure to
22 recognize the net investment on which a return should be allowed.

1 **Q. ALTHOUGH ACKNOWLEDGING THAT DEBIT BALANCES IN**
2 **ACCUMULATED DEPRECIATION WERE APPROVED IN PRIOR CASES FOR**
3 **THESE DISTRICTS, MS. RIMBACK ESSENTIALLY ARGUES THAT THOSE**
4 **APPROVALS MAY BE AMENDED. DO YOU AGREE?**

5 A. No. The rates approved in prior cases must be charged by the Company whether or not
6 they generate the revenue requirement that formed the basis for those rates. If, after the
7 new rates become effective, the actual earned return on investment turns out to be either
8 less or more than allowed, because revenues, expenses and investment turned out to be
9 more or less than reflected in the ACC's determination of the allowed revenue
10 requirement, the next rate determination cannot be increased in order to compensate for
11 past under earnings or be reduced to offset past over earnings. The principle of
12 retroactive rate making prohibits such adjustments and such an action by the Commission
13 would clearly constitute retroactive rate making.

14 **Q. DID THE COMMISSION HAVE AN ALTERNATIVE IN THE PRIOR CASES**
15 **WITH RESPECT TO DEBIT ACCUMULATED DEPRECIATION ACCOUNTS?**

16 A. Yes. The Commission's prior decisions simply reflect the normal accounting for
17 retirements, as required by the NARUC USOA, even though the early retirements
18 resulted in debit accumulated depreciation balances and a shortfall in the recovery of the
19 total original cost of the assets. As an alternative, if it was recognized that significant
20 early retirements would eliminate or severely deplete the total depreciation reserve, the
21 Commission could have treated the retirements as extra-ordinary, and allowed the
22 recovery of the undepreciated balances (less any tax savings) through an amortization and
23 include average unrecovered balances in rate base. Under that treatment, the Company
24 would have been made whole by recovering the total original cost over time and earn a
25 return on the average unrecovered cost in the interim.

1 **Q. WHAT WOULD HAVE BEEN THE IMPACT ON RATES HAD THE**
2 **COMMISSION APPROVED THIS ALTERNATIVE IN THE PRIOR RATE**
3 **CASE?**

4 A. The rates would have been higher because they would have included both the recovery of
5 the cost, and a return on the unrecovered balance, not just a return on the undepreciated
6 balance or debit balance in accumulated depreciation. Accordingly, the Commission's
7 treatment of simply allowing the routine accounting for retirements in the prior cases
8 resulted in lower rates.

9 **Depreciation Expense**

10 **Q. MS. RIMBACK RECOMMENDS THAT THE COMPANY NO LONGER**
11 **DEPRECIATE PRIMARY PLANT ACCOUNTS THAT IN TOTAL ARE FULLY**
12 **DEPRECIATED. DO YOU AGREE WITH THAT RECOMMENDATION?**

13 A. Yes, on a prospective basis.

14 **Q. WHAT WAS THE IMPACT OF THE COMPANY'S CONTINUING TO**
15 **DEPRECIATE FULLY DEPRECIATED ACCOUNTS AS ALLOWANCE IN**
16 **PRIOR CASES?**

17 A. The booked depreciation expense on fully depreciation accounts was a credit to
18 accumulated depreciation and, therefore, a reduction of the debit balances. In addition,
19 because the depreciation expense was higher than otherwise had the depreciation been
20 ceased, the net income was lower. Accordingly, there was less equity earnings available
21 to the stockholder, and more internally generated funds (depreciation allowances) were
22 available to pay for plant additions and replacements. Thus, there was no adverse impact
23 on the customers – they paid the rates approved by the Commission, no more and no less

1 and they will receive an additional benefit through the reduction in rate base that the
2 additional accumulated depreciation provides.

3 **Q. IN ADDITION TO PROPOSING A REDUCTION OF RATE BASE FOR A**
4 **“REGULATORY LIABILITY FOR OVER-COLLECTED DEPRECIATION**
5 **EXPENSE,” RUCO WITNESSES ALSO PROPOSE A REDUCTION TO**
6 **DEPRECIATION EXPENSE FOR THE SAME REASON. WOULD YOU**
7 **PLEASE COMMENT ON THEIR PROPOSAL?**

8 A. Regardless of whether the depreciation expense or any other expense was higher or lower
9 than reflected in the Commission’s prior decisions, RUCO’s adjustment should not be
10 accepted because it would constitute retroactive rate making. Moreover, the reduction to
11 depreciation expense makes no sense in terms of long standing depreciation practices,
12 cost recovery or rate making principles. While I agree with Ms. Rimback’s
13 recommendation to stop depreciating fully depreciated accounts on a prospective basis,
14 RUCO’s proposed depreciation adjustments are contrary to the basis on which
15 depreciation rates are determined. Depreciation rates reflect the fact that retirements
16 occur prior to and after the average service lives of groups of similar assets. The
17 principle of intergenerational equity requires the use of average service lives so that
18 current and future customers pay their respective share of the cost of utility facilities over
19 the average life of the facilities. RUCO’s proposal to treat the depreciation of retirement
20 units of assets that have survived longer than the average service life of the group as a
21 regulatory liability, ignores the early retirement of other retirement units in the group.
22 The result is a distortion of the principles of full cost recovery and intergenerational
23 equity.

1 Q. MS. RIMBACK HAS RECOMMENDED THAT THE COMPANY TRACK
2 PLANT ASSETS BY VINTAGE YEAR OF PURCHASE IN ORDER TO ASSURE
3 THAT THE COMPANY IS NOT OVER DEPRECIATING OR EXPENSING
4 DEPRECIATION ON FULLY DEPRECIATED ASSETS. WOULD YOU
5 COMMENT ON HER RECOMMENDATION?

6 A. Yes. On a positive note, I am assuming that this recommendation is consistent with Ms.
7 Rimback's recommendation that the Company stop depreciating primary plant accounts
8 once the entire account is fully depreciated, with which I have agreed. On the other hand,
9 I am also assuming that she is not suggesting that depreciation expense be based on an
10 asset-by-asset calculation, which would be incorrect for the reasons I just discussed
11 above in addressing RUCO's improper proposal to adjust depreciation expense for the
12 depreciation accruals on individual retirement units of plant that have survived longer
13 than the average service life applicable to the primary plant account as a group.

14 Q. DO YOU AGREE WITH MR. RADIGAN'S RECOMMENDATION FOR THE
15 COMPANY TO PERFORM A DEPRECIATION STUDY FOR ALL ACCOUNTS?

16 A. No. Mr. Radigan relies on Mr. Coley's conclusion that there was an over-recovery of
17 depreciation expense. He also states that the existing depreciation rates resulted in large
18 over recoveries of certain assets. Mr. Coley's conclusion is erroneous because, as I
19 previously explained, there was no over-recovery of the cost of assets; instead there was a
20 short-fall because of the early retirements. Mr. Radigan blames depreciation rates for an
21 over recovery that does not exist while providing no analysis that the depreciation rates
22 approved by the Commission in prior cases are unreasonable. In 2010, I prepared a
23 depreciation study for EWAZ's predecessor on the basis of a detailed comparative
24 analysis, because there was insufficient specific retirement experience for an actuarial
25 study. I would also note that the inability to perform actuarial studies for small individual

1 water systems is invariably the case. I would estimate that of the thousands of investor-
2 owned utilities in the country, less than one percent are large enough and old enough to
3 have sufficient retirement data with which to perform a reliable actuarial study.
4 Moreover, in my opinion the use of comparative data produces reasonable depreciation
5 rates, as has been recognized by regulatory agencies around the country. The
6 Commission previously authorized depreciation rates in the Company's last rate case on
7 the basis of comparative data, Docket No. W-01303A-10-0448, by approval of a
8 settlement agreement. The Company has requested the same rates in this case and ACC
9 Staff witness, Mr. Michael Thompson is recommending adoption of those rates.

10
11 **Q. WOULD YOU BRIEFLY SUMMARIZE YOUR FINDINGS?**

12 **A.** The ACC Staff's proposal would penalize the Company for assets that were retired
13 before the applicable average service lives and RUCO's proposed adjustments would
14 penalize the Company for assets surviving longer than the applicable average service
15 lives. In combination, the effect would essentially deny the full recovery of the cost and
16 return on investments, unless every retirement unit of assets is retired at exactly the
17 average service life. Their proposals are contrary to depreciation practices that have been
18 used by utilities around the country and generally accepted by their regulators. The
19 Company's accounting for retirements was proper and consistent with the accounting
20 required by the NARUC USOA, and consistent with the Commission's prior rate cases.
21 Although I agree that the depreciation should no longer be taken on fully depreciated
22 accounts, the depreciation expense taken since the last case on those accounts did not
23 have any adverse impact on the customers, but actually reduced the debit balances in
24 accumulated depreciation and, therefore, reduced rate base to the benefit of the
25 customers. For the five districts in this case, these reductions to rate base total \$4.1
26 million. Debit balances in accumulated depreciation for the accounts in question do not

1 represent any over-recovery of the cost of the retired assets or "Phantom Assets" but,
2 rather, an under-recovery of the cost. The credit balances in accumulated depreciation do
3 not represent an over-recovery or a regulatory liability but, instead, the accounting that is
4 required in order to properly account for the depreciation of all assets over time.

5 RUCO's and ACC Staff's proposed adjustments to rate base and RUCO's proposed
6 adjustments to depreciation expense to "refund" over-collected depreciation expense are
7 not supported by proper analysis, widely used and accepted depreciation practices or rate
8 making principles, and should be rejected.

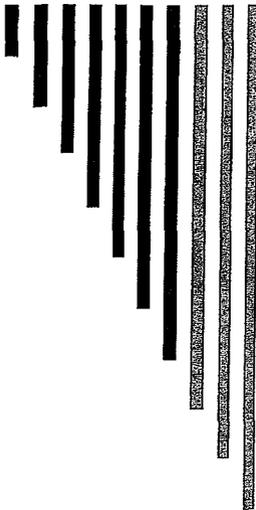
9 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

10 **A. Yes.**

EXHIBIT JFG - 1R

Guastella Associates, LLC

Qualifications & Experience



**Rate Setting
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INTRODUCTION

GUASTELLA ASSOCIATES, LLC

Guastella Associates, LLC ("formerly John F. Guastella Associates, Inc.") is a consulting firm that specializes in providing utility rate setting, valuation and management services for public and privately-owned water and wastewater utilities.

John F. Guastella established Guastella Associates in 1978. Previously, Mr. Guastella was Director of the Water Division of the New York Public Service Commission. The Water Division provided the New York Commission with technical assistance in regulating the rates and service provided by approximately 450 privately-owned utilities. During the period from 1987 through 1991, Mr. Guastella also managed a 5,500 customer water utility in New York State. In 1989, Guastella Associates acquired the rates and valuation section of Coffin & Richardson, Inc., a general consulting firm that also provided a full range of services to water and wastewater utilities. Since 2009, Guastella Associates has served as the general manager of Daufuskie Island Utility Company, Inc. ("DIUC"), responsible for its day-to-day operations, billing, bookkeeping, financing, capital improvement projects and regulatory relations. DIUC provides water and wastewater service to some 550 connected customers and 600 availability customers located on Daufuskie Island South, Carolina.

As can be seen from the following qualifications and experience, key staff members have many years of combined experience in virtually every aspect of utility rate setting and valuation. The technical expertise of key staff, combined with their former employment by real estate and utility companies, a regulatory agency, and the management of water utilities, provides a total perspective towards addressing the rates and valuation needs of today's water and wastewater utilities.

Guastella Associates has assisted the largest privately-owned utilities with respect to the most challenging issues, performing complex studies and providing expert testimony in administrative hearings as well as court proceedings. In addition, our client base has included hundreds of small water and wastewater utilities - - obtaining rate increases that turn operating losses into profits, posturing them for financing, correcting record keeping errors and, for some, negotiating their sale at multiples of their original cost net investment rate base. Some of our most successful assignments have been to help establish new developer-related water and wastewater utilities, applying the correct principles at the outset in order to develop fully compensatory initial rates, record keeping procedures and asset management, so they are structured to become self-sustaining utilities that will achieve the highest possible profit and ultimate market value.

Our wide-range of experience and expertise has enabled us to successfully address the special needs of large investor-owned utilities in rate cases and condemnation proceedings.



OUTLINE OF SERVICES GUASTELLA ASSOCIATES, LLC

Guastella Associates, LLC ("formerly John F. Guastella Associates, Inc.") is a consulting firm specializing in utility management, valuation, appraisals and rate determinations. Guastella Associates has been providing professional services to regulated and unregulated utilities since 1978.

Specific areas of expertise includes:

I. RATE ANALYSIS

A. Revenue Requirements

1. Examination of books and records -- revenues, expenses and capital investment.
2. Determination of the cost of providing service (revenue requirement) -- normalize historical data, establish known changes and perform projections.

B. Rate Design

1. Perform cost allocation studies to establish cost of service for residential, commercial, industrial, wholesale and fire protection customers, and for other special users.
2. Develop rate structures -- combine billing analyses and cost allocations to form usage rates, flat rates, minimum service and facilities charges, and such other special charges as connection fees, availability rates, etc.

C. Reports

1. Investor-owned utilities -- prepare complete rate filings for submission to regulatory agencies; prepare testimony, exhibits, and assist in all aspects of adjudication process.
2. Municipal utilities -- prepare detailed rate reports in support of rate increases for use by municipal officials and presentation at municipal hearings.



OUTLINE OF SERVICES

GUASTELLA ASSOCIATES, LLC

II. VALUATIONS

A. Appraisals

1. Eminent domain condemnation proceedings, negotiations for sale of utilities, damage claims for insurance and ad valorem tax and management purposes.
2. Determinations of original cost, replacement cost, reproduction cost and market value, including going concern value.
3. Calculation of the present value of cash flow under the income approach to market value determinations.
4. Analyses of market data under the sales comparison approach.

B. Depreciation

1. Actuarial studies using retirement rate or simulated plant balances methods to determine average service lives of physical property, theoretical depreciation reserve requirements and depreciation rates.
2. Establish affordable depreciation rates on the basis of comparative analyses of similar property of other utilities and practices of regulatory agencies and association.

C. Feasibility Studies

1. Utility acquisitions by investors and municipalities.
2. Economic studies to establish extension of service costs and policy -- inside and outside service area.
3. Main extension agreements, guaranteed revenue contracts, refund provisions.

D. Financial Planning

1. Establish financing requirements for capital improvements.
2. Determine revenue and rate needs for various combinations of debt and equity financing.
3. Assist certain utilities in securing financing.
4. Establish financing needs, initial rates and regulatory approval of proposed new utilities.

III. MANAGEMENT

A. Operations

1. Assist in day-to-day decisions as to utility accounting and related impact on rates.
2. Solve problems as to record keeping in accordance with regulatory requirements and prescribed systems of accounts.
3. Establish general policy and tariff provisions for customer service, billing, collecting, meter testing, complaint handling, and customer and regulatory relations.

B. Administrative

1. Coordinate activities with regulatory agencies to assure compliance with rules, regulations and orders.
2. Negotiations for purchase or sale of utility property and special contracts.

C. Training

1. On-the-job training for employees while working on various projects.
2. Special educational seminars on all aspects of utility rate settings, financing, valuation and rules.

PROFESSIONAL QUALIFICATIONS AND EXPERIENCE
of
JOHN F. GUASTELLA

B.S., Mechanical Engineering, Stevens Institute of Technology, 1962

Member:

American Water Works Association, Lifetime Member
National Association of Water Companies
New England Water Works Association, Lifetime Member

Committees:

AWWA, Water Rates Committee (Manual M-1, 1983 Edition)
National Association of Regulatory Utility Commissioners (NARUC) and NAWC, Joint-Committee on Rate Design
NAWC, Rates and Revenues Committee
NAWC, Small Water Company Committee

Mr. Guastella is President of Guastella Associates, LLC ("formerly John F. Guastella Associates, Inc.") which provides management, valuation and rate consulting services for municipal and investor-owned utilities, as well as regulatory agencies. His clients include utilities in the states of Alaska, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Maine, Maryland, Massachusetts, Missouri, Michigan, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Pennsylvania, South Carolina, Texas, Rhode Island and Virginia. He has provided consulting services that include all aspects of utility regulation and rate setting, encompassing revenue requirements, revenues, operation and maintenance expenses, depreciation, taxes, return on investment, cost allocation and rate design. He has performed depreciation studies for the establishment of average service lives of utility property. He has performed appraisals of utility companies for management purposes and in connection with condemnation proceedings. He has also negotiated the sale of utility companies.

Mr. Guastella served for more than four years as President of Country Knolls Water Works, Inc., a water utility that served some 5,500 customers in Saratoga County, New York. He also served as a member of the Board of Directors of the National Association of Water Companies.

Mr. Guastella has qualified and testified as an expert witness before regulatory agencies and municipal jurisdictions in the states of Alaska, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Missouri, Montana, Nevada, New Hampshire, New Mexico, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia.

Prior to establishing his own firm, Mr. Guastella was employed by the New York State Public Service Commission for sixteen years. For two years he was involved in the regulation of electric and gas utilities, with the remaining years devoted to the regulation of water utilities. In 1970, he was promoted to Chief of Rates and Finance in the Commission's Water Division. In 1972, he was made Assistant Director of the Water Division. In 1974, he was appointed by Alfred E. Kahn, then Chairman of the Commission, to be Director of the Water Division, a position he held until he resigned from the Commission in August 1978.

At the Commission, his duties included the performance and supervision of engineering and economic studies concerning rates and service of many public utilities. As Director of the Water Division, he was responsible for the regulation of more than 450 water companies in New York State and headed a professional staff of 32 engineers and three technicians. A primary duty was to attend Commission sessions and advise the Commission during its decision making process. In the course of that process, an average of about fifty applications per year would be reviewed and analyzed. The applications included testimony, exhibits and briefs

involving all aspects of utility valuation and rate setting. He also made legislative proposals and participated in drafting Bills that were enacted into law: one expanded the N.Y. Public Service Commission's jurisdiction over small water companies and another dealt specifically with rate regulation and financing of developer-related water systems.

In addition to his employment and client experience, Mr. Guastella served as Vice-Chairman of the Staff-Committee on Water of the National Association of Regulatory Utility Commissioners (NARUC). This activity included the preparation of the "Model Record-Keeping Manual for Small Water Companies," which was published by the NARUC. This manual provides detailed instruction on the kinds of operation and accounting records that should be kept by small water utilities, and on how to use those records.

Each year since 1974 he has prepared study material, assisted in program coordination and served as an instructor at the Eastern Annual Seminar on Water Rate Regulation sponsored over the years by the NARUC in conjunction with the University of South Florida, Florida Atlantic University, the University of Utah, Florida State University, the University of Florida and currently Michigan State University. In 1980 he was instrumental in the establishment of the Western NARUC Rate Seminar and has annually served as an instructor since that time. This course is recognized as one of the best available for teaching rate-setting principles and methodology. More than 7,000 students have attended this course, including regulatory staff, utility personnel and members of accounting, engineering, legal and consulting firms throughout the country.

Mr. Guastella served as an instructor and panelist in a seminar on water and wastewater regulation conducted by the Independent Water and Sewer Companies of Texas. In 1998, he prepared and conducted a seminar on basic rate regulation on behalf of the New England Chapter of the National Association of Water Companies. In 2000 and 2001, Mr. Guastella developed and conducted a special seminar for developer related water and wastewater utilities in conjunction with Florida State University, and again in 2003 in conjunction with the University of Florida. It provided essential training for the financial structuring of small water and wastewater utilities, rate setting, financing and the establishment of their market value in the event of a negotiated sale or condemnation. In 2004, he prepared and conducted a special workshop seminar on behalf of the Office of Regulatory Staff of South Carolina, covering rate setting, valuation and general regulation of water and wastewater utilities. In 2006, he participated in an expert workshop on full cost pricing conducted by the U. S. Environmental Protection Agency in coordination with the Institute of Public Utilities, Michigan State University. In 2006, he prepared and conducted a special seminar on rate setting and valuation on behalf of the New York Chapter of the NAWC. In 2007, he prepared and conducted a special seminar on rate setting and valuation on behalf of the New England Chapter of NAWC. In 2013, he prepared and conducted a special seminar on rate setting and valuation on behalf of the New York Chapter of NAWC

Mr. Guastella has made presentations on a wide variety of rate, valuation and regulatory issues at meetings of the National Association of Regulatory Utility Commissioners, the American Water Works Association, the New England Water Works Association, the National Association of Water Companies, the New England Conference of Public Utilities Commissioners, the Florida, New England, New Jersey and New York Chapters of NAWC, the Mid-America Regulatory Conference, the Southeastern Association of Regulatory Utility Commissioners, the Pennsylvania Environmental Conference, the Public Utility Law Section of the New Jersey Bar Association, and the NAWC Water Utility Executive Council.

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
1966	Sunhill Water Corporation	New York	23968
1967	Amagansett Water Company	New York	24210
1967	Worley Homes, Inc.	New York	24466
1968	Amagansett Water Company	New York	24718
1968	Amagansett Water Company	New York	24883
1968	Sunhill Water Corporation	New York	23968
1968	Worley Homes, Inc.	New York	Supreme Court
1969	Amagansett Water Supply	New York	24883
1969	Citizens Water Supply Co.	New York	25049
1969	Worley Homes, Inc.	New York	24466/24992
1970	Brooklyn Union Gas Company	New York	25448
1970	Consolidated Edison of New York	New York	25185
1971	Hudson Valley Water Companies	New York	26093
1971	Jamaica Water Supply Company	New York	26094
1971	Port Chester Water Works, Inc.	New York	25797
1971	U & I Corp. - Merrick District	New York	26143
1971	Wanakah Water Company	New York	25873
1972	Spring Valley Water Company	New York	26226
1972	U & I Corp. - Woodhaven District	New York	26232
1973	Citizens Water Supply Company	New York	26366
1978	Rhode Island DPU&C (Bristol County)	Rhode Island	1367A
1979	Candlewick Lake Utilities Co.	Illinois	76-0218
1979	Candlewick Lake Utilities Co.	Illinois	76-0347
1979	Candlewick Lake Utilities Co.	Illinois	78-0151
1979	Jacksonville Suburban Utilities	Florida	770316-WS
1979	New York Water Service Corporation	New York	27594
1979	Salem Hills Sewerage Disposal Corp. v. V. of Voorheesville	New York	Supreme Court

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
1979	Seabrook Water Corporation	New Jersey	7910-846
1979	Southern Utilities Corporation	Florida	770317-WS
1979	Township of South Brunswick	New Jersey	Municipal
1979	Westchester Joint Water Works	New York	Municipal
1979	Woodhaven Utilities Corporation	Illinois	77-0109
1980	Crestwood Village Sewer Company	New Jersey	BPU 802-78
1980	Crestwood Village Water Company	New Jersey	BPU 802-77
1980	Gateway Water Supply Corporation	Texas	Municipal
1980	GWW-Central Florida District	Florida	800004-WS
1980	Jamaica Water Supply Company	New York	27587
1980	Rhode Island DPU&C (Newport Water)	Rhode Island	1480
1981	Briarcliff Utilities, Inc.	Texas	3620
1981	Candlewick Lake Utilities Co.	Illinois	81-0011
1981	Caroline Water Company, Inc.	Virginia	810065
1981	GDU, Inc. - Northport	Florida	Municipal
1981	GDU, Inc. - Port Charlotte	Florida	Municipal
1981	GDU, Inc. - Port Malabar	Florida	80-2192
1981	Hobe Sound Water Company	Florida	8000776
1981	Lake Buckhorn Utilities, Inc.	Ohio	80-999
1981	Lake Kiowa Utilities, Inc.	Texas	3621
1981	Lakengren Utilities, Inc.	Ohio	80-1001
1981	Lorelei Utilities, Inc.	Ohio	80-1000
1981	New York Water Service Corporation	New York	28042
1981	Rhode Island DPU&C (Newport Water)	Rhode Island	1581
1981	Shawnee Hills Utility Company	Ohio	80-1002
1981	Smithville Water Company, Inc.	New Jersey	808-541
1981	Spring Valley Water Company, Inc.	New York	27936
1981	Spring Valley Water Company, Inc.	New York	27936
1981	Sunhill Water Corporation	New York	27903

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
1981	Swan Lake Water Corporation	New York	27904
1982	Chesterfield Commons Sewer Company	New Jersey	822-84
1982	Chesterfield Commons Water Company	New Jersey	822-83
1982	Crescent Waste Treatment Corp.	New York	Municipal
1982	Crestwood Village Sewer Company	New Jersey	821-33
1982	Crestwood Village Water Company	New Jersey	821-38
1982	Salem Hills Sewerage Disposal Corp.	New York	Municipal
1982	Township of South Brunswick	New Jersey	Municipal
1982	Woodhaven Utilities Corporation	Illinois	82-0167
1983	Country Knolls Water Works, Inc.	New York	28194
1983	Heritage Hills Water Works Corp.	New York	28453
1984	Crestwood Village Sewer Company	New Jersey	8310-861
1984	Crestwood Village Water Company	New Jersey	8310-860
1984	Environmental Disposal Corp.	New Jersey	816-552
1984	GDU, Inc. - Port St. Lucie	Florida	830421
1984	Heritage Village Water (water/sewer)	Connecticut	84-08-03
1984	Hurley Water Company, Inc.	New York	28820
1984	New York Water Service Corporation	New York	28901
1985	Deltona Utilities (water/sewer)	Florida	830281
1985	J. Filiberto Sanitation, Inc.	New Jersey	8411-1213
1985	Sterling Forest Pollution Control	New York	Municipal
1985	Water Works Enterprise, Grand Forks	North Dakota	Municipal
1986	GDU, Inc. - Port Charlotte	Florida	Municipal
1986	GDU, Inc. - Sebastian Highlands	Florida	Municipal
1986	Kings Grant Water/Sewer Companies (settled)	New Jersey	WR8508-868
1986	Mt. Ebo Sewage Works, Inc.	New York	Municipal
1986	Sterling Forest Pollution Control	New York	Municipal
1987	Country Knolls Water Works, Inc.	New York	29443
1987	Crestwood Village Sewer Co. (settled)	New Jersey	WR8701-38

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Year	Client	State	Regulatory Docket/Case Number
1987	Deltona Utilities – Marco Island	Florida	85151-WS
1987	Deltona Utilities, Inc. - Citrus Springs (settled)	Florida	870092-WS
1987	First Brewster Water Corp. v. Town of Southeast (settled)	New York	Supreme Court
1987	GDU, Inc. - Silver Springs Shores	Florida	870239-WS
1987	Ocean County Landfill Corporation	New Jersey	SR-8703117
1987	Palm Coast Utility Corporation	Florida	870166-WS
1987	Sanlando Utilities Corp. (settled)	Florida	860683-WS
1987	Township of South Brunswick	New Jersey	Municipal
1987	Woodhaven Utilities Corp. (settled)	Illinois	87-0047
1988	Crescent Estates Water Co., Inc.	New York	88-W-035
1988	Elizabethtown Water Co.	New Jersey	OAL PUC3464-88
1988	Heritage Village Water Company	Connecticut	87-10-02
1988	Instant Disposal Service, Inc.	New Jersey	SR-87080864
1988	J. Filiberto Sanitation v. Morris County Transfer Station	New Jersey	01487-88
1988	Ohio Water Service Co.	Ohio	86-1887-WW-CO1
1988	St. Augustine Shores Utilities	Florida	870980-WS
1989	Elizabethtown Water Co.	New Jersey	BPU WR89020132J
1989	GDU (FPSC generic proceeding as to rate setting procedures)	Florida	880883-WS
1989	Gordon's Corner Water Co.	New Jersey	OAL PUC479-89
1989	Heritage Hills Sewage Works	Connecticut	Municipal
1989	Heritage Village Water Company	Connecticut	87-10-02
1989	Palm Coast Utility Corporation	Florida	890277-WS
1989	Southbridge Water Supply Co.	Massachusetts	DPU 89-25
1989	Sterling Forest Water Co.	New York	PSC 88-W-263
1990	American Utilities, Inc. - United States Bankruptcy Court	New Jersey	85-00316
1990	City of Carson City	Nevada	Municipal
1990	Country Knolls Water Works, Inc.	New York	90-W-0458
1990	Elizabethtown Water Company	New Jersey	WR900050497J

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List of Proceedings in which
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Year	Client	State	Regulatory Docket/Case Number
1990	Kent County Water Authority	Rhode Island	1952
1990	Palm Coast Utility Corporation	Florida	871395-WS
1990	Southern States Utilities, Inc.	Florida	Workshop
1990	Trenton Water Works	New Jersey	WR90020077J
1990	Waste Management of New Jersey	New Jersey	SE 87070552
1990	Waste Management of New Jersey	New Jersey	SE 87070566
1991	City of Grand Forks	North Dakota	Municipal
1991	Gordon's Corner Water Co.	New Jersey	OAL PUC8329-90
1991	Southern States Utilities, Inc.	Florida	900329-WS
1992	Elizabethtown Water Co.	New Jersey	WR 91081293J
1992	General Development Utilities, Inc. - Port Malabar Division	Florida	911030-WS
1992	General Development Utilities, Inc. - West Coast Division	Florida	911067-WS
1992	Heritage Hills Water Works, Inc.	New York	92-2-0576
1993	General Development Utilities, Inc. - Port LaBelle Division	Florida	911737-WS
1993	General Development Utilities, Inc. - Silver Springs Shores	Florida	911733-WS
1993	General Waterworks of Pennsylvania - Dauphin Cons. Water Supply	Pennsylvania	R-00932604
1993	Kent County Water Authority	Rhode Island	2098
1993	Southern States Utilities - FPSC Rulemaking	Florida	911082-WS
1993	Southern States Utilities - Marco Island	Florida	920655-WS
1994	Capital City Water Company	Missouri	WR-94-297
1994	Capital City Water Company	Missouri	WR-94-297
1994	Elizabethtown Water Company	New Jersey	WR94080346
1994	Elizabethtown Water Company	New Jersey	WR94080346
1994	Environmental Disposal Corp.	New Jersey	WR94070319
1994	General Development Utilities - Port Charlotte	Florida	940000-WS
1994	General Waterworks of Pennsylvania	Pennsylvania	R-00943152

John F. Guastella
List of Proceedings in which
Expert Testimony
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Year	Client	State	Regulatory Docket/Case Number
1994	Hoosier Water Company - Mooresville Division	Indiana	39839
1994	Hoosier Water Company - Warsaw Division	Indiana	39838
1994	Hoosier Water Company - Winchester Division	Indiana	39840
1994	West Lafayette Water Company	Indiana	39841
1994	Wilmington Suburban Water Corporation	Delaware	94-149 (stld)
1995	Butte Water Company	Montana	Cause 90-C-90
1995	Heritage Hills Sewage Works Corporation	New York	Municipal
1996	Consumers Illinois Water Company	Illinois	95-0342
1996	Elizabethtown Water Company	New Jersey	WR95110557
1996	Palm Coast Utility Corporation	Florida	951056-WS
1996	PenPac, Inc.	New Jersey	OAL-00788-93N
1996	Southern States Utilities, Marco Island	Florida	950495-WS
1997	Crestwood Village Water Company	New Jersey	BPU 96100739
1997	Indiana American Water Co., Inc.	Indiana	IURC 40703
1997	Missouri-American Water Company	Missouri	WR-97-237
1997	South County Water Corp	New York	97-W-0667
1997	United Water Florida	Florida	960451-WS
1998	Consumer Illinois Water Company	Illinois	98-0632
1998	Consumers Illinois Water Company	Illinois	97-0351
1998	Heritage Hills Water Company	New York	97-W-1561
1998	Missouri-American Wastewater Company	Missouri	SR-97-238
1999	Consumers Illinois Water Company	Illinois	99-0288
1999	Environmental Disposal Corp.	New Jersey	WR99040249
1999	Indiana American Water Co., Inc.	Indiana	IURC 41320
2000	South Haven Sewer Works, Inc.	Indiana	Cause: 41410
2000	Utilities Inc. of Maryland	Maryland	CAL 97-17811
2001	Artesian Water Company	Delaware	00-649
2001	Citizens Utilities Company	Illinois	01-0001
2001	Elizabethtown Water Company	New Jersey	WR-0104205

John F. Guastella
List of Proceedings in which
Expert Testimony
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Year	Client	State	Regulatory Docket/Case Number
2001	Kiawah Island Utility, Inc.	South Carolina	2001-164-W/S
2001	Placid Lakes Water Company	Florida	011621-WU
2001	South Haven Sewer Works, Inc.	Indiana	41903
2001	Southlake Utilities, Inc.	Florida	981609-WS
2002	Artesian Water Company	Delaware	02-109
2002	Consumers Illinois Water- Grant Park	Illinois	02-0480
2002	Consumers Illinois Water- Village Woods	Illinois	02-0539
2002	Valencia Water Company	California	02-05-013
2003	Consumers Illinois Water - Indianola	Illinois	03-0069
2003	Elizabethtown Water Company	New Jersey	WR-030-70510
2003	Golden Heart Utilities, Inc.	Alaska	U-02-13, 14 & 15
2003	Utilities, Inc. -- Georgia	Georgia	CV02-0495-AB
2004	Aquarion Water Company	Connecticut	04-02-14
2004	Artesian Water Company	Delaware	04-42
2004	El Dorado Utilities, Inc.	New Mexico	D-101-CU-2004-
2004	Environmental Disposal Corp.	New Jersey	DPU WR 03 070509
2004	Heritage Hills Water Company	New York	03-W-1182
2004	Sun Valley Water & Washoe County Dept. of Water Revenues	Nevada	TMWA Municipal
2004	Jersey City MUA	New Jersey	Municipal
2004	Rockland Electric Company	New Jersey	EF02110852
2005	Aquarion Water Company	New Hampshire	DW 05-119
2005	Intercoastal Utilities, Inc.	Florida	04-0007-0011-0001
2005	Haig Point Utility Company, Inc.	South Carolina	2005-34-W/S
2005	South Central Connecticut Regional Water Auth.	Connecticut	Municipal
2006	Pennichuck Water Works, Inc.	New Hampshire	DW-04048
2006	Village of Williston Park	New York	Municipal
2006	Jersey City MUA	New Jersey	Municipal

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
2006	Groton Utilities	Connecticut	Municipal
2006	Connecticut Water Company	Connecticut	06-07-08
2006	Birmingham Utilities, Inc.	Connecticut	06-05-10
2006	Aqua Florida Utilities, Inc.	Florida	060368-WS
2007	Aquarion Water Company of CT	Connecticut	07-05-19
2007	Pennichuck Water Works, Inc.	New Hampshire	DW 04-048
2007	Aqua Indiana - Utility Center	Indiana	43331
2007	Environmental Disposal Corp.	New Jersey	WR 04 080760
2007	Aqua Florida Utilities, Inc.	Florida	07-0183
2007	Aqua Illinois, Inc. - Hawthorn Woods, Willowbrook & Vermilion	Illinois	07-0620/07-0621/08-0067
2008	Aqua Florida Utilities, Inc.	Florida	080121-WS
2008	Aquarion Water Company of MA	Massachusetts	D.P.U. 08-27
2008	Haig Point Utility Company, Inc.	South Carolina	2007-414-WS
2009	R.M.V. Land & C.M. Livestock, L.C.C.	New Jersey	EM02050313
2010	City of Griffin	Georgia	Civil Action No. 09V-2866
2010	Connecticut Water Company	Connecticut	09-12-11
2010	Montville WPCA	Connecticut	1400012464
2010	Milford Water Company	Massachusetts	DPU 10-78
2010	Arizona American Water Company	Arizona	W-01303A-10-0448
2011	Aqua Illinois	Illinois	ICC Docket (Consolidated)
2011	Artesian Water Company	Maryland	MPSC Case 9252
2011	Artesian Water Company	Delaware	PSC 11-207
2011	Kiawah Island Utility, Inc.	South Carolina	2011-317-WS
2012	Washington Gas Light	Maryland	Senate SB541
2012	Washington Gas Light	Maryland	House HB662
2012	Daufuskie Island Utility	South Carolina	2011-229-W/S
2012	Milford Water Company	Massachusetts	DPU 12-86
2013	Artesian Water Company	Pennsylvania	2:10-CV-07453-JP

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
2013	Aquarion Water Company	Massachusetts	CA 09-00592E
2013	Water Management Services	Florida	110200-WU
2013	City of Fernandina Beach	Florida	Civil Action No. 13CA000485AXYX
2013	City of Elizabeth	New Jersey	Docket Nos. UNN-L-0556-10 and UNN-L-2608-11
2014	Daufuskie Island Utility Company, Inc.	South Carolina	Case No. 2013-CP-7-02255
2014	Artesian Water Company	Delaware	Docket No. PSC 14-132

Papers and Presentations
By
John F. Guastella

Year	Title	Forum
1974 through 2014	1. Basics of Rate Setting 2. Cost Allocation and Rate Design 3. Revenue Requirements	Semi-annual seminars on utility rate regulation, National Association of Regulatory Utility Commissioners, sponsored by the University of South Florida, the University of Utah, Florida State University, The University of Florida and currently Michigan State University
1974	Rate Design Studies: A Regulatory Point-of- View	Annual convention of the National Association of Water Companies, New Haven, Connecticut
1976	Lifeline Rates	Annual convention of the National Association of Water Companies, Chattanooga, Tennessee
1977	Regulating Water Utilities: The Customers' Best Interest	Annual symposium of the New England Conference of Public Utilities Commissioners, Mystic Seaport, Connecticut
1978	Rate Design: Preaching v. Practice	Annual convention of the National Association of Water Companies, Baton Rouge, Louisiana
1979	Small Water Companies	Annual symposium of the New England Conference of Public Utilities Commissioners, Newport, Rhode Island
1979	Rate Making Problems Peculiar to Private Water and Sewer Companies	Special educational program sponsored by Independent Water and Sewer Companies of Texas, Austin, Texas
1980	Water Utility Regulation	Annual meeting of the National Association of Regulatory Utility Commissioners, Houston, Texas
1981	The Impact of Water Rates on Water Usage	Annual Pennsylvania Environmental Conference, Harrisburg, Pennsylvania
1981	A Realistic Approach to Regulating Water Utilities	Mid-America Regulatory Conference, Clarksville, Indiana
1982	Issues in Water Utility Regulation	Annual symposium of the New England Conference of Public Utilities Commissioners, Rockport, Maine
1982	New Approaches to the Regulation of Water Utilities	Southeastern Association of Regulatory Utility Commissioners, Asheville, North Carolina
1983	Allocating Costs and Revenues Fairly and Effectively	Maryland Water and Sewer Finance Conference, Westminster, Maryland
1983	Lifeline and Social Policy Pricing	Annual conference of the American Water Works Association, Las Vegas, Nevada (published)
1984	The Real Cost of Service: Some Special Considerations	Annual New Jersey Section AWWA Spring Meeting, Atlantic City, New Jersey
1987	Margin Reserve: It's Not the Issue	Florida Waterworks Association Newsletter, April/May/June 1987 issue

Papers and Presentations

By
John F. Guastella

Year	Title	Forum
1987	A "Current" Issue: CIAC	NAWC - New England Chapter November 6, 1987 meeting
1988	Small Water Company rate Setting: Take It or Leave It	NAWC - New York Chapter June 14, 1988 meeting Leave It
1989	The Solution to all the Problems of Good Small Water Companies	NAWC Quarterly magazine, Winter issue
1989	Current Issues Workshop - Panel	New England Conference of Public Utilities Commissioners, Kennebunkport, Maine
1991	Alternative Rate Structures	New Jersey Section 1991 Annual Conference, AWWA, Atlantic City, New Jersey
1994	Conservation Impact on Water Rates	New England NAWC and New England AWWA, Sturbridge, Massachusetts
1996	Utility Regulation - 21st Century	NAWC Annual Meeting, Orlando, Florida
1997	Current Status Drinking Water State Revolving	NAWC Annual Meeting, San Diego, California
1998	Fund Small Water Companies - Problems and	NAWC Annual Meeting, Indianapolis, Indiana
1998	Solutions Basic Rate Regulation Seminar	New England Chapter - NAWC, Rockport, Maine
2000	Developer Related Water and Sewer Utilities	Florida State University, Orlando, Florida
2001	Seminar Developer Related Water and Sewer Utilities	Florida State University, Orlando, Florida
2002	Seminar Regulatory Cooperation - Small Company	New England Chapter - NAWC, Annual Meeting
2003	Education Developer Related Water and Sewer Utilities	University of Florida, Orlando, Florida
2004	Seminar Basic Regulation & Rate Setting Training	Office of Regulatory Staff, Columbia, South Carolina
2005	Seminar Municipal Water Rates	Nassua-Suffolk Water Commissioners Association, Franklin Square, New York
2005	Innovations in Rate Setting and Procedures	NAWC New York Chapter, West Point, New York

Papers and Presentations

By

John F. Guastella

Year	Title	Forum
2006	Basics of Rate Setting	The Connecticut Water Company, Clinton, Connecticut
2006	Innovations in Rate Setting and Procedures	NAWC New York Chapter, Catskill, New York
2006	Best Practices as Regulatory Policy	NAWC New England Chapter, Ogunquit, Maine
2006	Rate and Valuation Seminar	NAWC New York Chapter
2006	Full Cost Pricing	U.S. Environmental Protection Agency Expert Workshop, Lansing, Michigan
2006	Innovations in Rate Setting	NAWC New England Chapter, Portsmouth, New Hampshire
2007	Weather Sensitive Customer Demands	NAWC Water Utility Executive Council, Half Moon Bay, California
2007	Basics of Rate Setting and Valuation Seminar	NAWC New England Chapter, Ogunquit, Maine
2007	Small Company Characteristics	National Drinking Water Symposium, La Jolla, California
2013	Rate and Valuation Seminar	NAWC New York Chapter

EXHIBIT JFG - 2R

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-14-0010

Response provided by: Sheryl L. Hubbard
Title: Director, Regulatory & Rates

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: STF MJR 19.1

Q: Company Debit Accumulated Balances. The attached schedule Debit Accumulated Depreciation reflects plant balances provided by the Company. The balances were provided by District, by NARUC account in the Company Revised Schedules dated October 14, 2014 for the test year ended 6/30/2013. The total accumulated depreciation debit balances are \$5,878,329. The usual balance to accumulated depreciation is a credit balance and it decreases the net book value. The debit balances increase the rate base used for ratemaking from \$7,688,752 to \$13,567,081. This is creating a phantom increase to assets. Please explain how the accumulated depreciation balances were calculated for these accounts.

A: The accumulated depreciation balances are increased as plant accounts are depreciated and decreased when plant assets are retired or otherwise removed from service in accordance with the plant accounting instructions included in the NARUC Uniform System of Accounts. When plant assets are retired or otherwise removed from service before the end of their useful lives or are otherwise not fully depreciated, this may contribute to a debit balance in an accumulated depreciation account. This is contemplated by the group method of depreciation for which depreciation continues on assets in a group until the group is fully depreciated resulting in a net book value of the group of \$0.

Specific retirements that have contributed to some of the accumulated depreciation balances were identified in response to other ACC Staff data requests. See specifically the following responses to data requests:

STF MJR 16.2
STF MJR 16.4
STF MJR 16.5
STF MJR 16.6
STF MJR 16.8

Also, response to data request number RUCO 13.2 has some discussion of factors contributing to debit accumulated depreciation balances.



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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

**REJOINDER TESTIMONY
OF
JOHN F. GUASTELLA
ON BEHALF OF
EPCOR WATER ARIZONA, INC.
MARCH 5, 2015**

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1 **EXECUTIVE SUMMARY**

2 On February 9, 2015, I submitted rebuttal testimony that addressed certain
3 depreciation issues raised by the Arizona Corporation Commission Staff (“ACC” or
4 Commission”) Staff and the Residential Utility Consumer Office (“RUCO”). Surrebuttal
5 testimony has been submitted by both ACC Staff and RUCO that includes comments
6 regarding my rebuttal testimony. Except that RUCO agreed with one of my observations
7 that it needed to correct a calculation related to its Mohave Water rate base adjustment, it
8 did not agree to make corrections to its adjustments for debit balances in accumulated
9 depreciation or treatment of the depreciation expense on fully depreciated individual
10 units of assets as a regulatory liability. The ACC Staff also did not agree to correct its
11 rate base adjustment related to debit balances in accumulated depreciation for certain
12 accounts. My rejoinder testimony herein provides further analysis of these issues.

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. My name is John F. Guastella; I am President of Guastella Associates, LLC. My business
4 address is 775 N. Highway A1A, Suite B103, Jupiter, Florida 33477.

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED REBUTTAL TESTIMONY IN THE**
6 **PROCEEDING?**

7 A. Yes, I submitted rebuttal testimony dated February 9, 2015.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to respond to the surrebuttal testimonies of the Arizona
10 Corporation Commission ("ACC") Staff and the Residential Utility Consumer Office
11 ("RUCO") witnesses to the extent that they address my rebuttal testimony as to specific
12 depreciation issues.

13 **Q. HAVE YOU REVIEWED THE TESTIMONIES OF MR. FRANK W. RADIGAN,**
14 **MR. TIMOTHY J. COLEY, MR. JEFFREY MICHLIK ON BEHALF OF RUCO,**
15 **AND MS. MARY J. RIMBACK ON BEHALF OF THE ACC STAFF?**

16 A. Yes.

17 **II. ANALYSIS**

18 **Q. AM I CORRECT THAT THE PRIMARY FOCUS OF YOUR REBUTTAL**
19 **TESTIMONY AND THIS REJOINDER TESTIMONY IS THE DEPRECIATION**
20 **ISSUES RAISED REGARDING DEBIT AND CREDIT BALANCES IN**
21 **ACCUMULATED DEPRECIATION, AND THE PROPOSED REGULATORY**
22 **LIABILITY TREATMENT OF DEPRECIATION EXPENSE RELATED TO**

1 **INDIVIDUAL ITEMS WITHIN A GROUP THAT WERE FULLY**
2 **DEPRECIATED?**

3 A. Yes.

4 **Q. WOULD YOU ADDRESS THE OVERALL CONCEPTS REGARDING**
5 **DEPRECIATION AND ACCOUNTING UNDER THE NARUC USOA IN**
6 **RELATION TO THE TESTIMONIES OF ACC STAFF AND RUCO AS TO**
7 **THEIR DEPRECIATION RECOMMENDATIONS?**

8 A. Yes. The need for the recovery of the original cost of utility assets through depreciation
9 allowances was recognized in the early years of the 1900s. In or around the 1920s,
10 research by renowned experts, using something known as the Gombertz-Makeham
11 formula for actuarial studies of people, developed studies in order to determine average
12 service lives of groups of utility assets of a similar type. The goal was, and is today, to
13 recover the cost of the assets over their average useful life in order to maintain
14 intergenerational equity. At the University of Iowa, depreciation or survivor curves
15 (Types L, S, R and O) were developed for various groups of assets, to which retirement
16 data, if available, could be applied in order to establish average service lives for the
17 utility assets being analyzed. Around the same time period, similar survivor curves were
18 developed in New York. Ever since that time, the "Iowa Curves" or the New York "h-
19 curves" have been used in depreciation studies. The term "average service lives" under
20 the group method carries with it the concept of retirement dispersion (variation around
21 the average service life). Retirement dispersion recognizes that nearly half of the items in
22 a group last to an age less than the average service life, a few to an age equal to the
23 average service life, and the rest last longer than the average service life.

1 **Q. DID THE ACCOUNTING FOR THE RETIREMENT OF UTILITY ASSETS**
2 **INCORPORATE THOSE DEPRECIATION AND RETIREMENT DISPERSION**
3 **CONCEPTS?**

4 A. Yes. The requirement to account for a retirement within a group by crediting utility plant
5 and debiting accumulated depreciation by the original cost of individual assets being
6 retired, until the group is fully depreciated, is consistent with those concepts, as reflected
7 in the NARUC USOA.

8 **Q. ARE THE PROPOSALS BY RUCO AND ACC STAFF TO REDUCE RATE BASE**
9 **FOR DEFERRED DEBIT BALANCES CONSISTENT WITH THE**
10 **DEPRECIATION CONCEPTS YOU DESCRIBED?**

11 A. No. The accounting for retirements required under the NARUC USOA reflects the
12 depreciation concepts using average service lives for groups of similar assets.
13 Accordingly, the specific adjustments proposed by RUCO and ACC Staff not only
14 violate the required accounting under the NARUC USOA, but also violate the concept of
15 depreciation that has been accepted and implemented under the NARUC USOA for about
16 100 years.

17 **Q. IS RUCO'S PROPOSAL TO ESSENTIALLY REVERSE THE DEPRECIATION**
18 **OF INDIVIDUAL ASSETS THAT HAVE SURVIVED LONGER THAN THEIR**
19 **AVERAGE SERVICE LIVES BY RECOMMENDING THAT THEY BE**
20 **TREATED AS A REGULATORY LIABILITY CONSISTENT WITH THE**
21 **DEPRECIATION CONCEPTS YOU DESCRIBE?**

22 A. No. The continued accrual of depreciation of individual assets within a group, despite
23 being fully depreciated, reflects the concept of the use of average service lives and
24 retirement dispersions, as reflected in the required accounting under the NARUC USOA.
25 I would repeat that the depreciation concepts I described have been accepted and used for

1 about 100 years throughout the country. They have been discussed in a number of
2 NARUC Depreciation Committee reports and in books on utility accounting.

3 **Q. HAVE RUCO OR ACC STAFF PROVIDED ANY ANALYSIS THAT SUPPORTS**
4 **THEIR CONCEPT OF DEPRECIATION PRACTICES?**

5 A. No. The effect of their proposed adjustments is not only to reduce the revenue
6 requirement but to change the intended result of the required accounting under the
7 NARUC USOA. The accounting under the NARUC USOA is designed to implement the
8 depreciation and retirement dispersion concepts that were established by leaders in the
9 field and widely accepted around the country. Moreover, the accounting under the
10 NARUC USOA is required so that the utility's books reflect the net investment and basis
11 for depreciation allowances to be used for rate setting. The adjustments by RUCO and
12 ACC Staff reflect a different accounting, by reversing, for rate setting, the impact of
13 accounting under the NARUC USOA. Such different accounting is, therefore, reflective
14 of a different concept of depreciation, which neither RUCO nor ACC Staff have even
15 identified, let alone supported as being better than the well-established and widely
16 accepted depreciation concepts.

17 **Q. BUT ON A GOING FORWARD BASIS, HASN'T THE COMPANY AGREED TO**
18 **ACCOUNT FOR DEPRECIATION IN THE WAY THAT ACC STAFF HAS**
19 **RECOMMENDED?**

20 A. Yes, with respect to accounts that are fully depreciated in total, the Company agreed to
21 no longer accrue depreciation on a prospective basis, which I have testified in rebuttal is
22 an appropriate revision. I also noted that the booked depreciation did not have any
23 adverse impact on the Company's customers and, therefore, requires no other revisions.

1 **Q. DOES THE REBUTTAL TESTIMONY OF ANY OF THE RUCO OR ACC**
2 **STAFF WITNESSES ADDRESS THE RETROACTIVE RATE SETTING**
3 **ASPECT TO THEIR PROPOSED DEPRECIATION ADJUSTMENTS FOR**
4 **DEBIT ACCUMULATED DEPRECIATION BALANCES OR TREATING**
5 **DEPRECIATION OF INDIVIDUAL ASSETS THAT ARE FULLY**
6 **DEPRECIATED AS A REGULATORY LIABILITY?**

7 **A.** No. Debit balances in accumulated depreciation existed at the time of the Commissions'
8 last rate decisions. Ms. Hubbard discusses this in her rejoinder testimony and has
9 included a table that sets forth the amounts that were authorized by the Commission in
10 the last rate decisions for each district in this case. In addition, the approved rates in
11 those cases included specific allowances for depreciation expense. Accordingly, any
12 booked depreciation expense since the last rate case, that has been greater than the
13 depreciation allowance in the last case, is not included in the allowed revenue
14 requirement or resultant existing rates charged to the customers. The additional
15 depreciation accruals merely reduced net operating income and also increased
16 accumulated depreciation and, therefore, reduced rate base which will translate in a
17 reduction to the revenue requirement in this rate proceeding absent any adjustments by
18 the Commission. As I have stated, there has been no adverse impact on the customers.

19 **Q. MR. RADIGAN STATES IN HIS SURREBUTTAL TESTIMONY THAT THE**
20 **UTILITY PRESENTED NO FACTS THAT "ABNORMAL" DEBIT**
21 **ACCUMULATED DEPRECIATION BALANCES WERE CAUSED BY EARLY**
22 **RETIREMENTS. DO YOU AGREE?**

1 A. No. The ACC Staff has acknowledged that debit balances in accumulated depreciation
 2 were approved in prior cases. Moreover, the Company has identified specific retirements
 3 in response to numerous responses to data requests. The responses to those data requests
 4 identify specific retirements since the last Commission-authorized test year accumulated
 5 depreciation balances that are included in the current debit balances.

6 Q. WHAT IS THE IMPACT OF THE ACC STAFF'S AND RUCO'S PROPOSALS TO
 7 REMOVE DEBIT BALANCES IN ACCUMULATED DEPRECIATION ACCOUNTS
 8 FOR ALL OF THE DISTRICTS IN THIS CASE?

9 A. Table 1 below sets forth the ACC Staff's and RUCO's proposed adjustments to remove
 10 debit accumulated depreciation balances which include amounts previously-authorized in
 11 prior Commission decisions as discussed by Ms. Hubbard in her rejoinder testimony. In
 12 addition, the impacts on the Company's requested revenue increases in this case are also
 13 shown for each district.

14 **Table 1. Revenue Requirement Impacts of Debit Accumulated Depreciation**
 15 **Balances**

	ACC Staff's Adjustments		RUCO's Adjustments	
	Debit Balance Adjustments	Impact on Revenue Requirement @ 6.81%	Debit Balance Adjustments	Impact on Revenue Requirement @ 6.81%
Mohave Water	(279,644)	(31,459)	(289,512)	(32,569)
Paradise Valley	(1,416,773)	(157,712)	(1,387,956)	(154,505)
Sun City Water	(715,283)	(79,925)	(1,589,336)	(177,590)
Tubac Water	(1,877)	(210)	(16,051)	(1,798)
Mohave Wastewater	(413,326)	(46,433)	(446,699)	(50,182)
Total 5 Districts	(2,826,903)	(315,740)	(3,729,554)	(416,645)

1 **Q. WHILE ACKNOWLEDGING THAT YOU PERFORMED A DEPRECIATION**
2 **STUDY IN 2010 FOR THESE SYSTEMS ON THE BASIS OF COMPARATIVE**
3 **DATA, BECAUSE OF INSUFFICIENT RETIREMENT DATA, MR. RADIGAN**
4 **CLAIMS THAT A LACK OF PROOF REGARDING RETIREMENTS IS THE**
5 **CAUSE OF THE INSUFFICIENT RETIREMENT DATA TO WHICH YOU**
6 **REFER. IS THE ISSUE OF DEBIT BALANCES IN ACCUMULATED**
7 **DEPRECIATION A FACTOR IN THE LACK OF SUFFICIENT RETIREMENT**
8 **DATA?**

9 **A.** No, the lack of retirement data is much broader than the specific debit balances in
10 accumulated depreciation. I would note that even if there were sufficient retirement data,
11 the debit balances in accumulated depreciation are the result of required accounting in
12 accordance with the NARUC USOA. That required accounting would not and should not
13 change by a depreciation study that establishes depreciation rates.

14 **Q. DO YOU UNDERSTAND MR. RADIGAN'S TESTIMONY IN WHICH HE**
15 **SURMISES A "TRICK" ISSUE SINCE "YOU CAN'T ACCRUE THE**
16 **DEPRECIATION TO ACCOUNT FOR THE EARLY RETIREMENT IF THERE**
17 **ARE NO ACCRUALS ON OTHER ASSETS IN THE ACCOUNT"?**

18 **A.** No, retirements occur whether or not there are depreciation accruals.

19 **Q. MR. RADIGAN FINISHES HIS SURREBUTTAL OF YOUR REBUTTAL**
20 **TESTIMONY BY CONCLUDING THAT THE BOOKED DEPRECIATION**
21 **RELATED TO FULLY DEPRECIATED ACCOUNTS IS MONEY THAT YOU**
22 **AND THE COMPANY WANT TO KEEP. DOES HIS CONCLUSION REFLECT**
23 **AN ACCURATE UNDERSTANDING OF THE RATE SETTING PROCESS?**

1 A. No. The only costs (“money”) the Company collects from the rates it charges its
2 customers for water and wastewater service are the costs approved by the Commission.
3 Until the next rate case, the increment of booked depreciation accruals that are higher
4 than depreciation allowed for rate setting are not additional costs (or more money) that is
5 collected. Instead, as I previously stated, the booked net operating income or return on
6 investment is lower because the accrued depreciation is higher than allowed; and the
7 accumulated depreciation is higher resulting in a lower future rate base. Thus, the
8 customers actually benefit by the additional booked depreciation.

9 **Q. WHAT DO YOU CONCLUDE FROM YOUR REVIEW OF THE**
10 **SURREBUTTAL TESTIMONIES OF RUCO AND ACC STAFF?**

11 A. Their surrebuttal testimonies regarding their proposed adjustments pertaining to debit
12 accumulated depreciation balances caused by retirements, the majority of which have
13 been previously approved in rate decisions by the Commission, and the depreciation on
14 individual assets in a group that are fully depreciated, do not address the determinative
15 rate setting principles. With the exception of the booked depreciation expense related to
16 fully depreciated accounts, which had no adverse impact on customers, the Company
17 complied with accounting requirements of the prescribed NARUC USOA. RUCO’s and
18 ACC Staff’s proposed adjustments would, in effect, reverse the required accounting.
19 Their adjustments are in conflict with depreciation practices and concepts that have been
20 recognized and used for about 100 years throughout the country, and none of the witness
21 even identifies, let alone justifies, the depreciation concept represented by their respective
22 proposed adjustments. None of the witnesses addresses the retroactive ratemaking nature
23 of their proposed adjustments.

1 Q. DOES YOUR SILENCE ON ANY ISSUE RAISED BY ANY PARTY IN THEIR
2 SURREBUTTAL TESTIMONY INDICATE YOUR ACCEPTANCE OF THEIR
3 POSITION?

4 A. No.

5 Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY AT THIS TIME?

6 A. Yes.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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

DIRECT TESTIMONY OF
MIKE WORLTON, P.E.

March 7, 2014

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Tubac Water

- 2013 Recurring Projects – Distribution
- 2013 Recurring Projects – Facilities

Mohave Wastewater

- Tools and Equipment
- Vehicles
- 2013 Recurring Projects - Distribution
- 2013 Recurring Projects – Facilities

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE
3 NUMBER.

4 A. My name is Mike Worlton. My business address is 2355 W. Pinnacle Peak Road,
5 Suite 300, Phoenix, AZ 85027. My business phone is 623-445-2404.

6 Q. IN WHAT CAPACITY AND BY WHOM ARE YOU EMPLOYED?

7 A. I am employed by EPCOR Water USA ("EWUS") as the Director of Engineering.

8 Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR THE
9 COMPANY.

10 A. I am responsible for the planning, engineering, and project delivery of EPCOR
11 Water Arizona Inc.'s ("EWAZ" or "Company") and EPCOR Water New Mexico's
12 capital programs along with the developer services and GIS functional areas. I am
13 responsible for first identifying and prioritizing projects into the budgeting process,
14 then providing oversight of the design and construction contracts to ensure
15 compliance with assigned budget and schedule.

16 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND
17 EDUCATION.

18 A. I have nearly 18 years of experience as an engineer. I have spent nearly 17 of my
19 18 years engaged in water and wastewater engineering in Arizona. The bulk of
20 that experience is related to planning, design, and construction support for water
21 and wastewater infrastructure projects.

22 Prior to joining EWUS, I managed engineering and water and wastewater
23 operations for GHD, Inc. in Arizona. I have also served as Water and Wastewater
24 Practice Leader at AMEC Environment & Infrastructure and a Water Resources
25 Department Manager at Robert Bein, William Frost & Associates ("RBF")
26 Consulting (now Michael Baker Corporation). I have completed various water-

1 related training courses including valve operation, pump system design, wastewater
2 and water treatment, and water resource management. I am a Board Certified
3 Environmental Engineer and a Fellow of the American Society of Civil Engineers.
4 I am required to complete 20 hours of continuing education annually to maintain
5 various professional registrations and certifications.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

7 A. I received my Bachelors and Masters of Science degrees in Civil Engineering from
8 Brigham Young University in 1996 and 1997, respectively. My education focused
9 on water and wastewater engineering and environmental science.

10 **Q. ARE YOU A REGISTERED PROFESSIONAL ENGINEER OR
11 CERTIFIED OPERATOR?**

12 A. I am a professional engineer registered in the states of Arizona, California, Texas,
13 and Utah. I am also a Grade 4 operator certified in the state of Arizona for water
14 treatment, water distribution, wastewater treatment and wastewater collections.

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

16 A. Yes. Approximately 10 years ago I testified on behalf of Desert Hills Water
17 Company in a case brought by a developer involving low water pressures.

18 **II. PURPOSE OF TESTIMONY**

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

20 A. My testimony will provide engineering support relating to post-test year project
21 costs proposed to be included in the rate bases of the districts in this application. I
22 will provide the justification for including these projects in the proposed rate bases
23 and also provide the detail supporting the costs.

24 **III. POST-TEST YEAR CAPITAL PROJECTS**

25 **Q. IS THE COMPANY PROPOSING ANY POST-TEST YEAR PLANT
26 ADDITIONS IN THIS PROCEEDING?**

1 A. Yes. There are post-test year capital projects in Sun City Water, Mohave Water,
 2 Mohave Wastewater, Tubac Water, and Paradise Valley Water. For these districts
 3 we are proposing post-test year plant additions of \$15,318,135 consisting of
 4 Investment Projects ("IPs") and Recurring Projects ("RPs") as summarized in
 5 Table 1 below. The proposed adjustment to the respective rate base is presented by
 6 Company witness Ms. Sheryl L. Hubbard on Schedule B-2 Adj. SLH-1 for each
 7 district.¹ All of the proposed additions to plant are necessary investments for the
 8 Company to continue to provide its customers with safe and reliable water and
 9 wastewater services. Below is an explanation of each of the post-test year plant
 10 additions.

11 Table 1. Summary of Post-Test Year Plant Additions

District	IP	RP				Corporate Allocation	Total IP & RP and Corporate Allocation
		Tools	Vehicles	Distribution	Facilities		
Sun City Water	\$2,151,294	\$ 6,600	\$ 0	\$1,298,813	\$ 559,351	\$ 197,525	\$ 4,213,353
Mohave Water	\$5,465,043	\$ 51,081	\$ 37,556	\$1,805,830	\$ 259,878	\$ 135,554	\$ 7,754,942
Mohave Wastewater	\$ 0	\$ 3,841	\$ 24,321	\$ 1,250	\$ 123,233	\$ 12,106	\$ 164,751
Tubac Water	\$ 0	\$ 1,523	\$ 0	\$ 26,709	\$ 17,898	\$ 5,117	\$ 51,247
Paradise Valley Water	\$1,283,949	\$ 1,354	(\$ 6,958)	\$ 1,078,173	\$ 735,939	\$ 41,385	\$ 3,133,841
Total	\$8,900,286	\$ 64,399	\$ 54,919	\$4,210,775	\$1,696,299	\$391,457	\$ 15,318,135

21 **IV. INVESTMENT PROJECTS**

22 **Q. PLEASE EXPLAIN WHAT IS MEANT BY THE PHRASE "INVESTMENT PROJECT".**

23
 24 **A.** Investment Projects (IPs) are necessary capital improvement projects that are
 25 designed to ensure quality water service, resolve operational challenges, and comply

26 ¹ See Schedule B-2.

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with regulatory requirements. IPs typically arise as the result of recommendations in the Company's comprehensive planning studies ("CPS"), performed for each district. Each CPS generates and identifies capital improvement projects to address areas of concern in the Company's individual districts. These studies analyze and develop customer demand projections; evaluate the adequacy of the source of supply; study water quality characteristics; address reliability concerns of treatment facilities to meet projected maximum day demands; conduct an analysis of existing storage facilities to ensure adequate storage volume is available during peak hour demands and to provide effective fire flow storage; and evaluate the distribution system operation during peak hour demands in all pressure gradients.²

Q. PLEASE IDENTIFY THE INVESTMENT PROJECTS THAT EWAZ IS REQUESTING TO INCLUDE IN POST-TEST YEAR PLANT ADDITIONS IN THIS PROCEEDING.

A. The proposed IPs by district are summarized by project number and district in Table 2 below.

² EWAZ considers the CPS documents to be confidential and proprietary documents. However, the Company will make them available to requesting parties under an appropriate protective order restricting public use of and access to these CPS.

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Table 2. Investment Projects by District

District	Ref.	Project Number	Amount
Sun City Water:			
Replacement of Well #8.3	A	379002	\$ 2,151,294
Mohave Water:			
Laredo Vista Well #2	B	279011	\$ 2,478,823
Well #16.4	C	379008	\$ 1,906,021
Camp Mohave Manganese	D	279012	\$ 363,644
Old BHC Main Replacements	E	279343	\$ 501,556
Mohave to North Mohave Interconnect	F	479021	\$ 215,000
Mohave Wastewater			\$ 0
Tubac Water			\$ 0
Paradise Valley Water:			
PV Country Club Booster Pump Station	G	279005	\$ 1,283,949
Total Investment Projects			\$ 8,900,286

Q. PLEASE DISCUSS EACH INVESTMENT PROJECT THAT EWAZ IS REQUESTING TO INCLUDE IN ITS RATE BASES IN THIS PROCEEDING BY PROJECT NUMBER IDENTIFIED IN TABLE 2 ABOVE.

A. EWAZ is requesting post-test year plant additions in its Sun City Water, Mohave Water, and Paradise Valley Water districts. A discussion of the projects by district and project number follows.

A. Sun City Water Replacement of Well #8.3 – Project #379002

1 The Sun City Water service area receives all potable water from
2 groundwater sources. The service area is divided into two pressure zones (High
3 Zone and Low Zone). The High Zone is supplied from Water Plants (WP) 5, 6, and
4 8. WP 8 needs to maintain adequate pressure (>40 psi) for customers in the
5 northernmost portion of the district. WP 8 receives its water supply from a total of
6 three wells: 8.1, 8.2, and 8.3. Water quality and productivity of these wells is such
7 that in order to maintain reliable supply to WP 8, all wells must be operational.
8 Water from well 8.2 currently exceeds the nitrate maximum contaminant level
9 ("MCL") and must be blended with water from both Wells 8.1 and 8.3 to satisfy
10 the established standards.

11 Well 8.3 was originally drilled and equipped in 1975. Corrosion of the
12 casing has allowed surrounding soil to fall into the well shaft. The well casing is in
13 poor condition, and 143 feet of sand has accumulated in the well. The well
14 originally produced 1,900 gallons per minute ("gpm"), but production has steadily
15 diminished to about 430 gpm in 2013. In addition, customers have complained of
16 sand, and excessive sand production has required fitting the well with a de-sander.
17 Even with this improvement, the well continues to require frequent pump
18 maintenance.

19 While this is not the oldest of EWAZ's wells, it is known that a lower grade
20 of steel was typically used for well casings at the time this well was constructed,
21 and corrosion has been more pronounced as a result. A study of the well condition
22 completed in 2003 and a video survey performed in March of 2010 indicate that the
23 condition of Well 8.3 has deteriorated to the extent that it is considered to be at risk
24 of failure. Due to the extremely poor condition, diminishing capacity, and the
25 history of repairs and temporary fixes to this well, replacement is considered to be
26

1 the best option. Therefore, construction of a replacement well on the site of the
2 existing Well 8.3 was recommended.

3 A major concern with the condition of well 8.3 is meeting demands when it
4 fails. WP 8 has peak demands of 2,700 gpm. Total well water supply to this plant
5 is about 2,611 gpm. With the largest well out of service, this drops to 1,429 gpm
6 firm capacity. Of even greater concern is the fact that, if Well 8.3 fails, water from
7 Well 8.2 cannot be sufficiently blended to reduce nitrates to allowable standards.
8 If water is only supplied from Well 8.1, there will be inadequate supply to meet
9 demands in this part of the Sun City Water District.

10 This project entails construction of a replacement well, to be drilled on the existing
11 Well 8.3 site. Final accounting for the project is expected to be completed by June
12 2014 at an estimated total post-test year project cost of \$2,151,294.

13 **B. Mohave Water Laredo Vista Well #2 – Project #279011**

14 The Mohave Water service area serves zones 1290 and 1100 through two
15 wells, Well #24-1 in Bullhead City and Laredo Vista Well #1. These wells have a
16 combined production capacity of about 1.99 million gallons per day (“MGD”), yet
17 the maximum day demand for these two zones is 2.04 MGD. With Well #24-1
18 (1.73 MGD capacity) out of service, the remaining, firm capacity for this system is
19 0.26 MGD. This translates into a deficit of 1.78 MGD.

20 The 2008 Mohave District CPS identified the need for additional supply
21 sources in these zones and recommended drilling new wells to make up the firm
22 supply deficit. As a result of this study, EWAZ obtained and equipped Laredo
23 Vista Well #1; however, since this well only supplies an additional 0.26 MGD,
24 additional supply sources were still required to ensure a firm supply and reliable
25 water service to customers. It was proposed that a new well, Laredo Vista Well 2,
26

1 be drilled to increase the supply. The well site is located on land owned and
2 designated by EWAZ for a well site.

3 The scope of the project includes the following: drilling and equipping the
4 well and installation of a disinfection system, an estimated 35,000 gallon tank for
5 chlorine contact time and equalization, booster pumps, and piping to connect into
6 the distribution system. Final accounting for the project is expected to be complete
7 in March 2014 at an estimated total post-test year project cost of \$2,478,823.

8 **C. Mohave Water Well #16.4 – Project #379008**

9 Mohave Water Well #16-2 was originally drilled in 1975 and is the only
10 source dedicated to the 800 and 880 Zones. A video inspection of the well was
11 performed on March 16, 2010. Recommendations from this inspection note the
12 very poor casing condition and state that the well should be replaced. A reduction
13 in pump capacity from 700 gpm to 500 gpm was also indicated. There is a
14 probability that this well could fail due to the poor condition of the casing. This
15 would result in a loss of service to customers in these zones.

16 The proposed Mohave Water Well #16.4 will provide reliable water supply
17 for Zones 800, 880, and 1110. Final accounting for the project is expected to be
18 completed in June 2014 at an estimated total post-test year project cost of
19 \$1,906,021.

20 **D. Old BHC Main Replacements – Project #279343**

21 As testified by Company witness, Ms. Candace Coleman, the Old Bullhead
22 City water system has experienced excessive leaking and is served by Acrylonitrile
23 Butadiene Styrene (“ABS”) pipe installed between 1967 and 1970. This project
24 also included areas where fire hydrants were fed through 4-inch asbestos cement
25 pipe (“ACP”) water mains. At the request of the City, EWAZ initiated water main
26 improvements to serve these areas. These improvements to the water system were

1 planned to precede Bullhead City's improvements to existing streets in the area.
2 It is anticipated that this will provide a cost savings and convenience to customers
3 because the cost and disruption of trenching the older pavement is limited relative
4 to what would be expected with new pavement.

5 This project included installation of approximately 4,000 linear feet ("LF")
6 of 8-inch and 100 LF of 12-inch pipeline. Existing fire hydrants along the
7 alignment of the proposed waterlines were reconnected to the new lines.
8 Fire hydrants were also installed as needed at the intersection of each street and
9 Highway 95. Various cross connections with the existing system were also made.
10 Final accounting for the project was completed in September of 2013 at an
11 estimated total post-test year project cost of \$501,556.

12 **E. Camp Mohave Manganese – Project #279012**

13 The Camp Mohave Well is the sole source of supply for the Camp Mohave
14 water system. This well produces about 140 gpm; the average day demand on this
15 system is 60,000 gallons. The water contains about 0.2 mg/L manganese which can
16 cause water to have a grey/black color which can leave stains. The Secondary
17 Maximum Contaminant Level (smcl) for manganese is 0.05 mg/L. Regular system
18 flushing was used to mitigate the customer impact of high manganese. In 2011,
19 1,851,000 gallons of water were flushed, equaling 11% of system production.
20 Water that is discolored by manganese causes frequent customer complaints.
21 Manganese can stain household fixtures and clothing, which can cause damage to
22 the personal property of EPCOR's customers. Installation of this manganese
23 treatment plant helps to conserve this water, providing savings to the customer in
24 future years. It will also eliminate staining.

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1 The Camp Mohave Well is also high in total organic carbon (TOC)
2 concentrations which aid in the formation of total trihalomethane (TTHM)
3 compounds. EPCOR was at risk of being out of compliance with the EPA Stage 2
4 Disinfection Byproduct Rule if TOCs were not reduced.

5 The manganese will be removed from the water through an
6 oxidation/filtration process, which is the recommended treatment method for the
7 concentration of manganese present in the Camp Mohave Well. Reduction of TOC
8 through treatment was also identified as the most effective way to limit TTHM
9 formation.

10 The project was completed in July 2013 but was not transferred from CWIP
11 to plant in service before the end of the test year. Final accounting for the project
12 was completed in December 2013 for a total post-test year project cost of
13 \$363,644.
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15 **F. Mohave to North Mohave Interconnect – Project# 479021**

16 Pegasus Ranch Estates is located within EWAZ's Mohave Water District
17 and is immediately adjacent to the North Mohave Valley Corporation, which utility
18 was recently acquired by EWAZ. The water pressures in Pegasus Ranch are not
19 ideal due to a significant elevation difference across the development. In order to
20 maintain marginal pressure at higher points in the system, homes at lower
21 elevations are subject to pressures over 100 psi. In order to control pressures at the
22 low point in the system, lots on the higher end of the development receive
23 pressures below 20 psi.
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1 The North Mohave district has two storage tanks and a water distribution
2 line within a few hundred feet of the existing waterline at the highest elevation
3 point in Pegasus Ranch. A simple connection of the two systems would relieve
4 water pressure issues in Pegasus Ranch and also provide redundancy.
5 The interconnection will require a pressure reducing valve or a disconnect
6 strategically located so that the water pressure does not exceed 80 psi in lower
7 elevations. Final accounting for the project is expected to be completed by June
8 2014 at an estimated total post-test year project cost of \$215,000.

9 **G. Paradise Valley Country Club Booster Pump Station – Project# 279005**

10 The Paradise Valley (“PV”) Country Club Booster Pump Station was
11 originally built in the 1950s and rehabilitated in 1996. This station has not been
12 reliable or efficient in providing adequate pressures at necessary flow rates to the
13 Paradise Valley Water system. This station has four pumps that have been
14 operated manually because there were no electronic controls on the pumps.
15 All four pumps ran 24 hours a day, 7 days a week, except during the time required
16 to perform regular maintenance. This pump station serves approximately 410
17 customers in the Country Club Zone, plus an additional 460 customers in
18 4 downstream pressure zones. If, for any reason, one of the four existing pumps is
19 out of service during high water demand times, the remaining three pumps cannot
20 supply the minimum pressure requirement (20 psi) to all customers.

21 If the future peak water demand exceeds historical peak demands, it is
22 possible that the pumps would not be capable of supplying the required minimum
23 pressure to all customers even with all four pumps operational. If this loss of
24 pressure occurs, it would require reporting loss of pressure to the Arizona
25 Department of Environmental Quality and to Maricopa County Department of
26 Environmental Services.

1 This project included replacement of all the pumps with new pumps that met
2 the required design flow and head. All header piping was also increased to reduce
3 headloss. Variable frequency drives were added to provide more efficiency and
4 better control to EWAZ's operations staff. Also, the design point of the
5 replacement pumps now allows for redundancy, which did not exist in the past.
6 This project was completed in September 2013. Final accounting was completed
7 February 2014 at a total post-test year project cost of \$1,283,949.

8 **V. RECURRING PROJECTS**

9 **Q. PLEASE EXPLAIN WHAT IS MEANT BY THE PHRASE "RECURRING
10 PROJECTS".**

11 **A.** Recurring Projects (RPs) are routine capital improvements that are typical in nature
12 and incurred to ensure operation of a reliable water system. These expenditures are
13 usually comprised of installing short sections of mains, hydrants, valves, meters,
14 services, small pumps and motors, and other items considered general equipment.
15 The annual level of expenditures for each of the individual RPs varies from year to
16 year based on need.

17 **Q. PLEASE DISCUSS THE RPs THAT EWAZ IS REQUESTING TO
18 INCLUDE AS POST TEST-YEAR PLANT ADDITIONS IN ITS RATE
19 BASES BY DISTRICT.**

20 **A.** A discussion of the requested rate base additions by district and project number for
21 RPs follows. The discussion is categorized similar to the values shown in Table 1
22 above and include Tools and Equipment, Vehicles, Distribution, and Facilities.

23 **VI. TOOLS AND EQUIPMENT**

24 **A. Sun City Water – Project # 479314**

25 This project was set up during the budgeting process to provide for the
26 purchase of miscellaneous tools and equipment required for the Sun City Water

1 operations. By June 30, 2014, the Company plans to spend an estimated \$6,600 on
2 tools for repairs and emergency replacements.

3 **B. Mohave Water – Projects # 379108 and # 479340**

4 Similar in nature to the project set up for Sun City Water, this Mohave
5 Water project has been set up during the budgeting process to enable the purchase
6 of miscellaneous tools and equipment required for the Mohave Water operations.
7 By June 30, 2014, the Company plans to spend an estimated \$51,164 on tools for
8 repairs and emergency replacements.

9 **C. Mohave Wastewater – Projects # 379108 and # 479343**

10 This project was set up during the budgeting process to provide for the
11 purchase of miscellaneous tools and equipment required for the Mohave
12 Wastewater operations. By June 30, 2014, the Company plans to spend an
13 estimated \$5,401 on tools for repairs and emergency replacements.

14 **D. Tubac Water – Project # 479351**

15 This project was set up during the budgeting process to provide for the
16 purchase of miscellaneous tools and equipment required for the Tubac Water
17 operations. By June 30, 2014, the Company plans to spend an estimated \$1,523 on
18 repairs and emergency replacements on tools for repairs and emergency
19 replacements.

20 **E. Paradise Valley Water – Projects # 379108 and # 479347**

21 This project was set up during the budgeting process to provide for the
22 purchase of miscellaneous tools and equipment required for the Paradise Valley
23 Water operations. By June 30, 2014, the Company plans to spend an estimated
24 \$21,796 on tools for repairs and emergency replacements.

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1 **VII. VEHICLES**

2 **A. Mohave Wastewater – Project #473944**

3 This project captures the costs associated with planned RP vehicle purchases
4 required for the Mohave Water operations. By June 30, 2014, the Company plans
5 to apply an estimated \$24,321 toward a vacuum trailer.

6 **VIII. DISTRIBUTION**

7 **A. Sun City Water Projects #379101, 379102, 379104, 379107, 379110,**
8 **389600, 389601, 389602, 379331, 489105, 489105, 489106, 489107,**
9 **489108, 489100**

10 By June 30, 2014, the Company will complete an estimated \$1,298,813 for
11 Sun City Water replacing services, meters, mains, valves, hydrants, and electrical
12 systems, referred to as RP – Distribution in Table 1 above. The following
13 summary details the cost by category:

14

Project Name	Estimated Cost
Replace Hydrants	\$ 109,616
Main Breaks	\$ 202,778
Replace Meters	\$ 726,323
Replace Services	\$ 121,648
Replace Valves	\$ 102,288
Upsize/Downsize Meters	\$ 263
Replace/Relocate Mains	\$ 35,897
Post Test-Year Total	\$ 1,298,813

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B. Mohave Water Projects #279453, 379102, 379104, 379107, 379110, 379331, 379453, 479136, 479137, 479138, 479139, 479141

By June 30, 2014, the Company will complete an estimated \$1,805,830 replacing meters, services, valves, replacing or relocating mains, and repairing main breaks. The following summary details the cost by category:

Project Name	Estimated Cost
Main Breaks	\$ 40,803
Replace Meters	\$ 327,461
Replace Services	\$ 904,835
Replace Valves	\$ 130,836
Replace/Relocate Mains	\$ 394,930
Booster Stations	\$ 6,965
Post Test-Year Total	\$ 1,805,830

C. Mohave Wastewater Collections – Projects #379103, 479142

By June 30, 2014, the Company will complete an estimated \$1,250 to replace manholes in the Mohave Wastewater District.

D. Tubac Water– Projects #379104, 379107, 479150, 479151, 479152, 479153

By June 30, 2014, the Company plans to spend an estimated \$26,709 replacing meters, services, valves, and hydrants in the Tubac water district. The following summary details the cost by category:

Project Name	Estimated Cost
Replace Meters / Mains / Valves / Hydrants	\$ 1,291
Replace Services	\$ 25,417
Post Test-Year Total	\$ 26,709

E. Paradise Valley Water- Projects # 379101, 379102, 379104, 379107, 379110, 379331, 479144, 479145, 479146, 479147, 479148, 479149

By June 30, 2014, the Company will complete an estimated \$1,708,173 replacing hydrants, meters, services, and valves and replacing or relocating mains and repairing main breaks in the Paradise Valley Water system. The following summary details the cost by category:

Project Name	Estimated Cost
Replace Hydrants	\$ 25,293
Main Breaks	\$ 91,159
Replace Meters	\$ 313,479
Replace Services	\$ 365,299
Replace Valves	\$ 164,644
Replace/Relocate Mains	\$ 114,878
New Hydrants	\$ 3,422
Post Test-Year Total	\$ 1,078,173

IX. FACILITIES

A. Sun City Water - Project #379333

EWAZ budgets to replace and repair other assets identified by the Company's operations management team. The Sun City Water projects will

1 replace or improve existing infrastructure. By June 30, 2014, the Company will
 2 complete an estimated \$559,351 on the projects identified in the table below.
 3

4 Project Name	Estimated Cost
5 Emergency Repair and Replacements	\$ 182,844
6 Water Plant Facilities & Equip	\$ 63,811
7 SCADA	\$ 92,300
8 Repair Theft Damage and Rewind Motor at Well 5.4	\$ 86,062
9 Replace valves on storage tanks	\$ 38,507
10 Plant 6 Cathodic Protection	\$ 20,000
11 Replace Mechanical Seals for Boosters 3 & 4 at WP 8	\$ 18,092
12 Replace SC Plant #1 Production Meter	\$ 10,700
13 WP 2 Gate Valve and Cla-Val Relief Repair	\$ 15,275
14 Plant 6 Generator tie to Low Zone	\$ 7,500
15 Replace 8" check valve on SC Plant 5 Booster Pump 1	\$ 4,413
16 Replace Mechanical Seals for Boosters 1 & 2 at WP 2	\$ 9,581
17 GIS Map Books	\$ 5,536
18 Miscellaneous	\$ 4,731
19 Post Test-Year Total	\$ 559,351

20 **B. Mohave Water – Projects #379106 and 379333**

21 EWAZ budgets to replace and repair other assets identified by the
 22 Company's operations management team. The projects in the Mohave Water
 23 district will replace or improve existing infrastructure. By June 30, 2014, the
 24 Company will complete an estimated \$259,878 on the projects identified in the
 25 table below.
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Project Name	Estimated Cost
Wells Pumping & Equip	\$ 5,515
Plant Facilities & Equip	\$ 107,260
Security	\$ 11,055
SCADA	\$ 128,924
GIS Map Books	\$ 7,124
Post Test-Year Total	\$ 259,878

C. Mohave Wastewater – Project #379333

The projects in the Mohave Wastewater district will replace or improve existing infrastructure. By June 30, 2014, the Company will complete an estimated \$123,233 on the projects identified in the table below. The credit amounts in the table below reflect final adjustment values for projects completed and not transferred from CWIP to plant in service by the end of the test year.

Project Name	Estimated Cost
Plant Facilities & Equip	\$ 57,565
Steel Support Base for VFD Pumps at WW	\$ 14,892
Wishing Well Diffuser Replacement	\$ 37,242
Los Lagos Lift Station Drainage	\$ 7,773
Replace Chlorine Regulator at Wishing Well	\$ 2,213
GIS Map Books	\$ 3,549
Post Test-Year Total	\$ 123,233

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D. 2013 Tubac – Project #379333

The projects in the Tubac Water district will replace or improve existing infrastructure. By June 30, 2014, the Company will complete an estimated \$17,898 on the projects identified in the table below.

Project Name	Estimated Cost
Plant Facilities & Equip AZ	\$ 17,437
GIS Map Books	\$ 461
Post Test-Year Total	\$ 17,898

E. 2013 Paradise Valley Water - Facilities – Projects #379105, 379333, 379334, 479345, 479346

The projects in the Paradise Valley Water district will replace or improve existing infrastructure. By June 30, 2014, the Company will complete an estimated \$735,939 on the projects identified in the table below.

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Project Name	Estimated Cost
SCADA	\$ 462,150
Office & Ops Center	\$ 56,548
Plant Facilities & Equip	\$ 66,187
Arsenic Removal Facility	\$ 64,725
Rebuild DP 3 Motor at ARF	\$ 15,478
Rebuild Well 14 Motor	\$ 30,712
Wells Pumping & Equip	\$ 7,296
Replace Bowl Bushings at MRTF for DP 3	\$ 8,788
Replace Line Shaft Bearing at MRTF for DP 1	\$ 9,304
Six 16" Valves for the MRTF Distribution Pumps	\$ 6,582
Miscellaneous	\$ 6,679
GIS Map Books	\$ 1,490
Post Test-Year Total	\$ 735,939

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
A. Yes.