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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

SUSAN BITTER SMITH - CHAIRMAN
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

IN THE MATTER OF THE APPLICATION OF
CHINO MEADOWS II WATER COMPANY, INC.
FOR APPROVAL OF A RATE INCREASE.

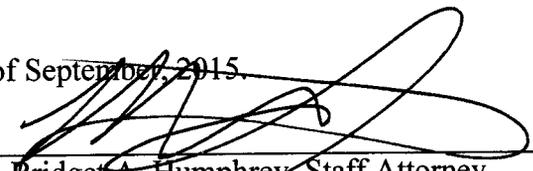
DOCKET NO. W-02370A-14-0231

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

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the Surrebuttal Testimony of Staff witnesses Teresa B. Hunsaker, in the above-captioned matter.

RESPECTFULLY SUBMITTED this 10th day of September, 2015.

By


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Original and thirteen (13) copies of the foregoing filed this 10th day of September, 2015, with:

Docket Control
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1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing mailed and/or emailed this 10th day of September, 2015, to:

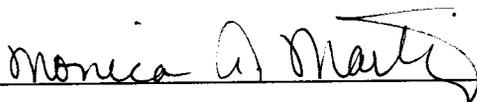
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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
CHINO MEADOWS II WATER CO. INC. FOR)
A RATE INCREASE.)
_____)

DOCKET NO W-02370A-14-0231

SURREBUTTAL

TESTIMONY

OF

TERESA B. HUNSAKER

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

SEPTEMBER 10, 2015

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EXECUTIVE SUMMARY
CHINO MEADOWS II WATER CO., INC.
DOCKET NO. W-02370A-14-0231

Staff's surrebuttal testimony responds to Chino Meadows II Water Co., Inc. ("Chino Meadows", "CM" or "Company") rebuttal testimony on the following issues:

1. Cost Allocations
2. Rate Base
 - a. Contributions in Aid of Construction ("CIAC") for Unsupported Plant, Amortization of CIAC and Amortization of CIAC based on Composite Rate Adjustments¹
 - b. CIAC from Insurance Proceeds and Amortization of CIAC
 - c. Accumulated Depreciation
 - d. Cash Working Capital
3. Operating Income
 - a. Allocations to Water Companies
 - b. Depreciation Expense
 - c. Property Tax Expense
 - d. Income Tax Expense
4. Rate Design
5. Other Issues

Staff's Primary Recommendation:

In direct testimony, Staff recommended total operating revenue of \$357,985, which resulted in a \$0 (0.00 percent) increase over the Staff's adjusted test year revenue of \$357,985. Staff also recommended test year expenses of \$301,230. Staff's recommendation would produce \$56,754 in operating income. This current and recommended cash flow level results in a 41.93 percent rate of return and a 15.85 percent operating margin.

However, Staff's surrebuttal testimony now supports adjusted test year operating expenses of \$310,068. This results in an operating income of \$47,916. This cash flow level results in a 29.66 percent rate of return and a 13.38 percent operating margin.

Staff's Alternative Recommendation:

In direct testimony, Staff's alternative recommendation would result in a decrease in the current rates. These recommended rates would produce total operating revenue of \$299,772, a \$58,212 (16.26 percent) decrease, from Staff's adjusted test year revenue of \$357,985, to provide a

¹ Staff included the adjustment to the amortization of CIAC based on composite rates which was omitted from direct testimony filed. Staff corrected the error and included this adjustment within Rate Base Adjustment No. 1.

\$13,537 operating income and a 10.00 percent rate of return on Staff adjusted original cost rate base (“OCRB”) of \$135,369. OCRB and fair value rate base (“FVRB”) are deemed to be the same.

Staff’s alternative recommendation has been adjusted in surrebuttal testimony and also results in a decrease in the current rates. These recommended rates would produce total operating revenue of \$316,072, a \$41,916 (11.71 percent) decrease, from Staff’s adjusted test year revenue of \$357,985, to provide a \$16,153 operating income and a 10.00 percent rate of return on Staff adjusted OCRB of \$161,528, as shown on Surrebuttal Schedule TBH CM-1B. Again, OCRB and FVRB are deemed to be the same.

The Company and Staff’s recommended revenue requirements and associated rate increase are summarized as follows:

	<u>Revenue Requirement</u>	<u>Revenue Change</u>	<u>% Change</u>
Company Application	\$497,378	\$139,014	38.79%
Staff Direct	\$357,985	\$0	0.00%
Staff Direct Alternative	\$299,772	(\$58,212)	(16.26%)
Company Rebuttal	\$402,603	\$44,618	12.46%
Staff Surrebuttal	\$357,985	\$0	0.00%
Staff Surrebuttal Alternative	\$316,072	(\$41,916)	(11.71%)

1 **I. INTRODUCTION**

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

3 A. My name is Teresa B. Hunsaker. I am a Public Utilities Analyst III working for the Arizona
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”). My
5 business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Teresa B. Hunsaker who filed direct testimony in this case?**

8 A. Yes.

9
10 **II. PURPOSE OF SURREBUTTAL TESTIMONY**

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

12 A. The purpose of my surrebuttal testimony in this proceeding is to testify on behalf of Staff
13 regarding the additional changes Staff made to its direct testimony and respond to the
14 rebuttal testimony of Mr. Ray L. Jones, witness for Chino Meadows II Water Company Inc.
15 (“Chino Meadows”, “CM” or “Company”).

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

18 A. I will address the issues listed below that are discussed in the rebuttal testimony of the
19 Company’s witness Mr. Ray L. Jones.

20
21 1. Cost Allocations

22
23 2. Rate Base

24 a. Contributions in Aid of Construction (“CIAC”) for Unsupported Plant
25 Amortization of CIAC and Amortization of CIAC based on Composite Rate
26 Adjustments²

27 b. CIAC from Insurance Proceeds and Amortization of CIAC

28 c. Accumulated Depreciation

29 d. Cash Working Capital Allowance

² Staff included the adjustment to the amortization of CIAC based on composite rates which was omitted from direct testimony filed. Staff corrected the error and included this adjustment within Rate Base Adjustment No. 1.

- 1 3. Operating Income
2 a. Allocations to Water Companies
3 b. Depreciation Expense
4 c. Property Tax Expense
5 d. Income Tax Expense
6
7 4. Rate Design
8
9 5. Other Issues

10

11 **Q. Is Staff enclosing new schedules?**

12 A. Yes. Staff has made changes to direct testimony schedules and has provided new surrebuttal
13 schedules.

14

15 **Q. Did you attempt to address every issue raised by Chino Meadows in its rebuttal**
16 **testimony?**

17 A. No. I limited my discussion to certain issues as outlined below. My silence on any particular
18 issue raised in the Company's rebuttal testimony does not indicate that I agree with the
19 Company's stated rebuttal position on the issue. Rather, where I do not respond, I rely on
20 my direct testimony.

21

22 **III. SUMMARY OF PROPOSED REVENUES**

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

24 A. Staff recommends that the Company's current rates remain the same. Staff's recommended
25 rates will produce total operating revenue of \$357,985, a \$0 (0.00 percent) increase, over the
26 Staff's adjusted test year revenue of \$357,985 and adjusted test year expense of \$310,068, to
27 produce a \$47,916 operating income. That level of cash flow results in a rate of return of
28 29.66 percent as shown on Schedule Surrebuttal TBH CM-1A. Staff's recommended rates
29 would result in no change for the typical residential 5/8 x 3/4-inch meter bill with a median
30 usage of 3,469 gallons at \$26.45, as shown on Surrebuttal Schedule TBH CM-25A.

1 *Staff's Alternative Recommendation*

2 Staff's alternative recommendation results in a decrease in the current rates. These
3 recommended rates would produce total operating revenue of \$316,072, a \$41,913 (11.71
4 percent) decrease, from Staff's adjusted test year revenue of \$357,985, to provide a \$16,153
5 operating income and a 10.00 percent rate of return on Staff's adjusted original cost rate base
6 ("OCRB") of \$161,528, as shown on Surrebuttal Schedule TBH CM-1B. Staff's
7 recommended rates would decrease the typical residential 5/8 x 3/4-inch meter bill with a
8 median usage of 3,469 gallons from \$26.45 to \$22.76, for a decrease of \$3.69 or 13.96
9 percent, as shown on Surrebuttal Schedule TBH CM-25B. OCRB and fair value rate base
10 ("FVRB") are deemed to be the same in Staff's Schedules.

11
12 **IV. COST ALLOCATIONS**

13 **Q. Did Staff review the Company's proposed allocations in the Company's rebuttal**
14 **testimony?**

15 A. Yes.

16
17 **Q. What was the Company's proposed common cost allocations?**

18 A. Chino Meadows is proposing the use of two allocators in determining common expense
19 allocations. Those two allocation factors would be based on customer count (weighted) and
20 gross plant. The Company's gross plant allocation percentage uses test year end plant
21 balances and does not consider the impact of recognizing post-test year plant additions in
22 Granite Mountain. The result would be to allocate 80.5 percent of common cost to Chino
23 Meadows, 19.5 percent to Granite Mountain, and 0.0 percent to Antelope Lakes, all
24 beginning in 2016.

25

1 **Q. Does Staff accept the Company's proposal for cost allocation method? Please explain.**

2 A. No. Staff reviewed and analyzed several alternative scenarios including those proposed by
3 the Company. These scenarios included the inclusion of the post-test year plant for Granite
4 Mountain, using gross plant versus net plant and weighting the different factors. Although
5 Antelope Lakes has few customers, Company employees still service, repair and operate this
6 utility and therefore, costs should be allocated accordingly. Based on the review of numerous
7 different scenarios, Staff has modified its original 4-factor allocation recommendation and
8 now recommends the use of a simpler method.

9
10 **Q. What allocation basis is Staff now recommending?**

11 A. Staff is recommending the use of following allocation percentages: Antelope Lakes 1.0
12 percent, Chino Meadows 75.0 percent and Granite Mountain 24.0 percent as shown on
13 Surrebuttal Schedule TBH CM-19e. Staff recommends that these allocation percentages be
14 considered to be fixed and that the percentage not be changed for this case regardless of the
15 level of post-test year plant ultimately allowed by the Commission. The reason Staff is
16 recommending the use of these specific allocation percentages is that the level of post-test
17 year plant to be allowed is still at issue and changes in the gross/net plant levels would drive a
18 different expense allocation mix if gross or net plant was one of the allocation factors, and we
19 do not believe that repeated recalculation of these allocators is required. However, Staff will
20 revisit the allocation basis issue in the next rate case. Therefore it recommends each utility
21 company should be prepared to support the reasonableness of the allocation basis.

22

23 **V. RATE BASE**

24 **Q. What changes did Staff make to Rate Base in surrebuttal testimony?**

25 A. Staff made changes to the following adjustments:

- 1 1. Rate Base Adjustment No. 1 – CIAC for Unsupported Plant, Amortization of CIAC and
2 Amortization of CIAC Based on Composite Rate Adjustments
3 2. Rate Base Adjustment No. 2 - CIAC from Insurance Proceeds and the Amortization of
4 CIAC
5 3. Rate Base Adjustment No. 7 - Accumulated Depreciation
6 4. Rate Base Adjustment No. 8 – Cash Working Capital Allowance
7

8 *Rate Base Adjustment No. 1 – Unsupported Plant Treated as CLAC, Amortization of CLAC and Amortization of*
9 *CIAC Based on Composite Rates Adjustment*

10 **Q. Did Staff review Chino Meadows’ rebuttal testimony concerning unsupported plant**
11 **treated as CIAC and Amortization of CIAC?**

12 A. Yes.

13
14 **Q. What was the Company’s main concern?**

15 A. The Company raised concerns regarding Staff’s recommendation to remove 10 percent of the
16 \$42,759 cost of plant in service from rate base, due to the Company not being able to provide
17 detailed invoices or copies of cancelled checks related to these plant additions.

18
19 **Q. Did Staff make changes to its initial Rate Base Adjustment No. 1 – Unsupported**
20 **Plant treated as CIAC and the Amortization of CIAC recommendation?**

21 A. Yes.

22
23 **Q. Please explain Staff’s changes to Rate Base Adjustment No. 1 – Unsupported Plant**
24 **treated as CIAC?**

25 A. Staff corrected its previous adjustment for the amortization of the CIAC based on the
26 appropriate depreciation rates and amortization period added in 2013 as shown on

1 Surrebuttal Schedule TBH CM-5. This modification is being made in response to arguments
2 raised in the Company's rebuttal testimony.

3
4 **Q. Did Staff make additional adjustments to the amortization of CIAC?**

5 A. Yes. Staff inadvertently failed to include a portion of the amortization of CIAC. Staff made
6 the additional adjustments to correct for CIAC within its adjustment. These adjustments
7 were included in Rate Base Adjustment No. 1 in order to maintain the current order of
8 adjustments within its direct testimony. Staff's additional adjustment reflects Staff's
9 calculation of the amortization of CIAC for the prior CIAC balance based on the annual
10 composite rates. The CIAC additions were amortized based on the identified and appropriate
11 depreciation rates as shown on Surrebuttal Schedule TBH CM-5, Line 3.

12

13 *Rate Base Adjustment No. 2 – CLAC for Plant paid for with Insurance Proceeds and Amortization of CLAC*

14 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning plant paid for with
15 insurance proceeds treated as CIAC by Staff?**

16 A. Yes.

17

18 **Q. What was the Company's position on this adjustment?**

19 A. The Company pointed out a mathematical error in Staff's calculations.

20

21 **Q. Did Staff correct the error in its schedules?**

22 A. Yes. Staff corrected its adjustment for the amortization of the CIAC based on the
23 appropriate depreciation rates and amortization period as shown on Surrebuttal Schedule
24 TBH CM-6.

25

1 *Rate Base Adjustment No. 7 – Accumulated Depreciation*

2 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning a possible**
3 **calculation error in Staff's accumulated depreciation balance?**

4 A. Yes. The Company pointed out a mathematical error made in the calculation of the
5 accumulated depreciation due to fully depreciated plant being removed for the calculation
6 provided by Staff. Staff corrected the adjustment for the accumulated depreciation as shown
7 on Surrebuttal Schedule TBH CM-11.

8
9 *Rate Base Adjustment No. 8 – Cash Working Capital Allowance*

10 **Q. Did Staff make any adjustments to its Cash Working Capital Allowance**
11 **recommendation?**

12 A. Yes. Staff's adjustment reflects Staff's calculation of the cash working capital based upon
13 Staff's corrected adjusted test year operating expenses and recommendations.

14
15 *Summary of Rate Base Adjustments*

16 **Q. What is Staff's current rate base recommendation?**

17 A. Staff's direct testimony recommended rate base was \$135,369 and Staff's surrebuttal
18 testimony recommended rate base is \$161,528, an increase of \$26,159.

19
20 **VI. OPERATING INCOME**

21 **Q. What changes did Staff make to Operating Income in its surrebuttal testimony?**

22 A. Staff made changes to the following adjustments:

- 23
24 1. Operating Income Adjustment No. 5 – Allocations to Water Companies
25 2. Operating Income Adjustment No. 6 – Depreciation Expense
26 3. Operating Income Adjustment No. 7 – Property Tax Expense

1 4. Operating Income Adjustment No. 8 – Income Tax Expense

2
3 *Operating Income Adjustment No. 5 – Allocations to Water Companies*

4 Changes to the 4-factor allocation discussed above in the Cost Allocation section.

5 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning Allocations?**

6 A. Yes and Staff addressed the Company's concerns about the allocations in the Common Cost
7 Allocation section above. Staff also reviewed the Company's rebuttal testimony regarding
8 Mr. Levie's salary.

9
10 **Q. Does Staff's position change with regards to Mr. Levie's salary?**

11 A. No.

12
13 **Q. What percentage is Staff now recommending for allocations for Chino Meadows?**

14 A. Staff allocated 75 percent to Chino Meadows for common costs for the regulated companies
15 instead of 70.12 percent originally used in direct testimony. The change in the percentage
16 used resulted in an increase of \$13,373 in common costs allocated to Chino Meadows. The
17 changes in the allocations are shown Surrebuttal Schedules TBH CM-19a and TBH CM-19e.

18
19 *Operating Income Adjustment No. 6 – Depreciation Expense*

20 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning Depreciation**
21 **Expense?**

22 A. Yes. The Company is concerned about the differing levels of CIAC amortization being used
23 by Staff, and the Company disagreement about Rate Base Adjustment No. 1 for Unsupported
24 Plant treated as CIAC.

25

1 **Q. Has Staff's position changed regarding the differing levels of CIAC amortization**
2 **changed?**

3 A. Yes. Staff has corrected errors in CIAC being amortized and Staff continues to recommend
4 Rate Base Adjustment No. 1 for Unsupported Plant treated as CIAC. Staff has adjusted the
5 CIAC amortization as shown on Surrebuttal Schedule TBH CM-20.

6

7 *Operating Income Adjustment No. 7 – Property Tax Expense*

8 **Q. Did Staff make any adjustments to Property Tax Expense?**

9 A. Yes. Staff recommends \$17,694 for test year property tax expense, a \$976 decrease from the
10 Company's proposed amount, as shown on Surrebuttal Schedule TBH CM-21. Staff further
11 recommends adoption of its Gross Revenue Conversion Factor ("GRCF") that includes a
12 factor for Property Tax Expense, as shown on Surrebuttal Schedule TBH CM-2. Property tax
13 expenses are shown on Surrebuttal Schedules TBH CM-13A and TBH CM-13B.

14

15 *Operating Income Adjustment No. 8 – Income Tax Expense*

16 **Q. Did Staff make any adjustments to Income Tax Expense?**

17 A. Yes. Staff applied the statutory state and federal income tax rates to Staff's revised test year
18 taxable income. Income tax expenses for the test year and recommended revenues are shown
19 on Surrebuttal Schedules TBH CM-13A and TBH CM-13B.

20

21 **VII. STAFF'S RECOMMENDED WATER RATE DESIGN**

22 **Q. Please provide a description of Staff's recommended rate design.**

23 A. Under Staff's primary recommendation, Staff continues to recommend no changes in the
24 Company's current rate design as recommended in Staff's direct testimony as shown on
25 Surrebuttal Schedule TBH CM-24A.

26

1 *Staff's Alternative Recommendation*

2 **Q. Please provide a description of Staff's recommended rate design for Staff's Alternative**
3 **Recommendation.**

4 A. Because Staff is recommending a rate decrease in its alternative consideration, Staff also
5 recommends decreases in the minimum monthly charge for all meter sizes. Staff
6 recommends that the monthly minimum for the 5/8 x 3/4-inch meter be \$14.75. Staff
7 recommends maintaining the break-over points contained in present rates for the smaller
8 meter sizes. Staff recommends a decrease to commodity rates in all three tiers. First
9 commodity tier rate would decrease by \$0.20 from \$2.40 per 1,000 gallons to \$2.20 per 1,000
10 gallons. Second commodity tier rate would decrease by \$0.20 from \$3.20 per 1,000 gallons to
11 \$3.00 per 1,000 gallons. Third commodity tier rate would decrease by \$0.20 from \$4.20 per
12 1,000 gallons to \$4.00 per 1,000 gallons. The typical 5/8 x 3/4-inch meter bill with a median
13 usage of 3,469 gallons would decrease by \$3.69 from \$26.45 to \$22.76. Staff's recommended
14 rates are shown in Surrebuttal Schedule TBH CM-24B and the typical bill analysis for 5/8 x
15 3/4-inch meter customers is shown in Surrebuttal Schedule TBH CM-25B.

16
17 **Q. Did Staff prepare schedules showing the average and median monthly bill for present**
18 **rates, Company's proposed and Staff's recommended and alternative rates?**

19 A. Yes. Staff's surrebuttal testimony schedules present Staff's recommended rates on TBH CM-
20 25A and Staff's alternative recommendation on TBH CM-25B. These surrebuttal schedules
21 present the average and median monthly bill for present rates, Company's proposed rates and
22 Staff's recommended rates for each alternative recommendation. However, Staff did not
23 prepare surrebuttal schedules comparing the Company's rebuttal proposed rates to Staff's
24 surrebuttal recommended rates.

1 **VIII. OTHER ISSUES**

2 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning other issues**
3 **regarding the Code of Affiliate Conduct?**

4 A. Yes. The Company does not oppose the development of a Code of Affiliate Conduct as
5 recommended by Staff. However under the Company's current position, it would only be
6 adopted by the ACC-regulated affiliates.

7
8 **Q. What is Staff's position about the Code of Affiliate Conduct?**

9 A. Staff's position has not changed from its direct testimony. Staff would note that transactions
10 between affiliates are closely scrutinized through the audit process and in the current cases a
11 number of transactions required appropriate adjustments due to affiliate transactions between
12 regulated and unregulated affiliates as well as family members. While the Commission may
13 not order unregulated affiliates to abide by this Code of Affiliate Conduct, the Commission
14 expects the Company to operate pursuant to that Code in its dealings with the unregulated
15 affiliates. If the unregulated affiliates do not abide by the Code, additional time will be
16 required in future rate case audits, and higher rate case expense may result so voluntary
17 compliance by the unregulated affiliates would reduce possible disallowances and lower rate
18 case expense.

19
20 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning other issues for the**
21 **Cost Allocations and Staff's recommended reporting of Corporate Cost Allocations?**

22 A. Yes. The Company's position is addressed above in the Common Cost Allocation Section.
23 The Company deems the separate reporting to be unnecessary and proposes to have this
24 reporting addressed in the Code of Affiliate Conduct. The Company states that Staff's
25 current recommendation related to this reporting requirement is not detailed enough.

26

1 **Q. What is Staff's position about the Cost Allocations and the reporting of Corporate**
2 **Cost Allocations?**

3 A. Staff's position is addressed above in the Cost Allocation Section. Staff would agree that the
4 reporting requirements and reporting details should be addressed in the Code of Affiliate
5 Conduct but still deems this recommendation necessary.

6
7 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning other issues for the**
8 **Affiliate Receivable and Payables?**

9 A. Yes. Recommendation 1: The Company's position is to accept that the Company should
10 collect all receivables from affiliates within one year of the Decision in this case. The
11 Company accepts this recommendation but does occasionally advance funds to unaffiliated
12 employees.

13
14 Recommendation 2: The Company's position is to accept that the Company should cease
15 making any further personal loans or advances with Company funds. The Company accepts
16 this recommendation but does occasionally advance funds to unaffiliated employees.

17
18 Recommendation 3: The Company's position does not accept the recommendation in its
19 entirety that the Company should pay all payables to affiliates within 24 months of the
20 Decision. However, the Company does support the recommendation with respect to
21 unregulated affiliates. The Company indicated that an issue may arise of a potentially taxable
22 dividend to Mr. Levie due to this recommendation.

23
24 Recommendation 4: The Company's position does not accept the recommendation in its
25 entirety that the Company should obtain specific authorization by the Commission for
26 indebtedness payable, including amounts appearing in affiliate payable accounts. However,

1 the Company does support the recommendation with respect to unregulated affiliates. The
2 Company indicated that an issue may arise of a potentially taxable dividend to Mr. Levie due
3 to this recommendation.

4

5 **Q. What is Staff's position about the other issues for the Affiliate Receivable and**
6 **Payables?**

7 A. Recommendation 1: Staff's position is that the Company should collect all receivables within
8 one year from the date of the Decision and the Company should not occasionally advance
9 funds to unaffiliated employees.

10

11 Recommendation 2: Staff's position is that the Company should cease making any further
12 personal loans or advances with Company funds and the Company should not occasionally
13 advance funds to unaffiliated employees.

14

15 Recommendation 3: Staff's position has not changed from direct testimony. The Company
16 should pay all payables to affiliates within 24 months of the Decision in this case.
17 Additionally, Speculation on the potential taxable dividend to Mr. Levie is not relevant in this
18 case. Staff notes that the Company is a "for profit" entity and a taxable dividend would seem
19 appropriate.

20

21 Recommendation 4: Staff's position has not changed from direct testimony regarding
22 indebtedness. Staff is not prepared to speculate on the potential taxable dividend to Mr.
23 Levie in this case.

24

1 **Q. Did Staff review Chino Meadows' rebuttal testimony concerning Staff's**
2 **recommendation regarding the appointment of an Interim Manager?**

3 A. Yes. The Company is opposed to an interim manager without due process.
4

5 **Q. What is Staff's position about the appointment of an Interim Manager?**

6 A. Staff's position is that the Company is being provided due process opportunities through the
7 processing of this rate case.
8

9 **Q. Does this conclude your surrebuttal testimony?**

10 A. Yes, it does.

REVENUE REQUIREMENT - STAFF'S RECOMMENDATION

LINE NO.	DESCRIPTION	[A]	[B]
		COMPANY	STAFF
1	Adjusted Rate Base - OCRB and FVRB	\$171,398	\$161,528
2	Adjusted Operating Income (Loss)	(\$26,998)	\$47,916
3	Current Rate of Return (L2 / L1)	-15.75%	29.66%
4	Required Operating Income (L3 * L1)	\$74,604	\$47,916
5	Operating Income Deficiency (L4 - L2)	\$101,603	\$0
6	Gross Revenue Conversion Factor	1.3682	1.3196
7	Increase (Decrease) In Gross Revenue (L6 * L5)	\$139,014	\$0
8	Adjusted Test Year Revenue	\$358,364	\$357,985
9	Proposed Annual Revenue (L7 + L8)	\$497,378	\$357,985
10	Required Increase/(Decrease in Revenue) (%) (L8/L9)	38.79%	0.00%

References:

Column [A]: Company Application 2nd Amended Page 6 and Attachment No. 3 Page 1 Amended.
Column [B]: Staff Schedules Surrebuttal TBH CM-2, TBH CM-3, & TBH CM-13A.

REVENUE REQUIREMENT - STAFF'S ALTERNATIVE RECOMMENDATION

LINE NO.	DESCRIPTION	[A]	[B]
		COMPANY	STAFF
1	Adjusted Rate Base - OCRB and FVRB	\$171,398	\$161,528
2	Adjusted Operating Income (Loss)	(\$26,998)	\$47,916
3	Current Rate of Return (L2 / L1)	-15.75%	29.66%
4	Required Rate of Return	43.53%	10.00%
5	Required Operating Income (L4 * L1)	\$74,604	\$16,153
6	Operating Income Deficiency (L5 - L2)	\$101,603	(\$31,764)
7	Gross Revenue Conversion Factor	1.3682	1.3196
8	Increase (Decrease) In Gross Revenue (L7 * L6)	\$139,014	(\$41,914)
9	Adjusted Test Year Revenue	\$358,364	\$357,985
10	Proposed Annual Revenue (L8 + L9)	\$497,378	\$316,072
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	38.79%	-11.71%

References:

Column [A]: Company Application 2nd Amended Page 6 and Attachment No. 3 Page 1 Amended.
Column [B]: Staff Schedules Surrebuttal TBH CM-2, TBH CM-3, & TBH CM-13B

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]
<i>Calculation of Gross Revenue Conversion Factor:</i>				
1	Revenue	100.00%		
2	Uncollectible Factor (Line 11)	1.05%		
3	Revenues (L1 - L2)	98.95%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	23.16%		
5	Subtotal (L3 - L4)	75.78%		
6	Revenue Conversion Factor (L1 / L5)	131.96%		
<i>Calculation of Uncollectible Factor:</i>				
7	Unity	100.00%		
8	Combined Federal and State Tax Rate (Line 17)	21.88%		
9	One Minus Combined Income Tax Rate (L7 - L8)	78.12%		
10	Uncollectible Rate	1.35%		
11	Uncollectible Factor (L9 * L10)	1.05%		
<i>Calculation of Effective Tax Rate:</i>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.00%		
13	Arizona State Income Tax Rate	6.00%		
14	Federal Taxable Income (L12 - L13)	94.00%		
15	Applicable Federal Income Tax Rate (Line 53)	16.89%		
16	Effective Federal Income Tax Rate (L14 * L15)	15.88%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		21.88%	
<i>Calculation of Effective Property Tax Factor:</i>				
18	Unity	100.00%		
19	Combined Federal and State Income Tax Rate (L17)	21.88%		
20	One Minus Combined Income Tax Rate (L18 - L19)	78.12%		
21	Property Tax Factor	1.65%		
22	Effective Property Tax Factor (L20 * L21)		1.29%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17 + L22)			23.16%
24	Required Operating Income	\$16,153		
25	Adjusted Test Year Operating Income (Loss)	47,916		
26	Required Increase in Operating Income (L24 - L25)		(\$31,764)	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$4,064		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	12,958		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		(8,894)	
30	Recommended Revenue Requirement	\$316,072		
31	Uncollectible Rate (Line 10)	1.35%		
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	\$4,263		
33	Adjusted Test Year Uncollectible Expense	\$4,833		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		(570)	
35	Property Tax with Recommended Revenue	\$17,003		
36	Property Tax on Test Year Revenue	17,694		
37	Increase in Property Tax Due to Increase in Revenue (L35 - L36)		(691)	
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		(\$41,919)	
<i>Calculation of Income Tax:</i>				
39	Revenue	\$357,985	(\$41,913)	\$316,072
40	Operating Expenses Excluding Income Taxes	297,110	(1,255)	295,855
41	Synchronized Interest (L56)	0		0
42	Arizona Taxable Income (L39 - L40 - L41)	60,874		20,217
43	Arizona State Income Tax Rate	6.00%		6.00%
44	Arizona Income Tax (L42 * L43)	3,652		1,213
45	Federal Taxable Income (L42 - L44)	57,222		19,004
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	7,500		2,851
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	1,805		0
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	0		0
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	0		0
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	0		0
51	Total Federal Income Tax	9,305		2,851
52	Combined Federal and State Income Tax (L44 + L51)	12,958		4,064
53	Applicable Federal Income Tax Rate (Col. [C], L51 - Col. [A], L51) / [Col. [C], L45 - Col. [A], L45]			16.8897%
<i>Calculation of Interest Synchronization:</i>				
54	Rate Base	\$161,528		
55	Weighted Average Cost of Debt	0.00%		
56	Synchronized Interest (L45 * L46)	\$0		

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Plant in Service	\$843,924	(\$48,014)	\$795,910
2	Less: Accumulated Depreciation	670,573	(56,657)	613,916
3	Net Plant in Service	\$173,351	\$8,643	\$181,994
	<u>LESS:</u>			
4	Advances in Aid of Construction (ALAC)	\$13,219	(\$3,649)	\$9,571
6	Contributions in Aid of Construction (CIAC)	31,478	10,406	41,884
7	Less: Accumulated Amortization	11,005	2,367	13,372
8	Net CIAC	\$20,473	\$8,039	\$28,512
9	Total Advances and Contributions	33,692	4,390	38,082
10	Customer Deposits	11,740	0	11,740
	<u>ADD: Working Capital</u>			
12	Cash Working Capital Allowance	43,479	(14,122)	29,357
13	Total Rate Base	\$171,398	(\$9,870)	\$161,528

References:
Column [A], Company Application - Attachment No.1 Supplemental Page 1
Column [B]: Schedule TBH CM-4
Column [C]: Column [A] + Column [B]

SUMMARY OF RATE-BASE ADJUSTMENTS

LINE/ACCT NO.	PLANT IN SERVICE Plant Description	COMPANY AS FILED	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
			ADJ No. 1 Unsupported Plant Treated as CIAC and Amort of CIAC Ref. Sch. TBH CM-5	ADJ No. 2 Insurance Proceeds due to Office Fire Ref. Sch. TBH CM-6	ADJ No. 3 AIAC not paid during Test Year Ref. Sch. TBH CM-7	ADJ No. 4 Reclass Plant to Appropriate NARUC Classifications Ref. Sch. TBH CM-8	ADJ No. 5 Plant Retirements Due to Removal and Office Fire Ref. Sch. TBH CM-9	ADJ No. 6 Removal of Plant Additions Ref. Sch. TBH CM-10	ADJ No. 7 Accumulated Depreciation Ref. Sch. TBH CM-11	ADJ No. 8 Working Capital Allowance Ref. Sch. TBH CM-12	STAFF AS ADJUSTED	
1	301 Organization Cost	\$6,843	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,843
2	302 Franchises	0	0	0	0	0	0	0	0	0	0	0
3	303 Land and Land Rights	15,204	0	0	0	0	0	0	0	0	0	15,204
4	304 Structures and Improvements	44,339	0	0	0	0	0	0	0	0	0	44,339
5	305 Collecting and Impounding Reservoirs	4,350	0	0	0	0	0	0	0	0	0	4,350
6	307 Wells and Springs	27,448	0	0	539	0	0	0	0	0	0	27,987
7	309 Supply Mains	1,009	0	0	0	0	0	0	0	0	0	1,009
8	310 Power Generation Equipment	12,401	0	0	0	0	0	0	0	0	0	12,401
9	311 Pumping Equipment	46,268	0	0	0	0	0	0	0	0	0	46,268
10	320 Water Treatment Equipment	6,406	0	0	0	(6,406)	0	0	0	0	0	0
11	320.1 Water Treatment Plants	0	0	0	0	0	0	0	0	0	0	0
12	320.2 Solution Chemical Feeders	0	0	0	6,406	0	0	0	0	0	0	6,406
13	330 Distribution Reservoirs & Standpipes	51,684	0	0	(51,684)	0	0	0	0	0	0	0
14	330.1 Storage Tanks	0	0	0	36,415	0	0	0	0	0	0	36,415
15	330.2 Pressure Tanks	0	0	0	15,269	0	0	0	0	0	0	15,269
16	331 Transmission and Distribution Mains	304,674	0	0	268	0	0	0	0	0	0	304,942
17	333 Services	30,067	0	0	0	0	0	0	0	0	0	30,067
18	334 Meters and Meter Installations	89,777	0	0	0	0	0	0	0	0	0	89,777
19	335 Hydrants	12,042	0	0	0	0	0	0	0	0	0	12,042
20	336 Backflow Prevention Devices	0	0	0	0	0	0	0	0	0	0	0
21	339 Other Plant and Miscellaneous Equipment	16,728	0	0	0	0	0	0	0	0	0	16,728
22	340 Office Furniture and Equipment	9,346	0	0	0	6,534	0	(9,346)	0	0	0	6,534
23	340.1 Computers and Software	10,107	0	0	494	0	0	0	0	0	0	10,601
24	341 Transportation Equipment	96,569	0	0	0	0	0	(40,749)	0	0	0	55,820
25	343 Tools, Shop, and Garage Equipment	1,274	0	0	0	0	0	0	0	0	0	1,274
26	344 Laboratory Equipment	0	0	0	0	0	0	0	0	0	0	0
27	345 Power Operated Equipment	31,461	0	0	0	0	0	0	0	0	0	31,461
28	346 Communication Equipment	25,929	0	0	0	(3,121)	0	(5,608)	(1,000)	0	0	17,200
29	347 Miscellaneous Equipment	0	0	0	3,975	0	0	0	0	0	0	3,975
30	348 Other Tangible Equipment	0	0	0	0	0	0	0	0	0	0	0
31	Rounding	0	0	0	0	0	0	0	0	0	0	0
32	Total Plant in Service	\$843,924	\$0	\$0	\$8,689	\$0	\$8,689	(\$55,703)	(\$1,000)	\$0	\$0	\$795,910
33	Less: Accumulated Depreciation	670,573	0	0	0	0	0	0	0	(56,657)	0	613,916
34	Net Plant in Service	\$173,351	\$0	\$0	\$8,689	\$0	\$8,689	(\$55,703)	(\$1,000)	\$0	\$0	\$181,994
35	LESS:											
36	Advances in Aid of Construction (AIAC)	\$13,219	\$0	(\$3,649)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,571
37	Meter Deposits - Service Line & Meter Advances	0	0	0	0	0	0	0	0	0	0	0
38												
39												
40	Contributions in Aid of Construction (CIAC)	31,478	4,276	0	6,130	0	0	0	0	0	0	41,884
41	Less: Accumulated Amortization of CIAC	11,005	528	0	1,839	0	0	0	0	0	0	13,372
42	Net CIAC	\$20,473	\$3,748	\$0	\$4,291	\$0	\$0	\$0	\$0	\$0	\$0	\$28,512
43												
44	Total Advances and Net Contributions	\$33,692	\$3,748	(\$3,649)	\$4,291	\$0	\$0	\$0	\$0	\$0	\$0	\$38,082
45												
46	Customer Deposits	11,740	0	0	0	0	0	0	0	0	0	11,740
47	Accumulated Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0
48												
49	ADD: Working Capital											
50	Cash Working Capital Allowance	\$43,479	\$0	\$0	\$8,689	\$0	\$8,689	(\$55,703)	(\$1,000)	\$0	\$0	29,357
51	Total Rate Base	\$171,398	(\$3,748)	\$3,649	\$8,689	\$0	\$8,689	(\$55,703)	(\$1,000)	\$0	\$0	\$161,528

RATE BASE ADJUSTMENT NO. 1 - UNSUPPORTED PLANT TREATED AS CIAC AND AMORTIZATION OF CIAC

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	CIAC, Unsupported Plant Treated as CIAC	\$0	\$4,276	\$4,276
2	Amortization of CIAC, Unsupported Plant Treated as CIAC	0	116	116
3	Amortization of CIAC, Based on Composite Rates Adjustment (Line 78, Column I) ¹	11,005	411	11,416
4				
5	Net CIAC, Unsupported Plant Treated as CIAC and Amortization Based on Composite Rates Adjustment	\$11,005	\$4,804	\$15,809
6	¹ Staff included the adjustment to the amortization of CIAC based on composite rates which was omitted from direct testimony filed. Staff corrected the error and included this adjustment within Rate Base Adjustment No. 1.			
8	UNSUPPORTED PLANT TREATED AS CIAC			
10	DESCRIPTION	Plant Selected In Sample	Unsupported Plant Costs	Staff as Adjusted
12	2011 Plant Addition, Acct No. 310 - Power Generation Equipment	\$0	\$5,300	\$5,300
13	Acct No. 310 - Power Generation Equipment Subtotal	0	5,300	5,300
14				
15	2011 Plant Addition, Acct No. 331 - Transmission & Distribution Mains	0	36,353	36,353
16	Acct No. 331 - Transmission, & Distrib. Mains Subtotal	0	36,353	36,353
17				
18	2010 Plant Addition, Acct No. 340.1 - Computers & Software	0	782	782
19	Acct No. 340.1 - Computers & Software Subtotal	0	782	782
20				
21	2010 Plant Addition, Acct No. 343 - Tools, Shop & Garage Equipment	0	324	324
22	Acct No. 343 - Tools, Shop & Garage Equipment Subtotal	0	324	324
23				
24	TOTAL UNSUPPORTED PLANT	\$0	\$42,759	\$42,759
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CALCULATION OF AMORTIZATION OF CIAC ON UNSUPPORTED PLANT

Year Added	Plant Additions	Unsupported Plant	Year Transferred To CIAC	10% Plant in Service	Depreciation Rate	Amortization of CIAC
2011	Power Generation	\$5,300	2013	\$530	5.00%	\$27
2011	Trans & Distr	36,353	2013	3,635	2.00%	73
2010	Computers & Software	782	2013	78	20.00%	16
2010	Tools, Shop & Garage	324	2013	32	5.00%	2
Total		\$42,759		\$4,276		\$116

AMORTIZATION OF CIAC

Calculation of Amortization of Plant Additions:

Description	Plant in Service	Depreciation Rates	Amortization of CIAC
Computers & Software	\$6,130	20.00%	1,226
Multiplied by:			50%
Totals			613

Half Year Convention
From Schedule TBH CM-6/RB Adj No. 2

Calculation of Amortization of Plant based on Appropriate Depreciation Rates:

Description	Plant in Service	Depreciation Rates	Amortization of CIAC
Power Generation	\$530	5.00%	\$27
Trans & Distr	\$3,635	2.00%	73
Computers & Software	\$78	20.00%	16
Computers & Software	\$6,130	20.00%	1,226
Tools, Shop & Garage	32	5.00%	2
Totals	\$10,406		\$1,342

From Schedule TBH CM-5/RB Adj No. 1
From Schedule TBH CM-5/RB Adj No. 1
From Schedule TBH CM-5/RB Adj No. 1
From Schedule TBH CM-6/RB Adj No. 2
From Schedule TBH CM-5/RB Adj No. 1

Calculation of CIAC Balances

Description	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
	Decision No. 72896 Balance 12/31/2009	2010		2011		2012		2013	
		Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance
CIAC	\$23,984	(\$335)	\$23,649	\$0	\$23,649	\$7,829	\$31,478		\$31,478
CIAC Additions			-		-	6,130	6,130	4,276	10,406
Total CIAC	23,984		23,649		23,649		37,608		41,884
Amortization Rate - Composite			8.4299%		8.1148%		7.8249%		7.6970%
Amortization CIAC (half-yr convention)			2,008		1,919		2,157		2,423
Amortization of CIAC Based on Composite Rate	2,910		4,918		6,837		8,994		11,416
Amortization of CIAC Based on Depreciation Rates							613		1,342
Accumulated Amortization of CIAC	2,910		4,918		6,837		9,607		13,372
Net CIAC	\$21,074		\$18,731		\$16,812		\$28,001		\$28,512

References:

Column [A]: Company Application - Attachment No. 1 Supplemental Page 6.2 - 6.3 and Page 22, Attachment No.1 Supplemental 5.1 (Line 3)
Column [B]: Testimony, TBH
Column [C] Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - CIAC FOR PLANT PAID FOR WITH INSURANCE PROCEEDS AND AMORTIZATION OF CIAC

LINE NO.	DESCRIPTION	[A]	[B]	[C]			
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED			
1	CIAC for 2012 Plant Addition, Acct No. 340.1 - Computers & Software Offset by Insurance Proceeds	\$0	\$6,130	\$6,130			
2	Total CIAC on Acct. No. 340.1 - Computers & Software from Insurance Proceeds	0	6,130	6,130			
3							
4	Company Proposed Amort of CIAC Related to Insurance Proceeds for Fire	0	0	0			
5	Amort. Of CIAC on Insurance Proceeds for Computers & Software	0	1,839	1,839			
6	Total Amortization of CIAC	0	1,839	1,839			
7							
8	Net CIAC	\$0	\$4,291	\$4,291			
9							
10	CALCULATION OF AMORTIZATION OF CIAC ON UNSUPPORTED PLANT						
11	Year Added	Plant Additions	Plant from Insurance Proceeds	Year Transferred To CIAC	Number of Interim Years	Depreciation Rate	Amortization of CIAC
12		Computers & Software	\$6,130	2012	1.5	20.00%	\$1,839
13							
14		Total	\$6,130				\$1,839
15							
16							
17							

References:

- Column [A]: Company Application - Attachment No. 1 Supplemental Page 6.4
- Column [B]: Testimony, TBH
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - AIAC REFUNDS NOT RECOGNIZED IN TEST YEAR

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	2013 Deferred Credits, Acct No. 252 - Advances in Aid of Construction	\$13,219	\$0	\$13,219
2	2013 Deferred Credits, Acct No. 252 - Advances in Aid of Construction Payments Due Customers	0	(3,649)	(3,649)
3	Total AIAC paid in 2014 for 2013 refunds due customers	\$13,219	(\$3,649)	\$9,571

References:

- Column [A]: Company Application - Attachment No. 1 - Supplemental Page 2
- Column [B]: Testimony, TBH, Company's response to DR's CM TBH 1.18 and CM TBH 2.10.
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - RECLASSIFY AND PLANT ADDITIONS TO APPROPRIATE CLASSIFICATIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Acct No. 307 - Wells & Springs	\$27,448	\$539	\$27,987
2	Acct No. 320 - Water Treatment Equipment	6,406	(6,406)	0
3	Acct No. 320.2 - Solution Chemical Feeders	0	6,406	6,406
4	Acct No. 330 - Distribution Reservoirs & Standpipes	51,684	(51,684)	0
5	Acct No. 330.1 - Storage Tanks	0	36,415	36,415
6	Acct No. 330.2 - Pressure Tanks	0	15,269	15,269
7	Acct No. 331 - Transmission & Distribution Mains	304,674	268	304,942
8	Acct No. 340 - Office Furniture & Equipment	9,346	6,534	15,880
9	Acct No. 340.1 - Computers & Software	10,107	494	10,601
10	Acct No. 346 - Communication Equipment	25,929	(3,121)	22,808
11	Acct No. 347 - Miscellaneous Equipment	0	3,975	3,975
12	TOTAL PLANT RECLASSIFICATIONS	\$435,594	\$8,689	\$444,283
13				
14	PLANT RECLASSIFICATIONS			
15				
16				
	DESCRIPTION	PLANT ADDITIONS	PLANT RECLASS	STAFF AS ADJUSTED
17	2012 Plant Reclass Acct No. 340 - Office Furniture & Equipment - Reclass from Computers	\$0	\$4,782	\$4,782
18	2012 Plant Reclass, Acct. No. 340 - Office Furniture & Equipment - Reclass from Fire Related Expenses	0	1,752	1,752
19	Acct No. 340 - Office Furniture & Equipment Subtotal	0	6,534	6,534
20				
21	2012 Plant Reclass Acct No. 340.1 - Computers & Software - Offset by Insurance Proceeds	0	6,130	6,130
22	2012 Plant Reclass Acct No. 340.1 - Computers & Software - Reclass to Office Equip.	0	(4,782)	(4,782)
23	2012 Plant Reclass Acct No. 340.1 - Computers & Software - Reclass to Communication	0	(854)	(854)
24	Acct No. 340.1 - Computer & Software Subtotal	0	494	494
25				
26	2012 Plant Reclass, Acct No. 346 - Communication Equipment	0	(3,975)	(3,975)
27	2012 Plant Reclass, Acct No. 346 - Communication Equipment - Reclass from Computer & Software	0	854	854
28	Acct No. 346 - Communication Equipment Subtotal	0	(3,121)	(3,121)
29				
30	2012 Plant Additions, Acct No. 347 - Miscellaneous Equipment	3,975	0	3,975
31	Acct No. 347 - Miscellaneous Equipment Subtotal	3,975	0	3,975
32				
33	2013 Plant Reclass, Acct No. 307 - Wells & Springs - Reclass from expenses	0	539	539
34	Acct No. 307 - Wells & Springs Subtotal	0	539	539
35				
36	2010 Plant Reclass Acct No. 320 - Water Treatment Equipment	0	(6,406)	(6,406)
37	Acct No. 320 - Water Treatment Equipment Subtotal	0	(6,406)	(6,406)
38				
39	2010 Plant Reclass Acct No. 320.2 - Solution Chemical Feeders	0	6,406	6,406
40	Acct No. 320.1 - Solution Chemical Feeders Subtotal	0	6,406	6,406
41				
42	2010 Plant Reclass Acct No. 330 - Distribution Reservoirs & Standpipes	0	(51,684)	(51,684)
43	Acct No. 330 - Distribution Reservoirs & Standpipes Subtotal	0	(51,684)	(51,684)
44				
45	2010 Plant Reclass Acct No. 330.1 - Storage Tanks	0	36,415	36,415
46	Acct No. 330.1 - Storage Tanks Subtotal	0	36,415	36,415
47				
48	2010 Plant Reclass Acct No. 330.2 - Pressure Tanks	0	15,269	15,269
49	Acct No. 330.2 - Pressure Tanks Subtotal	0	15,269	15,269
50				
51	2013 Plant Reclass Acct No. 331 - Transmission & Distribution Mains - Removal of AJE	0	268	268
52	Acct No. 331 - Transmission & Distribution Mains Subtotal	0	268	268
53				
54	TOTAL	\$3,975	\$4,714	\$8,689

References:

Column [A]: Company Application - Attachment No. 1 Supplemental Page 6.2 - 6.5
Column [B]: Testimony, TBH, Company Data Request Responses
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - PLANT NOT USED AND USEFUL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 340 - Office Furniture & Equipment	\$9,346	(\$9,346)	\$0
2	Acct No. 341 - Transportation Equipment	96,569	(40,749)	55,820
3	Acct No. 346 - Communication Equipment	25,929	(5,608)	20,321
4				
5				
6				
7				
8				
9				
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35				
36				
37				

	DESCRIPTION	STAFF AS ADJUSTED
	2012 Fire Acct No. 340 - Office Furniture & Equipment	
	Opening Balance Items	\$3,513
	Office Computer	2,683
	Printer	355
	Office Computer	1,950
	Fax Machine	120
	Book Case	101
	Office Desk	624
	Total Office Furniture & Equipment	\$9,346
	2013 Acct No. 341 - Transportation Equipment	
	1998 Ford Service Truck	\$11,287
	2000 Ford Ranger	5,350
	Pre 1995 - Unidentified Vehicles	4,103
	1975 Ford Water Truck	7,500
	1999 Ford Truck	12,509
	Total Transportation Equipment	\$40,749
	2012 Fire Acct No. 346 - Communication Equipment	
	Office Computer and Software	\$3,453
	Printer	109
	Laser Printer	472
	Caselle Support	660
	CPU Backup	103
	Network Router	87
	Memory Cards	281
	Memory Cards	444
	Total Communication Equipment	\$5,608

References:

- Column [A]: Company Application - Attachment No. 1 Supplemental Page 6.1 - 6.5
- Column [B]: Testimony, TBH
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - REMOVAL OF PLANT ADDITIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Acct. 345 Power Operated Equipment Unsupported Non-Company Use	\$31,461	(\$1,000)	\$30,461

References:

Column [A]: Company Application - Attachment No. 1 Supplemental Page 6.5

Column [B]: Testimony, TBH

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

RATE BASE ADJUSTMENT NO. 7 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$670,573	(\$56,657)	\$613,916

References:

- Column [A]: Company Application - Attachment No. 1 Supplemental Page 6.2 - 6.5
- Column [B]: Testimony, TBH, Company Data Request Responses
- Column [C] Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 8 - CASH WORKING CAPITAL ALLOWANCE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Cash Working Capital Allowance	\$43,479	(\$14,122)	\$29,357
2				
3	Operation & Maintenance*			\$226,902
4	Multiplied by		X	1/8
5				\$28,363
6				
7	Purchased Power & Purchased Water			\$23,832
8	Multiplied by		X	1/24
9				\$994
10				
11	Total Cash Working Capital Allowance			\$29,357
12				
13				

* Less depreciation, taxes, purchased power and purchased water

References:

Column [A]: Company Application - Attachment No. 1 Supplemental Page 7

Column [B]: Testimony, TBH, Company Data Request Responses

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

OPERATING INCOME - TEST YEAR AND STAFF'S RECOMMENDATION

LINE NO.	DESCRIPTION	[A]	[B]	ADJ NO.	[C]	[D]	[E]
		COMPANY TEST YEAR AS FILED	STAFF TEST YEAR ADJUSTMENTS		STAFF TEST YEAR AS ADJUSTED	STAFF RECOMMENDED CHANGES	STAFF RECOMMENDED
REVENUES:							
1	Metered Water Sales	\$345,620	\$0		\$345,620		\$345,620
2	Water Sales - Unmetered	0	0		0	0	0
3	Other Operating Revenues	12,744	(379)	1	12,365	0	12,365
4	Total Revenues	\$358,364	(\$379)		\$357,985	\$0	\$357,985
EXPENSES:							
7	Salaries and Wages	\$179,965	(\$59,487)	5	\$120,478	\$0	\$120,478
8	Salaries and Wages - Officers	31,700	(15,750)	5	15,950	0	15,950
9	Employee Pensions & Benefits	0	0		0	0	0
10	Purchased Water	40	0		40	0	40
11	Purchased Power	24,401	(609)	5	23,792	0	23,792
12	Chemicals	425	(71)	5	354	0	354
13	Repairs and Maintenance	8,899	(342)	5	8,557	0	8,557
14	Office Supplies & Expense	30,594	(18,735)	5	11,859	0	11,859
15	Contractual Services	11,457	(2,924)	5	8,533	0	8,533
16	Water Testing	4,791	37	2	4,828	0	4,828
17	Rents	0	8,438	5	8,438	0	8,438
18	Transportation Expenses	24,752	(8,448)	5	16,304	0	16,304
19	Insurance - General Liability	8,964	(2,910)	5	6,054	0	6,054
20	Insurance - Health and Life	2,667	(667)	5	2,000	0	2,000
21	Reg. Comm. Exp.	445	0		445	0	445
22	Reg. Comm. Exp. - Rate Case	13,333	1,667	3	15,000	0	15,000
23	Miscellaneous Expense	8,848	(5,577)	5	3,271	0	3,271
24	Bad Debt Expense	1,990	2,843	4	4,833	0	4,833
25	Depreciation Expense	20,394	(2,346)	6	18,048	0	18,048
26	Taxes Other Than Income	0	0		0	0	0
27	Property Taxes	18,670	(976)	7	17,694	0	17,694
28	Payroll Taxes	0	10,634	5	10,634	0	10,634
29	Income Taxes	(6,972)	19,930	8	12,958	0	12,958
30	Rounding	(1)	0		(1)	0	(1)
31	Total Operating Expenses	\$385,362	(\$75,294)		\$310,068	\$0	\$310,068
32							
33	Operating Income (Loss)	(\$26,998)	\$74,914		\$47,916	\$0	\$47,916

References:

- Column [A]: Company Application - Attachment No. 2 Supplemental Page 1
- Column [B]: Schedule TBH CM-14
- Column [C]: Column [A] + Column [B]
- Column [D]: Schedules TBH CM-1A and TBH CM-2
- Column [E]: Column [C] + Column [D]

OPERATING INCOME - TEST YEAR AND STAFF'S ALTERNATIVE RECOMMENDATION

LINE NO.	DESCRIPTION	[A]	[B]	ADJ NO.	[C]	[D]	[E]
		COMPANY TEST YEAR AS FILED	STAFF TEST YEAR ADJUSTMENTS		STAFF TEST YEAR AS ADJUSTED	STAFF RECOMMENDED CHANGES	STAFF RECOMMENDED
REVENUES:							
1	Metered Water Sales	\$345,620	\$0		\$345,620	(\$41,913)	\$303,707
2	Water Sales - Unmetered	0	0		0	0	0
3	Other Operating Revenues	12,744	(379)	1	12,365	0	12,365
4	Total Revenues	\$358,364	(\$379)		\$357,985	(\$41,913)	\$316,072
EXPENSES:							
7	Salaries and Wages	\$179,965	(\$59,487)	5	\$120,478	\$0	\$120,478
8	Salaries and Wages - Officers	31,700	(15,750)	5	15,950	0	15,950
9	Employee Pensions & Benefits	0	0		0	0	0
10	Purchased Water	40	0		40	0	40
11	Purchased Power	24,401	(609)	5	23,792	0	23,792
12	Chemicals	425	(71)	5	354	0	354
13	Repairs and Maintenance	8,899	(342)	5	8,557	0	8,557
14	Office Supplies & Expense	30,594	(18,735)	5	11,859	0	11,859
15	Contractual Services	11,457	(2,924)	5	8,533	0	8,533
16	Water Testing	4,791	37	2	4,828	0	4,828
17	Rents	0	8,438	5	8,438	0	8,438
18	Transportation Expenses	24,752	(8,448)	5	16,304	0	16,304
19	Insurance - General Liability	8,964	(2,910)	5	6,054	0	6,054
20	Insurance - Health and Life	2,667	(667)	5	2,000	0	2,000
21	Reg. Comm. Exp.	445	0		445	0	445
22	Reg. Comm. Exp. - Rate Case	13,333	1,667	3	15,000	0	15,000
23	Miscellaneous Expense	8,848	(5,577)	5	3,271	0	3,271
24	Bad Debt Expense	1,990	2,843	4	4,833	(570)	4,263
25	Depreciation Expense	20,394	(2,346)	6	18,048	0	18,048
26	Taxes Other Than Income	0	0		0	0	0
27	Property Taxes	18,670	(976)	7	17,694	(691)	17,003
28	Payroll Taxes	0	10,634	5	10,634	0	10,634
29	Income Taxes	(6,972)	19,930	8	12,958	(8,894)	4,064
30	Rounding	(1)	0		(1)	6	5
31	Total Operating Expenses	\$385,362	(\$75,294)		\$310,068	(\$10,149)	\$299,919
32							
33	Operating Income (Loss)	(\$26,998)	\$74,914		\$47,916	(\$31,764)	\$16,153

References:

- Column [A]: Company Application - Attachment No. 2 Supplemental Page 1
- Column [B]: Schedule TBH CM-14
- Column [C]: Column [A] + Column [B]
- Column [D]: Schedules TBH CM-1B and TBH CM-2
- Column [E]: Column [C] + Column [D]

LINE NO.	DESCRIPTION	SUMMARY OF OPERATING INCOME/ADJUSTMENTS - TEST YEAR											STAFF ADJUSTED				
		(A) COMPANY AS FILED	(B) ADJ. NO. 1 Unauthorized Surcharge - Other Revenue Ref: Sch TBH CM-15	(C) ADJ. NO. 2 Water Testing Ref: Sch TBH CM-16	(D) ADJ. NO. 3 Rate Case Expense Ref: Sch TBH CM-17	(E) ADJ. NO. 4 Bad Debt Expense Ref: Sch TBH CM-18	(F) ADJ. NO. 5 Allocations to Water Companies Ref: Sch TBH CM-19	(G) ADJ. NO. 6 Depreciation Expense Ref: Sch TBH CM-20	(H) ADJ. NO. 7 Property Tax Expense Ref: Sch TBH CM-21	(I) ADJ. NO. 8 Taxes Income Tax Expense Ref: Sch TBH CM-22							
1	REVENUES:																
2	Metered Water Sales	\$345,620	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$345,620
3	Water Sales - Unmetered	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Other Operating Revenues	12,744	(379)	0	0	0	0	0	0	0	0	0	0	0	0	0	12,365
5	Total Revenues	\$358,364	(\$379)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$357,985
6	OPERATING EXPENSES:																
7	Salaries and Wages	\$179,965	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$179,965
8	Salaries and Wages - Officers	\$31,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31,700
9	Employee Pensions & Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Purchased Water	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40
11	Purchased Power	24,401	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24,401
12	Chemicals	425	0	0	0	0	0	0	0	0	0	0	0	0	0	0	425
13	Repairs and Maintenance	8,899	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,899
14	Office Supplies & Expense	30,594	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30,594
15	Contractual Services	11,457	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11,457
16	Water Testing	4,791	0	37	0	0	0	0	0	0	0	0	0	0	0	0	4,828
17	Rents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Transportation Expenses	24,752	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24,752
19	Insurance - General Liability	8,964	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,964
20	Insurance - Health and Life	2,667	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,667
21	Reg. Comm. Exp.	445	0	0	0	0	0	0	0	0	0	0	0	0	0	0	445
22	Reg. Comm. Exp. - Rate Case	13,333	0	0	1,667	0	0	0	0	0	0	0	0	0	0	0	15,000
23	Miscellaneous Expenses	8,848	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,848
24	Bad Debt Expense	1,990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,990
25	Depreciation Expense	20,394	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20,394
26	Taxes Other Than Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	Property Taxes	18,670	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18,670
28	Payroll Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	Income Taxes	(6,972)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(6,972)
30	Rounding	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1)
31	Total Operating Expense	\$385,362	\$0	\$37	\$1,667	\$2,843	\$0	\$0	\$0	(\$96,448)	(\$2,346)	(\$976)	\$19,930	\$0	\$0	\$0	\$310,068
32	Operating Income (Loss)	(\$26,998)	(\$379)	(\$37)	(\$1,667)	(\$2,843)	(\$0)	(\$0)	(\$0)	\$96,448	\$2,346	\$976	(\$19,930)	(\$0)	(\$0)	(\$0)	(\$47,916)

OPERATING INCOME ADJUSTMENT NO. 1 - UNAUTHORIZED SURCHARGE - OTHER REVENUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Surcharge - Other Revenue	\$12,744	(\$379)	\$12,365

References:

Column [A]: Chino Meadows general ledger provided in DR CM TBH 1.3

Column [B]: Testimony

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

Chino Meadows II Water Co., Inc.
Docket No. W-02370A-14-0231
Test Year Ended December 31, 2013

Surrebuttal Schedule TBH CM-16

OPERATING INCOME ADJUSTMENT NO. 2 - WATER TESTING

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water Testing	\$4,791	\$37	\$4,828

References:

Column [A]: Company Application - Attachment No. 2 Supplemental Page 1

Column [B]: Testimony, TBH, Engineering Report

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

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Rate Case Expense	\$13,333	\$1,667	\$15,000
2				
3				
4				
5				
6				
7	Company	Rate Case Expense as filed	Staff Adjusted Rate Case Expense	Normalize over 3 years
8	Chino Meadows	\$40,000	\$45,000	\$1,667
9	Granite Mountain	10,000	30,000	6,667
10	Total	\$50,000	\$75,000	\$8,333

References:

- Column [A]: Company Application - Attachment No. 2 Supplemental Page 1
- Column [B]: Testimony, DR'S CM TBH 1.5 Supplemental & CM TBH 2.5
- Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 4 - BAD DEBT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Bad Debt Expenses	\$1,990	\$2,843	\$4,833
2				
3				
4				
5				
6	Reclassification			
7	To correct for bad debt expenses included in miscellaneous expenses			\$3,000
8	To adjust for bad debts recovered and collection fees included in miscellaneous expenses			(157)
9	Total adjustment			<u>\$2,843</u>

Test Year Revenue \$358,364

Average Write-Off Rate 1.3486%

Notes: Company included in Misc expenses. Staff reviewed the last four years of actual bad debt expenses. The Company stated that the total was an typo error (\$3,000). The amount appears to be reasonable.

2010	4,687.50
2011	5,484.76
2012	4,017.55
2013	4,832.79

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED		[B] STAFF ADJUSTMENTS		[C] STAFF AS ADJUSTED		[D] Company as filed	[E] Original amount allocated to Granite Mountain	[F] Reclassification	[G] Staff Adjustments		[H] Normalize	[I] Chino Meadows Direct	[J] Cost to be Allocated	[K] Portion allocated to unregulated affiliate companies	[L] Amount allocated to unregulated affiliate companies	[M] Amount allocated to regulated companies	[N] Chino Meadows Adjusted 4-factor allocation	[P] Amount to be allocated to Chino Meadows
						Disallowance														
1	Salaries and Wages	\$179,965		(\$59,487)		\$120,478														
2	Salaries and Wages - Officers	31,700		(15,750)		15,950														
3	Purchased Power	24,401		(609)		23,792														
4	Chemicals	425		(71)		354														
5	Repairs and Maintenance	8,899		(342)		8,557														
6	Office Supplies & Expense	30,594		(18,735)		11,859														
7	Rents	0		8,438		8,438														
8	Contractual Services	11,457		(2,924)		8,533														
9	Transportation Expenses	24,752		(8,448)		16,304														
10	Insurance - General Liability	8,964		(2,910)		6,054														
11	Insurance - Health and Life	2,667		(667)		2,000														
12	Miscellaneous Expenses	8,848		(5,577)		3,271														
13	Payroll Taxes	0		10,634		10,634														
14	Total	\$332,672		(\$96,448)		\$236,224														
16																				
17																				
18																				
19	Salaries and Wages	\$179,965	\$0	(17,444)	13,834	\$0														
20	Salaries and Wages - Officers	31,700	6,000	(16,434)	0	0														
21	Purchased Power	24,401	247	(46)	0	22,110														
22	Chemicals	425	47	0	0	0														
23	Repairs and Maintenance	8,899	633	(124)	0	2,159														
24	Office Supplies & Expense	30,594	1,988	(2,804)	(208)	0														
25	Rents	0	3,000	0	0	0														
26	Contractual Services	11,457	490	(1,232)	0	3,489														
27	Transportation Expenses	24,752	2,736	(7,380)	(186)	0														
28	Insurance - General Liability	8,964	996	(1,058)	594	0														
29	Insurance - Health and Life	2,667	296	0	0	0														
30	Miscellaneous Expenses	8,848	245	(3,397)	0	2,903														
31	Payroll Taxes	0	0	(1,539)	0	0														
32	Total	\$332,672	\$16,678	(\$50,362)	\$14,034	\$30,661														
33																				

References:
Column [A]: Company Application - Attachment No. 2 Supplemental Page 1
Column [B]: Column [C] - Column [A]
Column [C]: Col [I] + Col [P]
Column [D]: Company Schedule C-2
Column [E]: Chino Meadows general ledger provided in DR CM TBH 1.3
Column [F]: Schedule Surrebuttal TBH CM-19b
Column [G]: Schedule Surrebuttal TBH CM-19c
Column [H]: Schedule TBH CM-19d
Column [I]: Chino Meadows general ledger provided in DR CM TBH 1.3
Column [J]: Col [D] + Col [E] + Col [F] + Col [G] + Col [H] - Col [I]
Column [K]: Testimony, TBH
Column [L]: Col [I] * Col [K]
Column [M]: Col [J] - Col [L]
Column [N]: Schedule Surrebuttal TBH CM-19e
Column [P]: Col [M] * Col [N]

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS RECLASSIFICATIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Salaries and Wages	\$179,965	(\$15,718)	\$164,247
2	Salaries and Wages - Officers	31,700	0	31,700
3	Purchased Power	24,401	0	24,401
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	1,281	10,180
6	Office Supplies & Expense	30,594	(12,000)	18,594
7	Rents	0	12,000	12,000
8	Contractual Services	11,457	(500)	10,957
9	Transportation Expenses	24,752	1,817	26,569
10	Insurance - General Liability	8,964	0	8,964
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	(3,397)	5,451
13	Payroll Taxes	0	15,718	15,718
14				
15	Salaries and Wages			
16	Payroll taxes included as salaries and wages - Schedule TBH CM-19f Line 7	(\$15,718)	(\$15,718)	
17				
18	Repairs and Maintenance			
19	To reclass expense to plant	(\$539)		
20	Amount originally booked to Granite Mountain to be included in the cost pool	1,820	\$1,281	
21				
22	Office Supplies & Expense			
23	Rent - Misclassified as Office Supplies	(\$12,000)	(\$12,000)	
24				
25	Rents			
26	Rent - Misclassified as Office Supplies	\$12,000	\$12,000	
27				
28	Contractual Services			
29	Survey for Granite Mountain Well No. 6 Site	(\$500)	(\$500)	
30				
31	Transportation Expenses			
32	Amount originally booked to Granite Mountain to be included in the cost pool	\$1,817	\$1,817	
33				
34	Miscellaneous Expenses			
35	To correct for bad debt expenses included in miscellaneous expenses	(\$3,000)		
36	Adjustment - Less Security Deposits Corrections	(554)		
37	To adjust for bad debts recovered and collection fees included in miscellaneous expenses	157	(\$3,397)	
38				
39	Payroll Taxes			
40	Payroll taxes included as salaries and wages - Schedule TBH CM-19f Line 7	\$15,718	\$15,718	

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS DISALLOWED

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Salaries and Wages	\$179,965	(\$17,444)	\$162,521
2	Salaries and Wages - Officers	31,700	(16,434)	15,266
3	Purchased Power	24,401	(46)	24,355
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	(124)	8,775
6	Office Supplies & Expense	30,594	(2,804)	27,790
7	Rents	0	0	0
8	Contractual Services	11,457	(1,232)	10,225
9	Transportation Expenses	24,752	(7,380)	17,372
10	Insurance - General Liability	8,964	(1,058)	7,906
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	(2,301)	6,547
13	Payroll Taxes	0	(1,539)	(1,539)
14				
15				
16	Salaries and Wages			
17	Unregulated salaries and wages - Schedule TBH CM-19f Line 7	(\$17,444)	(\$17,444)	
18				
19	Salaries and Wages - Officers			
20	Pay adjusted to reflect actual time worked	(\$11,761)		
21	Duties assigned to office manager	(4,673)	(16,434)	
22				
23	Purchased Power			
24	To adjust for late fees	(\$46)	(\$46)	
25				
26	Repairs and Maintenance			
27	To adjust for personal expense	(\$124)	(\$124)	
28				
29	Office Supplies & Expense			
30	Interest and Late Fees	(\$44)		
31	Mrs. Levie Phone & Charges, Collect Calls, Paul International Call & Plan	(1,888)		
32	Meals	(218)		
33	Miscellaneous Personal Expenses	(524)		
34	2010 Expense	(130)	(\$2,804)	
35				
36	Contractual Services			
37	Legal Fees for Fire	(\$1,232)	(\$1,232)	
38				
39	Transportation Expenses			
40	Gas Reimbursement \$100 per month - Company no longer providing	(\$800)		
41	Personal Use Purchases - Tires	(2,497)		
42	Out of State Gasoline Purchase	(2,229)		
43	Bulk Delivery of Gasoline to Paul's Home (530 gallons)	(1,854)	(\$7,380)	
44				
45	Insurance - General Liability			
46	Remove Vehicle AZ-1 DR CM TBH 1.39 Unregulated Associated Co.	(\$1,058)	(\$1,058)	
47				
48	Miscellaneous Expenses			
49	Gifts	(\$1,559)		
50	Meals	(683)		
51	Donations	(60)	(\$2,301)	
52				
53	Payroll Taxes			
54	Non-regulated payroll taxes - Schedule TBH CM-19f Line 7	(\$1,539)	(\$1,539)	

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS NORMALIZATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Salaries and Wages	\$179,965	\$13,834	\$193,799
2	Salaries and Wages - Officers	31,700	0	31,700
3	Purchased Power	24,401	0	24,401
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	0	8,899
6	Office Supplies & Expense	30,594	(208)	30,386
7	Rents	0	0	0
8	Contractual Services	11,457	0	11,457
9	Transportation Expenses	24,752	(186)	24,566
10	Insurance - General Liability	8,964	594	9,558
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	0	8,848
13	Payroll Taxes	0	0	0
14				
15				
16	Salaries and Wages			
17	Normalize salaries and benefits	\$13,834	\$13,834	
18				
19	Office Supplies & Expense			
20	Normalize Carbonite over 3 years	(\$94)		
21	Normalize GoDaddy 5 year contract	(114)	(\$208)	
22				
23	Transportation Expenses			
24	Normalize Vehicle Registration for 2 years	(\$186)	(\$186)	
25				
26	Insurance - General Liability			
27	Normalize Insurance Policy adjustment for refunds	\$594	\$594	

OPERATING INCOME ADJUSTMENT NO. 5 - 4-FACTOR ALLOCATION CALCULATION

		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
Line No.	Company	Customer Count	Customer Count %	Net Plant in Service	Net Plant in Service %	Total Annual Revenue	Annual Revenues %	Total Annual Gallons Pumped	Gallons Pumped %	4-factor %	Staff Adjusted 4-factor %
1	Antelope Lakes	2	0.20%	\$62,347	11.34%	\$613	0.13%	95	0.13%	2.95%	1.00%
2	Chino Meadows	899	87.96%	173,351	31.54%	357,364	75.17%	64,140	85.81%	70.12%	75.00%
3	Granite Mountain	121	11.84%	313,950	57.12%	117,447	24.70%	10,510	14.06%	26.93%	24.00%
4	Total	1,022		\$549,648		\$475,424		74,745		100.00%	100.00%

References:

Column [A]: The Customer counts for Chino Meadows and Granite Mountain the applications; and for Antelope Lakes, the 2013 Annual Report, p. 12 as of 12/31/2013

Column [B]: Column [A] / Line 4.

Column [C]: The Net Plant in service information for Chino Meadows and Granite Mountain are from the applications & Schedule TBH CM-4; the information for Antelope Lakes is from the 2013 Annual Report on Revised Balance Sheet, p. 6 as of 12/31/2013

Column [D]: Column [C] / Line 4.

Column [E]: The Total Annual Revenue information for Chino Meadows and Granite Mountain are from the applications; the information for Antelope Lakes, is from the 2013 Annual Report, p. 8 as of 12/31/2013

Column [F]: Column [E] / Line 4.

Column [G]: The Total Annual Gallons Pumped information for Chino Meadows and Granite Mountain is from the application; the information for Antelope Lakes, is from the 2013 Annual Report on Revised Balance Sheet, p. 12 as of 12/31/2013

Column [H]: Column [G] / Line 4.

Column [I]: Average of Columns [B, D, F, and H].

Column [J]: Staff Adjusted 4-factor percentage. Discussed in Surrebuttal Testimony.

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS SALARIES & WAGES CALCULATION

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
LINE NO.	2014 Current Salaries	2014 Current or Estimated Hourly Rate	2014 Current or Estimated Salary and Wages	2014 Current or Estimated Payroll Taxes	Unregulated ¹ Hours %	2014 Unregulated Salary and Wages	2014 Unregulated Payroll Taxes	Staff Adjusted Salaries and Wages	Staff Adjusted Payroll Taxes
1	Barney ²	\$26.61	\$55,356	\$4,670	10%	\$5,536	\$467	\$49,821	\$4,203
2	Nelson	14.50	30,160	2,714	5%	1,508	136	28,652	2,579
3	Lopez	17.50	36,400	3,276				36,400	3,276
4	Feichter	14.50	30,160	2,714				30,160	2,714
5	Magnussen	12.50	26,000	2,340	40%	10,400	936	15,600	1,404
6	Rounding	0.00	5	3				5	3
7	Total		\$178,082	\$15,718		\$17,444	\$1,539	\$160,638	\$14,179
8									
9	¹ Hours per week / 2,080 hours per year. Percentages provided by Chino Meadows (CM) and Granite Mountain (GM) in DRs CM TBH-1.25, CM TBH-2.12h, GM TBH-2.5 and GM TBH-2.5g.								
10	² Per DR CM TBH 1.25g. Barney \$13,000 bonuses to adjust pay to match responsibilities.								

References:

- Column [A]: Company Application - Attachment No. 2 Supplemental Page 1
- Column [B]: Testimony, TBH
- Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS OFFICER'S SALARIES CALCULATION

LINE NO.	DESCRIPTION	[A] Officer Salary
		Hours worked per month
1	Supervision and management of company personnel	12
2	Oversight of company operations	6
3	Provide strategic direction	6
4	Review company financial data including payables, receivable, revenue and expenses	12
5	Provide legal representation for Company	8
6	Review payroll and sign checks	4
7	Review and authorize all vendor payments	4
8	Acquire regulate and oversee company loans and long-term debts	8
9	Meeting with operations management to review capital program and address operational issues and ensure proper facilities and equipment are available	20
10	Develop and review company processes and procedures to ensure regulatory compliance	8
11	Review & advise Company on manuals such as employee handbook & emergency response manual	1
12	Total Monthly Hours	89
13		
14	Less hours out of town (33 percent of the total monthly hours)	29.37
15	Adjusted Hours	59.63
16		
17	Adjusted Hours * \$36.25 ¹ * 12 months	\$25,939
18	Less Additional Increase for Operations Manager from 2013 to 2014 ²	(4,673)
19	Adjusted Officers Salary	\$21,266
20	¹ Based on Annual Salary of Mr. Levie (Half Time Employee) \$31,700 for Chino Meadows and \$6,000 for Granite Mountain =	
21	\$37,700. Annual Salary / 1,040 hours per year (52 weeks x 20 hours per week) = Hourly Rate of \$36.25	
22	² Operations Manager's Salary for 2013 was \$50,683 and for 2014 was \$55,356. The additional increase is \$4,673.	

References:

- Column [A]: Company Application - Attachment No. 2 Supplemental Page 1
- Column [B]: Column [C] - Column [A]
- Column [C]: As calculated by Staff on line 24
- Column [D] : Per DRs CM TBH 1.26.g, CM TBH 2.12 and CM TBH 3.7

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT in SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$6,843	\$6,843	\$0	0.00%	\$0
2	302	Franchises	0	0	0	0.00%	0
3	303	Land and Land Rights	15,204	15,204	0	0.00%	0
4	304	Structures and Improvements	44,339	0	44,339	3.33%	1,476
5	305	Collecting and Impounding Reservoirs	4,350	0	4,350	2.50%	109
6	307	Wells and Springs	27,987	9,096	18,891	3.33%	629
7	309	Supply Mains	1,009	0	1,009	2.00%	20
8	310	Power Generation Equipment	12,401	0	12,401	5.00%	620
9	311	Pumping Equipment	46,268	46,268	0	12.50%	0
10	320	Water Treatment Equipment					
11	320.1	Water Treatment Plants	0	0	0	3.33%	0
12	320.2	Solution Chemical Feeders	6,406	6,406	0	20.00%	0
13	330	Distribution Reservoirs & Standpipes					
14	330.1	Storage Tanks	36,415	15,120	21,295	2.22%	473
15	330.2	Pressure Tanks	15,269	15,269	0	5.00%	0
16	331	Transmission and Distribution Mains	304,942	167,988	136,954	2.00%	2,739
17	333	Services	30,067	7,181	22,886	3.33%	762
18	334	Meters and Meter Installations	89,777	0	89,777	8.33%	7,478
19	335	Hydrants	12,042	0	12,042	2.00%	241
20	336	Backflow Prevention Devices	0	0	0	6.67%	0
21	339	Other Plant and Miscellaneous Equipment	16,728	1,305	15,423	6.67%	1,029
22	340	Office Furniture and Equipment	6,534	0	6,534	6.67%	436
23	340.1	Computers and Software	10,601	0	10,601	20.00%	2,120
24	341	Transportation Equipment	55,820	55,820	0	20.00%	0
25	343	Tools, Shop, and Garage Equipment	1,274	0	1,274	5.00%	64
26	344	Laboratory Equipment	0	0	0	10.00%	0
27	345	Power Operated Equipment	30,461	18,377	12,084	5.00%	604
28	346	Communication Equipment	17,200	0	17,200	10.00%	1,720
29	347	Miscellaneous Equipment	3,975	0	3,975	10.00%	398
30	348	Other Tangible Equipment	0	0	0	0.00%	0
31		Total Plant	\$795,910	\$364,876	\$431,034		\$20,918
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44							
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54							
55							

Amortization of Plant based on Appropriate Depreciation Rates:			
Description	Plant in Service	Depreciation Rates	Amortization of CIAC
Power Generation	\$530	5.00%	\$27
Trans & Distr	3,635	2.00%	73
Computers & Software	6,208	20.00%	1,242
Tools, Shop & Garage	32	5.00%	2
Totals	\$10,406		\$1,342

Amortization of CIAC (Depreciation Rates Identified):	\$1,342
CIAC Plant in Service (Depreciation Rates Identified):	\$10,406
Composite Depreciation Rate (Depr Exp / Depreciable Plant):	4.85%
CIAC Less CIAC (Depreciation Rates Identified):	\$31,478
Amortization of CIAC (Line 33 x Line 34):	\$1,528
Total Amortization of CIAC (Line 41 + Line 46)	\$2,870
Depreciation Expense Before Amortization of CIAC:	\$20,918
Less Amortization of CIAC: (Line 48)	2,870
Test Year Depreciation Expense - Staff:	\$18,048
Depreciation Expense - Company:	20,394
Staff's Total Adjustment:	(\$2,346)

References:

- Column [A]: Schedule TBH CM-4
- Column [B]: From Column [A]
- Column [C]: Column [A] - Column [B]
- Column [D]: Engineering Staff Report Exhibit JWJ Table B
- Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 7 - PROPERTY TAX

LINE NO.	PROPERTY TAX CALCULATION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$357,985	\$357,985
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$715,969	\$715,969
4	Staff Recommended Revenue, Per Schedules Surrebuttal TBH CM-1A & TBH CM-1B	357,985	316,072
5	Subtotal (Line 4 + Line 5)	\$1,073,954	\$1,032,041
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$357,985	\$344,014
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$715,969	\$688,027
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$715,969	\$688,027
13	Assessment Ratio	18.50%	18.50%
14	Assessment Value (Line 12 * Line 13)	132,454	127,285
15	Composite Property Tax Rate	13.36%	13.36%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$17,694	
17	Company Proposed Property Tax	18,670	
18	Staff Test Year Adjustment (Line 16-Line 17)	(\$976)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$17,003
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		17,694
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		(691)
22	Increase to Property Tax Expense, Schedule Surrebuttal TBH CM-13B		(\$691)
23	Increase in Revenue Requirement, Schedule Surrebuttal TBH CM-13B		(\$41,913)
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.65%

References:

Line 15: Composite Tax Rate line 28 of the Company's proforma Adjustment No. 7 in Attachment No. 2, Supplemental page 9 Amended.

Line 17: Company 2nd Amended Application page 19.

Line 21: Line 19 - Line 20

OPERATING INCOME ADJUSTMENT NO. 8 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]
		Test Year	
	<i>Calculation of Income Tax:</i>		
1	Revenue	\$357,985	
2	Less: Operating Expenses - Excluding Income Taxes	297,110	
3	Less: Synchronized Interest (L17)	0	
4	Arizona Taxable Income (L1- L2 - L3)	\$60,874	
5	Arizona State Income Tax Rate	6.000%	
6	Arizona Income Tax (L4 x L5)		\$3,652
7	Federal Taxable Income (L4 - L6)	\$57,222	
8	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	7,500	
9	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	1,805	
10	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	0	
11	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	0	
12	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	0	
13	Total Federal Income Tax		9,305
14	Combined Federal and State Income Tax (L6 + L13)		\$12,958
	<i>Calculation of Interest Synchronization:</i>		
15	Rate Base	\$161,528	
16	Weighted Average Cost of Debt	0.00%	
17	Synchronized Interest (L16 x L17)	\$0	
18	Income Tax - Per Staff	\$12,958	
19	Income Tax - Per Company	(6,972)	
20	Staff Adjustment	\$19,930	

REFERENCES:

Line 18: Adjusted Income Tax - Company's proforma Adjustment No. 8 in Attachment No. 2, Supplemental page 10 Amended Line 32.

Line 17: Company 2nd Amended Application page 19.

Line 21: Line 19 - Line 20

CASH FLOW ANALYSIS

LINE NO.	CASH FLOWS	[A]	[B]	[C]
		Company 2013 Test Year Income Statement As Filed	Staff's Recommendation Cash Flow from Operations	Staff's Alternative Recommendation Cash Flow from Operations
1	Cash Inflows			
2	Metered Water Sales	\$345,620	\$345,620	\$303,707
3	Water Sales - Unmetered	0	0	0
4	Other Operating Revenues	12,744	12,365	12,365
5	Total Revenues	\$358,364	\$357,985	\$316,072
6				
7	Cash Outflows			
8	Salaries and Wages	\$179,965	\$120,478	\$120,478
9	Salaries and Wages - Officers	31,700	15,950	15,950
10	Employee Pensions & Benefits	0	0	0
11	Purchased Water	40	40	40
12	Purchased Power	24,401	23,792	23,792
13	Chemicals	425	354	354
14	Repairs and Maintenance	8,899	8,557	8,557
15	Office Supplies & Expense	30,594	11,859	11,859
16	Contractual Services	11,457	8,533	8,533
17	Water Testing	4,791	4,828	4,828
18	Rents	0	8,438	8,438
19	Transportation Expenses	24,752	16,304	16,304
20	Insurance - General Liability	8,964	6,054	6,054
21	Insurance - Health and Life	2,667	2,000	2,000
22	Reg. Comm. Exp.	445	445	445
23	Reg. Comm. Exp. - Rate Case	13,333	15,000	15,000
24	Miscellaneous Expense	8,848	3,271	3,271
25	Bad Debt Expense	1,990	4,833	4,263
26	Depreciation Expense	20,394	18,048	18,048
27	Taxes Other Than Income	0	0	0
28	Property Taxes	18,670	17,694	17,003
29	Payroll Taxes	0	10,634	10,634
30	Income Taxes	(6,972)	12,958	4,064
31	Rounding	(1)	(1)	5
32	Total Expenses	\$385,362	\$310,068	\$299,919
33				
34	Operating Income	(\$26,998)	\$47,916	\$16,153
35				
36	Plus: Depreciation Expense	20,394	18,048	18,048
37	Cash Flow from Operations	(\$6,604)	\$65,964	\$34,201

RATE DESIGN - STAFF'S RECOMMENDATION				
Monthly Usage Charge	Present Rates		Company Proposed Rates	Staff Recommended Rates
<u>Meter Size (All Classes):</u>				
5/8 x 3/4 Inch	\$ 17.75		\$ 23.00	\$ 17.75
3/4 Inch	26.63		34.50	26.63
1 Inch	44.38		57.50	44.38
1 1/2 Inch	88.75		115.00	88.75
2 Inch	142.00		184.00	142.00
3 Inch	266.25		368.00	266.25
4 Inch	443.75		575.00	443.75
6 Inch	887.50		1,150.00	887.50
<u>Commodity Charge - Per 1,000 Gallons</u>				
<u>5/8" x 3/4" Meter (Residential)</u>				
First 3,000 gallons	2.40		3.50	2.40
3,001 to 8,000 gallons	3.20		5.10	3.20
Over 8,000 gallons	4.20		6.50	4.20
<u>5/8" x 3/4" Meter (Commercial)</u>				
First 3,000 gallons	2.40		3.50	2.40
3,001 to 8,000 gallons	3.20		5.10	3.20
Over 8,000 gallons	4.20		6.50	4.20
<u>3/4" Meter (Residential)</u>				
First 3,000 gallons	2.40		3.50	2.40
3,001 to 8,000 gallons	3.20		5.10	3.20
Over 8,000 gallons	4.20		6.50	4.20
<u>3/4" Meter (Commercial)</u>				
First 3,000 gallons	2.40		3.50	N/A
3,001 to 8,000 gallons	3.20		5.10	N/A
Over 8,000 gallons	4.20		6.50	N/A
First 8,000 gallons	N/A		N/A	3.20
Over 8,000 gallons	N/A		N/A	4.20
<u>1" Meter (All Classes)</u>				
First 3,000 gallons	2.40		3.50	N/A
3,001 to 8,000 gallons	3.20		5.10	N/A
Over 8,000 gallons	4.20		6.50	N/A
First 10,000 gallons	N/A		N/A	3.20
Over 10,000 gallons	N/A		N/A	4.20
<u>1 1/2" Meter (All Classes)</u>				
First 3,000 gallons	2.40		3.50	N/A
3,001 to 8,000 gallons	3.20		5.10	N/A
Over 8,000 gallons	4.20		6.50	N/A
First 20,000 gallons	N/A		N/A	3.20
Over 20,000 gallons	N/A		N/A	4.20
<u>2" Meter (All Classes)</u>				
First 3,000 gallons	2.40		3.50	N/A
3,001 to 8,000 gallons	3.20		5.10	N/A
Over 8,000 gallons	4.20		6.50	N/A
First 40,000 gallons	N/A		N/A	3.20
Over 40,000 gallons	N/A		N/A	4.20

3" Meter (All Classes)					
First 3,000 gallons	2.40		3.50		N/A
3,001 to 8,000 gallons	3.20		5.10		N/A
Over 8,000 gallons	4.20		6.50		N/A
First 100,000 gallons	N/A		N/A		3.20
Over 100,000 gallons	N/A		N/A		4.20
4" Meter (All Classes)					
First 30,000 gallons	N/A		5.10		N/A
Over 30,000 gallons	N/A		6.50		N/A
First 180,000 gallons	N/A		N/A		3.20
Over 180,000 gallons	N/A		N/A		4.20
6" Meter (All Classes)					
First 30,000 gallons	N/A		5.10		N/A
Over 30,000 gallons	N/A		6.50		N/A
First 300,000 gallons	N/A		N/A		3.20
Over 300,000 gallons	N/A		N/A		4.20
Hydrant Meter (Not Individually Assigned)					
All Usage, Per 1,000 Gallons	4.20		6.50		4.20

Other Service Charges					
Establishment	\$ 25.00		\$ 25.00		\$ 25.00
Reconnection (Delinquent)	30.00		35.00		30.00
After Hour Service Charge (Flat Rate)	25.00		25.00		25.00
Meter Test (If Correct)	20.00		30.00		25.00
Deposit	*		*		*
Deposit Interest	*		*		*
Reestablishment (within 12 months)	**		**		**
NSF Check	20.00		20.00		20.00
Deferred Payment (per month)	1.50%		1.50%		1.50%
Meter Re-Read (if Correct)	15.00		15.00		15.00
Late Payment Fee (per month)	1.50%		1.50%		1.50%
Moving Customer Meter at Customer Request	N/A		*** @ cost		*** @ cost

Monthly Service Charge for Fire Sprinklers					
4" or Smaller	****		****		****
6"	****		****		****
8"	****		****		****
10"	****		****		****
Larger than 10"	****		****		****

* Per Commission Rule A.A.C. R14-2-403(B).
 ** Months off the system times the Monthly Usage Charge, per A.A.C. R14-2-403(D).
 *** All items billed at cost shall include labor, materials, parts, overheads and all applicable taxes.
 **** 2.00 percent of the Monthly Usage Charge for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

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).

Service and Meter Installation Charges							
Service Size	Total Present Charge	Proposed Service Line Charge	Proposed Meter Insallation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Insallation Charge	Total Recommended Charge
5/8 x 3/4 Inch	\$ 501.00	\$ 450.00	\$ 150.00	\$ 600.00	\$ 450.00	\$ 150.00	\$ 600.00
3/4 Inch	575.00	450.00	250.00	700.00	450.00	250.00	700.00
1 Inch	650.00	575.00	300.00	875.00	575.00	300.00	875.00
1 1/2 Inch	716.00	675.00	500.00	1,175.00	675.00	500.00	1,175.00
2 Inch	1,572.00	1,000.00	1,500.00	2,500.00	1,000.00	1,500.00	2,500.00
3 Inch	2,400.00	1,300.00	2,000.00	3,300.00	1,300.00	2,000.00	3,300.00
4 Inch	3,516.00	1,800.00	3,500.00	5,300.00	1,800.00	3,500.00	5,300.00
6 Inch	6,916.00	2,800.00	6,000.00	8,800.00	2,800.00	6,000.00	8,800.00
Over 6 Inch	N/A	N/A	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

RATE DESIGN - STAFF'S ALTERNATIVE RECOMMENDATION					
Monthly Usage Charge	Present Rates		Company Proposed Rates		Staff Recommended Rates
<u>Meter Size (All Classes):</u>					
5/8 x 3/4 Inch	\$ 17.75		\$ 23.00		\$ 14.75
3/4 Inch	26.63		34.50		22.13
1 Inch	44.38		57.50		36.88
1 1/2 Inch	88.75		115.00		73.75
2 Inch	142.00		184.00		118.00
3 Inch	266.25		368.00		236.00
4 Inch	443.75		575.00		368.75
6 Inch	887.50		1,150.00		737.50
Commodity Charge - Per 1,000 Gallons					
<u>5/8" x 3/4" Meter (Residential)</u>					
First 3,000 gallons	2.40		3.50		2.20
3,001 to 8,000 gallons	3.20		5.10		3.00
Over 8,000 gallons	4.20		6.50		4.00
<u>5/8" x 3/4" Meter (Commercial)</u>					
First 3,000 gallons	2.40		3.50		2.20
3,001 to 8,000 gallons	3.20		5.10		3.00
Over 8,000 gallons	4.20		6.50		4.00
<u>3/4" Meter (Residential)</u>					
First 3,000 gallons	2.40		3.50		2.20
3,001 to 8,000 gallons	3.20		5.10		3.00
Over 8,000 gallons	4.20		6.50		4.00
<u>3/4" Meter (Commercial)</u>					
First 3,000 gallons	2.40		3.50		N/A
3,001 to 8,000 gallons	3.20		5.10		N/A
Over 8,000 gallons	4.20		6.50		N/A
First 8,000 gallons	N/A		N/A		3.00
Over 8,000 gallons	N/A		N/A		4.00
<u>1" Meter (All Classes)</u>					
First 3,000 gallons	2.40		3.50		N/A
3,001 to 8,000 gallons	3.20		5.10		N/A
Over 8,000 gallons	4.20		6.50		N/A
First 10,000 gallons	N/A		N/A		3.00
Over 10,000 gallons	N/A		N/A		4.00
<u>1 1/2" Meter (All Classes)</u>					
First 3,000 gallons	2.40		3.50		N/A
3,001 to 8,000 gallons	3.20		5.10		N/A
Over 8,000 gallons	4.20		6.50		N/A
First 20,000 gallons	N/A		N/A		3.00
Over 20,000 gallons	N/A		N/A		4.00
<u>2" Meter (All Classes)</u>					
First 3,000 gallons	2.40		3.50		N/A
3,001 to 8,000 gallons	3.20		5.10		N/A
Over 8,000 gallons	4.20		6.50		N/A
First 40,000 gallons	N/A		N/A		3.00
Over 40,000 gallons	N/A		N/A		4.00

<u>3" Meter (All Classes)</u>				
First 3,000 gallons	2.40		3.50	N/A
3,001 to 8,000 gallons	3.20		5.10	N/A
Over 8,000 gallons	4.20		6.50	N/A
First 100,000 gallons	N/A		N/A	3.00
Over 100,000 gallons	N/A		N/A	4.00
<u>4" Meter (All Classes)</u>				
First 30,000 gallons	N/A		5.10	N/A
Over 30,000 gallons	N/A		6.50	N/A
First 180,000 gallons	N/A		N/A	3.00
Over 180,000 gallons	N/A		N/A	4.00
<u>6" Meter (All Classes)</u>				
First 30,000 gallons	N/A		5.10	N/A
Over 30,000 gallons	N/A		6.50	N/A
First 300,000 gallons	N/A		N/A	3.00
Over 300,000 gallons	N/A		N/A	4.00
Hydrant Meter (Not Individually Assigned)				
All Usage, Per 1,000 Gallons	4.20		6.50	4.00

Other Service Charges				
Establishment	\$ 25.00		\$ 25.00	\$ 25.00
Reconnection (Delinquent)	30.00		35.00	30.00
After Hour Service Charge (Flat Rate)	25.00		25.00	25.00
Meter Test (If Correct)	20.00		30.00	25.00
Deposit	*		*	*
Deposit Interest	*		*	*
Reestablishment (within 12 months)	**		**	**
NSF Check	20.00		20.00	20.00
Deferred Payment (per month)	1.50%		1.50%	1.50%
Meter Re-Read (if Correct)	15.00		15.00	15.00
Late Payment Fee (per month)	1.50%		1.50%	1.50%
Moving Customer Meter at Customer Request	N/A		*** @ cost	*** @ cost

Monthly Service Charge for Fire Sprinklers				
4" or Smaller	****		****	****
6"	****		****	****
8"	****		****	****
10"	****		****	****
Larger than 10"	****		****	****

* Per Commission Rule A.A.C. R14-2-403(B).
 ** Months off the system times the Monthly Usage Charge, per A.A.C. R14-2-403(D).
 *** All items billed at cost shall include labor, materials, parts, overheads and all applicable taxes.
 **** 2.00 percent of the Monthly Usage Charge for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

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).

Service and Meter Installation Charges							
Service Size	Total Present Charge	Proposed Service Line Charge	Proposed Meter Insallation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Insallation Charge	Total Recommended Charge
5/8 x 3/4 Inch	\$ 501.00	\$ 450.00	\$ 150.00	\$ 600.00	\$ 450.00	\$ 150.00	\$ 600.00
3/4 Inch	575.00	450.00	250.00	700.00	450.00	250.00	700.00
1 Inch	650.00	575.00	300.00	875.00	575.00	300.00	875.00
1 1/2 Inch	716.00	675.00	500.00	1,175.00	675.00	500.00	1,175.00
2 Inch	1,572.00	1,000.00	1,500.00	2,500.00	1,000.00	1,500.00	2,500.00
3 Inch	2,400.00	1,300.00	2,000.00	3,300.00	1,300.00	2,000.00	3,300.00
4 Inch	3,516.00	1,800.00	3,500.00	5,300.00	1,800.00	3,500.00	5,300.00
6 Inch	6,916.00	2,800.00	6,000.00	8,800.00	2,800.00	6,000.00	8,800.00
Over 6 Inch	N/A	N/A	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

Typical Bill Analysis - STAFF'S RECOMMENDATION						
General Service 5/8 x 3/4-Inch Meter						
Company Proposed	Gallons		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,931		\$ 31.13	\$ 43.35	\$ 12.22	39.25%
Median Usage	3,469		26.45	35.89	\$ 9.44	35.69%
Staff Recommended						
Average Usage	4,931		\$ 31.13	\$ 31.13	\$ -	0.00%
Median Usage	3,469		26.45	26.45	\$ -	0.00%
Present & Proposed Rates (Without Taxes)						
General Service 5/8 x 3/4-Inch Meter						
	Present		Company Proposed	%	Staff Recommended	%
	5/8" x 3/4"		5/8" x 3/4"		5/8" x 3/4"	
	Minimum Charge	\$ 17.75	Minimum Charge	\$ 23.00	Minimum Charge	\$ 17.75
	1st Tier Rate	2.40	1st Tier Rate	3.50	1st Tier Rate	2.40
	1st Tier Breakover	3,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000
	2nd Tier Rate	3.20	2nd Tier Rate	5.10	2nd Tier Rate	3.20
	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000
	3rd Tier Rate	4.20	3rd Tier Rate	6.50	3rd Tier Rate	4.20
Gallons Consumption	Rates		Rates	Increase	Rates	Increase
-	\$ 17.75		\$ 23.00	29.58%	\$ 17.75	0.00%
1,000	20.15		26.50	31.51%	20.15	0.00%
2,000	22.55		30.00	33.04%	22.55	0.00%
3,000	24.95		33.50	34.27%	24.95	0.00%
4,000	28.15		38.60	37.12%	28.15	0.00%
5,000	31.35		43.70	39.39%	31.35	0.00%
6,000	34.55		48.80	41.24%	34.55	0.00%
7,000	37.75		53.90	42.78%	37.75	0.00%
8,000	40.95		59.00	44.08%	40.95	0.00%
9,000	45.15		65.50	45.07%	45.15	0.00%
10,000	49.35		72.00	45.90%	49.35	0.00%
11,000	53.55		78.50	46.59%	53.55	0.00%
12,000	57.75		85.00	47.19%	57.75	0.00%
13,000	61.95		91.50	47.70%	61.95	0.00%
14,000	66.15		98.00	48.15%	66.15	0.00%
15,000	70.35		104.50	48.54%	70.35	0.00%
16,000	74.55		111.00	48.89%	74.55	0.00%
17,000	78.75		117.50	49.21%	78.75	0.00%
18,000	82.95		124.00	49.49%	82.95	0.00%
19,000	87.15		130.50	49.74%	87.15	0.00%
20,000	91.35		137.00	49.97%	91.35	0.00%
25,000	112.35		169.50	50.87%	112.35	0.00%
30,000	133.35		202.00	51.48%	133.35	0.00%
35,000	154.35		234.50	51.93%	154.35	0.00%
40,000	175.35		267.00	52.27%	175.35	0.00%
45,000	196.35		299.50	52.53%	196.35	0.00%
50,000	217.35		332.00	52.75%	217.35	0.00%
75,000	322.35		494.50	53.40%	322.35	0.00%
100,000	427.35		657.00	53.74%	427.35	0.00%

Typical Bill Analysis - STAFF'S ALTERNATIVE RECOMMENDATION						
General Service 5/8 x 3/4-Inch Meter						
Company Proposed	Gallons		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,931		\$ 31.13	\$ 43.35	\$ 12.22	39.25%
Median Usage	3,469		26.45	35.89	\$ 9.44	35.69%
Staff Recommended						
Average Usage	4,931		\$ 31.13	\$ 27.14	\$ (3.99)	-12.81%
Median Usage	3,469		26.45	22.76	\$ (3.69)	-13.96%
Present & Proposed Rates (Without Taxes)						
General Service 5/8 x 3/4-Inch Meter						
	Present		Company Proposed	%	Staff Recommended Alt. B	%
	5/8" x 3/4"		5/8" x 3/4"		5/8" x 3/4"	
	Minimum Charge	\$ 17.75	Minimum Charge	\$ 23.00	Minimum Charge	\$ 14.75
	1st Tier Rate	2.40	1st Tier Rate	3.50	1st Tier Rate	2.20
	1st Tier Breakover	3,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000
	2nd Tier Rate	3.20	2nd Tier Rate	5.10	2nd Tier Rate	3.00
	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000
	3rd Tier Rate	4.20	3rd Tier Rate	6.50	3rd Tier Rate	4.00
Gallons Consumption	Rates		Rates	Increase	Rates	Increase
-	\$ 17.75		\$ 23.00	29.58%	\$ 14.75	-16.90%
1,000	20.15		26.50	31.51%	16.95	-15.88%
2,000	22.55		30.00	33.04%	19.15	-15.08%
3,000	24.95		33.50	34.27%	21.35	-14.43%
4,000	28.15		38.60	37.12%	24.35	-13.50%
5,000	31.35		43.70	39.39%	27.35	-12.76%
6,000	34.55		48.80	41.24%	30.35	-12.16%
7,000	37.75		53.90	42.78%	33.35	-11.66%
8,000	40.95		59.00	44.08%	36.35	-11.23%
9,000	45.15		65.50	45.07%	40.35	-10.63%
10,000	49.35		72.00	45.90%	44.35	-10.13%
11,000	53.55		78.50	46.59%	48.35	-9.71%
12,000	57.75		85.00	47.19%	52.35	-9.35%
13,000	61.95		91.50	47.70%	56.35	-9.04%
14,000	66.15		98.00	48.15%	60.35	-8.77%
15,000	70.35		104.50	48.54%	64.35	-8.53%
16,000	74.55		111.00	48.89%	68.35	-8.32%
17,000	78.75		117.50	49.21%	72.35	-8.13%
18,000	82.95		124.00	49.49%	76.35	-7.96%
19,000	87.15		130.50	49.74%	80.35	-7.80%
20,000	91.35		137.00	49.97%	84.35	-7.66%
25,000	112.35		169.50	50.87%	104.35	-7.12%
30,000	133.35		202.00	51.48%	124.35	-6.75%
35,000	154.35		234.50	51.93%	144.35	-6.48%
40,000	175.35		267.00	52.27%	164.35	-6.27%
45,000	196.35		299.50	52.53%	184.35	-6.11%
50,000	217.35		332.00	52.75%	204.35	-5.98%
75,000	322.35		494.50	53.40%	304.35	-5.58%
100,000	427.35		657.00	53.74%	404.35	-5.38%