

NEW APPLICATION



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OCT 28 2015 P 3:54

AZ CORP COMMISSION
DOCKET CONTROL

4 LIBERTY UTILITIES
Todd C. Wiley (No. 015358)
5 12725 W. Indian School Road, Suite D-101
Avondale, Arizona 85392

Arizona Corporation Commission

DOCKETED

OCT 28 2015

6 Attorneys for Liberty Utilities (Rio Rico Water & Sewer) Corp.
7

DOCKETED BY
KM WJ

8 BEFORE THE ARIZONA CORPORATION COMMISSION
9

10 IN THE MATTER OF THE APPLICATION
OF LIBERTY UTILITIES (RIO RICO
11 WATER & SEWER) CORP., AN ARIZONA
CORPORATION, FOR A
12 DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
13 PROPERTY AND FOR INCREASES IN ITS
WATER AND WASTEWATER RATES
14 AND CHARGES FOR UTILITY SERVICE
15 BASED THEREON.

DOCKET NO: WS-02676A-15-_____

APPLICATION

WS-02676A-15-0368

16 Liberty Utilities (Rio Rico Water & Sewer) Corp., an Arizona public service
17 corporation ("Liberty Rio Rico"), hereby applies for an order establishing the fair value of
18 its plant and property used for the provision of public water and wastewater utility service
19 and, based on such finding, approving permanent rates and charges for utility service
20 designed to produce a fair return thereon. In support thereof, Liberty Rio Rico states as
21 follows:

22 1. Liberty Rio Rico is an Arizona public service corporation engaged in
23 providing water and wastewater utility services in portions of Santa Cruz County,
24 Arizona, pursuant to certificates of convenience and necessity granted by the Arizona
25 Corporation Commission. During the Test Year, Liberty Rio Rico served approximately
26 6,404 water and 2,046 wastewater service connections.

1 2. Liberty Rio Rico's business office is located at 12725 W. Indian School
2 Road, Suite D-101, Avondale, Arizona 85392 and its telephone number is (623) 935-
3 9367. The primary management contact is Matthew Garlick. Mr. Garlick is employed by
4 Liberty Utilities ("Liberty") as President – AZ/TX.

5 3. The person responsible for overseeing and directing the conduct of this rate
6 application is Gerald Becker, Liberty Utilities' Utility Rates and Regulatory Manager.
7 Mr. Becker was assisted by Liberty Rio Rico's rate case consultant, Thomas Bourassa,
8 and undersigned legal counsel. Mr. Becker's mailing address is 12725 W. Indian School
9 Road, Suite D-101, Avondale, Arizona 85392; his telephone number is (623) 298-3769;
10 and his e-mail address is Gerry.Becker@libertyutilities.com. Mr. Bourassa's mailing
11 address is 139 W. Wood Drive, Phoenix, Arizona 85029; his telephone number is
12 (602) 246-7150; and his e-mail address is tjb114@cox.net. **All discovery, data requests**
13 **and other requests for information concerning this Application should be directed to**
14 **Mr. Becker, including copies by e-mail, as well as to Mr. Garlick by e-mail at**
15 **Matthew.Garlick@libertyutilities.com, and to Mr. Bourassa, with a copy by e-mail**
16 **to undersigned counsel at jay@shapslawaz.com and whitney@shapslawaz.com, and**
17 **to Liberty's Assistant General Counsel at Todd.Wiley@libertyutilities.com.**

18 4. Liberty Rio Rico's present rates and charges for utility service were
19 approved by the Commission in Decision No. 73996 (July 30, 2013) using a test year
20 ending February 29, 2012. There have been no other changes to Liberty Rio Rico's rates
21 since the current rates went into effect on or after July 31, 2013.

22 5. Liberty Rio Rico's revenues from its utility operations are presently
23 inadequate to provide a fair rate of return on the fair value of its utility plant and property
24 devoted to public service. Operating expenses have caused the revenues produced by the
25 current rates and charges for service to become inadequate to meet operating expenses and
26 provide a reasonable rate of return. Therefore, Liberty Rio Rico requests that the

1 Commission approve certain adjustments to its rates and charges for utility service so that
2 Liberty Rio Rico may recover its operating expenses and be given an opportunity to earn a
3 just and reasonable rate of return on the fair value of its property. Liberty Rio Rico agrees
4 to use its original cost rate base as its fair value rate base in this proceeding to minimize
5 disputes and reduce rate case expense.

6 6. Filed concurrently herewith are the schedules required pursuant to A.A.C.
7 R14-2-103 for rate applications by Class "B" utilities. The test year utilized by Liberty
8 Rio Rico in connection with the preparation of such schedules is the 12-month period that
9 ended December 31, 2014. Liberty Rio Rico requests that the Commission utilize such
10 test year in connection with this Application, with appropriate adjustments to obtain a
11 normal or more realistic relationship between revenues, rate base and expenses during the
12 period in which the rates established in this proceeding are in effect.

13 7. During the test year, Liberty Rio Rico's adjusted gross revenues were
14 \$3,032,792 from water utility service. The adjusted operating income from the water
15 division was \$340,290, leading to an operating income deficiency of \$421,899.
16 The adjusted fair value rate base was \$8,861,632. Thus, the rate of return on water
17 operations during the test year was 3.84 percent.

18 8. During the test year, Liberty Rio Rico's adjusted gross revenues were
19 \$1,478,323 from wastewater utility service. The adjusted operating income from the
20 wastewater division was \$320,976, leading to an operating income deficiency of
21 \$139,640. The adjusted fair value rate base was \$5,355,381. Thus, the rate of return on
22 wastewater operations during the test year was 5.99 percent.

23 9. Liberty Rio Rico submits that these rates of return are inadequate to allow it
24 to obtain debt, pay a reasonable dividend to its stockholder, maintain a sound credit rating,
25 and/or enable Liberty Rio Rico to attract additional capital on reasonable and acceptable
26

1 terms in order to continue the investment in utility plant necessary to adequately serve
2 customers.

3 10. Liberty Rio Rico is seeking an increase in water utility revenues equal to
4 \$683,836, an increase in revenues of 22.55 percent. The adjustments to Liberty Rio
5 Rico's rates and charges that are proposed herein, when fully implemented, will produce a
6 rate of return on the fair value rate base equal to 8.60 percent from water operations.

7 11. Liberty Rio Rico is seeking an increase in wastewater utility revenues equal
8 to \$226,351, an increase in revenues of 15.31 percent. The adjustments to Liberty Rio
9 Rico's rates and charges that are proposed herein, when fully implemented, will produce a
10 rate of return on the fair value rate base equal to 8.60 percent from wastewater operations.

11 12. Filed concurrently in support of this Application is the Direct Testimony of
12 Matthew Garlick, providing an overview of Liberty Rio Rico and its parent, Liberty
13 Utilities Co., introducing Liberty Rio Rico's request for approval of the Fair Value
14 Arizona Rate Evaluation Model or "FARE," and discussing (1) the Purchased Power
15 Adjuster Mechanism ("PPAM") and Property Tax Adjuster Mechanism ("PTAM") for
16 which Liberty Rio Rico is seeking approval, (2) the proposed modifications to Liberty Rio
17 Rico's tariff of rates and charges, and (4) Liberty Rio Rico's request for financing.

18 13. Liberty Rio Rico also submits the direct testimony of Peter Eichler.
19 Mr. Eichler's testimony details the FARE. The FARE is a ratemaking mechanism
20 developed following the disappointing decision of the Arizona Court of Appeals rendering
21 the System Improvement Benefits surcharge unlawful. The FARE was designed to
22 comply with Arizona law, including Arizona's unique "fair value" requirement, and to
23 promote rate gradualism and rate stability, and to mitigate regulatory lag

24 14. Liberty Rio Rico also submits the direct testimony of William Killeen.
25 Mr. Killeen's testimony provides an overview of Liberty Utilities' business model, cost
26 allocation manual, and corporate cost allocation process.

1 15. Finally, Liberty Rio Rico submits the Direct Testimony of Thomas J.
2 Bourassa, in two separate volumes that collectively provide an overview of Liberty Rio
3 Rico's rate filing, discussion of the revenue requirement, including the "A" through "F"
4 schedules, development of the rate base and income statement adjustments, cost of equity
5 capital and related issues, proposed rates, including the "H" schedules, and discussion of
6 the effects of the proposed rates on customers' bills. Liberty Rio Rico's "D" Schedules,
7 which concern the cost of capital, are attached to the volume of Mr. Bourassa's testimony
8 addressing cost of capital. The remaining schedules for the water and wastewater
9 divisions are separately bound and filed concurrently with the Application.

10 16. Attached hereto as **Attachment 1** are water and wastewater plant
11 descriptions, a completed water use data sheet for the 2014 calendar year, and wastewater
12 flows for January 2014-December 2014.

13 17. Attached hereto as **Attachment 2** is Liberty Rio Rico's proposed tariff of
14 rates and charges.

15 18. Attached hereto as **Attachment 3** is Liberty Rio Rico's proposed PPAM.

16 19. Attached hereto as **Attachment 4** is Liberty Rio Rico's proposed PTAM.

17 WHEREFORE, Liberty Rio Rico requests the following relief:

18 A. That the Commission, upon proper notice and at the earliest possible time,
19 conduct a hearing in accordance with A.R.S. § 40-251 and determine the fair value of
20 Liberty Rio Rico's utility water and wastewater plants and property devoted to providing
21 water and wastewater utility service;

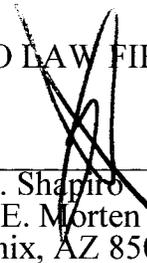
22 B. Based upon such determination, that the Commission approve permanent
23 adjustments to the rates and charges for water and wastewater utility service provided by
24 Liberty Rio Rico, as proposed herein, or approve such other rates and charges as will
25 produce a just and reasonable rate of return on the fair value of Liberty Rio Rico's utility
26 plant and property;

1 C. That the Commission approve Liberty Rio Rico's request for approval of the
2 FARE;

3 D. That the Commission approve Liberty Rio Rico's request for a PPAM and
4 PTAM; and

5 E. That the Commission authorize such other and further relief as may be
6 appropriate to ensure that Liberty Rio Rico has an opportunity to earn a just and
7 reasonable return on the fair value of its utility plant and property and as may otherwise be
8 required under Arizona law.

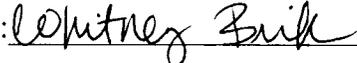
9 RESPECTFULLY SUBMITTED this 28th day of October, 2015.

10 SHAPIRO LAW FIRM, P.C.
11
12 By: 
13 Jay L. Shapiro
14 1819 E. Morten Avenue, Suite 280
15 Phoenix, AZ 85020

16 and
17 LIBERTY UTILITIES
18 Todd C. Wiley
19 Assistant General Counsel
20 12725 W. Indian School Road, Suite D-101
21 Avondale, AZ 85392
22 Attorneys for Liberty Utilities
23 (Rio Rico Water & Sewer) Corp.

24 ORIGINAL and fifteen (15) copies of the
25 foregoing, together with the direct testimonies
26 and schedules supporting this application
were delivered this 28th day of October, 2015, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

By: 

ATTACHMENT 1

COMPANY NAME: Liberty Utilities Rio Rico (Water and Sewer) Inc.

Name of System: Rio Rico Utilities Inc.

ADEQ Public Water System Number: 12-011

WATER UTILITY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-502579	200	1100	650	16	8	1983
55-619359	75	625	250	10	6	1985
55-604302	20			16	2	1972
55-604364	75	625	251	10	6	1968
55-604363	75	650	603	12	8	1970
55-604366	20			10	2	1967
55-587292	200	975	605	16	10	2003
558-206176	250	1300	650	16	10	2005

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
40	2	315	
30	8		
25	13		
20	8		
15	10		
10	3		
7.5	9		
3	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
1.0	1	5000	11
.640	1	2000	10
.200	1	1500	3
.150	1		
.100	1		
.010	4		

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME Liberty Utilities Rio Rico (Water and Sewer) Corp

Name of System: Rio Rico Utilities Inc. (Water)

ADEQ Public Water System Number: 12-011

WATER UTILITY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
4" and under	Various	325,458
Over 4"	Various	1,478,264

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	6566
3/4	10
1	1
1 1/2	17
2	44
Comp. 3	24
Comp. 4	4
Comp. 6	1

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT

Gas chlorination system using 150# cylinders

STRUCTURES:

(2) 20' x 20' storage sheds
(6) 8' x 8' chlorination buildings (at well sites)

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: Liberty Utilities Rio Rico (Water and Sewer) Corp	
Name of System: Rio Rico Utilities Inc. (Water)	ADEQ Public Water System Number: 12-011

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2014

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	6,774	52,165,916	63,443,000	0
FEBRUARY	6,775	48,009,919	55,075,000	0
MARCH	6,780	46,464,914	63,608,000	0
APRIL	6,782	61,913,723	77,024,000	0
MAY	6,782	62,110,318	76,296,000	0
JUNE	6,800	83,708,328	85,109,000	0
JULY	6,800	86,865,125	70,339,000	0
AUGUST	6,790	61,562,309	74,693,000	0
SEPTEMBER	6,791	59,152,416	62,113,000	0
OCTOBER	6,791	52,346,422	65,700,000	0
NOVEMBER	6,791	52,757,323	62,354,000	0
DECEMBER	6,798	50,470,918	54,899,000	0
TOTALS →		711,527,631	810,653,000	0

What is the level of arsenic for each well on your system? See attached mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1150 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
 Yes No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 Yes No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 Yes No

If yes, provide the GPCPD amount: 111

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Liberty Utilities Rio Rico (Water and Sewer) Corp	
Name of System: Rio Rico Utilities Inc.	Wastewater Inventory Number (if applicable):

WASTEWATER UTILITY PLANT DESCRIPTION
TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Evaporative Ponds
DESIGN CAPACITY OF PLANT (Gallons Per Day)	Villas 12 – 0.050 MGD Villas 13 – 0.050 MGD

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
Lift Station #1	2	88	725	32,313
Lift Station #2	2	47	500	9,000
Lift Station #3	2	47	500	9,000
Lift Station #4	2	15	175	8,000
Lift Station #5	2	3	27	1,608

FORCE MAINS

Size	Material	Length (Feet)
4-inch	PVC	3,714
4inch	DI	120
6-inch	PVC	19,946
6-inch	DI	693

MANHOLES

Type	Quantity
Standard	535
Drop	15

CLEANOUTS

Quantity
132

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME Liberty Utilities Rio Rico (Water and Sewer) Corp	
Name of System: Rio Rico Utilities Inc.	Wastewater Inventory Number (if applicable):

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
January	2043	10,526,000	372,000
February	2059	10,319,000	405,000
March	2062	11,469,000	409,000
April	2066	11,113,000	432,000
May	2063	11,552,000	404,000
June	2068	10,863,000	406,000
July	2035	10,906,000	393,000
August	2035	11,065,000	410,000
September	2035	11,085,000	495,000
October	2045	13,318,000	508,000
November	2042	18,030,000	672,000
December	2049	20,520,000	711,000

**PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE
PER WASTEWATER SYSTEM**

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Villas 12 – Evaporative Ponds Villas 13 – Evaporative Ponds
Groundwater Permit Number	N/A
ADEQ Aquifer Protection Permit Number	101731
ADEQ Reuse Permit Number	N/A
EPA NPDES Permit Number	N/A

Note: If you are filing for more than one system, please provide separate sheets for each system.

ATTACHMENT 2

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ISSUED BY:

Effective: _____

Matthew Garlick, President
Liberty Utilities (Rio Rico Water & Sewer) Corp.
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

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 12725 W. Indian School Road, Suite D-101
 Avondale, AZ 85392

Applies to all WATER service areas
STATEMENT OF CHARGES FOR WATER SERVICE

I. RATES

In Decision No. _____, issued _____, the Commission approved the following rates and charges effective _____:

A. Monthly Usage Charge

<u>Meter Size (All Classes)</u> Inches	<u>Minimum Charge</u> ¹² Per Month
5/8" x 3/4" Meter	\$ 18.90
3/4" Meter	28.35
1" Meter	47.25
1 1/2" Meter	94.50
2" Meter	151.20
3" Meter	302.40
4" Meter	472.50
6" Meter	945.00
8" Meter	1,512.00
10" Meter	2,173.50
12" Meter	4,063.50
Morningstar Ranch Community Association – 6 inch	671.00
Standpipe (hydrant, bulk)	4.34

¹ Low Income Tariff – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the low income qualifications.

² A 5 percent discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company.

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Applies to all WATER service areas
STATEMENT OF CHARGES FOR WATER SERVICE

<u>Meter Size</u> Inches	<u>Minimum</u> <u>Charge</u> Per Month
Fire Lines:	
4 inches	(1)
6 inches	(1)
8 inches	(1)
10 inches	(1)
12 inches	(1)

(1) As authorized by A.A.C. R14-2-408(B), the charge for fire lines shall be 2" of the equivalent meter size or \$10, whichever is great for all meter sizes.

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STATEMENT OF CHARGES FOR WATER SERVICE

B. Commodity Rates

The rate for use in addition to the minimum stated above shall be at the following rates per 1,000 gallons.

<u>Meter Size (All Classes)</u>	<u>Consumption</u>	<u>Charge³⁴</u>
5/8" x 3/4" Meter	0 to 3,000 gallons	\$1.94
	3,001 to 9,000 gallons	3.59
	Over 9,000 gallons	4.34
3/4" Meter	0 to 4,000 gallons	3.59
	Over 4,000 gallons	4.34
1" Meter	0 to 23,000 gallons	3.59
	Over 23,000 gallons	4.34
1 1/2" Meter	0 to 45,000 gallons	3.59
	Over 45,000 gallons	4.34
2" Meter	0 to 72,000 gallons	3.59
	Over 72,000 gallons	4.34
3" Meter	0 to 144,000 gallons	3.59
	Over 144,000 gallons	4.34
4" Meter	0 to 225,000 gallons	3.59
	Over 225,000 gallons	4.34
6" Meter	0 to 450,000 gallons	3.59
	Over 450,000 gallons	4.34

³ Low Income Tariff – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the low income qualifications.

⁴ A 5 percent discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company.

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STATEMENT OF CHARGES FOR WATER SERVICE

<u>Meter Size</u>	<u>Consumption</u>	<u>Charge</u>
8" Meter	0 to 720,000 gallons	3.59
	Over 720,000 gallons	4.34
10" Meter	0 to 1,025,000 gallons	3.59
	Over 1,025,000 gallons	4.34
12" Meter	0 to 1,025,000 gallons	3.59
	Over 1,025,000 gallons	4.34
Morningstar Ranch Community Association		5.64

Issued: _____

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Cancelling Sheet No. _____

Applies to all WATER service areas
STATEMENT OF CHARGES FOR WATER SERVICE

C. Service Line and Meter Installation Charges

(Refundable pursuant to A.A.C. R14-2-405)

<u>Meter Size</u>	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>
5/8 x 3/4" Meter	At Cost	At Cost	At Cost
3/4" Meter	At Cost	At Cost	At Cost
1" Meter	At Cost	At Cost	At Cost
1 1/2" Meter	At Cost	At Cost	At Cost
2" Meter	At Cost	At Cost	At Cost
3" Meter	At Cost	At Cost	At Cost
4" Meter	At Cost	At Cost	At Cost
6" Meter	At Cost	At Cost	At Cost
8" Meter	At Cost	At Cost	At Cost
10" Meter	At Cost	At Cost	At Cost
12" Meter	At Cost	At Cost	At Cost

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Matthew Garlick, President
 Liberty Utilities (Rio Rico Water & Sewer) Corp.
 12725 W. Indian School Road, Suite D-101
 Avondale, AZ 85392

Applies to all **WATER** service areas
STATEMENT OF CHARGES FOR WATER SERVICE

D. Other Service Charges

<u>Service</u>	<u>Charge</u>
Establishment	\$25.00
Re-Establishment (within 12 months)	(1)
Re-Connection (Delinquent)	(2)
Meter Test (if correct)	\$30.00
Meter Re-Read (if correct)	20.00
Deposit (Residential)	(3)
Deposit (Non-Residential)	(4)
Deposit Interest	6.00%
NSF Check	\$10.00
Late Payment Penalty	1.5% per month
Deferred Payment Finance Charge	1.5% per month
Moving meter at customer request	At Cost
After Hours Service Charge (a)	\$50.00

- (1) As authorized by A.A.C.R14-2-403(D), residential and non-residential customers shall pay the applicable minimum charge times number of months disconnected.
- (2) Customer shall pay the actual cost of physical disconnection and Establishment (if same customer) and there shall be no charge for disconnection if no physical work is performed.
- (3) As authorized by A.A.C. R14-2-403(B), the deposit for residential customers is two times average bill.
- (4) As authorized by A.A.C. R14-2-403(B), the deposit for non-residential customers is two and one-half times average bill.
- (a) At customer's request. No charge for service during normal working hours.

Issued: _____

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Matthew Garlick, President
 Liberty Utilities (Rio Rico Water & Sewer) Corp.
 12725 W. Indian School Road, Suite D-101
 Avondale, AZ 85392

Applies to all **WATER** service areas
STATEMENT OF CHARGES FOR WATER SERVICE

II. TAXES AND ASSESSMENTS

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per A.A.C. R14-2-409(D)(5).

Issued: _____

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Applies to all WATER service areas
STATEMENT OF CHARGES FOR WATER SERVICE

III. PERMITTED COSTS

- A. Costs shall be verified by invoice.
- B. For services that are provided by the Company at cost, costs shall include labor, materials, other charges incurred, and overhead not to exceed 10%. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.
- C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.
- D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.
- E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.
- F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities under which the Customer advances or contributes funds or facilities to the Company.

Issued: _____

ISSUED BY:

Effective: _____

Matthew Garlick, President
Liberty Utilities (Rio Rico Water & Sewer) Corp.
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all WATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

I. CROSS-CONNECTION OR BACKFLOW TARIFF**A. Purpose.**

The purpose of this tariff is to protect the Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division ("Company") from the possibility of contamination caused by the backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow prevention assemblies pursuant to the provisions of Arizona Administrative Code (A.A.C.) R14-2-405.B.6 and A.A.C. R18-4-215.

B. Requirement.

In compliance with the rules and regulations of the Arizona Corporation Commission and the Arizona Department of Environmental Quality, specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-215 relating to backflow prevention:

1. The Company may require a customer to pay for and install a backflow-prevention assembly if A.A.C. R18-4-215.B or C applies.
2. Any backflow-prevention assembly required to be installed by the customer under paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-215.D and E.
3. Subject to the provision of A.A.C. R14-2-407 and 410 and in accordance with paragraphs 1 and 7 of this tariff, the Company may terminate service or deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff.
4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is **not** applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why she or he cannot install the device within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

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STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

5. Testing shall be in conformance with the requirement of A.A.C. R18-4-215.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests. The Company may also require the customer to pay for repairs to a backflow-prevention assembly.
6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:
 - a. assembly identification number and description;
 - b. location;
 - c. date(s) of test(s);
 - d. description of repairs and recommendations for repairs made by tester; and
 - e. the tester's name and certification number.
7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested before service is restored.
8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is **not** applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency or dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

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Applies to all WATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

II. INTERRUPTIBLE SERVICE; COMPANY'S LIABILITY LIMITATIONS

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company will maintain a minimum water pressure of 20 p.s.i. and will not guarantee a specific gallons per minute flow rate at any public fire hydrants or fire sprinkler service. In the event service is interrupted, irregular or defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

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Applies to all WATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

III. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-401 through A.A.C. R14-2-411 will be controlling of Company procedures, unless specific Commission Order(s) provide otherwise.

Issued: _____

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Applies to all WATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

IV. CURTAILMENT PLAN

ADEQ Public Water System Number: 12-011

Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Company"), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as steadily declining water table, increased draw-down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

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Matthew Garlick, President
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Applies to all WATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent of Stage 1 consumption. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible.

Notice Requirements:

- 1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
- 2. Beginning with Stage 3, Company shall post at least 6 signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
- 3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

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Applies to all **WATER** service areas
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employee water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- Restaurant patrons shall be served water only upon request
- Any other water intensive activity is prohibited

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least 6 signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

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Matthew Garlick, President
Liberty Utilities (Rio Rico Water & Sewer) Corp.
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

DOCKET NO. _____

Cancelling Sheet No. _____

Applies to all **WASTEWATER** service areas
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

I. RATES

In Decision No. _____, issued _____, the Commission approved the following rates and charges to become effective _____:

A. Monthly Minimum Charge

<u>Meter Size (All Classes)</u> Inches	<u>Charge⁵⁶</u> Per Month
5/8" x 3/4" Meter	\$ 54.83
3/4" Meter	63.22
1" Meter	77.32
1 1/2" Meter	114.14
2" Meter	158.34
3" Meter	275.83
4" Meter	408.88
6" Meter	777.03
8" Meter	1,183.66
10" Meter	1,773.69
12" Meter	2,522.32

⁵ Low Income Tariff – A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the low income qualifications.

⁶ A 5 percent discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company.

Issued: _____

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Effective: _____

Matthew Garlick, President
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 Avondale, AZ 85392

Applies to all WASTEWATER service areas
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

B. Commodity Rates (All Meter Sizes)

Commercial and Multi-Tenant Only	
0 to 7,000 gallons	\$0.00
Over 7,000 gallons	7.00

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Applies to all WASTEWATER service areas
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

C. Service Line and Meter Installation Charges

Service Line Size	Charge
4" Meter	At Cost
6" Meter	At Cost
8" Meter	At Cost
10" Meter	At Cost
12" Meter	At Cost

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Applies to all WASTEWATER service areas
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

D. Other Service Charges

<u>Service</u>	<u>Charge</u>
Establishment	\$25.00
Re-Establishment (within 12 months)	(1)
Reconnection (Delinquent)	(2)
Deposit (Residential)	(3)
Deposit (Non-Residential)	(4)
Deposit Interest	6.00%
NSF Check	\$10.00
Deferred Payment Finance Charge	1.5% per month
Late Charge	1.5% per month
After Hours Service Charge at Customer Request	\$50.00 (5)

- (1) Per A.A.C. R14-2-603(D), residential and non-residential customers shall pay applicable minimum charge times number of months disconnected.
- (2) Customer shall pay the actual cost of physical disconnection and Establishment (if same customer) and there shall be no charge for disconnection if no physical work is performed.
- (3) As authorized by A.A.C. R14-2-603(B), the deposit for residential customers is two times average bill.
- (4) As authorized by A.A.C. R14-2-603(B), the deposit for non-residential customers is two and one-half times average bill.
- (5) The after-hours service charge shall apply to any service requested by Customer that is performed by Company after regular business hours and shall be in addition to the regular business hours service charge.

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Applies to all WASTEWATER service areas
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

II. TAXES AND ASSESSMENTS

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per A.A.C. R14-2-608(D)(5).

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Applies to all WASTEWATER service areas
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

III. PERMITTED COSTS

- A. Costs shall be verified by invoice.
- B. For services that are provided by the Company at cost, costs shall include labor, materials, other charges incurred, and overhead. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.
- C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.
- D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date.
- E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.
- F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for wastewater facilities under which the Customer advances or contributes funds or facilities to the Company.

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Matthew Garlick, President
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Applies to all WASTEWATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WASTEWATER SERVICE

I. CUSTOMER DISCHARGE TO SYSTEM**A. Service Subject to Regulation**

Company provides wastewater service using treatment and collection facilities that are regulated by numerous county, state and federal Statutes and Regulations. Those Regulations include limitations as to domestic strength wastewater and the type of wastewater that may be discharged into the system by any person directly or indirectly connected to the plant.

B. Waste Limitations

Company has established the permissible limits of concentration as domestic strength wastewater and will limit concentration for various specific substances, materials, waters, or wastes that can be accepted in the sewer system, and to specify those substances, materials, waters, or wastes that are prohibited from entering the sewer system. Each permissible limit so established shall be placed on file in the business office of Company, with a copy filed with the Commission. No person shall discharge, or cause to be discharged, any new sources of inflow including, but not limited to, storm water, surface water, groundwater, roof runoffs, subsurface drainage, cooling water, or polluted industrial process waters into the sanitary sewer. Company will require an affidavit from all non-residential customers, and their professional engineer, stating that the wastewater discharged to the system does not exceed domestic strength or applicable pre-treatment standards.

C. Inspection and Right of Entry

Every facility that is involved directly or indirectly with the discharge of wastewater to the Treatment Plant may be inspected by Company as it deems necessary. These facilities shall include but not be limited to sewer; sewage pumping plants; all processes; devices and connection sewer; and all similar sewerage facilities. Inspections may be made to determine that such facilities are maintained and operated properly and are adequate to meet the provisions of these rules and this tariff. Inspections may include the collection of samples. Authorized personnel of Company shall be provided immediate access to all of the above facilities or to other facilities directly or indirectly connected to the Treatment Plant at all reasonable times including those occasioned by emergency conditions. Any permanent or temporary obstruction to easy access to the user's facility to be inspected shall promptly be removed by the facility user or owner at

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Applies to all WASTEWATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WASTEWATER SERVICE

the written or verbal request of Company and shall not be replaced. No person shall interfere with, delay, resist or refuse entrance to an authorized Company representative attempting to inspect any facility involved directly or indirectly with a discharge of wastewater to the Treatment Plant. Adequate identification shall be provided by Company for all inspectors and other authorized personnel and these persons shall identify themselves when entering any property for inspection purposes or when inspecting the work of any contractor.

All transient motor homes, travel trailers and other units containing holding tanks must arrive at Company's service area in an empty condition. Inspection will be required of said units prior to their being allowed to hookup to the wastewater system.

D. Termination of Water Service for Violation of Wastewater Rules and Regulations

Company is authorized to discontinue water service to any person connected to both its water and sewer systems who violates Company's wastewater terms and conditions as set forth in this section or in any way creates a public health hazard or the likelihood of such a public health hazard. This termination authority does not apply to non-payment for water or wastewater services.

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Applies to all WASTEWATER service areas
STATEMENT OF TERMS AND CONDITIONS FOR WASTEWATER SERVICE

II. RULES AND REGULATIONS

Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-601 through A.A.C. R14-2-609 will be controlling of Company procedures, unless specifically approved tariffs or Commission Order(s) provide otherwise.

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12725 W. Indian School Road, Suite D-101
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Applies to all **WATER** and **WASTEWATER** service areas
ALTERNATE RATES FOR WATER AND WASTEWATER (ARWW)
DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION

APPLICABILITY

Applicable to residential water and wastewater service for domestic use rendered to low-income households where the customer meets all the program qualifications and special conditions of this rate schedule.

TERRITORY

Within all customer service areas served by Liberty Utilities (Rio Rico Water & Sewer) Corp. (“Liberty Rio Rico”).

RATES

Fifteen percent (15%) discount applied to the regular filed tariff.

PROGRAM QUALIFICATIONS

1. Liberty Rio Rico bill must be in your name and the address must be your primary residence or you must be a tenant receiving water service by a sub-metered system.
2. You may not be claimed as a dependent on another person’s tax return.
3. You must reapply each time you move residences.
4. You must renew your application once every two (2) years, or sooner, if requested.
5. You must recertify each year by submitting a declaration attesting to your continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare / food stamp cards.
6. You must notify Liberty Rio Rico within thirty (30) days if you become ineligible for ARWW.
7. Your total gross annual income of all persons living in your household cannot exceed the income levels below:

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Matthew Garlick, President
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12725 W. Indian School Road, Suite D-101
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DOCKET NO _____

Cancelling Sheet No. ____

Applies to all **WATER** and **WASTEWATER** service areas
ALTERNATE RATES FOR WATER AND WASTEWATER (ARWW)
DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION

Effective: January 20, 2016

<u>No. of Person in Household</u>	<u>Total Gross Annual Income</u>
1	\$XX,XXX
2	XX,XXX
3	XX,XXX
4	XX,XXX
5	XX,XXX
6	XX,XXX

For each additional person residing in the household, add \$X,XXX

For the purpose of the program the “gross household income” means all money and non cash benefits, available for living expenses, from all sources, both taxable and non taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from:	Scholarships, grants, or other aid	Profit from self-employment
Savings account, stocks or bonds	used for living expenses	(IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker’s Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Issued: _____

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 12725 W. Indian School Road, Suite D-101
 Avondale, AZ 85392

Applies to all WATER and WASTEWATER service areas
ALTERNATE RATES FOR WATER AND WASTEWATER (ARWW)
DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION

SPECIAL CONDITIONS

1. Application: An application on a form authorized by the Commission is required for each request for service under this schedule. A customer must reapply every two (2) years.
2. Recertification: A customer enrolled in the ARWW program must, each year, recertify by submitting a declaration attesting to continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare / food stamp cards.
3. Commencement of Rate: Eligible customers whose applications have been approved shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by Liberty Rio Rico.
4. Verification: Information provided by the applicant is subject to verification by Liberty Utilities. Refusal or failure of a customer to provide documentation of eligibility acceptable to Liberty Rio Rico, upon request by Liberty Rio Rico, shall result in removal from this rate schedule.
5. Notice from Customer: It is the customer's responsibility to notify Liberty Rio Rico if there is a change of eligibility status.
6. Rebilling: Customers may be re-billed retroactively for periods of ineligibility under the applicable rate schedule.
7. Master-metered: A reduction will be calculated in the bill of master-metered customers, who have sub-metered tenants that meet the income eligibility criteria, so an equivalent discount (15%) can be passed through to eligible customer(s).
8. Participation Cap: The ARWW program is limited to 2,200 water division customers and 725 wastewater division customers. Applications will be reviewed and approved on a first come, first served basis. Applicants will be placed on a waiting list if the participation cap has been met.

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RECOVERY OF COST OF LOW INCOME TARIFF AND CUSTOMER SURCHARGES

Under the terms of Company's Alternate Rates for Water and Wastewater (ARWW) Domestic Service, qualifying low-income customers receive a 15 percent discount applied to the Company's regular filed tariff rates for water and wastewater service. The cost of the ARWW tariff shall be recovered by Company from a monthly low income tariff surcharge on all residential water and wastewater customers who are not participating in the ARWW program. Specifically, Company is entitled to seek recovery of direct costs (*i.e.*, those costs directly associated with the program, and would not be incurred in the absence of the program). Company shall account for those direct costs separately from other operating costs.

Company shall be entitled to implement a low income tariff surcharge on non-participating residential water and wastewater customers as follows.

- For customers participating in ARWW, the Company shall maintain separate balancing accounts for water and wastewater customers detailing the beginning and ending balance of the cumulative unrecovered program costs each month.
- Company's authorized rate of return shall be applied monthly to the average of the beginning balances of the cumulative unrecovered program costs for water and wastewater service and included in the beginning balances for the following month.
- Using the separate balancing accounts for water and wastewater customers, Company shall calculate separate monthly surcharges for water and wastewater customers. The water and wastewater surcharges shall be calculated as follows:

(Ending Balance for Low-Income Tariff Balancing Account including amortized carrying costs during recovery period/Number of active water and wastewater connections at year end)/12

- The ending balance in the balancing accounts shall equal the beginning balances plus discounts allowed on bills for the twelve month tracking period, plus direct program costs incurred in the twelve month period plus carrying charges less surcharge fees billed in the twelve month tracking period.
- Company shall implement monthly water and wastewater surcharges for the ARWW program for each twelve month period of the ARWW Program. Company shall calculate the monthly water and wastewater surcharges each year based on the active number of water and wastewater connections as of December 31 of the prior year. Company shall file notice of the water and wastewater surcharges, along with a report on the ARWW Program, with the Arizona Corporation Commission on or before January 31 and the surcharges shall be implemented on customer bills in February of each year with the recovery period ending in January of the following year.

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Matthew Garlick, President
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DOCKET NO. _____

Cancelling Sheet No. ___

**Application for
Alternate Rates for Water and Wastewater (ARWW)**

To qualify for Liberty Rio Rico ARWW please check (✓) all that apply:

- I am a Liberty Rio Rico residential customer and the Liberty Rio Rico account is in my name.
- I am a sub-metered tenant within the Liberty Rio Rico service area.
- My household income is at or below the income level in the listing below.

Household Size	Total Gross Annual Income from All Sources
1	\$XX,XXX
2	\$XX,XXX
3	\$XX,XXX
4	\$XX,XXX
5	\$XX,XXX
6	\$XX,XXX

For each additional person residing in the household, add \$5,610.

The definition of "gross household income" (before taxes) is all money and non cash benefits available for living expenses from all sources, both taxable and non taxable, before deductions, including expenses, for all people who live in your home. **This includes, but is not limited to the following (please check (✓) all that apply):**

- | | |
|--|--|
| <input type="checkbox"/> Wages, salaries or profit from self-employment | <input type="checkbox"/> Social Security, SSI or SSP |
| <input type="checkbox"/> Disability and/or Workers' Compensation payments | <input type="checkbox"/> Food Stamps |
| <input type="checkbox"/> Insurance and/or legal settlements | <input type="checkbox"/> TANF (AFDC) |
| <input type="checkbox"/> Pensions | <input type="checkbox"/> Veterans Affairs benefits |
| <input type="checkbox"/> Spousal and/or child support | <input type="checkbox"/> Unemployment benefits |
| <input type="checkbox"/> Scholarships, grants, or other aid used for living | <input type="checkbox"/> Rental and/or royalty income |
| <input type="checkbox"/> Interest/dividends from: savings, stocks, bonds, or retirement accounts | <input type="checkbox"/> Cash, gifts and/or other income |

Please print the following information. **Incomplete information will delay your discount.** The name used to apply for the discount must be the same as the name on the Liberty Rio Rico statement.

PLEASE PRINT LEGIBLY											
Liberty Rio Rico Account Number (As shown on statement)											
Total No. of persons living in household:			Household's Total Gross Annual Income:				Contact Phone Number				
Name as shown on Liberty Rio Rico statement											
Liberty Rio Rico Service Address											
City			State				Zip Code				

Please attach one of the items listed as proof of income for eligibility verification: Copy of tax return from prior year, or copy of W2 from prior year, or copy of welfare / food stamp cards.

By signing below, I certify under penalty of perjury that this information is true and correct under the laws of the State of Arizona. I will provide proof of income and I will notify Liberty Rio Rico of any changes that affect my eligibility. I understand that if I receive the discount without meeting the qualifications for it, I may be required to pay back the discount I received.

Customer Signature _____
Date

Note: An Application for ARWW must be submitted every two years. A Declaration of Eligibility must be submitted annually for verification. Please allow 30-45 days for processing.

Office Use Only: Date Verified _____ Verified By _____ Expires _____

DOCKET NO. _____

Cancelling Sheet No. ___

**Declaration of Eligibility
Alternate Rates for Water and Wastewater (ARWW)**

To recertify enrollment in the ARWW Program please fill out the following attesting to continuing eligibility:

PLEASE PRINT LEGIBLY															
Name as shown on Liberty Rio Rico statement															
Liberty Rio Rico Account Number (As shown on statement)															
Liberty Rio Rico Service Address															
City				State				Zip Code							
Contact Phone Number								Work Phone Number							

I,

Your Name (Please Print)

Last submitted an Application for Alternative Rates (ARWW)
on

(dd/mm/yyyy)

and hereby confirm my eligibility for the year ending

(dd/mm/yyyy)

Please attach one of the items listed below as proof of income for eligibility verification:

Copy of tax return from prior year,
or copy of W2 form from prior year,
or copy of welfare / food stamp cards.

By signing below, I certify under penalty of perjury that this information is true and correct under the laws of the State of Arizona. I will provide proof of income and I will notify Liberty Rio Rico of any changes that affect my eligibility. I understand that if I receive the discount without meeting the qualifications for it, I may be required to pay back the discount I received.

Customer Signature

Date

Note: An Application for ARWW must be submitted every two years. A Declaration of Eligibility must be submitted annually for verification.

Liberty Utilities (Rio Rico Water & Sewer) Corp. Alternate Rates for Water and Wastewater (ARWW)**Applicability**

Applicable to residential water and wastewater service for domestic use rendered to low-income households where the customer meets all the Program Qualifications and Special Conditions of this rate schedule.

Territory

Within all customer service areas served by Liberty Utilities (Rio Rico Water & Sewer) Corp.

Discount

Fifteen percent (15%) discount applied to the regular filed tariff. The discount will be applied to the customer's total bill before any adjustments and application of any other taxes, credit, penalties or fees.

Program Qualifications

- The Liberty Rio Rico account must be in your name and the address must be your primary residence in our service area or you must be a tenant receiving water service by a sub-metered system.
- You may not be claimed as a dependent on another person's tax return.
- You must reapply each time you move residences.
- You must renew your application once every two (2) years or sooner if requested.
- You must recertify each year by submitting a declaration attesting to your continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare/food stamp cards.
- You must notify Liberty Rio Rico within thirty (30) days if you become ineligible for ARWW.
- Your total gross annual income of all persons living in your household cannot exceed the income levels provided on the application.

Special Conditions

- You must fill out and sign the ARWW Application completely. Incomplete information will delay your discount. You must reapply every two (2) years.
- You must recertify your enrollment in the ARWW annually by submitting a Declaration of Eligibility and providing one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare/food stamp cards.
- Customers shall be billed on this schedule commencing with the next regularly scheduled billing period that follows the receipt and approval of the application by Liberty Rio Rico.
- Documentation of your gross annual income must be provided to Liberty Rio Rico for verification of eligibility for ARWW. Refusal or failure to provide documentation of acceptable eligibility to Liberty Rio Rico shall result in removal from this rate schedule.
- It is the customer's responsibility to notify Liberty Rio Rico if there is a change in eligibility status.
- You may be re-billed for any periods of ineligibility under the applicable rate schedule.
- Master-metered customers who have sub-metered tenants will receive a reduction in the billing. Sub-metered tenants must qualify and meet the income eligibility criteria so an equivalent discount (15%) can be passed through to eligible customer(s).
- The ARWW program is limited to 2,200 water division customers and 725 wastewater division customers.

How to Submit Completed ARWW Application and/or Declaration of Eligibility

Mail, Fax or Email your ARWW Application and Declaration of Eligibility to:

Liberty Utilities (Rio Rico Water & Sewer) Corp.

1060 Yavapai Drive, Suite 9

Rio Rico, AZ 85648

Fax: 520-281-7433

Email: customerservicerio@libertywater.com

ATTACHMENT 3

LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.

**PROPOSED PLAN OF ADMINISTRATION FOR
PURCHASED POWER ADJUSTMENT MECHANISM**

I. GENERAL DESCRIPTION.

This document is the Plan of Administration (“POA”) for the Purchased Power Adjustment Mechanism (“PPAM”) for Liberty Utilities (Rio Rico Water & Sewer) Corp. (“Liberty Rio Rico” or “Company”) approved by the Arizona Corporation Commission (“Commission”) in Decision No. _____ on _____, 2016. The PPAM allows Liberty Rio Rico to pass through to its customers the increase or decrease in purchased power costs that result from a rate change for any Commission-regulated electric service provider supplying retail electric service to the Company.

II. PPAM RELATED FILINGS.

A. Within 60 days of the effective date of a Commission Decision authorizing a rate change in the approved tariffs for any Commission-regulated electric service provider supplying retail electric service to the Company, the Company shall file with Docket Controlling an analysis of the actual impact on the energy portion of the Company’s electric service costs.

B. The Company will provide the Commission with spreadsheets detailing exactly how the Company’s purchased power expenses were calculated in the time period prior to a change in the rate that the Company must pay for purchased power. These calculations will include basic service charges and rate and volume figures. That is, the Company will break down its total purchased power bill into the amount due to fixed fees, volume of electricity used, and the rates paid per unit of electricity. For the period following the rate change, the Company will provide the same information, then compare the two periods, isolating any change in purchased power cost that is due exclusively to a rate change. The specific intent is to show exactly how much of any increase or decrease is due to changes in rates beyond the Company’s control and how much is due to a change in the amount of power that the Company consumes. The Company will only recover increases or refund decreases that are due to changes in rates.

C. All revised schedules filed with the Commission pursuant to the provisions of this PPAM will be accompanied by documentation prepared by the Company in a format approved by Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify accuracy of the Company’s calculations.

D. The surcharges will not become effective until approved by the Commission.

E. The Company will file annually with the Commission a report detailing the Company's purchased power costs and any conservation or power-shifting measures employed by the Company.

F. The Company shall provide notice (in a form acceptable to Staff) of the rate increases to customers with the bill where the rate increase first appears.

III. APPLICATION TO SEWER CUSTOMERS.

A. The increase or decrease in purchased power costs that are due to changes in rates at the Company's sewer facilities will be allocated on a per capita basis.

B. See the following example:

<i>Test Year</i>			<i>Current Year</i>	
Purchased Power Rate	\$0.0800	→	Purchased Power Rate	\$0.1000
Kilowatt Hours Used	1,250,000		Kilowatt Hours Used	1,250,000
Purchased Power Expense	\$100,000		Purchased Power Expense	\$125,000

<i>Pass Through Calculation</i>	
Current Year Purchased Power Expense	\$125,000
Test Year Purchased Power Expense	\$100,000
Increase in Purchased Power Expense Due to Rate Increase	\$25,000

<i>PPAM Charge on Sample Customer Bill</i>	
Increase in Purchased Power Expense Due to Rate Increase	\$25,000
Number of Sewer Customers	20,000
PPAM Charge on Sample Customer Bill	\$1.25

ATTACHMENT 4

LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.

**PROPOSED PLAN OF ADMINISTRATION FOR
PROPERTY TAX ADJUSTMENT MECHANISM**

I. GENERAL DESCRIPTION.

This document is the Plan of Administration (“POA”) for the Property Tax Adjustment Mechanism (“PTAM”) for Liberty Utilities (Rio Rico Water & Sewer) Corp. (“Liberty Rio Rico” or “Company”) approved by the Arizona Corporation Commission (“Commission”) in Decision No. _____ on _____, 2016. The PTAM allows Liberty Rio Rico to pass through to its customers the increase or decrease in property taxes that results from a change in the applicable assessment ratio and/or property tax rates.

II. PTAM RELATED FILINGS.

A. Within 60 days of the effective date of a change in the assessment ratio and/or property tax rates applicable to the Company, the Company shall file with Docket Control an analysis of the actual impact on the Company’s property tax expenses.

B. The Company will provide the Commission with spreadsheets detailing exactly how the Company’s property tax expenses were calculated in the time period prior to a change in the assessment ratio and/or property tax rate that affects the Company’s property tax expenses. These calculations will include the assessment ratio, the property tax rates, and the value of the property that was taxed. For the period following the change(s), the Company will provide the same information, then compare the two periods, isolating any change in property tax expense that is due exclusively to changes in the assessment ratio and/or property tax rates. The specific intent is to show exactly how much of any increase or decrease in property tax expense is due to changes in the assessment ratio and tax rates beyond the Company’s control and how much is due to changes in the value of the property the Company owns. The Company will only recover increases or refund decreases that are due to changes in the assessment ratio and tax rates.

C. All revised schedules filed with the Commission pursuant to the provisions of this PTAM will be accompanied by documentation prepared by the Company in a format approved by Utilities Division Staff of the Commission and will contain sufficient detail to enable the Commission to verify accuracy of the Company’s calculations.

D. The surcharges will not become effective until approved by the Commission.

E. The Company will file annually with the Commission a report detailing the Company’s property tax expenses.

F. The Company shall provide notice (in a form acceptable to Staff) of the rate increases to customers with the bill where the rate increase first appears.

III. APPLICATION TO SEWER CUSTOMERS.

A. The increase or decrease in property tax expenses that are due to changes in the assessment ratio and/or property tax rates at the Company's sewer facilities will be allocated on a per capita basis.

B. See the examples on the next page:

Change in Assessment Ratio Example

Test Year		➔	Current Year	
Assessment Ratio	20.00%		Assessment Ratio	21.00%
Property Full Cash Value	\$10,000,000		Property Full Cash Value	\$10,000,000
Assessed Valuation	\$2,000,000		Assessed Valuation	\$2,100,000

Change in Assessed Valuation	
Current Year Assessed Valuation	\$2,100,000
Test Year Assessed Valuation	\$2,000,000
Increase in Assessed Valuation Due to Increase in Assessment Ratio	\$100,000

Test Year		Current Year	
Total Property Tax Rate	10.00%	Total Property Tax Rate	10.00%
Assessed Valuation	\$2,000,000	Assessed Valuation	\$2,100,000
Property Tax Expense	\$200,000	Property Tax Expense	\$210,000

PTAM Charge on Sample Customer Bill	
Increase in Property Tax Expense Due to Increase in Assessment Ratio	\$10,000
Number of Sewer Customers	20,000
PTAM Charge on Sample Customer Bill	\$0.50

Change in Total Property Tax Rate Example

Test Year		➔	Current Year	
Total Property Tax Rate	10.00%		Total Property Tax Rate	11.00%
Assessed Valuation	\$2,000,000		Assessed Valuation	\$2,000,000
Property Tax Expense	\$200,000		Property Tax Expense	\$220,000

Pass Through Calculation	
Current Year Property Tax Expense	\$220,000
Test Year Property Tax Expense	\$200,000
Increase in Property Tax Expense Due to Rate Increase	\$20,000

PTAM Charge on Sample Customer Bill	
Increase in Property Tax Expense Due to Rate Increase	\$20,000
Number of Sewer Customers	20,000
PTAM Charge on Sample Customer Bill	\$1.00

1 SHAPIRO LAW FIRM, P.C.
Jay L. Shapiro (No. 014650)
2 1819 E. Morten Avenue, Suite 280
Phoenix, Arizona 85020
3 Telephone (602) 559-9575

4 LIBERTY UTILITIES
Todd C. Wiley (No. 015358)
5 12725 W. Indian School Road, Suite D-101
Avondale, Arizona 85392

6 Attorneys for Liberty Utilities (Rio Rico Water & Sewer) Corp.
7

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9
10 IN THE MATTER OF THE APPLICATION
11 OF LIBERTY UTILITIES (RIO RICO
WATER & SEWER) CORP., AN ARIZONA
12 CORPORATION, FOR A
13 DETERMINATION OF THE FAIR VALUE
14 OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
15 WATER AND WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: WS-02676A-15-_____

16
17
18 **DIRECT TESTIMONY OF**
19 **MATTHEW GARLICK**

20
21 **October 27, 2015**
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1 **I. INTRODUCTION.**

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

3 A. My name is Matthew Garlick. My business address is 12725 W. Indian School
4 Road, Suite D-101, Avondale, Arizona 85392.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I have been employed by Liberty Utilities since 2000. On June 1, 2015, I became
7 President of the Liberty Utilities regulated utilities in Arizona and Texas, including
8 Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista") and Liberty
9 Utilities (Rio Rico Water & Sewer) Corp. ("Liberty Rio Rico") (collectively
10 "Liberty BV/RR" or "Applicants").

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

12 A. I'm providing this testimony on behalf of both of the Applicants.

13 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS PRESIDENT OF
14 LIBERTY UTILITIES IN ARIZONA/TEXAS.**

15 A. I am responsible for Liberty Utilities' water and sewer operations in Texas and
16 Arizona.¹ This includes directing the daily operations and administration of all of
17 the utilities, including their financial and operating results, capital and operating
18 cost budgeting, rate case planning and oversight, and rate setting policies and
19 procedures. As President, I also oversee customer and development services,
20 environmental, health and safety, accounting/finance, human resources,
21 engineering, and conservation planning.

22
23
24 ¹ In Arizona, along with Applicants, Liberty Utilities also owns and operates Liberty
25 Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain"), Liberty Utilities
26 Utilities (Entrada Del Oro Sewer) Corp., Liberty Utilities (Gold Canyon Sewer) Corp., and Liberty
Utilities (Litchfield Park Water & Sewer) Corp. ("Liberty Litchfield Park"). Liberty
Black Mountain recently filed a rate case with the Commission.

1 **Q. WHAT OTHER POSITIONS HAVE YOU HELD WITH LIBERTY**
2 **UTILITIES?**

3 A. I was hired in January 2000 as a Technical Services Supervisor. In November
4 2009, I was named Business Manager of Liberty Utilities (Litchfield Park Water &
5 Sewer) Corp. (formerly known as Litchfield Park Service Company), and was
6 responsible for operations for approximately 40,000 utility customers. In March
7 2012, I assumed the role of Director of Operations – Arizona, and was responsible
8 for operations throughout Arizona, as well as Texas, Missouri, and Illinois. In June
9 2015, I became President of our operating utilities in Arizona and Texas.

10 **Q. WHAT WAS YOUR EDUCATION AND EMPLOYMENT PRIOR TO**
11 **LIBERTY UTILITIES?**

12 A. For 15 years prior, I was a Senior Project Geologist with an environmental
13 engineering firm called Environmental Science and Engineering. My role was to
14 direct and support other project scientists in the daily work activities on various
15 State of Arizona Water Quality Assurance Revolving Fund (WQARF) groundwater
16 remedial projects. I earned a Bachelor of Science degree in Earth Science from
17 Northern Arizona University.

18 **Q. DO YOU HOLD ANY CERTIFICATIONS?**

19 A. I hold the highest level of Operator Certifications (Grade IV – WD, WP, WWT,
20 and Grade III in WWC) in Arizona. I am also a certified Backflow Tester.
21 Additionally, I belong to several professional organizations such as the American
22 Water Works Association (AWWA), and American Backflow Prevention
23 Association (ABPA).

24 **Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER COMMISSION?**

25 A. No, however, my direct testimony was filed in the Liberty Black Mountain rate
26 proceeding on June 22, 2015, Docket Nos. SW-02361A-15-0206 and SW-02361A-

1 15-0207 (consolidated). That rate case is scheduled for hearing in early 2016.
2 Now, I am concurrently pre-filing this direct testimony in rate proceedings for
3 Liberty Bella Vista and Liberty Rio Rico. We intend to request that the two rate
4 cases be consolidated for processing at the Commission.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. To support Applicants' request for rate relief. Specifically, I will provide general
8 background on the Liberty Utilities companies, and on Liberty Bella Vista and
9 Liberty Rio Rico. I will then introduce Applicants' request for approval of the Fair
10 Value Arizona Rate Evaluation Model or "FARE." I will also address Applicants'
11 requests for approval of a purchased power adjuster mechanism and property tax
12 adjuster mechanism, various changes that are being proposed to Applicants' tariffs
13 of rates and charges, and the financing applications that are being concurrently
14 filed for consolidation into the rate case dockets.

15 **Q. WHAT IS THE FARE, MR. GARLICK?**

16 A. The FARE is a ratemaking mechanism we developed following the disappointing
17 decision of the Arizona Court of Appeals rendering the System Improvement
18 Benefits ("SIB") surcharge unlawful. We designed the FARE to comply with
19 Arizona law, including Arizona's unique "fair value" requirement, and to promote
20 rate gradualism and rate stability, and to mitigate regulatory lag. The FARE will
21 use regular filings in an open and transparent process that ensures that the cost of
22 service to the customer reflects the utility's current cost of service. I will provide
23 additional background testimony on the FARE in my direct testimony below, and
24 Peter Eichler explains the proposed FARE in detail in his direct testimony. A copy
25 of Liberty Utilities' written FARE proposal is attached to my testimony as **Exhibit**
26 **MG-DT1**, and a copy is also attached to Mr. Eichler's direct testimony.

1 **II. OVERVIEW OF LIBERTY UTILITIES.**

2 **Q. PLEASE PROVIDE AN OVERVIEW OF LIBERTY UTILITIES.**

3 A. Liberty Utilities Co. (“Liberty Utilities”) is a Delaware corporation that operates
4 regulated gas, water, sewer and electric utilities in ten states—Arizona, Arkansas,
5 California, Iowa, Illinois, Missouri, Georgia, Massachusetts, New Hampshire and
6 Texas.² Liberty Utilities Co. is a subsidiary of Liberty Utilities (Canada) Corp.
7 (“Liberty Utilities Canada”). The Arizona utilities are wholly owned subsidiaries
8 of Liberty Utilities (Sub) Corp., which is a wholly owned subsidiary of Liberty
9 Utilities. Algonquin Power & Utilities Corp., or APUC, a publicly traded member
10 of the Toronto Stock Exchange, ultimately owns all of the Liberty Utilities entities,
11 including Applicants.

12 APUC is a \$4.1 billion electric generation, transmission and distribution
13 utility company based in Oakville, Ontario. APUC is listed on the Toronto Stock
14 Exchange and is a registrant with the U.S. Security and Exchange Commission.
15 APUC subsidiaries own and operate regulated utilities in the United States, and
16 own non-regulated generation facilities and regulated electric transmission and
17 natural gas pipelines throughout the United States and Canada. The distribution
18 business group operates in the United States as Liberty Utilities and provides rate-
19 regulated water, wastewater, electricity and natural gas utility services to nearly
20 half a million customers.³ The electric generation business group operates as
21 Algonquin Power Co. and owns or has interests in a portfolio of North American
22 based contracted wind, solar, hydroelectric and natural gas powered generating
23

24 ² Liberty Utilities Co. has also recently reached agreement to acquire three other regulated
water companies—two in California and one in Montana.

25 ³ Liberty Utilities currently has over 480,000 regulated utility customers in the United
26 States. Upon regulatory approval for the water company acquisitions in California and
Montana, Liberty Utilities will have over 550,000 regulated customers.

1 facilities representing more than 1,150 MW of installed capacity. The transmission
2 business group invests in rate regulated electric transmission and natural gas
3 pipeline systems in the United States and Canada. Common shares and preferred
4 shares of APUC are traded on the Toronto Stock Exchange under the symbols
5 AQN, AQN.PR.A and AQN.PR.D. The APUC website is
6 www.AlgonquinPowerandUtilities.com.

7 **Q. WHAT IS LIBERTY UTILITIES' OVERALL PHILOSOPHY REGARDING**
8 **THE OPERATION OF ITS REGULATED UTILITY BUSINESSES?**

9 A. Liberty Utilities promotes a common set of organizational values to help guide
10 day-to-day business decisions. Those organizational values are Family, Quality,
11 Efficiency, Community, Care and Commitment. They are the foundation of the
12 Liberty Utilities culture and provide guidance on day-to-day business operations.
13 Overarching all of those organizational values is Safety. Liberty Utilities considers
14 Safety a meta-level value and places safety of customers, employees and
15 community first and foremost. In addition to local operations, strategic oversight
16 and administrative support services are provided centrally from Liberty Utilities
17 Canada and APUC to the local utility businesses. We take this approach because
18 we believe these services can be provided more cost effectively and in a manner
19 that ensures consistent quality across all of our operating utilities if provided on a
20 shared services basis. We strive to ensure, however, that doing so will not detract
21 from the local presence that is valued by our customers and regulators. Customers
22 receive significant benefits from this shared services model and the local approach
23 in the provision of high quality utility service.

24 **Q. HOW DOES LIBERTY UTILITIES' REGULATORY PHILOSOPHY**
25 **INFLUENCE THE WAY IN WHICH IT APPROACHES THE**
26 **MANAGEMENT AND OPERATION OF THE UTILITIES IT OWNS?**

1 A. We believe that there is no adequate substitute for local management, local
2 decision-making and local operational control for a utility that is serious about
3 achieving the highest level of customer satisfaction and maintaining strong
4 regulatory compliance. We believe that utilities can best meet the needs of
5 customers and regulators when the people making the decisions impacting the
6 communities they serve are located near those customers and are in easy, regular,
7 close contact with customers and regulators. In terms of operating its regulated
8 utilities, Liberty Utilities focuses on local management control and operation.
9 We operate on the following corporate principles—"Local. Responsive. We
10 Care." Each state has a President who directs the utilities in that state. I am that
11 President in Arizona and Texas. The state presidents have local decision making
12 authority and responsibility, including operational and financial authority. We
13 have system operators and local customer service representatives to interact with
14 customers directly. Customers, based on our experience, appreciate the "local"
15 aspect of our service, and we try to accomplish that wherever reasonably possible.
16 We have been successful in implementing this local service approach in Arizona.

17 **Q. WHAT ROLE DOES LIBERTY UTILITIES PLAY IN THE OPERATION**
18 **AND MANAGEMENT OF APPLICANTS?**

19 A. Liberty Utilities is more than just a holding company – it is the operator of each of
20 the Applicants. Employees that operate, administer and manage the day-to-day
21 operations are employed by Liberty Utilities Service Corp. ("LUSC"), a direct
22 subsidiary of Liberty Utilities. Liberty Utilities is also Applicants' source of
23 capital for utility plant investment and operations with investment capital
24 ultimately coming from APUC.

25 **Q. ARE THERE ADVANTAGES TO OPERATING IN THIS MANNER?**

26 A. Yes, there are substantial advantages. To start, operating in this manner achieves

1 economies of scale that allow us to provide great service at a reasonable price. As
2 stand-alone utilities, Applicants would have to hire and pay full time engineering
3 staff, human resources, safety and rates personnel, repair and maintenance staff,
4 accounting and billing staff, and customer service and management. In turn, those
5 stand-alone costs would be incorporated into rates. We all see these financial
6 realities daily in the hundreds of small water and sewer utilities regulated by the
7 Commission. In Arizona, Liberty Utilities currently has 107 employees working to
8 provide the best possible service at a reasonable cost to the customers of six
9 different regulated water and wastewater utilities.

10 **Q. BUT DO APPLICANTS REALLY NEED THAT MANY FULL-TIME**
11 **EMPLOYEES TO OPERATE SAFELY AND RELIABLY?**

12 A. Neither Applicant has any full-time staff, which illustrates the benefits of Liberty
13 Utilities' operations model. For example, we currently have a substantial project
14 for Liberty Black Mountain—the Boulders WWTP closure—and our engineering
15 and regulatory staff spend a great deal of time focused on that project. Several
16 years ago, we had a major plant expansion at the Liberty Litchfield Park Palm
17 Valley Water Reclamation Facility, and we are expecting another expansion of that
18 facility in the near future. The next time it may be Liberty Bella Vista or Liberty
19 Rio Rico. Under our structure, each of our Arizona utilities has access to personnel
20 with experience and expertise available to focus on major capital improvement
21 projects for multiple utilities. And while the engineers and operators focus on
22 capital improvements and maintenance of the existing systems, the billing clerks
23 focus on getting bills out and payments in, and customer service handles customer
24 inquiries. Each of us has a role in the running of all utility operations and that
25 allows us to have the right people with the right skills available to do the job for
26 each and any utility as needed. This operational structure also allows us to share

1 those necessary costs over multiple entities, in turn reducing service costs and rates
2 for customers.

3 **Q. DOESN'T THIS ARRANGEMENT RESULT IN CONFUSION OVER THE**
4 **COSTS FOR LIBERTY UTILITIES' VARIOUS ARIZONA UTILITIES?**

5 A. No. All direct costs related to each utility's specific operations are direct charged.
6 Common costs are pooled and allocated through a central cost allocation.
7 Mr. Killeen, Director, Regulatory Strategy for Liberty Utilities (Canada) Corp.,
8 addresses the corporate cost allocations from APUC and Liberty Utilities Canada
9 in his direct testimony. All of the costs are scrutinized in the ratemaking process.

10 **III. OVERVIEW OF LIBERTY BELLA VISTA.**

11 **Q. PLEASE PROVIDE AN OVERVIEW OF LIBERTY BELLA VISTA.**

12 A. Liberty Bella Vista provides water service to approximately 9,357 customers.
13 There are roughly 8,133 residential customers, 1,035 commercial customers, and
14 189 fire protection customers. Liberty Bella Vista's certificated service territory is
15 located in Cochise County. Liberty Bella Vista's service area is not part of an
16 Active Management Area.

17 In 2014, in accordance with Commission Decision No. 72251 (April 7,
18 2011), Liberty Bella Vista (which comprises the City System and the South
19 System) merged with Liberty Utilities (Northern Sunrise Water) Corp. (which
20 comprised the Crystal/Mustang subsystem and the Coronado/Sierra Sunset
21 subsystem) and Liberty Utilities (Southern Sunrise Water) Corp. (which comprised
22 the Cochise/Horseshoe subsystem and the Miracle Valley subsystem). Liberty
23 Bella Vista is the surviving entity.

24 **Q. PLEASE DESCRIBE LIBERTY BELLA VISTA'S WATER RESOURCES.**

25 A. The City System has 18 wells capable of producing 9.288 mgd and 15 reservoirs
26 providing 6.143 mg of storage. The South System has 13 wells capable of

1 producing 0.642 mgd and 12 reservoirs providing .709 mg of storage. The South
2 System has challenges with regard to availability of groundwater.

3 The Coronado/Sierra Sunset subsystem has two wells (75 gpm and 65 gpm)
4 and 70,000 gallons of storage. The Sierra Sunset well pumps directly into the
5 distribution system (after chlorination) while the Coronado well pumps to storage.
6 The Crystal/Mustang subsystem has two wells (45 gpm and 120 gpm) and 100,000
7 gallons of storage. The Crystal well pumps either directly into the distribution
8 system (after chlorination) or into the Mustang storage tank, while the Mustang
9 well pumps directly into the storage tank. The Mustang site includes a Variable
10 Frequency Drive (VFD) booster station that feeds the distribution system.

11 The Cochise/Horseshoe (interconnected) subsystem has four wells capable
12 of producing 190 gpm and 180,000 gallons of storage. The Miracle Valley
13 subsystem has two wells (100 gpm and 250 gpm) and 150,000 gallons of storage.
14 These three subsystems are also chlorinated.

15 **Q. WHAT IS LIBERTY BELLA VISTA'S COMPLIANCE STATUS?**

16 A. To the best of our knowledge, Liberty Bella Vista is currently in compliance with
17 the rules and regulations of the Arizona Department of Environmental Quality
18 ("ADEQ"), Arizona Department of Water Resources ("ADWR") and the
19 Commission.

20 **Q. WHEN DID THE CURRENT RATES GO INTO EFFECT?**

21 A. The current rates were approved in Decision No. 72251 (April 7, 2011).
22 These rates were based on a test year ended March 31, 2009, so it will have been
23 five years between test years.

24 **Q. WHAT SIGNIFICANT CAPITAL IMPROVEMENTS HAS LIBERTY
25 BELLA VISTA MADE SINCE ITS LAST TEST YEAR ENDED?**

26 A. In the City System, Liberty Bella Vista replaced the two-zone booster station at

1 Well 18 (the largest facility in the service area) with a two-zone VFD booster
2 station. The existing station was over 30 years old and at the end of its service life.

3 In the Northern Sunrise System, Liberty Bella Vista drilled a new well at the
4 Crystal site because the old well had gone dry. Liberty Bella Vista also completely
5 removed and replaced 386 water meters in this system that were 20 years old and
6 contributing to water loss. At the Crystal site, Liberty Bella Vista installed a
7 transmission line to the Mustang reservoir, which now provides redundancy for the
8 Crystal/Mustang subsystem. At the Coronado site, Liberty Bella Vista installed
9 two new 35,000-gallon reservoirs for a total of 70,000 gallons of storage for
10 customers in the area. New electrical controls were also installed to replace old
11 units that were at the end of their service lives.

12 In the Southern Sunrise System, Liberty Bella Vista replaced the existing
13 booster station at the Cochise site (Naranja), which was at the end of its service
14 life. Liberty Bella Vista also completely removed and replaced 330 water meters
15 in this system that were 20 years old and contributing to water loss. Liberty Bella
16 Vista also installed a VFD booster and a water main to loop the existing system.

17 In addition to these improvements, Liberty Bella Vista added SCADA at
18 several sites throughout all systems and installed a solar power generating system
19 and completed an additional 798 water meter replacements in the Liberty Bella
20 Vista South system. Also, Liberty Bella Vista constructed a compressed natural
21 gas (CNG) loading station in Sierra Vista, AZ for company vehicles. The CNG
22 facility was completed recently and is anticipated to begin operations by mid-
23 November 2015.

24 **Q. HAVE THERE BEEN ANY NOTEWORTHY CHANGES IN OPERATIONS**
25 **SINCE THE LAST RATE CASE?**

26 **A.** Yes. Interconnections made between Sierra Sunset and Coronado, between

1 Mustang and Crystal, and between the South and Cochise, plus other projects
2 already mentioned have added redundancies to the systems and increased reliability
3 to customers.

4 **Q. ARE YOU PROPOSING THAT ANY POST TEST YEAR PLANT BE**
5 **INCLUDED IN LIBERTY BELLA VISTA'S RATE BASE?**

6 A. Yes. For all of the Liberty Bella Vista systems, we have \$872,771.77 of post test
7 year plant. Nearly \$450,000 of this amount was for the CNG Facility project I
8 mentioned earlier. Just over \$210,000 was spent to install solar panels on the
9 office building in Sierra Vista. There were a few other projects also included in
10 this post test year plant. In addition, we have roughly \$21,000 and \$19,000 of post
11 test year plant for the Northern and Southern Sunrise systems. All of these post
12 test year plant improvements are used and useful or will be before a hearing in this
13 case in the service of our existing customers.

14 **Q. CAN YOU PROVIDE AN UPDATE REGARDING EFFORTS TO ADDRESS**
15 **NON-ACCOUNT WATER IN THE LIBERTY BELLA VISTA SYSTEM?**

16 A. Yes. In the last rate case, Liberty Bella Vista was ordered to monitor non-account
17 water and report back to the Commission.⁴ Since then, we have reduced non-
18 account water in the former Northern and Southern Sunrise company systems
19 considerably. During the test year, Liberty Bella Vista's total non-account water
20 was approximately 5 percent. This reduction in water loss to well below the
21 10 percent threshold we know the Commission expects to see is largely due to the
22 meter replacement program I discussed above, and to improvements in our
23 management and operations as we continue to integrate these systems together.
24

25 ⁴ Decision No. 72251 at 53-54. Compliance filings were made on August 8 and
26 December 13 of 2012 and Liberty Bella Vista's water loss has remained under 10 percent.

1 Q. WHY IS LIBERTY BELLA VISTA IN NEED OF RATE RELIEF AT THIS
2 TIME?

3 A. Since the last Liberty Bella Vista rate case, operating expenses have increased and
4 Liberty Bella Vista has made significant capital improvements to provide more
5 reliable service to its customers, particularly those who were previously served by
6 Liberty Utilities (Northern Sunrise Water) Corp. and Liberty Utilities (Southern
7 Sunrise Water) Corp. prior to merger of those companies into Liberty Bella Vista.
8 As a result, Liberty Bella Vista is significantly under earning.

9 **IV. OVERVIEW OF LIBERTY RIO RICO.**

10 Q. PLEASE PROVIDE AN OVERVIEW OF LIBERTY RIO RICO.

11 A. Liberty Rio Rico provides both water and wastewater service. Liberty Rio Rico's
12 service area is located in Santa Cruz County north of the city of Nogales. Liberty
13 Rio Rico's water and wastewater CC&Ns are geographically the same. However,
14 due to varied terrain, wastewater service is generally concentrated in the central
15 portion of the service area and includes fewer customers. Those who are not
16 provided sewer service by Liberty Rio Rico use septic tanks.

17 Liberty Rio Rico's water customers include a number of commercial, a few
18 industrial, and several irrigation customers. The 5/8" metered residential class,
19 which is the largest customer class, uses an average of 6,723 gallons per month per
20 connection. Liberty Rio Rico is an industry leading provider of water and
21 wastewater services in Santa Cruz County, and has received several awards in the
22 past for operational excellence, including the Arizona Water Association (formerly
23 AWPCA) Small Water Distribution System of the year for 2003, 2005, and 2010,
24 and the 2005 Small Wastewater Collection System of the year, as well as an Award
25 of Merit for its outstanding safety record in 2010. These awards are given for
26 significant efforts to provide safe drinking water and protect public health.

1 **Q. PLEASE DESCRIBE LIBERTY RIO RICO'S WATER RESOURCES.**

2 A. Liberty Rio Rico's water supply comes from groundwater. Groundwater is
3 pumped from six wells directly into the distribution system or into one of five
4 storage facilities for later distribution to customers. All water supplies are
5 chlorinated prior to delivery to customers for disinfection purposes. Due to the
6 vast elevation differences within the distribution system, including seven different
7 150-foot pressure zones, Liberty Rio Rico utilizes 27 booster stations to maintain
8 proper pressure. Liberty Rio Rico's service territory is within the Santa Cruz
9 Active Management Area.

10 **Q. DOES LIBERTY RIO RICO PROVIDE WATER SERVICE FOR**
11 **IRRIGATION?**

12 A. Yes. Liberty Rio Rico supplies water to three school complexes, one resort, and
13 two parks, including the one used for the local Little League. Liberty Rio Rico
14 also supplies water to Rio Rico Properties for use in irrigating medians, common
15 areas and drip irrigation, and provides separate irrigation water to a few residential
16 customers who requested a dedicated irrigation line. There is one golf course in
17 the service area, but Liberty Rio Rico only supplies domestic water for potable use.
18 Liberty Rio Rico does not provide water for landscape irrigation to any golf
19 courses at this time. The golf course in Liberty Rio Rico's CC&N has its own
20 well, which the golf course uses for irrigation needs. Additionally, our wastewater
21 is treated at the Nogales International Wastewater Treatment Plant ("NIWTP"),
22 and, even if we owned the effluent, transporting effluent from that plant over 1/2
23 mile, uphill and under the Santa Cruz River, would be extremely cost prohibitive.
24 And Liberty Rio Rico does not own the rights to the effluent from the NIWTP.

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1 **Q. PLEASE DESCRIBE LIBERTY RIO RICO'S PRIMARY WASTEWATER**
2 **TREATMENT FACILITIES.**

3 A. As mentioned, Liberty Rio Rico has purchased 550,000 gallons per day of
4 treatment capacity from the City of Nogales. Liberty Rio Rico also has two sets of
5 three evaporative ponds. The first set of three ponds (called the Villas 12) has a
6 general permit to treat up to 20,000 gallons per day of sewage. The second set of
7 three ponds (called the Villas 13) is permitted to treat up to 150,000 gallons per day
8 of sewage on an emergency basis only. The collection system includes five lift
9 stations, four of which pump wastewater for treatment under our agreement with
10 the City, and the remaining pump to the evaporative ponds.

11 **Q. WHAT IS LIBERTY RIO RICO'S COMPLIANCE STATUS?**

12 A. To the best of our knowledge, Liberty Rio Rico is currently in compliance with the
13 rules and regulations of ADEQ, ADWR and the Commission.

14 **Q. WHEN DID THE CURRENT RATES GO INTO EFFECT?**

15 A. The current rates were approved in Decision No. 73996 (July 30, 2013). These
16 rates were based on a test year ended February 29, 2012.

17 **Q. WHAT SIGNIFICANT CAPITAL IMPROVEMENTS HAS LIBERTY RIO**
18 **RICO MADE SINCE ITS LAST TEST YEAR ENDED?**

19 A. Liberty Rio Rico rehabilitated Water Plant 30. This was a 33-year old facility
20 serving the southwest quadrant of the service territory at the end of its service life.
21 The rehabilitation included installation of VFD pumps, new electrical and controls.
22 Another project involved continuation of the Automated Meter Reading ("AMR")
23 system installation. The AMR system installation included replacement of
24 approximately 1,500 meters, as well as replacing outdated meter reading
25 equipment.

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1 Since the last test year, we made significant improvements to replace water
2 service lines at the end of their service life (+30 years). In Liberty Rio Rico's
3 service area, when a service line leaks, it is more cost effective to replace the entire
4 service line as opposed to repairing it. On average, Rio Rico has approximately
5 100 service line replacements on an average annually. Replacement involves
6 paving and other construction and engineering work required by Santa Cruz
7 County, which accounts for about 40 percent of the total cost for each service line
8 replacement.

9 **Q. WOULD YOU BE ABLE TO AVOID THESE COSTS IF YOU HAD JUST**
10 **REPAIRED THE SERVICE LINES INSTEAD OF REPLACING THEM?**

11 A. No. The costs arise largely due to required access through streets and roadways,
12 and we need the same access to repair a water service line as we do to repair it.
13 That means we would incur the same paving, access and construction costs to
14 repair the lines as to replace the lines. Given the age and condition of these service
15 lines, it is much more cost effective and operationally more advantageous to
16 replace these aging and deteriorating lines, rather than conduct piecemeal repairs.

17 **Q. ARE YOU PROPOSING ANY POST TEST YEAR PLANT BE INCLUDED**
18 **IN LIBERTY RIO RICO'S RATE BASE?**

19 A. Yes. We have \$1,393,902.78 of post test year plant. Almost \$540,000 of this
20 amount is for meter replacements. I discuss the issue with old and leaky meters
21 above. We also incurred nearly \$500,000 engineering and constructing a major
22 booster station project. The remaining post test year plant relates to various other
23 projects recently completed. All of these post test year projects are re used and
24 useful serving existing customers or at least will be before the hearing in this rate
25 case.

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1 **Q. THANK YOU. CAN YOU PROVIDE AN UPDATE REGARDING**
2 **EFFORTS TO ADDRESS WATER LOSS?**

3 A. Yes. In the last rate case we were ordered to monitor non-account water and report
4 back to the Commission.⁵ We have done so, and made several filings with the
5 Commission. During 2014, Liberty Rio Rico's water loss was 9.9 percent.

6 **Q. WHY IS LIBERTY RIO RICO IN NEED OF RATE RELIEF AT THIS**
7 **TIME?**

8 A. Because Liberty Rio Rico continues to under earn. Under earning by Arizona's
9 regulated water and wastewater utilities is certainly nothing new – it has been a
10 drag on our segment of the industry as long as I have been a part of it. I don't have
11 the past ratemaking experience to single out any specific causes, but any system
12 that is always one to two years behind what is really happening seems to me to be
13 inherently unable to keep up. Liberty Rio Rico is an example. This is the fourth
14 rate case for Liberty Rio Rico in a decade and basically it has yet to earn its
15 revenue requirement.

16 **Q. IS THAT WHY YOU MENTIONED LIBERTY RIO RICO WAS SEEKING**
17 **APPROVAL OF THE FAIR VALUE ARIZONA RATE EVALUATION**
18 **MODEL OR FARE?**

19 A. Yes, the inability to achieve our revenue requirement and authorized return was a
20 significant factor that led us to first support the SIB, and now to develop and
21 propose the FARE.

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⁵ Decision No. 73996 at 58.

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V. **LIBERTY'S PROPOSED FAIR VALUE ARIZONA RATE EVALUATION MODEL – THE FARE.**

Q. **IN THE INTRODUCTION TO THIS TESTIMONY YOU MENTIONED THAT THE FARE FOLLOWED THE COURT OF APPEALS RULING IN THE SIB APPEAL. CAN YOU PLEASE ELABORATE?**

A. Yes. The Court's decision was a substantial step back. While the SIB alone would not have remedied all of the difficulties with ratemaking in Arizona, it was a significant step in the right direction. The SIB would have provided an assured revenue stream to fund certain plant replacements, which in turn would have made it easier to obtain the capital needed to fund those improvements. Without it, we are back to the drawing board.

What our ratemaking experts came up with is a different ratemaking model for Arizona utilities based on the unique fair value requirements of Arizona law. The FARE will use regularly scheduled filings to reach updated fair value findings, promoting rate gradualism and rate stability, and minimizing the adverse consequences of regulatory lag. The intent, purpose and result will be to keep rates fair by updating revenues, plant and expenses each year in a simplified but entirely open and transparent process.

Q. **AND YOU ARE PROPOSING THAT THE COMMISSION APPROVE THE FARE FOR BOTH LIBERTY BELLA VISTA AND LIBERTY RIO RICO?**

A. Yes. Liberty Utilities proposes the FARE for Liberty BV/RR as a pilot program authorized by the Commission for five years, during and after which it can be further evaluated and refined by all stakeholders. Given the current regulatory environment for Arizona water and wastewater utilities, coupled with the substantial need for capital investment to address aging and deteriorating

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infrastructure, we feel strongly that some type of alternative ratemaking model must be considered.

Q. BUT WON'T THIS CREATE AN OVERWHELMING AMOUNT OF WORK FOR COMMISSION STAFF?

A. We hope not, and we have tried to design a mechanism that isn't overwhelming on the regulators. Mr. Eichler explains how we propose detailed annual filings updating revenues, plant and expenses, and how quarterly FARE filings will be available to all interested parties to provide current financial and operational information and provide a timely snapshot of each company's operations and finances. It's all part of what we hope will become a systematic flow of operational and financial information from us to the regulators to allow for a more efficient analysis of annual FARE filings and enhance the transparency of the ratemaking process. This process is intended to allow Commission Staff and other stakeholders to stay well informed, at their own pace.

Don't get me wrong – we are not naïve. This is different, and change is rarely easy. But what we have is not working. All Arizona utilities will have trouble adequately meeting the needs of Arizona customers over the long haul without some fundamental changes in the way rates are set. That means we can be proactive, work together and find ways to make these changes for the long-term public interest, or we can ignore the problem and deal with it later, reactively, under crises conditions. We are committed to working hard to develop the best possible model, one that is entirely open and transparent, and to making the transition as non-burdensome as possible. We can only hope our regulators can meet us part way in this effort with the vision to see that change is needed, despite the hurdles.

1 **Q. FAIR ENOUGH. BUT HOW WILL CUSTOMERS AND REGULATORS**
2 **BENEFIT FROM THE FARE?**

3 A. The starting point in summarizing the benefits of a model like the FARE is to
4 understand and acknowledge that the current regulatory model for water and
5 wastewater utilities in Arizona is not working for customers, regulators or utilities.
6 Therefore, we need a model that will benefit Arizona's utilities, utility customers,
7 and regulators. We believe the FARE is such a model.

8 In the FARE paper attached to my testimony, we provide a summary of the
9 benefits to be realized from the FARE. These benefits include -

- 10 ● **Transparency** – The FARE is an exceptionally open and transparent
11 rate making model using quarterly and annual FARE filings to reflect
12 updated and ongoing information about utility financial and
13 operational status.
- 14 ● **Rate Gradualism and Rate Stability** – The FARE brings greater
15 stability to residential customer bills, which allows customers to
16 budget and plan for cost increases.
- 17 ● **Rate Shock** – The FARE promotes rate gradualism and rate stability
18 while minimizing the risks of rate shock.
- 19 ● **The FARE Works Both Ways** – By also capturing reductions in
20 operation and maintenance expenses, operating efficiencies will
21 provide timely benefits to customers.
- 22 ● **Streamlined and Less Costly Rate Making Process** – The FARE
23 provides a set schedule for 4-6 years of rate setting for Liberty
24 BV/RR. All stakeholders benefit by streamlined and less costly rate
25 making procedures.

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- **Reduce Regulatory Lag and Encourage Needed Utility Investment** – The FARE is designed to reduce the adverse consequences of regulatory lag and, in so doing, make investment into Arizona water and wastewater utility infrastructure more attractive.
- **Closer Scrutiny by Regulators and Other Parties** – As proposed with quarterly and annual filings, the FARE results in a close and ongoing scrutiny of a utility rather than once every few years if a general rate case is filed.
- **Other Tangible Benefits** – The FARE will result in better and more reliable provision of water and sewer service by Arizona utilities, including reduced water loss.

So, I think the benefits of the FARE can be summarized as (1) an open, transparent, streamlined process (2) that promotes rate gradualism and rate stability while minimizing rate shock and (3) mitigating the adverse consequences of regulatory lag through annual updates to reflect increases and decreases in the cost of service. I think this will make investment in Arizona more attractive, and that will be good for everyone.

VI. ADJUSTMENT MECHANISMS.

Q. ARE THE APPLICANTS ALSO SEEKING APPROVAL OF ANY ADJUSTMENT MECHANISMS?

A. Yes, Applicants are seeking Commission approval of two adjuster mechanisms: (1) a Purchased Power Adjuster Mechanism (“PPAM”);⁶ and (2) a Property Tax Adjuster Mechanism (“PTAM”).⁷ Mr. Bourassa identifies and explains the

⁶ Application, Attachment 3.

⁷ Application, Attachment 4.

1 methodology for these adjusters in his direct testimony.⁸

2 **Q. WHY DOES LIBERTY STILL NEED THESE ADJUSTERS IF THE**
3 **COMMISSION APPROVES THE FARE?**

4 A. Because we believe the costs covered by these two adjusters – the rate we pay for
5 power and the rate at which our property taxes are set – should not impact the
6 determination of whether we are in the FARE’s “Established Range” of plus or
7 minus 20 basis points. They are narrowly defined expenses outside the utility’s
8 control, costs that consistently increase, and it isn’t fair to automatically require the
9 Applicants to bear the expected and routine increases in those costs.

10 **Q. BUT DON’T THESE TYPES OF ADJUSTERS DISCOURAGE UTILITIES**
11 **FROM MANAGING THEIR OPERATING EXPENSES?**

12 A. I don’t agree with that. We are talking about necessary costs of service, and many
13 of these expenses are largely or entirely outside of our control. The rate for power
14 and the components of the property tax evaluation are not within our control.
15 Because they are not within our control, the notion that operating expenses will run
16 wild with adjusters is nonsense. Further, the notion that utilities are going to go out
17 and just spend extra money on things like power, taxes, or chemicals because those
18 costs are recoverable is nonsense. The scrutiny in ratemaking is such that this sort
19 of practice would likely be found and dealt with harshly. Even if the Commission
20 didn’t mind us running up costs because we had adjusters, our shareholder would.
21 We have an extensive capital and expense review process, and running up
22 operating expenses because of an adjuster would be rejected out of hand. It’s hard
23 enough to deliver consistent, competitive returns, especially relative to other
24 utilities in the Liberty family operating in states that use things like forward

25 ⁸ Direct Testimony of Thomas J. Bourassa – Rate Base, Income Statement and Rate
26 Design (“Bourassa Dt.”) at 34-36.

1 looking test years. I have no intention of reducing those returns further by running
2 up operating costs.

3 **Q. THANK YOU. WOULD YOU PLEASE SUMMARIZE THE PPAM?**

4 A. The PPAM allows Applicants to increase rates in order to recover increases in
5 purchased power costs resulting from increases in the rates charged by Sulphur
6 Springs Valley Electric Cooperative (“SSVEC”) and Arizona Public Service
7 (“APS”) for Liberty Bella Vista, as well as Unisource for Liberty Rio Rico, our
8 electric utility providers. These changes in rates can only come about due to an
9 order of the Commission, which, again, is something beyond our control.
10 In addition, the form of the PPAM is consistent with the form of PPAM approved
11 in Decision No. 74437 (April 18, 2014) for Liberty Litchfield Park. Mr. Bourassa
12 explains the specifics of the PPAM further in his direct testimony.⁹

13 **Q. WHAT IF SSVEC’S, APS’S, AND/OR UNISOURCE’S RATES GO DOWN?**

14 A. Then our operating expenses will go down and the PPAM will adjust the rates to
15 recognize that decrease. Again, adjusters are fair because they work whether costs
16 go up or down. I assume that’s why the Commission has approved and recognized
17 purchased power and other similar adjusters for electric and gas utilities for many,
18 many years.

19 **Q. PLEASE SUMMARIZE THE PTAM.**

20 A. As Mr. Bourassa explains in his direct testimony, the PTAM would allow rates to
21 adjust, up or down, based on changes in the property tax rate and/or assessment
22 ratios.¹⁰ Like the rates for power charged by SSVEC, APS, and/or UniSource,
23 these factors are outside of our control. Also, like increases in purchased power,
24 increases in property taxes, if unrecovered, will undermine Applicants’ ability to

25 ⁹ Bourassa Dt. at 35.

26 ¹⁰ *Id.*

1 earn its authorized return. The PTAM addresses this in a manner similar to that in
2 which the PPAM addresses changes in the rates for power.

3 **VII. ADDITIONAL POST TEST YEAR CHANGES.**

4 **Q. ARE APPLICANTS AWARE OF ANY POST TEST YEAR CHANGES**
5 **THAT IT PROPOSES TO INCLUDE?**

6 A. Yes. Applicants are aware of some increased regulation and changes regarding the
7 Revised Total Coliform Rule (“RTCR”), and ADEQ is requesting that the
8 Applicants submit updated plans by January 2016. These changes will require the
9 installation of additional sampling stations in order to comply with the RTCR.
10 Applicants expect that there will be some additional investment in plant along with
11 some increased operating expenses but these amounts are yet unknown. Applicants
12 intend to update these estimates once the changes have been quantified.

13 **VIII. TARIFF CHANGES.**

14 **Q. DO APPLICANTS PROPOSE ANY CHANGES OR MODIFICATIONS TO**
15 **TARIFFS?**

16 A. Yes. A copy of the proposed tariff is attached to each respective rate application as
17 Attachment 2.¹¹ The changes are being proposed for a few different reasons.
18 For one thing, we are seeking to standardize all of the tariffs for Liberty Utilities’
19 operating subsidiaries in Arizona. Standardizing our tariffs is intended to promote
20 efficiency by streamlining administration and accounting for all of our Arizona
21 utilities, and reducing confusion. Other changes are intended to clarify or correct
22 certain items that have been carried over from tariff to tariff over the years.

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¹¹ A redline comparing the new tariff to the current tariff has also been included in the Company’s workpapers.

1 **Q. CAN YOU SUMMARIZE SOME OF THE SPECIFIC CHANGES BEING**
2 **PROPOSED?**

3 A. Yes.

- 4 • Rates: Applicants' proposed rates have been inserted.
- 5 • Additional Charges: Applicants are proposing simplified statements of
6 charges that will standardize charges as much as possible across all of
7 Liberty Utilities' companies in Arizona. At Liberty Rio Rico, for example,
8 the establishment fee would decrease from \$30 to \$25 and the NSF fee
9 would decrease from \$15 to \$10. Applicants are also proposing to calculate
10 certain fees based on formulas in order to more accurately align charges
11 with actual costs. For example, the delinquent reconnection charge would
12 change from a flat amount of \$30 to being driven by the actual cost of
13 disconnection. Further, the after-hours service charge would be \$50,
14 regardless of the work process performed.
- 15 • Curtailment: Applicants propose to continue their existing tariffs, which are
16 included in Attachment 2 to the Application. The only proposed change is
17 to update to Liberty Bella Vista's tariff with its proper name.

18 **Q. HAVE THE APPLICANTS PROPOSED ANY CHANGES TO THE LOW**
19 **INCOME TARIFF?**

20 A. As discussed also by Mr. Bourassa, the Applicants are not making substantive
21 changes to the low income discounts offered to qualifying customers. However, in
22 reviewing the application in the instant proceeding, the Applicants have determined
23 that certain discounts have been provided to qualifying low income customers but
24 the Applicants have not recovered those amounts through a low income surcharge
25 billed to the customers. The Applicants propose that they be able to recover the
26 cumulative under recovered amounts over a three year period once new rates are

1 established as a result of this proceeding.

2 **IX. FINANCING.**

3 **Q. IN HIS DIRECT TESTIMONY, MR. BOURASSA MENTIONS NEW**
4 **CAPITAL STRUCTURES EQUAL TO 70 PERCENT EQUITY AND 30**
5 **PERCENT DEBT. WHY ARE APPLICANTS PROPOSING NEW**
6 **CAPITAL STRUCTURES?**

7 A. Liberty Bella Vista presently has a capital structure of 89.68 percent equity and
8 10.32 percent debt, and Liberty Rio Rico has a capital structure of 100 percent
9 equity. We are seeking to standardize the capital structure of the Arizona operating
10 utilities at 70 percent equity and 30 percent debt. So the specific purpose of the
11 debt financing is to infuse more debt into Applicants' capital structures and bring
12 the debt level to 30 percent.

13 **Q. WHAT AMOUNT OF DEBT APPROVAL IS BEING REQUESTED?**

14 A. Liberty Bella Vista is seeking to obtain approval to finance debt of up to
15 \$4,700,000. This amount of debt will allow the rebalancing of Liberty Bella
16 Vista's capital structure from its present 89.68-10.32 capital structure to the 70-30
17 equity to debt structure Mr. Bourassa utilized in the rate filing and then to maintain
18 that structure at those levels on a going-forward basis. Similarly, Liberty Rio Rico
19 is seeking to obtain approval to finance debt of up to \$8,900,000. This amount of
20 debt will allow the rebalancing and maintenance of Liberty Rio Rico's capital
21 structure from its present 100 percent equity capital structure to the 70-30 equity to
22 debt structure.

23 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

24 A. Yes.

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EXHIBIT MG-DT 1



**LIBERTY UTILITIES PROPOSED
FAIR VALUE ARIZONA RATE EVALUATION
(FARE) MODEL
FOR LIBERTY UTILITIES (BELLA VISTA WATER) CORP
AND LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.**

September 2015

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FAIR VALUE ARIZONA RATE EVALUATION MODEL (FARE)

“Despite recent reform efforts, Arizona utilities continue to struggle with aging infrastructure and the adverse impacts of regulatory lag.”

Despite recent reform efforts, Arizona utilities continue to struggle with aging infrastructure and the adverse impacts of regulatory lag. This comes at a time when hundreds of Arizona water and wastewater utilities require substantial capital investment to address aging and deteriorating infrastructure, as illustrated by the graph below. In order to achieve meaningful improvement to the Arizona regulatory process, Liberty Utilities requests that the Arizona Corporation Commission consider other regulatory models that comply with the difficult requirements of Arizona law, while also addressing regulatory lag and promoting rate gradualism.

Estimated Total Water and Wastewater Costs, 2008-2032 (Nominal Millions)

	Water	Wastewater
Transmission/Supply Infrastructure	\$20,477	
Transmission/Supply Infrastructure	\$652	
Transmission/Supply Infrastructure	\$217	
Transmission/Supply Infrastructure	\$197	
Transmission/Supply Infrastructure	\$31	
Plant Renovation and Replacement	\$336	
Plant Renovation and Replacement	\$161	
Total O&M Costs	\$42,088	\$2,440
Total O&M Costs	\$22,116	\$3,401
Total Capital Costs	\$30,716	\$14,162

“Infrastructure Needs and Funding Alternatives for Arizona: 2008 – 2032,”
 L. William Seidman Research Institute, Arizona State University, published
 by Arizona Investment Council, May 2008.

“The FARE will use regularly scheduled filings to reach updated fair value findings, promoting rate gradualism and rate stability and minimizing the adverse consequences of regulatory lag.”

Toward that end, Liberty Utilities is proposing that the Commission approve and adopt the Fair Value Arizona Rate Evaluation (“FARE”) model, a ratemaking model based specifically on Arizona’s constitutional “fair value” requirement. The FARE would be approved initially for two entities: Liberty Utilities (Bella Vista Water) Corp. (“Liberty Bella Vista”) and Liberty Utilities (Rio Rico Water & Sewer) Corp. (“Liberty Rio Rico”) (collectively “Liberty BV/RR”). The FARE will use regularly scheduled filings to reach updated fair value findings, promoting rate gradualism and rate stability and minimizing the adverse consequences of regulatory lag. The intent, purpose and result will be to keep rates fair by updating all factors affecting rates—the FARE can move “up or down” to keep rates fair by tracking the underlying costs.

The FARE for Liberty BV/RR would be a pilot program authorized by the Commission as set forth below, during and after which it can be evaluated and refined by all stakeholders. Given the current regulatory environment for Arizona water and wastewater utilities, some type of alternative ratemaking model must be considered. As set forth below, the FARE was specifically designed to comply with Arizona’s constitutional fair value requirement.

ARIZONA'S REGULATORY ENVIRONMENT FOR WATER/WASTEWATER UTILITIES

“Given the undisputed need for massive water and wastewater infrastructure investment over the coming decades, this is not a sustainable scenario for either Arizona utilities or utility customers.”

Arizona water and wastewater utilities continue to bear the substantial burden of regulatory lag, which, from the standpoint of the national investment community, demonstrates that Arizona is a less attractive regulatory environment for water and wastewater utilities. The adverse consequences of that fact include restricted access to capital for regulated utilities: investors have options, and facing choices with similar or better returns, they will choose the investments with less risk. Given the undisputed need for massive water and wastewater infrastructure investment over the coming decades, this is not a sustainable scenario for either Arizona utilities or utility customers.¹

Recognizing those challenges, today and in the future, key utilities and utility groups have tried to improve that regulatory environment, but those efforts have been ineffective to date. The industry seemed to have achieved some relief when the Commission adopted the System Improvement Benefits (“SIB”) mechanism. Unfortunately, that achievement was short-lived. In *RUCO v. Arizona Corporation Commission* (August 2015), the Arizona Court of Appeals found the SIB unconstitutional under Arizona law.

Now, all stakeholders are grappling with the potentially far-reaching implications of that decision on regulation of all Arizona utilities. The Court of Appeals decision appears to limit the Commission’s ability to use rate base adjuster mechanisms to reduce regulatory lag or to make more gradual rate changes (shielding customers from “rate shock”), while simultaneously allowing public service corporations a reasonable opportunity to earn their authorized returns.

¹ See e.g., *Infrastructure Needs and Funding Alternatives for Arizona: 2008 – 2032*, L. William Seidman Research Institute, Arizona State University, published by Arizona Investment Council, May 2008; *Drinking Water Infrastructure Needs Survey and Assessment*, U.S. Environmental Protection Agency, February 2009; *2015 Report Card for Arizona’s Infrastructure*, American Society of Civil Engineers, May 2015.

"In its decision, the Court of Appeals expressly recognized and stated that Arizona has a unique constitutional regulatory environment distinct from other jurisdictions..."

The undoing of the SIB revolved around the Court's interpretation of the fair value requirement unique to Arizona's Constitution. The Arizona Constitution requires the Commission to "ascertain the fair value of property" when it sets rates.² "[T]he Commission is required to find the fair value of the company's property and use such finding in determining what are just and reasonable rates."³ The Court of Appeals determined that the proposed SIB didn't comply with Arizona's fair value requirement for several reasons:

- (1) "the documentation AWC must submit to obtain approval of surcharges is substantially less than what is required in a rate case";
- (2) "it is undisputed that the Commission will not conduct a full fair value determination when it evaluates AWC's surcharge requests";
- (3) the Commission will not "take into consideration all of the various ratemaking elements that would be looked at and scrutinized in a general rate case proceeding. That would include such things as revenues, expenses, and, of course, capital expenditures and the prudence considerations for each one of those ratemaking elements";
- (4) "when the Commission considers surcharge requests, other critical valuation factors will be premised on a past rate case that, at the outer reaches of the SIB cycle, will be five years old. Such a process is inconsistent with the mandate that the Commission perform a fair value determination 'at the time of inquiry'"; and
- (5) "Additionally, the Commission will not be assessing savings or other efficiencies attributable to capital improvements when it approves surcharges."⁴

² Ariz. Const. Art. 15, § 14.

³ *Ariz. Corp. Comm'n v. Ariz. Pub. Service Co.*, 113 Ariz. 368, 370, 555 P.2d 326, 328 (1976).

⁴ *RUCO v. Ariz. Corp. Comm'n*, at 14-15, ¶¶ 40-43.

“In making that statement, the Court of Appeals clearly distinguished Arizona rate making and Arizona’s regulatory environment from other state jurisdictions. Under the plain language of that decision, Arizona is a more difficult and riskier regulatory environment compared to other jurisdictions.”

In its decision, the Court of Appeals expressly recognized and stated that Arizona has a unique constitutional regulatory environment distinct from other jurisdictions: “[w]e recognize the Commission’s legitimate desire to ‘initiate innovative procedures in an attempt to deal promptly and equitably with increasingly complex regulatory matters,’ and its corresponding goal of avoiding ‘a constant series of extended rate hearings [that] are not necessary to protect the public interest’.... But the question before us is not whether the SIB mechanism represents prudent public policy. *Our focus is on the propriety of that mechanism given the unique and express provisions of our state constitution.*”⁵

In making that statement, the Court of Appeals clearly distinguished Arizona rate making and Arizona’s regulatory environment from other state jurisdictions. Under the plain language of that decision, Arizona is a more difficult and riskier regulatory environment compared to other jurisdictions. This follows from the fact that given the Court’s interpretation of Arizona’s fair value requirement, the Commission does not have the latitude afforded public utility commissions in other states. In Arizona, many of the ratemaking tools designed to further the public interest by reducing regulatory lag and promoting rate gradualism appear to be unavailable to the Commission. That is, unless it first engages in long, complex and costly rate cases every time a rate needs to change (beyond changes that arise from a narrowly defined change in certain operating expenses under approved adjustor mechanisms).

Under this regulatory regime, utility owners and investors are strongly incentivized to spend capital in other jurisdictions. Investors facing the choice between two alternatives providing similar yield will select jurisdictions that have the flexibility to and do use well-established ratemaking tools like Distribution System Improvement Charges (DSICs), balancing accounts, forward looking test years, decoupling mechanisms, generic ROEs and other rate making mechanisms designed to minimize the adverse impacts of regulatory lag, streamline rate cases *and* promote and encourage investment in utility infrastructure. Some of the limitations inherent in Arizona today are the result of the Court’s decision in *RUCO v. Arizona Corporation Commission*. Some, however, are due to the use of Arizona’s historic test

⁵ *RUCO v. Ariz. Corp. Comm’n*, at 17, ¶ 48 (emphasis added).

year model. Problems with Arizona's historic test year model are even more pronounced with the SIB declared unlawful.

THE FARE PILOT PROGRAM FOR LIBERTY BV/RR

“The FARE will minimize regulatory lag, streamline ratemaking and incent needed capital investment while benefitting utility customers by providing gradual rate changes, rate stability, and more frequent regulator scrutiny of utility costs and expenses before the cost of service to the customer changes, up or down.”

Liberty Utilities ultimately views the recent Court of Appeals opinion as a strong indication of the need for meaningful improvement to the Arizona regulatory process for water and sewer utilities.⁶ Liberty Bella Vista and Liberty Rio Rico request that the Commission implement and evaluate a rate setting mechanism that complies with Arizona's fair value requirement. The Fair Value Arizona Rate Evaluation model or FARE, developed by Liberty Utilities, is such a mechanism. The FARE will minimize regulatory lag, streamline ratemaking and incent needed capital investment while benefitting utility customers by providing gradual rate changes, rate stability, and more frequent regulator scrutiny of utility costs and expenses before the cost of service to the customer changes, up or down. ***Vitality, the FARE allows the cost of service to the customer to move up or down to ensure that rates reflect the most current cost information available.***

WHAT IS THE FARE?

The FARE is a significant improvement in fair value ratemaking that uses a traditional, well-established rate formula coupled with annual filings to ensure that the rates for service reflect current operating and financial criteria as determined by known, objective and measurable data. Under the FARE, rates will be established in a general rate case using the well-established formula:

$$\text{Revenue Requirement} = \text{Operating Expenses} + \text{Return on Rate Base}$$

⁶ Many other states have adopted and implemented alternative ratemaking mechanisms. Pennsylvania, Illinois, Indiana and New York, for example, have implemented DSIC mechanisms to address the growing need for utilities to replace aging infrastructure. Alabama, Georgia, Louisiana, Mississippi, Oklahoma, South Carolina and Texas have approved rate stabilization tariffs. Georgia and Illinois have adopted and implemented formula rate mechanisms. Other states, such as California, use forward looking test years.

“With updated and detailed operational and financial data, and using the same capital structure, cost of capital, and rate design approved in the order adopting the FARE, the Commission will have all of the information necessary to make a new finding of fair value and approve a new annual cost for service for each Company based on such finding.”

Thereafter, Liberty Bella Vista and Liberty Rio Rico will make annual filings updating the necessary components of the revenue requirement. With updated and detailed operational and financial data, and using the same capital structure, cost of capital, and rate design approved in the order adopting the FARE, the Commission will have all of the information necessary to make a new finding of fair value and approve a new annual cost for service for each Company based on such finding.

ANNUAL FARE FILING

Between twelve to fifteen (12-15) months after implementation of new rates approved in an order authorizing the FARE, and every twelve (12) months thereafter, Liberty Bella Vista and Liberty Rio Rico will file annual FARE schedules reflecting the following⁷:

- Calculation of Revenue Deficiency or Surplus
- Current rate base for PIS, A/D, ADITs, AIAC/CIAC and other usual rate base factors
- Income Statement
- Operating Revenues
- Operating Expense Summary
- Depreciation Expense
- Taxes
- Rate Schedules⁸

⁷ For example, if the Commission issued a decision approving the FARE for Liberty Bella Vista and implementing new rates effective December 1, 2016, then the first FARE filings by Liberty Bella Vista would occur on March 1, 2018 for the 12 months ended December 31, 2017. The Company then would make annual filings on March 1 of each following year.

⁸ Copies of the proposed schedules are included as Attachment A.

PROCESSING THE ANNUAL FARE FILING

FARE TIMELINE

Day 1: FARE Filing

**Day 45: Staff
Review/Response**

**Day 60: Company
Reply**

**Day 90: Hearing
(if necessary)**

**Day 150: FARE
Order**

STEP ONE – Commission Staff and other parties will have 45 days to review the FARE filing and file responses and recommendations. During that review period, Liberty BV/RR will answer discovery (data requests for additional information) on an expedited basis (5-7 days maximum). ***The Commission's regulations prescribe limits on the time required to process rate cases, but Arizona law does not prohibit expedited processing of utility rates.***

STEP TWO – Liberty BV/RR will have 15 days to review the analysis and recommendations of Staff and any other party and file a reply in support of its FARE request along with their final request and recommendations if different than the initial annual FARE filing.

STEP THREE – If there is no material dispute between the parties regarding the determination of fair value, the Commission shall issue its order making a fair value finding and approving rates thereon within 90 days of the annual FARE filing. If there is a material dispute between the parties regarding the determination of fair value, the Commission shall schedule a hearing to be held no more than 90 days after the annual FARE filing date, and thereafter, issue its order making a fair value finding and approving rates thereon within 150 days of the annual FARE filing date.

USE OF THE ANNUAL FARE FILING

"The Commission will use the annual FARE filing to make a fair value determination and set the cost of service for the forthcoming year."

The Commission will use the annual FARE filing to make a fair value determination and set the cost of service for the forthcoming year. The Commission's decision would utilize Liberty Bella Vista's and Liberty Rio Rico's then current rate bases, revenues and expenses, with adjustments for then known and measurable changes, to make a fair value finding and, if necessary, reset the cost of service for another year, using the same formula, the same cost of capital, and the same rate design approved in the rate case in which the FARE was first authorized.

“Under the FARE, if the Commission’s fair value determination shows that Liberty Bella Vista’s and/or Liberty Rio Rico’s earnings are within an “Established Range” equal to plus or minus 20 basis points from the authorized rate of return on equity (ROE), there will be no change in the revenue requirement and rates for the one year period covered by the annual FARE filing.”

Under the FARE, if the Commission’s fair value determination shows that Liberty Bella Vista’s and/or Liberty Rio Rico’s earnings are within an “Established Range” equal to plus or minus 20 basis points from the authorized rate of return on equity (ROE), there will be no change in the revenue requirement and rates for the one year period covered by the annual FARE filing. For example, if the approved ROE for Liberty Bella Vista is 9.5% and the annual FARE filing shows that the Company has earned 9.3% during the first year of the FARE, then there will not be any changes in the cost of service paid by customers. If Liberty Bella Vista’s or Liberty Rio Rico’s earnings fall outside the Established Range, the Commission shall set a new revenue requirement based on its fair value finding and the costs of service shall be increased *or* decreased as necessary to produce the authorized ROE. For example, if the approved ROE for Liberty Bella Vista is 9.5% and the annual FARE filing shows that the Company has earned 9.0% during the first year of the FARE, then the revenue requirement and rates shall be set to achieve a 9.5% ROE based on the updated cost of service.⁹

Additionally, if Liberty Bella Vista’s and/or Liberty Rio Rico’s annual FARE filing reflects that either Company is under-earning or over-earning by 100 basis points or more, then that Company shall file a general rate application within 120 days of the Commission issuing such finding, unless the Commissioner orders otherwise pursuant to a request filed by Liberty Bella Vista or Liberty Rio Rico.

⁹ The inverse is also true: if the actual ROE for a utility is more than 20 basis points greater than the authorized ROE, rates will be lowered.

ADDITIONAL FEATURES OF THE FARE

“This systematic flow of operation and financial information will allow for a more efficient analysis of annual FARE filings and enhance the transparency of the ratemaking process by allowing Commission Staff and other stakeholders to stay well informed.”

Quarterly FARE Updates – In addition to the annual FARE filing, Liberty Bella Vista and Liberty Rio Rico shall make quarterly FARE filings available to all interested parties to provide current financial and operational information and provide a timely snapshot of each Company’s operations and finances. These quarterly filings are intended to be informational only and not require additional action by Commission Staff or other parties. This systematic flow of operation and financial information will allow for a more efficient analysis of annual FARE filings and enhance the transparency of the ratemaking process by allowing Commission Staff and other stakeholders to stay well informed. Quarterly filings will be made within 60 days of the close of each quarter in which the FARE is in effect and shall include:

- Quarterly Profit/Loss Statement
- Quarterly Balance Sheet
- Quarterly Income Statement
- Quarterly Operating Expense Summary
- Quarterly Plant Schedules
- Statement of Any Significant Plant Investment

Under the FARE, Liberty BV/RR would be subject to requests for information regarding the quarterly FARE filings in the same manner as discovery would be conducted with respect to an annual FARE filing. This will allow Commission Staff and other parties to stay informed about the operational and financial status of Liberty BV/RR, in turn allowing Commission Staff and other parties to have detailed working knowledge of the Companies **before** the annual FARE filings. Liberty BV/RR will also work with Commission Staff and other parties to develop templates for the quarterly and annual FARE filings.

“Absent exigent circumstances, Liberty BV/RR would not file a general rate case for at least four (4) years after the FARE is approved, and a general rate case will be filed within five (5) years of FARE approval, unless required earlier under the FARE or otherwise ordered by the Commission.”

“The FARE is an exceptionally transparent rate making model. The process will be open and transparent through the use of quarterly and annual FARE filings.”

Along with the formula for determining the revenue requirement in future FARE filings, the Commission will determine the applicable cost of capital, capital structure, and rate design in the general rate case approving the FARE. The Commission then will use the established cost of capital, capital structure and rate design for the annual FARE filings. This will reduce the time necessary for the Commission's fair value determination as part of the annual FARE filings.

Absent exigent circumstances, Liberty BV/RR would not file a general rate case for at least four (4) years after the FARE is approved, and a general rate case will be filed within five (5) years of FARE approval, unless required earlier under the FARE or otherwise ordered by the Commission.

Adjustment mechanisms for operating expenses that are chiefly outside the utility's control (e.g., CAP water, rates for purchased power, property tax rates) would continue to be used in concert with the FARE and notwithstanding the 20 basis point Established Range. The FARE also could include a correction mechanism. Although not included in this pilot proposal, the FARE could incorporate an annual review as part of the FARE process, allowing correction of any calculation or other errors relating to the prior year's FARE filing and determination.

BENEFITS OF THE FARE TO ARIZONA'S UTILITY CUSTOMERS, ARIZONA UTILITIES AND THE COMMISSION

Implementation and adoption of the FARE will certainly benefit Arizona ratepayers, Arizona's utilities and the Commission itself in many ways. Liberty Utilities summarizes these benefits below.

- **Transparency** – The FARE is an exceptionally transparent rate making model. The process will be open and transparent through the use of quarterly and annual FARE filings. Those quarterly and annual filings will provide the Commission and any interested parties with updated and ongoing information about utility financial and operational status.
- **Rate Gradualism and Rate Stability** – Use of the Established Range brings a great deal of stability to residential customer bills, which allows customers to budget and plan for cost increases. Likewise, commercial

“The FARE promotes rate gradualism and rate stability while minimizing the risks of rate shock.”

“All stakeholders benefit by streamlined and less costly rate making procedures.”

customers can better plan for rate increases, in turn fostering economic development.

- **Rate Shock** – The FARE promotes rate gradualism and rate stability while minimizing the risks of rate shock.
- **The FARE Works Both Ways** – All FARE filings will be mandatory. As such, the utility can't avoid a reduced revenue requirement and decreased rates, if circumstances warrant. By also capturing reductions in operation and maintenance expenses, operating efficiencies will provide timely benefits to customers.
- **Streamlined and Less Costly Rate Making Process** – The FARE provides a set schedule for approximately six years of rate setting for Liberty BV/RR. All stakeholders benefit by streamlined and less costly rate making procedures. The FARE will result in more efficient use of limited resources.
- **Sharing of Reduced Expenses** – Filing of updated expense information under the FARE captures and addresses reductions in operation and maintenance expenses. That means that operating efficiencies provide timely benefits to ratepayers.
- **Reduce Regulatory Lag and Encourage Needed Utility Investment** – The FARE is designed to reduce the adverse consequences of regulatory lag and, in so doing, make investment into Arizona water and wastewater utility infrastructure more attractive.
- **Closer Scrutiny by Regulators and Other Parties** – As proposed with quarterly and annual filings, the FARE results in a close and ongoing scrutiny of a utility rather than once every few years if a general rate case is filed.
- **Other Tangible Benefits** – The FARE will result in better and more reliable provision of water and sewer service by Arizona utilities, including reduced water loss.
- **Compliance with Arizona's Fair Value Requirement** – As written, the FARE proposed as a pilot program for Liberty BV/RR is designed to comply with Arizona's fair value requirement and, specifically, the recent SIB decision.



Attachment A
FAIR VALUE ARIZONA RATE EVALUATION
(FARE) MODEL
SCHEDULES 1-20

[APPLICANT NAME]
 Year Ended _____
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule 1

Line No.	<u>Description</u>
1	Fair Value Rate Base (a)
2	Adjusted Operating Revenues (b)
3	Adjusted Operating Expenses (b)
4	Adjusted Operating Income (b) (Ln. 2 - In. 3)
5	Current Rate of Return (%) (In. 2 / In. 1) x 100
6	Required Rate of Return on Fair Value Rate Base (%) (c)
7	Required Operating Income (In. 6 x In. 1)
8	Operating Revenue Deficiency (In. 4 - In. 7)
9	Gross Revenue Conversion Factor (d)
10	Increase in Gross Revenue Requirement (In. 8 x In. 9)
11	Revenue Requirement (In. 2 + In. 10)
12	% Increase (In. 10 / In. 2) x 100

<u>Customer Class</u>	<u>Projected Revenue Due to Increase in Rates(e)</u>	<u>% Dollar Increase (Decrease)(e)</u>
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SUPPORTING SCHEDULES:

- (a) Schedule 2
- (b) Schedule 11
- (c) As authorized in last general rate case decision
- (d) Schedule 15
- (e) Schedule 16

[APPLICANT NAME]

Year Ended _____
Summary of Rate Base

Exhibit
Schedule 2

Line No.	(1)	(2) Original Cost Balance at End of Year	(3) Adjustments	(4) Original Cost Adjusted Balance [Col. 2 + Col. 3]	(5) Fair Value Rate Base [=Col. 4]
1	Gross Utility Plant in Service (a)				
2	Less: Accumulated Depreciation (b)				
3	Net Utility Plant in Service				
	<u>Less:</u>				
4	Advances in Aid of Construction (c)				
5	Contributions in Aid of Construction (d)				
6	Accumulated Amortization of CIAC (e)				
7	Customer Deposits (f)				
8	Accumulated Deferred Income Taxes (g)				
9	Other:(i)				
	<u>Plus:</u>				
10	Cash Working Capital Allowance (h)				
11	Other:(j)				
12	Total Rate Base	\$ -	\$ -	\$ -	\$ - (A)

SUPPORTING SCHEDULES:

- (a) Schedule 3
- (b) Schedule 4
- (c) Schedule 5
- (d) Schedule 6
- (e) Schedule 7
- (f) Schedule 8
- (g) Schedule 9
- (h) Schedule 10
- (i) As needed
- (j) As needed

RECAP SCHEDULES:

- (A) Schedule 1

Exhibit
Schedule 3

[APPLICANT NAME]
Year Ended _____
Plant-in-Service (PIS)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. PIS-1 (a)	(6) Adj. PIS-2 (a)	(7) Adj. PIS-3 (a)	(#) Adj. PIS-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended
Accumulated Depreciation (A/D)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. A/D-1 (a)	(6) Adj. A/D-2 (a)	(7) Adj. A/D-3 (a)	(#) Adj. A/D-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended _____
Advances-in-Aid of Construction (AIAC)

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(#)	(#)	(#)	Adjusted Original Cost Balance at End of Year
	NARUC Acct. No.	Natural Acct. No.	Account Title	Original Cost Balance at End of Year	Adj. AIAC-1 (a)	Adj. AIAC-2 (a)	Adj. AIAC-3 (a)	Adj. AIAC-# (a)	Total Adjustments (a)(A)		Adjusted Original Cost Balance at End of Year
			(by natural account, subtotaled by NARUC account)								
TOTALS											
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended
Contributions-in-Aid of Construction (CIAC)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtitled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. CIAC-1 (a)	(6) Adj. CIAC-2 (a)	(7) Adj. CIAC-3 (a)	(#) Adj. CIAC-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended
Accumulated Amortization (AA)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. AA-1 (a)	(6) Adj. AA-2 (a)	(7) Adj. AA-3 (a)	(#) Adj. AA-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

Exhibit
Schedule 8

[APPLICANT NAME]
Year Ended _____
Customer Deposits

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title	(4) Original Cost Balance at End of Year	(5) Adj. CD-1 (a)	(6) Adj. CD-2 (a)	(7) Adj. CD-3 (a)	(#) Adj. CD-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(by natural account, subtotaled by NARUC account)

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

Exhibit
Schedule 9

[APPLICANT NAME]
Year Ended _____
Accumulated Deferred Income Taxes (ADIT)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. ADIT-1 (a)	(6) Adj. ADIT-2 (a)	(7) Adj. ADIT-3 (a)	(#) Adj. ADIT-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
 Test Year Ended December 31, 2014
 Cash Working Capital Allowance

Exhibit
 Schedule 10

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line No.	Description	Amount	Revenue Lag (Lead) Days (a)	Expense Lag (Lead) Days (a)	Net Lag (Lead) Days (Col. 3 - Col. 4)	Lead/Lag Factor (Col. 5/365)	Cash Working Capital Required (Co. 2 * Col. 6)
	OPERATING EXPENSES (Specify as needed)						
	TAXES (Specify as needed)						
	OTHER (Specify as needed)						
	TOTAL	\$ -					\$ - (A)

SUPPORTING SCHEDULES
 (a) Details of computations as needed

RECAP SCHEDULES:
 (A) Schedule 2

[APPLICANT NAME]
 Year Ended _____
 Revenues and Expenses

Exhibit
 Schedule 11

	(1)	(2)	(3)	(3)
Line No.	<u>Description</u>	Year End Book Results (a)	<u>Adjustment (b)</u>	Year End Adjusted Results (Col. 2 + Col 3.)
	Total Rate Revenues			
	Total Other Operating Revenues			
	Total Operating Revenues	(A)		
	Operating Expenses (by Function)			
	Depreciation and Amortization (b)			
	Property Taxes (c)			
	Other Taxes (c)			
	Income Taxes (d)			
	Total Operating Expenses	(A)		
	Operating Income	(A)		

SUPPORTING SCHEDULES:
 (a) Income Statement for 12 Months Ended
 (b) Schedule 12

RECAP SCHEDULES:
 (A) Schedule 1

[APPLICANT NAME]

Year Ended
Adjustments to Revenues and Expenses

Exhibit
Schedule 12

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(#)	(#)	(#)	Adjusted Annual Results(A)
	NARUC Acct. No.	Natural Acct. No.	Account Title	Recorded Annual Results (A)	Adj. IS-1 (a)	Adj. IS-2 (a)	Adj. IS-3 (a)	Adj. IS-# (a)	Total Adjustments (a)(A)		
	<u>Operating Revenues</u>										
	(by rate class)										
	Total Rate Revenues										
	Other Operating Revenue										
	(by natural account, subtotaled by NARUC account and function)										
	Total Operating Revenue										
	<u>Operating Expenses</u>										
	(by natural account, subtotaled by NARUC account and function)										
	Depreciation & Amortization Expense(b)										
	Property Taxes (c)										
	Other Taxes (c)										
	Income Taxes (c)										
	Total Operating Expenses										
	Operating Income										

SUPPORTING SCHEDULES:

- (a) As needed
- (b) Schedule 13
- (c) Schedule 14

RECAP SCHEDULES:

- (A) Schedule 11

[APPLICANT NAME]
Year Ended
Depreciation and Amortization Expense

(1) PLANT-IN-SERVICE (PIS)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line No.	NARUC Acct. No.	Natural Acct. No.	Account Title	Unadjusted Original Cost (a)	Non-Depr. and Fully Degr. PIS (b)	Depreciable Original Cost (Col. 4 - Col. 5)	Recorded Depreciation Expense (b)	PIS Adjustments (a)	Adjusted Original Cost (a)	Non-Depr. and Fully Degr. PIS (b)	Depreciable Original Cost (Col. 9 - Col. 10)	Authorized Depreciation Rate (c)	Annualized Depreciation Expense (Col. 11 x Col. 12)
Totals													
CONTRIBUTIONS-IN-AID-OF CONSTRUCTION (CIAC)													
(14)		(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Line No.	NARUC Acct. No.	Natural Acct. No.	Account Title	Unadjusted Original Cost (d)	Fully Amortized CIAC (b)	Amortizable Original Cost (Col. 17 - Col. 18)	Recorded Amortization (b)	CIAC Adjustments (d)	Adjusted Original Cost (d)	Fully Amortized CIAC (b)	Amortizable Original Cost (Col. 22 - Col. 23)	Amortization Rate (b)	Annualized Amortization (Col. 24 x Col. 25)
Totals													

Depreciation and Amortization Expense (Total of Col. 8 - Total of Col. 16) _____ (A)

Less: Recorded Depreciation and Amortization Expense _____

Adjustment to Depreciation and Amortization Expense _____ (B)

SUPPORTING SCHEDULES:

- (a) Schedule 3
- (b) As needed
- (c) As authorized in last general rate case
- (d) Schedule 5

RECAP SCHEDULES:

- (A)(i) Schedule 12

[APPLICANT NAME]
 Year Ended _____ Taxes
 Exhibit
 Schedule 14

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(#)	(#)	(#)
Line No.	NARUC Natural Acct. No.	Account Title	Recorded Annual Results(A)	Adj. T-1 (a)	Adj. T-2 (a)	Adj. T-3 (a)	Adj. T-# (a)	Total Adjustments (a)(A)	Adjusted Annual Results(A)
	Property Taxes								
	(by natural account, subtotaled by NARUC)								

Other Taxes
 (by natural account, subtotaled by NARUC)

Income Taxes
 (by natural account, subtotaled by NARUC)

SUPPORTING SCHEDULES:
 (a) As needed

RECAP SCHEDULES:
 (A) Schedule 12

[APPLICANT NAME]
 Year Ended _____
 Computation of Gross Revenue Conversion Factor (GRCF)

Exhibit
 Schedule 15

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Arizona Effective Income Tax Rate (a)	
2	Federal Effective Income Tax Rate (a)	
3	Property Taxes (a)	
4	Uncollectible Factor (a)	
5	Total Tax Percentage	
6	Operating Income % = 100% - Total Tax Percentage	100.000%
7	$\frac{1}{\text{Operating Income \%}}$ = Gross Revenue Conversion Factor (A)	

SUPPORTING SCHEDULES:
 (a) As needed

RECAP SCHEDULES:
 (A) Schedule 1

[APPLICANT NAME]
Year Ended _____
Analysis of Revenue by Detailed Class

Line No.	(1) Class of Service (subtotaled by customer class)	(2) Average Number of Customers (a)	(3) Average Consumption (a)	(4) Total Revenues Present Rates	(5) Total Revenues Proposed Rates	(6) Revenue Increase (Decrease) (Col. 5 - Col. 4)	(7) % Increase/Decrease (Col. 4 / Col. 2)(A)
<hr/> <hr/>							

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
(A) Schedule 16

[APPLICANT NAME]
Year Ended _____
Bill Analysis

Line No.	(1) Class of Service (subtotaled by customer class)	(2) Average Number of Customers (a)	(3) Average Consumption (a)	(4) Median Consumption (a)	(5) (6) (7) (8)		(9) Present Rates (a)	(10) Proposed Rates (a)	(11) Median Bill	(12) Increase/ (Decrease) (Col. 11 / Col. 9)
					Present Rates (a)	Increase/ (Decrease) (Col. 6 - Col. 5)				

SUPPORTING SCHEDULES:
(a) Schedule 19

RECAP SCHEDULES:

[APPLICANT NAME]

Year Ended _____
Billing Determinants

Exhibit
Schedule 19

Rate Schedule: _____

Description: _____

(1) (2) (3) (4) (5) (6) (7)

Line No.	Block	Number of Bills By Block	Consumption (a)	Cummulative Bills	No. Bills % of Total	Cummulative Consumption % of Total
-------------	-------	-----------------------------	-----------------	-------------------	-------------------------	--

Average Number of Customers: _____
Average Consumption: _____
Median Consumption: _____

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

[APPLICANT NAME]
 Year Ended _____
 Changes in Representative Rate Schedules

Exhibit
Schedule 20

<u>Line</u>	<u>Rate</u>	<u>Schedule</u>	<u>Description</u>	<u>Block</u>	<u>Present</u>	<u>Proposed</u>	<u>Dollar</u>
					<u>Rate</u>	<u>Rate</u>	<u>Change</u>
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

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Jay L. Shapiro (No. 014650)
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5 12725 W. Indian School Road, Suite D-101
Avondale, Arizona 85392

6 Attorneys for Liberty Utilities (Rio Rico Water & Sewer) Corp.
7

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9
10 IN THE MATTER OF THE APPLICATION
11 OF LIBERTY UTILITIES (RIO RICO
WATER & SEWER) CORP., AN ARIZONA
12 CORPORATION, FOR A
13 DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
14 PROPERTY AND FOR INCREASES IN ITS
WATER AND WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE
15 BASED THEREON.

DOCKET NO: WS-02676A-15-_____

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17
18 **DIRECT TESTIMONY OF**
19 **PETER EICHLER**

20
21 **October 27, 2015**
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1 **I. INTRODUCTION.**

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

3 A. My name is Peter Eichler. My business address is 354 Davis Road, Oakville,
4 Ontario L6J 2X1.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Liberty Utilities as Vice President of Strategic Planning.

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

8 A. I am providing this testimony on behalf of Liberty Utilities (Bella Vista Water)
9 Corp. ("Liberty Bella Vista") and Liberty Utilities (Rio Rico Water & Sewer)
10 Corp. ("Liberty Rio Rico") (collectively "Liberty BV/RR" or "Applicants").

11 **Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF**
12 **STRATEGIC PLANNING?**

13 A. My responsibilities include oversight for Regulatory Strategy, Customer
14 Experience Strategy, and Operations Strategy. As part of my role, I regularly
15 evaluate the regulatory environments within which Liberty Utilities operates and
16 provide advice to Liberty's management teams about investment decisions.

17 **Q. HAVE YOU HELD OTHER POSITIONS WITH LIBERTY UTILITIES?**

18 A. Yes. I was previously Manager of Financial Planning & Analysis. In that role I
19 was in charge of financial planning, including ensuring overall accountability for
20 rate cases. I was also responsible for analyzing regulatory related accounting and
21 finance issues and responding to related discovery issues. I have also held the
22 positions of Director of Regulatory Strategy, in which my responsibilities included
23 crafting strategies to enhance relationships with state regulatory agencies and
24 developing mechanisms by which customers and utility owners alike can benefit.
25 I have also held the position of Director, Liberty Services which was an
26 unregulated affiliate of Liberty Utilities focused on providing hot water heater

1 rentals, rooftop solar leases, and compressed natural gas initiatives. I have also
2 represented Liberty Utilities interests as a board member in the Missouri Energy
3 Developers Association.

4 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL**
5 **BACKGROUND.**

6 A. Before joining Liberty Utilities, I spent four years at regulated electric utilities in
7 Ontario, Canada, working in the areas of Corporate Finance, Ratemaking and
8 Regulatory Affairs.

9 I am a designated accountant, having received the Certified Management
10 Accountant ("CMA") designation in Canada, which is now referred to as a
11 Chartered Professional Accountant ("CPA, CMA"). That designation is similar to
12 a Certified Public Accountant designation in the United States. In addition, I have
13 completed a Masters of Business Administration degree from the University of
14 Windsor in Ontario, Canada, and I have a Bachelor of Commerce degree with a
15 specialization in Finance from Ryerson University in Toronto, Canada.

16 **Q. DO YOU HAVE ANY SPECIALIZED TRAINING RELATED TO UTILITY**
17 **RATEMAKING?**

18 A. In addition to my work experience, I completed NARUC's Utility School in
19 November, 2009.

20 **Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER PUBLIC**
21 **UTILITIES COMMISSION?**

22 A. Yes. I testified before the Arizona Corporation Commission ("Commission") in
23 the 2009 rate proceeding for Liberty Rio Rico. Now, I am concurrently prefiling
24 this direct testimony in rate proceedings for Liberty Bella Vista and Liberty Rio
25 Rico.

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I have also testified in proceedings before the Arkansas Public Service Commission, the California Public Utilities Commission, the Georgia Public Service Commission, the Illinois Corporation Commission, the Iowa Utilities Board, the Massachusetts Department of Public Utilities, the Missouri Public Service Commission, the New Hampshire Public Utilities Commission, and the Texas Commission on Environmental Quality. A listing of my regulatory testimony is attached as **Exhibit PE-DT1**.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony is limited to supporting the Applicants' request for approval of the Fair Value Arizona Rate Evaluation Model or "FARE."

II. LIBERTY'S PROPOSED FAIR VALUE ARIZONA RATE EVALUATION MODEL – THE FARE.

Q. WHAT IS THE FARE, MR. EICHLER?

A. The FARE is a ratemaking mechanism designed to comply with Arizona law, including the unique "fair value" requirement, promote rate gradualism and rate stability, and to mitigate regulatory lag. The FARE will use regular filings in an open and transparent process that ensures that the cost of service to the customer reflects the utility's current cost of service, which cost includes a return on the current level of investment in plant. The fundamental components, the timeline, the filing requirements and the justifications and benefits of the FARE are set forth in Liberty Utilities Proposed Fair Value Rate Evaluation (FARE) Model attached to my testimony as **Exhibit PE-DT2**.

1 **Q. WHY DO YOU BELIEVE THE COMMISSION SHOULD CONSIDER NEW**
2 **APPROACHES TO SETTING RATES FOR WATER AND WASTEWATER**
3 **UTILITIES IN ARIZONA?**

4 A. Our Arizona subsidiaries seem to always be chasing but never achieving their
5 revenue requirements and authorized returns. The authorized returns are already
6 lower in Arizona compared to almost every state in which we do business, and then
7 we are unable to even achieve those returns due to adherence to the historic test
8 year and limited use of adjusters. Then, the Commission took a step in the right
9 direction with approval of the System Benefits Improvement surcharge or SIB, and
10 the court overruled it.

11 The need for alternative ratemaking models did not go away with the
12 decision to invalidate the SIB; it made the need more paramount. The FARE is a
13 new approach to setting rates that is balanced and will benefit utilities and
14 customers, which is why Liberty Utilities is requesting that the Commission adopt
15 the FARE as a pilot program for Liberty Bella Vista and Liberty Rio Rico to be
16 implemented and evaluated over the next few years.

17 **Q. SO THE FARE IS A TOTALLY NEW RATEMAKING METHODOLOGY**
18 **FOR ARIZONA?**

19 A. No, it as a “different approach” to setting rates. The FARE (1) still uses the basic
20 historical test year concept with pro forma adjustments for known and measurable
21 changes; (2) still follows the well-established formula that rates should be derived
22 from a revenue requirement that equals operating expenses plus a return on and of
23 rate base; and (3) will be established in a general rate case. Additionally, the
24 FARE does not use forecasts, does not alter that way cost of capital is determined,
25 and does not alter how rate designs are established. The FARE requires a fair
26 value finding each year, which finding will incorporate consideration of the full

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range of current information concerning revenues, plant and expenses. We drafted that aspect of the FARE to specifically comply with Arizona's fair value requirement as set forth in the SIB Decision issued by the Court of Appeals.

Q. THEN WHAT MAKES THE FARE A "DIFFERENT APPROACH" TO RATEMAKING IN ARIZONA?

A. Under the FARE, the amount paid by the customers will be annually determined and updated in an open and transparent process intended to ensure that the utility has a reasonable opportunity to recover its operating expenses and earn its authorized returns. This regulatory model will enhance the ability of utilities, like Liberty Bella Vista and Liberty Rio Rico, to attract capital for investment in needed and critical utility infrastructure, while also ensuring that rate changes are gradual.

Q. SO THE RATES FOR UTILITY SERVICE WOULD BE ADJUSTED EVERY YEAR OF THE FARE?

A. I would not choose to use the term "adjusted." I would say that, under the FARE, the Commission will make a full fair value finding each year and rates will then be updated or maintained each year based on the full range of information concerning revenues, plant and expenses. The FARE would be approved in a general rate case, where fair value rate base, operating expenses, rate of return and a rate design will be developed and used to set rates for water and wastewater service by Applicants. Each year thereafter, using more current fair value rate base and operating expense information, the revenue requirement and rates will be updated. The manner in which rate base is used to determine rates, the cost of capital, and the rate design will not be altered following the general rate order approving the FARE.

1 **Q. WHY WON'T THE COST OF CAPITAL AND RATE DESIGN BE**
2 **"UPDATED" IN THE ANNUAL FARE FILINGS?**

3 A. First, that would pretty much turn the annual FARE filing into a lengthy and time
4 consuming general rate case. We are looking for a way to mitigate regulatory lag
5 that does not require a general rate case every year. And, as I understand it, in the
6 SIB decision, the court said the Commission can't set rates without a fair value
7 finding, and that a fair value finding can't be made just by looking at rate base.
8 But the court did not say a general rate case was required to make a fair value
9 finding.

10 Second, absent a major change in circumstances, the rate design shouldn't
11 need to be reevaluated every year. The rate design approved in the general rate case
12 approving the FARE can be applied to any revenue requirement. Moreover, if the
13 need for a significant change were necessary, the Commission could consider it in
14 the annual FARE process and, if necessary, order a new filing on rate design. But
15 we think that will rarely be necessary and rate design can be addressed again in the
16 general rate case in four to five years.

17 Third, while cost of capital does change from year to year, and even within a
18 year, we are trying not to make the process longer, unduly expensive or overly
19 burdensome. Not doing an annual cost of capital analysis furthers that goal. Since
20 capital costs are far more likely to increase than decrease over the proposed life of
21 this pilot program given historically low interest rates today, this seemed a
22 reasonable compromise for a pilot program.

23 **Q. SO IF THE COMMISSION APPROVES THE FARE IN THESE GENERAL**
24 **RATE CASES, LIBERTY CAN JUST "UPDATE" THE RATES FOR**
25 **BELLA VISTA AND RIO RICO CUSTOMERS EVERY YEAR?**

26 A. Not without Commission approval. Each year after the rates approved in these two

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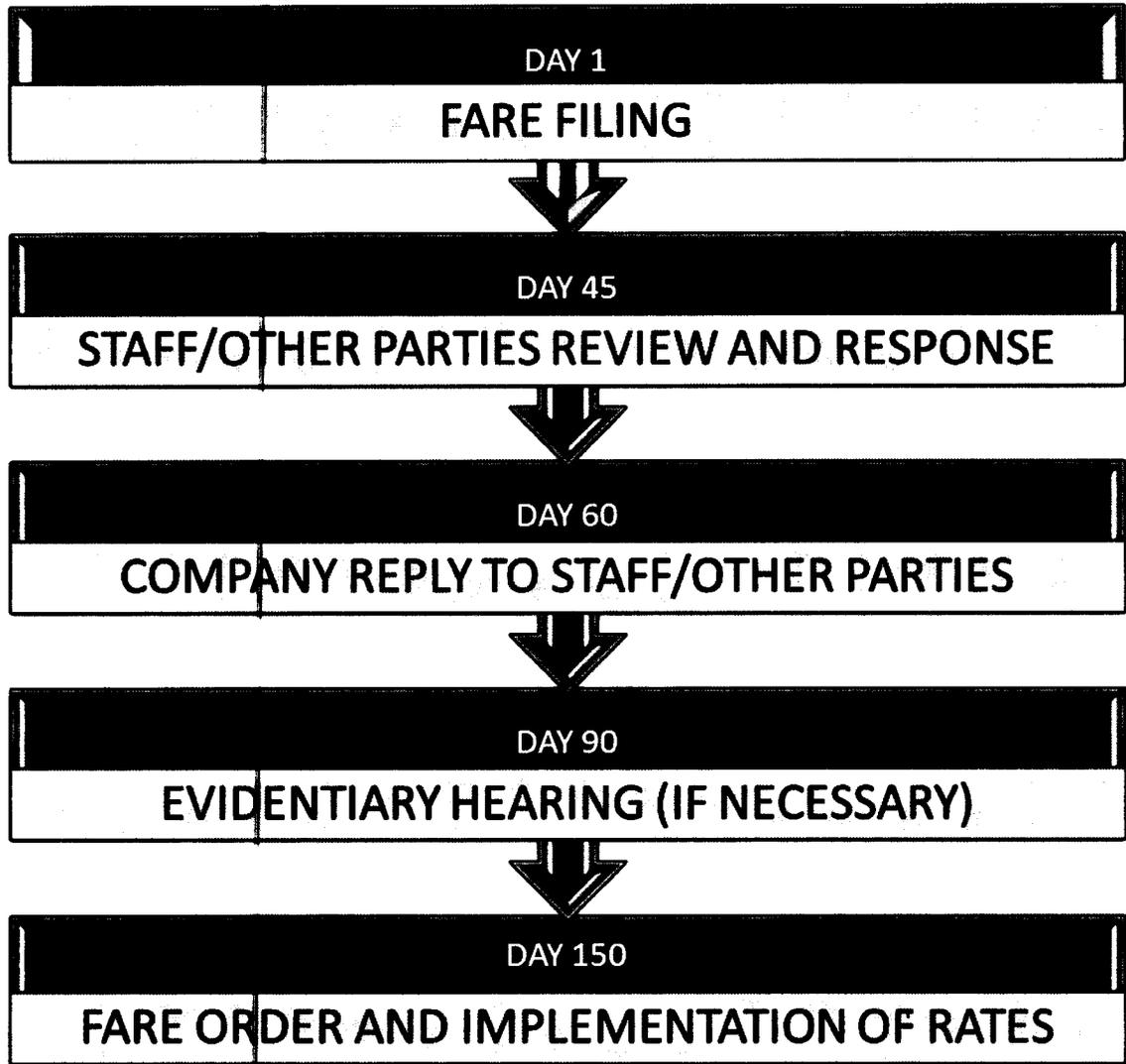
rate cases go into effect, Applicants will make a filing with schedules reflecting all of the following:

- Calculation of Revenue Deficiency or Surplus
- Current rate base for Plant In Service (PIS), Accumulated Depreciation (“A/D”), Accumulated Deferred Income Taxes (ADITs), Advances In Aid of Construction (AIAC)/Contributions In Aid of Construction (CIAC) and other rate base factors
- Income Statement
- Operating Revenues
- Operating Expense Summary
- Depreciation Expense
- Taxes
- Rate Schedules¹

Commission Staff and other parties would be allotted time to review the FARE filing and file responses and recommendations. We suggest 45 days, during which Liberty BV/RR will answer data requests for additional information on an expedited basis. Then, Liberty BV/RR will have 15 days to review the analysis and recommendations of Staff and any other party and file a reply in support of its final FARE request. A goal of the FARE is to streamline and expedite rate setting in Arizona, as shown in the attached proposed timeline for implementation of the FARE:

¹ Copies of the proposed schedules are included as part of the FARE paper attached as **Exhibit PE-DT2**.

PROPOSED TIMELINE FOR IMPLEMENTATION OF FARE



21 **Q. WILL THERE BE A HEARING BEFORE ANY CHANGES OR UPDATES**
22 **ARE IMPLEMENTED?**

23 **A.** That is ultimately up to the Commission. In our model, if there is no material
24 dispute between the parties regarding the determination of fair value, we believe
25 the Commission can issue its order making a fair value finding and approving rates
26 thereon within 90 days of the annual FARE filing and without a hearing. On the

1 other hand, if there is a material dispute between the parties regarding the
2 determination of fair value, we suggest that the Commission would schedule a
3 hearing to be held no more than 90 days after the annual FARE filing date, and
4 then issue its order making a fair value finding and approving rates within 150 days
5 of the annual FARE filing date.

6 **Q. IS A “MATERIAL DISPUTE” DEFINED IN THE FARE PROPOSAL?**

7 A. No. Materiality will have to be determined largely on a case-by-case manner and
8 within the Commission’s discretion. If no dispute is found, we respectfully
9 presume that the Commission order updating the rates would state something like
10 “having found no material dispute, we Order....” If there is a material dispute that
11 the parties cannot resolve, then it would go to hearing. Our hope, though, is that
12 the transparent, information rich process we have designed will minimize disputes
13 and foster resolution.

14 **Q. AND LIBERTY BELIEVES THIS ALL COMPLIES WITH ARIZONA’S**
15 **CONSTITUTIONAL FAIR VALUE REQUIREMENT?**

16 A. Yes. I am not a lawyer and will not try to argue our legal analysis. What I can say
17 is that our specific intent was to design a ratemaking model in full compliance with
18 Arizona’s unique legal requirements. It is my understanding that the recent appeals
19 court decision did not say rates could *not* be set in the manner we are suggesting.
20 As I mentioned above, I understand that the court held that rates must be set based
21 on a fair value finding, and that this fair value finding can’t be limited to changes
22 in plant after the rates are set. Instead, the fair value finding must also include
23 evaluation of other ratemaking factors. That is precisely what the FARE is
24 intended to do by capturing changes in revenues, plant investment and operating
25 expenses from year to year.

26

1 Q. ARE THE TYPICAL CHANGES IN COSTS FROM YEAR TO YEAR
2 SIGNIFICANT ENOUGH TO WARRANT AN ANNUAL REVIEW
3 PROCESS SUCH AS LIBERTY IS SUGGESTING?

4 A. I would say on the whole, yes, although in any given year, the changes may not be
5 significant. This is one reason we have proposed an "Established Range" as part of
6 the FARE proposal. The Established Range essentially is an earnings band
7 intended to keep earnings for utilities within that approved bandwidth, so to speak.

8 Specifically, we propose that if the Commission's fair value determination
9 shows that either applicant's earnings are within an "Established Range" of plus or
10 minus 20 basis points from the authorized ROE, there will be no "update" to the
11 revenue requirement and rates for the one year period covered by the annual FARE
12 filing. For example, if the approved ROE for Liberty Bella Vista is 10.0 percent
13 and the annual FARE filing shows that Liberty Bella Vista has earned 9.8 percent
14 during the first year of the FARE, then there will not be any changes in the cost of
15 service paid by customers and, therefore, no update to the rates. On the other hand,
16 if Liberty Bella Vista earned 9.5 percent during the first year of the FARE (50 basis
17 points below the authorized ROE), the Commission would determine an updated
18 revenue requirement based on its fair value finding and the rates paid by the
19 customers would be updated as necessary to produce the authorized revenues and
20 return.

21 Additionally, under our proposal, if the annual FARE filing reflects that
22 either Applicant is under-earning or over-earning by 100 basis points or more, then
23 that applicant would be required to file a general rate application within 120 days
24 of the Commission issuing such finding. The FARE also allows a utility that is
25 under-earning by 100 basis points or more to request that the Commission grant a
26 waiver from that filing requirement. There may be circumstances where a utility

1 may not want to file a full rate case under the FARE, even though it is under-
2 earning.

3 **Q. AND YOU MENTIONED THAT THE FARE WORKS EQUALLY TO**
4 **REDUCE RATES FOR CUSTOMERS IF WARRANTED?**

5 A. Yes. While the adverse impacts of regulatory lag primarily fall on the utility,
6 fundamental fairness compelled us to try to design a mechanism that worked
7 equally for customers and utility alike. The simple goal is to mitigate regulatory
8 lag in order to ensure that the cost paid for service by the customer actually
9 provides us with a reasonable opportunity to earn our authorized returns. If
10 changes in our operations or plant investment mean the costs are lower, then the
11 customers should realize that benefit of the FARE, in which case the revenue
12 requirement and rates would be lower. Either way, regulatory lag should be
13 eliminated to the greatest extent possible.

14 **Q. BUT, MR. EICHLER, ISN'T REGULATORY LAG AN INEVITABLE**
15 **PART OF UTILITY RATEMAKING?**

16 A. Yes, but only to a certain extent. Even under the FARE, there will still be up to a 1
17 to 1.5 year delay between cost increases and recovery. This is why we believe the
18 Commission should take any and all reasonable steps to negate the adverse
19 consequences of regulatory lag. As I understand the "regulatory compact,"
20 regulation by the Commission is supposed to act in place of the competitive
21 marketplace. If the cost of chemicals goes up because there is an increase in
22 shipping costs, the vendor is going to raise the price of those chemicals to recover
23 the cost increase. Obviously, Liberty Bella Vista and Liberty Rio Rico can't do
24 that. Nor should they have to wait years, emphasis on the plural, to avoid losing
25 money because the costs of service went up considerably after a rate case.

26

1 **Q. WOULD YOU AGREE, THOUGH, THAT REGULATORY LAG DOES**
2 **BENEFIT CUSTOMERS?**

3 A. No. Regulatory lag in Arizona undermines efforts to promote gradualism. Under
4 the current regulatory regime, customers can't budget and plan for cost increases,
5 and rate shock in Arizona is a regular occurrence. The FARE was designed and
6 drafted to alleviate these issues. Regulatory lag also postpones the time when
7 customers benefit from cost savings achieved by utilities during operations. And
8 regulatory lag chills investment.

9 I do not think anyone legitimately disputes that the ability to attract capital
10 is critical. Nor does there appear to be any dispute that the need for capital
11 investment in utility infrastructure is staggering.² But it's hard to invest capital in
12 Arizona when that investment will not see a return for at least two years after the
13 investment is made, often longer, and then even when the plant hits rate base, the
14 nature of ratemaking in Arizona is such that our subsidiaries almost never realize
15 our authorized revenue levels. Compared to the other states where Liberty Utilities
16 has regulated utility subsidiaries, where things like future test years are used and
17 adjuster mechanisms are the norm, it shouldn't be difficult to see that investment is
18 more attractive in those other states.

19 **Q. HOW DOES THE FAILURE TO AMELIORATE REGULATORY LAG**
20 **UNDERMINE EFFORTS TO PROMOTE RATE GRADUALISM, MR.**
21 **EICHLER?**

22 A. It makes ratemaking lumpy. Instead of rates that gradually go up or down to reflect
23 the constantly changing realities of plant investment and operating expenses, you
24 end up with general rate cases every few years and much larger, often huge,
25

26 ² Exhibit PE-DT2 at 2.

1 increases being necessary for the utility to recover its costs and earn a return on
2 rate base. In order to reduce or even eliminate the chance of very large rate
3 increases, regulated companies in Arizona need enhancements to the existing
4 ratemaking model such as the FARE that updates all rate base items such as plant
5 investment along with expenses every year.

6 **Q. MR. GARLICK INDICATES IN HIS DIRECT TESTIMONY THAT**
7 **QUARTERLY FILINGS ARE INTENDED TO AID STAFF IN**
8 **PROCESSING THE FARE FILINGS?**

9 A. Yes. We have proposed quarterly FARE filings available to all interested parties to
10 provide current financial and operational information and provide a timely
11 snapshot of each Company's operations and finances. Quarterly filings will be
12 made within 60 days of the close of each quarter in which the FARE is in effect
13 and include:

- 14 • Quarterly Profit/Loss Statement
- 15 • Quarterly Balance Sheet
- 16 • Quarterly Income Statement
- 17 • Quarterly Operating Expense Summary
- 18 • Quarterly Plant Schedules
- 19 • Statement of Any Significant Plant Investment

20 The quarterly filings would basically reflect a rolling 12-month period for
21 all of the elements of each Company's revenue requirement. And under the FARE,
22 Liberty BV/RR would be subject to requests for information regarding the
23 quarterly FARE filings in the same manner as discovery related to the annual
24 FARE filing.

1 **Q. WOULD STAFF AND OTHER PARTIES BE REQUIRED TO DO**
2 **ANYTHING WITH RESPECT TO THESE QUARTERLY FILINGS?**

3 A. Not as proposed. The quarterly filings are intended to be informational only.
4 We are trying to build a process predicated on a systematic flow of operational and
5 financial information from us to the regulators. The goal is to make the process
6 more efficient and enhance the transparency of the ratemaking process.

7 **Q. MR. EICHLER, ARE YOU SUGGESTING THAT THE FARE WILL**
8 **ACTUALLY BE SIMPLER TO IMPLEMENT THAN THE CURRENT**
9 **APPROACH?**

10 A. Yes, I guess I am. To us, filing one general rate case every four to five years, with
11 annual and quarterly filings each year in between, seems like less work than a
12 general rate case every one, two or three years. Commission Staff could assign one
13 or two specific analysts to Liberty Utilities. Those analysts would be responsible
14 for reviewing the quarterly filings, and processing the annual filings for Staff.
15 Those analysts would be exposed to Liberty, and how we do business, and our
16 financial information on a regular basis. Each filing simply would update what the
17 analysts already know. It would mean that each new rate case does not require an
18 analyst to learn all about the utility, reviewing thousands of pages of documents
19 supporting years of plant and operations. This should make things easier and
20 therefore less costly, not harder.

21 **Q. ARE THERE OTHER STATES WHERE SIMILAR MODELS ARE BEING**
22 **IMPLEMENTED?**

23 A. Yes, and this sort of formulaic approach to setting rates is used at the federal level
24 as well. Our efforts actually began by looking at the GRAM, or Georgia Rate
25 Adjustment Mechanism. This particular ratemaking model was first used in
26 Georgia in 2011 for natural gas distribution utilities. The GRAM is similar in

1 many ways to rate stabilization, decoupling and other non-volumetric mechanisms
2 employed all across the U.S.³ However, the GRAM was merely a starting point –
3 we adopted several features and then designed the FARE to work in compliance
4 with Arizona law, using the same general historical ratemaking concept already in
5 place. So, while the FARE shares some similarity with ratemaking models used in
6 other states, it is unique. I also would re-emphasize that we do not view the FARE
7 as a rate adjustment mechanism. Rather, the FARE is a rate-setting model based
8 on the fair value requirements of Arizona law, and incorporating all of the required
9 elements of ratemaking in Arizona. Again, the annual FARE process does not
10 change how the rates were set; it merely updates the critical inputs.

11 **Q. THANK YOU MR. EICHLER. WOULD YOU LIKE TO ADD ANYTHING**
12 **ELSE TO YOUR TESTIMONY IN SUPPORT OF THE FARE?**

13 **A.** We certainly recognize that the Commission has a number of competing factors to
14 consider; we do not expect the Commission or anyone else to rubber-stamp the
15 FARE. We understand this is a process. We brought together a significant amount
16 of expertise and have worked hard to put forth a proposal that tries to balance a
17 number of competing and sometimes conflicting considerations. Now we ask that
18 it be given full and fair consideration, and we hope that the end result is the best
19 possible model for all stakeholders.

20 We firmly believe that the FARE benefits all stakeholders. The FARE is an
21 exceptionally transparent rate making model. The FARE process will use quarterly
22 and annual FARE filings to provide the Commission and any interested parties
23 with updated and ongoing information about the utility's financial and operational

24
25 ³ There were approximately 20 states with some form of approved decoupling tariff as of
26 December 2011 including Arizona (Southwest Gas). There were also at least 7 states
with approved rate stabilization tariffs as of December 2011.

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status. This information allows for close and ongoing scrutiny of a utility rather than once every few years in a general rate case. In fact, the FARE provides a set schedule for approximately six years of rate setting for Liberty BV/RR. All of this will streamline the ratemaking process, making it less costly in future.

The result of that transparent process will be rate gradualism and rate stability, allowing customers to budget and plan for cost increases. This means rate shock will be minimized to the greatest extent possible. The FARE is also designed to reduce the adverse consequences of regulatory lag and, in so doing, make investment into Arizona water and wastewater utility infrastructure more attractive. That access to capital is critical to the health and future of every utility we operate and every customer Liberty Utility serves in Arizona.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

EXHIBIT PE-DT1

Eichler - Regulatory Testimony History

Docket Type	Description	Year	Jurisdiction	Subject Matter Supported	Docket Number
1 Rate Case	In the matter of Rio Rico Utilities Inc. request for increase in rates	2009	Arizona Corporation Commission	Corporate allocations, accounting and tax matters, organizational structure, compliance	WS-20676A-09
2 Rate Case	In the Matter of Bella Vista Company, Northern Sunrise, and Southern Sunrise Company Joint Application for Rate Increase	2009	Arizona Corporation Commission	Corporate allocations, accounting and tax matters, organizational structure, compliance	W-02465A-09
3 Rate Case	In the matter of Tall Timbers Utilities Inc. Application for Rate Increase	2010	Texas Commission on Environmental Quality	Rate Increase, Revenue Requirement, Revenue Allocation, Cost Allocations, Capital Expenditures, etc.	20694
4 Eminent Domain	In the matter of the City of Tyler v Tall Timbers Utilities	2010	Special Judicial Subcommittee of the Texas Commission on	Utility valuation, operations	N/A
5 Acquisition	Joint Petition of Liberty Utilities and National Grid to acquire Granite State Electric Co. and EnergyNorth Natural Gas Inc.	2011	New Hampshire Public Utilities Commission	Corporate philosophy, financing, rates and ratemaking, corporate allocations	DG 11-040
6 Acquisition	Request to acquire Atmos Energy's Illinois assets	2011	Illinois Corporation Commission	Corporate philosophy, financing, rates and ratemaking, corporate allocations	IL 11-0559
7 Acquisition	Request to acquire Atmos Energy's Iowa assets	2011	Iowa Utilities Board	Corporate philosophy, financing, rates and ratemaking, corporate allocations	SPU-2011-0008
8 Acquisition	Request to acquire Atmos Energy's Missouri assets	2011	Missouri Public Service Commission	Corporate philosophy, financing, rates and ratemaking, corporate allocations	GM-2012-0037
9 Rate Case	In the matter of California Pacific Electric Company request for Rate Increase	2012	California Public Utilities Commission	Corporate allocations, accounting and tax matters, organizational structure, compliance	A-12-02-014
10 Financing	Request to enter in to an intercompany loan arrangement	2012	Illinois Corporation Commission	Approval of financing, merger of entities	IL 12-0326
11 Rate Case	In the matter of Granite State Electric request for Rate Increase	2013	New Hampshire Public Utilities Commission	Corporate allocations, accounting and tax matters, organizational structure, compliance	DE 13-063
12 Acquisition	Request to acquire United Water Arkansas	2013	Arkansas Public Service Commission	Corporate philosophy, financing, rates and ratemaking, corporate allocations	12-061-U
13 Acquisition	Request to acquire Atmos Energy's Georgia assets	2013	Georgia Public Service Commission	Corporate philosophy, financing, rates and ratemaking, corporate allocations	DN 36278
14 Acquisition	Request to acquire New England Gas Co.	2013	Massechusetts Department of Public Utilities	Corporate philosophy, financing, rates and ratemaking, corporate allocations, tax matters	DPU 13-009

EXHIBIT PE-DT2



**LIBERTY UTILITIES PROPOSED
FAIR VALUE ARIZONA RATE EVALUATION
(FARE) MODEL
FOR LIBERTY UTILITIES (BELLA VISTA WATER) CORP
AND LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.**

September 2015

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FAIR VALUE ARIZONA RATE EVALUATION MODEL (FARE)

“Despite recent reform efforts, Arizona utilities continue to struggle with aging infrastructure and the adverse impacts of regulatory lag.”

Despite recent reform efforts, Arizona utilities continue to struggle with aging infrastructure and the adverse impacts of regulatory lag. This comes at a time when hundreds of Arizona water and wastewater utilities require substantial capital investment to address aging and deteriorating infrastructure, as illustrated by the graph below. In order to achieve meaningful improvement to the Arizona regulatory process, Liberty Utilities requests that the Arizona Corporation Commission consider other regulatory models that comply with the difficult requirements of Arizona law, while also addressing regulatory lag and promoting rate gradualism.

Estimated Total Water and Wastewater Costs, 2008-2032 (Nominal Millions)

	Water	Wastewater
Yuma County Supply Administration	\$2,521	
Yavapai County Supply Administration	\$652	
Cochise County Supply Administration	\$217	
Caval County Supply Administration	\$197	
Graham County Supply Administration	\$31	
Dimock County Water Association	\$336	
Superior Well Rehabilitation and Replacement	\$161	
Total Water Costs	\$42,088	\$2,716
Total Costs	\$42,088	\$14,162
Total Capital Costs	\$30,716	\$14,162

“Infrastructure Needs and Funding Alternatives for Arizona: 2008 – 2032,”
L. William Seidman Research Institute, Arizona State University, published
by Arizona Investment Council, May 2008.

“The FARE will use regularly scheduled filings to reach updated fair value findings, promoting rate gradualism and rate stability and minimizing the adverse consequences of regulatory lag.”

Toward that end, Liberty Utilities is proposing that the Commission approve and adopt the Fair Value Arizona Rate Evaluation (“FARE”) model, a ratemaking model based specifically on Arizona’s constitutional “fair value” requirement. The FARE would be approved initially for two entities: Liberty Utilities (Bella Vista Water) Corp. (“Liberty Bella Vista”) and Liberty Utilities (Rio Rico Water & Sewer) Corp. (“Liberty Rio Rico”) (collectively “Liberty BV/RR”). The FARE will use regularly scheduled filings to reach updated fair value findings, promoting rate gradualism and rate stability and minimizing the adverse consequences of regulatory lag. The intent, purpose and result will be to keep rates fair by updating all factors affecting rates—the FARE can move “up or down” to keep rates fair by tracking the underlying costs.

The FARE for Liberty BV/RR would be a pilot program authorized by the Commission as set forth below, during and after which it can be evaluated and refined by all stakeholders. Given the current regulatory environment for Arizona water and wastewater utilities, some type of alternative ratemaking model must be considered. As set forth below, the FARE was specifically designed to comply with Arizona’s constitutional fair value requirement.

ARIZONA'S REGULATORY ENVIRONMENT FOR WATER/WASTEWATER UTILITIES

"Given the undisputed need for massive water and wastewater infrastructure investment over the coming decades, this is not a sustainable scenario for either Arizona utilities or utility customers."

Arizona water and wastewater utilities continue to bear the substantial burden of regulatory lag, which, from the standpoint of the national investment community, demonstrates that Arizona is a less attractive regulatory environment for water and wastewater utilities. The adverse consequences of that fact include restricted access to capital for regulated utilities: investors have options, and facing choices with similar or better returns, they will choose the investments with less risk. Given the undisputed need for massive water and wastewater infrastructure investment over the coming decades, this is not a sustainable scenario for either Arizona utilities or utility customers.¹

Recognizing those challenges, today and in the future, key utilities and utility groups have tried to improve that regulatory environment, but those efforts have been ineffective to date. The industry seemed to have achieved some relief when the Commission adopted the System Improvement Benefits ("SIB") mechanism. Unfortunately, that achievement was short-lived. In *RUCO v. Arizona Corporation Commission* (August 2015), the Arizona Court of Appeals found the SIB unconstitutional under Arizona law.

Now, all stakeholders are grappling with the potentially far-reaching implications of that decision on regulation of all Arizona utilities. The Court of Appeals decision appears to limit the Commission's ability to use rate base adjustor mechanisms to reduce regulatory lag or to make more gradual rate changes (shielding customers from "rate shock"), while simultaneously allowing public service corporations a reasonable opportunity to earn their authorized returns.

¹ See e.g., *"Infrastructure Needs and Funding Alternatives for Arizona: 2008 – 2032,"* L. William Seidman Research Institute, Arizona State University, published by Arizona Investment Council, May 2008; *"Drinking Water Infrastructure Needs Survey and Assessment,"* U.S. Environmental Protection Agency, February 2009; *"2015 Report Card for Arizona's Infrastructure,"* American Society of Civil Engineers, May 2015.

“In its decision, the Court of Appeals expressly recognized and stated that Arizona has a unique constitutional regulatory environment distinct from other jurisdictions...”

The undoing of the SIB revolved around the Court’s interpretation of the fair value requirement unique to Arizona’s Constitution. The Arizona Constitution requires the Commission to “ascertain the fair value of property” when it sets rates.² “[T]he Commission is required to find the fair value of the company’s property and use such finding in determining what are just and reasonable rates.”³ The Court of Appeals determined that the proposed SIB didn’t comply with Arizona’s fair value requirement for several reasons:

(1) “the documentation AWC must submit to obtain approval of surcharges is substantially less than what is required in a rate case”;

(2) “it is undisputed that the Commission will not conduct a full fair value determination when it evaluates AWC’s surcharge requests”;

(3) the Commission will not “take into consideration all of the various ratemaking elements that would be looked at and scrutinized in a general rate case proceeding. That would include such things as revenues, expenses, and, of course, capital expenditures and the prudence considerations for each one of those ratemaking elements”;

(4) “when the Commission considers surcharge requests, other critical valuation factors will be premised on a past rate case that, at the outer reaches of the SIB cycle, will be five years old. Such a process is inconsistent with the mandate that the Commission perform a fair value determination ‘at the time of inquiry’”; and

(5) “Additionally, the Commission will not be assessing savings or other efficiencies attributable to capital improvements when it approves surcharges.”⁴

² Ariz. Const. Art. 15, § 14.

³ *Ariz. Corp. Comm’n v. Ariz. Pub. Service Co.*, 113 Ariz. 368, 370, 555 P.2d 326, 328 (1976).

⁴ *RUCO v. Ariz. Corp. Comm’n*, at 14-15, ¶¶ 40-43.

"In making that statement, the Court of Appeals clearly distinguished Arizona rate making and Arizona's regulatory environment from other state jurisdictions. Under the plain language of that decision, Arizona is a more difficult and riskier regulatory environment compared to other jurisdictions."

In its decision, the Court of Appeals expressly recognized and stated that Arizona has a unique constitutional regulatory environment distinct from other jurisdictions: "[w]e recognize the Commission's legitimate desire to 'initiate innovative procedures in an attempt to deal promptly and equitably with increasingly complex regulatory matters,' and its corresponding goal of avoiding 'a constant series of extended rate hearings [that] are not necessary to protect the public interest'.... But the question before us is not whether the SIB mechanism represents prudent public policy. *Our focus is on the propriety of that mechanism given the unique and express provisions of our state constitution.*"⁵

In making that statement, the Court of Appeals clearly distinguished Arizona rate making and Arizona's regulatory environment from other state jurisdictions. Under the plain language of that decision, Arizona is a more difficult and riskier regulatory environment compared to other jurisdictions. This follows from the fact that given the Court's interpretation of Arizona's fair value requirement, the Commission does not have the latitude afforded public utility commissions in other states. In Arizona, many of the ratemaking tools designed to further the public interest by reducing regulatory lag and promoting rate gradualism appear to be unavailable to the Commission. That is, unless it first engages in long, complex and costly rate cases every time a rate needs to change (beyond changes that arise from a narrowly defined change in certain operating expenses under approved adjustor mechanisms).

Under this regulatory regime, utility owners and investors are strongly incentivized to spend capital in other jurisdictions. Investors facing the choice between two alternatives providing similar yield will select jurisdictions that have the flexibility to and do use well-established ratemaking tools like Distribution System Improvement Charges (DSICs), balancing accounts, forward looking test years, decoupling mechanisms, generic ROEs and other rate making mechanisms designed to minimize the adverse impacts of regulatory lag, streamline rate cases *and* promote and encourage investment in utility infrastructure. Some of the limitations inherent in Arizona today are the result of the Court's decision in *RUCO v. Arizona Corporation Commission*. Some, however, are due to the use of Arizona's historic test

⁵ *RUCO v. Ariz. Corp. Comm'n*, at 17, ¶ 48 (emphasis added).

year model. Problems with Arizona's historic test year model are even more pronounced with the SIB declared unlawful.

THE FARE PILOT PROGRAM FOR LIBERTY BV/RR

Liberty Utilities ultimately views the recent Court of Appeals opinion as a strong indication of the need for meaningful improvement to the Arizona regulatory process for water and sewer utilities.⁶ Liberty Bella Vista and Liberty Rio Rico request that the Commission implement and evaluate a rate setting mechanism that complies with Arizona's fair value requirement. The Fair Value Arizona Rate Evaluation model or FARE, developed by Liberty Utilities, is such a mechanism. The FARE will minimize regulatory lag, streamline ratemaking and incent needed capital investment while benefitting utility customers by providing gradual rate changes, rate stability, and more frequent regulator scrutiny of utility costs and expenses before the cost of service to the customer changes, up or down. ***Vitaly, the FARE allows the cost of service to the customer to move up or down to ensure that rates reflect the most current cost information available.***

"The FARE will minimize regulatory lag, streamline ratemaking and incent needed capital investment while benefitting utility customers by providing gradual rate changes, rate stability, and more frequent regulator scrutiny of utility costs and expenses before the cost of service to the customer changes, up or down."

WHAT IS THE FARE?

The FARE is a significant improvement in fair value ratemaking that uses a traditional, well-established rate formula coupled with annual filings to ensure that the rates for service reflect current operating and financial criteria as determined by known, objective and measurable data. Under the FARE, rates will be established in a general rate case using the well-established formula:

$$\text{Revenue Requirement} = \text{Operating Expenses} + \text{Return on Rate Base}$$

⁶ Many other states have adopted and implemented alternative ratemaking mechanisms. Pennsylvania, Illinois, Indiana and New York, for example, have implemented DSIC mechanisms to address the growing need for utilities to replace aging infrastructure. Alabama, Georgia, Louisiana, Mississippi, Oklahoma, South Carolina and Texas have approved rate stabilization tariffs. Georgia and Illinois have adopted and implemented formula rate mechanisms. Other states, such as California, use forward looking test years.

“With updated and detailed operational and financial data, and using the same capital structure, cost of capital, and rate design approved in the order adopting the FARE, the Commission will have all of the information necessary to make a new finding of fair value and approve a new annual cost for service for each Company based on such finding.”

Thereafter, Liberty Bella Vista and Liberty Rio Rico will make annual filings updating the necessary components of the revenue requirement. With updated and detailed operational and financial data, and using the same capital structure, cost of capital, and rate design approved in the order adopting the FARE, the Commission will have all of the information necessary to make a new finding of fair value and approve a new annual cost for service for each Company based on such finding.

ANNUAL FARE FILING

Between twelve to fifteen (12-15) months after implementation of new rates approved in an order authorizing the FARE, and every twelve (12) months thereafter, Liberty Bella Vista and Liberty Rio Rico will file annual FARE schedules reflecting the following⁷:

- Calculation of Revenue Deficiency or Surplus
- Current rate base for PIS, A/D, ADITs, AIAC/CIAC and other usual rate base factors
- Income Statement
- Operating Revenues
- Operating Expense Summary
- Depreciation Expense
- Taxes
- Rate Schedules⁸

⁷ For example, if the Commission issued a decision approving the FARE for Liberty Bella Vista and implementing new rates effective December 1, 2016, then the first FARE filings by Liberty Bella Vista would occur on March 1, 2018 for the 12 months ended December 31, 2017. The Company then would make annual filings on March 1 of each following year.

⁸ Copies of the proposed schedules are included as Attachment A.

PROCESSING THE ANNUAL FARE FILING

FARE TIMELINE

Day 1: FARE Filing

**Day 45: Staff
Review/Response**

**Day 60: Company
Reply**

**Day 90: Hearing
(if necessary)**

**Day 150: FARE
Order**

STEP ONE – Commission Staff and other parties will have 45 days to review the FARE filing and file responses and recommendations. During that review period, Liberty BV/RR will answer discovery (data requests for additional information) on an expedited basis (5-7 days maximum). ***The Commission's regulations prescribe limits on the time required to process rate cases, but Arizona law does not prohibit expedited processing of utility rates.***

STEP TWO – Liberty BV/RR will have 15 days to review the analysis and recommendations of Staff and any other party and file a reply in support of its FARE request along with their final request and recommendations if different than the initial annual FARE filing.

STEP THREE – If there is no material dispute between the parties regarding the determination of fair value, the Commission shall issue its order making a fair value finding and approving rates thereon within 90 days of the annual FARE filing. If there is a material dispute between the parties regarding the determination of fair value, the Commission shall schedule a hearing to be held no more than 90 days after the annual FARE filing date, and thereafter, issue its order making a fair value finding and approving rates thereon within 150 days of the annual FARE filing date.

USE OF THE ANNUAL FARE FILING

The Commission will use the annual FARE filing to make a fair value determination and set the cost of service for the forthcoming year. The Commission's decision would utilize Liberty Bella Vista's and Liberty Rio Rico's then current rate bases, revenues and expenses, with adjustments for then known and measurable changes, to make a fair value finding and, if necessary, reset the cost of service for another year, using the same formula, the same cost of capital, and the same rate design approved in the rate case in which the FARE was first authorized.

"The Commission will use the annual FARE filing to make a fair value determination and set the cost of service for the forthcoming year."

“Under the FARE, if the Commission’s fair value determination shows that Liberty Bella Vista’s and/or Liberty Rio Rico’s earnings are within an “Established Range” equal to plus or minus 20 basis points from the authorized rate of return on equity (ROE), there will be no change in the revenue requirement and rates for the one year period covered by the annual FARE filing.”

Under the FARE, if the Commission’s fair value determination shows that Liberty Bella Vista’s and/or Liberty Rio Rico’s earnings are within an “Established Range” equal to plus or minus 20 basis points from the authorized rate of return on equity (ROE), there will be no change in the revenue requirement and rates for the one year period covered by the annual FARE filing. For example, if the approved ROE for Liberty Bella Vista is 9.5% and the annual FARE filing shows that the Company has earned 9.3% during the first year of the FARE, then there will not be any changes in the cost of service paid by customers. If Liberty Bella Vista’s or Liberty Rio Rico’s earnings fall outside the Established Range, the Commission shall set a new revenue requirement based on its fair value finding and the costs of service shall be increased *or* decreased as necessary to produce the authorized ROE. For example, if the approved ROE for Liberty Bella Vista is 9.5% and the annual FARE filing shows that the Company has earned 9.0% during the first year of the FARE, then the revenue requirement and rates shall be set to achieve a 9.5% ROE based on the updated cost of service.⁹

Additionally, if Liberty Bella Vista’s and/or Liberty Rio Rico’s annual FARE filing reflects that either Company is under-earning or over-earning by 100 basis points or more, then that Company shall file a general rate application within 120 days of the Commission issuing such finding, unless the Commissioner orders otherwise pursuant to a request filed by Liberty Bella Vista or Liberty Rio Rico.

⁹ The inverse is also true: if the actual ROE for a utility is more than 20 basis points greater than the authorized ROE, rates will be lowered.

ADDITIONAL FEATURES OF THE FARE

“This systematic flow of operation and financial information will allow for a more efficient analysis of annual FARE filings and enhance the transparency of the ratemaking process by allowing Commission Staff and other stakeholders to stay well informed.”

Quarterly FARE Updates – In addition to the annual FARE filing, Liberty Bella Vista and Liberty Rio Rico shall make quarterly FARE filings available to all interested parties to provide current financial and operational information and provide a timely snapshot of each Company's operations and finances. These quarterly filings are intended to be informational only and not require additional action by Commission Staff or other parties. This systematic flow of operation and financial information will allow for a more efficient analysis of annual FARE filings and enhance the transparency of the ratemaking process by allowing Commission Staff and other stakeholders to stay well informed. Quarterly filings will be made within 60 days of the close of each quarter in which the FARE is in effect and shall include:

- Quarterly Profit/Loss Statement
- Quarterly Balance Sheet
- Quarterly Income Statement
- Quarterly Operating Expense Summary
- Quarterly Plant Schedules
- Statement of Any Significant Plant Investment

Under the FARE, Liberty BV/RR would be subject to requests for information regarding the quarterly FARE filings in the same manner as discovery would be conducted with respect to an annual FARE filing. This will allow Commission Staff and other parties to stay informed about the operational and financial status of Liberty BV/RR, in turn allowing Commission Staff and other parties to have detailed working knowledge of the Companies **before** the annual FARE filings. Liberty BV/RR will also work with Commission Staff and other parties to develop templates for the quarterly and annual FARE filings.

“Absent exigent circumstances, Liberty BV/RR would not file a general rate case for at least four (4) years after the FARE is approved, and a general rate case will be filed within five (5) years of FARE approval, unless required earlier under the FARE or otherwise ordered by the Commission.”

Along with the formula for determining the revenue requirement in future FARE filings, the Commission will determine the applicable cost of capital, capital structure, and rate design in the general rate case approving the FARE. The Commission then will use the established cost of capital, capital structure and rate design for the annual FARE filings. This will reduce the time necessary for the Commission’s fair value determination as part of the annual FARE filings.

Absent exigent circumstances, Liberty BV/RR would not file a general rate case for at least four (4) years after the FARE is approved, and a general rate case will be filed within five (5) years of FARE approval, unless required earlier under the FARE or otherwise ordered by the Commission.

Adjustment mechanisms for operating expenses that are chiefly outside the utility’s control (e.g., CAP water, rates for purchased power, property tax rates) would continue to be used in concert with the FARE and notwithstanding the 20 basis point Established Range. The FARE also could include a correction mechanism. Although not included in this pilot proposal, the FARE could incorporate an annual review as part of the FARE process, allowing correction of any calculation or other errors relating to the prior year’s FARE filing and determination.

BENEFITS OF THE FARE TO ARIZONA’S UTILITY CUSTOMERS, ARIZONA UTILITIES AND THE COMMISSION

Implementation and adoption of the FARE will certainly benefit Arizona ratepayers, Arizona’s utilities and the Commission itself in many ways. Liberty Utilities summarizes these benefits below.

“The FARE is an exceptionally transparent rate making model. The process will be open and transparent through the use of quarterly and annual FARE filings.”

- **Transparency** – The FARE is an exceptionally transparent rate making model. The process will be open and transparent through the use of quarterly and annual FARE filings. Those quarterly and annual filings will provide the Commission and any interested parties with updated and ongoing information about utility financial and operational status.

- **Rate Gradualism and Rate Stability** – Use of the Established Range brings a great deal of stability to residential customer bills, which allows customers to budget and plan for cost increases. Likewise, commercial

“The FARE promotes rate gradualism and rate stability while minimizing the risks of rate shock.”

“All stakeholders benefit by streamlined and less costly rate making procedures.”

customers can better plan for rate increases, in turn fostering economic development.

- **Rate Shock** – The FARE promotes rate gradualism and rate stability while minimizing the risks of rate shock.
- **The FARE Works Both Ways** – All FARE filings will be mandatory. As such, the utility can't avoid a reduced revenue requirement and decreased rates, if circumstances warrant. By also capturing reductions in operation and maintenance expenses, operating efficiencies will provide timely benefits to customers.
- **Streamlined and Less Costly Rate Making Process** – The FARE provides a set schedule for approximately six years of rate setting for Liberty BV/RR. All stakeholders benefit by streamlined and less costly rate making procedures. The FARE will result in more efficient use of limited resources.
- **Sharing of Reduced Expenses** – Filing of updated expense information under the FARE captures and addresses reductions in operation and maintenance expenses. That means that operating efficiencies provide timely benefits to ratepayers.
- **Reduce Regulatory Lag and Encourage Needed Utility Investment** – The FARE is designed to reduce the adverse consequences of regulatory lag and, in so doing, make investment into Arizona water and wastewater utility infrastructure more attractive.
- **Closer Scrutiny by Regulators and Other Parties** – As proposed with quarterly and annual filings, the FARE results in a close and ongoing scrutiny of a utility rather than once every few years if a general rate case is filed.
- **Other Tangible Benefits** – The FARE will result in better and more reliable provision of water and sewer service by Arizona utilities, including reduced water loss.
- **Compliance with Arizona's Fair Value Requirement** – As written, the FARE proposed as a pilot program for Liberty BV/RR is designed to comply with Arizona's fair value requirement and, specifically, the recent SIB decision.



Attachment A
FAIR VALUE ARIZONA RATE EVALUATION
(FARE) MODEL
SCHEDULES 1-20

[APPLICANT NAME]
 Year Ended _____
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule 1

Line No.	<u>Description</u>
1	Fair Value Rate Base (a)
2	Adjusted Operating Revenues (b)
3	Adjusted Operating Expenses (b)
4	Adjusted Operating Income (b) (Ln. 2 - ln. 3)
5	Current Rate of Return (%) (ln. 2 / ln. 1) x 100
6	Required Rate of Return on Fair Value Rate Base (%) (c)
7	Required Operating Income (ln. 6 x ln. 1)
8	Operating Revenue Deficiency (ln. 4 - ln. 7)
9	Gross Revenue Conversion Factor (d)
10	Increase in Gross Revenue Requirement (ln. 8 x ln. 9)
11	Revenue Requirement (ln. 2 + ln. 10)
12	% Increase (ln. 10 / ln. 2) x 100

<u>Customer Class</u>	<u>Projected Revenue Due to Increase in Rates(e)</u>	<u>% Dollar Increase (Decrease)(e)</u>
_____	_____	_____
_____	_____	_____

SUPPORTING SCHEDULES:

- (a) Schedule 2
- (b) Schedule 11
- (c) As authorized in last general rate case decision
- (d) Schedule 15
- (e) Schedule 16

[APPLICANT NAME]

Year Ended _____
Summary of Rate Base

Exhibit
Schedule 2

Line No.	(1)	(2) Original Cost Balance at End of Year	(3) Adjustments	(4) Original Cost Adjusted Balance (Col. 2 + Col. 3)	(5) Fair Value Rate Base (=Col. 4)
1	Gross Utility Plant in Service (a)				
2	Less: Accumulated Depreciation (b)				
3	Net Utility Plant in Service				
	Less:				
4	Advances in Aid of Construction (c)				
5	Contributions in Aid of Construction (d)				
6	Accumulated Amortization of CIAC (e)				
7	Customer Deposits (f)				
8	Accumulated Deferred Income Taxes (g)				
9	Other:(i)				
	Plus:				
10	Cash Working Capital Allowance (h)				
11	Other:(j)				
12	Total Rate Base	\$ -	\$ -	\$ -	\$ - (A)

SUPPORTING SCHEDULES:

- (a) Schedule 3
- (b) Schedule 4
- (c) Schedule 5
- (d) Schedule 6
- (e) Schedule 7
- (f) Schedule 8
- (g) Schedule 9
- (h) Schedule 10
- (i) As needed
- (j) As needed

RECAP SCHEDULES:

- (A) Schedule 1

Exhibit
Schedule 3

[APPLICANT NAME]
Year Ended _____
Plant-in-Service (PIS)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. PIS-1 (a)	(6) Adj. PIS-2 (a)	(7) Adj. PIS-3 (a)	(#) Adj. PIS-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended _____
Accumulated Depreciation (A/D)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. A/D-1 (a)	(6) Adj. A/D-2 (a)	(7) Adj. A/D-3 (a)	(#) Adj. A/D-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]

Year Ended _____
Advances-in-Aid of Construction (AIAC)

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(#)	(#)	(#)	Adjusted Original Cost Balance at End of Year
	NARUC Acct. No.	Natural Acct. No.	Account Title	Original Cost Balance at End of Year	Adj. AIAC-1 (a)	Adj. AIAC-2 (a)	Adj. AIAC-3 (a)	Adj. AIAC-# (a)	Total Adjustments (a)(A)		
			(by natural account, subtotaled by NARUC account)								
TOTALS											
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended
Contributions-in-Aid of Construction (CIAC)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. CIAC-1 (a)	(6) Adj. CIAC-2 (a)	(7) Adj. CIAC-3 (a)	(#) Adj. CIAC-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended
Accumulated Amortization (AA)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. AA-1 (a)	(6) Adj. AA-2 (a)	(7) Adj. AA-3 (a)	(#) Adj. AA-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]

Year Ended _____
Customer Deposits

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. CD-1 (a)	(6) Adj. CD-2 (a)	(7) Adj. CD-3 (a)	(#) Adj. CD-# (a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
Year Ended
Accumulated Deferred Income Taxes (ADIT)

Line No.	(1) NARUC Acct. No.	(2) Natural Acct. No.	(3) Account Title (by natural account, subtotaled by NARUC account)	(4) Original Cost Balance at End of Year	(5) Adj. ADIT-1(a)	(6) Adj. ADIT-2(a)	(7) Adj. ADIT-3(a)	(#) Adj. ADIT-#(a)	(#) Total Adjustments (a)(A)	(#) Adjusted Original Cost Balance at End of Year
TOTALS										
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES:
(a) As Needed

RECAP SCHEDULES:
(A) Schedule 2

[APPLICANT NAME]
 Year Ended _____
 Revenues and Expenses

Exhibit
 Schedule 11

	(1)	(2)	(3)	(3)
Line No.	<u>Description</u>	Year End Book Results (a)	<u>Adjustment (b)</u>	Year End Adjusted Results (Col. 2 + Col 3.)
	Total Rate Revenues			
	Total Other Operating Revenues			
	Total Operating Revenues			(A)
	Operating Expenses (by Function)			
	Depreciation and Amortization (b)			
	Property Taxes (c)			
	Other Taxes (c)			
	Income Taxes (d)			
	Total Operating Expenses			(A)
	Operating Income			(A)

SUPPORTING SCHEDULES:
 (a) Income Statement for 12 Months Ended
 (b) Schedule 12

RECAP SCHEDULES:
 (A) Schedule 1

[APPLICANT NAME]

Exhibit
Schedule 12

Year Ended
Adjustments to Revenues and Expenses

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(#)	(#)	(#)	Adjusted Annual Results(A)
	NARUC Acct. No.	Natural Acct. No.	Account Title	Recorded Annual Results (A)	Adj. IS-1 (a)	Adj. IS-2 (a)	Adj. IS-3 (a)	Adj. IS-# (a)	Total Adjustments (a)(A)		
	Operating Revenues (by rate class)										
	Total Rate Revenues										
	Other Operating Revenue (by natural account, subtotaled by NARUC account and function)										
	Total Operating Revenue										
	Operating Expenses (by natural account, subtotaled by NARUC account and function)										
	Depreciation & Amortization Expense(b)										
	Property Taxes (c)										
	Other Taxes (c)										
	Income Taxes (c)										
	Total Operating Expenses										
	Operating Income										

SUPPORTING SCHEDULES:

- (a) As needed
- (b) Schedule 13
- (c) Schedule 14

RECAP SCHEDULES:
(A) Schedule 11

[APPLICANT NAME]
Year Ended _____
Depreciation and Amortization Expense

PLANT-IN-SERVICE (PIS)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line No.	NARUC Natural Acct. No.	Account Title (by natural account, subtotaled by NARUC account and function)	Unadjusted Original Cost (a)	Non-Depr. and Fully Depr. PIS (b)	Depreciable Original Cost (Col. 4 - Col. 5)	Recorded Depreciation Expense (b)	PIS Adjustments(a)	Adjusted Original Cost (e) (Col. 4 - Col. 8)	Non-Depr. and Fully Depr. PIS (b)	Depreciable Original Cost (Col. 9 - Col. 10)	Authorized Depreciation Rate (c)	Annualized Depreciation Expense (Col. 11 x Col. 12)
Totals												
CONTRIBUTIONS-IN-AID-OF CONSTRUCTION (CIAC)												
(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Line No.	NARUC Natural Acct. No.	Account Title (by natural account, subtotaled by NARUC account and function)	Unadjusted Original Cost (d)	Fully Amortized CIAC (b)	Amortizable Original Cost (Col. 17 - Col. 18)	Recorded Amortization (b)	CIAC Adjustments(d)	Adjusted Original Cost (d) (Col. 17 - Col. 21)	Fully Amortized CIAC (b)	Amortizable Original Cost (Col. 22 - Col. 23)	Amortization Rate (b)	Annualized Amortization (Col. 24 x Col. 25)
Totals												

Depreciation and Amortization Expense (Total of Col. 8 - Total of Col. 16) _____ (A)

Less: Recorded Depreciation and Amortization Expense _____

Adjustment to Depreciation and Amortization Expense _____ (B)

SUPPORTING SCHEDULES:

- (a) Schedule 3
- (b) As needed
- (c) As authorized in last general rate case
- (d) Schedule 5

RECAP SCHEDULES:
(A)(B) Schedule 12

[APPLICANT NAME]
 Year Ended _____ Taxes
 Exhibit
 Schedule 14

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(#)	(#)	(#)	Adjusted Annual Results(A)
Line No.	NARUC Acct. No.	Natural Acct. No.	Recorded Annual Results(A)	Adj. I-1 (a)	Adj. I-2 (a)	Adj. I-3 (a)	Adj. T-# (a)	Total Adjustments (a)(A)		
	Property Taxes (by natural account, subtotaled by NARUC)									
	Other Taxes (by natural account, subtotaled by NARUC)									
	Income Taxes (by natural account, subtotaled by NARUC)									

SUPPORTING SCHEDULES:
 (a) As needed

RECAP SCHEDULES:
 (A) Schedule 12

[APPLICANT NAME]
 Year Ended _____
 Computation of Gross Revenue Conversion Factor (GRCF)

Exhibit
 Schedule 15

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Arizona Effective Income Tax Rate (a)	
2	Federal Effective Income Tax Rate (a)	
3	Property Taxes (a)	
4	Uncollectible Factor (a)	
5	Total Tax Percentage	
6	Operating Income % = 100% - Total Tax Percentage	100.000%
7	$\frac{1}{\text{Operating Income \%}}$ = Gross Revenue Conversion Factor (A)	

SUPPORTING SCHEDULES:
 (a) As needed

RECAP SCHEDULES:
 (A) Schedule 1

[APPLICANT NAME]

Year Ended _____
 Analysis of Revenue by Detailed Class

Exhibit
 Schedule 17

Line No.	(1) Class of Service (subtotaled by customer class)	(2) Average Number of Customers (a)	(3) Average Consumption (a)	(4) Total Revenues Present Rates	(5) Total Revenues Proposed Rates	(6) Revenue Increase (Decrease) (Col. 5 - Col. 4)	(7) % Increase (Decrease) (Col. 4 / Col. 2)(A)
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SUPPORTING SCHEDULES:

RECAP SCHEDULES:
 (A) Schedule 16

[APPLICANT NAME]

Year Ended _____
 Bill Analysis

Exhibit
 Schedule 18

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Average Number of Customers (a)	Average Consumption (a)	Median Consumption (a)	Present Rates (a)	Proposed Rates (a)	Increase/ (Decrease) (Col. 6 - Col. 5)	Increase/ (Decrease) (Col. 7 / Col. 5)	Present Rates (a)	Proposed Rates (a)	Increase/ (Decrease) (Col. 10 - Col. 9)	Increase/ (Decrease) (Col. 11 / Col. 9)

(subtotaled by customer class)

SUPPORTING SCHEDULES:
 (a) Schedule 19

RECAP SCHEDULES:

[APPLICANT NAME]

Year Ended _____
Billing Determinants _____

Exhibit
Schedule 19

Rate Schedule: _____

Description: _____

Line No.	Block	(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Number of Bills By Block	Consumption (a)	Cummulative Bills	No. Bills % of Total	Cummulative Consumption	Cummulative Consumption % of Total

Average Number of Customers: _____
Average Consumption: _____
Median Consumption: _____

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

[APPLICANT NAME]

Year Ended _____
Changes in Representative Rate Schedules

Exhibit
Schedule 20

(1) (2) (3) (4) (5) (6)

Line No. Rate Schedule Description Block Present Rate Proposed Rate Dollar Change

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

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Attorneys for Liberty Utilities (Rio Rico Water & Sewer) Corp.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF LIBERTY UTILITIES (RIO RICO
WATER & SEWER) CORP., AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
WATER AND WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: WS-02676A-15-_____

**DIRECT TESTIMONY OF
WILLIAM R. KILLEEN**

October 27, 2015

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TABLE OF CONTENTS

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY.**

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

3 A. My name is William R. Killeen. My business address is 345 Davis Road, Oakville,
4 Ontario, Canada, L6J 2X1.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am the Director of Regulatory Operations for Liberty Utilities (Canada) Corp.
7 (“Liberty Utilities Canada”). Liberty Utilities Canada is the ultimate parent
8 company of Liberty Utilities Co. (“Liberty Utilities”). Liberty Utilities Canada is a
9 wholly owned subsidiary of Algonquin Power & Utilities Corp. (“APUC”).
10 Liberty Utilities (Bella Vista Water) Corp. (“Liberty Bella Vista”) and Liberty
11 Utilities (Rio Rico Water & Sewer) Corp. (“Liberty Rio Rico”) (collectively,
12 “Applicants”) are wholly owned subsidiaries of Liberty Utilities (Sub) Corp.
13 Liberty Utilities (Sub) Corp. is a wholly owned subsidiary of Liberty Utilities Co.

14 As the Director of Regulatory Operations, I am responsible for strategy
15 development and management of regulatory affairs for all of Liberty Utilities’
16 regulated utilities currently providing water, wastewater, electric and gas utility
17 services in Arizona, Arkansas, California, Georgia, Illinois, Iowa, Massachusetts,
18 Missouri, New Hampshire and Texas. Liberty Utilities is continuing to expand its
19 regulated utility footprint and holdings throughout the United States. For example,
20 Liberty Utilities recently acquired three new regulated water utilities—two in
21 California and one in Montana.¹

22 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
23 **PROFESSIONAL EXPERIENCE.**

24 A. I earned a Bachelor of Engineering Science (Chemical) degree from the University

25 ¹ Those acquisitions are subject to approval by the regulatory commissions in Montana
26 and California, which are currently pending.

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of Western Ontario (now Western University) in 1985. I also earned a Master's degree in Business Administration from the Ivey School of Business at Western University in 1989.

I have 26 years of professional experience in the energy and utilities industries in the areas of regulation, supply, operations and customer service. I have worked at natural gas and electric utilities, as well as in consulting, marketing, and government positions. Early in my career, I was employed by Union Gas Limited, a major natural gas utility serving over 1.4 million customers in Ontario, Canada, for twelve years in varying capacities, including regulatory and supply.

Prior to joining Liberty Utilities in February 2014, I was employed by Enersource Hydro Mississauga Inc., a major electric utility serving the City of Mississauga, Ontario, for three years as Manager, Regulatory Affairs. In between my employment at these two large utilities, I was employed at various other companies, always retaining responsibility for oversight of regulatory affairs, typically in Ontario or eastern Canada. These companies include Engage Energy Canada Inc., Direct Energy as Manager, Regulatory Affairs and a consulting company, ECNG Energy LP, as Director, Supply and Regulatory Affairs for eight years. Following ECNG, I spent a brief tenure within the Ministry of Energy of the Ontario Government. My Curriculum Vitae is attached as **Exhibit WRK-DT1**.

Q. DO YOU HAVE ANY PROFESSIONAL DESIGNATIONS?

A. Yes. I am a licensed Professional Engineer in the Province of Ontario and a member of the Ontario Society of Professional Engineers.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS OR ANY OTHER COMMISSION?

A. My direct testimony was filed in the Liberty Utilities (Black Mountain Sewer)

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Corp. rate proceeding on June 22, 2015, Docket Nos. SW-02361A-15-0206 and SW-02361A-15-0207 (consolidated). It is the first proceeding before the Arizona Corporation Commission in which I am providing testimony. I have testified, however, in a number of gas and electric utility pricing cases and facility approval cases before the Ontario Energy Board. Also, I recently testified in a rate case before the Arkansas Public Service Commission (Docket No. 14-020-U) on behalf of Liberty Utilities (Pine Bluff Water) Inc.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my direct testimony is to support the Applicants’ requests for new rates by addressing the corporate costs and allocation methods employed by all companies within the APUC organization. In my testimony, I explain the APUC and Liberty Utilities corporate cost allocation model and the benefits of our shared service model to Applicants and the other regulated utilities operated by Liberty Utilities.²

II. OVERVIEW OF LIBERTY UTILITIES’ BUSINESS MODEL.

Q. WILL YOU PLEASE SUMMARIZE THE LIBERTY UTILITIES BUSINESS MODEL?

A. As mentioned above, APUC serves as the overall corporate parent and has two major operating subsidiaries, Algonquin Power Co. (“APCo”) and Liberty Utilities. APCo is an unregulated entity that provides renewable power generation from facilities owned throughout the United States and Canada. Liberty Utilities owns regulated water, wastewater, gas and electric utilities in ten states.

² My direct testimony is being filed concurrently in rate case dockets for Liberty Bella Vista and Liberty Rio Rico.

1 **Q. PLEASE EXPLAIN THE LIBERTY UTILITIES SHARED SERVICES AND**
2 **CORPORATE COST ALLOCATION MODEL.**

3 A. Two corporate groups provide shared services to entities within the APUC
4 organizational structure, including Liberty Utilities and its regulated utilities.
5 One is APUC, and the other is the shared services department within Liberty
6 Utilities Canada.

7 **Q. WHAT SHARED SERVICES DOES APUC PROVIDE?**

8 A. APUC is structured as a publicly traded holding company and provides substantial
9 benefits to its regulated utilities and generation facilities through access to capital
10 markets. As the ultimate corporate parent, APUC also provides financial, strategic
11 management, corporate governance, administrative and support services to Liberty
12 Utilities and APCo.

13 APUC's Financing Services involve selling units to public investors in order
14 to generate the funding and capital necessary (be it short term or long term funding,
15 including equity and debt) for Liberty Utilities, as well as providing legal services
16 in connection with the issuance of public debt. In connection with the provision of
17 Financing Services, APUC incurs the following types of costs: (i) strategic
18 management costs (board of director, third-party legal services, accounting
19 services, tax planning and filings, insurance, and required auditing); (ii) capital
20 access costs (communications, investor relations, trustee fees, escrow and transfer
21 agent fees); (iii) financial control costs (audit and tax expenses); and
22 (iv) administrative (rent, depreciation, general office costs).³ Non-labor costs,
23 including corporate capital, are pooled and allocated to Liberty Utilities and APCo
24 using the "multi-factor" method summarized in Table 1 of the APUC Cost

25 ³ Appendix 2 of the APUC Cost Allocation Manual or "CAM" referenced below provides
26 a more detailed discussion of the costs incurred by APUC.

1 Allocation Manual ("CAM"). Without question, the services provided by APUC
2 are necessary for Liberty Utilities and its regulated subsidiaries to have access to
3 capital markets for capital projects and operations.

4 **Q. WHAT TYPES OF SHARED SERVICES DOES LIBERTY UTILITIES**
5 **CANADA PROVIDE?**

6 A. Liberty Utilities Canada provides Liberty Utilities (and its regulated utilities) with
7 the following services: accounting, administration, corporate finance, human
8 resources (including training and development), information technology, rates and
9 regulatory affairs, environment, health and safety, and security, customer service,
10 procurement, risk management, legal and utility planning. Specific examples of
11 these services include: (i) budgeting, forecasting, and financial reporting services
12 including preparation of reports and preservation of records, cash management
13 (including electronic fund transfers, cash receipts processing, managing short-term
14 borrowings and investments with third parties); (ii) development of customer
15 service policies and procedures; (iii) development of human resource policies and
16 procedures; (iv) selection of information systems and equipment for accounting,
17 engineering, administration, customer service, emergency restoration and other
18 functions and implementation thereof; (v) development, placement and
19 administration of insurance coverages and employee benefit programs, including
20 group insurance and retirement annuities, property inspections and valuations for
21 insurance; (vi) purchasing services including preparation and analysis of product
22 specifications, requests for proposals and similar solicitations, and vendor and
23 vendor-product evaluations; and (vii) development of regulatory strategy.

24 Liberty Utilities Canada will direct charge or assign costs that can be
25 directly attributable to a specific utility. Those costs include direct labor and direct
26 non-labor costs. Indirect Liberty Utilities Canada costs, however, cannot be

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directly attributed to an individual utility. Within the formal organizational structure, Liberty Utilities Canada provides certain services that benefit the entire company, i.e., both Liberty Utilities and APCo. Those indirect business services and costs from these shared service functions are allocated between APCo and Liberty Utilities using the “multi-factor” methodology shown in Table 4 of the CAM. Those factors are designed to closely align the costs with the driver of the activity. These shared service functions include risk management, information technology, human resources, training, facilities and building rent, financial reporting and administration, environmental health safety and security, legal costs, treasury, internal auditing, procurement, and communications.

Once those indirect costs are allocated between APCo and Liberty Utilities, the indirect labor and indirect non-labor costs, including capital costs, attributable to Liberty Utilities are then reallocated to its regulated utilities using the Utility Four Factor Methodology set forth in Table 2 of the CAM:

CAM Table 2: Utility Four Factor Methodology

Factor	Weight
Utility Plant	25%
Customer Count	25%
Non-Labor Expenses	25%
Labor	25%
Total	100%

Q. HOW DOES LIBERTY UTILITIES SERVICE CORP. FIT INTO THIS BUSINESS MODEL?

A. Liberty Utilities Service Corp. (“LUSC”) is a wholly owned subsidiary of Liberty Utilities. All United States regulated utility employees are employed by LUSC. The purpose of LUSC is to streamline administration of payroll across the United

1 States-based companies. All employee costs, such as salaries, benefits, insurance,
2 etc. are paid by LUSC and direct charged to the extent possible to the regulated
3 utility for which the employee performs dedicated work. In situations where time
4 sheets do not allow direct charging of LUSC costs (which is expected to be an
5 infrequent occurrence), those indirect costs are allocated using the allocation
6 methodology set forth in Table 5 of the CAM.

7 **Q. HOW DO APPLICANTS AND THE OTHER REGULATED UTILITIES IN**
8 **ARIZONA BENEFIT FROM THIS SHARED-SERVICES MODEL?**

9 A. The Liberty Utilities shared services business model serves a significant and very
10 important role for the Applicants and their sister companies in Arizona.
11 The benefits of this shared service model are significant, including:

- 12 1. **Access to Skilled Strategic Management**. This means Applicants enjoy
13 access to wide ranging expertise and resources that are typically not
14 available to small utilities with less than 20,000 customers. That is a direct
15 result of the nationwide utility footprint of Liberty Utilities and our shared
16 services model.
- 17 2. **Controls and Processes**. Through this business model, controls and
18 processes are in place to ensure that accounting methodologies are
19 consistent with generally accepted accounting principles and fully adhere to
20 Sarbanes-Oxley compliance and other appropriate internal controls.
21 That means Applicants benefits from sound accounting, capital investment
22 and operational expertise.
- 23 3. **Economies of Scale**. By sharing regional resources with other utilities,
24 Applicants enjoy the benefits of lower overall cost structures while at the
25 same time maintaining a local flavor in its day-to-day operations and
26 customer contact. Further, as Liberty Utilities grows, its overall costs will

1 be allocated over a larger base of utilities, lowering the cost of shared
2 services to each subsidiary utility, including the Applicants.

3 4. **Access to Capital.** As discussed earlier, APUC is the entity that is traded
4 on the Toronto Stock Exchange and ensures that Applicants have
5 uninterrupted access to capital. The APUC family (including Liberty
6 Utilities) has access to over \$600M in credit facilities and, from 2010-2014,
7 raised over \$1.7B in capital through the issuance of long-term debt and
8 equity. The capital expenditure budget for 2015 is \$106M for Liberty
9 Utilities.

10 **Q. AND THESE APUC AND LUC COSTS ARE NECESSARY AND**
11 **BENEFICIAL?**

12 A. Yes. Among other things, many of these costs are requirements of APUC being a
13 publicly traded entity on the Toronto Stock Exchange (TSX). As a publicly traded
14 entity, APUC must issue certain communications subject to the TSX's rules and
15 regulations. For example, Section 714 of the TSX Company Manual states that
16 "TSX may delist securities of a listed issuer that has failed to comply with the
17 TSX's Timely Disclosure Policy... or with disclosure requirements under any
18 securities law to which the issuer is subject." Additionally, section 406 of the TSX
19 Company Manual in part states "It is a cornerstone policy of the Exchange that all
20 persons investing in securities listed on the Exchange have equal access to
21 information that may affect their investment decisions.... Companies whose
22 securities are listed on the Exchange are legally obligated to comply with the
23 provisions on timely disclosure..." Finally, Ontario Securities Commission
24 National Policy 51-201 states in Section 4.5 that "Companies who do not comply
25 with an exchange's requirements could find themselves subject to an administrative
26 proceeding before a provincial securities regulator."

1 These requirements and related costs are no different than publicly traded
2 companies on the New York Stock Exchange (NYSE), whose Listed Company
3 Manual, Section 202.05 states “A listed company is expected to release quickly to
4 the public any news or information which might reasonably be expected to
5 materially affect the market for its securities. This is one of the most important and
6 fundamental purposes of the listing agreement which the company enters into with
7 the Exchange.” Put simply, the APUC and LUC costs are the same types of costs
8 that entities traded on the NYSE are required to incur. These costs are a necessary
9 and unavoidable part of a publicly traded entity’s cost of doing business. APUC’s
10 presence on the TSX is the means by which Liberty Utilities obtains capital for
11 investment and I do not think anyone disputes that APUC’s access to capital is a
12 benefit to Applicants and their customers in Arizona. If we need access to capital,
13 then we must incur those costs to obtain the needed capital, and those costs should
14 be included if we show they are required. The underlying record illustrates that
15 those costs are required. Copies of these pertinent provisions of the TSX and
16 NYSE rules are attached as **Exhibit WRK-DT2**.

17 **III. COST ALLOCATION MANUAL.**

18 **Q. YOU HAVE REFERRED TO A COST ALLOCATION MANUAL OR CAM**
19 **THAT GOVERNS THE LIBERTY UTILITIES BUSINESS MODEL.**
20 **CAN YOU PLEASE DESCRIBE THE CAM?**

21 **A.** Yes. Our cost allocation methodologies and processes are set forth in the
22 Algonquin Power & Utilities Corp. Cost Allocation Manual or CAM, which is
23 attached as **Exhibit WRK-DT3**. Shared services and corporate costs are allocated
24 to Applicants in accordance with the methodologies and processes set forth in the
25 CAM. Specifically, the CAM outlines the methods of direct charge and cost
26 allocations between (1) APUC and its affiliates, APCo and Liberty Utilities;

1 (2) Liberty Utilities Canada and APCo/Liberty Utilities; (3) Liberty Utilities and its
2 regulated utility subsidiaries; and (4) LUSC and its affiliates.

3 The CAM is based on the National Association of Regulatory Utility
4 Commissions ("NARUC") Guidelines for Cost Allocations and Affiliate
5 Transactions. The NARUC Guidelines are attached as Appendix 1 to the CAM.
6 The fundamental premise of those guidelines and the CAM is to direct charge costs
7 as much as possible and to use reasonable allocation factors where allocation of
8 indirect costs is necessary and direct charging is not possible.

9 **Q. CAN YOU CITE THE KEY PRINCIPLES FROM THE NARUC**
10 **GUIDELINES TO WHICH YOU ARE REFERRING?**

11 **A.** Yes. The CAM utilizes the following "Cost Allocation Principles" as stated in the
12 NARUC Guidelines:

- 13 1. To the maximum extent practicable, in consideration of administrative costs,
14 costs should be collected and classified on a direct basis for each asset,
15 service or product provided (NARUC Guidelines at 2, § B.1).
- 16 2. The general method for charging indirect costs should be on a fully
17 allocated cost basis. Under appropriate circumstances, regulatory
18 authorities may consider incremental cost, prevailing market pricing or other
19 methods for allocating costs and pricing transactions among affiliates
20 (NARUC Guidelines at 2, § B.2).
- 21 3. To the extent possible, all direct and allocated costs between regulated and
22 non-regulated services and products should be traceable on the books of the
23 applicable regulated utility to the applicable Uniform System of Accounts.
24 Documentation should be made available to the appropriate regulatory
25 authority upon request regarding transactions between the regulated utility
26 and its affiliates (NARUC Guidelines at 2, § B.3).

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- 4. The allocation methods should apply to the regulated entity's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among, the regulated entity and its affiliates, and vice versa (NARUC Guidelines at 2-3, § B.4).
- 5. All costs should be classified to services or products, which, by their very nature, are regulated, non-regulated, or common to both (NARUC Guidelines at 3, § B.5).
- 6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products (NARUC Guidelines at 3, § B.6).
- 7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators (NARUC Guidelines at 3, § B.7).

Our CAM follows these cost allocation principles and, as a result, provides for the appropriate allocation of prudently incurred corporate costs and shared services to Applicants.

Q. CAN YOU BRIEFLY EXPLAIN HOW THE ALLOCATION PROCESS WORKS FOR APUC CORPORATE COSTS AND SHARED SERVICES?

A. Yes. APUC will charge costs that can be directly attributable to a specific utility to that utility. APUC charges labor rates for these shared services at cost. These labor costs are charged directly to a specific utility based on timesheets. If such labor is for the benefit of all subsidiaries and, therefore, not directly chargeable to a single entity, then those indirect labor costs are allocated using the methodologies in the CAM. To start, indirect non-labor and indirect labor costs incurred by APUC, including corporate capital, are pooled and allocated to Liberty

1 Utilities Canada and APCo using the methodology in Table 1 of the CAM.
2 Once those costs are allocated between Liberty Utilities Canada and APCo, the
3 APUC costs allocated to Liberty Utilities Canada are then allocated to the regulated
4 utilities under Liberty Utilities using the Four Factor Methodology set forth in
5 Table 2 of the CAM (as set forth above).

6 **Q. CAN YOU BRIEFLY EXPLAIN HOW THE ALLOCATION PROCESS**
7 **WORKS FOR LIBERTY UTILITIES CANADA CORPORATE COSTS AND**
8 **SHARED SERVICES?**

9 A. Liberty Utilities Canada will charge costs that can be directly attributable to a
10 specific utility to that utility. Those costs include direct labor and direct non-labor
11 costs. Any remaining indirect corporate costs incurred by Liberty Utilities Canada
12 that can't be directly attributed or billed to an individual utility are then allocated
13 using the Four Factor Method in Table 2 of the CAM.

14 Due to an internal restructuring, Liberty Utilities Canada, through a shared
15 services department, now provides certain services to both Liberty Utilities (and its
16 regulated utilities) and APCo. Those shared services are as follows: treasury;
17 financial reporting and administration; internal audit; risk management; training;
18 information technology; human resources; environmental, health, safety, and
19 security; legal; procurement; and communication. These services were previously
20 within APUC prior to the restructuring. As noted above, costs will continue to be
21 directly charged where possible.

22 When shared services costs cannot be directly assigned to a specific entity
23 such as either APCo or Liberty Utilities, indirect costs incurred by the shared
24 services department within Liberty Utilities Canada first will be allocated between
25 Liberty Utilities and APCo using the cost drivers and methodologies shown in
26 Table 4 of the CAM. Once those indirect corporate costs are allocated between

1 APCo and Liberty Utilities, the resulting indirect charges of Liberty Utilities
2 Canada that are allocated to Liberty Utilities by the shared services department are
3 then reallocated to the regulated utilities using the Four Factor Methodology noted
4 above. Put simply, Liberty Utilities Canada allocates its indirect labor and indirect
5 non-labor costs, including capital costs, to its regulated utilities using the Four
6 Factor Methodology noted above to allocate those costs incurred for the benefit of
7 all of its regulated utilities. Those indirect costs are allocated to the Liberty
8 Utilities regulated entities from the shared services departments within Liberty
9 Utilities Canada, using the Four Factor Utility Methodology (utility plant, customer
10 count, non-labor expenses, and labor). Each factor is equally weighted to more
11 accurately reflect the size and scope of each utility.

12 **Q. CAN YOU PLEASE DESCRIBE HOW THE CAM IS USED TO ASSIGN**
13 **AND ALLOCATE COSTS TO THE APPLICANTS?**

14 A. Yes, under the CAM, a utility incurs costs in one of three ways: (1) Direct Costs –
15 costs incurred directly by a local operating company for its own purposes;
16 (2) Assigned costs – costs incurred by one company for the exclusive benefit of
17 one or more other companies, and which are directly charged to the company or
18 companies that specifically benefited; and (3) Allocated costs – costs incurred by
19 one company that are for the benefit of either (a) all of the Algonquin companies or
20 (b) all of the regulated Liberty Utilities companies. Allocated costs are charged to
21 the benefited companies using a methodology and set of logical allocation factors
22 that establish a reasonable link between cost causation and cost recovery.

23 **Q. CAN YOU PROVIDE EXAMPLES?**

24 A. Yes. First, costs that are incurred by the Applicants as part of providing utility
25 services in Arizona are direct costs, and thus are neither assigned nor allocated
26 under the CAM. Second, costs that are incurred by APUC, LUC, or LUSC for the

1 exclusive benefit of any utility's operations are directly assigned. Third, costs that
2 are incurred by APUC, LUC or LUSC that benefit other companies within the
3 Algonquin corporate family are allocated on a rational basis that logically links
4 cost causation to cost recovery using a two-step process.

5 **Q. WHAT IS THAT TWO-STEP ALLOCATION PROCESS?**

6 A. The CAM addresses those assigned and allocated costs under the following two-
7 step process. Boiled down, all allocated costs have two levels of allocation filters
8 applied. The first level is designed to appropriately separate common costs
9 between the regulated and the unregulated businesses. The second level is
10 designed to appropriately allocate the costs that have been allocated to the group of
11 regulated utilities to each of the individual regulated utilities.

12 **Q. PLEASE ILLUSTRATE THESE CORPORATE COST ALLOCATION**
13 **METHODOLOGIES.**

14 A. As noted above, Applicants can be assigned and/or allocated costs from APUC,
15 LUC and LUSC. I provide an overview of the methodology for each cost center in
16 the following paragraphs.

17 **Q. LET'S START WITH APUC.**

18 A. As noted below on Appendix 1 (Illustration of CAM Allocation of APUC Services)
19 and as described in §3.1 of the CAM, APUC incurs three types of costs that are
20 allocated to its direct and indirect subsidiaries. The first type is APUC's costs that
21 directly benefit a particular unregulated company. Those "Assigned Costs" on
22 Appendix 1 are directly assigned to that unregulated company (APCo).
23 The second type is APUC's Assigned Costs that directly benefit a particular
24 regulated company. Those costs are directly assigned to that regulated company.
25 The third type is APUC's remaining "Allocated Costs" that benefit the entire
26 enterprise (both regulated and unregulated), which are allocated between regulated

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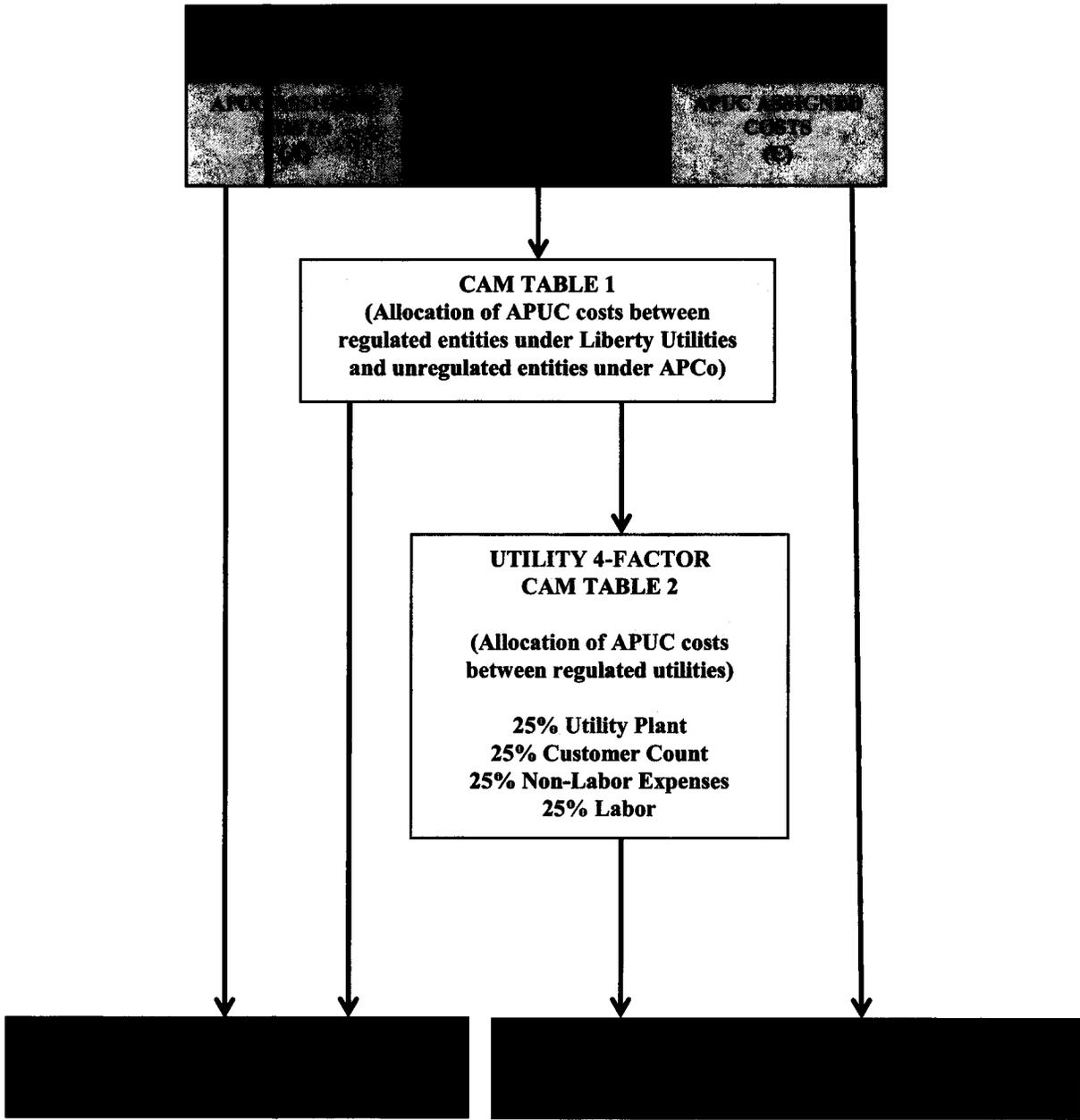
and unregulated company groups under CAM Table 1. CAM Table 1 specifies: (a) each type of cost incurred by APUC that is to be allocated between regulated and unregulated parts of the business; (b) the factors used to allocate each type of cost between regulated and unregulated activity; (c) the rationale for selecting the factors that are used for allocation; and (d) examples of the specific allocated costs.

Once those Allocated Costs are allocated between APCo (unregulated) and Liberty Utilities (regulated) using CAM Table 1, the total of those Allocated Costs allocated to Liberty Utilities is then reallocated to individual utilities using the Four-Factor Utility Allocation Methodology set forth in CAM Table 2.

Appendix 1 below labeled “Illustration of CAM Allocation of APUC Services” provides a flow chart illustration of how the APUC direct and indirect costs are allocated under the CAM. The APUC cost allocations for Applicants here follow this allocation methodology and process.

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**APPENDIX 1:
ILLUSTRATION OF CAM ALLOCATION OF APUC SERVICES**



- (A): Costs that are directly assigned and charged to unregulated entities (APCo).
- (B): Costs that benefit both unregulated entities and regulated utilities.
- (C): Costs that are directly assigned and charged to regulated utilities (Liberty Utilities).

1 Q. THANK YOU. CAN YOU PLEASE ILLUSTRATE THE LIBERTY
2 UTILITIES CANADA ALLOCATIONS?

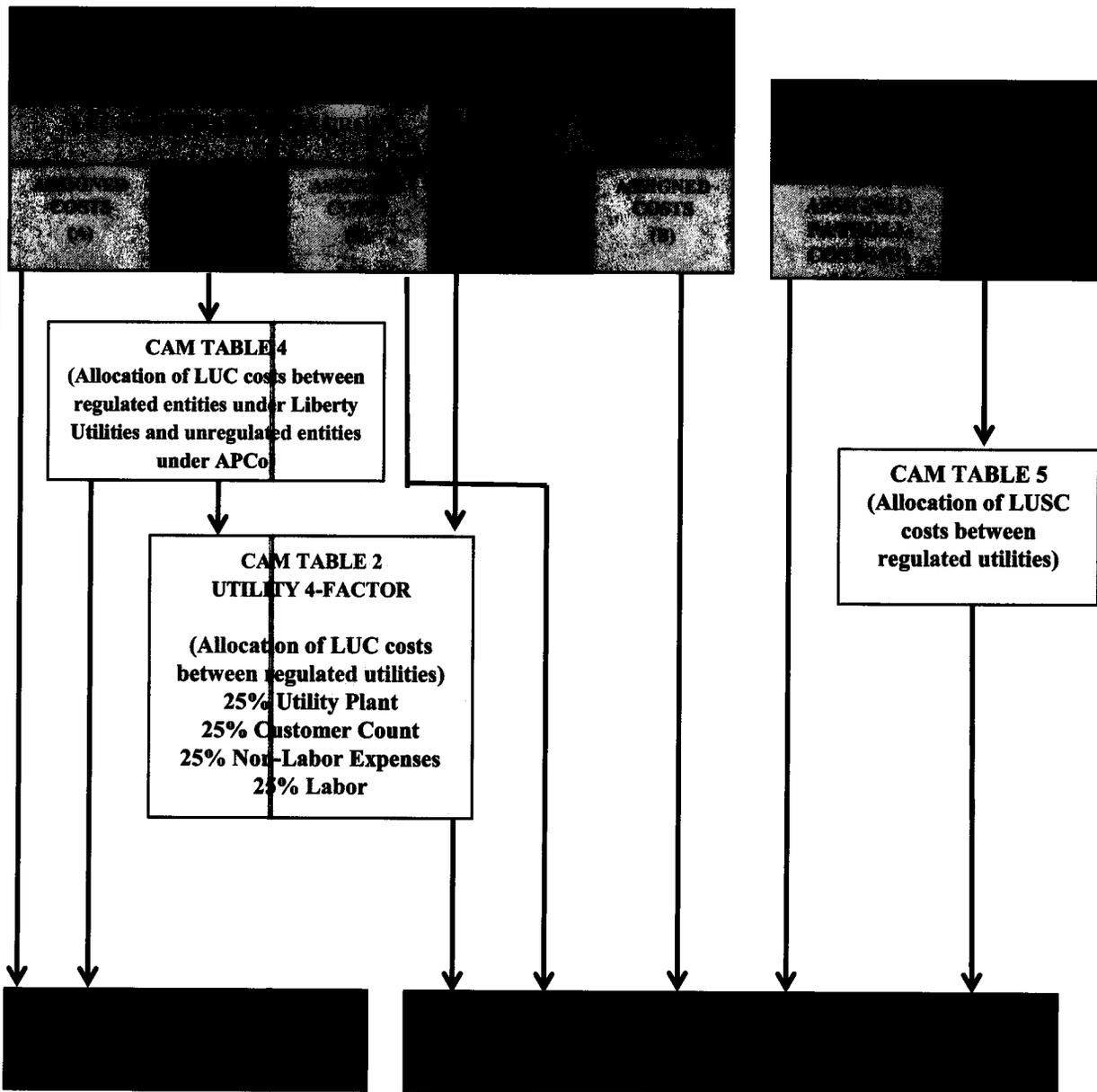
3 A. As illustrated in Appendix 2 below and as described in section 4 of the CAM,
4 Liberty Utilities Canada incurs three types of costs that are passed on to other
5 direct or indirect subsidiaries of APUC. The first type is Assigned Costs that
6 directly benefit a particular regulated company, which are directly assigned to that
7 regulated company. The second type is Shared Services Costs that benefit both the
8 regulated group of companies and the unregulated group of companies.
9 Those Shared Services Costs are allocated between the two groups under the
10 methodology set forth in CAM Table 4. CAM Table 4 includes: (a) each type of
11 cost incurred by Liberty Utilities Canada that is to be allocated between regulated
12 and unregulated parts of the business; (b) the factors used to allocate each type of
13 cost between regulated and unregulated activity; (c) the rationale for selecting the
14 factors that are used for allocation; and (d) examples of the specific allocated costs.
15 In turn, the Shared Services costs that are allocated to the regulated companies as a
16 group are then reallocated to individual companies using the four-factor utility
17 allocation methodology set forth in CAM Table 2, resulting in utility-specific
18 allocated charges from Liberty Utilities Canada.

19 The third type of costs allocated by Liberty Utilities Canada is Allocated
20 Costs that benefit all of the regulated companies, which are allocated using the
21 four-factor method in CAM Table 2. Appendix 2 below illustrates the cost
22 allocation methodology relating to the direct and indirect services provided and
23 costs incurred by Liberty Utilities Canada for the benefit of Applicants.
24 The Liberty Utilities Canada cost allocations for Applicants follow this allocation
25 methodology and process.

26

APPENDIX 2:

ILLUSTRATION OF CAM ALLOCATION OF LUC AND LUSC SERVICES



- (A): Costs that are directly assigned to unregulated companies.
- (B): Costs that are directly assigned to regulated companies.
- (C): Costs that benefit both unregulated and regulated companies and operations.
- (D): Costs that benefit all regulated companies and operations.

1 **Q. FINALLY, CAN YOU ILLUSTRATE HOW THE ALLOCATION PROCESS**
2 **WORKS FOR LUSC COSTS?**

3 A. As illustrated in Appendix 2 above and as described in section 5 of the CAM,
4 LUSC can incur two types of costs that can be passed on to regulated utilities of
5 Liberty Utilities. The first type is LUSC Assigned Payroll Costs that directly
6 benefit a particular regulated company. Those Assigned Payroll Costs are directly
7 assigned to that regulated company. Currently, payroll expenses for all regulated
8 operating company employees are incurred by LUSC, and those utility-specific
9 expenses are directly assigned to each operating utility.

10 The second type of cost that may be incurred by LUSC is Allocated Costs
11 that benefit all of the regulated operating companies. LUSC does not provide
12 indirect services to any unregulated entity, so there is no reason to allocate these
13 costs between APCo and Liberty Utilities. As such, the only allocation by LUSC
14 occurs under CAM Table 5 between the regulated utilities of Liberty Utilities.
15 Currently, LUSC is not incurring any indirect costs and LUSC has not allocated
16 any Allocated Costs to Applicants. I only mention it here because if those costs are
17 incurred by LUSC in the future, those costs would be allocated to Applicants under
18 CAM Table 5.

19 **Q. HOW WOULD YOU SUMMARIZE APUC'S COST ALLOCATION**
20 **METHODOLOGIES AS APPLIED TO APPLICANTS UNDER THE CAM?**

21 A. Ultimately, our cost allocation process applies a reasonable and common sense
22 approach. To start, costs are assigned and allocated from the three cost centers
23 (APUC, LUC and LUSC) each month. Where there is a factual basis to do so,
24 costs incurred specifically for Liberty Bella Vista are directly assigned to Liberty
25 Bella Vista. And costs incurred specifically for Liberty Rio Rico are directly
26 assigned to Liberty Rio Rico. The cost allocation methodologies are applied only

1 after all direct charges have been assigned to Applicants and the other APUC
2 subsidiaries. The allocations deal only with remaining costs that are not specific to
3 a particular operating entity. Cost allocations involve a two-step approach.
4 The first step is to split all costs between the unregulated businesses (APCo) and
5 the regulated businesses (Liberty Utilities and its subsidiaries). The second step is
6 to allocate the costs that are attributable to the regulated utilities among those
7 regulated entities, including Applicants, to determine utility-specific charges.
8 All of those costs are allocated among the regulated utilities to determine utility-
9 specific charges.

10 **Q. WHEN WAS THE CAM MOST RECENTLY UPDATED?**

11 A. The current methodology within the CAM became effective January 1, 2014 and
12 includes updates to reflect the growth of the companies within the APUC group of
13 companies and Liberty Utilities. As discussed above, some corporate service
14 functions were relocated from APUC into Liberty Utilities Canada, further
15 enhancing the shared services department structure. A thorough review of the cost
16 drivers also was done to develop and affirm the current methodology, including a
17 department-by-department identification of cost drivers. Essentially, each
18 department was asked to confirm the factors driving their costs, and the weightings
19 of the factors if there were multiple drivers. Going forward, we intend to review
20 the CAM annually to evaluate whether the methodology is achieving its
21 purposes—i.e., to achieve a fair allocation of shared services and corporate costs,
22 and to adjust for changes in the number and size of companies receiving shared
23 services and benefitting from the shared services model. This could occur more
24 frequently in the event of a significant acquisition that could change the balance of
25 utility sizes and scope or the overall cost structure.

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Q. HAS THE ARIZONA CORPORATION COMMISSION APPROVED THIS COST ALLOCATION MODEL IN THE MOST RECENT RATE CASES FOR LIBERTY UTILITIES?

A. I was not involved in the most recent rate cases for Liberty Utilities (Litchfield Park Water & Sewer) Corp. and Liberty Rio Rico, but my understanding is that the Commission approved the APUC/Liberty Utilities cost allocation model in the recent case decisions for those entities. In both of those cases, the Liberty entities reached an accord with Commission Staff and RUCO relating to the allocated level of costs. We also have received favorable treatment and review of this cost allocation model in other states.

Q. HAVE THE APUC AND LUC CORPORATE COST POOLS CHANGED SINCE THE LAST RATE CASES FOR LIBERTY UTILITIES?

A. No, the general costs allocated from APUC and LUC have not changed. We are allocating the same general corporate costs from APUC and LUC to the Applicants and the other Arizona utilities. Although the types of costs allocated have not changed, we have made changes to how those costs are allocated. As noted above, we updated the cost methodologies to reflect the growth of APUC and its subsidiaries, and we made some changes in allocation factors to ensure that the proper cost drivers are reflected in the allocation methodologies. As Liberty Utilities evolves as a company, we continually strive to implement our own best practices and link costs to cost drivers. That is why we intend to annually review the allocation methodologies and the results of the APUC and LUC allocations. That review process involves evaluating and updating the allocation factors based on current information relating to plant, customer numbers, and other similar information.

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Q. WHAT ARE THE CORPORATE COST ALLOCATION AMOUNTS FOR THE APPLICANTS IN THE 2014 TEST YEAR?

A. For 2014, the corporate cost allocation is \$348,548 for Liberty Bella Vista, \$203,159 for Liberty Rio Rico's water division and \$85,591 for Liberty Rio Rico's wastewater division. That is a very good price for the level of services received.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

EXHIBIT WRK-DT1

CURRICULUM VITAE OF WILLIAM R. KILLEEN

Work Experience:

Liberty Utilities (Canada) Corp. (2014 to Present)
Director, Regulatory Strategy

Enersource Hydro Mississauga Inc. (2011 – 2014)
Manager, Regulatory Affairs

Ministry of Energy, Energy Supply and Competition Branch (2011)
Senior Advisor, External Energy Supply

ECNG Energy LP (2003 -2010)
Director, Energy Supply and Regulatory

Direct Energy (2002-2003)
Manager, Regulatory Affairs

Engage Energy Canada Inc. (2001-2002)
Manager, Marketing and Sales

Union Gas Limited (1989 – 2001)
Team Leader, Customer Support Services
Manager, Gas Supply Planning
Coordinator, Regulatory Affairs

Education:

Masters of Business Administration, Richard Ivey School of Business, University of Western Ontario (now Western University), 1989

Bachelor of Engineering Science, Chemical Engineering, University of Western Ontario (now Western University), 1985

Appearances before the Ontario Energy Board (on behalf of Union Gas):

EBRO 499
EBRO 493-04/494-06
EBRO 493/494
EBRO 486-04
EBRO 486-03
EBRO 486
EBO 174
EBLO 243
EBRM 103

EBRM 104
EBLO 244
EBRO 476-03

Appearances before the Ontario Energy Board (on behalf of Enersource):

EB-2012-0033

Other Representations at the Ontario Energy Board:

EB-2002-0130
EB-2005-0520
EB-2008-0106
EB-2008-0219
EB-2008-0292

Other Testimony (on behalf of Liberty Utilities):

Arkansas Public Service Commission - Docket No. 14-020-U – on behalf of Liberty Utilities (Pine Bluff Water) Inc.

Arizona Corporation Commission – Docket Nos. SW-02361A-15-0206 & SW-02361A-15-0207 (consolidated) – on behalf of Liberty Utilities (Black Mountain Sewer) Corp.

Memberships:

Professional Engineers of Ontario
Ontario Society of Professional Engineers
Ontario Energy Association (OEA): Former Chairperson, Energy Markets Committee; Member of Utilities Sector Committee; Former Member of Marketers and Retailers Committee

EXHIBIT WRK-DT2



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Sec. 406.

It is a cornerstone policy of the Exchange that all persons investing in securities listed on the Exchange have equal access to information that may affect their investment decisions. Public confidence in the integrity of the Exchange as a securities market requires timely disclosure of material information concerning the business and affairs of companies listed on the Exchange, thereby placing all participants in the market on an equal footing.

The timely disclosure policy of the Exchange is the primary timely disclosure standard for all TSX listed issuers. National Policy 51-201 *Disclosure Standards* of the CSA, "Disclosure Standards", assists issuers in meeting their legislative disclosure requirements. While the legislative and Exchange timely disclosure requirements differ somewhat, the CSA clearly states in National Policy 51-201 *Disclosure Standards* that they expect listed issuers to comply with the requirements of the Exchange.

To minimize the number of authorities that must be consulted in a particular matter, in the case of securities listed on the Exchange, the Exchange is the relevant contact. The issuer may, of course, consult with the government securities administrator of the particular jurisdiction. In the case of securities listed on more than one stock market, the issuer should deal with each market.

The requirements of the Exchange and National Policy 51-201 *Disclosure Standards* are in addition to any applicable statutory requirements. The Exchange enforces its own policy. Companies whose securities are listed on the Exchange are legally obligated to comply with the provisions on timely disclosure set out in section 75 of the OSA and the Regulation under the Act. Reference should also be made to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, National Instrument 55-102 *System for Electronic Disclosure by Insiders*, and National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*.

In addition to the foregoing requirements, companies whose securities are listed on the Exchange and who engage in mineral exploration, development and/or production, must follow the "Disclosure Standards for Companies Engaged in Mineral Exploration, Development and Production" as outlined in Appendix B of this Manual for both their timely and continuous disclosure.

The Market Surveillance Division monitors the timely disclosure policy on behalf of the Exchange.

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Securities Law & Instruments

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NATIONAL POLICY 51-201 DISCLOSURE STANDARDS

Part I - Introduction

1.1 Purpose

(1) It is fundamental that everyone investing in securities have equal access to information that may affect their investment decisions. The Canadian Securities Administrators ("the CSA" or "We") are concerned about the selective disclosure of material corporate information by companies to analysts, institutional investors, investment dealers and other market professionals. Selective disclosure occurs when a company discloses material nonpublic information to one or more individuals or companies and not broadly to the investing public. Selective disclosure can create opportunities for insider trading and also undermines retail investors' confidence in the marketplace as a level playing field.

(2) This policy provides guidance on "best disclosure" practices in a difficult area involving competing business pressures and legislative requirements. Our recommendations are not intended to be prescriptive. We encourage companies to adopt the suggested measures, but they should be implemented flexibly and sensibly to fit the situation of individual companies.

(3) The timely disclosure requirements and prohibitions against selective disclosure are substantially similar everywhere in Canada, but there are differences among the provinces and territories, so companies should carefully review the legislation which is applicable to them for the details.

in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, such companies should make an announcement.

4.5 Exchange Policies

(1) The Toronto Stock Exchange Inc. (the "TSX") and the TSX Venture Exchange Inc. ("TSX Venture") each have adopted timely disclosure policy statements which include many examples of the types of events or information which may be material. Companies should also refer to the guidance provided in these policies when trying to assess the materiality of a particular fact, change or piece of information.

(2) The TSX and TSX Venture policies require the timely disclosure of "material information". Material information includes both material facts and material changes relating to the business and affairs of a company. The timely disclosure obligations in the exchanges' policies exceed those found in securities legislation. It is not uncommon, or inappropriate, for exchanges to impose requirements on their listed companies which go beyond those imposed by securities legislation.³¹ We expect listed companies to comply with the requirements of the exchange they are listed on. Companies who do not comply with an exchange's requirements could find themselves subject to an administrative proceeding before a provincial securities regulator.³²

Part V - Risks Associated with Certain Disclosures

5.1 Private Briefings with Analysts, Institutional Investors and other Market Professionals

[What's New](#)[Sections](#)[Help](#)[Search](#)

About the Listed Company Manual

The New York Stock Exchange Listed Company Manual is the comprehensive rulebook for listed companies. The Manual also details original and continued listing requirements of the Exchange and sets forth NYSE rules and policies on such matters as corporate governance, shareholder communications, and shareholder approval



Listed Company Manual

Sections

- > [General Organization](#)
- > [Section 1 - The Listing Process](#)
- > [Section 2 - Disclosure and Reporting Material Information](#)
- > [Section 3 - Corporate Responsibility](#)
- > [Section 4 - Shareholders' Meetings and Proxies](#)
- > [Section 5 - Certificates](#)
- > [Section 6 - Agencies, Depositories, Trustees](#)
- > [Section 7 - Listing Applications](#)
- > [Section 8 - Suspension and Delisting](#)
- > [Section 9 - Exchange Forms](#)

[Voting Rights Interpretations Under Listed Company Manual Section 313 \(pdf\)](#)

The determination to impose restrictions is based on a careful inspection of the trading for the latest one week period, deferring year's average weekly volume to the volume for the period considered, arbitrage, stop order bans, short position, earnings

The restriction itself is aimed primarily at eliminating the extension of credit to those who buy a security and sell it the same requirement is usually imposed on all other margin customers in that they must put up the full purchase price within five business days in seven days.

202.05 Timely Disclosure of Material News Developments

A listed company is expected to release quickly to the public any news or information which might reasonably be expected into with the Exchange.

A listed company should also act promptly to dispel unfounded rumors which result in unusual market activity or price variations.

The issuer of income deposit securities traded as a unit shall publicize any change in the terms of the unit, such as change component), or to the ratio of the components within the unit. Such publication shall be made as soon as practicable in relation to the issuer must provide information regarding the terms and conditions of the components of the unit (including information with

202.06 Procedure for Public Release of Information

(A) Immediate Release Policy

Information required to be released quickly to the public under Section 202.05 above should be disclosed by means of any issuers must comply with the timely alert policy set forth in Section 202.05 and may do so by any method (or combination of methods) companies to comply with the immediate release policy by issuing press releases.

The spirit of the immediate release policy is not considered to be violated on weekends where a "Hold for Sunday or Monday"

Annual and quarterly earnings, dividend announcements, mergers, acquisitions, tender offers, stock splits, major management changes, News of major new products, contract awards, expansion plans, and discoveries very often fall into the same category. Undisclosed or disguised unfavorable news endangers management's reputation for integrity. Changes in accounting methods to mask such

It should be a company's primary concern to assure that news will be handled in proper perspective. This necessitates appropriate qualified, conservative and factual. Excessive or misleading conservatism should be avoided. Likewise, the repetitive release

Few things are more damaging to a company's shareholder relations or to the general public's regard for a company's securities than

Premature announcements of new products whose commercial application cannot yet be realistically evaluated should be avoided. If they do not match earlier projections, this too should be reported and explained.

Judgment must be exercised as to the timing of a public release on those corporate developments where the immediate release of the company should weigh the fairness to both present and potential shareholders who at any given moment may be considered

(B) Telephone Alert to the Exchange

When the announcement of news of a material event or a statement dealing with a rumor which calls for immediate release of the information representative by telephone at least ten minutes prior to release of the announcement, to inform the Exchange of the substance of the information necessary to locate the news upon publication. When the announcement is in written form, the company must release of the announcement. If the Exchange receives such notification in time, it will be in a position to consider whether to open the market (and trading halts.) A delay in trading after the appearance of the news on the Dow Jones, Reuters or Bloomberg specialist's book in view of the news announcement. Even if limit orders are not canceled or changed during the halt, the firm should execute orders regardless of the previously entered limit. A longer delay in trading may be necessary if there is an unusual influx of orders and the overall importance of fairness to all those participating in the market demands that these procedures be followed.

(C) Release to Newspapers and News Wire Services

EXHIBIT WRK-DT3

ALGONQUIN POWER & UTILITIES CORP.

COST ALLOCATION MANUAL

Effective: January 1st, 2014

This document outlines the methods of direct charge and cost allocations:
(i) between Algonquin Power & Utilities Corp. and its affiliates, Algonquin Power Company and Liberty Utilities (Canada) Corp.;(ii) between Liberty Utilities (Canada) Corp. and its regulated utility subsidiaries; (iii) between Liberty Utilities (Canada) Corp.'s service companies and its regulated utility subsidiaries; and (iv) between Liberty Utilities (Canada) Corp and Algonquin Power Company.

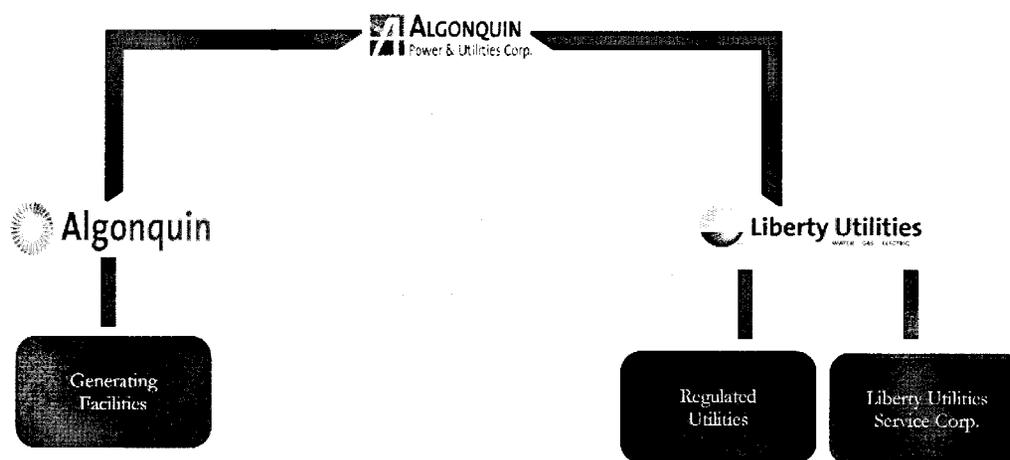
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1. INTRODUCTION

The purpose of this paper is to provide a detailed explanation of services provided by Algonquin Power & Utilities Corp (“APUC”), and its affiliates, Algonquin Power Company (“APCo”), Liberty Utilities (Canada) Corp. (“LUC”), and Liberty Utilities Service Corp. (“LUSC”) to the regulated utilities and to describe the Direct Charge and Cost Allocation Methodologies used by APUC, APCo, LUC, and LUSC. The following organization chart identifies the relationships between the separate entities.

Figure 1: Algonquin Power & Utilities Corporate Structure



This Cost Allocation Manual (“CAM”) has been completed in accordance and conformance with the NARUC Guidelines for Cost Allocations and Affiliate Transactions (“NARUC Guidelines”). More specifically, the founding principles of this Cost Allocation Manual are to a) directly charge as much as possible to the entity that procures any specific service, and b) to ensure that inappropriate subsidization of unregulated activities by regulated activities, and vice versa, does not occur. For ease of reference, the NARUC Guidelines are attached as Appendix 1.

Costs charged and allocated pursuant to this CAM shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts. The direct charges are assigned as follows:

- a. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services;

- b. Services not covered by (a) shall be charged by the providing party to the receiving party at fully distributed cost; and
- c. Facilities and administrative services rendered to a rate-regulated subsidiary shall be charged on the following basis:
 - (i) the prevailing price for which the service is provided for sale to the general public by the providing party (i.e., the price charged to non-affiliates if such transactions with non-affiliates constitute a substantial portion of the providing party's total revenues from such transactions) or, if no such prevailing price exists, (ii) an amount not to exceed the fully distributed cost incurred by the providing party in providing such service to the receiving party.

2. THE APUC CORPORATE STRUCTURE

APUC's primary business is direct interest or equity ownership in renewable and thermal power generating facilities and regulated utilities. APUC owns a widely diversified portfolio of independent power production facilities and regulated utilities consisting of water distribution, wastewater treatment facilities, electric and gas utilities. While power production facilities are located in both Canada and the United States, regulated utility operations are exclusively in the United States. APUC is publicly traded on the Toronto Stock Exchange. Its structure as a publicly traded holding company provides substantial benefits to its regulated utilities through access to capital markets.

APUC is the ultimate corporate parent and affiliate that provides financial, strategic management, corporate governance, administrative and support services to LUC and its subsidiaries as well as to the numerous generation assets held by APCo. The services provided by APUC are necessary for LUC and its subsidiaries to have access to capital markets for capital projects and operations. These services are expensed at APUC and are performed for the benefit of APCo and LUC and their respective businesses.

APUC and its affiliates capitalize on APUC's expertise and access to the capital markets through the use of certain shared services, which maximizes economies of scale and minimizes redundancy. In short, it provides for maximum expertise at lower costs. Further, the use of shared expertise allows each of the entities to

receive a benefit they may not be able to achieve on a stand-alone basis such as strategic management advice and access to capital at more competitive rates.

3. SCOPE OF SERVICES AMONG AFFILIATES AND HOW THOSE COSTS ARE ALLOCATED

3.1. Labor Services and Cost Allocation from APUC to LUC and APCo

APUC provides benefits to its affiliate companies by use of certain shared services. APUC charges labor rates for these shared services at cost, which is the dollar hourly rate per employee as recorded in APUC's payroll systems, grossed up for burdens such as payroll taxes, health benefits, retirement plans, other insurance provided to employees, and other employee benefits. These labor costs are charged directly based on timesheets to the extent possible. If labor is for the benefit of all subsidiaries then the allocation methodologies used for non-labor costs are applied.

APUC's non-labor services include Financing Services. As used herein Financing Services means the selling of units to public investors in order to generate the funding and capital necessary (be it short term or long term funding, including equity and debt) for LUC and APCo as well as providing legal services in connection with the issuance of public debt.

The capital and funds obtained from the sale of shares in APUC are used by LUC and APCo for current and future capital investments. The services provided by APUC are critical and necessary to LUC and APCo because without those services they would not have a readily available source of capital funding. Further, relatively small utilities may have difficulty attracting capital on a stand-alone basis.

The services provided by APUC specifically optimize the performance of the utilities, keeping rates low for customers while ensuring access to capital is available. If the utilities did not have access to the services provided by APUC, then they would be forced to incur associated costs for financing, capital investment, audits, taxes and other similar services on a stand-alone basis, which would substantially increase such costs. Simply put, without incurring these costs, APUC would not be able to invest capital in its subsidiaries, including the regulated utilities.

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In connection with the provision of Financing Services, APUC incurs the following types of costs: (i) strategic management costs (board of director, third-party legal services, accounting services, tax planning and filings, insurance, and required auditing); (ii) capital access costs (communications, investor relations, trustee fees, escrow and transfer agent fees); (iii) financial control costs (audit and tax expenses); and (iv) administrative (rent, depreciation, general office costs). See Appendix 2 for a more detailed discussion of the costs incurred by APUC.

Non-labor costs, including corporate capital, are pooled and allocated to LUC and APCo using the method summarized in Table 1. Each corporate cost type, or function, has been carefully reviewed to properly identify the factors driving those costs. Each function or cost type is typically driven by more than one factor each has been assigned an appropriate weighting. Table 1 includes brief commentary on the rationale for each cost driver and weighting, along with examples for each cost type.

Table 1: Summary of Corporate Allocation Method of APUC Indirect Costs

Type of Cost	Allocation Methodology	Rationale	Examples						
Legal Costs	<table border="0"> <tr> <td>Net Plant</td> <td>33.3%</td> </tr> <tr> <td>Number of Employees</td> <td>33.3%</td> </tr> <tr> <td>O&M</td> <td>33.3%</td> </tr> </table>	Net Plant	33.3%	Number of Employees	33.3%	O&M	33.3%	<p>This function is driven by factors which include Net Plant, as typically the higher the value of plant, the more legal work it attracts; similarly, a greater number of employees are typically more indicative of larger facilities that require greater levels of attention; and O&M costs tend to be a third factor indicative of size and legal complexity.</p>	<p>Employee labor and related administration and programs; third party legal</p>
Net Plant	33.3%								
Number of Employees	33.3%								
O&M	33.3%								

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Tax Services	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by a variety of factors that influence the size and relative tax complexity, including Revenues, O&M and Net Plant. Tax activity can be driven by each of these factors.	Employee labor and related administration and programs, including Third party tax advice and services
Audit	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by a variety of factors that influence the size and complexity of Audit, including Revenues, O&M and Net Plant. Audit activity can be driven by each of these factors.	Employee labor and related administration and programs, including t Third party accounting and audit services
Investor Relations	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Employee labor and related administration and programs, including third party Investor day communications and materials
Director Fees and Insurance	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Board of Director fees, insurance and administration

COST ALLOCATION MANUAL

Licenses, Fees and Permits	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Third party costs
Escrow and Transfer Agent Fees	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Third party costs
Other Professional Services	Revenue 33.3% O&M 33.3% Net Plant 33.3%	This function is driven by factors which reflect the relative size and scope of each affiliate - Revenues, Net Plant and O&M costs.	Third party costs
Office Administration	Oakville Employees 50% Square Footage 50%	This function is driven by factors which are indicative of number of employees and square footage utilized by these employees.	Office space and utility costs. Employee labor and related administration

Notwithstanding the above, if a charge is related either solely to the regulated utility business, i.e., LUC, or to the power generation business, i.e., APCo, then all of those costs will be allocated to the business segment for which they are incurred (i.e. it is a direct charge).

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Lastly, if a cost can be directly attributable to a specific entity, it will be directly charged to that entity. For an example of how an invoice would be allocated, please see Appendix 3.

Certain costs, which are incurred for the benefit of APUC's businesses, are not allocated to any subsidiary. These include costs such as donations, certain corporate travel, and certain overheads.

3.2. Labor Services and Cost Allocation From APCo To LUC

From time to time, APCo may provide Engineering and Technical Labor to LUC or its utilities. These charges plus an allocation for corporate overheads such as rent, materials/supplies, etc. are capitalized and directly charged to the relevant utility.

From time to time, APCo employees may provide administrative support to LUC or its utilities. These charges are direct charged using time sheets.

4. SCOPE OF SERVICES PROVIDED BY LUC TO ITS SUBSIDIARIES, APUC AND APCO, AND HOW THOSE COSTS ARE ALLOCATED

LUC provides its regulated utilities with the following services: accounting, administration, corporate finance, human resources (including training and development), information technology, rates and regulatory affairs, environment, health and safety, and security, customer service, procurement, risk management, legal, and utility planning. The following are examples of some of the services provided: (i) budgeting, forecasting, and financial reporting services including preparation of reports and preservation of records, cash management (including electronic fund transfers, cash receipts processing, managing short-term borrowings and investments with third parties); (ii) development of customer service policies and procedures; (iii) development of human resource policies and procedures; (iv) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (v) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vi) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and

vendor-product evaluations; (vii) energy procurement oversight and load forecasting; and (viii) development of regulatory strategy.

LUC will charge costs that can be directly attributable to a specific utility. These include direct labor and direct non-labor costs. However, the indirect LUC costs cannot be directly attributed to an individual utility. LUC allocates its indirect labor and indirect non-labor costs, including capital costs, to its regulated utilities using a Utility Four Factor Methodology. LUC uses the Utility Four Factor Methodology to allocate costs incurred for the benefit of all of its regulated assets (“System-Wide Costs”) to all of its utilities.

The Utility Four Factor Methodology allocates costs by relative size of the utilities. The methodology used by LUC involves four allocating factors, or drivers, (1) Utility Plant, (2) Total Customers, (3) Non-Labor Expenses, and (4) Labor, with each factor assigned an equal weight, as shown in Table 2 below.

Table 2: Utility Four Factor Methodology Factors and Weightings

Factor	Weight
Utility Plant	25%
Customer Count	25%
Non-Labor Expenses	25%
Labor	25%
Total	100%

LUC also uses the Utility Four Factor Methodology to allocate to its regulated utilities the system-wide indirect labor and indirect non-labor costs allocated to LUC from APUC.

Table 3 provides a simplified hypothetical example to demonstrate how the Utility Four Factor Methodology would be calculated based on ownership of only two hypothetical utilities.

Table 3: Utility Four Factor Methodology Example

Factor	Utility 1	Utility 2	Total All Utilities	Utility 1 % of Total	Factor Weight	Utility 1 Allocation
Utility Plant (\$)	727	371	1098	66%	25%	17%
Customer Count (#)	6000	1000	7000	86%	25%	21%
Labor (\$)	57	32	89	64%	25%	16%
Non-Labor Expenses (\$)	108	41	149	72%	25%	18%
Total Allocation						72%

As can be seen from these hypothetical numbers in Table 3, Utility 1 would be allocated 72% of the total Administrative/Overhead Costs incurred by LUC, based on its relative size and application of the Utility Four Factor Methodology. Utility 2 would be allocated the remaining 28%. LUC has developed and utilized this methodology to better allocate costs, recognizing that larger utilities require more time and management attention and incur greater costs than smaller ones.

LUC may also provide services to APUC and APCo. In these instances, LUC staff provide time sheets that depict the amount of time that is to be direct charged to either APUC or APCo.

In addition, LUC provides certain services that benefit the entire company, i.e., APCo and the utilities. These indirect costs are allocated using the following methodology shown in Table 4, which are designed to closely align the costs with the driver of the activity.

Table 4: Summary of Corporate Allocation Method of LUC Indirect Costs

Type of Cost	Allocation Methodology	Rationale	Examples
Risk Management	Net Plant 33.3% Revenue 33.3% O&M 33.3%	This function is driven by factors which reflect the relative size and complexity of Risk Management -	Software platform, fees and administration

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			Revenues, Net Plant and O&M costs.	
Information Technology	Number of Employees O&M	90% 10%	IT function is driven by factors which include number of employees and O&M. The larger the number of employees, the more support, software and IT infrastructure is required.	Enterprise wide support, architecture, etc. Third party fees
Human Resources	Number of Employees	100%	HR function is driven by number of employees. A greater number of employees requires additional HR support	HR policies, payroll processing, benefits, employee surveys
Training	Number of Employees	100%	Training is directly proportional to the number of employees per function	Courses, lectures, in house training sessions by third party providers
Facilities and Building Rent	Square Footage	100%	Office space occupied accurately reflects space requirements of each subsidiary	Corporate office building
Financial Reporting and Administration	Revenue O&M Net Plant	33.3% 33.3% 33.3%	This function is driven by factors which reflect the relative size and complexity of Financial Reporting and Admin. - Revenues, Net	Employee labor and related administration and third party fees

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			Plant and O&M costs.	
Environment, Health, Safety and Security	Number of Employees	100%	EHSS training, etc. is directly proportional to the number of employees per function	Enterprise wide programs, employee labor and related administration
Legal Costs	Net Plant Number of Employees O&M	33.3% 33.3% 33.3%	This function is driven by factors which include Net Plant, as typically the higher the value of plant, the more legal work it attracts; similarly, a greater number of employees are typically more indicative of larger facilities that require greater levels of attention; and O&M costs tend to be a third factor indicative of size and legal complexity.	Employee labor and related administration and programs, including third party legal
Treasury	Capital Expenditures O&M Net Plant	25% 50% 25%	Treasury activity is typically guided by the amount of necessary capex/plant for each utility, and operating costs/cashflow	Third party financing, employee labor and related administration and programs
Internal Audit	Net Plant O&M	25% 75%	This function is driven by factors which reflect the relative size and	Third party fees, employee labor and related administration

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		complexity of Internal audit activity. Larger Plant and operating costs drive of a given facility drive more activity from IA.	and programs
Procurement	O&M 50% Capital Expenditures 50%	Procurement function is based on typical proportion of expenditures	Enterprise wide support and related administration
Communications	Number of Employees 100%	Communications cost is directly proportional to the number of employees	Enterprise wide support and related administration

5. LIBERTY UTILITIES SERVICE CORP.

All US utility employees are employed by Liberty Utilities Service Corp. (LUSC). All employees' costs, such as salaries, benefits, insurances etc. are paid by LUSC and direct charged to the extent possible. Services provided from LUSC to each regulated utility shall be done on a time sheet basis to the extent possible. In instances where time sheeting may not be possible, the allocation factors shown in Table 5 are to be used.

Table 5: Summary of Corporate Allocation Method of LUSC Indirect Costs

Type of Cost	Allocation Methodology	Rationale	Examples
Customer Care and Billing	Customer count 100%	Customer count accurately reflects the resource requirements of the Customer Care and	Customer Care and Billing employees and related administrations

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			Billing group	
IT/Tech Support	Number of Employees	100%	Technical support requirements are related to the number of employees	Tech support staff, associated administration, and required software, hardware, etc.
Human Resources	Number of Employees	100%	HR function is driven by number of employees. A greater number of employees requires additional HR support	HR policies, payroll processing, benefits, employee surveys
Gas Control	Net Plant	100%	The greater the plant, the more control required	Gas Control labor, administration, and associated programs
Legal	Net Plant Number of Employees O&M	33.3% 33.3% 33.3%	Allocated based on the relative size of affiliate and employee count.	Employee labor and related administration and programs, including third party legal
Regulatory	Net Plant Number of Employees O&M	33.3% 33.3% 33.3%	Allocated based on the relative size of affiliate and employee count.	Utility-wide studies or third party costs beneficial to all utilities
Environment, Health, Safety and Security	Number of Employees	100%	EHSS training, etc. is directly proportional to the number of employees	Utility-wide programs, employee labor and related administration
Procurement	O&M Capital Expenditures	50% 50%	Based on typical proportion of expenditures	Utility-wide support and related administration

Please note the allocation methodology can be adjusted based on the number of participating utilities. For example, Customer Service representatives who serve only the New Hampshire utilities will only have their costs allocated based on the number of customers within New Hampshire. Labor cost associated with energy procurement is directly billed to the utilities using timesheets.

6. CORPORATE CAPITAL

From time to time, APUC or LUC makes capital investments for the benefit of all the utilities or facilities it owns (examples include corporate headquarters, IT systems, etc.). All the capital investments will be kept at corporate level and charged monthly in the form of corporate capital rents to the regulated utilities. All costs associated to service the investment will be allocated to each utility based on that department's allocation where the capital investment is made. For example, if the capital investment is made in HR then the allocation methodology used for HR to allocate non-capital indirect costs as shown in Table 4 will be used to allocate the rent associated with the corporate capital expenditures, including the cost of capital, depreciation, property tax, operation and maintenance costs and all other cost associated with it. .

7. APPENDICES

APPENDIX 1 - NARUC GUIDELINES FOR COST ALLOCATIONS

Guidelines for Cost Allocations and Affiliate Transactions:

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from

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the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.
2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.
3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.
4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.
6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

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7. Direct Costs - costs which can be specifically identified with a particular service or product.
8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.
9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.
10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.
11. Non-regulated - that which is not subject to regulation by regulatory authorities.
12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.
13. Regulated - that which is subject to regulation by regulatory authorities.
14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

B. COST ALLOCATION PRINCIPLES

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.
2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.

COST ALLOCATION MANUAL

3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.
4. The allocation methods should apply to the regulated entity's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.
5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.
6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.
7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.
2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.

COST ALLOCATION MANUAL

3. A description of all assets, services and products provided by the regulated entity to non-affiliates.
4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.
2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.
3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as

COST ALLOCATION MANUAL

otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

COST ALLOCATION MANUAL

F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions associated with the provision of each service or product and the use or sale of each asset for the following:

- a. Those provided to each non-regulated affiliate.
- b. Those received from each non-regulated affiliate.
- c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

Source:

<http://www.naruc.org/Publications/Guidelines%20for%20Cost%20Allocations%20and%20Affiliate%20Transactions.pdf>

APPENDIX 2 – DETAILED EXPLANATION OF APUC COSTS

1. APUC STRATEGIC MANAGEMENT COSTS

Strategic management decisions are critical for any public utility. The need for strategic management is even more pronounced for APUC as a publicly traded company, which depends on access to capital funding through public sales of units. APUC seeks to hire talented strategic managers that aid in running each facility owned by the company as efficiently and effectively as possible. This ensures the long term health of each utility and ensures that rates are kept as low as possible without compromising the level of service. It also facilitates each regulated utility's access to necessary capital funding at reduced costs. The costs included in Strategic Management Costs fall into the following categories.

a. Board of Directors

The Board of Directors provides strategic oversight on all company affairs including high level approvals of strategy, operation and maintenance budgets, capital budgets, etc. In addition, the Board of Directors provides corporate governance and ensures that capital and costs are incurred prudently, which ultimately protects ratepayers.

b. General Legal Services

General legal services involve legal matters not specific to any single facility, including review of audited financial statements, annual information filings, Sedar filings, review of contracts with credit facilities, incorporation, tax issues of a legal nature, market compliance, and other similar legal costs. These legal services are required in order for APUC to provide capital funding to individual utilities, without which the utilities could not provide adequate service. Additionally, the services ensure that APUC's subsidiaries remain compliant in all aspects of operations and prevents those entities from being exposed to unnecessary risks.

c. Professional Services

Professional Services including strategic plan reviews, capital market advisory services, ERP System maintenance, benefits consulting, and other similar professional services. By providing these services at a parent level, the subsidiaries are able to benefit from economies of scale. Additionally, some of these services improve APUC's access to capital which benefits all of its subsidiaries.

2. ACCESS TO CAPITAL MARKETS

One of APUC's primary functions is to ensure its subsidiaries have access to quality capital. APUC is listed on the Toronto Stock Exchange, a leading financial market. In order to allow its subsidiaries to have continued access to those capital markets, APUC incurs the following costs. These services and costs are a prerequisite to the subsidiaries continued access to those capital markets.

a. License and Permit Fees

In connection with APUC's participation in the Toronto Stock Exchange, APUC incurs certain license and permit fees such as Sedar fees, annual filing fees, licensing fees, etc. These licensing and permit fees are required in order to sell units on the Toronto Stock Exchange, which in turn provides funding for utility operations.

b. Escrow Fees

In connection with the payment of dividends to unit holders, APUC incurs escrow fees. Escrow fees are incurred to ensure continued access to capital and ensure continuing and ongoing investments by shareholders. Without such escrow fees, APUC's subsidiaries would not have a readily available source of capital funding.

c. Unit Holder Communications

Unit holder communication costs are incurred to comply with filing and regulatory requirements of the Toronto Stock Exchange and meet the expectations of shareholders. These costs include items such as news releases and unit holder conference calls. In the absence of shareholder communication costs, investors would not invest in the units of APUC, and in turn, APUC would not have capital to invest in its subsidiaries. With such communications services, the subsidiaries would not have a readily available source of capital funding.

3. APUC FINANCIAL CONTROLS

Financial control costs incurred by APUC include costs for audit services and tax services. These costs are necessary to ensure that the subsidiaries are operating in a manner that meets audit standards and regulatory requirements, which have strong financial and operational controls, and financial transactions are recorded

COST ALLOCATION MANUAL

accurately and prudently. Without these services, the regulated utilities would not have a readily available source of capital funding.

a. Audit Fees

Audits are done on a yearly basis and reviews are performed quarterly on all facilities owned by APUC on an aggregate level. These corporate parent level audits reduce the cost of the stand-alone audits significantly for utilities which must perform its own separate audits. Where stand-alone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, during rate cases, the existence of audits provides staff and intervenors additional reliance on the company records, thus reducing overall rate case costs. The aggregate audit is necessary for the regulated utilities to have continued access to capital markets and unit holders.

b. Tax Services

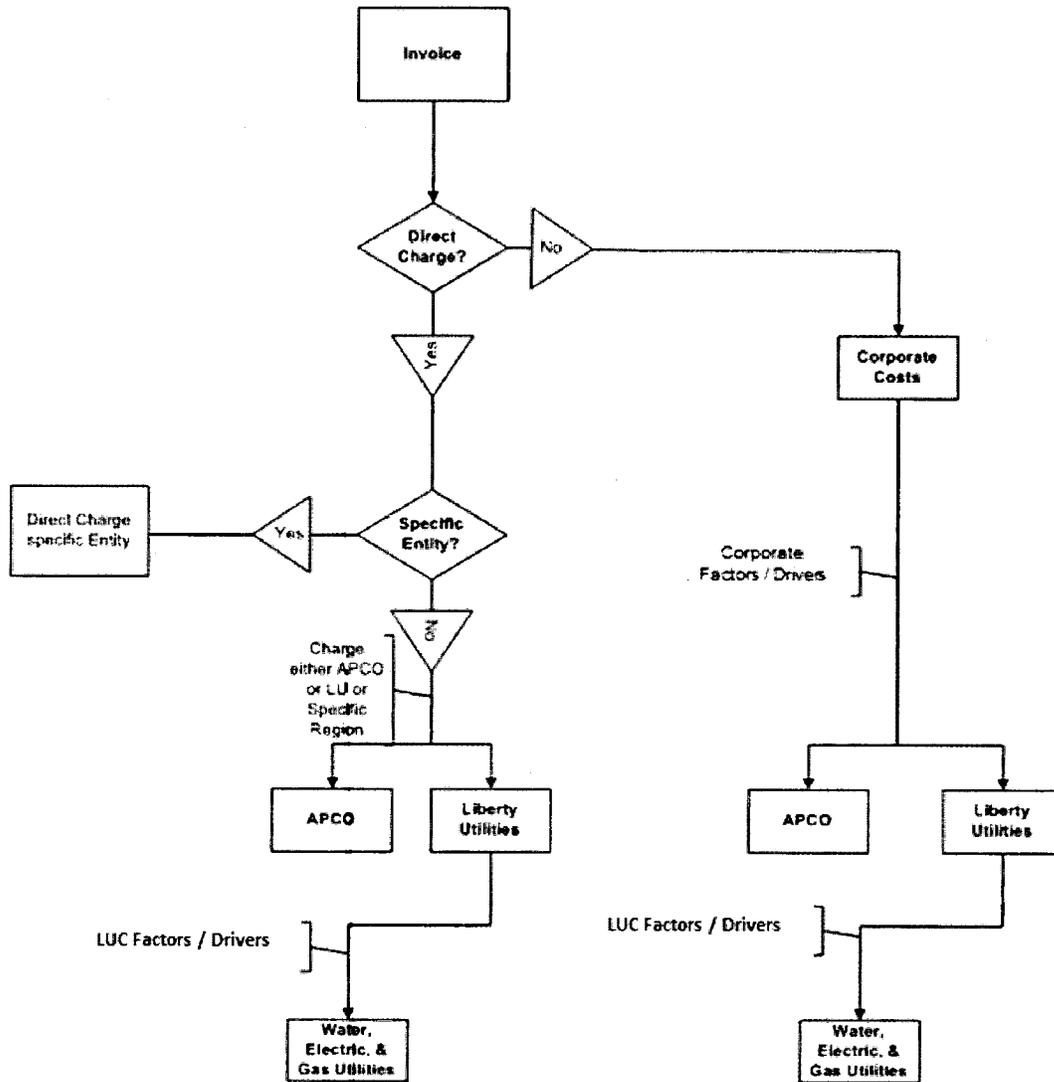
Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise would be incurred by such utility in filing its own separate tax return.

4. APUC ADMINISTRATIVE COSTS

Finally, administrative costs incurred by APUC such as rent, depreciation of office furniture, depreciation of computers, and general office costs are required to house all the services mentioned above. Without these administrative costs, the employees of APUC could not perform their work and provide the necessary services to the regulated utilities. These administrative costs also include training for corporate employees.

APPENDIX 3 – LIFE OF AN INVOICE

A hypothetical example is being provided of an invoice received by APUC for services to be allocated to its subsidiaries. The diagram below is intended to visually explain APUC's allocation to APCo and Liberty Utilities.



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6 Attorneys for Liberty Utilities (Rio Rico Water & Sewer) Corp.
7

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9
10 IN THE MATTER OF THE APPLICATION
11 OF LIBERTY UTILITIES (RIO RICO
WATER & SEWER) CORP., AN ARIZONA
12 CORPORATION, FOR A
13 DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
14 PROPERTY AND FOR INCREASES IN ITS
WATER AND WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE
15 BASED THEREON.

DOCKET NO: WS-02676A-15-_____

16
17
18 **DIRECT TESTIMONY OF**
19 **THOMAS J. BOURASSA**

20
21 **RATE BASE, INCOME STATEMENT AND RATE DESIGN**
22

23 **October 27, 2015**
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1 **I. INTRODUCTION.**

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

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

5 **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**

6 A. I am a Certified Public Accountant and am self-employed, providing consulting
7 services to utility companies as well as general accounting services. I have a B.S. in
8 Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A.
9 with an emphasis in Finance from the University of Phoenix (1991).

10 **Q. WOULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND**
11 **REGULATORY EXPERIENCE?**

12 A. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc.,
13 and served as controller and chief financial officer. Prior to working for High-Tech
14 Institute, I worked as a division controller for the Apollo Group, Inc. Before joining
15 the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position,
16 I prepared compilations and other write-up work for water and wastewater utilities,
17 as well as tax returns.

18 In my private practice, I have prepared and/or assisted in the preparation of
19 numerous water and wastewater utilities rate applications before the Arizona
20 Corporation Commission ("Commission"). A copy of my regulatory work
21 experience is attached as **Exhibit TJB-DT1**.

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

23 A. On behalf of Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty Rio Rico")
24 and Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista") (collectively,
25 "Applicants"). Liberty Rio Rico and Liberty Bella Vista are seeking a determination
26 of their fair value rate bases ("FVRB") and the setting of rates and charges for utility

1 service based on those findings.

2 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

3 A. I will testify in support of each applicant's proposed adjustments to its rates and
4 charges for utility service. I am sponsoring the direct schedules (A through C and
5 E and F), which are filed concurrently herewith. I was responsible for the
6 preparation of these schedules based on my investigation and review of each
7 applicant's relevant books and records. The Applicants have not prepared cost of
8 service studies (G schedules) for either division. Consequently, the G Schedules are
9 omitted.

10 **Q. WHY DIDN'T THE APPLICANTS PREPARE COST OF SERVICE**
11 **STUDIES?**

12 A. Because the Commission does not generally set rates for water and wastewater utility
13 service based on cost of service, and because the changes to the rate designs the
14 Applicants are proposing do not necessitate a cost of service study, the substantial
15 expense of doing a cost of service study could not be justified. I have taken a similar
16 approach in other cases without complaint.

17 For convenience, my direct testimony is being filed in two volumes. In this
18 volume, I address rate base, income statement (revenue and operating expenses),
19 required increase in revenue, and rate design and proposed rates and charges for
20 service.

21 **Q. PLEASE CONTINUE.**

22 A. In the second volume, I address cost of capital and sponsor the D schedules.
23 As shown on the D-1 Schedules, the capital structures for the Applicants are as
24 follows:

25 Liberty Rio Rico – 30 percent debt/70 percent equity

26 Liberty Bella Vista – 30 percent debt/70 percent equity

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The weighted average costs of capital (“WACC”) for the Applicants are as follows:

Liberty Rio Rico – 8.60 percent

Liberty Bella Vista – 9.16 percent

II. OVERVIEW OF RATE APPLICATIONS.

A. LIBERTY RIO RICO.

Q. PLEASE SUMMARIZE LIBERTY RIO RICO’S APPLICATION.

A. Liberty Rio Rico is seeking a revenue increase of 22.55 percent for the water division and a revenue increase of 15.31 percent for the wastewater division. The test year used is the 12-month period ending December 31, 2014. Liberty Rio Rico is requesting an 8.60 percent return on its FVRB. Liberty Rio Rico has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses, and revenues. These pro forma adjustments are consistent with normal ratemaking and are contemplated by the Commission’s rules and regulations governing rate applications.¹ Such adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses, and rate base on a going-forward basis.

Liberty Rio Rico’s FVRB for the water division is \$8,861,632. The increase in revenues to provide for recovery of operating expenses and an 8.60 percent return on rate base is approximately \$683,836, an increase of approximately 22.55 percent over the adjusted and annualized test year revenues.

Liberty Rio Rico’s FVRB for the wastewater division is \$5,355,381. The increase in revenues to provide for recovery of operating expenses and an 8.60 percent return on rate base is approximately \$226,351, an increase of approximately 15.31 percent over the adjusted and annualized test year revenues.

¹ See A.A.C. R14-2-103.

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1. Liberty Rio Rico's Water Division.

a. Summary of A, E and F Schedules.

Q. PLEASE DESCRIBE THE SCHEDULES FOR THE WATER DIVISION LABELED AS A, E, AND F.

A. The A-1 Schedule is a summary of the water division rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. Revenues at present and proposed and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains Liberty Rio Rico's capital structure for the test year and the two prior years.

Schedule A-4 contains the plant construction and plant-in-service ("PIS") for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on Liberty Rio Rico water division's actual operating results, as reported in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2012, 2013, and 2014 ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2012, 2013, and 2014 ending on December 31.

Schedule E-3 contains the statements of changes in Liberty Rio Rico water division's financial position for the test year and the two prior years.

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Schedule E-4 provides the changes in membership equity.

Schedule E-5 contains PIS at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2012, 2013, and 2014 ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted) and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-3 shows Liberty Rio Rico water division's projected construction requirements for 2015, 2016, and 2017.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

b. Rate Base (B Schedules).

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is the cash working capital allowance. Liberty Rio Rico's proposed cash working capital allowance for the water division is based upon a lead-lag study. The proposed cash working capital allowance is \$89,192.

1 **Q. PLEASE CONTINUE.**

2 A. Liberty Rio Rico did not file Schedules B-3 and B-4 for the water division. To limit
3 issues in dispute, Liberty Rio Rico is requesting that its original cost rate base
4 (“OCRB”) for the water division be used as the FVRB.

5 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**
6 **THE OCRB?**

7 A. Yes. Schedule B-2 shows adjustments to the OCRB cost rate base proposed by
8 Liberty Rio Rico for the water division. Schedule B-2, pages 2 through 7, provides
9 the supporting information.

10 **i. PIS and Accumulated Depreciation.**

11 **Q. PLEASE DISCUSS THE PIS ADJUSTMENTS FOR THE WATER**
12 **DIVISION.**

13 A. B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts PIS. There
14 are four PIS adjustments included in Adjustment 1. These are shown on Schedule
15 B-2, page 3, and are labeled as adjustments “A,” “B,” “C,” and “D.”

16 Adjustment “A” of B-2 adjustment number 1 removes \$1,821 of capitalized
17 affiliate profit recorded to PIS since the end of the last test year.

18 Adjustment “B” of B-2 adjustment number 1 increases PIS by \$816,367 for
19 revenue neutral post-test year plant (“PTY plant”). At this stage the PTY plant is
20 based upon an estimate through June 2015 and will be trued-up later in the instant
21 case. Mr. Garlick discusses the proposed PTY plant in his direct testimony.²

22 Adjustment “C” of B-2 adjustment number 1 increases PIS for allocated
23 corporate plant totaling \$290,620.

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26 ² Direct Testimony of Matthew Garlick (“Garlick Dt.”) at 15.

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Adjustment "D" of B-2, adjustment number 1, adjusts PIS to reflect the reconciliation of Liberty Rio Rico's PIS detail for the water division to recorded general ledger amounts as reflected on Schedule E-1.

Q. PLEASE DISCUSS THE ACCUMULATED DEPRECIATION ADJUSTMENTS FOR THE WATER DIVISION.

A. B-2 adjustment number 2, as shown on Schedule B-2, page 2, adjusts PIS. There are three PIS adjustments included in Adjustment 2. These are shown on Schedule B-2, page 4, and are labeled as adjustments "A," "B," and "C."

Adjustment "A" of B-2 adjustment number 2 removes \$204 of accumulated depreciation ("A/D") related to affiliate profit recorded to PIS since the end of the last test year.

Adjustment "B" of B-2 adjustment number 2 increases A/D by \$50,695 related to allocated corporate plant.

Adjustment "C" of B-2, adjustment number 2, adjusts A/D to reflect the reconciliation of Liberty Rio Rico's PIS detail for the water division to recorded general ledger amounts as reflected on Schedule E-1.

Q. DO THE PLANT AND A/D BALANCES SHOWN ON SCHEDULE B-2 REFLECT THE LAST COMMISSION RATE ORDER FOR LIBERTY RIO RICO'S WATER DIVISION?

A. Yes. Liberty Rio Rico's reconstruction of the PIS balance started with the PIS balance approved in the last rate case. Plant additions and retirements since the end of the last test year have been added to and deducted from total plant shown on Schedule B-2, pages 3.5 to 3.7. Pages 3.5 to 3.7 of the schedule also show the details for the A/D from the end of the last test year through the end of the test year using the half-year convention for depreciation.

1 been added to AIAC along with reductions to AIAC from refunds are shown on
2 Schedule B-2, page 6.1 to 6.2.

3 iii. Accumulated Deferred Income Taxes and Cash
4 Working Capital.

5 **Q. PLEASE DISCUSS THE ACCUMULATED DEFERRED INCOME TAXES**
6 **ADJUSTMENT FOR THE WATER DIVISION.**

7 A. Adjustment number 5, shown on Schedule B-2, page 2, reflects the computed
8 deferred income taxes at the end of the test year. Liberty Rio Rico's computation is
9 based on the adjusted PIS, A/D, AIAC, and CIAC balances for both divisions in the
10 instant case and the adjusted tax basis of its assets using the effective tax rates
11 computed on the Schedule C-3, page 2. Upon determination of the total accumulated
12 deferred income taxes ("ADIT") balance for Liberty Rio Rico's water division, the
13 ADIT is allocated based upon the proportion of the water division's rate base to the
14 total rate base of both divisions. The detail of Liberty Rio Rico's deferred income
15 tax computation is shown on Schedule B-2, pages 7.0 and 7.1.

16 iv. Cash Working Capital.

17 **Q. PLEASE DISCUSS THE WORKING CAPITAL ADJUSTMENT FOR THE**
18 **WATER DIVISION.**

19 A. Adjustment number 6, shown on Schedule B-2, page 2, reflects Liberty Rio Rico's
20 proposed cash working capital allowance of \$89,192, which is based upon a lead-lag
21 study and is summarized on Schedule B-5.

22 c. Income Statement (C Schedules).

23 **Q. WOULD YOU EXPLAIN THE C SCHEDULES FOR THE WATER**
24 **DIVISION?**

25 A. Schedule C-1, page 1 summarizes the test year actual and adjusted revenues and
26 expenses. Schedule C-1, page 2.1 and 2.2 shows the individual adjustments to the

1 test year. The following is a summary of adjustments shown on Schedule C-1, pages
2 2.1 and 2.2:

3 Adjustment 1 annualizes depreciation expense. The proposed depreciation
4 rate for each component of utility plant is shown on Schedule C-2, page 2.
5 The depreciation rates approved in the last rate case were plant account specific.
6 Liberty Rio Rico proposes to continue to use account specific rates on a going
7 forward basis.

8 Adjustment 2 increases the property taxes based on proposed revenues.
9 The details of the computation are shown on Schedule C-2, page 3.

10 Adjustment 3 shows the annual rate case expense estimated for the water
11 division, which is \$27,272.

12 **Q. WHAT IS THE TOTAL AMOUNT OF RATE CASE EXPENSE**
13 **REQUESTED FOR THE WATER DIVISION?**

14 A. Liberty Rio Rico estimates total rate case expense of \$165,860 to be recovered over
15 five years if the Commission approves the Fair Value Arizona Ratemaking
16 Evaluation Model (“FARE”) in the instant case.³ Under the FARE, Liberty Rio Rico
17 will likely be required to file a general rate case in five years.

18 **Q. WHAT IF THE FARE IS DENIED?**

19 A. If the FARE is not approved, a shorter recovery period and amortization period of
20 three years should be used because Liberty Rio Rico will almost certainly have to
21 file another rate case within three years.

22 **Q. WHAT IF LIBERTY RIO RICO IS REQUIRED TO FILE SOONER?**

23 A. As set forth in the FARE, if Liberty Rio Rico’s earnings fall outside the earnings
24 bandwidth under the FARE, Liberty Rio Rico will be required to file a general rate
25

26 ³ See Garlick Dt. at 17.

1 case. In that case, Liberty Rio Rico would reserve the right to continue recovery of
2 any unrecovered rate case expense.

3 **Q. WHAT ABOUT THE COST OF ANNUAL FILINGS OF THE FARE?**

4 A. Those costs should be captured in the annual operating expenses in future FARE
5 filings, including additional costs from unexpected testimony and/or hearings in
6 future proceedings.

7 **Q. HOW WAS THE RATE CASE EXPENSE AMOUNT FOR LIBERTY RIO
8 RICO'S WATER DIVISION IN THIS RATE CASE DETERMINED?**

9 A. It is an allocated amount based on the total rate case expense estimate for the
10 Applicants totaling \$500,000. Liberty Rio Rico water division was allocated a
11 portion of this amount based upon a 3-factor formula consisting of rate base,
12 operating expenses, and number of customers (all equally weighted). The total rate
13 case expense for the Applicants is an estimate based on the significant combined
14 experience for lead counsel and myself before the Commission in rate cases,
15 including the past rate cases for the Applicants. Mr. Shapiro and I developed an
16 estimate, taking into account the anticipated circumstances in this rate case, and
17 further considered that estimate in consultation with Liberty Utilities'
18 representatives, who themselves have considerable experience in Commission
19 ratemaking procedures.

20 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE EXPENSE
21 ADJUSTMENTS FOR THE WATER DIVISION.**

22 A. Adjustment 4 annualizes revenues to the year-end number of customers.
23 The annualization of revenues is based on the number of customers at the end of the
24 test year, compared to the actual number of customers during each month of the test
25 year. Average revenues per customer by month were computed for the test year and
26 then multiplied by the increase (or decrease) in number of customers for each month

1 of the test year. The total of the monthly revenue change comprises the revenue
2 annualization totaling \$27,272. In addition to the upward adjustment in revenues,
3 purchased power expense, chemicals expense, and office expense have been adjusted
4 upward by \$1,593, \$23, and \$118, respectively, to reflect the additional pumping
5 power expense, treatment costs, and postage related to the anticipated additional
6 gallons sold and additional customer billings.

7 Adjustment number 5 reflects Liberty Rio Rico's proposed usage
8 normalization adjustment to the water division revenues. Liberty Rio Rico's usage
9 normalization adjustment reduces metered revenues by \$96,762 and is based on the
10 trend in customer water usage by customer class measured over the past five years.
11 I have used similar methods to estimate changes in usage (i.e. declining usage
12 adjustment) in past cases before the Commission.⁴ In addition to the reduction in
13 revenues, purchased power expense, and chemicals expense have been reduced by
14 \$21,271, and \$303, respectively, to reflect the reduced pumping power expense and
15 treatment costs related to the anticipated reduction in gallons sold.

16 Adjustment 6 reduces Contractual Services – Professional by \$45,395 to
17 reflect a true-up of test-year allocated corporate non-labor costs. Those corporate
18 costs are incurred by entities in the Liberty Utilities and Algonquin Power & Utilities
19 Corp. family of companies providing necessary and useful services to Liberty Rio
20 Rico and other regulated utilities. The true-up includes removing expenses that are
21 not being sought from ratepayers. William Killeen, Liberty Utilities' Director of
22 Regulatory Strategy, explains Liberty Utilities' corporate cost allocation
23

24 ⁴ See *EPCOR Water Arizona, Inc.*, Decision No. 75268 (September 8, 2015). EPCOR
25 *Water Arizona, Inc.*'s proposed declining usage adjustment was adopted. See *Liberty*
26 *Utilities (Litchfield Park Water & Sewer) Corp.*, Decision No. 74437 (April 18, 2014).
The Commission approved the settlement between the parties, which included Liberty
Utilities (Litchfield Park Water & Sewer) Corp.'s proposed declining usage adjustment.

1 methodologies and Cost Allocation Manual in more detail in his direct testimony.
2 Adjustment 7 increases Contractual Services – Professional by \$46,334 and
3 Contractual Services – Other by \$3,984 for allocated corporate labor expected wages
4 increases in 2015 and 2016.
5 Adjustments 9 through 14 are intentionally left blank.
6 Adjustment 15 adjusts interest expense to reflect interest synchronization with
7 the water division rate base.
8 Adjustment 16 reflects income taxes based upon the water division’s adjusted
9 test year revenue and expense.

10 **d. Rate Design (H Schedules).**

11 **Q. WHAT ARE LIBERTY RIO RICO WATER DIVISION’S PRESENT RATES**
12 **FOR WATER SERVICE?**

13 A. The present rates are set forth on Schedule H-3, pages 1 through 3.

14 **Q. WHAT ARE LIBERTY RIO RICO’S PROPOSED RATES FOR WATER**
15 **SERVICE?**

16 A. The proposed rates are set forth on Schedule H-3, pages 1 through 3.

17 **Q. IS LIBERTY RIO RICO PROPOSING CHANGES TO THE WATER**
18 **DIVISION RATE DESIGN?**

19 A. Yes and no. Liberty Rio Rico continues to propose a conservation oriented inverted
20 3-tier rate design for the 5/8x3/4 inch metered customers and a conservation oriented
21 inverted 2-tier rate design for the 3/4 inch and larger metered customers. No changes
22 to the current break-over points are proposed. In the prior case, the approved rates
23 were intended to recover approximately 29 percent of water revenues from the
24 monthly fixed charges under present rates. The proposed rates reflect revenue
25 recovery from the monthly fixed charges of approximately 44 percent. This change
26 is intended to improve revenue stability, as one of the driving factors for the required

1 rate increase in the instant case has been the trend in reduced water usage due to
2 conservation oriented rates.

3 **Q. ARE THERE ANY PROPOSED CHANGES TO LIBERTY RIO RICO**
4 **WATER DIVISION'S MISCELLANEOUS SERVICE CHARGES?**

5 A. Yes. See Schedule H-3, page 3. The notable changes include: (1) increasing the
6 Establishment charge from \$15 to \$30; (2) removing the Establishment (After Hours)
7 charge;⁵ (3) increasing the Reconnection charge to \$30 (the same as the
8 Establishment charge) and including additional language to include the costs of
9 physical disconnection; (4) increasing the Meter Test charge from \$15 to \$30; and
10 (5) Reducing the NSF Check charge from \$25 to \$10.

11 **Q. ARE THERE ANY PROPOSED CHANGES TO THE METER AND**
12 **SERVICE LINE INSTALLATION CHARGES?**

13 A. No.

14 **Q. IS LIBERTY RIO RICO PROPOSING ANY MODIFICATIONS TO ITS**
15 **LOW INCOME TARIFF?**

16 A. Yes. I will discuss the modifications to the Low Income Tariff for Liberty Rio Rico's
17 water division and wastewater division later in my testimony.

18 **2. Liberty Rio Rico Wastewater Division.**

19 **a. Summary of A, E and F Schedules.**

20 **Q. PLEASE DESCRIBE THE SCHEDULES FOR THE WATER DIVISION**
21 **LABELED AS A, E, AND F.**

22 A. The A-1 Schedule is a summary of the wastewater division rate base, operating
23 income, current operating margin, required operating margin, operating income
24 deficiency, and the increase in gross revenue: Revenues at present and proposed and

25 _____
26 ⁵ After Hours Service Charge applies to all work performed after hours and at the customer's
request. Thus, the Establishment after hours charge is duplicative.

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customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains Liberty Rio Rico's capital structure for the test year and the two prior years.

Schedule A-4 contains the plant construction and PIS for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on Liberty Rio Rico wastewater division's actual operating results, as reported in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2012, 2013, and 2014 ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2012, 2013, and 2014 ending on December 31.

Schedule E-3 contains the statements of changes in Liberty Rio Rico wastewater division's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in membership equity.

Schedule E-5 contains PIS at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2012, 2013, and 2014 ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9

1 and F-4, respectively, in accordance with the Commission's standard filing
2 requirements.

3 Schedule F-1 contains the results of operations at the present rates (actual and
4 adjusted) and at proposed rates.

5 Schedule F-2 contains the summary of changes in financial position (cash
6 flow) for the prior two years, the test year at present rates, and a projected year at
7 present and proposed rates.

8 Schedule F-3 shows Liberty Rio Rico wastewater division's projected
9 construction requirements for 2015, 2016, and 2017.

10 Schedule F-4 contains the assumptions used in developing the adjustments
11 and projections contained in the rate filing.

12 **b. Rate Base (B Schedules).**

13 **Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES FOR THE**
14 **WASTEWATER DIVISION, WHICH ARE LABELED AS THE B**
15 **SCHEDULES?**

16 A. Yes. I will start with Schedule B-5, which is the cash working capital allowance.
17 Liberty Rio Rico's proposed cash working capital allowance is based upon a lead-
18 lag study. The proposed cash working capital allowance is \$11,300.

19 **Q. PLEASE CONTINUE.**

20 A. Liberty Rio Rico did not file Schedules B-3 and B-4 for the wastewater division.
21 To limit issues in dispute, Liberty Rio Rico is requesting that its wastewater division
22 OCRB be used as the FVRB.

23 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**
24 **THE OCRB FOR THE WASTEWATER DIVISION?**

25 A. Yes. Schedule B-2 shows adjustments to the proposed OCRB. Schedule B-2, pages
26 2 through 7, provides the supporting information.

1 i. PIS and A/D.

2 Q. PLEASE DISCUSS THE PIS ADJUSTMENTS FOR THE WASTEWATER
3 DIVISION.

4 A. B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts PIS. There
5 are four PIS adjustments included in Adjustment 1. These are shown on Schedule
6 B-2, page 3, and are labeled as adjustments "A," "B," "C," and "D."

7 Adjustment "A" of B-2 adjustment number 1 removes \$893 of capitalized
8 affiliate profit recorded to PIS since the end of the last test year.

9 Adjustment "B" of B-2 adjustment number 1 increases PIS by \$577,537 for
10 revenue neutral PTY plant. At this stage the PTY plant is based upon an estimate
11 through June 2015 and will be trued-up later in the instant case. As mentioned earlier
12 in my testimony, Mr. Garlick discusses the proposed PTY plant in his direct
13 testimony.⁶

14 Adjustment "C" of B-2 adjustment number 1 increases PIS for allocated
15 corporate plant totaling \$122,438.

16 Adjustment "D" of B-2, adjustment number 1, adjusts PIS to reflect the
17 reconciliation of Liberty Rio Rico's PIS detail for the wastewater division to
18 recorded general ledger amounts as reflected on Schedule E-1.

19 Q. PLEASE DISCUSS THE A/D ADJUSTMENTS FOR THE WASTEWATER
20 DIVISION.

21 A. B-2 adjustment number 2, as shown on Schedule B-2, page 2, adjusts PIS. There
22 are three PIS adjustments included in Adjustment 2. These are shown on Schedule
23 B-2, page 4, and are labeled as adjustments "A," "B," and "C."

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26 ⁶ Garlick Dt. at 15.

1 Adjustment "A" of B-2 adjustment number 2 removes \$162 of A/D related to
2 affiliate profit recorded to PIS since the end of the last test year.

3 Adjustment "B" of B-2 adjustment number 2 increases A/D by \$21,358
4 related to allocated corporate plant.

5 Adjustment "C" of B-2, adjustment number 2, adjusts A/D to reflect the
6 reconciliation of Liberty Rio Rico's PIS detail for the wastewater division to
7 recorded general ledger amounts as reflected on Schedule E-1.

8 **Q. DO THE PLANT AND A/D BALANCES SHOWN ON SCHEDULE B-2**
9 **REFLECT THE LAST COMMISSION RATE ORDER FOR LIBERTY RIO**
10 **RICO'S WASTEWATER DIVISION?**

11 A. Yes. Liberty Rio Rico's reconstruction of the PIS balance started with the PIS
12 balance approved in the last rate case. Plant additions and retirements since the end
13 of the last test year have been added to and deducted from total plant shown on
14 Schedule B-2, pages 3.5 to 3.7. Pages 3.5 to 3.7 of the schedule also show the details
15 for the A/D from the end of the last test year through the end of the test year using
16 the half-year convention for depreciation.

17 **ii. CIAC and AIAC.**

18 **Q. PLEASE DISCUSS THE CIAC ADJUSTMENTS FOR THE WASTEWATER**
19 **DIVISION.**

20 A. B-2 adjustment number 3, as shown on Schedule B-2, page 2, adjusts CIAC and
21 A.A. to the reconstructed balances shown on Schedule B-2, page 5.1 and
22 summarized on Schedule B-2, page 5.

23 **Q. DO THE CIAC AND A.A. BALANCES SHOWN ON SCHEDULE B-2**
24 **REFLECT THE LAST COMMISSION RATE ORDER?**

25 A. Yes. The starting CIAC and A.A. balances shown in the reconstruction are the
26 balances approved in the last rate order. Additional CIAC recorded since the end of

1 the last year have been added to CIAC and are shown on Schedule B-2, page 5.1.
2 Computed amortization for each year, based upon the annual composite depreciation
3 rate for plant, has been added to A.A. and is also shown on Schedule B-2, page 5.1

4 **Q. PLEASE DISCUSS THE AIAC ADJUSTMENT FOR THE WASTEWATER**
5 **DIVISION.**

6 A. B-2 adjustment number 4, as shown on Schedule B-2, page 2, adjusts AIAC to the
7 reconstructed amounts shown on Schedule B-2, page 6.1 to 6.2 and summarized on
8 Schedule B-2, page 6.

9 **Q. DOES THE AIAC BALANCE SHOWN ON SCHEDULE B-2 REFLECT THE**
10 **LAST COMMISSION RATE ORDER FOR THE WASTEWATER**
11 **DIVISION?**

12 A. Yes. The starting AIAC balance shown in the reconstruction is the balance approved
13 in the last rate order. Additional AIAC recorded since the end of the last year have
14 been added to AIAC along with reductions to AIAC from refunds are shown on
15 Schedule B-2, page 6.1 to 6.2.

16 **iii. ADIT.**

17 **Q. PLEASE DISCUSS THE ADIT ADJUSTMENT FOR THE WASTEWATER**
18 **DIVISION.**

19 A. Adjustment number 5, shown on Schedule B-2, page 2, reflects the computed
20 deferred income taxes at the end of the test year. Liberty Rio Rico's computation is
21 based on the adjusted PIS, A/D, AIAC, and CIAC balances for both divisions in the
22 instant case and the adjusted tax basis of its assets using the effective tax rates
23 computed on the Schedule C-3, page 2. Upon determination of the total ADIT
24 balance for Liberty Rio Rico, the ADIT is allocated to the wastewater division based
25 upon the proportion of wastewater division's rate base to the total rate base of both
26

1 divisions. The detail of Liberty Rio Rico's deferred income tax computation is
2 shown on Schedule B-2, pages 7.0 and 7.1.

3 **iv. Cash Working Capital.**

4 **Q. PLEASE DISCUSS THE WORKING CAPITAL ADJUSTMENT FOR THE**
5 **WASTEWATER DIVISION.**

6 A. Adjustment number 6, shown on Schedule B-2, page 2, reflects Liberty Rio Rico's
7 proposed cash working capital allowance for the wastewater division of \$11,300,
8 which is based upon a lead-lag study and summarized on Schedule B-5.

9 **c. Income Statement (C Schedules).**

10 **Q. WOULD YOU EXPLAIN THE C SCHEDULES FOR THE WASTEWATER**
11 **DIVISION?**

12 A. Schedule C-1, page 1 summarizes the test year actual and adjusted revenues and
13 expenses. Schedule C-1, page 2.1 and 2.2 shows the individual adjustments to the
14 test year. The following is a summary of adjustments shown on Schedule C-1, pages
15 2.1 and 2.2:

16 Adjustment 1 annualizes depreciation expense. The proposed depreciation
17 rate for each component of utility plant is shown on Schedule C-2, page 2.
18 The depreciation rates approved in the last rate case were plant account specific.
19 Liberty Rio Rico proposes to continue to use account specific rates on a going
20 forward basis.

21 Adjustment 2 increases the property taxes based on proposed revenues.
22 The details of the computation are shown on Schedule C-2, page 3.

23 Adjustment 3 shows the estimated annual rate case expense for the
24 wastewater division of \$14,717.

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1 **Q. WHAT IS THE REQUESTED RATE CASE EXPENSE?**

2 A. Liberty Rio Rico estimates total rate case expense of \$73,583 for the wastewater
3 division to be recovered over five years, which is the allocated amount based on the
4 total rate case expense estimate of \$500,000 and using the 3-factor formula.
5 I explained both the amortization and how we determined the amount, as well as the
6 applicability of the FARE and will not repeat that testimony again as it applies
7 equally to the wastewater division.

8 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE EXPENSE**
9 **ADJUSTMENTS FOR THE WASTEWATER DIVISION.**

10 A. Adjustment 4 annualizes revenues to the year-end number of customers.
11 The annualization of revenues is based on the number of customers at the end of the
12 test year, compared to the actual number of customers during each month of the test
13 year. Average revenues per customer by month were computed for the test year and
14 then multiplied by the increase (or decrease) in number of customers for each month
15 of the test year. The total of the monthly revenue change comprises the revenue
16 annualization of \$784. In addition to the upward adjustment in revenues, purchased
17 power expense, chemicals expense, and office expense have been adjusted upward
18 by \$0, \$0, and \$1, respectively, to reflect the additional pumping power expense,
19 treatment costs, and postage related to the anticipated additional gallons treated and
20 additional customer billings.

21 Adjustment number 5 increases revenues by \$9,695 for billing errors made
22 during the test year.

23 Adjustment number 6 increases revenues by \$23,000 to account for under-
24 accrual of revenues during the test year.

25 Adjustment 7 reduces Contractual Services – Professional by \$10,655 to
26 reflect a true-up of test-year allocated corporate non-labor costs. As mentioned these

1 corporate costs are addressed in Mr. Killeen's testimony.

2 Adjustment 8 increases Contractual Services – Professional by \$4,065 and
3 Contractual Services – Other by \$1,296 for allocated corporate labor expected wages
4 increases in 2015 and 2016.

5 Adjustments 9 through 14 are intentionally left blank.

6 Adjustment 15 adjusts interest expense to reflect interest synchronization with
7 rate base.

8 Adjustment 16 reflects income taxes based upon Liberty Rio Rico wastewater
9 division adjusted test year revenue and expense.

10 **d. Rate Design (H Schedules).**

11 **Q. WHAT ARE LIBERTY RIO RICO'S PRESENT RATES FOR**
12 **WASTEWATER SERVICE?**

13 A. The present rates are set forth on Schedule H-3, page 1.

14 **Q. WHAT ARE LIBERTY RIO RICO'S PROPOSED RATES FOR**
15 **WASTEWATER SERVICE?**

16 A. The proposed rates are set forth on Schedule H-3, page 1.

17 **Q. IS LIBERTY RIO RICO PROPOSING CHANGES TO THE WASTEWATER**
18 **DIVISION BASIC RATE DESIGN?**

19 A. No. Liberty Rio Rico continues to propose a flat rate design for the residential
20 customers and single tier design for the commercial customers. Revenue recovery
21 from the fixed charges under the rate design adopted in the last case is similar to the
22 revenue recovery from the fixed charges in the instant case.

23 **Q. ARE THERE ANY PROPOSED CHANGES TO LIBERTY RIO RICO**
24 **WASTEWATER DIVISION'S MISCELLANEOUS SERVICE CHARGES?**

25 A. Yes. See Schedule H-3, page 2. The notable changes include: (1) increasing the
26 Establishment charge from \$15 to \$25; (2) increasing the Reconnection (delinquent)

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charge from \$15 to \$25 (the same as the Establishment charge) and including additional language to also include the costs of physical disconnection; and (3) Reducing the NSF Check charge from \$25 to \$10.

Q. ARE THERE ANY PROPOSED CHANGES TO THE SERVICE LINE INSTALLATION CHARGES?

A. No.

B. LIBERTY BELLA VISTA.

Q. PLEASE SUMMARIZE LIBERTY BELLA VISTA'S APPLICATION.

A. Liberty Bella Vista is seeking a revenue increase of 33.61 percent. The test year used is the 12-month period ending December 31, 2014. Liberty Bella Vista is requesting a 9.16 percent return on its FVRB. Liberty Bella Vista has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses, and revenues. These pro forma adjustments are consistent with normal ratemaking and are contemplated by the Commission's rules and regulations governing rate applications.⁷ Such adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses, and rate base on a going-forward basis.

Liberty Bella Vista's FVRB is \$13,205,189. The increase in revenues to provide for recovery of operating expenses and a 9.16 percent return on rate base is approximately \$1,554,297, an increase of approximately 33.61 percent over the adjusted and annualized test year revenues.

⁷ See A.A.C. R14-2-103.

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1. Summary of A, E and F Schedules.

Q. MR. BOURASSA, LET'S TURN TO LIBERTY BELLA VISTA'S SCHEDULES. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A. The A-1 Schedule is a summary of the rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. Revenues at present and proposed and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains Liberty Bella Vista's capital structure for the test year and the two prior years.

Schedule A-4 contains the plant construction and PIS for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on Liberty Bella Vista's actual operating results, as reported in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2012, 2013, and 2014 ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2012, 2013, and 2014 ending on December 31.

Schedule E-3 contains the statements of changes in Liberty Bella Vista's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in membership equity.

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Schedule E-5 contains PIS at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2012, 2013, and 2014 ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted) and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-3 shows Liberty Bella Vista's projected construction requirements for 2016, 2017, and 2018.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

2. Rate Base (B Schedules).

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is the cash working capital allowance. Liberty Bella Vista's proposed cash working capital allowance is based upon a lead-lag study. The proposed cash working capital allowance is \$160,647.

1 **Q. PLEASE CONTINUE.**

2 A. Liberty Bella Vista did not file Schedules B-3 and B-4. To limit issues in dispute,
3 Liberty Bella Vista is requesting that its OCRB be used as its FVRB.

4 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**
5 **THE OCRB?**

6 A. Yes. Schedule B-2 shows adjustments to the OCRB cost rate base proposed by
7 Liberty Bell Vista. Schedule B-2, pages 2 through 7, provides the supporting
8 information.

9 **a. PIS and A/D.**

10 **Q. PLEASE DISCUSS THE PIS ADJUSTMENTS.**

11 A. B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts PIS. There
12 are four PIS adjustments included in Adjustment 1. These are shown on Schedule
13 B-2, page 3, and are labeled as adjustments "A," "B," "C," and "D."

14 Adjustment "A" of B-2 adjustment number 1 removes \$92,510 of capitalized
15 affiliate profit recorded to PIS since the end of the last test year.

16 Adjustment "B" of B-2 adjustment number 1 increases PIS by \$872,772 for
17 revenue neutral PTY plant. At this stage the PTY plant is based upon an estimate
18 through June 2015 and will be trued-up later in the instant case. As mentioned
19 earlier in my testimony, Mr. Garlick discusses the proposed PTY plant in his direct
20 testimony.⁸

21 Adjustment "C" of B-2 adjustment number 1 increases PIS for allocated
22 corporate plant totaling \$431,849.

23 Adjustment "D" of B-2, adjustment number 1, adjusts PIS to reflect the
24 reconciliation of Liberty Bella Vista's PIS detail to recorded general ledger amounts
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26 ⁸ Garlick Dt. at 11.

1 as reflected on Schedule E-1.

2 **Q. PLEASE DISCUSS THE A/D ADJUSTMENTS.**

3 A. B-2 adjustment number 2, as shown on Schedule B-2, page 2, adjusts PIS. There
4 are three PIS adjustments included in Adjustment 2. These are shown on Schedule
5 B-2, page 4, and are labeled as adjustments "A," "B," and "C."

6 Adjustment "A" of B-2 adjustment number 2 removes \$11,770 of A/D related
7 to affiliate profit recorded to PIS since the end of the last test year.

8 Adjustment "B" of B-2 adjustment number 2 increases A/D by \$72,081 for
9 A/D related to allocated corporate plant.

10 Adjustment "C" of B-2, adjustment number 2, adjusts A/D to reflect the
11 reconciliation of Liberty Bella Vista's PIS detail to recorded general ledger amounts
12 as reflected on Schedule E-1.

13 **Q. DO THE PLANT AND A/D BALANCES SHOWN ON SCHEDULE B-2**
14 **REFLECT THE LAST COMMISSION RATE ORDER FOR LIBERTY**
15 **BELLA VISTA?**

16 A. Yes. Liberty Bella Vista's reconstruction of the PIS balance started with the PIS
17 balance approved in the last rate case. Plant additions and retirements since the end
18 of the last test year have been added to and deducted from total plant shown on
19 Schedule B-2, pages 3.5 to 3.10. Pages 3.5 to 3.10 of the schedule also show the
20 details for A/D from the end of the last test year through the end of the test year
21 using the half-year convention for depreciation.

22 **b. CIAC and AIAC.**

23 **Q. PLEASE DISCUSS THE CIAC ADJUSTMENTS FOR LIBERTY BELLA**
24 **VISTA.**

25 A. B-2 adjustment number 3, as shown on Schedule B-2, page 2, adjusts CIAC and
26 A.A. to the reconstructed balances shown on Schedule B-2, page 5.1 and

1 summarized on Schedule B-2, page 5.

2 **Q. DO THE CIAC AND A.A. BALANCES SHOWN ON SCHEDULE B-2**
3 **REFLECT THE LAST COMMISSION RATE ORDER FOR LIBERT**
4 **BELLA VISTA?**

5 A. Yes. The starting CIAC and A.A. balances shown in the reconstruction are the
6 balances approved in the last rate order. Additional CIAC recorded since the end of
7 the last year have been added to CIAC and are shown on Schedule B-2, page 5.1.
8 Computed amortization for each year, based upon the annual composite depreciation
9 rate for plant has been added to A.A. and is also shown on Schedule B-2, page 5.1.

10 **Q. PLEASE DISCUSS THE AIAC ADJUSTMENT FOR LIBERTY BELLA**
11 **VISTA.**

12 A. B-2 adjustment number 4, as shown on Schedule B-2, page 2, adjusts AIAC to the
13 reconstructed amounts shown on Schedule B-2, page 6.1 to 6.2 and summarized on
14 Schedule B-2, page 6.

15 **Q. DOES THE AIAC BALANCE SHOWN ON SCHEDULE B-2 REFLECT THE**
16 **LAST COMMISSION RATE ORDER FOR LIBERTY BELLA VISTA?**

17 A. Yes. The starting AIAC balance shown in the reconstruction is the balance approved
18 in the last rate order. Additional AIAC recorded since the end of the last year have
19 been added to AIAC along with reductions to AIAC from refunds are shown on
20 Schedule B-2, page 6.1 to 6.2.

21 **c. ADIT.**

22 **Q. PLEASE DISCUSS THE ADIT ADJUSTMENT.**

23 A. Adjustment number 5, shown on Schedule B-2, page 2, reflects the computed
24 deferred income taxes at the end of the test year. Liberty Bella Vista's computation
25 is based on the adjusted PIS, A/D, AIAC, and CIAC balances in the instant case and
26 the adjusted tax basis of its assets using the effective tax rates computed on the

1 Schedule C-3, page 2. The detail of Liberty Bella Vista's deferred income tax
2 computation is shown on Schedule B-2, pages 7.0 and 7.1.

3 **d. Cash Working Capital.**

4 **Q. PLEASE DISCUSS THE WORKING CAPITAL ADJUSTMENT.**

5 A. Adjustment number 6, shown on Schedule B-2, page 2, reflects Liberty Bella Vista's
6 proposed cash working capital allowance of \$160,647, which is based upon a lead-
7 lag study which is summarized on Schedule B-5.

8 **3. Income Statement (C Schedules).**

9 **Q. WOULD YOU EXPLAIN THE C SCHEDULES FOR LIBERTY BELLA**
10 **VISTA?**

11 A. Schedule C-1, page 1 summarizes the test year actual and adjusted revenues and
12 expenses. Schedule C-1, page 2.1 and 2.2 shows the individual adjustments to the
13 test year. The following is a summary of adjustments shown on Schedule C-1, pages
14 2.1 and 2.2:

15 Adjustment 1 annualizes depreciation expense. The proposed depreciation
16 rate for each component of utility plant is shown on Schedule C-2, page 2.
17 The depreciation rates approved in the last rate case were plant account specific.
18 Liberty Bella Vista proposes to continue to use account specific rates on a going
19 forward basis.

20 Adjustment 2 increases the property taxes based on proposed revenues.
21 The details of the computation are shown on Schedule C-2, page 3.

22 Adjustment 3 shows the estimated annual rate case expense of \$52,111.

23 **Q. WHAT IS THE REQUESTED RATE CASE EXPENSE?**

24 A. Liberty Bella Vista's total rate case expense estimate is \$260,557 to be recovered
25 over five years, which is the allocated amount based on the total rate case expense
26 estimate of \$500,000 and using the 3-factor formula. Again, I explained both the

1 amortization and how we determined the amount, as well as the applicability of the
2 FARE earlier and will not repeat that testimony again as it applies equally to Liberty
3 Bella Vista.

4 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE EXPENSE**
5 **ADJUSTMENTS.**

6 A. Adjustment 4 annualizes revenues to the year-end number of customers. The
7 annualization of revenues is based on the number of customers at the end of the test
8 year, compared to the actual number of customers during each month of the test year.
9 Average revenues per customer by month were computed for the test year and then
10 multiplied by the increase (or decrease) in number of customers for each month of
11 the test year. The total of the monthly revenue change comprises the revenue
12 annualization of 41,402. In addition to the upward adjustment in revenues,
13 purchased power expense, chemicals expense, and office expense have been adjusted
14 upward by \$2,600, \$84, and \$279, respectively, to reflect the additional pumping
15 power expense, treatment costs, and postage related to the anticipated additional
16 gallons sold and additional customer billings.

17 Adjustment number 5 reflects Liberty Bella Vista's proposed usage
18 normalization adjustment to revenues. The usage normalization adjustment reduces
19 metered revenues by \$92,497 and is based on the trend in customer water usage by
20 customer class measured over the past 5 years which, as I discussed earlier, is similar
21 to the declining usage adjustments adopted by the Commission in prior proceedings.
22 In addition to the reduction in revenues, purchased power expense, and chemicals
23 expense have been reduced by \$24,001, and \$1,248, respectively, to reflect the
24 reduced pumping power expense and treatment costs related to the anticipated
25 reduction in gallons sold.

26

1 Adjustment 6 reduces Contractual Services – Professional by \$63,200 to
2 reflect a true-up of test-year allocated corporate non-labor costs. The corporate cost
3 allocation is explained further by Mr. Killeen in his direct testimony.

4 Adjustment 7 increases Contractual Services – Professional by \$43,490 and
5 Contractual Services – Other by \$37,370 for allocated corporate labor expected wage
6 increases in 2015 and 2016.

7 Adjustments 9 through 14 are intentionally left blank.

8 Adjustment 15 adjusts interest expense to reflect interest synchronization with
9 rate base.

10 Adjustment 16 reflects income taxes based upon Liberty Bella Vista's
11 adjusted test year revenue and expense.

12 **4. Rate Design (H Schedules).**

13 **Q. WHAT ARE LIBERTY BELLA VISTA'S PRESENT RATES FOR WATER**
14 **SERVICE?**

15 A. The present rates are set forth on Schedule H-3, pages 1 through 3.

16 **Q. WHAT ARE LIBERTY BELLA VISTA'S PROPOSED RATES FOR WATER**
17 **SERVICE?**

18 A. The proposed rates are set forth on Schedule H-3, pages 1 through 3.

19 **Q. IS LIBERTY BELLA VISTA PROPOSING CHANGES TO THE BASIC**
20 **RATE DESIGN?**

21 A. Yes and no. As with Liberty Rio Rico water division, Liberty Bella Vista continues
22 to propose a conservation oriented inverted 3-tier rate design for the 5/8x3/4 inch
23 metered customers and a conservation oriented inverted 2-tier rate design for the 3/4
24 inch and larger metered customers. No changes to the current break-over points are
25 proposed. In the prior case, the approved rates were intended to recover
26 approximately 48 percent of water revenues from the monthly fixed charges under

1 present rates. The proposed rates reflect revenue recovery from the monthly fixed
2 charges of approximately 50 percent. While small, the increase in revenue recovery
3 from the fix charges is intended to improve revenue stability.

4 **Q. ARE THERE ANY PROPOSED CHANGES TO LIBERTY BELLA VISTA'S**
5 **MISCELLANEOUS SERVICE CHARGES?**

6 A. Yes. See Schedule H-3, page 4. The notable changes include: (1) removing the
7 Establishment (After Hours) charge and the Reconnection (delinquent) (After
8 Hours) charge;⁹ (2) leaving the Reconnection (delinquent) charge at \$30 (the same
9 as the Establishment charge) and including additional language to include the costs
10 of physical disconnection; (3) Increasing the Meter Re-read (if correct) charge from
11 \$15 to \$20; and (4) Reducing the NSF Check charge from \$15 to \$10.

12 **Q. ARE THERE ANY PROPOSED CHANGES TO LIBERTY BELLA VISTA'S**
13 **METER AND SERVICE LINE INSTALLATION CHARGES?**

14 A. Yes. Liberty Bella Vista proposes that the charges for the 1 inch and smaller meters
15 to be changed to "at cost" rather than a specific charges. The Commission has
16 previously adopted "at cost" charges for these meter and service line charges for
17 Liberty Rio Rico. See Schedule H-3, page 5.

18 **Q. ARE THERE ANY PROPOSED CHANGES TO LIBERTY BELLA VISTA'S**
19 **OFF-SITE CAPACITY RESERVATION CHARGES (HOOK-UP FEES)?**

20 A. Yes. Liberty Bella Vista proposes changes to its Hook-Up Fees ("HUF") for the
21 reasons set forth in Docket Nos. 09-0116 and 09-0120 approving a HUF for Liberty
22 Utilities (Litchfield Park Water & Sewer) Corp. The proposed HUF here is designed
23 to assist Liberty Bella Vista in equitably apportioning the cost of constructing
24 additional off-site wastewater transmission, delivery and disposal facilities among

25 _____
26 ⁹ After Hours Service Call applies to all work performed after hours and at the customer's
request. Thus, the Establishment after hours charge is duplicative.

1 new service connections. The proposed HUF provides partial funding of the costs
2 for off-site facilities for new service connections, and is based on meter size. Liberty
3 Bella Vista also proposes a HUF of \$1,800 for a 5/8" meter and other associated
4 meter sizes in order to standardize the HUF tariff amount for all of the Arizona
5 utilities owned by and operated by Liberty Utilities. Liberty Bella Vista believes
6 that standardizing the HUF tariffs will reduce administrative and processing costs.
7 Under Liberty Bella Vista's existing HUF tariff, the fee for a 5/8" meter is \$1,600.
8 Liberty Bella Vista maintains that the proposed \$1,800 HUF is consistent with that
9 prior approved HUF, especially when considering increased costs since the
10 Commission approved that existing HUF in Liberty Bella Vista's last rate case.
11 See Schedule H-3, page 5.

12 **Q. IS LIBERTY BELLA VISTA PROPOSING ANY MODIFICATIONS TO ITS**
13 **LOW INCOME TARIFF?**

14 A. Yes. I will discuss the proposed modifications to Liberty Bella Vista's Low Income
15 Tariff below.

16 **III. APPLICANTS' LOW INCOME TARIFFS.**

17 **Q. HAVE THE APPLICANTS MADE ANY MODIFICATIONS TO THEIR**
18 **LOW INCOME TARIFFS?**

19 A. While the Applicants have made clarifications to their tariffs regarding the
20 administration of its low income tariff, the program is basically unchanged. The
21 Applicants propose to continue the existing low income tariffs for Liberty Bella
22 Vista, Liberty Rio Rico water, and Liberty Rio Rico sewer customers, with each
23 proposal being based upon the already existing low income tariff. The existing low
24 income tariff provides for a discount of 15 percent applied to a qualified customer's
25 total bill before any adjustments or application of any other taxes, credit, penalties
26 or fees.

1 In order to qualify for the low income discount, the customer's income must
2 be at or below 150% of the federal poverty level. Participation in the low income
3 program is also subject to certain participation limits. Presently, participation is
4 limited to 2,400, 2,200 and 725 customers for Liberty Bella Vista, Liberty Rio Rico
5 water and Liberty Rio Rico Sewer, respectively, and the Applicants are not
6 proposing any changes to the participation levels.

7 The cost of the low income tariff shall be recovered by the Applicants from a
8 monthly low income tariff surcharge on all residential water and wastewater
9 customers who are not participating in the low income program. Applicants shall
10 maintain separate balancing accounts for water and wastewater programs detailing
11 the beginning and ending balance of the cumulative over recovered or under
12 recovered program costs for each month. Applicants' authorized rates of return shall
13 be applied to the monthly average of the cumulative over recovered or under
14 recovered program costs. Using the separate balancing accounts for water and
15 wastewater customers and the Applicants' most recent bill counts, the Applicants
16 shall calculate separate monthly surcharges for water and wastewater customers on
17 an annual basis.

18 More detailed information on the calculation of the surcharge is included on
19 the proposed low income tariffs.¹⁰

20 **IV. PURCHASED POWER ADJUSTER MECHANISM AND PROPERTY TAX**
21 **ADJUSTER MECHANISM.**

22 **Q. PLEASE DISCUSS APPLICANTS' PROPOSED PURCHASED POWER**
23 **ADJUSTER MECHANISM AND PROPERTY TAX ADJUSTER**
24 **MECHANISM.**

25 **A.** As discussed by Mr. Garlick in his direct testimony, Applicants are seeking

26 ¹⁰ See Application, Attachment 2.

1 Commission approval of two adjuster mechanisms: (1) a Purchased Power Adjuster
2 Mechanism (“PPAM”); and (2) a Property Tax Adjuster Mechanism (“PTAM”).¹¹

3 **Q. WHAT IS THE PURPOSE OF THE PPAM AND HOW WOULD THE PPAM**
4 **WORK?**

5 A. The proposed PPAM would allow Applicants to pass-through increases or decreases
6 in purchased power costs that are due to changes in the rates for electric utility
7 service. The intent of the PPAM is to isolate changes in purchased power cost that
8 is due exclusively to a rate change that is beyond the control of Applicants.
9 Purchased power is a significant expense and beyond the control of the Applicants.
10 The increases/decreases in power costs will be allocated on a per customer basis and
11 passed-through to customer as a separate line item on the customer bill. The PPAM
12 Plan of Administration (“POA”), attached to the Application as Attachment 3,
13 outlines the implementation and filing requirements as well as how the surcharge
14 will be computed. The form of the PPAM proposed by Applicants is consistent with
15 the form of PPAM approved in Decision No. 74437 for Liberty Utilities (Litchfield
16 Park Water & Sewer) Corp.

17 **Q. WHAT IS THE PURPOSE OF THE PTAM AND HOW WOULD THE PTAM**
18 **WORK?**

19 A. The proposed PTAM would allow Applicants to pass-through increases or decreases
20 in property taxes that are due to changes in the assessment ratio and effective
21 property tax rate. The intent of the PTAM is to isolate changes in property taxes that
22 are due to assessment ratio and rate charges that are beyond the control of Applicants.
23 The increases/decreases in property taxes will be allocated on a per customer basis
24 and passed-through to customer as a separate line item on the customer bill.

25
26 ¹¹ See Garlick Dt. at 20-22.

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The PTAM POA, attached to the Application as Attachment 4, outlines the implementation and filing requirements as well as how the surcharge will be computed.

Q. BUT MR. BOURASSA, ISN'T LIBERTY REQUESTING APPROVAL OF THE FAIR VALUE ARIZONA RATEMAKING EVALUATION MODEL OR FARE FOR THE TWO APPLICANTS?

A. Yes, as introduced in Mr. Garlick's direct testimony and then discussed in detail in Mr. Eichler's direct testimony.

Q. WHY DOES LIBERTY STILL NEED THESE TWO ADJUSTERS IF THE COMMISSION APPROVES THE FARE?

A. Because the costs covered by these two adjusters – the rate paid for power and the rate at which property taxes are set – should not impact the determination of whether Applicants are in the FARE's "Established Range" of plus or minus 20 basis points. These are narrowly defined expenses outside the utility's control, costs that consistently increase, and it isn't fair to automatically require the Applicants to bear the expected and routine increases in those costs.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT AND RATE DESIGN FOR BOTH APPLICANTS?

A. Yes.

EXHIBIT TJB-DT1

RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)

M.B.A. University of Phoenix with Emphasis in Finance (1991)

C.P.A. State of Arizona (1995)

Continuing Professional Education – In areas of tax, accounting, management, economics, finance, business valuation, consulting, and ethics (80 hrs every two years)

MEMBERSHIPS

Arizona Society of CPAs

Water Utilities Association of Arizona

American Water Works Association

Society of Regulatory Financial Analysts

EMPLOYMENT EXPERIENCE

- 1995 – Present CPA - Self Employed
Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required.
- Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, generally accepted ratemaking principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews.
- Litigation support services.
- 1992-1995 Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
- 1989-1992 Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
- 1985-1989 Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager
- 1982-1985 Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.

1981-1982

Employed by Purdue University, West Lafayette, Indiana as
Teaching Assistant.

**SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED
CONSULTANT**

COMPANY/CLIENT

Tierra Buena Water Company
ACC Docket No. W-02076A-15-013

Red Rock Utilities, LLC
ACC Docket No. W-04245A-14-0295

Quail Creek Water Company
ACC Docket No. W-02514A-14-0370

Tonto Basin Water Company
ACC Docket No. W-03515A-14-0310

Navajo Water
ACC Docket No. W-03511A-14-304

Alaska Power Company
Regulatory Commission of Alaska
Docket No. U-14-002

Anchorage Municipal Light & Power
Regulatory Commission of Alaska
Docket No. U-13-184

Liberty Utilities (Pine Bluff) Inc.
Arkansas Public Service Commission
Docket No. 14-020-U

Abra Water Company

FUNCTION

Permanent Rate Application – Water.
Assisted in preparation of short-form
schedules.

Permanent Rate Application – Water and
Wastewater. Prepared schedules and
testified on Rate Base, Plant, Income
Statement, Revenue Requirement, Rate
Design, and Cost of Capital.

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, and Cost of
Capital.

Permanent Rate Application – Water.
Prepared short-form schedules for Rate
Base, Income Statement, Plant, Bill
Counts, and Rate Design.

Permanent Rate Application – Water.
Prepared short-form schedules for Rate
Base, Income Statement, Plant, Bill
Counts, and Rate Design.

Prepared schedules and testified on cost of
capital.

Prepared schedules and testified on cost of
capital.

Permanent Rate Application – Prepared
schedules and testified on Rate Base,
Plant, Income Statement, Revenue
Requirement, Cost of Service, Rate
Design, and Cost of Capital.

Permanent Rate Application – Prepared

COMPANY/CLIENT

ACC Docket No. W-01782A-14-0084

EPCOR Water Arizona, Inc.
ACC Docket No. W-01303A-14-0010

Liberty Utilities (Midstates Natural Gas),
Inc.
Missouri Public Service Commission
Case No. GR-2014-0152

Hydro Resources, LLC.
ACC Docket No. W-20770A-13-0313

Little Park Water Company
ACC Docket No. W-02192A-13-0336

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

Payson Water Company
ACC Docket No. W-03514A-13-0111
ACC Docket No. W-03514A-13-0142

Goodman Water Company

FUNCTION

schedules and testified on Rate Base,
Plant, Income Statement, Revenue
Requirement, Rate Design, and Cost of
Capital.

Permanent Rate Application – Prepared
rate designs and cost of Service studies for
Mohave Water District, Mohave
Wastewater District, Paradise Valley
Water District, Tubac Water District, and
Sun City Water District.

Permanent Rate Application – Assist in
preparing required rate application
schedules for Rate Base, Plant, Income
Statement, Revenue Requirement, and
Rate Design.

Certificate of Convenience and Necessity
– Water. Prepared pro-forma balance
sheets, income statements, plant
schedules, rate base, and initial rates.

Permanent Rate Application – Water.
Prepared short-form schedules for Rate
Base, Income Statement, Plant, Bill
Counts, and Rate Design.

Permanent Rate Application – Water and
Sewer. Prepared schedules and testified
on Rate Base, Plant, Income Statement,
Revenue Requirement, Rate Design, and
Cost of Capital.

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, and Cost of
Capital.

Financing Application. Prepared financial
ratios and debt surcharge mechanism.

Valuation

COMPANY/CLIENT

Verde Santa Fe Wastewater
ACC Docket No. SW-03437A-13-0292

Lago Del Oro Water Company
ACC Docket No. W-01944A-13-0215

Chaparral City Water Company
ACC Docket No. W-02113A-13-0118

Las Quintas Serenas Water Company
ACC Docket No. W-01583A-13-0117

Southwest Environmental Utilities, Inc.
ACC Docket No. WS-20878A-13-0065

Litchfield park Service Company
ACC Docket No. SW-01428A-13-0043
ACC Docket No. W-01428A-13-0042

Beaver Dam Water Company
ACC Docket No. WS-03067A-12-0232

Rio Rico Utilities
ACC Docket No. WS-02676A-12-0196

Vail Water Company
ACC Docket No. W-01651B-12-0339

FUNCTION

Permanent Rate Application – Sewer.
Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Permanent Rate Application – Water.
Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Permanent Rate Application – Prepared and testified on cost of service study.

Permanent Rate Application – Water.
Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Certificate of Convenience and Necessity – Water and Wastewater. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and initial rates.

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue

COMPANY/CLIENT

FUNCTION

Avra Water Co-Op.
ACC Docket No. W-02126A-11-0480

Requirement, Cost of Service, Rate Design, and Cost of Capital.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Pima Utility Company
ACC Docket No. W-02199A-11-0329
ACC Docket No. SW-02199A-11-0330

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Work on financing application.

Liberty Utilities (CALPECO Electric, LLC)
Docket No. 11202020

Work on preparation of permanent rate application. Prepared schedules on Rate Base, Plant, Income Statement, Revenue Requirement.

Livco Water Company
ACC Docket No. SW-02563A-11-0213

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Orange Grove Water Company
ACC Docket No. W-02237A-11-0180

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Goodman Water Company
ACC Docket No. W-02500A-10-0382

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Doney Park Water
ACC Docket No. W-01416A-10-0450

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Grimmelmann, et. al. v. Pulte Home Corporation, et. al., case no. CV-08-1878-PHX-FJM, the United States District Court

Consultant to defendant and expert witness for defendant on rates and ratemaking.

COMPANY/CLIENT

for the District of Arizona.

FUNCTION

Southern Arizona Home Builders
Association

Consultant on ratemaking aspects to line
extension policies (electric).

H2O Water Company

Valuation

Tierra Linda HOA Water Company

Valuation

Las Quintas Serenas Water Company
ACC Docket No. W-01583A-09-0589

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, and Cost of
Capital.

Coronado Utilities
ACC Docket No. SW-04305A-09-0291

Permanent Rate Application –
Wastewater. Prepared schedules and
testified on Rate Base, Plant, Income
Statement, Revenue Requirement, Rate
Design, and Cost of Capital.

Little Park Water Company
ACC Docket No. W-02192A-09-0531

Permanent Rate Application. Prepared
schedules on Plant, Income Statement,
Revenue Requirement, and Rate Design.

Sahuarita Water Company
ACC Docket No. W-03718A-09-0359

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, Cost of
Service, and Cost of Capital.

Bella Vista Water Company
Southern Sunrise Water Company
Northern Sunrise Water Company
ACC Docket No. W-02465A-09-0414
ACC Docket No. W-02453A-09-0414
ACC Docket No. W-02454A-09-0414

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, Cost of
Service, and Cost of Capital.

Rio Rico Utilities, Inc
ACC Docket No. WS-02676A-09-0257

Permanent Rate Application – Water and
Sewer. Prepared schedules and testified
on Rate Base, Plant, Income Statement,
Revenue Requirement, Rate Design, and
Cost of Capital.

COMPANY/CLIENT

Litchfield park Service Company
ACC Docket No. SW-01428A-09-0103
ACC Docket No. W-01428A-09-0104

Town of Thatcher v. City of Safford, CV
2007-240, Superior Court of Arizona

Valencia Water Company
California Public Utility Commission Case
No. 09-05-002

Valley Utilities
ACC Docket No. W-01412A-08-0586

Black Mountain Sewer Company
ACC Docket No. SW-02361A-08-0609

Far West Water and Sewer Company
ACC Docket No. WS-03478A-08-0608

Farmers Water Company
ACC Docket No. W-01654A-08-0502

Far West Water and Sewer Company
ACC Docket No. WS-03478A-08-0454

Ridgeline Water Company, LLC
ACC Docket No. W-20589A-08-0173

FUNCTION

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.

Consultant to plaintiff on ratemaking and cost of service.

Cost of Capital

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Interim Rate Application (Emergency Rates)

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application. Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rates.

COMPANY/CLIENT

Sacramento Utilities, Inc.
ACC Docket No. SW-20576A-08-0067

Johnson Utilities
ACC Docket No. WS-02987A-08-0180

Orange Grove Water Company
ACC Docket No. W-02237A-08-0455

Far West Water and Sewer Company
ACC Docket No. WS-03478A-07-0442

Oak Creek Water No.1
ACC Docket No. W-01392A-07-0679

ICR Water Users Association
Docket W-02824-07-0388

Johnson Utilities

H2O, Inc
ACC Docket No. W-02234A-07-0550

Chaparral City Water Company
ACC Docket No. W-02113A-07-0551

FUNCTION

Certificate of Convenience and Necessity – Wastewater. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Permanent Rate Application. Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.

Participate in 40-252 proceeding.

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Financing Application. Prepare schedules to support application.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Valuation consultant in the matter of the sale of Johnson Utilities assets to the Town of Florence.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

COMPANY/CLIENT

Valley Utilities
ACC Docket No. W-01412A-07-0561

Valley Utilities
ACC Docket No. W-01412A-07-280

Valley Utilities
ACC Docket No. W-01412A-07-0278

Litchfield Park Service Company
ACC Docket No. W-01427A-06-0807

Golden Shores Water Company
ACC Docket No. W-01815A-07-0117

Diablo Village Water Company
ACC Docket No. W-02309A-07-0140

Diablo Village Water Company
ACC Docket No. W-02309A-07-0399

Sahuarita Water Company
(Rancho Sahuarita Water Co.)
ACC Docket No. W-03718A-07-0687

Utility Source, L.L.C.
ACC Docket No. WS-04235A-06-0303

FUNCTION

Financing Application. Prepare schedules to support application.

Emergency Rate Application. Prepare schedules to support application.

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Permanent Rate Application. Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Off-site facilities hook-up fee application. Prepare schedules to support application.

Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Permanent Rate Application- Water and Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

COMPANY/CLIENT

Tierra Buena Water Company

Goodman Water Company
ACC Docket No. W-02500A-06-0281

Links at Coyote Wash Utilities
ACC Docket No. SW-04210A-06-0220

New River Utilities
ACC Docket No. W-0173A-06-0171

Johnson Utilities
ACC Docket No. WS-02987A-04-0501
Docket WS-02987A-04-0177

Bachmann Springs Utility
ACC Docket No. WS-03953A-07-0073

Avra Water Cooperative
ACC Docket No. W-02126A-06-0234

Gold Canyon Sewer Company
ACC Docket No. SW-025191A-06-0015

*State of Arizona v. Far West Water and
Sewer, No. 1 CA-CR 06-0160*

Far West Water and Sewer Company

FUNCTION

Valuation of Tierra Buena Water
Company for estate purposes.

Permanent Rate Application (Class C).
Water. Prepared schedules and testified
on Rate Base, Plant, Income Statement,
and Cost of Capital.

Certificate of Convenience and Necessity
– Sewer. Prepared pro-forma balance
sheets, income statements, plant
schedules, rate base, financing, and initial
rate design.

Extension Certificate of Convenience and
Necessity – Water. Prepared pro-forma
balance sheets, income statements, plant
schedules, rate base, and financing.

Extension of Certificate of Convenience
and Necessity – Sewer. Prepared pro-
forma balance sheets, income statements,
plant schedules, rate base, financing, and
initial rate design.

Permanent Rate Application – Water and
Sewer. Prepared short-form schedules for
Rate Base, Income Statement, Plant, Bill
Counts, and Rate Design.

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, and Rate Design.

Permanent Rate Application – Sewer.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, and Cost of
Capital.

Expert witness on behalf of defendant in
penalty phase of case.

Permanent Rate Application – Sewer.

COMPANY/CLIENT

ACC Docket No. WS-03478A-05-0801

Black Mountain Sewer Company
ACC Docket No. SW-02361A-05-0657

Balterra Sewer Company
ACC Docket No. SW-02304A-05-0586

Community Water Company of Green
Valley
ACC Docket No. W-02304A-05-0830

McClain Water Systems
Northern Sunrise Water
Southern Sunrise Water
ACC Docket No. W-020453A-06-0251

Valley Utilities Water Company
ACC Docket No. W-01412A-04-0376

Valley Utilities Water Company
ACC Docket No. W-01412A-04-0376

Beardsley Water Company
ACC Docket No. W-02074A-04-0358

Pine Water Company, Inc.
ACC Docket No. W-03512A-03-0279

FUNCTION

Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Off-site facilities hook-up fee application. Prepare schedules to support application.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base,

COMPANY/CLIENT

FUNCTION

Chaparral City Water Company
ACC Docket No. W-02113A-04-0616

Plant, Income Statement, Cost of Capital,
and Rate Design.

Permanent Rate Application. Prepared
schedules and testified on Rate Base,
Plant, and Income Statement. Assisted in
preparation Rate Design.

Tierra Linda Home Owners Association
ACC Docket No. W-0423A-04-0075

Certificate of Convenience and Necessity
– Water. Prepared pro-forma balance
sheets, income statements, plant
schedules, rate base, financing, and initial
rate design.

Diamond Ventures - Red Rock Utilities
ACC Docket No. WS-04245A-04-0184

Certificate of Convenience and Necessity
– Water and Sewer. Prepared pro-forma
balance sheets, income statements, plant
schedules, rate base, financing, and initial
rate design.

Arizona-American Water Company, Inc.
ACC Docket No. WS-01303A-02-0867
ACC Docket No. WS-01303A-02-0868
ACC Docket No. WS-01303A-02-0869
ACC Docket No. WS-01303A-02-0870
ACC Docket No. WS-01303A-02-0908

Permanent Rate Application Water and
Sewer (10 divisions). Prepared schedules
and testimony on Rate Base, Plant,
Income Statement, and Revenue
Requirement. Assisted in preparation of
Rate Design.

Bella Vista Water Company, Inc.
ACC Docket No. W-02465A-01-0776

Permanent Rate Application - Water.
Prepared schedules and testimony on Rate
Base, Plant, Income Statement, and
Revenue Requirement. Assisted in
preparation of Cost of Capital and Rate
Design.

Green Valley Water Company
Docket (2000 Not Filed)

Permanent Rate Application. Prepared
schedules and testimony on Rate Base,
Plant, Income Statement, and Revenue
Requirement. Assisted in preparation of
Cost of Capital and Rate Design.

Gold Canyon Sewer Company
ACC Docket No. SW-02519A-00-0638

Permanent Rate Application - Sewer.
Prepared schedules and testimony on Rate

COMPANY/CLIENT

FUNCTION

Rio Verde Utilities, Inc.
ACC Docket No. WS-02156A-00-0321

Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Permanent Rate Application – Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Livco Water Company
Livco Sewer Company
ACC Docket No. SW-02563A-05-0820

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Livco Water Company
ACC Docket No. SW-02563A-07-0506

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Cave Creek Sewer Company

Revenue Requirement, Rate Adjustment and Rate Design - Sewer.

Avra Water Cooperative
ACC Docket No. W-02126A-00-0269

Permanent Rate Application – Water. Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Town of Oro Valley

Revenue Requirements, Water Rate Adjustments and Rate Design.

Far West Water Company
ACC Docket No. WS-03478A-99-0144

Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.

MHC Operating Limited Partnership
Sedona Venture Wastewater
ACC Docket No. W-

Permanent Rate Application – Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Vail Water Company

Permanent Rate Application. Assisted in

COMPANY/CLIENT

ACC Docket No. W-01651B-99-0406

E&T Water Company

ACC Docket No. W-01409A-95-0440

New River Utility

ACC Docket No. W-01737A-99-0633

Golden Shores Water

ACC Docket No. W-01815A-98-0645

Ponderosa Utility Company

ACC Docket No. W-01717A-99-0572

Chaparral City Water Company

Docket (1999 Not Filed)

FUNCTION

preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Permanent Rate Application - Water.
Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Permanent Rate Application - Water.
Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Permanent Rate Application – Water.
Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Permanent Rate Application – Water.
Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Permanent Rate Application - Water.
Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

RATE BASE SCHEDULES

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule A-1
 Page 1
 Witness: Bourassa

Line No.					
1	Fair Value Rate Base			\$	8,861,632
2					
3	Adjusted Operating Income			\$	340,290
4					
5	Current Rate of Return				3.84%
6					
7	Required Operating Income			\$	762,189
8					
9	Required Rate of Return on Fair Value Rate Base				8.60%
10					
11	Operating Income Deficiency			\$	421,899
12					
13	Gross Revenue Conversion Factor				1.6209
14					
15	Increase in Gross Revenue Requirement			\$	683,836
16					
17	Adjusted Test Year Revenues			\$	3,032,792
18	Increase in Gross Revenue Revenue Requirement			\$	683,836
19	Proposed Revenue Requirement			\$	3,716,628
20	% Increase				22.55%
21					
22					
23	Customer				
24	Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
25	5/8X3/4 Inch Residential	\$ 2,380,134	\$ 2,931,588	\$ 551,454	23.17%
26	3/4 Inch Residential	4,550	5,561	1,011	22.21%
27	1 Inch Residential	31,958	38,968	7,010	21.94%
28	1 1/2 Inch Residential	5,704	6,948	1,244	21.82%
29	2 Inch Residential	6,720	8,180	1,460	21.72%
30	Subtotal	2,429,066	2,991,245	562,179	23.14%
31		-	-	-	0.00%
32	5/8X3/4 Inch Commercial	47,700	58,980	11,279	23.65%
33	1 Inch Commercial	99,874	123,080	23,206	23.24%
34	1 1/2 Inch Commercial	19,775	24,088	4,313	21.81%
35	2 Inch Commercial	144,375	177,547	33,172	22.98%
36	3 Inch Commercial	37,364	45,536	8,172	21.87%
37	4 Inch Commercial	56,854	70,800	13,946	24.53%
38	Subtotal	405,943	500,032	94,089	23.18%
39		-	-	-	0.00%
40	5/8X3/4 Inch School	383	469	86	22.59%
41	1 1/2 Inch School	969	1,183	214	22.10%
42	2 Inch School	31,055	37,812	6,757	21.76%
43	3 Inch School	62,589	77,460	14,872	23.76%
44	4 Inch School	12,624	15,632	3,008	23.83%
45	6 Inch School	30,503	37,244	6,741	22.10%
46	Subtotal	138,122	169,800	31,679	22.94%
47		-	-	-	0.00%
48	5/8X3/4 Inch Industrial	3,095	3,808	713	23.04%
49	2 Inch Industrial	33,159	40,872	7,713	23.26%
50	Subtotal	36,254	44,680	8,426	23.24%
51		-	-	-	0.00%
52	5/8X3/4 Inch Multi-family	3,659	4,505	846	23.12%
53	1 1/2 Inch Multi-family	1,258	1,533	275	21.82%
54	Subtotal	4,917	6,038	1,121	22.79%
55		-	-	-	0.00%
56	6 Inch Bulk	36,310	43,076	6,766	18.63%
57	Fire Lines up to 8 Inch	1,085	1,085	-	0.00%
58					
59	Declining Usage Adjustment	(96,762)	(120,004)	(23,242)	24.02%
60	Revenue Annualization	27,094	32,279	5,185	19.14%
61	Subtotal	\$ 2,982,030	\$ 3,668,232	\$ 686,202	23.01%
62					
63	Other Water Revenues	48,254	48,254	-	0.00%
64	Reconciling Amount	2,508	142	(2,366)	-94.34%
65					
66	Total of Water Revenues	\$ 3,032,792	\$ 3,716,628	\$ 683,836	22.55%
67					

68
 69 SUPPORTING SCHEDULES:
 70 B-1
 71 C-1
 72 C-3
 73 H-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Summary of Results of Operations

Exhibit
 Schedule A-2
 Page 1
 Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		12/31/2012	12/31/2013	Actual 12/31/2014	Adjusted 12/31/2014	Present Rates 12/31/2015	Proposed Rates 12/31/2015
1	Gross Revenues	\$ 2,800,671	\$ 3,032,259	\$ 3,102,459	\$ 3,032,792	\$ 3,032,792	\$ 3,716,628
2							
3	Revenue Deductions and	2,068,280	2,092,811	2,562,254	2,692,502	2,692,502	2,954,439
4	Operating Expenses						
5							
6	Operating Income	\$ 732,391	\$ 939,448	\$ 540,205	\$ 340,290	\$ 340,290	\$ 762,189
7							
8	Other Income and	-	6,193	4,545	4,545	4,545	4,545
9	Deductions						
10							
11	Interest Expense	37,827	(12,306)	(10,405)	(92,250)	(92,250)	(92,250)
12							
13	Net Income	\$ 770,218	\$ 933,334	\$ 534,344	\$ 252,585	\$ 252,585	\$ 674,484
14							
15	Common Shares	1,000	1,000	1,000	1,000	1,000	1,000
16							
17	Earned Per Average						
18	Common Share	770.22	933.33	534.34	252.58	252.58	674.48
19							
20	Dividends Paid	-	-	-	-	-	-
21							
22	Dividends Per						
23	Common Share	-	-	-	-	-	-
24							
25	Payout Ratio	-	-	-	-	-	-
26							
27	Return on Average						
28	Invested Capital	3.54%	4.17%	2.29%	1.08%	1.06%	2.82%
29							
30	Return on Year End						
31	Capital	3.52%	4.08%	2.25%	1.08%	1.04%	2.77%
32							
33	Return on Average						
34	Common Equity	10.23%	10.04%	4.95%	2.46%	2.18%	5.72%
35							
36	Return on Year End						
37	Common Equity	9.09%	9.22%	4.66%	2.43%	2.16%	5.56%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	(19.36)	76.34	51.92	5.28	5.28	12.57
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	(19.36)	76.84	52.35	3.74	3.74	8.31
45							
46							
47							
48							
49							
50	<u>SUPPORTING SCHEDULES</u>						
51	C-1						
52	E-2						
53	F-1						
54							

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Summary of Capital Structure

Exhibit
 Schedule A-3
 Page 1
 Witness: Bourassa

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		12/31/2012	12/31/2013	12/31/2014	12/31/2015
1	Description:				
2					
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	-	-	4,924,545
5					
6	Total Debt	\$ -	\$ -	\$ -	\$ 4,924,545
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	8,470,297	10,125,334	11,459,457	11,490,604
12					
13					
14	Total Capital & Debt	\$ 8,470,297	\$ 10,125,334	\$ 11,459,457	\$ 16,415,149
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	0.00%	0.00%	30.00%
20					
21	Total Debt	0.00%	0.00%	0.00%	30.00%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	100.00%	100.00%	70.00%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	0.00%	0.00%	1.04%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	<u>SUPPORTING SCHEDULES:</u>				
46	E-1				
47	D-1				
48					
49					
50					

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		<u>Construction Expenditures</u>	<u>Net Plant Placed in Service</u>	<u>Gross Utility Plant in Service</u>
1				
2				
3				
4	Prior Year Ended 12/31/2012	726,935	726,935	36,622,679
5				
6	Prior Year Ended 12/31/2013	(719,808)	(1,137,246)	35,485,434
7				
8	Test Year Ended 12/31/2014	2,949,040	869,492	36,354,926
9				
10	Projected Year Ended 12/31/2015	1,391,146	1,391,146	37,746,072
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	<u>SUPPORTING SCHEDULES:</u>			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Summary Statements of Cash Flows

Exhibit
 Schedule A-5
 Page 1
 Witness: Bourassa

Line No.		Prior Year Ended 12/31/2012	Prior Year Ended 12/31/2013	Test Year Ended 12/31/2014	Projected Year Present Rates 12/31/2015	Projected Year Proposed Rates 12/31/2015
5	Cash Flows from Operating Activities					
6	Net Income	\$ 770,218	\$ 933,334	\$ 534,344	\$ 252,585	\$ 674,484
7	Adjustments to reconcile net income to net cash provided by operating activities:					
8	Depreciation and Amortization	105,427	(90,293)	564,167	562,211	562,211
9	Other -Adjustments	(453,776)	(2,447,986)	(524,116)		
11	Changes in Certain Assets and Liabilities:					
12	Accounts Receivable	(83,946)	(116,368)	(59,170)		
13	Unbilled Revenues	-	-	-		
14	Materials and Supplies Inventory	-	-	-		
15	Prepaid Expenses	1,890	243	(1,508)		
16	Deferred Charges	(243,205)	-	(130,278)		
17	Notes Receivable	1,192,778	(337,398)	52,976		
18	Accounts Payable	-	-	-		
19	Intercompany payable	2,140	(2,128)	(750)		
20	Customer Meter Deposits	6,177	(3,480)	(105,701)		
21	Taxes Payable	(806)	1,471	20,722		
22	Other assets and liabilities	(2,086,063)	(215,708)	1,605,896		
23	Rounding	-	-	-		
24	Net Cash Flow provided by Operating Activities	\$ (789,166)	\$ (2,278,313)	\$ 1,956,582	\$ 814,796	\$ 1,236,695
25	Cash Flow From Investing Activities:					
26	Capital Expenditures	(726,935)	719,808	(2,949,040)	(1,391,146)	(1,391,146)
27	Plant Held for Future Use	-	-	-		
28	Changes in debt reserve fund	-	-	-		
29	Net Cash Flows from Investing Activities	\$ (726,935)	\$ 719,808	\$ (2,949,040)	\$ (1,391,146)	\$ (1,391,146)
30	Cash Flow From Financing Activities					
31	Change in Restricted Cash	-	-	-		
32	Proceeds from Long-Term Debt	-	-	-		
33	Net receipt of contributions in aid of construction	13,034	318,511	(784,430)	(150,962)	(150,962)
34	Net receipts of advances in aid of construction	(56,732)	(27,465)	966,492	294,098	294,098
35	Repayments of Long-Term Debt	-	-	-	-	-
36	Distributions/Dividends Paid	-	-	-	-	-
37	Deferred Financing Costs	-	-	-	-	-
38	Paid in Capital	933,260	536,507	799,778	-	-
39	Net Cash Flows Provided by Financing Activities	\$ 889,562	\$ 827,553	\$ 981,840	\$ 143,137	\$ 143,137
40	Increase(decrease) in Cash and Cash Equivalents	(626,539)	(730,952)	(10,618)	(433,213)	(11,314)
41	Cash and Cash Equivalents at Beginning of Year	39,401	(587,138)	(1,318,089)	(1,328,708)	(1,328,708)
42	Cash and Cash Equivalents at End of Year	\$ (587,138)	\$ (1,318,089)	\$ (1,328,708)	\$ (1,761,921)	\$ (1,340,022)

47 SUPPORTING SCHEDULES:

- 48 E-3
- 49 F-2
- 50
- 51

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Summary of Rate Base

Exhibit
 Schedule B-1
 Page 1
 Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 37,384,534	\$ 37,384,534
3	Less: Accumulated Depreciation	16,309,712	16,309,712
4			
5	Net Utility Plant in Service	\$ 21,074,821	\$ 21,074,821
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	976,558	976,558
9			
10	Contributions in Aid of Construction	20,261,911	20,261,911
11			
12	Accumulated Amortization of CIAC	(10,388,151)	(10,388,151)
13			
14	Customer Meter Deposits	332,034	332,034
15	Customer Security Deposits	-	-
16	Accumulated Deferred Income Tax	1,121,537	1,121,537
17			
18			
19	<u>Plus:</u>		
20			
21	Deferred Regulatory Assets TCE Plume	-	-
22	Prepayments	1,508	1,508
23	Materials and Supplies	-	-
24	Working capital	89,192	89,192
25			
26	Total Rate Base	\$ 8,861,632	\$ 8,861,632
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	<u>SUPPORTING SCHEDULES:</u>		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Actual at End of <u>Test Year</u>	Proforma <u>Adjustment</u>	Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 36,354,926	1,029,608	\$ 37,384,534
3				
4	Less:			
5	Accumulated			
6	Depreciation	15,881,917	427,795	16,309,712
7				
8				
9	Net Utility Plant			
10	in Service	\$ 20,473,009		\$ 21,074,821
11				
12	Less:			
13	Advances in Aid of			
14	Construction	960,148	16,410	976,558
15				
16	Contributions in Aid of			
17	Construction - Gross	20,267,791	(5,880)	20,261,911
18				
19	Accumulated Amortization of CIAC	(11,040,770)	652,619	(10,388,151)
20				
21	Customer Meter Deposits	332,034	-	332,034
22	Customer Security Deposits	-	-	-
23	Accumulated Deferred Income Tax	-	1,121,537	1,121,537
24				
25				
26				
27	Plus:			
28				
29	Deferred Regulatory Assets TCE Plume	-		-
30	Prepayments	1,508		1,508
31	Materials and Supplies	-		-
32	Working capital	-	89,192	89,192
33				
34				
35	Total	<u>\$ 9,955,313</u>		<u>\$ 8,861,632</u>

46 SUPPORTING SCHEDULES:
 47 B-2, page 2
 48 E-1

RECAP SCHEDULES:
 B-1

49
 50
 51

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Actual at End of Test Year	1	Plant-in-Service	2	Accumulated Depreciation	3	CIAC	4	AIAC	5	ADIT	6	Cash Working Capital	Adjusted at end of Test Year
1	Gross Utility													
2	Plant in Service	\$ 36,354,926	1,029,608											\$ 37,384,534
3														
4	Less:													
5	Accumulated Depreciation	15,881,917		427,795										16,309,712
6														
7														
8														
9	Net Utility Plant in Service	\$ 20,473,009	\$ 1,029,608	\$ (427,795)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,074,821
10														
11														
12	Less:													
13	Advances in Aid of Construction	960,148						16,410						976,558
14														
15														
16	Contributions in Aid of Construction (CIAC)	20,267,791			(5,880)									20,261,911
17														
18														
19	Accumulated Amort of CIAC	(11,040,770)			652,619									(10,388,151)
20														
21	Customer Meter Deposits	332,034												332,034
22	Customer Security Deposits	-												-
23	Accumulated Deferred Income Taxes	-								1,121,537				1,121,537
24														
25														
26	Plus:													
27														
28	Deferred Regulation Assets	-												-
29	Prepayments	1,508												1,508
30	Materials and Supplies	-												-
31	Allowance for Cash Working Capital	-										89,192		89,192
32														
33	Total	\$ 9,955,313	\$ 1,029,608	\$ (427,795)	\$ (646,739)	\$ (646,739)	\$ (16,410)	\$ (1,121,537)	\$ 89,192	\$ 8,861,632				
34														
35														
36														
37														
38														
39														
40														
41														

SUPPORTING SCHEDULES:
 B-2, pages 3-7
 E-1

RECAP SCHEDULES:
 B-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1

Exhibit
 Schedule B-2
 Page 3
 Witness: Bourassa

Line No.	Acct. Description	Plant-in-Service					Adjustments		Adjusted Original Cost
		A	B	C	D	E			
		Actual Original Cost	Affiliate Profit	PTY Plant	Allocated Corporate Plant	Adjustments to Reconcile Plant to Reconstruction	Intentionally Left Blank		
1	101 Plant-in-Service	36,941	-	-	-	(38,941)	-	-	
2	301 Organization Cost	-	-	-	-	5,785	-	5,785	
3	302 Franchise Cost	417	-	-	-	-	-	417	
4	303 Land and Land Rights	45,975	(7)	-	-	-	-	45,968	
5	304 Structures and Improvements	3,145,518	(19)	9,954	-	(124,740)	-	3,030,713	
6	305 Collecting and Impounding Res.	-	-	-	-	-	-	-	
7	306 Lake River and Other Intakes	-	-	-	-	-	-	-	
8	307 Wells and Springs	464,558	-	-	-	41,340	-	505,898	
9	308 Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	
10	309 Supply Mains	272,500	-	-	-	2	-	272,502	
11	310 Power Generation Equipment	218,988	-	-	-	373	-	219,360	
12	311 Electric Pumping Equipment	1,688,960	(204)	10,993	-	252,621	-	1,952,570	
13	320 Water Treatment Equipment	384,862	-	-	-	(14,886)	-	369,996	
14	320.1 Water Treatment Plant	-	-	-	-	92	-	92	
15	320.2 Chemical Solution Feeders	-	-	-	-	4,975	-	4,975	
16	330 Dist. Reservoirs & Standpipe	760,531	-	-	-	(1,211)	-	759,320	
17	330.1 Storage tanks	-	-	-	-	1,066	-	1,066	
18	330.2 Pressure Tanks	-	-	-	-	144	-	144	
19	331 Trans. and Dist. Mains	22,854,490	(432)	28,121	-	(122,716)	-	22,759,460	
20	333 Services	3,850,509	(822)	206,351	-	(21,250)	-	4,034,788	
21	334 Meters	1,188,305	(160)	556,039	-	(47,800)	-	1,696,383	
22	335 Hydrants	635,021	(13)	860	-	(0)	-	635,868	
23	336 Backflow Prevention Devices	10,198	-	-	-	5,658	-	15,855	
24	339 Other Plant and Misc. Equip.	145,475	-	-	-	(21,696)	-	123,778	
25	340 Office Furniture and Fixtures	115,475	(6)	398	-	(0)	-	115,867	
26	340.1 Computers and Software	-	-	-	-	76,919	-	76,919	
27	341 Transportation Equipment	141,868	(17)	-	-	-	-	141,853	
28	342 Stores Equipment	-	-	-	-	-	-	-	
29	343 Tools and Work Equipment	94,119	(107)	3,651	-	-	-	97,663	
30	344 Laboratory Equipment	3,061	-	-	-	(0)	-	3,061	
31	345 Power Operated Equipment	-	-	-	-	-	-	-	
32	346 Communications Equipment	295,136	(34)	-	-	(76,919)	-	218,183	
33	347 Miscellaneous Equipment	-	-	-	-	5,427	-	5,427	
34	347 Other Tangible Plant	-	-	-	-	-	-	-	
35	348 SUBTOTAL	36,354,926	(1,821)	816,367	-	(75,558)	-	37,093,913	
36	903 Land and Land Rights	-	-	-	13,956	-	-	13,956	
37	904 Structures and Improvements	-	-	-	151,457	-	-	151,457	
38	940 Office Furniture and Fixtures	-	-	-	36,336	-	-	36,336	
39	940.1 Computers and Software	-	-	-	86,871	-	-	86,871	
40	TOTALS	\$ 36,354,926	\$ (1,821)	\$ 816,367	\$ 290,620	\$ (75,558)	\$ -	\$ 37,384,534	
41	Plant-in-Service per Books							\$ 36,354,926	
42	Increase (decrease) in Plant-in-Service							\$ 1,029,608	
43	Adjustment to Plant-in-Service							\$ 1,029,608	

RECAP SCHEDULES:
 B-2, page 2

SUPPORTING SCHEDULES
 B-2, pages 3.1 to 3.4

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - A

Exhibit
 Schedule B-2
 Page 3.1
 Witness: Bourassa

Line

No.

1 Remove Affiliate Profit

2

3

4 Acct.

5 No.

6 Description

7 2012

8 2013

9 2014

10 Total

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	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
6 301 Organization Cost	\$ -	\$ -		\$ -
7 302 Franchise Cost	-	-		-
8 303 Land and Land Rights	(7)	-		(7)
9 304 Structures and Improvements	(19)	-		(19)
10 305 Collecting and Impounding Res.	-	-		-
11 306 Lake River and Other Intakes	-	-		-
12 307 Wells and Springs	-	-		-
13 308 Infiltration Galleries and Tunnels	-	-		-
14 309 Supply Mains	-	-		-
15 310 Power Generation Equipment	-	-		-
16 311 Electric Pumping Equipment	(196)	(7)		(204)
17 320 Water Treatment Equipment	-	-		-
18 320.1 Water Treatment Plant	-	-		-
19 320.2 Chemical Solution Feeders	-	-		-
20 330 Dist. Reservoirs & Standpipe	-	-		-
21 330.1 Storage tanks	-	-		-
22 330.2 Pressure Tanks	-	-		-
23 331 Trans. and Dist. Mains	(86)	(327)	(20)	(432)
24 333 Services	(773)	(50)		(822)
25 334 Meters	(158)	(2)		(160)
26 335 Hydrants	(13)	-		(13)
27 336 Backflow Prevention Devices	-	-		-
28 339 Other Plant and Misc. Equip.	-	-		-
29 340 Office Furniture and Fixtures	(6)	-		(6)
30 340.1 Computers and Software	-	-		-
31 341 Transportation Equipment	(17)	-		(17)
32 342 Stores Equipment	-	-		-
33 343 Tools and Work Equipment	(107)	-		(107)
34 344 Laboratory Equipment	-	-		-
35 345 Power Operated Equipment	-	-		-
36 346 Communications Equipment	(34)	-		(34)
37 347 Miscellaneous Equipment	-	-		-
38 348 Other Tangible Plant	-	-		-
39				
40				
41				
42				
43				
44				
45				
TOTALS	\$ (1,415)	\$ (386)	\$ (20)	\$ -
	\$ -	\$ -	\$ -	\$ (1,821)

SUPPORTING SCHEDULE

Work papers

RECAP SCHEDULES:

B-2, page 3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - B

Exhibit
 Schedule B-2
 Page 3.2
 Witness: Bourassa

Line No.	Acct. Description	Original Cost
1	<u>Post-Test Year Plant</u>	
2		
3		
4	Acct. Description	Original Cost
5		
6	101 Plant-in-Service	-
7	301 Organization Cost	-
8	302 Franchise Cost	-
9	303 Land and Land Rights	-
10	304 Structures and Improvements	9,954
11	305 Collecting and Impounding Res.	-
12	306 Lake River and Other Intakes	-
13	307 Wells and Springs	-
14	308 Infiltration Galleries and Tunnels	-
15	309 Supply Mains	-
16	310 Power Generation Equipment	-
17	311 Electric Pumping Equipment	10,993
18	320 Water Treatment Equipment	-
19	320.1 Water Treatment Plant	-
20	320.2 Chemical Solution Feeders	-
21	330 Dist. Reservoirs & Standpipe	-
22	330.1 Storage tanks	-
23	330.2 Pressure Tanks	-
24	331 Trans. and Dist. Mains	28,121
25	333 Services	206,351
26	334 Meters	556,039
27	335 Hydrants	860
28	336 Backflow Prevention Devices	-
29	339 Other Plant and Misc. Equip.	-
30	340 Office Furniture and Fixtures	398
31	340.1 Computers and Software	-
32	341 Transportation Equipment	-
33	342 Stores Equipment	-
34	343 Tools and Work Equipment	3,651
35	344 Laboratory Equipment	-
36	345 Power Operated Equipment	-
37	346 Communications Equipment	-
38	347 Miscellaneous Equipment	-
39	348 Other Tangible Plant	-
40		
41	TOTALS	\$ 816,367
42		
43		

44 SUPPORTING SCHEDULE
 45 Work papers
 46 Testimony

RECAP SCHEDULES:
 B-2, page 3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - C

Exhibit
 Schedule B-2
 Page 3.3
 Witness: Bourassa

Line No.		[1]	[2]	[3]	[4] = [1]x[2]x[3]
	Acct. No. Description	Original Cost	Liberty Utilities Factor	Rio Rico Water Factor	Allocated Original Cost
1	<u>Corporate Plant</u>				
2					
3					
4					
5					
6	903 Land and Land Rights	1,396,196	15.64%	6.39%	13,956
7	904 Structures and Improvments	12,560,664	15.64%	6.39%	125,550
8	940.1 Computers and Software	2,187,630	15.64%	6.39%	21,866
9					
10					
11	<u>LU Sub-Corp. Plant</u>				
12					
13	903 Land and Land Rights	-		6.39%	-
14	904 Structures and Improvments	405,370		6.39%	25,907
15	940 Office Furniture and Equipment	257,704		6.39%	16,470
16	940.1 Computers and Software	1,359,281		6.39%	86,871
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41	TOTALS	\$ 18,166,846			\$ 290,620
42					
43					
44	<u>SUPPORTING SCHEDULE</u>			<u>RECAP SCHEDULES:</u>	
45	Work papers			B-2, page 3	
46					

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - D

Exhibit
 Schedule B-2
 Page 3.4
 Witness: Bourassa

Line
 No.

Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Original Cost	B-2 Adjustments	Adjusted Original Cost	Plant Per Reconstruction	Difference
6	101	Plant-in-Service	38,941	-	38,941	-	(38,941)
7	301	Organization Cost	-	-	-	5,785	5,785
8	302	Franchise Cost	417	-	417	417	-
9	303	Land and Land Rights	45,975	(7)	45,968	45,968	-
10	304	Structures and Improvements	3,145,518	9,935	3,155,453	3,030,713	(124,740)
11	305	Collecting and Impounding Res.	-	-	-	-	-
12	306	Lake River and Other Intakes	-	-	-	-	-
13	307	Wells and Springs	464,558	-	464,558	505,898	41,340
14	308	Infiltration Galleries and Tunnels	-	-	-	-	-
15	309	Supply Mains	272,500	-	272,500	272,502	2
16	310	Power Generation Equipment	218,988	-	218,988	219,360	373
17	311	Electric Pumping Equipment	1,688,960	10,789	1,699,749	1,952,570	252,821
18	320	Water Treatment Equipment	384,882	-	384,882	369,996	(14,886)
19	320.1	Water Treatment Plant	-	-	-	92	92
20	320.2	Chemical Solution Feeders	-	-	-	4,975	4,975
21	330	Dist. Reservoirs & Standpipe	760,531	-	760,531	759,320	(1,211)
22	330.1	Storage tanks	-	-	-	1,066	1,066
23	330.2	Pressure Tanks	-	-	-	144	144
24	331	Trans. and Dist. Mains	22,854,490	27,689	22,882,179	22,759,460	(122,718)
25	333	Services	3,850,509	205,529	4,056,038	4,034,788	(21,250)
26	334	Meters	1,188,305	555,878	1,744,183	1,696,383	(47,800)
27	335	Hydrants	635,021	847	635,868	635,868	(0)
28	336	Backflow Prevention Devices	10,198	-	10,198	15,855	5,658
29	339	Other Plant and Misc. Equip.	145,475	-	145,475	123,778	(21,696)
30	340	Office Furniture and Fixtures	115,475	392	115,867	115,867	(0)
31	340.1	Computers and Software	-	-	-	76,919	76,919
32	341	Transportation Equipment	141,868	(17)	141,852	141,853	1
33	342	Stores Equipment	-	-	-	-	-
34	343	Tools and Work Equipment	94,119	3,545	97,663	97,663	(0)
35	344	Laboratory Equipment	3,061	-	3,061	3,061	-
36	345	Power Operated Equipment	-	-	-	-	-
37	346	Communications Equipment	295,136	(34)	295,102	218,183	(76,919)
38	347	Miscellaneous Equipment	-	-	-	5,427	5,427
39	348	Other Tangible Plant	-	-	-	-	-
40							
41		TOTALS	\$ 36,354,926	\$ 814,546	\$ 37,169,472	\$ 37,093,913	\$ (75,558)

44 SUPPORTING SCHEDULE
 45 B-2, pages 3.1 through 3.3
 46 B-2, pages 3.5 through 3.7

RECAP SCHEDULES:
 B-2, page 3

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision		2012										
				Plant at 2/29/2012	Accum. Deprec. At 2/29/2012	Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	10 Months Depreciation (Calculated)	Plant Balance	Accum. Deprec.	
1	301	Organization Cost	0.00%	5,785	-	-	-	-	-	-	-	-	-	-	5,785	-
2	302	Franchise Cost	0.00%	417	-	-	-	-	-	-	-	-	-	-	417	-
3	303	Land and Land Rights	0.00%	44,194	-	1,781	-	-	-	-	-	-	-	-	45,968	-
4	304	Structures & Improvements	3.33%	3,311,457	598,475	15,485	(14,087)	(403,209)	(7)	1,774	(401,820)	-	86,318	2,909,637	694,793	-
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	562,937	218,973	-	(39)	(57,000)	-	(57,039)	0	0	14,830	505,898	233,803	-
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	279,157	43,831	-	-	-	-	-	-	-	4,653	279,157	48,484	-
10	310	Power Generation Equipment	5.00%	219,360	103,188	-	-	-	-	-	-	-	9,140	219,360	112,328	-
11	311	Pumping Equipment	12.50%	1,601,668	843,567	294,201	-	(6,576)	(186)	287,428	0	0	181,813	1,888,116	1,025,380	-
12	320	Water Treatment Equipment	3.33%	363,442	183,283	-	-	6,354	-	6,354	-	-	10,176	369,988	193,459	-
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	759,861	191,697	-	-	-	-	-	-	-	14,057	759,861	205,755	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	22,337,893	9,586,469	45,015	(1,492)	(110,946)	(66)	(67,508)	-	-	371,736	22,270,385	9,938,205	-
19	333	Services	3.33%	2,788,122	889,455	241,161	(385)	(18,340)	(773)	220,663	0	0	79,877	2,888,764	849,331	-
20	334	Meters	8.33%	1,010,366	536,109	44,270	(587)	(8,037)	(156)	34,489	-	-	71,333	1,044,855	607,443	-
21	335	Hydrants	2.00%	572,321	184,803	2,005	-	-	(13)	1,992	-	-	9,555	574,314	194,358	-
22	336	Backflow Prevention Devices	6.67%	6,151	1,453	-	-	8,704	-	8,704	-	-	612	15,855	2,065	-
23	339	Other Plant & Misc Equipment	6.67%	123,778	28,827	-	-	-	-	-	-	-	6,880	123,778	35,707	-
24	340	Office Furniture & Equipment	6.67%	29,285	22,865	1,030	-	-	(6)	1,023	-	-	1,655	30,289	24,520	-
25	340.1	Computers & Software	20.00%	142,188	121,824	3,840	-	-	(17)	3,823	-	-	17,288	146,011	139,112	-
26	341	Transportation Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	5.00%	18,203	11,766	18,658	-	-	(107)	19,551	-	-	1,166	37,754	12,832	-
28	343	Tools, Shop & Garage Equipment	10.00%	3,061	3,061	-	-	-	-	-	-	-	-	3,061	3,061	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	10.00%	212,896	147,813	8,325	-	-	(34)	8,291	-	-	18,095	221,287	185,908	-
31	346	Miscellaneous Equipment	10.00%	5,427	278	-	-	-	-	-	-	-	452	5,427	730	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
34		Rounding		(2)	-	-	-	-	-	-	-	-	-	(2)	-	-
35		TOTALS		34,454,891	13,754,657	676,780	(16,590)	(589,849)	(1,415)	68,926	1	1	899,637	34,523,916	14,654,293	-

Liberty Utilities (Rio Rico Water & Sewer) Corp.
 Water Division
 Plant Additions and Retirements

Exhibit
 Schedule B-2
 Page 3.7
 Witness: Bourassa

Line No.	MARUC Account No.	Description	Allowed Deprec. Rate	2014				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
				Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions				
1	301	Organization Cost	0.00%	-	-	-	-	-	5,785	-	
2	302	Franchise Cost	0.00%	-	-	-	-	-	417	-	
3	303	Land and Land Rights	0.00%	-	-	-	-	-	45,868	-	
4	304	Structures & Improvements	3.33%	104,312	-	-	104,312	4,760	3,030,713	876,050	
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	
7	307	Wells & Springs	3.33%	-	-	-	-	-	-	-	
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	16,846	505,898	
9	309	Raw Water Supply Mains	6.67%	-	-	-	-	-	-	-	
10	310	Power Generation Equipment	2.00%	-	-	-	-	4,478	5,495	272,502	
11	311	Pumping Equipment	5.00%	-	-	-	-	4,478	10,968	219,360	
12	320	Water Treatment Equipment	12.50%	79,454	-	-	79,454	23,487	238,189	1,952,570	
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	12,321	369,996	
14	320.2	Solution Chemical Feeders	3.33%	92	-	-	92	-	2	2	
15	330	Distribution Reservoirs & Standpipes	20.00%	4,975	-	-	4,975	-	498	498	
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	16,857	758,320	
17	330.2	Pressure Tanks	5.00%	1,066	-	-	1,066	-	12	12	
18	331	Transmission & Distribution Mains	5.00%	144	-	-	144	-	4	4	
19	333	Services	2.00%	87,983	-	-	87,983	1,887	453,766	22,759,460	
20	334	Meters	3.33%	745,101	-	-	745,101	242,817	119,124	4,034,788	
21	335	Hydrants	8.33%	116,054	-	-	116,054	34,221	91,582	1,686,383	
22	336	Backflow Prevention Devices	2.00%	30,370	-	-	30,370	896	12,405	635,868	
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	1,058	15,855	
24	340	Office Furniture & Equipment	6.67%	1,159	-	-	1,159	-	8,236	123,778	
25	340.1	Computers & Software	20.00%	-	-	-	-	-	7,663	115,867	
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-	76,919	
27	342	Stores Equipment	4.00%	-	-	-	-	4,159	765	141,853	
28	343	Tools, Shop & Garage Equipment	4.00%	-	-	-	-	-	-	-	
29	344	Laboratory Equipment	5.00%	21,251	-	-	21,251	-	4,169	97,663	
30	345	Power Operated Equipment	10.00%	-	-	-	-	-	-	3,061	
31	346	Communication Equipment	5.00%	-	-	-	-	-	-	-	
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	21,818	218,183	
33	348	Other Tangible Plant	10.00%	-	-	-	-	-	543	5,427	
34		Rounding		-	-	-	-	-	-	-	
35				-	-	-	-	-	-	-	
36		TOTALS		1,191,981	(20)	1,191,962	316,704	316,704	816,367	1,122,284	16,259,017

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2

Exhibit
 Schedule B-2
 Page 4
 Witness: Bourassa

Line No.	Acct. No.	Description	Accumulated Depreciation					Adjusted Accum. Depr.
			A	B	C	D	E	
			Per Books Accum. Depr.	Allocated Corporate Plant	Adjustments to Reconcile AD to Reconstruction (397,915)	Intentionally Left Blank	Intentionally Left Blank	
1			397,915					
2		Organization Cost	-					
3		Franchise Cost	-					
4		Land and Land Rights	-	(1)				
5		Structures and Improvements	793,667		82,383			876,050
6		Collecting and Impounding Res.	-					
7		Lake River and Other Intakes	-					
8		Wells and Springs	246,439		21,057			267,496
9		Infiltration Galleries and Tunnels	-					
10		Supply Mains	52,888		(3)			52,885
11		Power Generation Equipment	133,362	(61)	962			134,264
12		Electric Pumping Equipment	728,611		721,729			1,450,340
13		Water Treatment Equipment	220,016		(1,915)			218,101
14		Water Treatment Plant	-		2			2
15		Chemical Solution Feeders	-		498			498
16		Dist. Reservoirs & Standpipe	287,817		(48,883)			238,934
17		Storage tanks	-		12			12
18		Pressure Tanks	-	(14)	18			4
19		Trans. and Dist. Mains	10,833,354	(65)	5,520			10,838,809
20		Services	721,051	(32)	10,711			731,730
21		Meters	733,659	(1)	(28,276)			705,382
22		Hydrants	235,483		(18,298)			217,184
23		Backflow Prevention Devices	1,795		2,385			4,180
24		Other Plant and Misc. Equip.	60,760	(1)	(8,540)			52,219
25		Office Furniture and Fixtures	31,242		5,764			37,006
26		Computers and Software	-	(8)	76,927			76,919
27		Transportation Equipment	138,720		1,158			139,877
28		Stores Equipment	-	(13)	13			-
29		Tools and Work Equipment	5,623		31			5,654
30		Laboratory Equipment	3,061		-			3,061
31		Power Operated Equipment	-	(8)	-			-
32		Communications Equipment	266,210		(59,615)			206,595
33		Miscellaneous Equipment	(9,755)		11,570			1,815
34		Other Tangible Plant	-		-			-
35			15,881,917	(204)	377,304			16,259,017
36								
37								
38								
39								
40								
41								
42		Land and Land Rights	-					-
43		Structures and Improvements	-	8,011				8,011
44		Office Furniture and Fixtures	-	1,376				1,376
45		Computers and Software	-	41,308				41,308
46								
47								
48								
49								
50		TOTALS	\$ 15,881,917	\$ (204)	\$ 377,304	\$ -	\$ -	\$ 16,309,712
51		Accumulated Depreciation per Books						\$ 15,881,917
52		Increase (decrease) in Accumulated Depreciation						\$ 427,795
53		Adjustment to Accumulated Depreciation						\$ 427,795
54								
55								
56								
57								

RECAP SCHEDULES:
 B-2, page 2

SUPPORTING SCHEDULES
 B-2, pages 4.1 to 4.3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - A

Exhibit
 Schedule B-2
 Page 4.1
 Witness: Bourassa

Line
 No.

Line No.	Acct. No.	Description	Depr Rate	2012	2013	2014	Total
1		<u>Remove A/D related to Affiliate Profit</u>					
2							
3							
4							
5							
6	301	Organization Cost	0.00%	-	-	-	\$ -
7	302	Franchise Cost	0.00%	-	-	-	-
8	303	Land and Land Rights	0.00%	-	-	-	-
9	304	Structures and Improvements	3.33%	(0)	(1)	(1)	(1)
10	305	Collecting and Impounding Res.	2.50%	-	-	-	-
11	306	Lake River and Other Intakes	2.50%	-	-	-	-
12	307	Wells and Springs	3.33%	-	-	-	-
13	308	Infiltration Galleries and Tunnels	6.67%	-	-	-	-
14	309	Supply Mains	2.00%	-	-	-	-
15	310	Power Generation Equipment	5.00%	-	-	-	-
16	311	Electric Pumping Equipment	12.50%	(10)	(25)	(25)	(61)
17	320	Water Treatment Equipment	3.33%	-	-	-	-
18	320.1	Water Treatment Plant	3.33%	-	-	-	-
19	320.2	Chemical Solution Feeders	20.00%	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	2.22%	-	-	-	-
21	330.1	Storage tanks	2.22%	-	-	-	-
22	330.2	Pressure Tanks	5.00%	-	-	-	-
23	331	Trans. and Dist. Mains	2.00%	(1)	(5)	(8)	(14)
24	333	Services	3.33%	(11)	(27)	(27)	(65)
25	334	Meters	8.33%	(5)	(13)	(13)	(32)
26	335	Hydrants	2.00%	(0)	(0)	(0)	(1)
27	336	Backflow Prevention Devices	6.67%	-	-	-	-
28	339	Other Plant and Misc. Equip.	6.67%	-	-	-	-
29	340	Office Furniture and Fixtures	6.67%	(0)	(0)	(0)	(1)
30	340.1	Computers and Software	20.00%	-	-	-	-
31	341	Transportation Equipment	20.00%	(1)	(3)	(3)	(8)
32	342	Stores Equipment	4.00%	-	-	-	-
33	343	Tools and Work Equipment	5.00%	(2)	(5)	(5)	(13)
34	344	Laboratory Equipment	10.00%	-	-	-	-
35	345	Power Operated Equipment	5.00%	-	-	-	-
36	346	Communications Equipment	10.00%	(1)	(3)	(3)	(8)
37	347	Miscellaneous Equipment	10.00%	-	-	-	-
38	348	Other Tangible Plant	10.00%	-	-	-	-
39							
40		TOTALS		\$ (33)	\$ (83)	\$ (88)	\$ -
41							\$ (204)
42							

43 SUPPORTING SCHEDULE
 44 Work papers
 45

RECAP SCHEDULES:
 B-2, page 4

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - B

Exhibit
 Schedule B-2
 Page 4.2
 Witness: Bourassa

Line No.	Acct. No.	Description	[1] A/D	[2] Liberty Utilities Factor	[3] Rio Rico Water Factor	[4] = [1]x[2]x[3] Allocated Original Cost
1	<u>Corporate Plant A/D</u>					
2						
3						
4	903	Land and Land Rights	\$ -	15.64%	6.39%	-
5	904	Structures and Improvments	322,068	15.64%	6.39%	3,219
6	940.1	Computers and Software	218,763	15.64%	6.39%	2,187
7						
8						
9						
10						
11	<u>LU Sub-Corp. Plant</u>					
12						
13	903	Land and Land Rights	-		6.39%	-
14	904	Structures and Improvments	74,974		6.39%	4,792
15	940	Office Furniture and Equipment	21,535		6.39%	1,376
16	940.1	Computers and Software	612,134		6.39%	39,121
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41	TOTALS		\$ 1,249,474			\$ 50,695
42						
43						
44	<u>SUPPORTING SCHEDULE</u>				<u>RECAP SCHEDULES:</u>	
45	Work papers				B-2, page 4	
46						

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - C

Exhibit
 Schedule B-2
 Page 4.3
 Witness: Bourassa

Line
 No.

Reconciliation of A/D to A/D Reconstruction

Line No.	Acct. No.	Description	Original Cost	B-2 Adjustments	Adjusted Original Cost	Plant Per Reconstruction	Difference
6	108	Accumulated Depreciation	397,915	-	397,915	-	(397,915)
7	301	Organization Cost	-	-	-	-	-
8	302	Franchise Cost	-	-	-	-	-
9	303	Land and Land Rights	-	(1)	(1)	-	1
10	304	Structures and Improvements	793,667	-	793,667	876,050	82,383
11	305	Collecting and Impounding Res.	-	-	-	-	-
12	306	Lake River and Other Intakes	-	-	-	-	-
13	307	Wells and Springs	246,439	-	246,439	267,496	21,057
14	308	Infiltration Galleries and Tunnels	-	-	-	-	-
15	309	Supply Mains	52,888	-	52,888	52,885	(3)
16	310	Power Generation Equipment	133,362	(61)	133,302	134,264	962
17	311	Electric Pumping Equipment	728,611	-	728,611	1,450,340	721,729
18	320	Water Treatment Equipment	220,016	-	220,016	218,101	(1,915)
19	320.1	Water Treatment Plant	-	-	-	2	2
20	320.2	Chemical Solution Feeders	-	-	-	498	498
21	330	Dist. Reservoirs & Standpipe	287,817	-	287,817	238,934	(48,883)
22	330.1	Storage tanks	-	-	-	12	12
23	330.2	Pressure Tanks	-	(14)	(14)	4	18
24	331	Trans. and Dist. Mains	10,833,354	(65)	10,833,289	10,838,809	5,520
25	333	Services	721,051	(32)	721,019	731,730	10,711
26	334	Meters	733,659	(1)	733,658	705,382	(28,276)
27	335	Hydrants	235,483	-	235,483	217,184	(18,298)
28	336	Backflow Prevention Devices	1,795	-	1,795	4,180	2,385
29	339	Other Plant and Misc. Equip.	60,760	(1)	60,759	52,219	(8,540)
30	340	Office Furniture and Fixtures	31,242	-	31,242	37,006	5,764
31	340.1	Computers and Software	-	(8)	(8)	76,919	76,927
32	341	Transportation Equipment	138,720	-	138,720	139,877	1,158
33	342	Stores Equipment	-	(13)	(13)	-	13
34	343	Tools and Work Equipment	5,623	-	5,623	5,654	31
35	344	Laboratory Equipment	3,061	-	3,061	3,061	-
36	345	Power Operated Equipment	-	(8)	(8)	-	8
37	346	Communications Equipment	266,210	-	266,210	206,595	(59,615)
38	347	Miscellaneous Equipment	(9,755)	-	(9,755)	1,815	11,570
39	348	Other Tangible Plant	-	-	-	-	-
41		TOTALS	\$ 15,881,917	\$ (204)	\$ 15,881,713	\$ 16,259,017	\$ 377,304

SUPPORTING SCHEDULE

45 B-2, pages 4.1
 46 B-2, pages 3.5 through 3.7

RECAP SCHEDULES:

B-2, page 4

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Schedule B-2
 Page 5
 Witness: Bourassa

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

Line
No.
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	<u>Gross CIAC</u>	<u>Accumulated Amortization</u>
Computed balance at End of Test Year	\$ 20,261,911	\$ 10,388,151
Book balance at End of Test Year	<u>\$ 20,267,791</u>	<u>\$ 11,040,770</u>
Increase (decrease)	\$ (5,880)	\$ (652,619)
Adjustment to CIAC/AA CIAC	<u>\$ (5,880)</u>	<u>\$ 652,619</u>
Label	3a	3b

SUPPORTING SCHEDULES
 E-1
 B-2, page 5.1

RECAP SCHEDULES:
 B-2, page 2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Contributions-in-aid of Construction and Amortization
 Adjustment 4

Exhibit
 Schedule B-2
 Page 5.1
 Witness: Bourassa

Line No.	2012		2013		2014		
	Per Decision Balance 2/29/2012	Additions	Balance 12/31/2012	Additions	Balance 12/31/2013	Additions	Balance 12/31/2014
1							
2							
3							
4							
5	20,179,119		20,173,239		20,173,239	88,672	20,261,911
6							
7				(38,194)			
8				32,314			
9							
10							
11							
12	0.51%		2.62%		3.10%		3.05%
13	102,506		527,808		625,065		617,526
14	8,617,752		9,145,560		9,770,625		10,388,151
15	11,561,368		11,027,679		10,402,614	88,672	9,873,760
16							
17							
18							
19							
20							
21							
22							

Net CIAC
 Amortization Decision No. 72059
 Amortization Rate
 Amortization
 Accumulated Amortization
 CIAC
 Rate Case Adj - AIAC error
 Rate Case Adj - AIAC error
 AIAC agreement was originally posted to CIAC pre acquisition in 1998/1999 for 38,194.
 Journal entries were never made to correct the GL accounts. So in 2009 an entry to move the bal to CIAC should have been 32,313.7

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

Line
No.

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35

Computed balance at End of Test Year

\$ 976,558

Book balance at End of Test Year

\$ 960,148

Increase (decrease)

\$ 16,410

SUPPORTING SCHEDULES

E-1
B-2, page 6.1

RECAP SCHEDULES:

B-2, page 2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Advances-in-Aid of Construction (AIAC)

Exhibit
 Schedule B-2
 Page 6.1
 Witness: Bourassa

Line No.	Per Decision Balance 2/29/2012	2012		2013		2014	
		Activity	Balance 12/31/2012	Activity	Balance 12/31/2013	Activity	Balance 12/31/2014
5	660,955	-	664,175	-	1,038,044	2,500	976,558
6		16,505		376,211			
7		(3,471)		(4,842)		(2,814)	
8		(32,314)					
9		5,000					
10		22,500					
11		(5,000)		2,500		(88,672)	
12						27,500	
13							
14		3,220	664,175	373,869	1,038,044	(61,486)	976,558
15							

AIAC in process
 Additions
 Refunds
 Rate Case - CIAC Adj
 Rate Case - AIAC in process
 Rate Case - IAD Adj
 Move to CIAC
 IAD
 Total AIAC

AIAC agreement was originally posted to CIAC pre acquisition in 1998/1999 for 38,194.
 Journal entries were never made to correct the GL accounts. So in 2009 an entry to move the bal to CIAC should have been 32,313.7

Rate Case IAD Adj is to add the deposits received from the prior rate case but not entered

AIAC in process rate case adjustment was for the AIAC in process that was taken in 2008 but was not included in the AIAC amount. In the 2012 rate case the 5000 was subtracted out.

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 5

Exhibit
 Schedule B-2
 Page 7.0
 Witness: Bourassa

Line No.	Deferred Income Tax as of December 31, 2014	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
1										
2										
3										
4										
5										
6		Plant-in-Service \$ 51,554,616 ¹								
7		Accum. Deprec. (22,141,414) ¹								
8		CIAC (13,104,947) ³								
9	Fed.	Fixed Assets \$ 16,308,255	\$ 10,055,503 ²	100.0%	\$ (6,252,751)	32.33%		-		(2,021,765)
10										
11	State	Fixed Assets \$ 16,308,255	\$ 14,796,231 ²	100.0%	\$ (1,512,024)	4.900%		-		(74,089)
12										
13	Fed & State	AIAC	783,815 ⁴	100.0%	\$ 783,815 ⁴	37.23%	\$	291,846	\$	
14										
15										
16										
17										
18										
19										
20										
21		Net Asset (Liability)					\$ (1,804,008)			
22		Allocation Factor - Water-Division (based on rate base before ADIT)					0.6214			
23		Net Asset (Liability) Water Division					\$ (1,121,059)			
24		Allocated Corporate ADIT ⁵					\$ (478)			
25							\$ (1,121,537)			
26		Total Asset (Liability) Water Division					\$			
27		DIT Asset (Liability) per Books					\$			
28		Adjustment to DIT					\$			
29							\$			
30							\$			
31							\$			
32							\$			
33							\$			
34							\$			
35							\$			
36							\$			
37							\$			
38							\$			
39							\$			
40							\$			
41							\$			
42							\$			
43							\$			
44							\$			
45							\$			

Footnotes - See page 7.1

RECAP SCHEDULES:
 B-2, page 2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Cash Working Capital

Exhibit
 Schedule B-5
 Page 1
 Witness: Bourassa

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)	(G)
			Proforma Test Year Amount ¹	Revenue Lag (Lead) Days	Expense Lag (Lead) Days	Net Lag (Lead) Days	Lead/Lag Factor	Cash Working Capital Required Col. B * Col. F
7	OPERATING EXPENSES							
8	Salaries and Wages		-	47.96	-	47.96	0.13139402	\$ -
9	Purchased Water		69,895	47.96	27.48	20.48	0.05610635	3,922
10	Purchased Power		324,148	47.96	29.04	18.92	0.05183238	16,801
11	Chemicals		4,602	47.96	0.42	47.54	0.13024334	599
12	Fuel for Power Production		-	47.96	-	47.96	0.13139402	-
13	Repairs and Maintenance		-	47.96	32.84	15.12	0.04142142	-
14	Office Supplies and Expense		34,071	47.96	38.69	9.27	0.02539402	865
15	Outside Services		-	47.96	-	47.96	0.13139402	-
16	Contractual Services - Professional		1,039,036	47.96	20.03	27.93	0.07651731	79,504
17	Contractual Services - Testing		41,807	47.96	28.21	19.75	0.05410635	2,262
18	Contractual Services - Other		97,904	47.96	22.20	25.76	0.07057210	6,909
19	Water Testing		-	47.96	-	47.96	0.13139402	-
20	Rents		4,169	47.96	(5.40)	53.36	0.14618854	610
21	Transportation		60,352	47.96	28.43	19.53	0.05350361	3,229
22	Insurance		27,865	47.96	(182.50)	230.46	0.63139402	17,594
23	Materials and Supplies		29,680	47.96	32.84	15.12	0.04142142	1,229
24	Miscellaneous		61,392	47.96	31.38	16.58	0.04542142	2,788
25								
26								
27								
28								
29	TAXES							
30	General Taxes-Property ¹		166,715	47.96	213.96	(166.00)	0.45479319	\$ (75,821)
31	General Taxes-Other		-	47.96	-	47.96	0.13139402	-
32	Income Tax ¹		397,421	47.96	37.00	10.96	0.03002416	11,932
33								
34	OTHER							
35	Regulatory Commission Expense		33,172	47.96	(136.54)	184.50	0.50548078	16,768
36								
37	TOTAL		\$ 2,392,228			WORKING CASH REQUIREMENT		\$ 89,192
38								
39								
40								
41								
42								
43								

¹At proposed rates.

RECAP SCHEDULES:
 B-2, page 2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Income Statement

Exhibit
 Schedule C-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 3,054,205	\$ (69,667)	\$ 2,984,538	\$ 683,836	\$ 3,668,374
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	48,254	-	48,254		48,254
5		<u>\$ 3,102,459</u>	<u>\$ (69,667)</u>	<u>\$ 3,032,792</u>	<u>\$ 683,836</u>	<u>\$ 3,716,628</u>
6	Operating Expenses					
7	Salaries and Wages	\$ -	-	\$ -		\$ -
8	Purchased Water	69,895	-	69,895		69,895
9	Purchased Power	343,825	(19,678)	324,148		324,148
10	Chemicals	4,882	(280)	4,602		4,602
11	Fuel for Power Production	-	-	-		-
12	Repairs and Maintenance	-	-	-		-
13	Office Supplies and Expense	33,953	118	34,071		34,071
14	Outside Services	-	-	-		-
15	Contractual Services - Professional	1,038,097	939	1,039,036		1,039,036
16	Contractual Services - Testing	41,807	-	41,807		41,807
17	Contractual Services - Other	93,920	3,984	97,904		97,904
18	Water Testing	-	-	-		-
19	Rents	4,169	-	4,169		4,169
20	Transportation	60,352	-	60,352		60,352
21	Insurance	27,865	-	27,865		27,865
22	Regulatory Commission Expense	5,900	27,272	33,172		33,172
23	Materials and Supplies	29,680	-	29,680		29,680
24	Miscellaneous	61,392	-	61,392		61,392
25	Depreciation	564,167	(1,956)	562,211		562,211
26	Taxes Other Than Income	-	-	-		-
27	Property Taxes	182,351	(27,294)	155,057	11,658	166,715
28	Income Tax	-	147,142	147,142	250,279	397,421
29		-	-	-		-
30	Total Operating Expenses	<u>\$ 2,562,254</u>	<u>\$ 130,248</u>	<u>\$ 2,692,502</u>	<u>\$ 261,937</u>	<u>\$ 2,954,439</u>
31	Operating Income	<u>\$ 540,205</u>	<u>\$ (199,915)</u>	<u>\$ 340,290</u>	<u>\$ 421,899</u>	<u>\$ 762,189</u>
32	Other Income (Expense)					
33	Interest and Dividend Income	-	-	-		-
34	AFUDC Income	5,045	-	5,045		5,045
35	Miscellaneous Non-Utility Expenses	(500)	-	(500)		(500)
36	Interest Expense	(10,405)	(81,844)	(92,250)		(92,250)
37		-	-	-		-
38	Total Other Income (Expense)	<u>\$ (5,861)</u>	<u>\$ (81,844)</u>	<u>\$ (87,705)</u>	<u>\$ -</u>	<u>\$ (87,705)</u>
39	Net Profit (Loss)	<u>\$ 534,344</u>	<u>\$ (281,759)</u>	<u>\$ 252,585</u>	<u>\$ 421,899</u>	<u>\$ 674,484</u>

41 SUPPORTING SCHEDULES:
 42 C-1, page 2
 43 E-2
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RECAP SCHEDULES:
 A-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 dba Liberty Utilities
 Test Year Ended December 31, 2014
 Income Statement

Exhibit
 Schedule C-1
 Page 2.1
 Witness: Bourassa

Line No.	1	2	3	4	5	6	7	8	9
	Depreciation	Property Taxes	Rate Case Expense	Revenue Annualization	Usage Normalization	Corporate Cost Adj. Non-Labor	Corporate Cost Adj. Labor	Intentionally Left Blank	Intentionally Left Blank
1	Revenues								
2	Metered Water Revenues	\$ 3,054,205		\$ 27,094	\$ (96,762)				
3	Unmetered Water Revenues	-							
4	Other Water Revenues	48,254							
5		\$ 3,102,459	\$ -	\$ 27,094	\$ (96,762)	\$ -	\$ -	\$ -	\$ -
6	Operating Expenses								
7	Salaries and Wages	-							
8	Purchased Water	69,895							
9	Purchased Power	343,825		1,593	(21,271)				
10	Chemicals	4,882		23	(303)				
11	Fuel for Power Production	-							
12	Repairs and Maintenance	-							
13	Office Supplies and Expense	33,953		118					
14	Outside Services	-							
15	Contractual Services - Professional	1,038,097				(45,395)	46,334		
16	Contractual Services - Testing	41,807							
17	Contractual Services - Other	93,920					3,984		
18	Water Testing	-							
19	Rents	4,169							
20	Transportation	60,352							
21	Insurance	27,865							
22	Regulatory Commission Expense	5,900		27,272					
23	Materials and Supplies	29,680							
24	Miscellaneous	61,392							
25	Depreciation	564,167	(1,956)						
26	Taxes Other Than Income	-							
27	Property Taxes	-	(27,294)						
28	Income Tax	-							
29									
30	Total Operating Expenses	\$ 2,562,254	\$ (1,956)	\$ 27,272	\$ (21,574)	\$ (45,395)	\$ 50,318	\$ -	\$ -
31	Operating Income	\$ 540,205	\$ 1,956	\$ 27,294	\$ 25,361	\$ 45,395	\$ (50,318)	\$ -	\$ -
32	Other Income (Expense)								
33	Interest and Dividend Income								
34	AFUDC Income	5,045							
35	Miscellaneous Non-Utility Expenses	(500)							
36	Interest Expense	(10,405)							
37									
38	Total Other Income (Expense)	\$ (5,861)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Net Profit (Loss)	\$ 534,344	\$ 1,956	\$ 27,294	\$ 25,361	\$ 45,395	\$ (50,318)	\$ -	\$ -
40									

SUPPORTING SCHEDULES:
 C-2
 E-2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-Depr. and Fully Depr. Plant	Depreciable Original Cost	Proposed Rates	Depreciation Expense
1	101	Plant-in-Service	-	-	-	0.00%	-
2	301	Organization Cost	5,785	(5,785)	-	0.00%	-
2	302	Franchise Cost	417	(417)	-	0.00%	-
3	303	Land and Land Rights	45,968	(45,968)	-	0.00%	-
4	304	Structures and Improvements	3,030,713	-	3,030,713	3.33%	100,923
5	305	Collecting and Impounding Res.	-	-	-	2.50%	-
6	306	Lake River and Other Intakes	-	-	-	2.50%	-
7	307	Wells and Springs	505,898	-	505,898	3.33%	16,846
8	308	Infiltration Galleries and Tunnels	-	-	-	6.67%	-
9	309	Supply Mains	272,502	-	272,502	2.00%	5,450
10	310	Power Generation Equipment	219,360	-	219,360	5.00%	10,968
11	311	Electric Pumping Equipment	1,952,570	-	1,952,570	12.50%	244,071
12	320	Water Treatment Equipment	369,996	-	369,996	3.33%	12,321
13	320.1	Water Treatment Plant	92	-	92	3.33%	3
14	320.2	Chemical Solution Feeders	4,975	-	4,975	20.00%	995
15	330	Dist. Reservoirs & Standpipe	759,320	-	759,320	2.22%	16,857
16	330.1	Storage tanks	1,066	-	1,066	2.22%	24
17	330.2	Pressure Tanks	144	-	144	5.00%	7
18	331	Trans. and Dist. Mains	22,759,460	-	22,759,460	2.00%	455,189
19	333	Services	4,034,788	-	4,034,788	3.33%	134,358
20	334	Meters	1,696,383	-	1,696,383	8.33%	141,309
21	335	Hydrants	635,868	-	635,868	2.00%	12,717
22	336	Backflow Prevention Devices	15,855	-	15,855	6.67%	1,058
23	339	Other Plant and Misc. Equip.	123,778	-	123,778	6.67%	8,256
24	340	Office Furniture and Fixtures	115,867	-	115,867	6.67%	7,728
25	340.1	Computers and Software	76,919	(76,919)	-	20.00%	-
26	341	Transportation Equipment	141,853	(138,029)	3,823	20.00%	765
27	342	Stores Equipment	-	-	-	4.00%	-
28	343	Tools and Work Equipment	97,663	-	97,663	5.00%	4,883
29	344	Laboratory Equipment	3,061	(3,061)	-	10.00%	-
30	345	Power Operated Equipment	-	-	-	5.00%	-
31	346	Communications Equipment	218,183	-	218,183	10.00%	21,818
32	347	Miscellaneous Equipment	5,427	-	5,427	10.00%	543
33	348	Other Tangible Plant	-	-	-	10.00%	-
34		SUBTOTAL	\$ 37,093,913	\$ (270,179)	\$ 36,823,734		\$ 1,197,090
35							
36							
37	903	Land and Land Rights	13,956	(13,956)	-	0.00%	-
38	904	Structures and Improvments	151,457	-	151,457	2.56%	3,877
39	940	Office Furniture and Fixtures	38,336	-	38,336	6.67%	2,557
40	940.1	Computers and Software	86,871	-	86,871	20.00%	17,374
41		TOTALS	\$ 37,384,534	\$ (284,135)	\$ 37,100,399		\$ 1,220,898
42							
43							
44		Less: Amortization of Contributions			<u>Gross</u> \$ 20,261,911	<u>Amort. Rate</u> 3.2509%	\$ (658,687)
45							
46							
47							<u>\$ (658,687)</u>
48		Total Depreciation Expense					<u>\$ 562,211</u>
49							
50		Adjusted Test Year Depreciation Expense					<u>564,167</u>
51							
52		Increase (decrease) in Depreciation Expense					<u>(1,956)</u>
53							
54		Adjustment to Revenues and/or Expenses					<u>\$ (1,956)</u>
55							
56		<u>SUPPORTING SCHEDULE</u>					
57		B-2, page 3					

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Schedule C-2
 Page 3
 Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 3,032,792	\$ 3,032,792
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	6,065,584	6,065,584
4	Company Recommended Revenue	3,032,792	3,716,628
5	Subtotal (Line 4 + Line 5)	9,098,376	9,782,212
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,032,792	3,260,737
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	6,065,584	6,521,474
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	1,975	1,975
12	Full Cash Value (Line 9 + Line 10 - Line 11)	6,063,608	6,519,499
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	1,091,450	1,173,510
15	Composite Property Tax Rate - Obtained from ADOR	14.2066%	14.2066%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 155,057	\$ 166,715
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 155,057	
19	Test Year Property Taxes	\$ 182,351	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ (27,294)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 166,715
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 155,057
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 11,658
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 11,658
27	Increase in Revenue Requirement		\$ 683,836
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.70479%
29			
30			
31			
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line
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Estimated Rate Case Expense	\$	165,860
Estimated Amortization Period in Years		5
Annual Rate Case Expense	\$	<u>33,172</u>
Test Year Rate Case Expense	\$	5,900
Increase(decrease) Rate Case Expense	\$	<u>27,272</u>
Adjustment to Revenue and/or Expense	\$	<u>27,272</u>

Reference
Testimony

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line			
<u>No.</u>			
1			
2			
3			
4	Revenue Annualization	\$	27,094
5			
6			
7	Total Revenue from Annualization	<u>\$</u>	<u>27,094</u>
8			
9			
10	Purchased Power Expense	\$	343,825
11	Gallons Sold During Test Year (in 1,000s)		636,008
12	Cost per 1,000 gallons	\$	0.5406
13			
14	Additional Gallons Sold from Annualization (in 1,000s)		2,947
15			
16	Increase (decrease) in Purchased Power	<u>\$</u>	<u>1,593</u>
17			
18	TY Chemicals Expense	\$	4,882
19	Gallons Sold During Test Year (in 1,000s)		636,008
20	Cost per 1,000 gallons	\$	0.0077
21			
22	Additional Gallons Sold from Annualization (in 1,000s)		2,947
23			
24	Increase (decrease) in Chemicals Expense	<u>\$</u>	<u>23</u>
25			
26	Additional billings from annualization		256
27	Postage rate	\$	0.46
28			
29	Increase (decrease) in Office Expense	<u>\$</u>	<u>118</u>
30			
31			
32	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>25,383</u>
33			
34	<u>SUPPORTING SCHEDULES</u>		
35	Work Papers		
36	H-1		
37			
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Usage Normalization Adjustment

Line No.		
1	<u>Usage Normalization Adjustment</u>	
2		
3	Normalization Revenue Adjustment	\$ (96,762)
4		
5		
6	Adjustment to Revenues	<u>\$ (96,762)</u>
7		
8	Purchased Power Expense	\$ 343,825
9	Gallons Sold During Test Year (in 1,000s)	636,008
10	Cost per 1,000 gallons	\$ 0.5406
11		
12	Additional Gallons Sold from Usage Normalization (in 1,000s)	(39,347)
13		
14	Increase (decrease) in Purchased Power	<u>\$ (21,271)</u>
15		
16	TY Chemicals Expense	\$ 4,882
17	Gallons Sold During Test Year (in 1,000s)	636,008
18	Cost per 1,000 gallons	\$ 0.0077
19		
20	Additional Gallons Sold from Usage Normalization (in 1,000s)	(39,347)
21		
22	Increase (decrease) in Chemicals Expense	<u>\$ (303)</u>
23		
24		
25	Adjustment to Revenue and/or Expense	<u>\$ (75,187)</u>
26		
27	<u>Reference</u>	
28	Testimony	
29	Work Papers	
30		

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Corporate Cost Adjustment - Non-Labor

Line
No.

1		
2	<u>Corporate Allocation Adjustment</u>	
3		
4	Adjusted Allocated Non-Labor Costs During Test Year	\$ 203,159
5	Allocated Non-Labor Costs During Test Year	\$ 248,554
6		
7	Adjustment to Contractual Services Professional	<u>\$ (45,395)</u>
8		
9		
10	Adjustment to Revenue and/or Expense	<u>\$ (45,395)</u>
11		
12	<u>Reference</u>	
13	Testimony	
14	Work Papers	
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Corporate Cost Adjustment - Labor

Line
No.

1		
2		
3	Test Year Allocated Labor Costs	\$ 760,821
4	Factor (1)	6.09%
5	Increase in Labor Costs	\$ 46,334
6		
7	Adjustment to Contractual Services - Professional	<u>\$ 46,334</u>
8		
9	Test Year Allocated Labor Costs	\$ 65,420
10	Factor (1)	6.09%
11	Increase in Labor Costs	\$ 3,984
12		
13	Adjustment to Contractual Services - Other	<u>\$ 3,984</u>
14		
15		
16		
17	Adjustment to Revenue and/or Expense	<u>\$ 50,318</u>
18		
19	<u>Reference</u>	
20	Testimony	
21	Work papers	
22		
23		
24	(1) Average wage increase of 3% compounded over 2 years.	
25		
26		

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 9

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Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
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Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Schedule C-2
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Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Schedule C-2
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Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 15

Exhibit
 Schedule C-2
 Page 16
 Witness: Bourassa

Interest Synchronization

Line
No.

1				
2				
3				
4	Fair Value Rate Base	\$	8,861,632	
5	Weighted Cost of Debt		1.04%	
6	Interest Expense			\$ 92,250
7				
8	Test Year Interest Expense			<u>\$ 10,405</u>
9				
10	Increase (decrease) in Interest Expense			81,844
11				
12				
13				
14	Adjustment to Revenue and/or Expense			<u>\$ (81,844)</u>
15				
16				

Weighted Cost of Debt Computation

	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
20	Debt	30.00%	3.47%
21	Equity	70.00%	10.80%
22	Total	<u>100.00%</u>	<u>8.60%</u>
23			
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 16

Exhibit
Schedule C-2
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Witness: Bourassa

Line

No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

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13 SUPPORTING SCHEDULE

14 C-3, page 2

15

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	<u>Test Year</u> <u>at Present Rates</u>	<u>Test Year</u> <u>at Proposed Rates</u>
	\$ 147,142	\$ 397,421
	-	147,142
	<u>\$ 147,142</u>	<u>\$ 250,279</u>

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	37.234%
2		
3	Property Taxes	1.070%
4		
5		
6	Total Tax Percentage	38.304%
7		
8	Operating Income % = 100% - Tax Percentage	61.696%
9		
10		
11		
12		
13	1	
14	_____ = Gross Revenue Conversion Factor	
15	Operating Income %	1.6209
16		
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23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
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GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
Calculation of Gross Revenue Conversion Factor							
1	Revenue		100.0000%				
2	Uncollectible Factor (Line 11)		0.0000%				
3	Revenues (L1 - L2)		100.0000%				
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)		38.3040%				
5	Subtotal (L3 - L4)		61.6960%				
6	Revenue Conversion Factor (L1 / L5)		1.620651				
Calculation of Uncollectible Factor							
7	Unity		100.0000%				
8	Combined Federal and State Tax Rate (L17)		37.2340%				
9	One Minus Combined Income Tax Rate (L7 - L8)		62.7660%				
10	Uncollectible Rate		0.0000%				
11	Uncollectible Factor (L9 * L10)			0.0000%			
Calculation of Effective Tax Rate							
12	Operating Income Before Taxes (Arizona Taxable Income)		100.0000%				
13	Arizona State Income Tax Rate		4.9000%				
14	Federal Taxable Income (L12 - L13)		95.1000%				
15	Applicable Federal Income Tax Rate (L55 Col F)		34.0000%				
16	Effective Federal Income Tax Rate (L14 x L15)		32.3340%				
17	Combined Federal and State Income Tax Rate (L13 + L16)			37.2340%			
Calculation of Effective Property Tax Factor							
18	Unity		100.0000%				
19	Combined Federal and State Income Tax Rate (L17)		37.2340%				
20	One Minus Combined Income Tax Rate (L18-L19)		62.7660%				
21	Property Tax Factor		1.7048%				
22	Effective Property Tax Factor (L20*L21)			1.0700%			
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)				38.3040%		
24	Required Operating Income	\$	762,189				
25	Adjusted Test Year Operating Income (Loss)	\$	340,290				
26	Required Increase in Operating Income (L24 - L25)			\$	421,899		
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$	397,421				
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$	147,142				
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)			\$	250,279		
30	Recommended Revenue Requirement	\$	3,716,628				
31	Uncollectible Rate (Line 10)	\$	0.0000%				
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$	-				
33	Adjusted Test Year Uncollectible Expense	\$	-				
34	Required Increase in Revenue to Provide for Uncollectible Exp.			\$	-		
35	Property Tax with Recommended Revenue	\$	166,715				
36	Property Tax on Test Year Revenue	\$	155,057				
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)			\$	11,658		
38	Total Required Increase in Revenue (L26 + L29 + L37)			\$	683,836		

	Test Year			Company Recommended			
	(A)	(B)	(C)	(D)	(E)	(F)	
Calculation of Income Tax	Total		Water	Total		Water	
39	Revenue	\$	3,032,792	\$	3,716,628	\$	3,716,628
40	Operating Expenses Excluding Income Taxes		2,545,360		2,557,018		2,557,018
41	Synchronized Interest (L47)		92,250		92,250		92,250
42	Arizona Taxable Income (L39 - L40 - L41)	\$	395,182	\$	395,182	\$	1,067,361
43	Arizona State Effective Income Tax Rate (see work papers)		4.9000%		4.9000%		4.9000%
44	Arizona Income Tax (L42 x L43)	\$	19,364	\$	19,364	\$	52,301
45	Federal Taxable Income (L42- L44)	\$	375,818	\$	375,818	\$	1,015,061
46							
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$	7,500	\$	7,500	\$	7,500
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$	6,250	\$	6,250	\$	6,250
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$	8,500	\$	8,500	\$	8,500
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$	91,650	\$	91,650	\$	91,650
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$1,000,000) @ 34%	\$	13,878	\$	13,878	\$	231,220
52							
53	Total Federal Income Tax	\$	127,778	\$	127,778	\$	345,120
54	Combined Federal and State Income Tax (L35 + L42)	\$	147,142	\$	147,142	\$	397,421

55	COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53] / [Col. (D), L45 - Col. (A), L45]				34.0000%		
56	WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45]					0.0000%	
57	WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45]						34.0000%

Calculation of Interest Synchronization	
58	Rate Base
59	Weighted Average Cost of Debt
60	Synchronized Interest (L59 X L60)

	Water
	\$ 8,861,632
	1.0410%
	\$ 92,250

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended <u>12/31/2014</u>	Year Ended <u>12/31/2013</u>	Year Ended <u>12/31/2012</u>
1	<u>ASSETS</u>			
2	PLANT			
2	Plant In Service	\$ 36,354,926	\$ 35,485,434	\$ 36,622,679
3	Non-Utility Plant	1,569,993	-	-
3	Construction Work in Progress	1,069,432	559,877	142,440
4	Property Held for Future Use	-	-	-
4	Accumulated Depreciation	(15,881,917)	(15,211,209)	(16,621,713)
5	Net Plant	<u>\$ 23,112,434</u>	<u>\$ 20,834,102</u>	<u>\$ 20,143,407</u>
6				
7	CURRENT ASSETS			
8	Cash and Equivalents	\$ 21,850	\$ 32,467	\$ 33,760
9	Restricted Cash	-	-	-
10	Net Accounts Receivable	518,351	459,181	342,813
11	Inter-Company Receivable	783	-	-
12	Notes Receivable	-	-	-
13	Materials	-	-	-
14	Prepayments	1,508	-	243
15	Other Current Assets	-	1,555,234	1,380,083
16	Total Current Assets	<u>\$ 542,491</u>	<u>\$ 2,046,882</u>	<u>\$ 1,756,899</u>
17				
18	OTHER ASSETS			
19	Deferred Finance Costs	\$ -	\$ -	\$ -
20	Other Deferred Debits	130,278	-	-
21	Other Non-Current Assets	-	-	-
22	Deferred Debits	<u>\$ 130,278</u>	<u>\$ -</u>	<u>\$ -</u>
23				
24	TOTAL ASSETS	<u>\$ 23,785,203</u>	<u>\$ 22,880,984</u>	<u>\$ 21,900,306</u>
25				
26				
27	<u>LIABILITIES AND STOCKHOLDER EQUITY</u>			
28				
29	Stockholder's Equity	<u>\$ 11,459,457</u>	<u>\$ 10,125,334</u>	<u>\$ 8,470,297</u>
30				
31	Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
32				
33	CURRENT LIABILITIES			
34	Accounts Payable	\$ -	\$ -	\$ -
35	Current Portion of Long-Term Debt	-	-	-
36	Payables to Associated Companies	617,703	563,944	901,342
37	Customer Security Deposits	-	136,433	139,915
38	Customer Meter Deposits, Current	30,732	-	-
39	Current Portion of AIAC	5,000	-	-
40	Accrued Taxes	29,552	8,830	7,359
41	Accrued Interest	12,535	13,285	15,413
42	Other Current Liabilities	1,146,754	1,096,092	1,136,649
43	Total Current Liabilities	<u>\$ 1,842,276</u>	<u>\$ 1,818,584</u>	<u>\$ 2,200,678</u>
44				
45	DEFERRED CREDITS			
46	Customer Meter Deposits, less current	\$ 301,302	\$ -	\$ -
47	Advances in Aid of Construction	955,148	294,958	322,423
48	Accumulated Deferred Income Taxes	-	-	-
49	Contributions In Aid of Construction	20,267,791	21,052,221	20,733,710
50	Accumulated Amortization	(11,040,770)	(10,410,113)	(9,826,802)
51	Other Deferred Credits	-	-	-
52	Total Deferred Credits	<u>\$ 10,483,471</u>	<u>\$ 10,937,066</u>	<u>\$ 11,229,331</u>
53				
54	Total Liabilities & Common Equity	<u>\$ 23,785,204</u>	<u>\$ 22,880,984</u>	<u>\$ 21,900,306</u>

58 **SUPPORTING SCHEDULES:**
 59 Work papers
 60
 61
 62

RECAP SCHEDULES:
 A-3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Comparative Income Statements

Exhibit
 Schedule E-2
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Prior Year Ended 12/31/2013	Prior Year Ended 12/31/2012
1	Revenues			
2	Metered Water Revenue	\$ 3,054,205	\$ 2,951,758	\$ 2,716,235
3	Unmetered Water Revenue	-	-	-
4	Other Water Revenue	48,254	80,500	84,437
5	Total Revenues	\$ 3,102,459	\$ 3,032,259	\$ 2,800,671
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Water	69,895	9,024	787
9	Purchased Power	343,825	350,604	333,717
10	Chemicals	4,882	5,068	4,486
11	Fuel for Power Production	-	-	-
12	Repairs and Maintenance	-	4,425	4,895
13	Office Supplies and Expense	33,953	74,161	59,904
14	Outside Services	-	654,700	555,916
15	Contractual Services - Professional	1,038,097	-	-
16	Contractual Services - Testing	41,807	50,011	26,421
17	Contractual Services - Other	93,920	454,171	546,254
18	Water Testing	-	-	-
19	Rents	4,169	3,542	6,131
20	Transportation	60,352	102,702	23,150
21		-	-	-
22	Insurance	27,865	50,585	43,782
23	Regulatory Commission Expense	5,900	184,615	132,384
24	Materials and Supplies	29,680	-	-
25	Miscellaneous	61,392	54,300	44,954
26	Depreciation	564,167	(90,293)	105,427
27	Taxes Other Than Income	-	-	-
28	Property Taxes	182,351	185,195	180,071
29	Income Tax	-	-	-
30				
31	Total Operating Expenses	\$ 2,562,254	\$ 2,092,811	\$ 2,068,280
32	Operating Income	\$ 540,205	\$ 939,448	\$ 732,391
33	Other Income (Expense)			
34	Interest and Dividend Income	-	-	-
35	AFUDC Income	5,045	6,193	-
36	Miscellaneous Non-Utility Expenses	(500)	-	-
37	Interest Expense	(10,405)	(12,306)	37,827
38				
39	Total Other Income (Expense)	\$ (5,861)	\$ (6,113)	\$ 37,827
40	Net Profit (Loss)	\$ 534,344	\$ 933,334	\$ 770,218

44 SUPPORTING SCHEDULES:
 45 Work papers
 46

RECAP SCHEDULES:
 A-2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Comparative Statements of Cash Flows

Exhibit
 Schedule E-3
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1			
2			
3			
4			
5	\$ 534,344	\$ 933,334	\$ 770,218
6			
7	564,167	(90,293)	105,427
8	(524,116)	(2,447,986)	(453,776)
9			
10	(59,170)	(116,368)	(83,946)
11			
12			
13	(1,508)	243	1,890
14	(130,278)		(243,205)
15	52,976	(337,398)	1,192,778
16			
17	(750)	(2,128)	2,140
18	(105,701)	(3,480)	6,177
19	20,722	1,471	(806)
20	1,605,896	(215,708)	(2,086,063)
21			
22	<u>\$ 1,956,582</u>	<u>\$ (2,278,313)</u>	<u>\$ (789,166)</u>
23			
24	(2,949,040)	719,808	(726,935)
25			
26			
27	<u>\$ (2,949,040)</u>	<u>\$ 719,808</u>	<u>\$ (726,935)</u>
28			
29			
30			
31	(784,430)	318,511	13,034
32	966,492	(27,465)	(56,732)
33			
34			
35			
36	799,778	536,507	933,260
37	<u>\$ 981,840</u>	<u>\$ 827,553</u>	<u>\$ 889,562</u>
38	(10,618)	(730,952)	(626,539)
39	(1,318,089)	(587,138)	39,401
40	<u>\$ (1,328,708)</u>	<u>\$ (1,318,089)</u>	<u>\$ (587,138)</u>
41			
42			
43	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
44	Workpapers	A-5	
45			

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Statement of Changes in Stockholder's Equity

Exhibit
 Schedule E-4
 Page 1
 Witness: Bourassa

Line No.		Stockholder's Equity	Retained Earnings	Total
1				
2				
3				
4	Balance, December 31, 2011	\$ 6,586,748	\$ -	\$ 6,586,748
5	Addnl Paid In Capital Adjustment	933,260		933,260
6	Distributions		-	-
7	Rounding		-	-
8	Net Income		770,218	770,218
9				
10	Balance, December 31, 2012	\$ 7,520,008	\$ 770,218	\$ 8,290,226
11	Addnl Paid In Capital Adjustment	536,507		536,507
12	Distributions		-	-
13	Rounding		1	1
14	Net Income		933,334	933,334
15				
16	Balance, December 31, 2013	\$ 8,056,515	\$ 1,703,554	\$ 9,760,069
17	Addnl Paid In Capital Adjustment	799,778		799,778
18	Distributions		-	-
19	Rounding		-	-
20	Net Income		534,344	534,344
21				
22	Balance, December, 2014	\$ 8,856,293	\$ 2,237,898	\$ 11,094,191

29 SUPPORTING SCHEDULES:

29 RECAP SCHEDULES:

30 E-1

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Detail of Plant in Service

Exhibit
 Schedule E-5
 Page 1
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2013	Plant Additions, Reclassifications or Retirements	Plant Balance at 12/31/2014
1	101	Plant in Service	\$ 38,941	\$ -	\$ 38,941
2	301	Organization Cost	5,785	(5,785)	-
3	302	Franchise Cost	417	-	417
4	303	Land and Land Rights	45,975	-	45,975
5	304	Structures & Improvements	3,045,966	99,552	3,145,518
6	305	Collecting & Impounding Reservoirs	-	-	-
7	306	Lake, River, Canal Intakes	-	-	-
8	307	Wells & Springs	464,558	-	464,558
9	308	Infiltration Galleries	-	-	-
10	309	Raw Water Supply Mains	276,978	(4,478)	272,500
11	310	Power Generation Equipment	218,988	-	218,988
12	311	Pumping Equipment	1,632,992	55,968	1,688,960
13	320	Water Treatment Equipment	379,815	5,067	384,882
14	320	Water Treatment Plants	-	-	-
15	320.2	Solution Chemical Feeders	-	-	-
16	330.0	Distribution Reservoirs & Standpipes	759,320	1,211	760,531
17	330	Storage Tanks	-	-	-
18	330.2	Pressure Tanks	-	-	-
19	331	Transmission & Distribution Mains	22,768,375	86,115	22,854,490
20	333	Services	3,348,225	502,284	3,850,509
21	334	Meters	1,106,472	81,833	1,188,305
22	335	Hydrants	605,546	29,474	635,021
23	336	Backflow Prevention Devices	10,198	-	10,198
24	339	Other Plant & Misc Equipment	145,475	-	145,475
25	340	Office Furniture & Equipment	114,317	1,159	115,475
26	340.1	Computers & Software	-	-	-
27	341	Transportation Equipment	146,027	(4,159)	141,868
28	342	Stores Equipment	-	-	-
29	343	Tools, Shop & Garage Equipment	72,867	21,251	94,119
30	344	Laboratory Equipment	3,061	-	3,061
31	345	Power Operated Equipment	-	-	-
32	346	Communication Equipment	295,136	-	295,136
33	347	Miscellaneous Equipment	-	-	-
34	348	Other Tangible Plant	-	-	-
35					
36					
37					
38		Rounding			
39		TOTAL WATER PLANT	\$ 35,485,434	\$ 869,492	\$ 36,354,926

SUPPORTING SCHEDULES

42 Work Papers
 43 B-2 pages 3.1 to 3.4
 44

RECAP SCHEDULES:

A-4
 E-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Operating Statistics

Exhibit
 Schedule E-7
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	636,008	671,476	643,479
6				
7				
8				
9	Water Revenues from Customers:	\$ 3,102,459	\$ 3,032,259	\$ 2,800,671
10				
11				
12				
13				
14	Year End Number of Customers	6,798	6,776	6,770
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	190	199	200
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 456.38	\$ 447.50	\$ 413.69
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.5406	\$ 0.5221	\$ 0.5186
25	Purchased Water Cost per 1,000 Gallons	\$ 0.1099	\$ 0.0134	\$ 0.0012

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1	Description			
2				
3	State Income Taxes	\$ -	\$ -	\$ -
4	Federal Income Taxes	-	-	-
5	Payroll Taxes	-	-	-
6	Property Taxes	182,351	185,195	180,071
7				
8	Totals	<u>\$ 182,351</u>	<u>\$ 185,195</u>	<u>\$ 180,071</u>
9				
10				
11				
12				
13				
14				
15				
16				
17				
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40				

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line
No.

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The Company does not conduct independent audits, reviews and/or compilations. Accordingly, there are no notes which are typically associated with these financial statements. Management makes the following notations to the financial statements contained herein:

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8

Significant Accounting Policies - The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America and the accounting records of the are maintained in accordance with the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners (USOA 1996). Significant accounting policies are as follows:

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13

Utility Plant - Property, plant and equipment is stated at cost less accumulated depreciation provided on a straight-line basis.

14

15

16

Depreciation rates for asset classes of utility property, plant and equipment are established by the Commission. The cost of additions, including betterments and replacements of units of utility fixed assets are charged to utility property, plant and equipment. When units of utility property are replaced, renewed or retired, their cost plus removal or disposal costs, less salvage proceeds, is charged to accumulated depreciation.

20

21

22

Revenue Recognition - Revenues are recognized on the accrual method. Under this method, revenue is recognized when earned rather than when collected, and expenses are recognized when incurred rather than when paid.

24

25

26

Contributions in Aid of Construction - Contributions in aid of construction (CIAC) are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense

29

30

31

Advances in Aid of Construction - Customer advances for construction are subject to refund in accordance with agreements approved by the Arizona Corporation Commission. Agreements provide for refunds which are typically equal to 10 percent of annual water revenue generated from the expansion. The repayments are for a maximum agreed upon period or until repaid in full. Any balance remaining at the end of the agreed-upon period for repayment becomes a contribution in aid of construction.

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Projected Income Statements - Present & Proposed Rates

Exhibit
 Schedule F-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2015	At Proposed Rates Year Ended 12/31/2015
1	Revenues			
2	Metered Water Revenues	\$ 3,054,205	\$ 2,984,538	\$ 3,668,374
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	48,254	48,254	48,254
5		<u>\$ 3,102,459</u>	<u>\$ 3,032,792</u>	<u>\$ 3,716,628</u>
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Water	69,895	69,895	69,895
9	Purchased Power	343,825	324,148	324,148
10	Chemicals	4,882	4,602	4,602
11	Fuel for Power Production	-	-	-
12	Repairs and Maintenance	-	-	-
13	Office Supplies and Expense	33,953	34,071	34,071
14	Outside Services	-	-	-
15	Contractual Services - Professional	1,038,097	1,039,036	1,039,036
16	Contractual Services - Testing	41,807	41,807	41,807
17	Contractual Services - Other	93,920	97,904	97,904
18	Water Testing	-	-	-
19	Rents	4,169	4,169	4,169
20	Transportation	60,352	60,352	60,352
21	Insurance	27,865	27,865	27,865
22	Regulatory Commission Expense	5,900	33,172	33,172
23	Materials and Supplies	29,680	29,680	29,680
24	Miscellaneous	61,392	61,392	61,392
25	Depreciation	564,167	562,211	562,211
26	Taxes Other Than Income	-	-	-
27	Property Taxes	182,351	155,057	166,715
28	Income Tax	-	147,142	397,421
29				
30	Total Operating Expenses	<u>\$ 2,562,254</u>	<u>\$ 2,692,502</u>	<u>\$ 2,954,439</u>
31	Operating Income	<u>\$ 540,205</u>	<u>\$ 340,290</u>	<u>\$ 762,189</u>
32	Other Income (Expense)			
33	Interest Income	-	-	-
34	Other income	5,045	5,045	5,045
35	Interest Expense	(500)	(500)	(500)
36	Other Expense	(10,405)	(92,250)	(92,250)
37	Gain/Loss Sale of Fixed Assets	-	-	-
38	Total Other Income (Expense)	<u>\$ (5,861)</u>	<u>\$ (87,705)</u>	<u>\$ (87,705)</u>
39	Net Profit (Loss)	<u>\$ 534,344</u>	<u>\$ 252,585</u>	<u>\$ 674,484</u>

41
 42 SUPPORTING SCHEDULES:
 43 C-1
 44
 45
 46

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Projected Statements of Changes in Financial Position
 Present and Proposed Rates

Exhibit
 Schedule F-2
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended <u>12/31/2014</u>	At Present Rates Year Ended <u>12/31/2015</u>	At Proposed Rates Year Ended <u>12/31/2015</u>
5	Cash Flows from Operating Activities			
6	Net Income	\$ 534,344	\$ 252,585	\$ 674,484
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	564,167	562,211	562,211
10	Depreciation Adjustments	(524,116)		
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	(59,170)		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	(1,508)		
16	Deferred Charges	(130,278)		
17	Notes Receivable	52,976		
18	Accounts Payable	-		
19	Intercompany payable	(750)		
20	Customer Meter Deposits	(105,701)		
21	Taxes Payable	20,722		
22	Other assets and liabilities	1,605,896		
23	Rounding	-		
24	Net Cash Flow provided by Operating Activities	<u>\$ 1,956,582</u>	<u>\$ 814,796</u>	<u>\$ 1,236,695</u>
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	(2,949,040)	(1,391,146)	(1,391,146)
27	Plant Held for Future Use	-		
28	Changes in debt reserve fund	-		
29	Net Cash Flows from Investing Activities	<u>\$ (2,949,040)</u>	<u>\$ (1,391,146)</u>	<u>\$ (1,391,146)</u>
30	Cash Flow From Financing Activities			
31	Change in Restricted Cash	-		
32	Change in net amounts due to parent and affiliates	-		
33	Net Receipt contributions in aid of construction	(784,430)	(150,962)	(150,962)
34	Net receipts of advances in aid of construction	966,492	294,098	294,098
35	Repayments of Long-Term Debt	-	-	-
36	Dividends Paid	-	-	-
37	Deferred Financing Costs	-	-	-
38	Paid in Capital	799,778	-	-
39	Net Cash Flows Provided by Financing Activities	<u>\$ 981,840</u>	<u>\$ 143,137</u>	<u>\$ 143,137</u>
40	Increase(decrease) in Cash and Cash Equivalents	(10,618)	(433,213)	(11,314)
41	Cash and Cash Equivalents at Beginning of Year	(1,318,089)	(1,328,708)	(1,328,708)
42	Cash and Cash Equivalents at End of Year	<u>\$ (1,328,708)</u>	<u>\$ (1,761,921)</u>	<u>\$ (1,340,022)</u>

SUPPORTING SCHEDULES:

E-3

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Projected Construction Requirements

Exhibit
 Schedule F-3
 Page 1
 Witness: Bourassa

Line No.	Account	Plant Asset:	Test Year	2015	2016	2017
	Number		\$	\$	\$	\$
1						
2						
3						
4	301	Organization Cost	(5,785)	-	-	-
5	302	Franchise Cost	-	-	-	-
6	303	Land and Land Rights	-	-	-	-
7	304	Structures and Improvements	99,552	918,400	23,000	23,000
8	305	Collecting and Impounding Res.	-	-	-	-
9	306	Lake River and Other Intakes	-	-	-	-
10	307	Wells and Springs	-	40,500	54,000	54,000
11	308	Infiltration Galleries and Tunnels	-	-	-	-
12	309	Supply Mains	(4,478)	-	-	-
13	310	Power Generation Equipment	-	-	-	-
14	311	Electric Pumping Equipment	55,968	13,500	18,000	18,000
15	320	Water Treatment Equipment	5,067	-	-	-
16	320.1	Water Treatment Plant	-	-	59,600	9,600
17	320.2	Chemical Solution Feeders	-	-	-	-
18	330	Dist. Reservoirs & Standpipe	1,211	-	-	100,000
19	330.1	Storage tanks	-	-	-	-
20	330.2	Pressure Tanks	-	-	-	-
21	331	Trans. and Dist. Mains	86,115	8,400	71,200	71,200
22	333	Services	502,284	375,721	527,600	527,600
23	334	Meters	81,833	29,000	8,000	8,000
24	335	Hydrants	29,474	4,500	6,000	6,000
25	336	Backflow Prevention Devices	-	-	-	-
26	339	Other Plant and Misc. Equip.	-	-	7,000	7,000
27	340	Office Furniture and Fixtures	1,159	-	6,000	6,000
28	340.1	Computers and Software	-	-	-	-
29	341	Transportation Equipment	(4,159)	-	-	-
30	342	Stores Equipment	-	-	-	-
31	343	Tools and Work Equipment	21,251	1,125	1,500	1,500
32	344	Laboratory Equipment	-	-	-	-
33	345	Power Operated Equipment	-	-	-	-
34	346	Communications Equipment	-	-	-	-
35	347	Miscellaneous Equipment	-	-	-	-
36	348	Other Tangible Plant	-	-	-	-
37	Total		\$ 869,492	\$ 1,391,146	\$ 781,900	\$ 831,900
38						
39						
40						

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line
No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue modified for ratemaking.
- 3
- 4 Projected construction expenditures are shown on Schedule A-4.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
- 7
- 8 Income taxes were computed using statutory state and federal income tax rates.
- 9
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014

Exhibit
 Schedule H-1
 Page 3
 Witness: Bourassa

Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	\$ 3,051,697	\$ 3,755,956	\$ 704,260	23.08%	100.62%	100.00%
2	27,094	32,279	5,185	19.14%	0	0
3	(96,762)	(120,004)	(23,242)	24.02%	-3.19%	-3.20%
4	\$ 2,982,030	\$ 3,668,232	\$ 686,202	23.01%	98.33%	120.95%
5						
6	\$ 48,254	\$ 48,254	-	0.00%	1.59%	1.28%
7	2,508	142	(2,366)	-94.34%	0.08%	0.00%
8	\$ 3,032,792	\$ 3,716,628	\$ 683,836	22.55%	100.00%	122.55%
9						
10						
11						
12						
13						
14						
15						
16		\$ 3,054,205				
17		\$ 3,051,697				
18		\$ 2,508				
19		\$ 15,271				
20						
21						
22						
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Customer Summary
 at 9.5% WACC

Exhibit
 Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2014	Average Consumption	Average Bill		Proposed Rates	Proposed Rates	Proposed Increase	
				Present Rates	Proposed Rates			Dollar Amount	Percent Amount
1	5/8X3/4 Inch Residential	6,101	6,829 \$	31.34 \$	38.50	7.16	22.83%		
2	3/4 Inch Residential	10	4,459	36.71	44.72	8.01	21.82%		
3	1 Inch Residential	37	10,937	71.24	86.56	15.32	21.50%		
4	1 1/2 Inch Residential	4	13,729	118.21	143.85	25.64	21.69%		
5	2 Inch Residential	3	21,083	186.51	226.98	40.47	21.70%		
6	Subtotal	6,155							
7									
8	5/8X3/4 Inch Commercial	81	10,978 \$	44.71 \$	54.90	10.18	22.77%		
9	1 Inch Commercial	53	35,387	150.42	183.74	33.32	22.15%		
10	1 1/2 Inch Commercial	11	24,783	151.15	183.58	32.43	21.45%		
11	2 Inch Commercial	34	69,216	329.94	399.99	70.05	21.23%		
12	3 Inch Commercial	9	31,697	341.82	416.33	74.52	21.80%		
13	4 Inch Commercial	4	254,313	1,139.30	1,408.60	269.30	23.64%		
14									
15	Subtotal	192							
16									
17	5/8X3/4 Inch School	2	440 \$	15.31 \$	18.77	3.46	22.59%		
18	1 1/2 Inch School	1	2,583	80.75	98.60	17.85	22.10%		
19	2 Inch School	11	40,576	232.37	282.20	49.83	21.44%		
20	3 Inch School	2	733,833	2,598.25	3,213.38	615.13	23.67%		
21	4 Inch School	1	242,167	1,042.07	1,288.04	245.97	23.60%		
22	6 Inch School	1	604,167	2,519.44	3,070.66	551.22	21.88%		
23	Subtotal	18							
24									
25	5/8X3/4 Inch Industrial	9	5,065 \$	26.08 \$	32.16	6.07	23.28%		
26	2 Inch Industrial	4	169,708	679.24	834.49	155.25	22.86%		
27	Subtotal	13							
28									
29	5/8X3/4 Inch Multi-family	7	10,429 \$	42.80 \$	52.51	9.71	22.69%		
30	1 1/2 Inch Multi-family	1	9,250	104.87	127.75	22.88	21.82%		
31	Subtotal	8							
32									
33	6 Inch Bulk	1	517,083	3,025.83	3,589.65	563.82	18.63%		
34	Fire Lines up to 8 Inch	18	- \$	5.00 \$	5.00	-	0.00%		
35									
36									
37	Total	6,404							
38									

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

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Customer Summary

Exhibit
 Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2014	Median Bill		Proposed Increase Percent		
			Present Rates	Proposed Rates			
1	5/8X3/4 Inch Residential	6,101	5,000 \$	25.89 \$	31.92	6.03	23.30%
2	3/4 Inch Residential	10	3,000	32.13	39.13	7.00	21.80%
3	1 Inch Residential	37	6,000	56.53	68.82	12.29	21.73%
4	1 1/2 Inch Residential	4	10,000	107.10	130.44	23.34	21.80%
5	2 Inch Residential	3	10,000	153.48	187.14	33.66	21.93%
6	Subtotal	6,155					
7							
8	5/8X3/4 Inch Commercial	81	2,000 \$	18.44 \$	22.79	4.35	23.58%
9	1 Inch Commercial	53	7,000	59.51	72.41	12.90	21.68%
10	1 1/2 Inch Commercial	11	14,000	119.02	144.82	25.80	21.68%
11	2 Inch Commercial	34	11,000	156.46	190.74	34.28	21.91%
12	3 Inch Commercial	9	17,000	298.02	363.51	65.49	21.97%
13	4 Inch Commercial	4	190,000	932.70	1,155.45	222.75	23.88%
14							
15	Subtotal	192					
16							
17	5/8X3/4 Inch School	2	500 \$	14.69 \$	17.96	3.27	22.25%
18	1 1/2 Inch School	1	2,000	80.51	98.31	17.80	22.11%
19	2 Inch School	11	41,364	185.44	225.59	40.15	21.65%
20	3 Inch School	2	1,881,000	1,514.63	1,864.46	349.83	23.10%
21	4 Inch School	1	242,000	1,041.51	1,287.35	245.84	23.60%
22	6 Inch School	1	654,000	2,684.66	3,276.33	591.67	22.04%
23	Subtotal	18					
24							
25	5/8X3/4 Inch Industrial	9	7,333 \$	19.93 \$	24.73	4.80	24.10%
26	2 Inch Industrial	4	262,000	415.02	505.58	90.56	21.82%
27	Subtotal	13					
28							
29	5/8X3/4 Inch Multi-family	7	8,000 \$	34.83 \$	42.71	7.88	22.61%
30	1 1/2 Inch Multi-family	1	8,500	102.63	125.05	22.42	21.85%
31	Subtotal	8					
32							
33	6 Inch Bulk	1	443,500	2,673.37	3,174.31	500.95	18.74%
34	Fire Lines up to 8 Inch	18	- \$	5.00 \$	5.00	-	0.00%
35							
36							
37	Total	6,404					

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

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 1
 Witness: Bourassa

Line No.	Monthly Usage Charge for: Meter Size (All Classes)	Present Rates ^{1,2}	Proposed Rates ^{1,2}	Change	Percent Change
1	5/8 Inch	\$ 15.46	18.90	\$ 3.44	22.25%
2	3/4 Inch	23.19	28.35	5.16	22.25%
3	1 Inch	38.65	47.25	8.60	22.25%
4	1 1/2 Inch	77.30	94.50	17.20	22.25%
5	2 Inch	123.68	151.20	27.52	22.25%
6	3 Inch	247.36	302.40	55.04	22.25%
7	4 Inch	366.50	472.50	106.00	28.92%
8	6 Inch	773.00	945.00	172.00	22.25%
9	8 Inch	1,236.80	1,512.00	275.20	22.25%
10	10 Inch	1,777.90	2,173.50	395.60	22.25%
11	12 Inch	3,323.90	4,063.50	739.60	22.25%
12	Morningsstar Ranch	549.00	671.00	122.00	22.22%
13					
14					
15					
16	Fire Lines 8 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
17	Fire Lines 10 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
18	Fire Lines 12 Inch (R-14-2-408.B)	Per Rule*	Per Rule*		
19					
20	* Per Rule - A.A.C. R-14-2-408.B. 1 percent of monthly minimum for a comparable size meter, but no less than that				
21	\$5.00 per month. The service charge for fire sprinklers is only applicable for service line				
22	separate and distinct from the primary water service line.				
23					
24	<u>Gallons in Minimum (All Classes)</u>				
25					
26					
27	<u>Commodity Rates</u>				
28	<u>(All Classes)</u>				
29		<u>Block</u>	<u>Present Rate</u>	<u>Proposed Rate(1)</u>	
30	5/8 Inch				
31	0 gallons to 3,000 gallons	\$	1.49	\$ 1.94	
32	3,001 gallons to 9,000 gallons	\$	2.98	\$ 3.59	
33	over 9,000 gallons	\$	3.49	\$ 4.34	
34					
35	3/4 Inch Meter				
36	0 gallons to 4,000 gallons	\$	2.98	\$ 3.59	
37	over 4,000 gallons	\$	3.49	\$ 4.34	
38					

¹ Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the low income qualifications.
² A 5% discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company
 NT = No Tariff

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Commodity Rates (All Classes)	(Per 1,000 gallons)	
		Present Rates ^{1,2}	Proposed Rates ^{1,2}
1			
2			
3	Block		
4	0 gallons to 23,000 gallons	\$ 2.98	\$ 3.59
5	over 23,000 gallons	\$ 3.49	\$ 4.34
6			
7	1.5 Inch Meter		
8	0 gallons to 45,000 gallons	\$ 2.98	\$ 3.59
9	over 45,000 gallons	\$ 3.49	\$ 4.34
10	2 Inch Meter		
11	0 gallons to 72,000 gallons	\$ 2.98	\$ 3.59
12	over 72,000 gallons	\$ 3.49	\$ 4.34
13	3 Inch Meter		
14	0 gallons to 144,000 gallons	\$ 2.98	\$ 3.59
15	over 144,000 gallons	\$ 3.49	\$ 4.34
16	4 Inch Meter		
17	0 gallons to 225,000 gallons	\$ 2.98	\$ 3.59
18	over 225,000 gallons	\$ 3.49	\$ 4.34
19	6 Inch Meter		
20	0 gallons to 450,000 gallons	\$ 2.98	\$ 3.59
21	over 450,000 gallons	\$ 3.49	\$ 4.34
22	8 Inch Meter		
23	0 gallons to 720,000 gallons	\$ 2.98	\$ 3.59
24	over 720,000 gallons	\$ 3.49	\$ 4.34
25	10 Inch Meter		
26	0 gallons to 1,025,000 gallons	\$ 2.98	\$ 3.59
27	over 1,025,000 gallons	\$ 3.49	\$ 4.34
28	12 Inch Meter		
29	0 gallons to 1,025,000 gallons	\$ 2.98	\$ 3.59
30	over 1,025,000 gallons	\$ 3.49	\$ 4.34
31	Morningstar Ranch Community Association		
32	All gallons	\$ 4.79	\$ 5.64
33			
34			
35			
36			
37			
38			
39			
40			
41			

¹ Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the low income qualifications.

² A 5% discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company

NT = No Tariff

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Changes in Representative Rate Schedules
 Test Year Ended December 31, 2014

Exhibit
 Schedule H-3
 Page 3
 Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 15.00	\$ 25.00
2			
3	Reestablishment (within 12 months)	(1)	(1)
4	Reconnection (Delinquent)	\$ 15.00	(2)
5			
6	Meter test (If Correct)	\$ 15.00	\$ 30.00
7	Meter Reread (if Correct)	\$ 20.00	\$ 20.00
8	Deposit	(3)	(3)
9	Deposit Interest	(4)	6%(4)
10	NSF Check	\$ 25.00	\$ 10.00
11	Late Payment Penalty	1.5% per month	1.5% per month
12	Deferred Payment (R-01-2-409.G)	1.5% per month	1.5% per month
13	Moving meter at customer request (R-14-2-405.B)	at Cost	at Cost
14	After Hours Service Call Charge (a)	\$ 50.00	\$ 50.00
15			

- 16 (1) Per Commission Rule A.A.C. R14-2-403(D) - residential and non-residential shall pay the
 17 applicable monthly minimum charge times the number of months disconnected.
 18 (2) Customer shall pay the cost of physical disconnection and Establishment charge (if same
 19 customer) and there share be no charge for disconnection is not work is performed.
 20 (3) Per Commission Rule A.A.C. R14-2-403 (B)
 21 (4) Per Commission Rule A.A.C. R14-2-403(B)
 22
 23
 24 (a) At customer's request. No charge for service during normal working hours.
 25
 26
 27
 28
 29
 30 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
 31 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
 32 TAX. PER COMMISSION RULE 14-2-409D(5).
 33
 34
 35
 36
 37

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Meter and Service Line Charges

Exhibit
 Schedule H-3
 Page 4
 Witness: Bourassa

Line						
<u>No.</u>						
1						
2	<u>Refundable Meter and Service Line Charges</u>					
3						
4		Present	Present		Proposed	Proposed
5		Service	Meter		Service	Meter
6		Line	Installation	Total	Line	Installation
7		Charge	Charge	Present	Charge	Charge
8		<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
9	5/8 x 3/4 Inch	At Cost				
10	3/4 Inch	At Cost				
11	1 Inch	At Cost				
12	1 1/2 Inch	At Cost				
13	2 Inch	At Cost				
14	3 Inch	At Cost				
15	4 Inch	At Cost				
16	6 inch	At Cost				
17	8 Inch	At Cost				
18	10 Inch	At Cost				
19	12 Inch	At Cost				
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Bill Comparison Present and Proposed Rates

Meter Size: 5/8x3/4 Inch Residential

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 15.46	\$ 18.90	\$ 3.44	22.25%
1,000	16.95	20.84	3.89	22.98%
2,000	18.44	22.79	4.35	23.58%
3,000	19.93	24.73	4.80	24.10%
4,000	22.91	28.33	5.42	23.65%
5,000	25.89	31.92	6.03	23.30%
6,000	28.87	35.52	6.65	23.02%
7,000	31.85	39.11	7.26	22.80%
8,000	34.83	42.71	7.88	22.61%
9,000	37.81	46.30	8.49	22.45%
10,000	41.30	50.64	9.34	22.63%
12,000	48.28	59.33	11.05	22.89%
14,000	55.26	68.02	12.76	23.10%
16,000	62.24	76.71	14.47	23.25%
18,000	69.22	85.40	16.18	23.37%
20,000	76.20	94.09	17.89	23.48%
25,000	93.65	115.81	22.16	23.66%
30,000	111.10	137.53	26.43	23.79%
35,000	128.55	159.26	30.71	23.89%
40,000	146.00	180.98	34.98	23.96%
45,000	163.45	202.70	39.25	24.01%
50,000	180.90	224.42	43.52	24.06%
60,000	215.80	267.87	52.07	24.13%
70,000	250.70	311.31	60.61	24.18%
80,000	285.60	354.76	69.16	24.21%
90,000	320.50	398.20	77.70	24.24%
100,000	355.40	441.65	86.24	24.27%

Present Rates:

Monthly Minimum:	\$	15.46
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	1.49
Up to 9,000	\$	2.98
Over 9,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	18.90
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	1.94
Up to 9,000	\$	3.59
Over 9,000	\$	4.34

Average Usage					
6,829	\$	31.34	\$	38.50	\$ 7.16 22.83%
Median Usage					
5,000	\$	25.89	\$	31.92	\$ 6.03 23.30%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 3/4 Inch Residential

Exhibit
 Schedule H-4
 Page 2
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 23.19	\$ 28.35	\$ 5.16	22.25%
1,000	26.17	31.94	5.77	22.07%
2,000	29.15	35.54	6.39	21.92%
3,000	32.13	39.13	7.00	21.80%
4,000	35.11	42.73	7.62	21.70%
5,000	38.60	47.07	8.47	21.95%
6,000	42.09	51.42	9.33	22.16%
7,000	45.58	55.76	10.18	22.34%
8,000	49.07	60.11	11.04	22.49%
9,000	52.56	64.45	11.89	22.62%
10,000	56.05	68.79	12.74	22.74%
12,000	63.03	77.48	14.45	22.93%
14,000	70.01	86.17	16.16	23.09%
16,000	76.99	94.86	17.87	23.21%
18,000	83.97	103.55	19.58	23.32%
20,000	90.95	112.24	21.29	23.41%
25,000	108.40	133.96	25.56	23.58%
30,000	125.85	155.68	29.83	23.71%
35,000	143.30	177.41	34.11	23.80%
40,000	160.75	199.13	38.38	23.87%
45,000	178.20	220.85	42.65	23.93%
50,000	195.65	242.57	46.92	23.98%
60,000	230.55	286.02	55.47	24.06%
70,000	265.45	329.46	64.01	24.11%
80,000	300.35	372.91	72.56	24.16%
90,000	335.25	416.35	81.10	24.19%
100,000	370.15	459.80	89.65	24.22%

Present Rates:

Monthly Minimum:	\$	23.19
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	4,000 \$	2.98
Over	4,000 \$	3.49

Proposed Rates:

Monthly Minimum:	\$	28.35
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	4,000 \$	3.59
Over	4,000 \$	4.34

Average Usage					
4,459	\$	36.71	\$	44.72	\$ 8.01 21.82%
Median Usage					
3,000	\$	32.13	\$	39.13	\$ 7.00 21.80%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 Inch Residential

Exhibit
 Schedule H-4
 Page 3
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 38.65	\$ 47.25	\$ 8.60	22.25%
1,000	41.63	50.84	9.21	22.13%
2,000	44.61	54.44	9.83	22.03%
3,000	47.59	58.03	10.44	21.94%
4,000	50.57	61.63	11.06	21.87%
5,000	53.55	65.22	11.67	21.80%
6,000	56.53	68.82	12.29	21.73%
7,000	59.51	72.41	12.90	21.68%
8,000	62.49	76.01	13.52	21.63%
9,000	65.47	79.60	14.13	21.58%
10,000	68.45	83.19	14.74	21.54%
12,000	74.41	90.38	15.97	21.47%
14,000	80.37	97.57	17.20	21.40%
16,000	86.33	104.76	18.43	21.35%
18,000	92.29	111.95	19.66	21.30%
20,000	98.25	119.14	20.89	21.26%
25,000	114.17	138.61	24.44	21.41%
30,000	131.62	160.33	28.71	21.82%
35,000	149.07	182.06	32.99	22.13%
40,000	166.52	203.78	37.26	22.37%
45,000	183.97	225.50	41.53	22.57%
50,000	201.42	247.22	45.80	22.74%
60,000	236.32	290.67	54.35	23.00%
70,000	271.22	334.11	62.89	23.19%
80,000	306.12	377.56	71.44	23.34%
90,000	341.02	421.00	79.98	23.45%
100,000	375.92	464.45	88.53	23.55%

Present Rates:

Monthly Minimum:	\$	38.65
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 23,000	\$	2.98
Over 23,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	47.25
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 23,000	\$	3.59
Over 23,000	\$	4.34

Average Usage					
10,937	\$	71.24	\$	86.56	\$ 15.32 21.50%
Median Usage					
6,000	\$	56.53	\$	68.82	\$ 12.29 21.73%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 1/2 Inch Residential

Exhibit
 Schedule H-4
 Page 4
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 77.30	\$ 94.50	\$ 17.20	22.25%
1,000	80.28	98.09	17.81	22.19%
2,000	83.26	101.69	18.43	22.13%
3,000	86.24	105.28	19.04	22.08%
4,000	89.22	108.88	19.66	22.03%
5,000	92.20	112.47	20.27	21.99%
6,000	95.18	116.07	20.89	21.94%
7,000	98.16	119.66	21.50	21.90%
8,000	101.14	123.26	22.12	21.87%
9,000	104.12	126.85	22.73	21.83%
10,000	107.10	130.44	23.34	21.80%
12,000	113.06	137.63	24.57	21.73%
14,000	119.02	144.82	25.80	21.68%
16,000	124.98	152.01	27.03	21.63%
18,000	130.94	159.20	28.26	21.58%
20,000	136.90	166.39	29.49	21.54%
25,000	151.80	184.36	32.56	21.45%
30,000	166.70	202.33	35.63	21.38%
35,000	181.60	220.31	38.71	21.31%
40,000	196.50	238.28	41.78	21.26%
45,000	211.40	256.25	44.85	21.22%
50,000	228.85	277.97	49.12	21.46%
60,000	263.75	321.42	57.67	21.86%
70,000	298.65	364.86	66.21	22.17%
80,000	333.55	408.31	74.76	22.41%
90,000	368.45	451.75	83.30	22.61%
100,000	403.35	495.20	91.85	22.77%
Average Usage				
13,729	\$ 118.21	\$ 143.85	\$ 25.64	21.69%
Median Usage				
10,000	\$ 107.10	\$ 130.44	\$ 23.34	21.80%

Present Rates:

Monthly Minimum:	\$	77.30
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 45,000	\$	2.98
Over 45,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	94.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 45,000	\$	3.59
Over 45,000	\$	4.34

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Bill Comparison Present and Proposed Rates

Meter Size: 2 Inch Residential

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	
-	\$ 123.68	\$ 151.20	\$ 27.52	22.25%	
1,000	126.66	154.79	28.13	22.21%	
2,000	129.64	158.39	28.75	22.18%	
3,000	132.62	161.98	29.36	22.14%	
4,000	135.60	165.58	29.98	22.11%	
5,000	138.58	169.17	30.59	22.08%	
6,000	141.56	172.77	31.21	22.04%	
7,000	144.54	176.36	31.82	22.02%	
8,000	147.52	179.96	32.44	21.99%	
9,000	150.50	183.55	33.05	21.96%	
10,000	153.48	187.14	33.66	21.93%	
12,000	159.44	194.33	34.89	21.88%	
14,000	165.40	201.52	36.12	21.84%	
16,000	171.36	208.71	37.35	21.80%	
18,000	177.32	215.90	38.58	21.76%	
20,000	183.28	223.09	39.81	21.72%	
25,000	198.18	241.06	42.88	21.64%	
30,000	213.08	259.03	45.95	21.57%	
35,000	227.98	277.01	49.03	21.50%	
40,000	242.88	294.98	52.10	21.45%	
45,000	257.78	312.95	55.17	21.40%	
50,000	272.68	330.92	58.24	21.36%	
60,000	302.48	366.87	64.39	21.29%	
70,000	332.28	402.81	70.53	21.23%	
80,000	366.16	444.76	78.60	21.46%	
90,000	401.06	488.20	87.14	21.73%	
100,000	435.96	531.65	95.68	21.95%	
Average Usage					
21,083	\$ 186.51	\$ 226.98	\$ 40.47	21.70%	
Median Usage					
10,000	\$ 153.48	\$ 187.14	\$ 33.66	21.93%	

Present Rates:			
Monthly Minimum:		\$	123.68
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	72,000	\$	2.98
Over	72,000	\$	3.49

Proposed Rates:			
Monthly Minimum:		\$	151.20
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	72,000	\$	3.59
Over	72,000	\$	4.34

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch Commercial

Exhibit
 Schedule H-4
 Page 6
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 15.46	\$ 18.90	\$ 3.44	22.25%
1,000	16.95	20.84	3.89	22.98%
2,000	18.44	22.79	4.35	23.58%
3,000	19.93	24.73	4.80	24.10%
4,000	22.91	28.33	5.42	23.65%
5,000	25.89	31.92	6.03	23.30%
6,000	28.87	35.52	6.65	23.02%
7,000	31.85	39.11	7.26	22.80%
8,000	34.83	42.71	7.88	22.61%
9,000	37.81	46.30	8.49	22.45%
10,000	41.30	50.64	9.34	22.63%
12,000	48.28	59.33	11.05	22.89%
14,000	55.26	68.02	12.76	23.10%
16,000	62.24	76.71	14.47	23.25%
18,000	69.22	85.40	16.18	23.37%
20,000	76.20	94.09	17.89	23.48%
25,000	93.65	115.81	22.16	23.66%
30,000	111.10	137.53	26.43	23.79%
35,000	128.55	159.26	30.71	23.89%
40,000	146.00	180.98	34.98	23.96%
45,000	163.45	202.70	39.25	24.01%
50,000	180.90	224.42	43.52	24.06%
60,000	215.80	267.87	52.07	24.13%
70,000	250.70	311.31	60.61	24.18%
80,000	285.60	354.76	69.16	24.21%
90,000	320.50	398.20	77.70	24.24%
100,000	355.40	441.65	86.24	24.27%

Present Rates:

Monthly Minimum:	\$	15.46
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	1.49
Up to 9,000	\$	2.98
Over 9,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	18.90
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	1.94
Up to 9,000	\$	3.59
Over 9,000	\$	4.34

Average Usage					
10,978	\$	44.71	\$	54.90	\$ 10.18 22.77%
Median Usage					
2,000	\$	18.44	\$	22.79	\$ 4.35 23.58%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Bill Comparison Present and Proposed Rates
 Meter Size: 1 Inch Commercial

Exhibit
 Schedule H-4
 Page 7
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 38.65	\$ 47.25	\$ 8.60	22.25%
1,000	41.63	50.84	9.21	22.13%
2,000	44.61	54.44	9.83	22.03%
3,000	47.59	58.03	10.44	21.94%
4,000	50.57	61.63	11.06	21.87%
5,000	53.55	65.22	11.67	21.80%
6,000	56.53	68.82	12.29	21.73%
7,000	59.51	72.41	12.90	21.68%
8,000	62.49	76.01	13.52	21.63%
9,000	65.47	79.60	14.13	21.58%
10,000	68.45	83.19	14.74	21.54%
12,000	74.41	90.38	15.97	21.47%
14,000	80.37	97.57	17.20	21.40%
16,000	86.33	104.76	18.43	21.35%
18,000	92.29	111.95	19.66	21.30%
20,000	98.25	119.14	20.89	21.26%
25,000	114.17	138.61	24.44	21.41%
30,000	131.62	160.33	28.71	21.82%
35,000	149.07	182.06	32.99	22.13%
40,000	166.52	203.78	37.26	22.37%
45,000	183.97	225.50	41.53	22.57%
50,000	201.42	247.22	45.80	22.74%
60,000	236.32	290.67	54.35	23.00%
70,000	271.22	334.11	62.89	23.19%
80,000	306.12	377.56	71.44	23.34%
90,000	341.02	421.00	79.98	23.45%
100,000	375.92	464.45	88.53	23.55%

Present Rates:

Monthly Minimum:	\$	38.65
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 23,000	\$	2.98
Over 23,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	47.25
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 23,000	\$	3.59
Over 23,000	\$	4.34

Average Usage					
35,387	\$	150.42	\$	183.74	\$ 33.32 22.15%
Median Usage					
7,000	\$	59.51	\$	72.41	\$ 12.90 21.68%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 1/2 Inch Commercial

Exhibit
 Schedule H-4
 Page 8
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 77.30	\$ 94.50	\$ 17.20	22.25%
1,000	80.28	98.09	17.81	22.19%
2,000	83.26	101.69	18.43	22.13%
3,000	86.24	105.28	19.04	22.08%
4,000	89.22	108.88	19.66	22.03%
5,000	92.20	112.47	20.27	21.99%
6,000	95.18	116.07	20.89	21.94%
7,000	98.16	119.66	21.50	21.90%
8,000	101.14	123.26	22.12	21.87%
9,000	104.12	126.85	22.73	21.83%
10,000	107.10	130.44	23.34	21.80%
12,000	113.06	137.63	24.57	21.73%
14,000	119.02	144.82	25.80	21.68%
16,000	124.98	152.01	27.03	21.63%
18,000	130.94	159.20	28.26	21.58%
20,000	136.90	166.39	29.49	21.54%
25,000	151.80	184.36	32.56	21.45%
30,000	166.70	202.33	35.63	21.38%
35,000	181.60	220.31	38.71	21.31%
40,000	196.50	238.28	41.78	21.26%
45,000	211.40	256.25	44.85	21.22%
50,000	228.85	277.97	49.12	21.46%
60,000	263.75	321.42	57.67	21.86%
70,000	298.65	364.86	66.21	22.17%
80,000	333.55	408.31	74.76	22.41%
90,000	368.45	451.75	83.30	22.61%
100,000	403.35	495.20	91.85	22.77%

Present Rates:

Monthly Minimum:	\$	77.30
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 45,000	\$	2.98
Over 45,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	94.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 45,000	\$	3.59
Over 45,000	\$	4.34

Average Usage					
24,783	\$	151.15	\$	183.58	\$ 32.43 21.45%
Median Usage					
14,000	\$	119.02	\$	144.82	\$ 25.80 21.68%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 2 Inch Commercial

Exhibit
 Schedule H-4
 Page 9
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 123.68	\$ 151.20	\$ 27.52	22.25%
1,000	126.66	154.79	28.13	22.21%
2,000	129.64	158.39	28.75	22.18%
3,000	132.62	161.98	29.36	22.14%
4,000	135.60	165.58	29.98	22.11%
5,000	138.58	169.17	30.59	22.08%
6,000	141.56	172.77	31.21	22.04%
7,000	144.54	176.36	31.82	22.02%
8,000	147.52	179.96	32.44	21.99%
9,000	150.50	183.55	33.05	21.96%
10,000	153.48	187.14	33.66	21.93%
12,000	159.44	194.33	34.89	21.88%
14,000	165.40	201.52	36.12	21.84%
16,000	171.36	208.71	37.35	21.80%
18,000	177.32	215.90	38.58	21.76%
20,000	183.28	223.09	39.81	21.72%
25,000	198.18	241.06	42.88	21.64%
30,000	213.08	259.03	45.95	21.57%
35,000	227.98	277.01	49.03	21.50%
40,000	242.88	294.98	52.10	21.45%
45,000	257.78	312.95	55.17	21.40%
50,000	272.68	330.92	58.24	21.36%
60,000	302.48	366.87	64.39	21.29%
70,000	332.28	402.81	70.53	21.23%
80,000	366.16	444.76	78.60	21.46%
90,000	401.06	488.20	87.14	21.73%
100,000	435.96	531.65	95.68	21.95%

Present Rates:

Monthly Minimum:	\$	123.68
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 72,000	\$	2.98
Over 72,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	151.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 72,000	\$	3.59
Over 72,000	\$	4.34

Average Usage					
69,216	\$	329.94	\$	399.99	\$ 70.05 21.23%
Median Usage					
11,000	\$	156.46	\$	190.74	\$ 34.28 21.91%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 3 Inch Commercial

Exhibit
 Schedule H-4
 Page 10
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 247.36	\$ 302.40	\$ 55.04	22.25%
1,000	250.34	305.99	55.65	22.23%
2,000	253.32	309.59	56.27	22.21%
3,000	256.30	313.18	56.88	22.19%
4,000	259.28	316.78	57.50	22.18%
5,000	262.26	320.37	58.11	22.16%
6,000	265.24	323.97	58.73	22.14%
7,000	268.22	327.56	59.34	22.12%
8,000	271.20	331.16	59.96	22.11%
9,000	274.18	334.75	60.57	22.09%
10,000	277.16	338.34	61.18	22.08%
12,000	283.12	345.53	62.41	22.04%
14,000	289.08	352.72	63.64	22.02%
16,000	295.04	359.91	64.87	21.99%
18,000	301.00	367.10	66.10	21.96%
20,000	306.96	374.29	67.33	21.93%
25,000	321.86	392.26	70.40	21.87%
30,000	336.76	410.23	73.47	21.82%
35,000	351.66	428.21	76.55	21.77%
40,000	366.56	446.18	79.62	21.72%
45,000	381.46	464.15	82.69	21.68%
50,000	396.36	482.12	85.76	21.64%
60,000	426.16	518.07	91.91	21.57%
70,000	455.96	554.01	98.05	21.50%
80,000	485.76	589.96	104.20	21.45%
90,000	515.56	625.90	110.34	21.40%
100,000	545.36	661.85	116.49	21.36%

Present Rates:

Monthly Minimum:	\$ 247.36
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 144,000	\$ 2.98
Over 144,000	\$ 3.49

Proposed Rates:

Monthly Minimum:	\$ 302.40
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 144,000	\$ 3.59
Over 144,000	\$ 4.34

Average Usage					
31,697	\$ 341.82	\$ 416.33	\$ 74.52	21.80%	
Median Usage					
17,000	\$ 298.02	\$ 363.51	\$ 65.49	21.97%	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 4 Inch Commercial

Exhibit
 Schedule H-4
 Page 11
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 366.50	\$ 472.50	\$ 106.00	28.92%
1,000	369.48	476.09	106.61	28.86%
2,000	372.46	479.69	107.23	28.79%
3,000	375.44	483.28	107.84	28.72%
4,000	378.42	486.88	108.46	28.66%
5,000	381.40	490.47	109.07	28.60%
6,000	384.38	494.07	109.69	28.54%
7,000	387.36	497.66	110.30	28.48%
8,000	390.34	501.26	110.92	28.42%
9,000	393.32	504.85	111.53	28.36%
10,000	396.30	508.44	112.14	28.30%
12,000	402.26	515.63	113.37	28.18%
14,000	408.22	522.82	114.60	28.07%
16,000	414.18	530.01	115.83	27.97%
18,000	420.14	537.20	117.06	27.86%
20,000	426.10	544.39	118.29	27.76%
25,000	441.00	562.36	121.36	27.52%
30,000	455.90	580.33	124.43	27.29%
35,000	470.80	598.31	127.51	27.08%
40,000	485.70	616.28	130.58	26.88%
45,000	500.60	634.25	133.65	26.70%
50,000	515.50	652.22	136.72	26.52%
60,000	545.30	688.17	142.87	26.20%
70,000	575.10	724.11	149.01	25.91%
80,000	604.90	760.06	155.16	25.65%
90,000	634.70	796.00	161.30	25.41%
100,000	664.50	831.95	167.45	25.20%
Average Usage				
254,313	\$ 1,139.30	\$ 1,408.60	\$ 269.30	23.64%
Median Usage				
190,000	\$ 932.70	\$ 1,155.45	\$ 222.75	23.88%

Present Rates:

Monthly Minimum:	\$	366.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	225,000	\$ 2.98
Over	225,000	\$ 3.49

Proposed Rates:

Monthly Minimum:	\$	472.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	225,000	\$ 3.59
Over	225,000	\$ 4.34

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch School

Exhibit
 Schedule H-4
 Page 12
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 14.69	\$ 17.96	\$ 3.27	22.25%
1,000	16.10	19.80	3.70	22.98%
2,000	17.52	21.65	4.13	23.58%
3,000	18.93	23.50	4.56	24.10%
4,000	21.76	26.91	5.15	23.65%
5,000	24.60	30.33	5.73	23.30%
6,000	27.43	33.74	6.31	23.02%
7,000	30.26	37.16	6.90	22.80%
8,000	33.09	40.57	7.48	22.61%
9,000	35.92	43.99	8.07	22.45%
10,000	39.24	48.11	8.88	22.63%
12,000	45.87	56.37	10.50	22.89%
14,000	52.50	64.62	12.12	23.10%
16,000	59.13	72.88	13.75	23.25%
18,000	65.76	81.13	15.37	23.37%
20,000	72.39	89.38	16.99	23.48%
25,000	88.97	110.02	21.05	23.66%
30,000	105.55	130.66	25.11	23.79%
35,000	122.12	151.29	29.17	23.89%
40,000	138.70	171.93	33.23	23.96%
45,000	155.28	192.57	37.29	24.01%
50,000	171.86	213.20	41.35	24.06%
60,000	205.01	254.47	49.46	24.13%
70,000	238.17	295.75	57.58	24.18%
80,000	271.32	337.02	65.70	24.21%
90,000	304.48	378.29	73.82	24.24%
100,000	337.63	419.56	81.93	24.27%

Present Rates:

Monthly Minimum:	\$	14.69
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	1.42
Up to 9,000	\$	2.83
Over 9,000	\$	3.32

Proposed Rates:

Monthly Minimum:	\$	17.96
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 3,000	\$	1.85
Up to 9,000	\$	3.41
Over 9,000	\$	4.13

Average Usage					
440	\$	15.31	\$	18.77	\$ 3.46 22.59%
Median Usage					
-	\$	14.69	\$	17.96	\$ 3.27 22.25%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 1/2 Inch Schl

Exhibit
 Schedule H-4
 Page 13
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 73.44	\$ 89.78	\$ 16.34	22.25%
1,000	76.27	93.19	16.92	22.19%
2,000	79.10	96.60	17.51	22.13%
3,000	81.93	100.02	18.09	22.08%
4,000	84.76	103.43	18.67	22.03%
5,000	87.59	106.85	19.26	21.99%
6,000	90.42	110.26	19.84	21.94%
7,000	93.25	113.68	20.43	21.90%
8,000	96.08	117.09	21.01	21.87%
9,000	98.91	120.51	21.59	21.83%
10,000	101.75	123.92	22.18	21.80%
12,000	107.41	130.75	23.34	21.73%
14,000	113.07	137.58	24.51	21.68%
16,000	118.73	144.41	25.68	21.63%
18,000	124.39	151.24	26.85	21.58%
20,000	130.06	158.07	28.01	21.54%
25,000	144.21	175.14	30.93	21.45%
30,000	158.37	192.22	33.85	21.38%
35,000	172.52	209.29	36.77	21.31%
40,000	186.68	226.36	39.69	21.26%
45,000	200.83	243.44	42.61	21.22%
50,000	217.41	264.07	46.67	21.46%
60,000	250.56	305.35	54.78	21.86%
70,000	283.72	346.62	62.90	22.17%
80,000	316.87	387.89	71.02	22.41%
90,000	350.03	429.16	79.14	22.61%
100,000	383.18	470.44	87.25	22.77%

Present Rates:

Monthly Minimum:	\$	73.44
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	45,000	\$ 2.83
Over	45,000	\$ 3.32

Proposed Rates:

Monthly Minimum:	\$	89.78
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	45,000	\$ 3.41
Over	45,000	\$ 4.13

Average Usage					
2,583	\$	80.75	\$	98.60	\$ 17.85 22.10%
Median Usage					
2,500	\$	80.51	\$	98.31	\$ 17.80 22.11%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 2 Inch Schl

Exhibit
 Schedule H-4
 Page 14
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 117.50	\$ 143.64	\$ 26.14	22.25%
1,000	120.33	147.05	26.73	22.21%
2,000	123.16	150.47	27.31	22.18%
3,000	125.99	153.88	27.90	22.14%
4,000	128.82	157.30	28.48	22.11%
5,000	131.65	160.71	29.06	22.08%
6,000	134.48	164.13	29.65	22.04%
7,000	137.31	167.54	30.23	22.02%
8,000	140.14	170.96	30.81	21.99%
9,000	142.98	174.37	31.40	21.96%
10,000	145.81	177.79	31.98	21.93%
12,000	151.47	184.62	33.15	21.88%
14,000	157.13	191.45	34.32	21.84%
16,000	162.79	198.28	35.48	21.80%
18,000	168.45	205.11	36.65	21.76%
20,000	174.12	211.93	37.82	21.72%
25,000	188.27	229.01	40.74	21.64%
30,000	202.43	246.08	43.66	21.57%
35,000	216.58	263.16	46.57	21.50%
40,000	230.74	280.23	49.49	21.45%
45,000	244.89	297.30	52.41	21.40%
50,000	259.05	314.38	55.33	21.36%
60,000	287.36	348.52	61.17	21.29%
70,000	315.67	382.67	67.00	21.23%
80,000	347.85	422.52	74.67	21.46%
90,000	381.01	463.79	82.78	21.73%
100,000	414.16	505.06	90.90	21.95%

Present Rates:

Monthly Minimum:	\$	117.50
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	72,000	\$ 2.83
Over	72,000	\$ 3.32

Proposed Rates:

Monthly Minimum:	\$	143.64
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	72,000	\$ 3.41
Over	72,000	\$ 4.13

Average Usage						
40,576	\$	232.37	\$	282.20	\$ 49.83	21.44%
Median Usage						
24,000	\$	185.44	\$	225.59	\$ 40.15	21.65%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 3 Inch School

Exhibit
 Schedule H-4
 Page 15
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 234.99	\$ 287.28	\$ 52.29	22.25%
1,000	237.82	290.69	52.87	22.23%
2,000	240.65	294.11	53.46	22.21%
3,000	243.49	297.52	54.04	22.19%
4,000	246.32	300.94	54.62	22.18%
5,000	249.15	304.35	55.21	22.16%
6,000	251.98	307.77	55.79	22.14%
7,000	254.81	311.18	56.37	22.12%
8,000	257.64	314.60	56.96	22.11%
9,000	260.47	318.01	57.54	22.09%
10,000	263.30	321.43	58.13	22.08%
12,000	268.96	328.26	59.29	22.04%
14,000	274.63	335.09	60.46	22.02%
16,000	280.29	341.92	61.63	21.99%
18,000	285.95	348.75	62.80	21.96%
20,000	291.61	355.57	63.96	21.93%
25,000	305.77	372.65	66.88	21.87%
30,000	319.92	389.72	69.80	21.82%
35,000	334.08	406.80	72.72	21.77%
40,000	348.23	423.87	75.64	21.72%
45,000	362.39	440.94	78.56	21.68%
50,000	376.54	458.02	81.47	21.64%
60,000	404.85	492.16	87.31	21.57%
70,000	433.16	526.31	93.15	21.50%
80,000	461.47	560.46	98.99	21.45%
90,000	489.78	594.61	104.82	21.40%
100,000	518.09	628.75	110.66	21.36%
Average Usage				
733,833	\$ 2,598.25	\$ 3,213.38	\$ 615.13	23.67%
Median Usage				
407,000	\$ 1,514.63	\$ 1,864.46	\$ 349.83	23.10%

Present Rates:

Monthly Minimum:	\$ 234.99
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 144,000	\$ 2.83
Over 144,000	\$ 3.32

Proposed Rates:

Monthly Minimum:	\$ 287.28
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 144,000	\$ 3.41
Over 144,000	\$ 4.13

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Bill Comparison Present and Proposed Rates

Meter Size: 4 Inch Schl

Exhibit
Schedule H-4
Page 16
Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 348.18	\$ 448.88	\$ 100.70	28.92%
1,000	351.01	452.29	101.28	28.86%
2,000	353.84	455.70	101.87	28.79%
3,000	356.67	459.12	102.45	28.72%
4,000	359.50	462.53	103.03	28.66%
5,000	362.33	465.95	103.62	28.60%
6,000	365.16	469.36	104.20	28.54%
7,000	367.99	472.78	104.79	28.48%
8,000	370.82	476.19	105.37	28.42%
9,000	373.65	479.61	105.95	28.36%
10,000	376.49	483.02	106.54	28.30%
12,000	382.15	489.85	107.70	28.18%
14,000	387.81	496.68	108.87	28.07%
16,000	393.47	503.51	110.04	27.97%
18,000	399.13	510.34	111.21	27.86%
20,000	404.80	517.17	112.37	27.76%
25,000	418.95	534.24	115.29	27.52%
30,000	433.11	551.32	118.21	27.29%
35,000	447.26	568.39	121.13	27.08%
40,000	461.42	585.46	124.05	26.88%
45,000	475.57	602.54	126.97	26.70%
50,000	489.73	619.61	129.89	26.52%
60,000	518.04	653.76	135.72	26.20%
70,000	546.35	687.91	141.56	25.91%
80,000	574.66	722.05	147.40	25.65%
90,000	602.97	756.20	153.24	25.41%
100,000	631.28	790.35	159.07	25.20%
Average Usage				
242,167	\$ 1,042.07	\$ 1,288.04	\$ 245.97	23.60%
Median Usage				
242,000	\$ 1,041.51	\$ 1,287.35	\$ 245.84	23.60%

Present Rates:
 Monthly Minimum: \$ 348.18
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 225,000 \$ 2.83
 Over 225,000 \$ 3.32

Proposed Rates:
 Monthly Minimum: \$ 448.88
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 225,000 \$ 3.41
 Over 225,000 \$ 4.13

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Bill Comparison Present and Proposed Rates
 Meter Size: 6 Inch School

Exhibit
 Schedule H-4
 Page 17
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 734.35	\$ 897.75	\$ 163.40	22.25%
1,000	737.18	901.16	163.98	22.24%
2,000	740.01	904.58	164.57	22.24%
3,000	742.84	907.99	165.15	22.23%
4,000	745.67	911.41	165.73	22.23%
5,000	748.51	914.82	166.32	22.22%
6,000	751.34	918.24	166.90	22.21%
7,000	754.17	921.65	167.49	22.21%
8,000	757.00	925.07	168.07	22.20%
9,000	759.83	928.48	168.65	22.20%
10,000	762.66	931.90	169.24	22.19%
12,000	768.32	938.73	170.40	22.18%
14,000	773.98	945.56	171.57	22.17%
16,000	779.65	952.39	172.74	22.16%
18,000	785.31	959.22	173.91	22.15%
20,000	790.97	966.04	175.07	22.13%
25,000	805.13	983.12	177.99	22.11%
30,000	819.28	1,000.19	180.91	22.08%
35,000	833.44	1,017.27	183.83	22.06%
40,000	847.59	1,034.34	186.75	22.03%
45,000	861.75	1,051.41	189.67	22.01%
50,000	875.90	1,068.49	192.59	21.99%
60,000	904.21	1,102.63	198.42	21.94%
70,000	932.52	1,136.78	204.26	21.90%
80,000	960.83	1,170.93	210.10	21.87%
90,000	989.14	1,205.08	215.94	21.83%
100,000	1,017.45	1,239.22	221.77	21.80%

Present Rates:

Monthly Minimum:	\$	734.35
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	450,000	\$ 2.83
Over	450,000	\$ 3.32

Proposed Rates:

Monthly Minimum:	\$	897.75
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	450,000	\$ 3.41
Over	450,000	\$ 4.13

Average Usage					
604,167	\$	2,519.44	\$	3,070.66	\$ 551.22 21.88%
Median Usage					
654,000	\$	2,684.66	\$	3,276.33	\$ 591.67 22.04%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch Multi-Family

Exhibit
 Schedule H-4
 Page 18
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 15.46	\$ 18.90	\$ 3.44	22.25%
1,000	16.95	20.84	3.89	22.98%
2,000	18.44	22.79	4.35	23.58%
3,000	19.93	24.73	4.80	24.10%
4,000	22.91	28.33	5.42	23.65%
5,000	25.89	31.92	6.03	23.30%
6,000	28.87	35.52	6.65	23.02%
7,000	31.85	39.11	7.26	22.80%
8,000	34.83	42.71	7.88	22.61%
9,000	37.81	46.30	8.49	22.45%
10,000	41.30	50.64	9.34	22.63%
12,000	48.28	59.33	11.05	22.89%
14,000	55.26	68.02	12.76	23.10%
16,000	62.24	76.71	14.47	23.25%
18,000	69.22	85.40	16.18	23.37%
20,000	76.20	94.09	17.89	23.48%
25,000	93.65	115.81	22.16	23.66%
30,000	111.10	137.53	26.43	23.79%
35,000	128.55	159.26	30.71	23.89%
40,000	146.00	180.98	34.98	23.96%
45,000	163.45	202.70	39.25	24.01%
50,000	180.90	224.42	43.52	24.06%
60,000	215.80	267.87	52.07	24.13%
70,000	250.70	311.31	60.61	24.18%
80,000	285.60	354.76	69.16	24.21%
90,000	320.50	398.20	77.70	24.24%
100,000	355.40	441.65	86.24	24.27%

Present Rates:

Monthly Minimum:	\$	15.46
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	3,000 \$	1.49
Up to	9,000 \$	2.98
Over	9,000 \$	3.49

Proposed Rates:

Monthly Minimum:	\$	18.90
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	3,000 \$	1.94
Up to	9,000 \$	3.59
Over	9,000 \$	4.34

Average Usage					
10,429	\$	42.80	\$	52.51	\$ 9.71 22.69%
Median Usage					
8,000	\$	34.83	\$	42.71	\$ 7.88 22.61%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 1/2 Inch Multi-Family

Exhibit
 Schedule H-4
 Page 19
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	
-	\$ 77.30	\$ 94.50	\$ 17.20	22.25%	
1,000	80.28	98.09	17.81	22.19%	Present Rates:
2,000	83.26	101.69	18.43	22.13%	Monthly Minimum: \$ 77.30
3,000	86.24	105.28	19.04	22.08%	Gallons in Minimum -
4,000	89.22	108.88	19.66	22.03%	Charge Per 1,000 Gallons
5,000	92.20	112.47	20.27	21.99%	Up to 45,000 \$ 2.98
6,000	95.18	116.07	20.89	21.94%	Over 45,000 \$ 3.49
7,000	98.16	119.66	21.50	21.90%	
8,000	101.14	123.26	22.12	21.87%	
9,000	104.12	126.85	22.73	21.83%	
10,000	107.10	130.44	23.34	21.80%	
12,000	113.06	137.63	24.57	21.73%	Proposed Rates:
14,000	119.02	144.82	25.80	21.68%	Monthly Minimum: \$ 94.50
16,000	124.98	152.01	27.03	21.63%	Gallons in Minimum -
18,000	130.94	159.20	28.26	21.58%	Charge Per 1,000 Gallons
20,000	136.90	166.39	29.49	21.54%	Up to 45,000 \$ 3.59
25,000	151.80	184.36	32.56	21.45%	Over 45,000 \$ 4.34
30,000	166.70	202.33	35.63	21.38%	
35,000	181.60	220.31	38.71	21.31%	
40,000	196.50	238.28	41.78	21.26%	
45,000	211.40	256.25	44.85	21.22%	
50,000	228.85	277.97	49.12	21.46%	
60,000	263.75	321.42	57.67	21.86%	
70,000	298.65	364.86	66.21	22.17%	
80,000	333.55	408.31	74.76	22.41%	
90,000	368.45	451.75	83.30	22.61%	
100,000	403.35	495.20	91.85	22.77%	
Average Usage					
9,250	\$ 104.87	\$ 127.75	\$ 22.88	21.82%	
Median Usage					
8,500	\$ 102.63	\$ 125.05	\$ 22.42	21.85%	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch Industrial

Exhibit
 Schedule H-4
 Page 20
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>		
-	\$ 15.46	\$ 18.90	\$ 3.44	22.25%		
1,000	16.95	20.84	3.89	22.98%	Present Rates:	
2,000	18.44	22.79	4.35	23.58%	Monthly Minimum:	\$ 15.46
3,000	19.93	24.73	4.80	24.10%	Gallons in Minimum	-
4,000	22.91	28.33	5.42	23.65%	Charge Per 1,000 Gallons	
5,000	25.89	31.92	6.03	23.30%	Up to	3,000 \$ 1.49
6,000	28.87	35.52	6.65	23.02%	Up to	9,000 \$ 2.98
7,000	31.85	39.11	7.26	22.80%	Over	9,000 \$ 3.49
8,000	34.83	42.71	7.88	22.61%		
9,000	37.81	46.30	8.49	22.45%		
10,000	41.30	50.64	9.34	22.63%		
12,000	48.28	59.33	11.05	22.89%	Proposed Rates:	
14,000	55.26	68.02	12.76	23.10%	Monthly Minimum:	\$ 18.90
16,000	62.24	76.71	14.47	23.25%	Gallons in Minimum	-
18,000	69.22	85.40	16.18	23.37%	Charge Per 1,000 Gallons	
20,000	76.20	94.09	17.89	23.48%	Up to	3,000 \$ 1.94
25,000	93.65	115.81	22.16	23.66%	Up to	9,000 \$ 3.59
30,000	111.10	137.53	26.43	23.79%	Over	9,000 \$ 4.34
35,000	128.55	159.26	30.71	23.89%		
40,000	146.00	180.98	34.98	23.96%		
45,000	163.45	202.70	39.25	24.01%		
50,000	180.90	224.42	43.52	24.06%		
60,000	215.80	267.87	52.07	24.13%		
70,000	250.70	311.31	60.61	24.18%		
80,000	285.60	354.76	69.16	24.21%		
90,000	320.50	398.20	77.70	24.24%		
100,000	355.40	441.65	86.24	24.27%		
Average Usage						
5,065	\$ 26.08	\$ 32.16	\$ 6.07	23.28%		
Median Usage						
3,000	\$ 19.93	\$ 24.73	\$ 4.80	24.10%		

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 2 Inch Industrial

Exhibit
 Schedule H-4
 Page 21
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 123.68	\$ 151.20	\$ 27.52	22.25%
1,000	126.66	154.79	28.13	22.21%
2,000	129.64	158.39	28.75	22.18%
3,000	132.62	161.98	29.36	22.14%
4,000	135.60	165.58	29.98	22.11%
5,000	138.58	169.17	30.59	22.08%
6,000	141.56	172.77	31.21	22.04%
7,000	144.54	176.36	31.82	22.02%
8,000	147.52	179.96	32.44	21.99%
9,000	150.50	183.55	33.05	21.96%
10,000	153.48	187.14	33.66	21.93%
12,000	159.44	194.33	34.89	21.88%
14,000	165.40	201.52	36.12	21.84%
16,000	171.36	208.71	37.35	21.80%
18,000	177.32	215.90	38.58	21.76%
20,000	183.28	223.09	39.81	21.72%
25,000	198.18	241.06	42.88	21.64%
30,000	213.08	259.03	45.95	21.57%
35,000	227.98	277.01	49.03	21.50%
40,000	242.88	294.98	52.10	21.45%
45,000	257.78	312.95	55.17	21.40%
50,000	272.68	330.92	58.24	21.36%
60,000	302.48	366.87	64.39	21.29%
70,000	332.28	402.81	70.53	21.23%
80,000	366.16	444.76	78.60	21.46%
90,000	401.06	488.20	87.14	21.73%
100,000	435.96	531.65	95.68	21.95%
Average Usage				
169,708	\$ 679.24	\$ 834.49	\$ 155.25	22.86%
Median Usage				
94,000	\$ 415.02	\$ 505.58	\$ 90.56	21.82%

Present Rates:

Monthly Minimum:	\$	123.68
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 72,000	\$	2.98
Over 72,000	\$	3.49

Proposed Rates:

Monthly Minimum:	\$	151.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 72,000	\$	3.59
Over 72,000	\$	4.34

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Bill Comparison Present and Proposed Rates
 Meter Size: 6 Inch Bulk (MSR)

Exhibit Schedule H-4
 Page 22
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 549.00	\$ 671.00	\$ 122.00	22.22%
1,000	553.79	676.64	122.85	22.18%
2,000	558.58	682.29	123.71	22.15%
3,000	563.37	687.93	124.56	22.11%
4,000	568.16	693.58	125.42	22.07%
5,000	572.95	699.22	126.27	22.04%
6,000	577.74	704.87	127.13	22.00%
7,000	582.53	710.51	127.98	21.97%
8,000	587.32	716.16	128.84	21.94%
9,000	592.11	721.80	129.69	21.90%
10,000	596.90	727.44	130.54	21.87%
12,000	606.48	738.73	132.25	21.81%
14,000	616.06	750.02	133.96	21.75%
16,000	625.64	761.31	135.67	21.69%
18,000	635.22	772.60	137.38	21.63%
20,000	644.80	783.89	139.09	21.57%
25,000	668.75	812.11	143.36	21.44%
30,000	692.70	840.33	147.63	21.31%
35,000	716.65	868.56	151.91	21.20%
40,000	740.60	896.78	156.18	21.09%
45,000	764.55	925.00	160.45	20.99%
50,000	788.50	953.22	164.72	20.89%
60,000	836.40	1,009.67	173.27	20.72%
70,000	884.30	1,066.11	181.81	20.56%
80,000	932.20	1,122.56	190.36	20.42%
90,000	980.10	1,179.00	198.90	20.29%
100,000	1,028.00	1,235.45	207.45	20.18%

Present Rates:
 Monthly Minimum: \$ 549.00
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 All gallons \$ 4.79

Proposed Rates:
 Monthly Minimum: \$ 671.00
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 All gallons \$ 5.64

Average Usage					
517,083	\$ 3,025.83	\$ 3,589.65	\$ 563.82	18.63%	
Median Usage					
443,500	\$ 2,673.37	\$ 3,174.31	\$ 500.95	18.74%	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Bill Comparison Present and Proposed Rates
 Meter Size: Fire Lines Up to 8 Inch

Exhibit
 Schedule H-4
 Page 23
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	
-	\$ 5.00	\$ 5.00	\$ -	0.00%	
1,000	5.00	5.00	-	0.00%	Present Rates: Monthly Minimum: \$ 5.00
2,000	5.00	5.00	-	0.00%	
3,000	5.00	5.00	-	0.00%	
4,000	5.00	5.00	-	0.00%	
5,000	5.00	5.00	-	0.00%	
6,000	5.00	5.00	-	0.00%	
7,000	5.00	5.00	-	0.00%	
8,000	5.00	5.00	-	0.00%	
9,000	5.00	5.00	-	0.00%	
10,000	5.00	5.00	-	0.00%	
12,000	5.00	5.00	-	0.00%	Proposed Rates: Monthly Minimum: \$ 5.00
14,000	5.00	5.00	-	0.00%	
16,000	5.00	5.00	-	0.00%	
18,000	5.00	5.00	-	0.00%	
20,000	5.00	5.00	-	0.00%	
25,000	5.00	5.00	-	0.00%	
30,000	5.00	5.00	-	0.00%	
35,000	5.00	5.00	-	0.00%	
40,000	5.00	5.00	-	0.00%	
45,000	5.00	5.00	-	0.00%	
50,000	5.00	5.00	-	0.00%	
60,000	5.00	5.00	-	0.00%	
70,000	5.00	5.00	-	0.00%	
80,000	5.00	5.00	-	0.00%	
90,000	5.00	5.00	-	0.00%	
100,000	5.00	5.00	-	0.00%	
Average Usage					
-	\$ 5.00	\$ 5.00	\$ -	0.00%	
Median Usage					
-	\$ 5.00	\$ 5.00	\$ -	0.00%	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 5/8x3/4 Inch Residential

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	332	308	285	272	241	266	303	308	308	307	295	3,522	3,522	3,522	-	
2,000	324	343	368	307	231	217	270	278	278	345	379	3,747	7,269	7,269	3,747	
3,000	481	526	488	398	318	323	416	391	391	509	573	5,568	12,837	12,837	14,883	
4,000	625	746	664	576	420	344	519	533	533	669	688	7,236	20,073	20,073	36,591	
5,000	776	800	748	646	477	460	573	612	612	706	786	8,265	28,338	28,338	69,651	
6,000	791	799	658	513	486	467	642	672	672	747	787	8,426	36,764	36,764	111,781	
7,000	677	684	680	509	467	474	601	621	621	656	618	655	7,414	44,178	156,265	198,335
8,000	533	503	485	477	520	498	527	539	539	523	471	480	6,010	50,188	198,335	198,335
9,000	409	354	365	404	464	407	386	454	454	375	375	332	4,719	54,907	236,087	236,087
10,000	205	268	241	311	330	369	340	365	340	284	237	268	3,581	58,488	268,316	268,316
11,000	196	196	196	268	334	319	300	299	300	223	195	173	2,958	61,446	297,896	297,896
12,000	176	140	139	172	229	237	233	204	204	173	175	121	2,254	63,700	322,690	322,690
13,000	108	95	101	129	206	217	201	177	201	127	98	96	1,704	65,404	343,138	343,138
14,000	87	78	83	87	174	190	127	120	127	93	74	75	1,315	66,719	360,233	360,233
15,000	75	50	56	78	94	167	109	97	109	71	60	48	1,066	67,785	375,157	375,157
16,000	33	33	33	83	135	155	96	61	96	51	44	45	845	68,630	387,832	387,832
17,000	28	20	29	43	70	127	86	48	86	46	40	36	695	69,325	398,952	398,952
18,000	24	19	21	38	62	109	52	59	52	26	22	19	542	69,867	408,166	408,166
19,000	20	14	21	20	41	85	44	42	44	23	30	22	432	70,299	415,942	415,942
20,000	12	11	11	24	33	85	46	32	46	22	19	13	377	70,676	423,105	423,105
21,000	8	5	9	22	40	70	33	22	33	28	12	13	329	71,005	429,685	429,685
22,000	8	6	3	12	16	47	26	23	26	23	10	18	214	71,219	434,179	434,179
23,000	7	6	6	13	17	46	23	12	23	15	9	9	191	71,410	438,381	438,381
24,000	6	6	1	10	16	42	12	6	12	12	9	10	184	71,594	442,613	442,613
25,000	9	8	5	11	14	50	10	15	10	7	6	5	186	71,780	447,077	447,077
26,000	5	5	2	4	9	32	17	13	17	2	5	5	135	71,915	450,452	450,452
27,000	4	4	4	7	12	27	5	6	5	6	4	3	106	72,021	453,208	453,208
28,000	4	1	4	9	10	27	17	8	17	5	5	6	120	72,141	456,448	456,448
29,000	2	-	6	5	10	24	11	3	11	3	3	5	96	72,237	459,136	459,136
30,000	2	2	3	3	10	21	7	7	7	2	3	3	79	72,316	461,427	461,427
31,000	1	-	1	3	14	25	7	4	7	4	4	1	90	72,406	464,127	464,127
32,000	2	2	2	6	10	10	4	9	4	4	1	4	57	72,463	465,894	465,894
33,000	2	2	3	6	11	12	9	8	9	2	2	2	68	72,531	466,070	466,070
34,000	2	2	2	6	2	14	6	3	6	2	7	1	59	72,590	470,017	470,017
35,000	3	1	2	6	8	19	3	5	3	3	3	2	66	72,656	472,261	472,261
36,000	2	2	-	3	1	15	4	5	4	-	4	4	46	72,702	473,871	473,871
37,000	1	-	3	1	7	14	3	5	3	-	1	1	39	72,741	475,275	475,275
38,000	-	3	-	3	3	12	4	4	4	3	1	4	50	72,791	477,125	477,125
39,000	-	1	-	2	4	5	6	3	6	1	2	2	29	72,820	478,227	478,227
40,000	-	-	-	1	3	7	4	4	4	2	-	-	19	72,839	478,968	478,968
41,000	1	-	1	1	6	7	1	2	1	2	2	2	24	72,863	479,928	479,928
42,000	2	1	1	2	5	4	1	2	1	1	1	3	21	72,884	480,789	480,789
													23	72,907	481,755	481,755

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 5/8x3/4 Inch Residential

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
43,000	43,000	2				1	5	7	2	2		1	1	21	72,928	482,658
44,000	44,000					2	3	10	2	2			1	23	72,951	483,670
45,000	45,000					1	4	6		2				15	72,966	484,345
46,000	46,000	1				3	4	8	3			2		24	72,990	485,449
47,000	47,000					1	4	1		1		1		10	73,000	485,919
48,000	48,000					1	7	2	2	1				13	73,013	486,543
49,000	49,000						5	2	2	2		1		13	73,026	487,180
50,000	50,000							6	1			1		10	73,036	487,680
51,000	51,000					1	1	3	4	2				13	73,049	488,343
52,000	52,000	1				1	4	1	3			1		11	73,060	488,915
53,000	53,000						2	3	4	1				11	73,071	489,498
54,000	54,000	1				1		2	1	1				7	73,078	489,876
55,000	55,000	1					3	3	1		1			15	73,093	490,701
56,000	56,000					2	2	2		1				9	73,102	491,205
57,000	57,000	1				1	2	3				1		8	73,110	491,661
58,000	58,000						1			1				3	73,113	491,835
59,000	59,000						3	1	1					7	73,120	492,248
60,000	60,000					2	2	1	1					5	73,125	492,548
61,000	61,000					1	1	1						4	73,129	492,792
62,000	62,000							2	1	2		1		6	73,135	493,164
63,000	63,000					2			1	1				8	73,143	493,668
64,000	64,000													3	73,145	493,796
65,000	65,000	1							1	1				2	73,148	493,991
66,000	66,000							3					1	4	73,152	494,255
67,000	67,000							1						1	73,153	494,322
68,000	68,000							2						2	73,155	494,458
69,000	69,000							1	1					4	73,157	494,596
70,000	70,000					1		1		1				4	73,161	494,876
71,000	71,000						1	1						2	73,163	495,018
72,000	72,000						1		1			1		3	73,166	495,234
73,000	73,000						1		1					2	73,168	495,380
74,000	74,000							1						1	73,169	495,454
75,000	75,000													1	73,170	495,529
76,000	76,000					1				1				4	73,174	495,833
77,000	77,000							2							73,174	495,833
78,000	78,000						2	1						3	73,177	496,067
79,000	79,000							1						1	73,178	496,146
80,000	80,000							1						1	73,179	496,226
81,000	81,000							3			2	1		6	73,185	496,712
82,000	82,000														73,185	496,712
83,000	83,000													1	73,186	496,795
84,000	84,000										1			4	73,190	497,131
85,000	85,000														73,190	497,131

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 5/8x3/4 Inch Residential

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
86,000	86,000	-	-	-	-	-	-	1	-	-	-	-	-	1	73,191	497,217
87,000	87,000	-	-	-	-	-	1	1	1	-	-	-	-	3	73,194	497,478
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73,194	497,478
89,000	89,000	-	-	-	-	-	1	1	-	-	-	-	-	2	73,196	497,656
90,000	90,000	-	-	-	-	-	1	-	-	-	-	-	-	1	73,197	497,746
91,000	91,000	-	-	-	-	1	-	-	-	-	-	-	-	2	73,199	497,928
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73,199	497,928
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73,199	497,928
94,000	94,000	-	-	-	1	-	-	-	-	-	-	-	-	2	73,201	498,116
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73,201	498,116
96,000	96,000	-	1	-	-	-	-	-	-	-	-	-	-	1	73,202	498,212
97,000	97,000	-	-	-	-	-	-	1	-	-	-	-	-	1	73,203	498,309
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	1	73,204	498,407
99,000	99,000	-	-	-	-	-	1	-	-	-	-	-	-	-	73,204	498,407
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73,204	498,407
122,000	122,000	-	1	-	-	-	-	-	-	-	-	-	-	1	73,205	498,529
124,000	124,000	-	-	-	-	-	-	-	-	-	-	-	-	1	73,206	498,653
134,000	134,000	-	-	-	-	-	-	-	-	-	-	-	-	1	73,207	498,787
280,000	280,000	-	-	-	-	-	-	1	-	-	-	-	-	1	73,208	499,067
547,000	547,000	-	-	-	-	-	-	-	1	-	-	-	-	1	73,209	499,614
148,000	148,000	-	-	-	-	-	-	-	-	1	-	-	-	1	73,210	499,762
169,000	169,000	-	-	-	-	-	-	-	-	-	1	-	-	1	73,211	499,931
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,211	499,931
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,211	499,931

Totals	6,088	6,062	6,083	6,110	6,115	6,102	6,118	6,118	6,106	6,109	6,085	6,115	73,211	6,829	5,000	6,101	27
Average Usage																	
Median Usage																	
Average # Customers																	
Change in Number of Customers																	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Meter Size: 3/4 Inch Residential

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)													
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122	544													
Totals														10	9	10	10	10	10	10	10	11	9	10	11	11	11	122	4,459
														Average Usage			4,459												
														Median Usage			3,000												
														Average # Customers			10												
														Change in Number of Customers			1												

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014

Exhibit
 Schedule H-5
 Page 3
 Witness: Bourassa

Meter Size: 1 Inch Residential

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	3	4	3	2	3	4	4	4	4	4	4	4	41	41	-
1,000	1,000	2	1	1	-	1	1	2	1	2	1	-	2	13	54	13
2,000	2,000	2	3	-	2	-	1	1	-	4	-	-	1	14	68	41
3,000	3,000	5	4	4	4	3	2	1	-	2	3	-	4	36	104	149
4,000	4,000	4	3	8	2	7	3	3	4	1	6	7	7	54	158	365
5,000	5,000	4	7	2	7	5	4	3	1	5	4	6	2	50	208	615
6,000	6,000	2	3	4	4	2	5	5	5	6	2	4	5	47	255	897
7,000	7,000	1	1	2	1	1	4	2	4	1	2	1	1	21	276	1,044
8,000	8,000	2	2	-	2	3	3	1	1	2	3	2	2	23	299	1,228
9,000	9,000	-	-	1	1	1	1	1	1	-	1	-	1	8	307	1,300
10,000	10,000	1	2	-	1	-	-	-	-	-	1	-	3	8	315	1,380
11,000	11,000	1	-	1	1	-	-	-	-	2	-	1	1	7	322	1,457
12,000	12,000	1	-	4	3	-	-	-	-	1	1	-	-	12	334	1,601
13,000	13,000	2	-	-	1	2	-	-	-	1	2	-	-	8	342	1,705
14,000	14,000	-	1	-	-	-	2	-	2	-	-	1	1	7	349	1,803
15,000	15,000	1	1	-	-	1	1	1	-	-	-	-	-	5	354	1,878
16,000	16,000	-	1	-	-	-	-	-	-	2	-	2	-	5	359	1,958
17,000	17,000	1	-	-	-	2	1	-	1	-	-	-	-	7	366	2,077
18,000	18,000	-	1	-	-	-	-	-	-	1	-	-	-	2	368	2,113
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	2	370	2,151
20,000	20,000	-	-	-	2	-	-	2	-	1	-	-	-	5	375	2,251
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	2	377	2,293
22,000	22,000	-	-	-	-	-	-	-	-	2	-	2	-	2	379	2,337
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	2	381	2,383
24,000	24,000	-	-	-	-	1	-	-	-	-	-	2	-	1	382	2,407
25,000	25,000	-	1	-	-	-	-	-	-	-	-	-	-	3	385	2,482
26,000	26,000	1	-	-	-	-	-	-	-	-	-	-	1	3	388	2,560
27,000	27,000	-	-	1	-	1	-	-	1	-	1	-	-	3	391	2,641
28,000	28,000	-	-	-	1	-	-	1	-	-	-	1	-	5	396	2,781
29,000	29,000	-	-	-	-	-	-	2	-	-	-	-	-	2	398	2,839
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	398	2,839
31,000	31,000	-	-	1	-	1	2	1	-	-	-	-	-	5	403	2,994
32,000	32,000	-	1	-	-	-	-	-	-	-	1	-	1	3	406	3,090
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	1	1	407	3,123
34,000	34,000	-	-	-	-	-	1	-	1	-	-	-	-	1	408	3,157
35,000	35,000	-	-	-	-	1	-	-	-	-	-	1	-	2	410	3,227
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	2	412	3,299
37,000	37,000	-	-	-	-	-	2	-	-	-	1	-	-	2	414	3,373
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	1	415	3,411
39,000	39,000	-	-	-	-	-	-	1	-	-	-	-	-	1	416	3,450

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014

Meter Size: 1 Inch Residential

Exhibit
 Schedule H-5
 Page 3
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
40,000	40,000													-	416	3,450
41,000	41,000													-	416	3,450
42,000	42,000						1							2	418	3,534
43,000	43,000	1							1					2	420	3,620
44,000	44,000					1								1	421	3,664
45,000	45,000							1						1	422	3,709
46,000	46,000													-	422	3,709
47,000	47,000								1					2	424	3,803
48,000	48,000	1				1								2	426	3,899
49,000	49,000													1	427	3,948
50,000	50,000			1										2	429	4,048
51,000	51,000													-	429	4,048
52,000	52,000													-	429	4,048
53,000	53,000													-	429	4,048
54,000	54,000													-	429	4,048
55,000	55,000	1				1								5	434	4,323
56,000	56,000													-	434	4,323
57,000	57,000													-	434	4,323
58,000	58,000						1							1	435	4,381
59,000	59,000													1	436	4,440
60,000	60,000								1					-	436	4,440
61,000	61,000									1				2	438	4,562
62,000	62,000													-	438	4,562
63,000	63,000													-	438	4,562
64,000	64,000													-	438	4,562
65,000	65,000													-	438	4,562
66,000	66,000													-	438	4,562
67,000	67,000													-	438	4,562
68,000	68,000													-	438	4,562
69,000	69,000													1	439	4,630
70,000	70,000													-	439	4,630
71,000	71,000													-	439	4,630
72,000	72,000													-	439	4,630
73,000	73,000													-	439	4,630
74,000	74,000													-	439	4,630
75,000	75,000							1						1	440	4,705
76,000	76,000													-	440	4,705
77,000	77,000													-	440	4,705
78,000	78,000													-	440	4,705
79,000	79,000													-	440	4,705

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Residential

Exhibit

Schedule H-5

Page 4

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)										
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	570										
89,000	89,000	-	-	1	-	-	-	-	-	-	-	-	-	1	48	659										
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48	659										
Totals														4	4	4	4	4	4	4	4	4	4	4	4	48
														Average Usage		13,729										
														Median Usage		10,000										
														Average # Customers		4										
														Change in Number of Customers		-										

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Meter Size: 2 Inch Residential

Exhibit
 Schedule H-5
 Page 5
 Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)												
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	676												
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	676												
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35	676												
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
84,000	84,000	-	-	-	-	-	1	-	-	-	-	-	-	-	36	759												
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	759												
Totals														3	3	3	3	3	3	3	3	3	3	3	3	3	36	21,063

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 5/8 Inch Commercial

Exhibit
 Schedule H-5
 Page 6
 Witness: Bourassa

Usage From:	Usage To:	Month of												Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
		Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14			
1,000	1,000	12	16	13	9	10	11	14	11	18	21	21	24	247	247	-
2,000	2,000	6	4	7	10	6	10	7	9	17	12	13	11	142	389	142
3,000	3,000	6	8	9	6	4	3	3	4	6	3	6	7	103	492	348
4,000	4,000	6	5	2	2	8	6	5	3	3	2	2	8	66	558	546
5,000	5,000	1	6	2	4	4	-	2	2	2	2	3	4	48	606	738
6,000	6,000	4	1	3	2	-	5	2	3	1	4	4	4	31	697	893
7,000	7,000	4	2	3	4	3	3	-	2	1	4	2	4	33	670	1,091
8,000	8,000	-	3	2	3	1	2	-	2	1	2	1	2	28	698	1,287
9,000	9,000	2	1	1	1	3	1	4	2	1	1	2	19	717	1,439	
10,000	10,000	-	1	-	2	4	2	-	1	1	1	2	20	737	1,619	
11,000	11,000	-	-	-	-	2	2	1	2	-	-	-	15	752	1,769	
12,000	12,000	-	-	-	-	-	2	1	2	-	-	-	5	757	1,824	
13,000	13,000	-	1	-	1	-	-	4	1	1	3	1	11	768	1,956	
14,000	14,000	1	-	1	1	1	2	3	1	2	-	2	13	781	2,125	
15,000	15,000	-	-	2	1	2	2	2	1	1	-	-	9	790	2,251	
16,000	16,000	1	-	-	2	2	-	1	-	-	-	-	7	797	2,356	
17,000	17,000	-	-	-	2	-	2	-	-	2	-	-	7	804	2,468	
18,000	18,000	1	1	1	1	-	-	-	2	1	-	1	6	810	2,570	
19,000	19,000	2	1	4	1	1	-	3	-	1	2	1	11	821	2,768	
20,000	20,000	2	2	-	1	1	1	3	3	-	1	1	19	840	3,129	
21,000	21,000	1	2	-	1	1	-	2	-	1	2	-	10	850	3,329	
22,000	22,000	1	1	1	-	1	1	2	2	2	-	1	12	862	3,581	
23,000	23,000	1	-	-	1	1	1	-	1	2	1	1	10	872	3,801	
24,000	24,000	-	-	-	-	-	2	2	-	-	-	-	7	879	3,962	
25,000	25,000	-	-	-	-	-	1	-	-	1	-	-	3	882	4,034	
26,000	26,000	-	-	-	1	-	3	-	-	-	-	-	4	886	4,134	
27,000	27,000	-	-	-	-	-	-	-	1	-	-	-	2	888	4,186	
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	888	4,186	
29,000	29,000	-	-	-	-	-	-	1	-	-	-	-	1	889	4,214	
30,000	30,000	-	-	-	1	1	-	-	-	-	-	1	3	892	4,301	
31,000	31,000	1	1	-	-	1	-	-	-	1	-	1	4	896	4,421	
32,000	32,000	-	-	-	-	-	1	-	-	-	-	-	5	901	4,576	
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	1	902	4,608	
34,000	34,000	-	1	-	-	-	-	-	-	-	-	1	2	904	4,674	
35,000	35,000	-	-	-	1	-	-	-	-	-	-	-	4	908	4,810	
36,000	36,000	1	-	-	-	-	-	1	-	-	-	-	1	909	4,845	
37,000	37,000	-	-	-	1	-	-	-	-	-	-	-	2	911	4,917	
		-	-	-	1	-	-	-	1	-	-	-	3	914	5,028	

Meter Size:

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Meter Size: 5/8 Inch Commercial

Exhibit
 Schedule H-5
 Page 6
 Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	2	916	5,104
39,000	39,000	-	1	-	-	1	-	-	2	-	-	-	-	4	920	5,260
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	920	5,260
41,000	41,000	-	1	-	-	2	-	-	-	-	-	1	-	5	925	5,465
42,000	42,000	-	-	-	-	-	-	1	-	1	-	-	-	2	927	5,549
43,000	43,000	-	-	-	-	-	-	-	1	-	-	-	1	2	929	5,635
44,000	44,000	-	-	-	-	-	-	-	-	1	-	-	-	1	930	5,679
45,000	45,000	-	-	1	-	-	-	1	-	-	-	-	1	4	934	5,859
46,000	46,000	1	-	1	-	-	-	-	-	-	-	-	-	2	936	5,951
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	936	5,951
48,000	48,000	-	-	-	-	-	-	-	-	1	-	-	-	2	938	6,047
49,000	49,000	-	-	-	-	-	-	1	-	-	-	-	-	1	939	6,096
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	939	6,096
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	939	6,096
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	939	6,096
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	939	6,096
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	940	6,150
55,000	55,000	-	-	-	-	-	-	-	1	-	-	-	-	1	940	6,150
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	940	6,150
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	941	6,207
58,000	58,000	-	-	-	-	1	-	-	-	-	-	-	-	-	941	6,207
59,000	59,000	-	1	-	-	-	-	-	-	-	-	-	-	-	941	6,207
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	942	6,266
61,000	61,000	-	-	-	-	-	-	-	-	-	-	1	-	1	942	6,266
62,000	62,000	1	-	-	-	-	-	-	-	-	-	-	-	-	943	6,326
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	944	6,387
64,000	64,000	-	-	-	-	-	-	-	1	-	-	-	-	1	944	6,449
65,000	65,000	-	-	-	-	-	-	-	1	-	-	-	-	2	947	6,575
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	947	6,575
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	947	6,575
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	947	6,575
69,000	69,000	-	-	-	-	-	-	-	-	1	-	-	-	1	948	6,643
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	1	1	948	6,643
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	949	6,713
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	949	6,713
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	949	6,713
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	949	6,713
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	949	6,713

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 5/8 Inch Commercial

Exhibit

Schedule H-5

Page 6

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	1	950	6,789
77,000	77,000	-	-	-	-	1	-	-	-	-	-	-	-	1	951	6,866
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	951	6,866
79,000	79,000	-	1	-	-	-	-	-	-	-	-	-	-	1	952	6,945
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	952	6,945
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	952	6,945
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	952	6,945
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	952	6,945
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	952	6,945
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
86,000	86,000	-	-	-	-	-	-	-	-	-	1	-	-	1	953	7,030
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	953	7,030
96,000	96,000	-	-	1	-	-	-	-	-	-	-	-	-	1	954	7,126
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	954	7,126
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	954	7,126
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	954	7,126
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	954	7,126
294,000	294,000	1	-	-	-	-	-	-	-	-	-	-	-	1	955	7,420
187,000	187,000	1	-	-	-	-	-	-	-	-	-	-	-	1	956	7,607
136,000	136,000	-	1	-	-	-	-	-	-	-	-	-	-	1	957	7,743
110,000	110,000	-	-	-	-	1	-	1	-	-	-	-	-	2	959	7,963
266,000	266,000	-	-	-	-	1	-	-	-	-	-	-	-	1	960	8,229
116,000	116,000	-	-	-	-	-	1	-	-	-	-	-	-	1	961	8,345
526,000	526,000	-	-	-	-	-	-	1	-	-	-	-	-	1	962	8,871
150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	1	963	9,021
138,000	138,000	-	-	-	-	-	-	-	1	-	-	-	-	1	964	9,159
216,000	216,000	-	-	-	-	-	-	-	-	1	-	-	-	1	965	9,375
104,000	104,000	-	-	-	-	-	-	-	-	-	-	-	-	1	966	9,479
220,000	220,000	-	-	-	-	-	-	-	-	-	1	-	-	1	967	9,699
105,000	105,000	-	-	-	-	-	-	-	-	-	-	1	-	1	968	9,804

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 Inch Commercial

Exhibit Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	11	6	6	5	6	4	4	7	10	9	7	10	85	85	-
2,000	2,000	4	5	3	2	3	4	4	5	6	6	7	6	55	140	55
3,000	3,000	3	5	7	4	-	2	2	6	6	5	5	3	48	188	151
4,000	4,000	3	4	2	4	4	1	3	1	5	3	5	1	36	224	259
5,000	5,000	2	3	4	5	7	4	2	5	1	3	1	5	42	266	427
6,000	6,000	1	3	4	4	4	4	2	3	2	2	1	4	31	297	582
7,000	7,000	1	2	-	4	-	3	3	-	3	1	3	-	17	314	684
8,000	8,000	2	-	1	3	1	3	4	2	-	-	3	-	19	333	817
9,000	9,000	1	2	1	-	2	2	3	3	1	2	-	-	17	350	953
10,000	10,000	1	-	1	2	4	3	-	-	1	1	1	2	16	366	1,097
11,000	11,000	1	2	5	1	1	-	-	1	2	3	5	1	22	388	1,317
12,000	12,000	1	-	3	1	-	4	1	1	-	1	1	1	14	402	1,471
13,000	13,000	3	1	-	1	3	-	1	-	-	-	1	2	12	414	1,615
14,000	14,000	-	3	3	-	-	1	3	-	1	1	-	1	13	427	1,784
15,000	15,000	3	1	1	1	1	-	1	-	2	1	-	1	12	439	1,952
16,000	16,000	3	2	1	2	5	-	-	-	-	2	-	-	15	454	2,177
17,000	17,000	3	2	1	-	1	-	1	1	-	2	1	-	12	466	2,369
18,000	18,000	-	1	2	1	-	5	1	-	1	1	1	1	14	480	2,607
19,000	19,000	1	1	-	2	-	-	1	1	1	-	1	1	9	489	2,769
20,000	20,000	1	1	-	-	-	1	1	-	-	-	-	-	5	494	2,864
21,000	21,000	-	-	-	1	-	1	1	2	-	1	-	2	6	500	2,984
22,000	22,000	-	-	1	-	3	1	-	-	1	1	-	1	8	508	3,152
23,000	23,000	1	3	-	1	-	-	1	-	2	-	1	-	9	517	3,350
24,000	24,000	1	-	-	2	-	-	-	2	1	-	-	1	7	524	3,511
25,000	25,000	1	1	2	1	-	2	1	-	1	-	-	-	6	530	3,655
26,000	26,000	-	-	1	-	1	-	1	-	-	2	2	1	10	540	3,905
27,000	27,000	-	-	1	-	-	-	1	1	1	-	1	-	6	546	4,061
28,000	28,000	-	-	-	1	-	-	-	-	-	-	-	1	1	547	4,088
29,000	29,000	-	-	-	-	1	-	-	-	-	1	-	-	3	550	4,172
30,000	30,000	-	-	-	1	1	1	1	1	-	-	-	1	6	556	4,346
31,000	31,000	-	-	-	-	1	-	1	-	-	-	-	-	2	558	4,406
32,000	32,000	-	-	-	-	1	1	1	3	-	-	-	-	1	559	4,437
33,000	33,000	-	1	-	2	-	-	-	-	-	-	-	-	6	565	4,629
34,000	34,000	-	1	-	-	-	-	-	-	-	-	-	-	3	568	4,728
35,000	35,000	-	1	-	-	-	-	-	-	-	-	-	-	1	569	4,762
36,000	36,000	-	-	-	1	-	-	1	1	-	2	-	-	5	574	4,937
37,000	37,000	-	-	-	-	-	1	-	-	-	-	-	1	2	576	5,009
38,000	38,000	-	-	-	-	-	-	-	1	-	-	-	-	2	578	5,083
		-	-	-	-	-	-	1	-	-	-	-	-	1	579	5,121

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000													2	581	5,199
40,000	40,000			1										3	584	5,319
41,000	41,000					2								1	585	5,360
42,000	42,000														585	5,360
43,000	43,000													1	586	5,403
44,000	44,000					1								1	587	5,447
45,000	45,000	1												4	591	5,627
46,000	46,000														591	5,627
47,000	47,000													2	593	5,721
48,000	48,000					1								2	595	5,817
49,000	49,000													3	598	5,964
50,000	50,000													2	600	6,064
51,000	51,000													1	601	6,116
52,000	52,000					1									601	6,116
53,000	53,000														601	6,116
54,000	54,000														601	6,116
55,000	55,000														601	6,116
56,000	56,000														601	6,116
57,000	57,000														601	6,116
58,000	58,000														601	6,116
59,000	59,000														601	6,116
60,000	60,000										1			2	603	6,234
61,000	61,000														603	6,234
62,000	62,000														603	6,234
63,000	63,000														603	6,234
64,000	64,000														603	6,234
65,000	65,000													1	604	6,299
66,000	66,000														604	6,299
67,000	67,000									1				1	605	6,366
68,000	68,000														605	6,366
69,000	69,000													1	606	6,435
70,000	70,000														606	6,435
71,000	71,000														606	6,435
72,000	72,000														606	6,435
73,000	73,000														606	6,435
74,000	74,000	1												1	607	6,509
75,000	75,000														607	6,509
76,000	76,000														607	6,509
77,000	77,000														607	6,509

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014

Exhibit
 Schedule H-5
 Page 7

Meter Size: 1 Inch Commercial

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000														607	6,509
79,000	79,000														607	6,509
80,000	80,000														607	6,509
81,000	81,000														607	6,509
82,000	82,000													1	608	6,591
83,000	83,000														608	6,591
84,000	84,000														608	6,591
85,000	85,000														608	6,591
86,000	86,000														608	6,591
87,000	87,000														608	6,591
88,000	88,000														608	6,591
89,000	89,000														608	6,591
90,000	90,000														608	6,591
91,000	91,000														608	6,591
92,000	92,000														608	6,591
93,000	93,000														608	6,591
94,000	94,000														608	6,591
95,000	95,000													1	609	6,685
96,000	96,000														609	6,685
97,000	97,000														609	6,685
98,000	98,000														609	6,685
99,000	99,000														609	6,685
100,000	100,000														609	6,685
994,000	994,000	1													610	7,679
671,000	671,000	1												1	611	8,350
759,000	759,000		1											2	613	9,868
596,000	596,000		1											1	614	10,464
385,000	385,000			1										1	615	10,849
375,000	375,000			1										1	616	11,224
645,000	645,000				1									1	617	11,869
427,000	427,000			1										1	618	12,296
762,000	762,000					1								1	619	13,058
392,000	392,000						1							1	620	13,450
1,228,000	1,228,000							1						1	621	14,678
244,000	244,000								1					1	622	14,922
110,000	110,000									1				1	623	15,032
109,000	109,000										1			1	624	15,141
1,048,000	1,048,000											1		1	625	16,189
363,000	363,000												1	1	626	16,552

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 Inch Commercial

Exhibit Schedule H-5

Page 7

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
651,000	651,000	-	-	-	-	-	-	1	-	-	-	-	-	1	627	17,203
663,000	663,000	-	-	-	-	-	-	1	-	-	-	-	-	1	628	17,866
946,000	946,000	-	-	-	-	-	-	-	-	1	-	-	-	1	629	18,812
238,000	238,000	-	-	-	-	-	-	-	-	1	-	-	-	1	630	19,050
495,000	495,000	-	-	-	-	-	-	-	-	-	1	-	-	1	631	19,545
883,000	883,000	-	-	-	-	-	-	-	-	-	1	-	-	1	632	20,428
1,291,000	1,291,000	-	-	-	-	-	-	-	-	-	-	1	-	1	633	21,719
351,000	351,000	-	-	-	-	-	-	-	-	-	-	1	-	1	634	22,070
401,000	401,000	-	-	-	-	-	-	-	-	-	-	-	1	1	635	22,471
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	635	22,471
Totals		53	53	53	53	53	53	53	53	53	53	52	53	635		

Average Usage 35,387
 Median Usage 7,000
 Average # Customers 53
 Change in Number of Customers -

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Commercial

Exhibit

Schedule H-5

Page 8

Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons in 1,000's
-	-	1	1	1	1	1	1	1	1	1	1	1	1	12	12	-
1,000	1,000	1	1	1	-	-	-	-	-	-	-	-	-	3	15	3
2,000	2,000	-	-	-	-	1	-	-	1	-	-	-	-	4	19	11
3,000	3,000	-	-	-	-	-	-	-	-	1	-	-	-	2	21	17
4,000	4,000	-	-	-	-	-	-	-	-	1	-	1	-	2	23	25
5,000	5,000	-	-	-	-	1	-	-	-	2	-	3	-	8	31	65
6,000	6,000	-	1	-	1	-	-	1	-	-	-	-	-	3	34	83
7,000	7,000	1	-	1	2	-	-	-	1	-	-	-	3	7	41	132
8,000	8,000	-	1	-	3	-	-	-	-	-	1	-	-	6	47	180
9,000	9,000	1	-	-	1	1	-	-	-	-	1	-	-	5	52	225
10,000	10,000	-	-	-	-	-	1	-	-	-	-	2	-	3	55	255
11,000	11,000	1	1	-	-	-	-	-	-	-	-	-	-	5	60	310
12,000	12,000	-	-	-	-	-	-	-	-	1	-	-	-	1	61	322
13,000	13,000	-	-	-	-	-	-	-	-	1	-	-	-	2	63	348
14,000	14,000	-	-	-	1	-	-	-	-	1	-	-	-	3	66	390
15,000	15,000	-	-	-	-	-	1	-	-	-	-	-	-	1	67	405
16,000	16,000	-	-	-	-	-	-	1	-	-	-	-	-	1	68	421
17,000	17,000	-	-	-	-	-	-	-	1	-	-	-	-	2	70	455
18,000	18,000	1	-	-	-	-	-	-	-	-	-	-	-	1	71	473
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	1	71	473
20,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	1	72	493
21,000	21,000	-	-	-	1	-	-	-	-	1	-	-	-	3	75	556
22,000	22,000	-	-	-	1	-	-	-	-	-	-	-	-	1	76	578
23,000	23,000	-	-	-	-	1	-	-	-	-	1	-	-	2	78	624
24,000	24,000	1	-	-	1	-	-	-	-	-	-	-	-	3	81	696
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	696
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	81	696
27,000	27,000	-	1	-	-	-	-	-	-	-	-	-	-	2	83	750
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-	83	750
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	1	84	779
30,000	30,000	-	-	-	-	1	-	1	-	-	-	-	-	3	87	869
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	87	869
32,000	32,000	-	-	-	-	-	-	-	1	-	-	-	-	2	89	933
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	933
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	933
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	89	933
36,000	36,000	-	-	-	-	-	-	-	-	-	-	1	-	1	90	969
37,000	37,000	-	-	-	-	-	-	-	-	-	1	-	-	1	91	1,006

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,000	38,000	1								1				3	94	1,120
39,000	39,000											2	1	3	97	1,237
40,000	40,000							1						3	98	1,277
41,000	41,000							1						1	99	1,318
42,000	42,000		1											2	101	1,402
43,000	43,000	1					1							3	104	1,531
44,000	44,000													1	105	1,575
45,000	45,000									1				2	107	1,665
46,000	46,000													107	107	1,665
47,000	47,000		1					1						5	112	1,900
48,000	48,000				1									2	114	1,996
49,000	49,000													114	114	1,996
50,000	50,000						1							2	116	2,096
51,000	51,000													116	116	2,096
52,000	52,000													116	116	2,096
53,000	53,000													116	116	2,096
54,000	54,000							1						1	117	2,150
55,000	55,000													117	117	2,150
56,000	56,000	1												1	118	2,206
57,000	57,000													118	118	2,206
58,000	58,000													118	118	2,206
59,000	59,000													1	119	2,265
60,000	60,000		1											1	120	2,325
61,000	61,000													120	120	2,325
62,000	62,000													120	120	2,325
63,000	63,000													120	120	2,325
64,000	64,000													120	120	2,325
65,000	65,000													120	120	2,325
66,000	66,000													120	120	2,325
67,000	67,000													120	120	2,325
68,000	68,000													120	120	2,325
69,000	69,000													120	120	2,325
70,000	70,000				1									1	121	2,395
71,000	71,000													121	121	2,395
72,000	72,000													121	121	2,395
73,000	73,000													121	121	2,395
74,000	74,000													1	122	2,469
75,000	75,000													122	122	2,469

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Commercial

Exhibit Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	77,000	-	1	-	-	-	-	-	-	-	-	-	-	1	123	2,545
77,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
78,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
79,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
80,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
81,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
82,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
83,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
84,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
85,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	123	2,545
86,000	87,000	1	-	-	-	-	-	-	-	-	-	-	-	1	124	2,631
87,000	88,000	-	-	-	-	-	-	1	-	-	-	-	-	1	125	2,718
88,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	2,718
89,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	2,718
90,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	2,718
91,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	2,718
92,000	93,000	-	-	-	-	-	1	-	-	-	-	-	-	1	126	2,810
93,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,810
94,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,810
95,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,810
96,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	126	2,810
97,000	98,000	-	-	1	-	-	-	-	-	-	-	-	-	1	127	2,907
98,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	127	2,907
99,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	127	2,907
100,000	101,000	-	-	-	-	-	-	-	-	-	-	-	-	-	127	2,907
101,000	102,000	-	-	-	-	1	-	-	-	-	-	-	-	1	128	3,028
102,000	103,000	-	-	-	-	-	-	-	-	-	-	-	-	-	128	3,028
103,000	104,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
104,000	105,000	-	-	-	-	-	-	1	-	-	-	-	-	1	129	3,197
105,000	106,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
106,000	107,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
107,000	108,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
108,000	109,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
109,000	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
110,000	111,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
111,000	112,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
112,000	113,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
113,000	114,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
114,000	115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
115,000	116,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
116,000	117,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
117,000	118,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
118,000	119,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
119,000	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
120,000	121,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
121,000	122,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
122,000	123,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
123,000	124,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
124,000	125,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
125,000	126,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
126,000	127,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
127,000	128,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
128,000	129,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
129,000	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
130,000	131,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
131,000	132,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
132,000	133,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
133,000	134,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
134,000	135,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
135,000	136,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
136,000	137,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
137,000	138,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
138,000	139,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
139,000	140,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
140,000	141,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
141,000	142,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
142,000	143,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
143,000	144,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
144,000	145,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
145,000	146,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
146,000	147,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
147,000	148,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
148,000	149,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
149,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
150,000	151,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
151,000	152,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
152,000	153,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
153,000	154,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
154,000	155,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
155,000	156,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
156,000	157,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
157,000	158,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
158,000	159,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
159,000	160,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
160,000	161,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
161,000	162,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
162,000	163,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
163,000	164,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
164,000	165,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
165,000	166,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
166,000	167,000	-	-	-	-	-	-	-	-	-	-	-	-	-	129	3,197
167,000	168,000	-														

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 8

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons in 1,000's
														24,783		
														14,000		
																11
																1

Average Usage

Median Usage

Average # Customers

Change in Number of Customers

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Meter Size: 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	2	2	1	1	1	1	1	1	1	2	1	2	17	17	-
2,000	2,000	5	-	1	1	1	1	1	2	1	-	2	1	15	32	15
3,000	3,000	2	2	1	2	1	1	1	3	4	4	4	2	27	59	69
4,000	4,000	2	2	4	1	4	2	2	3	2	4	4	5	35	94	174
5,000	5,000	2	2	2	2	1	3	3	-	4	4	2	1	25	119	274
6,000	6,000	3	4	2	3	2	1	1	1	1	1	3	-	22	141	384
7,000	7,000	-	-	1	1	2	3	-	2	1	1	1	1	13	154	462
8,000	8,000	-	-	1	1	1	1	1	1	-	2	1	1	8	162	518
9,000	9,000	2	1	1	1	1	1	3	2	2	2	1	1	16	178	646
10,000	10,000	-	-	1	1	1	-	-	1	1	1	-	3	8	186	718
11,000	11,000	2	-	1	3	2	1	1	1	1	-	1	1	13	199	848
12,000	12,000	1	3	1	1	2	1	1	-	1	1	-	1	13	212	991
13,000	13,000	1	-	1	1	1	1	-	2	1	-	-	-	8	220	1,087
14,000	14,000	2	1	1	1	-	-	2	2	1	1	1	1	10	230	1,217
15,000	15,000	-	2	1	1	-	-	-	-	-	-	-	-	8	238	1,329
16,000	16,000	-	-	2	1	-	2	-	-	-	-	2	3	11	249	1,494
17,000	17,000	-	-	-	1	-	1	1	-	-	1	-	-	3	252	1,542
18,000	18,000	-	1	-	1	-	-	1	-	2	-	-	-	5	257	1,627
19,000	19,000	-	1	-	-	1	2	1	-	3	-	-	-	8	265	1,771
20,000	20,000	1	-	-	1	2	-	1	-	1	-	-	1	7	272	1,904
21,000	21,000	-	-	2	-	-	-	2	-	-	-	-	-	5	277	2,004
22,000	22,000	-	-	2	2	-	-	-	1	-	-	-	-	5	282	2,109
23,000	23,000	-	1	-	1	-	-	-	-	-	-	-	-	1	283	2,131
24,000	24,000	-	-	-	-	-	-	-	1	1	-	-	1	3	286	2,200
25,000	25,000	-	-	-	-	-	-	1	-	-	-	-	-	3	289	2,272
26,000	26,000	-	-	-	2	-	-	-	-	-	-	-	-	4	293	2,372
27,000	27,000	-	1	-	-	-	-	-	-	1	-	-	-	2	295	2,424
28,000	28,000	-	-	-	-	1	-	-	1	-	-	1	-	6	301	2,586
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	1	302	2,614
30,000	30,000	-	-	-	1	-	-	-	-	1	-	-	-	2	304	2,672
31,000	31,000	1	-	-	-	-	-	-	-	1	-	-	-	2	306	2,732
32,000	32,000	-	-	-	-	-	3	-	-	-	-	-	-	4	310	2,856
33,000	33,000	-	-	-	-	1	-	-	-	-	-	-	-	1	311	2,888
34,000	34,000	-	-	2	-	-	-	1	-	-	-	-	-	3	314	2,987
35,000	35,000	-	1	-	-	-	-	-	-	-	1	-	-	4	318	3,123
36,000	36,000	-	1	-	-	-	-	-	-	-	-	-	-	1	319	3,158
37,000	37,000	-	1	-	1	-	-	-	-	-	-	-	-	2	321	3,230
38,000	38,000	-	-	1	-	-	-	-	-	-	-	-	-	1	322	3,267
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	1	323	3,305
		-	-	-	-	-	-	-	-	-	-	-	-	1	324	3,344

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
40,000	40,000	-	-	-	1	-	-	-	-	-	-	-	-	1	325	3,384
41,000	41,000	-	-	-	-	-	1	-	-	-	-	-	-	1	326	3,425
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	326	3,425
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	326	3,425
44,000	44,000	-	-	-	-	-	-	1	-	-	-	-	-	1	327	3,469
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	327	3,469
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	1	1	328	3,515
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	328	3,515
48,000	48,000	-	-	-	-	-	1	-	-	-	-	-	-	1	329	3,563
49,000	49,000	-	-	-	-	-	1	-	-	-	-	-	-	1	330	3,612
50,000	50,000	-	-	-	-	-	-	-	-	-	1	-	-	3	333	3,762
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	333	3,762
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	333	3,762
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	333	3,762
54,000	54,000	-	-	-	-	1	-	-	-	-	-	-	-	1	334	3,816
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	334	3,816
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	334	3,816
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	334	3,816
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	334	3,816
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	334	3,816
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	334	3,816
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	334	3,816
62,000	62,000	-	-	-	1	-	-	-	-	-	-	-	1	3	337	4,002
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	337	4,002
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	337	4,002
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	337	4,002
66,000	66,000	-	-	-	-	-	-	1	-	-	-	-	-	1	338	4,068
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	338	4,068
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	338	4,068
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	338	4,068
70,000	70,000	-	-	-	1	-	-	-	-	-	-	-	-	1	339	4,138
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	339	4,138
72,000	72,000	-	-	-	1	-	-	-	-	-	-	-	-	1	340	4,210
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	340	4,210
74,000	74,000	-	-	-	-	1	-	-	-	-	-	-	-	1	341	4,284
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	341	4,284
76,000	76,000	-	1	-	-	-	-	-	-	-	-	-	-	2	343	4,436
77,000	77,000	-	-	-	-	-	1	-	-	-	-	-	-	1	344	4,513
78,000	78,000	-	-	-	-	-	-	1	-	-	-	-	-	1	345	4,591
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	345	4,591

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014
2 Inch Commercial

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
80,000	80,000										1			1	346	4,671
81,000	81,000					1								1	347	4,752
82,000	82,000														347	4,752
83,000	83,000														347	4,752
84,000	84,000														347	4,752
85,000	85,000											1		1	348	4,837
86,000	86,000														348	4,837
87,000	87,000						2							2	350	5,011
88,000	88,000														350	5,011
89,000	89,000														350	5,011
90,000	90,000														350	5,011
91,000	91,000	1												1	351	5,102
92,000	92,000						1							2	353	5,286
93,000	93,000														353	5,286
94,000	94,000														353	5,286
95,000	95,000														353	5,286
96,000	96,000														353	5,286
97,000	97,000														353	5,286
98,000	98,000														353	5,286
99,000	99,000														353	5,286
100,000	100,000														353	5,286
320,000	320,000	2												2	355	5,926
279,000	279,000	1												1	356	6,205
296,000	296,000	1												1	357	6,501
133,000	133,000	1												1	358	6,634
361,000	361,000		1											1	359	6,995
344,000	344,000		1											1	360	7,339
293,000	293,000		1											1	361	7,632
115,000	115,000		1											1	363	7,862
294,000	294,000		1											2	365	8,450
422,000	422,000			1										2	366	8,872
429,000	429,000			1										1	367	9,301
244,000	244,000			1										1	368	9,545
271,000	271,000			1										1	369	9,816
401,000	401,000				1									1	370	10,217
408,000	408,000				1									1	371	10,625
242,000	242,000				1									1	372	10,867
137,000	137,000				1									1	373	11,004
269,000	269,000				1									1	374	11,273
416,000	416,000					1								1	375	11,689

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial

Exhibit

Schedule H-5

Page 9

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
427,000	427,000	-	-	-	-	1	-	-	-	-	-	-	-	1	376	12,116
264,000	264,000	-	-	-	-	1	-	-	-	-	-	-	-	1	377	12,380
195,000	195,000	-	-	-	-	1	-	-	-	-	-	-	-	1	378	12,575
206,000	206,000	-	-	-	-	1	-	-	-	-	-	-	-	1	379	12,781
397,000	397,000	-	-	-	-	-	1	-	-	-	-	-	-	1	380	13,178
411,000	411,000	-	-	-	-	1	-	-	-	-	-	-	-	1	381	13,589
281,000	281,000	-	-	-	-	1	-	-	-	-	-	-	-	1	382	13,870
301,000	301,000	-	-	-	-	1	-	-	-	-	-	-	-	1	383	14,171
122,000	122,000	-	-	-	-	1	-	-	-	-	-	-	-	1	384	14,293
491,000	491,000	-	-	-	-	-	1	-	-	-	-	-	-	1	385	14,784
508,000	508,000	-	-	-	-	-	1	-	-	-	-	-	-	2	387	15,800
212,000	212,000	-	-	-	-	-	1	-	-	1	-	-	-	1	388	16,012
120,000	120,000	-	-	-	-	-	-	1	-	-	-	-	-	1	389	16,132
587,000	587,000	-	-	-	-	-	-	1	-	-	-	-	-	1	390	16,719
591,000	591,000	-	-	-	-	-	-	1	-	-	-	-	-	1	391	17,310
193,000	193,000	-	-	-	-	-	-	1	-	-	-	-	-	1	392	17,503
295,000	295,000	-	-	-	-	-	-	1	-	-	-	-	-	1	393	17,798
519,000	519,000	-	-	-	-	-	-	-	1	-	-	-	-	1	394	18,317
213,000	213,000	-	-	-	-	-	-	-	-	1	-	-	-	1	395	18,530
1,033,000	1,033,000	-	-	-	-	-	-	-	-	-	1	-	-	1	396	19,563
1,237,000	1,237,000	-	-	-	-	-	-	-	-	-	-	1	-	1	397	20,800
198,000	198,000	-	-	-	-	-	-	-	-	-	1	-	-	1	398	20,998
128,000	128,000	-	-	-	-	-	-	-	-	-	-	1	-	1	399	21,126
1,514,000	1,514,000	-	-	-	-	-	-	-	-	-	-	-	1	400	22,640	
1,544,000	1,544,000	-	-	-	-	-	-	-	-	-	-	-	1	401	24,184	
199,000	199,000	-	-	-	-	-	-	-	-	-	-	-	1	402	24,383	
127,000	127,000	-	-	-	-	-	-	-	-	-	-	-	1	403	24,510	
1,621,000	1,621,000	-	-	-	-	-	-	-	-	-	-	-	1	404	26,131	
1,454,000	1,454,000	-	-	-	-	-	-	-	-	-	-	-	1	405	27,585	
246,000	246,000	-	-	-	-	-	-	-	-	-	-	-	1	406	27,831	
147,000	147,000	-	-	-	-	-	-	-	-	-	-	-	1	407	27,978	
262,000	262,000	-	-	-	-	-	-	-	-	-	-	-	1	408	28,240	
		-	-	-	-	-	-	-	-	-	-	-	1		408	28,240

Totals	34	34	35	33	34	34	34	34	34	34	34	34	34	408
Average Usage														69,216
Median Usage														11,000
Average # Customers														34
Change in Number of Customers														-

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 3 inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	2	1	1	1	1	1	1	1	1	2	1	1	7	7	2
2,000	2,000	-	-	-	-	-	-	-	-	-	1	1	-	2	9	4
3,000	3,000	-	-	-	-	-	-	-	-	-	-	1	-	1	10	16
4,000	4,000	-	-	1	-	-	-	-	-	-	-	1	1	4	14	44
5,000	5,000	1	-	-	1	-	-	-	-	-	-	1	2	7	21	49
6,000	6,000	-	1	-	-	1	-	-	-	-	-	-	-	1	22	103
7,000	7,000	1	-	1	-	-	1	-	-	-	1	1	-	9	31	131
8,000	8,000	-	-	-	-	-	-	-	1	-	-	-	-	4	35	163
9,000	9,000	-	-	1	-	-	-	-	-	-	-	-	-	4	39	172
10,000	10,000	1	-	-	-	-	-	-	-	-	-	-	-	1	40	192
11,000	11,000	-	1	-	-	-	-	-	-	1	-	-	-	2	42	203
12,000	12,000	1	-	-	-	-	-	-	-	-	-	-	-	1	43	215
13,000	13,000	2	-	-	-	-	-	-	-	-	-	-	-	1	44	241
14,000	14,000	-	-	2	-	1	-	-	-	-	-	-	-	2	46	297
15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-	4	50	297
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	50	50	345
17,000	17,000	-	-	-	-	-	-	1	-	-	-	1	-	3	53	379
18,000	18,000	-	-	-	-	-	-	-	1	-	-	-	-	2	55	415
19,000	19,000	-	2	-	-	-	-	-	-	1	-	-	-	2	57	453
20,000	20,000	-	-	-	-	-	-	1	-	-	-	1	-	2	59	513
21,000	21,000	-	-	-	-	-	1	-	-	-	-	-	-	3	62	597
22,000	22,000	-	-	-	-	-	-	1	-	-	-	-	-	4	66	597
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	66	597
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	-	66	597
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	66	597
26,000	26,000	-	-	-	-	-	-	-	1	-	-	-	-	-	66	623
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	1	67	623
28,000	28,000	-	-	-	1	-	-	-	-	-	-	-	-	2	69	679
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	69	69	679
30,000	30,000	1	-	-	-	-	-	1	-	-	-	-	-	2	71	739
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	1	72	770
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	72	72	770
33,000	33,000	-	-	-	-	-	-	2	-	-	-	-	-	3	75	869
34,000	34,000	-	-	-	-	1	-	-	-	-	-	-	-	1	76	903
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	76	76	903
36,000	36,000	-	-	1	-	-	-	-	-	-	-	-	-	1	77	939
37,000	37,000	-	-	-	-	-	-	-	1	-	-	-	-	80	80	1,050
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	80	1,050

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 3 Inch Commercial

Exhibit
Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000							1			1			2	82	1,128
40,000	40,000														82	1,128
41,000	41,000														82	1,128
42,000	42,000														82	1,128
43,000	43,000														82	1,128
44,000	44,000					1								1	83	1,172
45,000	45,000														83	1,172
46,000	46,000								1					1	84	1,218
47,000	47,000														84	1,218
48,000	48,000								1					1	85	1,266
49,000	49,000														86	1,315
50,000	50,000								1					1	87	1,365
51,000	51,000														87	1,365
52,000	52,000														88	1,417
53,000	53,000														88	1,417
54,000	54,000														88	1,417
55,000	55,000														89	1,472
56,000	56,000														90	1,528
57,000	57,000														90	1,528
58,000	58,000														90	1,528
59,000	59,000														90	1,528
60,000	60,000														91	1,588
61,000	61,000														92	1,649
62,000	62,000														93	1,711
63,000	63,000														93	1,711
64,000	64,000														93	1,711
65,000	65,000														94	1,776
66,000	66,000														95	1,842
67,000	67,000														96	1,909
68,000	68,000														96	1,909
69,000	69,000														96	1,909
70,000	70,000														98	2,049
71,000	71,000									1				2	98	2,049
72,000	72,000														98	2,049
73,000	73,000														98	2,049
74,000	74,000														98	2,049
75,000	75,000														99	2,124
76,000	76,000														99	2,124
77,000	77,000														100	2,201

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 4 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
80,000	80,000														21	796
81,000	81,000														21	796
82,000	82,000														21	796
83,000	83,000														21	796
84,000	84,000														21	796
85,000	85,000														21	796
86,000	86,000				1									1	22	882
87,000	87,000														22	882
88,000	88,000														22	882
89,000	89,000														22	882
90,000	90,000														22	882
91,000	91,000														22	882
92,000	92,000														22	882
93,000	93,000														22	882
94,000	94,000														22	882
95,000	95,000														22	882
96,000	96,000														22	882
97,000	97,000														22	882
98,000	98,000														22	882
99,000	99,000														22	882
100,000	100,000														22	882
113,000	113,000				1										23	995
159,000	159,000		1												24	1,154
221,000	221,000											1			25	1,375
235,000	235,000														26	1,610
236,000	236,000														27	1,846
282,000	282,000				1						1				28	2,128
284,000	284,000					1									29	2,412
288,000	288,000														30	2,700
292,000	292,000								1						31	2,992
293,000	293,000														32	3,285
301,000	301,000		1												33	3,586
307,000	307,000								1						34	3,893
312,000	312,000														35	4,205
316,000	316,000							1							36	4,521
345,000	345,000														37	4,866
355,000	355,000		1									1			38	5,221
487,000	487,000														39	5,708
576,000	576,000														40	6,284
592,000	592,000														41	6,876

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size: 4 Inch Commercial

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
616,000	616,000	-	-	1	-	-	-	-	-	-	-	-	-	1	42	7,492
619,000	619,000	-	1	-	-	-	-	-	-	-	-	-	-	1	43	8,111
655,000	655,000	-	-	-	-	-	-	-	-	1	-	-	-	1	44	8,766
716,000	716,000	-	-	-	1	-	-	-	-	-	-	-	-	1	45	9,482
759,000	759,000	-	-	-	-	-	-	-	-	1	-	-	-	1	46	10,241
896,000	896,000	-	-	-	-	-	-	1	-	-	-	-	-	1	47	11,137
1,070,000	1,070,000	-	-	-	-	1	-	-	-	-	-	-	-	1	48	12,207

Totals 4 4 4 4 4 4 4 4 4 4 4 4 4 4 48 254,313 190,000

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Schl

Exhibit Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-
2,000	2,000	-	1	-	-	1	-	-	-	-	-	-	-	1	1	-
3,000	3,000	-	-	1	-	-	1	-	-	-	-	-	-	2	2	16
4,000	4,000	-	-	-	1	-	-	1	-	-	-	-	-	3	3	37
5,000	5,000	1	-	-	-	-	-	-	-	-	-	-	-	4	4	53
6,000	6,000	1	-	-	1	-	-	-	-	-	-	-	-	5	5	68
7,000	7,000	1	-	-	-	1	-	-	-	-	-	-	-	6	6	86
8,000	8,000	-	2	-	-	-	-	-	-	-	-	-	-	8	8	107
9,000	9,000	-	-	1	-	-	1	-	-	-	-	-	-	10	10	131
10,000	10,000	-	-	-	-	1	-	-	-	-	-	-	-	11	11	176
11,000	11,000	-	-	-	-	-	-	-	2	-	-	-	-	13	13	196
12,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	14	14	196
13,000	13,000	-	-	-	-	-	-	-	1	-	-	-	-	15	15	232
14,000	14,000	-	-	-	-	-	-	-	-	1	-	-	-	16	16	258
15,000	15,000	2	1	-	-	-	-	-	-	-	-	-	-	18	18	286
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	19	19	361
17,000	17,000	-	-	-	-	2	-	-	-	-	-	-	-	21	21	393
18,000	18,000	-	-	-	1	-	-	-	-	-	-	-	-	22	22	410
19,000	19,000	-	-	-	-	-	-	-	-	-	-	-	-	23	23	428
20,000	20,000	-	-	-	-	-	-	-	-	1	-	-	-	24	24	466
21,000	21,000	-	-	-	-	1	-	-	-	-	-	-	-	25	25	506
22,000	22,000	-	-	-	-	-	1	-	-	-	1	-	-	26	26	569
23,000	23,000	-	1	-	-	-	-	1	-	-	-	-	-	27	27	591
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	28	28	637
25,000	25,000	-	-	-	-	1	-	-	-	-	-	-	-	29	29	709
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	30	30	734
27,000	27,000	-	-	-	1	-	-	-	-	-	-	-	-	31	31	786
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	32	32	786
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	33	33	786
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	34	34	786
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	35	35	786
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	36	36	820
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	37	37	855
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	38	38	891
35,000	35,000	-	-	-	1	-	-	-	-	-	-	-	-	39	39	928
36,000	36,000	-	-	-	-	-	-	1	-	-	-	-	-	40	40	966
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	41	41	1,005
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	42	42	
39,000	39,000	-	1	-	-	-	-	-	-	-	-	-	-	43	43	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Schl

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
40,000	40,000														77	1,005
41,000	41,000							1						1	78	1,046
42,000	42,000							1						1	79	1,088
43,000	43,000	1												1	80	1,131
44,000	44,000				1									1	81	1,175
45,000	45,000													1	81	1,175
46,000	46,000					1								2	83	1,267
47,000	47,000							1						1	84	1,314
48,000	48,000													1	84	1,314
49,000	49,000													1	84	1,314
50,000	50,000													1	84	1,314
51,000	51,000													1	84	1,314
52,000	52,000	1												1	85	1,366
53,000	53,000					1								1	86	1,419
54,000	54,000					1								1	87	1,473
55,000	55,000													1	87	1,473
56,000	56,000													1	87	1,473
57,000	57,000					1								2	89	1,587
58,000	58,000													1	90	1,645
59,000	59,000													2	92	1,763
60,000	60,000					1								1	93	1,823
61,000	61,000								1					1	93	1,823
62,000	62,000	1												1	94	1,885
63,000	63,000					1								2	96	2,011
64,000	64,000													3	99	2,203
65,000	65,000													1	100	2,269
66,000	66,000													1	100	2,269
67,000	67,000													1	100	2,269
68,000	68,000													2	102	2,407
69,000	69,000								1					1	102	2,407
70,000	70,000													1	102	2,407
71,000	71,000													1	102	2,407
72,000	72,000													1	103	2,479
73,000	73,000						1							1	103	2,479
74,000	74,000													1	103	2,479
75,000	75,000													1	104	2,554
76,000	76,000													1	104	2,554
77,000	77,000													1	104	2,554
78,000	78,000													1	105	2,632
79,000	79,000													2	107	2,790

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 3 Inch School

Exhibit
Schedule H-5
Page 15
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000															
40,000	40,000															
41,000	41,000															
42,000	42,000															
43,000	43,000															
44,000	44,000															
45,000	45,000															
46,000	46,000															
47,000	47,000															
48,000	48,000															
49,000	49,000															
50,000	50,000															
51,000	51,000															
52,000	52,000															
53,000	53,000															
54,000	54,000															
55,000	55,000															
56,000	56,000															
57,000	57,000															
58,000	58,000															
59,000	59,000															
60,000	60,000															
61,000	61,000															
62,000	62,000															
63,000	63,000															
64,000	64,000					1								1	64	
65,000	65,000													1	129	
66,000	66,000													2	129	
67,000	67,000													3	196	
68,000	68,000						1							4	264	
69,000	69,000													4	264	
70,000	70,000													4	264	
71,000	71,000													4	264	
72,000	72,000													4	264	
73,000	73,000													4	264	
74,000	74,000													4	264	
75,000	75,000		1											1	339	
76,000	76,000													5	339	
77,000	77,000													5	339	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 3 Inch School

Exhibit Schedule H-5

Page 15

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000														5	339
79,000	79,000														5	339
80,000	80,000														5	339
81,000	81,000														5	339
82,000	82,000														5	339
83,000	83,000														5	339
84,000	84,000														5	339
85,000	85,000														5	339
86,000	86,000														5	339
87,000	87,000														5	339
88,000	88,000														5	339
89,000	89,000														5	339
90,000	90,000														5	339
91,000	91,000												1	1	6	429
92,000	92,000														6	429
93,000	93,000														6	429
94,000	94,000														6	429
95,000	95,000														6	429
96,000	96,000														6	429
97,000	97,000														6	429
98,000	98,000														6	429
99,000	99,000														6	429
100,000	100,000														6	429
103,000	103,000														6	429
239,000	239,000														6	429
303,000	303,000								1						7	532
305,000	305,000														8	771
347,000	347,000														9	1,074
352,000	352,000														10	1,379
462,000	462,000														11	1,726
638,000	638,000														12	2,078
652,000	652,000														14	3,002
986,000	986,000														15	3,640
1,162,000	1,162,000														16	4,292
1,254,000	1,254,000														17	5,278
1,308,000	1,308,000														18	6,440
1,394,000	1,394,000														19	7,694
1,523,000	1,523,000														20	9,002
2,234,000	2,234,000														21	10,396
															22	11,919
															23	14,153

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 3 Inch School

Exhibit
Schedule H-5
Page 15
Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
3,459,000	3,459,000	-	-	-	-	-	1	-	-	-	-	-	-	1	24	17,612

Totals 2 2 2 2 2 2 2 2 2 2 2 2 2 24
 Average Usage 733,833
 Median Usage 407,000
 Average # Customers 2
 Change in Number of Customers -

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 5/8 Inch Multi-Family

Exhibit
Schedule H-5
Page 18
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	876

Totals	7	7	7	7	7	7	7	7	7	7	7	7	7	84	84	876
Average Usage															10,429	
Median Usage															8,000	
Average # Customers															7	
Change in Number of Customers															-	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Multi-Family

Exhibit Schedule H-5
Page 19
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)														
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
Totals															1	1	1	1	1	1	1	1	1	1	1	1	1	12	Median Billing	
															Average Usage		9,250													
															Median Usage		8,500													
															Average # Customers		1													
															Change in Number of Customers		-													

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 5/8 Inch Industrial

Exhibit
Schedule H-5
Page 20
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
77,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
78,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
79,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
80,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
81,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
82,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
83,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
84,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
85,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
86,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
87,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
88,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
89,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
90,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
91,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
92,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
93,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
94,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
95,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
96,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
97,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
98,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
99,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108	547

Totals	9	9	9	9	9	9	9	9	9	9	9	9	9	108
Average Usage														5,065
Median Usage														3,000
Average # Customers														9
Change in Number of Customers														-

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Industrial

Exhibit
Schedule H-5
Page 21
Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000														21	423
79,000	79,000														21	423
80,000	80,000														21	423
81,000	81,000														21	423
82,000	82,000														21	423
83,000	83,000														21	423
84,000	84,000														21	423
85,000	85,000														21	423
86,000	86,000														21	423
87,000	87,000														21	423
88,000	88,000			1										2	23	599
89,000	89,000														23	599
90,000	90,000														23	599
91,000	91,000					1								1	24	690
92,000	92,000														24	690
93,000	93,000														24	690
94,000	94,000														24	690
95,000	95,000														24	690
96,000	96,000														24	690
97,000	97,000	1												1	25	787
98,000	98,000														25	787
99,000	99,000														25	787
100,000	100,000														25	787
152,000	152,000	1							1					2	27	1,091
115,000	115,000		1											1	28	1,206
310,000	310,000				1									1	29	1,516
346,000	346,000			1										1	30	1,862
531,000	531,000					1								1	31	2,393
436,000	436,000					1								1	32	2,829
571,000	571,000						1							1	33	3,400
224,000	224,000					1								1	34	3,624
162,000	162,000						1							1	35	3,786
697,000	697,000							1						1	36	4,483
428,000	428,000								1					1	37	4,911
167,000	167,000						2							2	39	5,245
582,000	582,000								1					1	40	5,827
153,000	153,000									1				1	41	5,980
520,000	520,000										1			1	42	6,500
149,000	149,000													1	43	6,649

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Industrial

Exhibit Schedule H-5

Page 21

Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
420,000	420,000	-	-	-	-	-	-	-	-	1	-	-	-	1	44	7,069
121,000	121,000	-	-	-	-	-	-	-	-	1	-	-	-	1	45	7,190
330,000	330,000	-	-	-	-	-	-	-	-	-	1	-	-	1	46	7,520
371,000	371,000	-	-	-	-	-	-	-	-	-	-	1	-	1	47	7,891
255,000	255,000	-	-	-	-	-	-	-	-	-	-	-	1	1	48	8,146

Totals 4 4 4 4 4 4 4 4 4 4 4 4 4 48 169,708

Average Usage 169,708

Median Usage 94,000

Average # Customers 4

Change in Number of Customers -

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: Fire Lines Up to 8 Inch

Exhibit
Schedule H-5
Page 23
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	18	18	18	18	18	18	18	18	18	18	18	18	217	217	-
1,000	1,000													-	217	-
2,000	2,000													-	217	-
3,000	3,000													-	217	-
4,000	4,000													-	217	-
5,000	5,000													-	217	-
6,000	6,000													-	217	-
7,000	7,000													-	217	-
8,000	8,000													-	217	-
9,000	9,000													-	217	-
10,000	10,000													-	217	-
11,000	11,000													-	217	-
12,000	12,000													-	217	-
13,000	13,000													-	217	-
14,000	14,000													-	217	-
15,000	15,000													-	217	-
16,000	16,000													-	217	-
17,000	17,000													-	217	-
18,000	18,000													-	217	-
19,000	19,000													-	217	-
20,000	20,000													-	217	-
21,000	21,000													-	217	-
22,000	22,000													-	217	-
23,000	23,000													-	217	-
24,000	24,000													-	217	-
25,000	25,000													-	217	-
26,000	26,000													-	217	-
27,000	27,000													-	217	-
28,000	28,000													-	217	-
29,000	29,000													-	217	-
30,000	30,000													-	217	-
31,000	31,000													-	217	-
32,000	32,000													-	217	-
33,000	33,000													-	217	-
34,000	34,000													-	217	-
35,000	35,000													-	217	-
36,000	36,000													-	217	-
37,000	37,000													-	217	-
38,000	38,000													-	217	-

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Fire Lines Up to 8 Inch

Exhibit
Schedule H-5
Page 23
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000													-	217	-
40,000	40,000													-	217	-
41,000	41,000													-	217	-
42,000	42,000													-	217	-
43,000	43,000													-	217	-
44,000	44,000													-	217	-
45,000	45,000													-	217	-
46,000	46,000													-	217	-
47,000	47,000													-	217	-
48,000	48,000													-	217	-
49,000	49,000													-	217	-
50,000	50,000													-	217	-
51,000	51,000													-	217	-
52,000	52,000													-	217	-
53,000	53,000													-	217	-
54,000	54,000													-	217	-
55,000	55,000													-	217	-
56,000	56,000													-	217	-
57,000	57,000													-	217	-
58,000	58,000													-	217	-
59,000	59,000													-	217	-
60,000	60,000													-	217	-
61,000	61,000													-	217	-
62,000	62,000													-	217	-
63,000	63,000													-	217	-
64,000	64,000													-	217	-
65,000	65,000													-	217	-
66,000	66,000													-	217	-
67,000	67,000													-	217	-
68,000	68,000													-	217	-
69,000	69,000													-	217	-
70,000	70,000													-	217	-
71,000	71,000													-	217	-
72,000	72,000													-	217	-
73,000	73,000													-	217	-
74,000	74,000													-	217	-
75,000	75,000													-	217	-
76,000	76,000													-	217	-
77,000	77,000													-	217	-

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Meter Size: Fire Lines Up to 8 Inch

Exhibit
Schedule H-5
Page 23
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)									
78,000	78,000													-	217	-									
79,000	79,000													-	217	-									
80,000	80,000													-	217	-									
81,000	81,000													-	217	-									
82,000	82,000													-	217	-									
83,000	83,000													-	217	-									
84,000	84,000													-	217	-									
85,000	85,000													-	217	-									
86,000	86,000													-	217	-									
87,000	87,000													-	217	-									
88,000	88,000													-	217	-									
89,000	89,000													-	217	-									
90,000	90,000													-	217	-									
91,000	91,000													-	217	-									
92,000	92,000													-	217	-									
93,000	93,000													-	217	-									
94,000	94,000													-	217	-									
95,000	95,000													-	217	-									
96,000	96,000													-	217	-									
97,000	97,000													-	217	-									
98,000	98,000													-	217	-									
99,000	99,000													-	217	-									
100,000	100,000													-	217	-									
-	-													-	217	-									
-	-													-	217	-									
-	-													-	217	-									
Totals														18	18	18	18	18	18	18	18	18	18	217	-

Average Usage
Median Usage
Average # Customers
Change in Number of Customers

18

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule A-1
 Page 1
 Witness: Bourassa

Line No.					
1	Fair Value Rate Base			\$	5,355,381
2					
3	Adjusted Operating Income			\$	320,976
4					
5	Current Rate of Return				5.99%
6					
7	Required Operating Income			\$	460,616
8					
9	Required Rate of Return on Fair Value Rate Base				8.60%
10					
11	Operating Income Deficiency			\$	139,640
12					
13	Gross Revenue Conversion Factor				1.6210
14					
15	Increase in Gross Revenue Requirement			\$	226,351
16					
17					
18	Adjusted Test Year Revenues			\$	1,478,323
19	Increase in Gross Revenue Requirement			\$	226,351
20	Proposed Revenue Requirement			\$	1,704,674
21	% Increase				15.31%
22					
23	Customer		Present	Proposed	Dollar
24	Classification		Rates	Rates	Increase
25	5/8X3/4 Inch Residential	\$	1,112,104	\$	1,244,444
26	3/4 Inch Residential		4,916		5,500
27	1 Inch Residential		8,085		9,047
28	Subtotal	\$	1,125,104	\$	1,258,992
29				\$	133,887
30	5/8X3/4 Inch Commercial	\$	47,024	\$	56,595
31	1 Inch Commercial		54,875		66,690
32	1 1/2 Inch Commercial		18,582		23,263
33	2 Inch Commercial		56,017		69,358
34	3 Inch Commercial		7,306		8,566
35	4 Inch Commercial		63,195		86,008
36	Subtotal	\$	246,999	\$	310,480
37				\$	63,481
38	5/8X3/4 Inch Commercial (SCUSD)	\$	1,164	\$	1,302
39	2 Inch Commercial (SCUSD)		37,639		48,162
40	4 Inch Commercial (SCUSD)		10,668		13,765
41	6 Inch Commercial (SCUSD)		41,955		56,512
42	Subtotal	\$	91,426	\$	119,741
43					28,315
44	5/8X3/4 Inch Multi-tenant	\$	4,763	\$	5,677
45	1 1/2 Inch Multi-tenant		1,389		1,601
46	Subtotal	\$	6,152	\$	7,277
47					1,125
48	Revenue Annualization	\$	784	\$	932
49	Subtotal	\$	1,470,465	\$	1,697,422
50				\$	226,957
51	Other Water Revenues		7,468		7,468
52	Reconciling Amount		390		(216)
53	Rounding				(606)
54	Total of Water Revenues	\$	1,478,323	\$	1,704,674
55				\$	226,351
56					15.31%

57 SUPPORTING SCHEDULES:
 58 B-1
 59 C-1
 60 C-3
 61 H-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Summary of Results of Operations

Exhibit
 Schedule A-2
 Page 1
 Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		12/31/2012	12/31/2013	Actual 12/31/2014	Adjusted 12/31/2014	Present Rates 12/31/2015	Proposed Rates 12/31/2015
1	Gross Revenues	\$ 1,377,051	\$ 1,471,124	\$ 1,444,844	\$ 1,478,323	\$ 1,478,323	\$ 1,704,674
2							
3	Revenue Deductions and	890,860	779,420	982,302	1,157,347	1,157,347	1,244,058
4	Operating Expenses						
5							
6	Operating Income	\$ 486,191	\$ 691,703	\$ 462,543	\$ 320,976	\$ 320,976	\$ 460,616
7							
8	Other Income and	-	3,270	-	-	-	-
9	Deductions						
10							
11	Interest Expense	24,866	-	-	(55,750)	-	-
12							
13	Net Income	\$ 511,057	\$ 694,973	\$ 462,543	\$ 265,226	\$ 320,976	\$ 460,616
14							
15	Common Shares	1,000	1,000	1,000	1,000	1,000	1,000
16							
17	Earned Per Average						
18	Common Share	511.06	694.97	462.54	265.23	320.98	460.62
19							
20	Dividends Paid	1,361,671	-	867,305	867,305	867,305	867,305
21							
22	Dividends Per						
23	Common Share	1,361.67	-	867.31	867.31	867.31	867.31
24							
25	Payout Ratio	2.66	-	1.88	3.27	2.70	1.88
26							
27	Return on Average						
28	Invested Capital	6.40%	8.43%	5.53%	2.80%	3.58%	5.14%
29							
30	Return on Year End						
31	Capital	6.49%	8.07%	5.70%	2.80%	3.80%	5.45%
32							
33	Return on Average						
34	Common Equity	12.90%	16.50%	9.87%	5.28%	6.95%	9.83%
35							
36	Return on Year End						
37	Common Equity	14.45%	14.22%	10.32%	5.15%	6.76%	9.42%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	(19.55)	-	-	8.58	-	-
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	(20.55)	-	-	4.76	-	-
45							
46							
47							
48							
49							
50	<u>SUPPORTING SCHEDULES</u>						
51	C-1						
52	E-2						
53	F-1						
54							

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Summary of Capital Structure

Exhibit
 Schedule A-3
 Page 1
 Witness: Bourassa

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>
1					
2					
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	-	-	4,938,067
5					
6	Total Debt	\$ -	\$ -	\$ -	\$ 4,938,067
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	3,536,704	4,887,715	4,482,953	11,522,155
12					
13					
14	Total Capital & Debt	\$ 3,536,704	\$ 4,887,715	\$ 4,482,953	\$ 16,460,222
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	0.00%	0.00%	30.00%
20					
21	Total Debt	0.00%	0.00%	0.00%	30.00%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	100.00%	100.00%	70.00%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	0.00%	0.00%	1.04%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	<u>SUPPORTING SCHEDULES:</u>				
46	E-1				
47	D-1				
48					
49					
50					

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Construction Expenditures
 and Gross Utility Plant in Service

Exhibit
 Schedule A-4
 Page 1
 Witness: Bourassa

<u>Line No.</u>	<u>Construction Expenditures</u>	<u>Net Plant Placed in Service</u>	<u>Gross Utility Plant in Service</u>
1			
2			
3			
4	Prior Year Ended 12/31/2012	18,984	14,228,849
5			
6	Prior Year Ended 12/31/2013	(832,389)	13,736,330
7			
8	Test Year Ended 12/31/2014	396,448	13,936,523
9			
10	Projected Year Ended 12/31/2015	179,300	14,115,823
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34	<u>SUPPORTING SCHEDULES:</u>		
35	B-2		
36	E-5		
37	F-3		
38			
39			
40			

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Summary Statements of Cash Flows

Exhibit
 Schedule A-5
 Page 1
 Witness: Bourassa

Line No.	Prior Year Ended 12/31/2012	Prior Year Ended 12/31/2013	Test Year Ended 12/31/2014	Projected Year Present Rates 12/31/2015	Projected Year Proposed Rates 12/31/2015
5	Cash Flows from Operating Activities				
6	\$ 511,057	\$ 694,973	\$ 462,543	\$ 265,226	\$ 404,866
7	Adjustments to reconcile net income to net cash provided by operating activities:				
9	186,565	105,764	260,956	326,172	326,172
10	(10,912)	(1,284,780)	(21,875)		
11	Changes in Certain Assets and Liabilities:				
12	(13,127)	(126,748)	(29,143)		
13	-	-	-		
14	-	-	-		
15	641	70	(743)		
16	-	-	(64,167)		
17	465,299	(90,391)	(386)		
18	-	-	26,479		
19	1,870	248	(369)		
20	12,570	(27,014)	(30,135)		
21	284	1,343	10,206		
22	379,885	(868,962)	616,204		
	Rounding	2	2		
23	<u>\$ 1,534,132</u>	<u>\$ (1,595,497)</u>	<u>\$ 1,229,570</u>	<u>\$ 591,399</u>	<u>\$ 731,039</u>
24	Cash Flow From Investing Activities:				
25	(18,984)	832,389	(396,448)	(179,300)	(179,300)
26	-	-	-		
27	-	-	-		
28	<u>\$ (18,984)</u>	<u>\$ 832,389</u>	<u>\$ (396,448)</u>	<u>\$ (179,300)</u>	<u>\$ (179,300)</u>
29	Cash Flow From Financing Activities				
30	-	-	-		
31	-	-	-		
32	1	(223,783)	-	(74,594)	(74,594)
33	(156,822)	337,054	28,951	69,728	69,728
34	-	-	-		
35	(1,361,671)	-	(867,305)	(742,992)	(742,992)
36	-	-	-		
37	-	656,037	-	218,679	218,679
38	<u>\$ (1,518,492)</u>	<u>\$ 769,308</u>	<u>\$ (838,354)</u>	<u>\$ (529,179)</u>	<u>\$ (529,179)</u>
39	(3,344)	6,200	(5,232)	(117,081)	22,560
40	13,134	9,790	15,992	10,760	10,760
41	<u>\$ 9,790</u>	<u>\$ 15,990</u>	<u>\$ 10,760</u>	<u>\$ (106,321)</u>	<u>\$ 33,319</u>

42
 43
 44
 45
 46 SUPPORTING SCHEDULES:

47 E-3
 48 F-2
 49
 50

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Summary of Rate Base

Exhibit
 Schedule B-1
 Page 1
 Witness: Bourassa

Line No.		<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1			
2	Gross Utility Plant in Service	\$ 14,636,654	\$ 14,636,654
3	Less: Accumulated Depreciation	<u>5,903,755</u>	<u>5,903,755</u>
4			
5	Net Utility Plant in Service	\$ 8,732,899	\$ 8,732,899
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	529,379	529,379
9			
10	Contributions in Aid of Construction	5,112,247	5,112,247
11			
12	Accumulated Amortization of CIAC	(2,935,215)	(2,935,215)
13			
14	Customer Meter Deposits	-	-
15	Customer Security Deposits	-	-
16	Accumulated Deferred Income Tax	683,150	683,150
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Prepayments	743	743
23	Materials and Supplies	-	-
24	Cash Working capital	11,300	11,300
25			
26	Total Rate Base	<u>\$ 5,355,381</u>	<u>\$ 5,355,381</u>
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	<u>SUPPORTING SCHEDULES:</u>		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
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47			
48			
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 13,936,523	700,131	\$ 14,636,654
3				
4	Less:			
5	Accumulated			
6	Depreciation	6,051,816	(148,062)	5,903,755
7				
8				
9	Net Utility Plant			
10	in Service	\$ 7,884,707		\$ 8,732,899
11				
12	Less:			
13	Advances in Aid of			
14	Construction	511,485	17,893	529,379
15				
16	Contributions in Aid of			
17	Construction - Gross	5,157,673	(45,426)	5,112,247
18				
19	Accumulated Amortization of CIAC	(2,927,957)	(7,257)	(2,935,215)
20				
21	Customer Meter Deposits	-		-
22	Customer Security Deposits	-	-	-
23	Accumulated Deferred Income Tax	-	683,150	683,150
24				-
25				-
26				
27	Plus:			
28	Unamortized Finance			
29	Charges	-		-
30	Prepayments	743		743
31	Materials and Supplies	-		-
32	Working capital	-	11,300	11,300
33				-
34				
35	Total	\$ 5,144,248		\$ 5,355,381

46 SUPPORTING SCHEDULES:
 47 B-2, pages 2
 48 E-1
 49
 50
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RECAP SCHEDULES:
 B-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Description	Actual at End of Test Year	1	Plant-in-Service	2	Proforma Adjustments		5	Adjusted at end of Test Year
						3	4		
					Accumulated Depreciation	CIAC	AIAC	ADIT	Cash Working Capital
1	Gross Utility Plant in Service	\$ 13,936,523		700,131					
2									
3									
4	Less:								
5	Accumulated Depreciation	6,051,816			(148,062)				
6									
7									
8									
9	Net Utility Plant in Service	\$ 7,884,707	\$	700,131	\$	148,062	\$	-	\$
10									
11									
12	Less:								
13	Advances in Aid of Construction	511,485					17,893		
14									
15									
16	Contributions in Aid of Construction (CIAC)	5,157,673				(45,426)			
17									
18									
19	Accumulated Amort of CIAC	(2,927,957)				(7,257)			
20									
21	Customer Meter Deposits	-							
22	Customer Security Deposits	-							
23	Accumulated Deferred Income Taxes	-						683,150	
24									
25									
26	Plus:								
27	Unamortized Finance Charges	-							
28									
29	Prepayments	743							
30	Materials and Supplies	-							
31	Allowance for Cash Working Capital	-							11,300
32									
33	Total	\$ 5,144,248	\$	700,131	\$	148,062	\$	(683,150)	\$
34							(17,893)		11,300
35									
36									
37									
38									
39									
40									
41									

SUPPORTING SCHEDULES:
 B-2, pages 3-7
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RECAP SCHEDULES:
 B-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1

Exhibit
 Schedule B-2
 Page 3
 Witness: Bourassa

Line No.	Acct. No.	Description	Plant-in-Service		Adjustments		Intentionally Left Blank	Adjusted Original Cost
			Actual Original Cost	Affiliate Profit	Corporate Allocated Plant	Adjustments to Reconcile Plant to Reconstruction		
1			\$ (0)			0		
2	351	Organization	5,785	-				5,785
3	352	Franchise	417	-				417
4	353	Land	7,545	-				7,545
5	354	Structures & Improvements	284,134	(118)		0		487,891
6	355	Power Generation						
7	356	Collection Sewer Forced	636,023	-				636,023
8	357	Collection Sewers Gravity	6,893,909	(122)		(16,124)		6,699,939
9	358	Special Collecting Structures						
10	359	Customer Services	1,281,330	(1)		(470)		1,286,513
11	360	Flow Measuring Devices	56,523	-		8,889		65,412
12	361	Reuse Services						
13	362	Reuse Meters And Installation						
14	363	Receiving Wells	867,120	-				867,120
15	364	Pumping Equipment	436,561	(425)		11,294		751,817
16	365	Reuse Distribution Reservoirs						
17	366	Reuse Trans. and Dist. System						
18	367	Treatment & Disposal Equipment	3,401,576	(228)		(2,418,954)		982,394
19	368	Plant Sewers	15,362	-		(0)		15,362
20	369	Outfall Sewer Lines						
21	370	Other Sewer Plant & Equipment	82,592	-		(19,216)		63,376
22	371	Office Furniture & Equipment	142,739	-		(0)		142,738
23	372	Computers and Software				4,025		4,025
24	373	Transportation Equipment	117	-		0		117
25	374	Stores Equipment						
26	375	Tools, Shop And Garage Equip	8,557	(0)		1		19,957
27	376	Laboratory Equip	6,152	-				6,152
28	377	Power Operated Equip						
29	378	Communication Equip						
30	379	Miscellaneous Equip.	10,082	-		(4,025)		29,947
31	380	Other Tangible Plant						6,057
32	381	Nogales WWTP				3,913		3,913
33	382	SUBTOTAL	13,936,523	(893)	577,537	2,431,717	14,514,216	14,514,216
34	903	Land and Land Rights				1,049		
35	904	Structures and Improvements						5,880
36	940	Office Furniture & Equipment						63,809
37	940.1	Computers and Software						6,939
38		TOTALS	\$ 13,936,523	\$ (893)	\$ 577,537	\$ 122,438	\$ 14,636,654	\$ 13,936,523
39		Plant-in-Service per Books						\$ 700,131
40		Increase (decrease) in Plant-in-Service						\$ 700,131
41		Adjustment to Plant-in-Service						\$ 700,131

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - A

Exhibit
 Schedule B-2
 Page 3.1
 Witness: Bourassa

Line

<u>No.</u>	<u>Description</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
1	<u>Remove Affiliate Profit</u>				
2					
3					
4	Acct.				
5	<u>No.</u> <u>Description</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
6	351 Organization	\$ -	\$ -	\$ -	\$ -
7	352 Franchise	-	-	-	-
8	353 Land	-	-	-	-
9	354 Structures & Improvements	(118)	-	-	(118)
10	355 Power Generation	-	-	-	-
11	360 Collection Sewer Forced	-	-	-	-
12	361 Collection Sewers Gravity	(122)	-	-	(122)
13	362 Special Collecting Structures	-	-	-	-
14	363 Customer Services	(1)	-	-	(1)
15	364 Flow Measuring Devices	-	-	-	-
16	366 Reuse Services	-	-	-	-
17	367 Reuse Meters And Installation	-	-	-	-
18	370 Receiving Wells	-	-	-	-
19	371 Pumping Equipment	(425)	-	-	(425)
20	374 Reuse Distribution Reservoirs	-	-	-	-
21	375 Reuse Trans. and Dist. System	-	-	-	-
22	380 Treatment & Disposal Equipment	(33)	(195)	-	(228)
23	381 Plant Sewers	-	-	-	-
24	382 Outfall Sewer Lines	-	-	-	-
25	389 Other Sewer Plant & Equipment	-	-	-	-
26	390 Office Furniture & Equipment	-	-	-	-
27	390.1 Computers and Software	-	-	-	-
28	391 Transportation Equipment	-	-	-	-
29	392 Stores Equipment	-	-	-	-
30	393 Tools, Shop And Garage Equip	(0)	-	-	(0)
31	394 Laboratory Equip	-	-	-	-
32	395 Power Operated Equip	-	-	-	-
33	396 Communication Equip	-	-	-	-
34	398 Other Tangible Plant	-	-	-	-
35	398.1 Nogales WWTP	-	-	-	-
36		-	-	-	-
37					
38					
39	Plant Held for Future Use				
40	TOTALS	\$ (698)	\$ (195)	\$ -	\$ -
41					
42					

43 SUPPORTING SCHEDULE

44 Testimony
45 Work papers

RECAP SCHEDULES:
B-2, page 3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - B

Exhibit
 Schedule B-2
 Page 3.2
 Witness: Bourassa

Line

<u>No.</u>	<u>Post-Test Year Plant</u>	<u>Original</u>
<u>No.</u>	<u>Description</u>	<u>Cost</u>
1		
2		
3		
4	Acct.	Original
5		<u>Cost</u>
6	101 Plant-in-Service	\$ -
7	351 Organization	-
8	352 Franchise	-
9	353 Land	-
10	354 Structures & Improvements	203,874
11	355 Power Generation	-
12	360 Collection Sewer Forced	-
13	361 Collection Sewers Gravity	22,276
14	362 Special Collecting Structures	-
15	363 Customer Services	5,654
16	364 Flow Measuring Devices	-
17	366 Reuse Services	-
18	367 Reuse Meters And Installation	-
19	370 Receiving Wells	-
20	371 Pumping Equipment	304,386
21	374 Reuse Distribution Reservoirs	-
22	375 Reuse Trans. and Dist. System	-
23	380 Treatment & Disposal Equipment	-
24	381 Plant Sewers	-
25	382 Outfall Sewer Lines	-
26	389 Other Sewer Plant & Equipment	-
27	390 Office Furniture & Equipment	-
28	390.1 Computers and Software	-
29	391 Transportation Equipment	-
30	392 Stores Equipment	-
31	393 Tools, Shop And Garage Equip	11,399
32	394 Laboratory Equip	-
33	395 Power Operated Equipment	29,947
34	396 Communication Equip	-
35	397 Miscellaenous Equip.	-
36	398 Other Tangible Plant	-
37	398.1 Nogales WWTP	-
38		
39		
40		
41		
42		
43	TOTALS	\$ 577,537

SUPPORTING SCHEDULE

47 Work Papers

48

RECAP SCHEDULES:

B-2, page 3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - D

Exhibit
 Schedule B-2
 Page 3.3
 Witness: Bourassa

Line No.		[1]	[2]	[3]	[4] = [1]x[2]x[3]
	Acct.	Original	Liberty Utilities	Rio Rico Sewer	Allocated Original
	<u>No.</u> <u>Description</u>	<u>Cost</u>	<u>Factor</u>	<u>Factor</u>	<u>Cost</u>
1	<u>Corporate Plant Allocation</u>				
2					
3					
4					
5					
6	903 Land and Land Rights	1,396,196	15.64%	2.69%	5,880
7	904 Structures and Improvements	12,560,664	15.64%	2.69%	52,894
8	940.1 Computers and Software	2,187,630	15.64%	2.69%	9,212
9					
10					
11	<u>LU Sub-Corp. Plant</u>				
12					
13	903 Land and Land Rights	-		2.69%	-
14	904 Structures and Improvements	405,370		2.69%	10,915
15	940 Office Furniture and Equipment	257,704		2.69%	6,939
16	940.1 Computers and Software	1,359,281		2.69%	36,599
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42	Plant Held for Future Use				
43	TOTALS	\$ 18,166,846			\$ 122,438

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 46 SUPPORTING SCHEDULE
 47 Work papers
 48 Testimony

RECAP SCHEDULES:
 B-2, page 3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - E

Exhibit
 Schedule B-2
 Page 3.4
 Witness: Bourassa

Line
No.

Reconciliation of Plant to Plant Reconstruction

Line No.	Acct. No.	Description	Original Cost	B-2 Adjustments	Adjusted Original Cost	Plant Per Reconstruction	Difference
6	101	Plant-in-Service	\$ (0)	\$ -	\$ (0)	\$ -	\$ 0
7	351	Organization	5,785	-	-	5,785	-
8	352	Franchise	417	-	417	417	-
9	353	Land	7,545	-	7,545	7,545	-
10	354	Structures & Improvements	284,134	203,757	487,891	487,891	0
11	355	Power Generation	-	-	-	-	-
12	360	Collection Sewer Forced	636,023	-	636,023	636,023	-
13	361	Collection Sewers Gravity	6,693,909	22,154	6,716,063	6,699,939	(16,124)
14	362	Special Collecting Structures	-	-	-	-	-
15	363	Customer Services	1,281,330	5,654	1,286,983	1,286,513	(470)
16	364	Flow Measuring Devices	56,523	-	56,523	65,412	8,889
17	366	Reuse Services	-	-	-	-	-
18	367	Reuse Meters And Installation	-	-	-	-	-
19	370	Receiving Wells	867,120	-	867,120	867,120	-
20	371	Pumping Equipment	436,561	303,961	740,523	751,817	11,294
21	374	Reuse Distribution Reservoirs	-	-	-	-	-
22	375	Reuse Trans. and Dist. System	-	-	-	-	-
23	380	Treatment & Disposal Equipment	3,401,576	(228)	3,401,348	982,394	(2,418,954)
24	381	Plant Sewers	15,362	-	15,362	15,362	(0)
25	382	Outfall Sewer Lines	-	-	-	-	-
26	389	Other Sewer Plant & Equipment	82,592	-	82,592	63,376	(19,216)
27	390	Office Furniture & Equipment	142,739	-	142,739	142,738	(0)
28	390.1	Computers and Software	-	-	-	4,025	4,025
29	391	Transportation Equipment	117	-	117	117	0
30	392	Stores Equipment	-	-	-	-	-
31	393	Tools, Shop And Garage Equip	8,557	11,398	19,956	19,957	1
32	394	Laboratory Equip	6,152	-	6,152	6,152	-
33	395	Power Operated Equipment	-	29,947	29,947	29,947	-
34	396	Communication Equip	10,082	-	10,082	6,057	(4,025)
35	397	Miscellaenous Equip.	-	-	-	-	-
36	398	Other Tangible Plant	-	-	-	3,913	3,913
37	398.1	Nogales WWTP	-	-	-	2,431,717	2,431,717
43		TOTALS	\$ 13,936,523	\$ 576,644	\$ 14,507,382	\$ 14,514,216	\$ 1,049

46 SUPPORTING SCHEDULE
 47 B-2, pages 3.1 through 3.3
 48 B-2, pages 3.5 through 3.7

RECAP SCHEDULES:
 B-2, page 3

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Sewer Division
Plant Additions and Retirements

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision		2012							Accum. Deprec. 2/29/2012		
				Plant at 2/29/2012	Accum. Deprec. At 2/29/2012	Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only		10 Months Depreciation (Calculated)	Plant Balance
1	351	Organization	0.00%	5,785	-	-	-	-	-	-	-	-	-	5,785	-
2	352	Franchise	0.00%	417	-	-	-	-	-	-	-	-	-	417	-
3	353	Land	0.00%	7,545	-	-	-	-	-	-	-	-	-	7,545	-
4	354	Structures & Improvements	3.33%	150,294	28,911	10,934	(118)	10,816	-	-	-	-	-	161,110	33,232
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewer Forced	2.00%	636,023	1,910	-	-	-	-	-	-	-	-	636,023	12,511
7	361	Collection Sewers Gravity	2.00%	5,991,239	2,596,792	28	(122)	407,630	-	-	-	-	-	6,398,869	2,700,043
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	1,204,113	669,898	8,015	(438)	7,577	(1)	7,577	0	0	20,132	1,211,690	690,030
10	364	Flow Measuring Devices	10.00%	66,339	51,174	-	(928)	-	-	-	-	-	5,490	65,412	56,664
11	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	-	-
13	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-	-
14	371	Pumping Equipment	12.50%	867,120	330,148	-	-	-	-	-	-	-	24,063	867,120	354,210
15	371	Pumping Equipment	12.50%	208,760	(49,566)	105,564	(425)	105,139	-	190	190	190	21,736	208,570	(28,020)
16	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	5,476	105,139	5,476
17	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	-	-	-
18	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	-	-	-
19	371	Pumping Equipment	12.50%	208,760	(49,566)	105,564	(425)	105,139	-	190	190	-	27,212	313,709	(22,544)
20	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
21	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
22	380	Treatment & Disposal Equipment	5.00%	975,033	815,247	5,120	2,664	7,751	(33)	7,718	195	-	40,784	982,589	855,836
23	381	Plant Sewers	5.00%	13,890	57	1,672	-	1,672	-	-	-	-	605	15,362	662
24	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-	-
25	389	Other Sewer Plant. & Equipment	6.67%	64,928	64,650	-	(7,758)	(7,758)	-	-	-	-	(6,940)	57,170	57,710
26	390	Office Furniture & Equipment	6.67%	116,937	31,387	-	(6,483)	(6,483)	-	-	-	-	6,320	110,454	37,707
27	390.1	Computers and Software	20.00%	4,025	4,025	-	-	-	-	-	-	-	-	4,025	4,025
28	391	Transportation Equipment	20.00%	117	10	-	-	-	-	-	-	-	20	117	29
29	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-
30	393	Tools, Shop And Garage Equip	5.00%	5,139	4,936	2,513	-	2,513	-	-	-	-	222	7,652	5,157
31	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-	-
32	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
33	396	Communication Equip	10.00%	5,936	5,936	-	-	-	-	-	-	-	-	5,936	5,936
34	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-	-
35	398	Other Tangible Plant	10.00%	3,913	3,913	-	-	-	-	-	-	-	-	3,913	3,913
36	398.1	Nogales WWTP	4.72%	2,424,604	139,454	7,113	-	7,113	-	-	-	-	95,508	2,431,717	234,961
37															
38															
39															
40		Plant Held for Future Use													
41															
42		TOTALS		12,751,957	4,698,882	140,958	394,751	535,042	(698)	535,042	385	-	331,585	13,286,614	5,030,083

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.6
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2013					Accum. Deprec.		
				Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)		Adjusted Plant Retirements	Salvage A/D Only
1	351	Organization	0.00%	-	-	-	-	-	-	5,785	-
2	352	Franchise	0.00%	-	-	-	-	-	-	417	-
3	353	Land	0.00%	-	-	-	-	-	-	7,545	-
4	354	Structures & Improvements	3.33%	13,094	-	-	13,094	-	-	174,204	38,815
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	636,023	25,231
7	361	Collection Sewers Gravity	2.00%	285,732	-	-	285,732	-	-	6,684,601	2,830,877
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	65,137	-	-	65,137	307	-	1,276,520	714,605
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	65,412	63,205
11	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-
13	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-
14	371	Pumping Equipment	12.50%	-	-	-	-	8,059	-	867,120	383,086
15	371	Pumping Equipment	12.50%	-	-	-	-	8,059	-	200,511	(10,512)
16	371	Pumping Equipment	12.50%	62,376	(50)	-	62,326	-	-	13,142	105,139
17	371	Pumping Equipment	12.50%	-	-	-	-	-	-	62,326	3,895
18	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-
19	371	Pumping Equipment	12.50%	62,376	(50)	-	62,326	8,059	-	367,975	12,002
20	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-
21	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-
22	380	Treatment & Disposal Equipment	5.00%	-	(195)	-	(195)	-	-	49,125	904,960
23	381	Plant Sewers	5.00%	-	-	-	-	-	-	768	1,430
24	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-
25	389	Other Sewer Plant. & Equipment	6.67%	-	-	-	-	-	-	57,170	57,710
26	390	Office Furniture & Equipment	6.67%	32,020	-	-	32,020	-	-	142,474	46,142
27	390.1	Computers and Software	20.00%	-	-	-	-	-	-	4,025	4,025
28	391	Transportation Equipment	20.00%	-	-	-	-	-	-	23	53
29	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-
30	393	Tools, Shop And Garage Equip	5.00%	123	-	-	123	-	-	163	5,320
31	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-
32	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-
33	396	Communication Equip	10.00%	-	-	-	-	-	-	5,936	5,936
34	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-
35	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	3,913	3,913
36	398.1	Nogates WWTP	4.72%	-	-	-	-	-	-	114,777	349,738
37				-	-	-	-	-	-	-	-
38				-	-	-	-	-	-	-	-
39				-	-	-	-	-	-	-	-
40		Plant Held for Future Use		-	-	-	-	-	-	-	-
41				-	-	-	-	-	-	-	-
42		TOTALS		458,483	(195)	(50)	458,238	8,366	425,333	13,796,486	5,447,049

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.7
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2014										
				Plant Additions (Per Books)	Plant Adjustments	Affiliate Profit Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	PTY Plant	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-	-	-	-	-	-	-	5,785	-
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	417	-
3	353	Land	0.00%	-	-	-	-	-	-	-	-	-	7,545	-
4	354	Structures & Improvements	3.33%	109,813	-	-	109,813	-	-	-	-	-	487,891	46,444
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	-	-	636,023	37,951
7	361	Collection Sewers Gravity	2.00%	19,867	(26,806)	(6,939)	-	-	-	-	-	-	6,699,939	2,964,500
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	5,569	-	-	5,569	1,230	-	-	-	-	1,286,513	738,949
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	65,412	-
11	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-	-
13	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
14	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	867,120	411,961
15	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	200,511	14,552
16	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	105,139	31,761
17	371	Pumping Equipment	12.50%	79,455	-	-	79,455	-	-	-	-	-	62,326	11,686
18	371	Pumping Equipment	12.50%	-	-	-	-	-	-	-	-	-	79,455	4,966
19	371	Pumping Equipment	12.50%	79,455	-	-	79,455	-	-	-	-	-	304,386	-
20	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	751,817	62,965
21	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	-	-	-
22	380	Treatment & Disposal Equipment	5.00%	-	-	-	-	-	-	-	-	-	982,394	954,080
23	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	15,362	2,198
24	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
25	389	Other Sewer Plant & Equipment	6.67%	6,205	-	-	6,205	-	-	-	-	-	63,376	57,917
26	390	Office Furniture & Equipment	6.67%	264	-	-	264	-	-	-	-	-	142,738	55,654
27	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	4,025	4,025
28	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	117	76
29	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
30	393	Tools, Shop And Garage Equip	5.00%	783	-	-	783	-	-	-	-	-	19,957	5,471
31	394	Laboratory Equip	10.00%	6,152	-	-	6,152	-	-	-	-	-	6,152	308
32	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	29,947	-
33	396	Communication Equip	10.00%	121	-	-	121	-	-	-	-	-	6,057	6,057
34	397	Miscellaneous Equip	10.00%	-	-	-	-	-	-	-	-	-	-	-
35	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	3,913	3,913
36	398.1	Nogales WWTP	4.72%	-	-	-	-	-	-	-	-	-	2,431,717	464,515
37				-	-	-	-	-	-	-	-	-	-	-
38				-	-	-	-	-	-	-	-	-	-	-
39				-	-	-	-	-	-	-	-	-	-	-
40		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	-
41				-	-	-	-	-	-	-	-	-	-	-
42		TOTALS		228,230	(26,806)	-	201,423	1,230	-	-	-	-	14,514,216	5,882,397
								1,230					436,578	
								577,537						

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2

Exhibit
 Schedule B-2
 Page 4
 Witness: Bourassa

Line No.	Acct. No.	Description	Per Books Accum. Depr.	A	B	C		D	E	Adjusted Accum. Depr.
						Affiliate Profit	Allocated Corporate Plant			
1	108	Accumulated Depreciation	365,184				(385,184)			
2	351	Organization	-							
3	352	Franchise	-							
4	353	Land	-							
5	354	Structures & Improvements	41,667	(9)			4,786			46,444
6	355	Power Generation	-							
7	360	Collection Sewer Forced	60,242				(22,291)			37,951
8	361	Collection Sewers Gravity	2,995,061	(6)			(30,555)			2,964,500
9	362	Special Collecting Structures	-							
10	363	Customer Services	739,032	(0)			(83)			738,949
11	364	Flow Measuring Devices	48,611				16,801			65,412
12	366	Reuse Services	-							
13	367	Reuse Meters And Installation	-							
14	370	Receiving Wells	412,221				(260)			411,961
15	371	Pumping Equipment	(94,050)	(128)			157,143			62,965
16	374	Reuse Distribution Reservoirs	-							
17	375	Reuse Trans. and Dist. System	-							
18	380	Treatment & Disposal Equipment	1,317,263	(19)			(363,165)			954,080
19	381	Plant Sewers	2,169				29			2,198
20	382	Outfall Sewer Lines	-							
21	389	Other Sewer Plant & Equipment	75,700				(17,783)			57,917
22	390	Office Furniture & Equipment	53,329				2,324			55,654
23	390.1	Computers and Software	-				4,025			4,025
24	391	Transportation Equipment	76				1			76
25	392	Stores Equipment	-							
26	393	Tools, Shop And Garage Equip	5,240	(0)			231			5,471
27	394	Laboratory Equip	105				203			308
28	395	Power Operated Equipment	-							
29	396	Communication Equip	9,966				(3,909)			6,057
30	397	Miscellaneous Equip.	(27)				27			-
31	398	Other Tangible Plant	26				3,887			3,913
32	398.1	Nogales WWTP	-				464,515			464,515
33		SUBTOTAL	6,051,816	(182)			(169,257)			5,882,397
34										
35	903	Land and Land Rights	-							
36	904	Structures and Improvements	-		3,375					3,375
37	940	Office Furniture & Equipment	-		580					580
38	940.1	Computers and Software	-		17,403					17,403
39										
40		Plant Held for Future Use	-							
41		TOTALS	6,051,816	(182)	21,358		(169,257)			5,903,765
42		Accumulated Depreciation per Books								6,051,816
43		Increase (decrease) in Accumulated Depreciation								(148,062)
44		Adjustment to Accumulated Depreciation								(148,062)
45		SUPPORTING SCHEDULES								
46		B-2, pages 4.1 through 4.3								

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - A

Exhibit
 Schedule B-2
 Page 4.1
 Witness: Bourassa

Line
 No.

1 Remove A/D Related to Affiliate Profit

2
 3

4 Acct.

Depr

5	No.	Description	Rate	2012	2013	2014	Total
6	351	Organization	0.00%	-	-	-	\$ -
7	352	Franchise	0.00%	-	-	-	-
8	353	Land	0.00%	-	-	-	-
9	354	Structures & Improvements	3.33%	(2)	(4)	(4)	(9)
10	355	Power Generation	5.00%	-	-	-	-
11	360	Collection Sewer Forced	2.00%	-	-	-	-
12	361	Collection Sewers Gravity	2.00%	(1)	(2)	(2)	(6)
13	362	Special Collecting Structures	2.00%	-	-	-	-
14	363	Customer Services	2.00%	(0)	(0)	(0)	(0)
15	364	Flow Measuring Devices	10.00%	-	-	-	-
16	366	Reuse Services	2.00%	-	-	-	-
17	367	Reuse Meters And Installation	8.33%	-	-	-	-
18	370	Receiving Wells	3.33%	-	-	-	-
19	371	Pumping Equipment	12.50%	(22)	(53)	(53)	(128)
20	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-
21	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-
22	380	Treatment & Disposal Equipment	5.00%	(1)	(7)	(11)	(19)
23	381	Plant Sewers	5.00%	-	-	-	-
24	382	Outfall Sewer Lines	3.33%	-	-	-	-
25	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-
26	390	Office Furniture & Equipment	6.67%	-	-	-	-
27	390.1	Computers and Software	20.00%	-	-	-	-
28	391	Transportation Equipment	20.00%	-	-	-	-
29	392	Stores Equipment	4.00%	-	-	-	-
30	393	Tools, Shop And Garage Equip	5.00%	(0)	(0)	(0)	(0)
31	394	Laboratory Equip	10.00%	-	-	-	-
32	395	Power Operated Equip	5.00%	-	-	-	-
33	396	Communication Equip	10.00%	-	-	-	-
34	398	Other Tangible Plant	10.00%	-	-	-	-
35	398.1	Nogales WWTP	4.72%	-	-	-	-

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TOTALS

\$ (25) \$ (66) \$ (71) \$ - \$ - \$ (162)

40
 41

42 SUPPORTING SCHEDULE

43 Work papers

44
 45

RECAP SCHEDULES:
 B-2, page 4

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - B

Exhibit
 Schedule B-2
 Page 4.2
 Witness: Bourassa

Line No.	Acct. Description	[1] A/D	[2] Liberty Utilities Factor	[3] Rio Rico Sewer Factor	[4] = [1]x[2]x[3] Allocated Original Cost
1	<u>Corporate Plant</u>				
2					
3					
4					
5					
6	903 Land and Land Rights	\$ -	15.64%	2.69%	-
7	904 Structures and Improvements	322,068	15.64%	2.69%	1,356
8	940.1 Computers and Software	218,763	15.64%	2.69%	921
9					
10	<u>LU Sub-Corp. Plant</u>				
11					
12	903 Land and Land Rights	-		2.69%	-
13	904 Structures and Improvements	74,974		2.69%	2,019
14	940 Office Furniture and Equipment	21,535		2.69%	580
15	940.1 Computers and Software	612,134		2.69%	16,482
16					
17					
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41					
42	TOTALS	\$ 1,249,474			\$ 21,358

45 SUPPORTING SCHEDULE
 46 Work papers
 47

RECAP SCHEDULES:
 B-2, page 4

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - C

Exhibit
 Schedule B-2
 Page 4.3
 Witness: Bourassa

Line
No.

Reconciliation of A/D to A/D Reconstruction

Acct. No.	Description	Original Cost	B-2 Adjustments	Adjusted Original Cost	Plant Per Reconstruction	Difference
108	Accumulated Depreciation	\$ 385,184	\$ -	\$ 385,184	\$ -	\$ (385,184)
351	Organization	-	-	-	-	-
352	Franchise	-	-	-	-	-
353	Land	-	-	-	-	-
354	Structures & Improvements	41,667	(9)	41,658	46,444	4,786
355	Power Generation	-	-	-	-	-
360	Collection Sewer Forced	60,242	-	60,242	37,951	(22,291)
361	Collection Sewers Gravity	2,995,061	(6)	2,995,055	2,964,500	(30,555)
362	Special Collecting Structures	-	-	-	-	-
363	Customer Services	739,032	(0)	739,032	738,949	(83)
364	Flow Measuring Devices	48,611	-	48,611	65,412	16,801
366	Reuse Services	-	-	-	-	-
367	Reuse Meters And Installation	-	-	-	-	-
370	Receiving Wells	412,221	-	412,221	411,961	(260)
371	Pumping Equipment	(94,050)	(128)	(94,178)	62,965	157,143
374	Reuse Distribution Reservoirs	-	-	-	-	-
375	Reuse Trans. and Dist. System	-	-	-	-	-
380	Treatment & Disposal Equipment	1,317,263	(19)	1,317,245	954,080	(363,165)
381	Plant Sewers	2,169	-	2,169	2,198	29
382	Outfall Sewer Lines	-	-	-	-	-
389	Other Sewer Plant & Equipment	75,700	-	75,700	57,917	(17,783)
390	Office Furniture & Equipment	53,329	-	53,329	55,654	2,324
390.1	Computers and Software	-	-	-	4,025	4,025
391	Transportation Equipment	76	-	76	76	1
392	Stores Equipment	-	-	-	-	-
393	Tools, Shop And Garage Equip	5,240	(0)	5,240	5,471	231
394	Laboratory Equip	105	-	105	308	203
395	Power Operated Equipment	-	-	-	-	-
396	Communication Equip	9,966	-	9,966	6,057	(3,909)
397	Miscellaneous Equipment	(27)	-	(27)	-	27
398	Other Tangible Plant	26	-	26	3,913	3,887
398.1	Nogales WWTP	-	-	-	464,515	464,515
TOTALS		\$ 6,051,816	\$ (162)	\$ 6,051,654	\$ 5,882,397	\$ (169,257)

SUPPORTING SCHEDULE

B-2, pages 4.1
 B-2, pages 3.5 through 3.7

RECAP SCHEDULES:

B-2, page 4

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Schedule B-2
 Page 5
 Witness: Bourassa

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

Line
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	<u>Gross CIAC</u>	<u>Accumulated Amortization</u>
Computed balance at End of Test Year	\$ 5,112,247	\$ 2,935,215
Book balance at End of Test Year	<u>\$ 5,157,673</u>	<u>\$ 2,927,957</u>
Increase (decrease)	\$ (45,426)	\$ 7,257
Adjustment to CIAC/AA CIAC	<u>\$ (45,426)</u>	<u>\$ (7,257)</u>
Label	3a	3b

SUPPORTING SCHEDULES
 E-1
 B-2, page 5.1

RECAP SCHEDULES:
 B-2, page 2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

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Computed balance at End of Test Year	\$	529,379
Book balance at End of Test Year	\$	<u>511,485</u>
Increase (decrease)	\$	17,893

SUPPORTING SCHEDULES
E-1
B-2, page 6.1

RECAP SCHEDULES:
B-2, page 2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 5

Exhibit
 Schedule B-2
 Page 7.0
 Witness: Bourassa

Line No.	Deferred Income Tax as of December 31, 2014		Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
1											
2											
3											
4											
5											
6											
7											
8											
9	Fed.		\$ 16,308,255	\$ 10,055,503	2 100.0%	\$ (6,252,751)	32.33%	-	-		(2,021,765)
10											
11	State		\$ 16,308,255	\$ 14,796,231	2 100.0%	\$ (1,512,024)	4.900%	-	-		(74,089)
12											
13	Fed & State	AIAC		783,815	4 100.0%	\$ 783,815	37.23%	\$ 291,846	\$ 291,846	\$ -	\$ (2,095,854)
14											
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16											
17											
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Footnotes - See page 7.1

RECAP SCHEDULES
 B-2, page 2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Cash Working Capital

Exhibit
 Schedule B-5
 Page 1
 Witness: Bourassa

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)	(G)
			Proforma Test Year Amount ¹	Revenue Lag (Lead) Days	Expense Lag (Lead) Days	Net Lag (Lead) Days	Lead/Lag Factor Col. E/365	Cash Working Capital Required Col. B * Col. F
7	OPERATING EXPENSES							
8	Salaries and Wages	\$	-	47.96	-	47.96	0.13139402	\$ -
9	Purchased Wastewater Treatment		3,811	47.96	29.82	18.14	0.04969539	189
10	Sludge Removal		-	47.96	-	47.96	0.13139402	-
11	Purchased Power		67,788	47.96	34.96	13.00	0.03561320	2,414
12	Fuel for Power Production		-	47.96	-	47.96	0.13139402	-
13	Chemicals		6,030	47.96	3.91	44.05	0.12068169	728
14	Materials and Supplies		7,433	47.96	17.14	30.82	0.08443512	628
15	Contractual Services - Professional		167,347	47.96	19.99	27.97	0.07662690	12,823
16	Contractual Services - Testing		405	47.96	8.50	39.46	0.10810635	44
17	Contractual Services - Other		260,568	47.96	22.47	25.49	0.06983238	18,196
18	Office Supplies and Expense		1,916	47.96	46.21	1.75	0.00479128	9
19	Rents		3,379	47.96	46.21	1.75	0.00479128	16
20	Transportation		10,899	47.96	20.78	27.18	0.07446251	812
21	Insurance		7,991	47.96	(182.50)	230.46	0.63139402	5,045
22	Miscellaneous		45,814	47.96	112.06	(64.10)	(0.17561968)	(8,046)
23								
24								
25								
26	TAXES							
27	General Taxes-Property ¹	\$	79,614	47.96	213.96	(166.00)	(0.45479319)	\$ (36,208)
28	General Taxes-Other		-	47.96	-	47.96	0.13139402	-
29	Income Tax ¹		240,175	47.96	37.00	10.96	0.03002416	7,211
30								
31	OTHER							
32	Regulatory Commission Expense		14,717	47.96	(136.54)	184.50	0.50548078	7,439
33								
34	TOTAL		<u>\$ 917,886</u>					<u>\$ 11,300</u>
35								
36								
37								
38								
39								
40								

WORKING CASH REQUIREMENT

¹At proposed rates.

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Income Statement

Exhibit
 Schedule C-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Flat Rate Revenue	\$ 1,437,376	\$ 33,479	\$ 1,470,855	\$ 226,351	\$ 1,697,206
3	Measured Revenues	-	-	-		-
4	Misc Revenues	7,468	-	7,468		7,468
5		<u>\$ 1,444,844</u>	<u>\$ 33,479</u>	<u>\$ 1,478,323</u>	<u>\$ 226,351</u>	<u>\$ 1,704,674</u>
6	Operating Expenses					
7	Salaries and Wages	\$ -	-	\$ -		\$ -
8	Purchased Wastewater Treatment	3,811	-	3,811		3,811
9	Sludge Removal	-	-	-		-
10	Purchased Power	67,788	0	67,788		67,788
11	Fuel for Power Production	-	-	-		-
12	Chemicals	6,030	0	6,030		6,030
13	Materials and Supplies	7,433	-	7,433		7,433
14	Contractual Services - Professional	245,830	(78,484)	167,347		167,347
15	Contractual Services - Testing	405	-	405		405
16	Contractual Services - Other	259,271	1,296	260,568		260,568
17	Office Supplies and Expense	1,915	1	1,916		1,916
18	Rents	3,379	-	3,379		3,379
19	Transportation	10,899	-	10,899		10,899
20	Insurance	7,991	-	7,991		7,991
21	Regulatory Commission Expense	-	14,717	14,717		14,717
22	Miscellaneous	45,814	-	45,814		45,814
23	Depreciation	260,956	65,216	326,172		326,172
24	Taxes Other Than Income	-	-	-		-
25	Property Taxes	60,780	14,961	75,741	3,873	79,614
26	Income Tax	-	157,337	157,337	82,838	240,175
27	Total Operating Expenses	<u>\$ 982,302</u>	<u>\$ 175,046</u>	<u>\$ 1,157,347</u>	<u>\$ 86,711</u>	<u>\$ 1,244,058</u>
28	Operating Income	<u>\$ 462,543</u>	<u>\$ (141,567)</u>	<u>\$ 320,976</u>	<u>\$ 139,640</u>	<u>\$ 460,616</u>
29	Other Income (Expense)					
30	Interest and Dividend Income	-	-	-		-
31	AFUDC Income	-	-	-		-
32	Miscellaneous Non-Utility Expenses	-	-	-		-
33	Interest Expense	-	(55,750)	(55,750)		(55,750)
34						
35	Total Other Income (Expense)	<u>\$ -</u>	<u>\$ (55,750)</u>	<u>\$ (55,750)</u>	<u>\$ -</u>	<u>\$ (55,750)</u>
36	Net Profit (Loss)	<u>\$ 462,543</u>	<u>\$ (197,316)</u>	<u>\$ 265,226</u>	<u>\$ 139,640</u>	<u>\$ 404,866</u>

38 SUPPORTING SCHEDULES:
 39 C-1, page 2
 40 E-2
 41

RECAP SCHEDULES:
 A-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 dba Liberty Utilities
 Test Year Ended December 31, 2014
 Income Statement

Exhibit
 Schedule C-1
 Page 2.1
 Witness: Bourassa

Line No.	1	2	3	4	5	6	7	8	9
	Test Year Book Results	Property Taxes	Rate Case Expense	Revenue Annualization	Correction for Under Billing	Revenue Accrual Fix	Corporate Costs Non-Labor	Corporate Costs Labor	Intentionally Left Blank
1	Revenues								
2	Fiat Rate Revenue			784	9,695	23,000			
3	Measured Revenues								
4	Misc Revenues								
5		\$ -	\$ -	\$ 784	\$ 9,695	\$ 23,000	\$ -	\$ -	\$ -
6	Operating Expenses								
7	Salaries and Wages								
8	Purchased Wastewater Treatment								
9	Sludge Removal			0					
10	Purchased Power								
11	Fuel for Power Production								
12	Chemicals			0					
13	Materials and Supplies								
14	Contractual Services - Professional						(82,548)	4,065	
15	Contractual Services - Testing								
16	Contractual Services - Other								
17	Office Supplies and Expense			1				1,296	
18	Rents								
19	Transportation								
20	Insurance								
21	Regulatory Commission Expense		14,717						
22	Miscellaneous								
23	Depreciation	65,216							
24	Taxes Other Than Income								
25	Property Taxes		14,961						
26	Income Tax								
27	Total Operating Expenses	\$ 982,302	\$ 14,961	\$ 14,717	\$ 2	\$ -	\$ (82,548)	\$ 5,361	\$ -
28	Operating Income	\$ 462,543	\$ (14,961)	\$ (14,717)	\$ 782	\$ 9,695	\$ 82,548	\$ (5,361)	\$ -
29	Other Income (Expense)								
30	Interest and Dividend Income								
31	AFUDC Income								
32	Miscellaneous Non-Utility Expenses								
33	Interest Expense								
34									
35	Total Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36	Net Profit (Loss)	\$ 462,543	\$ (65,216)	\$ (14,717)	\$ 782	\$ 9,695	\$ 82,548	\$ (5,361)	\$ -

37
 38 SUPPORTING SCHEDULES:
 39 C-2
 40 E-2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sex
 dba Liberty Utilities
 Test Year Ended December 31, 2014
 Income Statement

Exhibit
 Schedule C-1
 Page 2.2
 Witness: Bourassa

Line No.	10	11	12	13	14	15	16	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
	Intentionally Left Blank	Interest Synch.	Income Taxes							
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2										
3										
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RECAP SCHEDULES:
 C-1, page 1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Adjustments to Revenues and Expenses

Exhibit
 Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>		
		Property	Rate	Revenue	Correction	Revenue		
	<u>Depreciation</u>	<u>Taxes</u>	<u>Case Expense</u>	<u>Annualization</u>	for Under	Accrual		
					Billing	Fix		
4	Revenues	-	-	784	9,695	23,000	33,479	
5								
6	Expenses	65,216	14,961	2	-	-	94,896	
7								
8	Operating							
9	Income	(65,216)	(14,961)	782	9,695	23,000	(61,417)	
10								
11	Interest							
12	Expense						-	
13	Other							
14	Income /						-	
15	Expense							
16								
17	Net Income	(65,216)	(14,961)	782	9,695	23,000	(61,417)	
18								
19								
20		<u>Adjustments to Revenues and Expenses</u>						
21		<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>Subtotal</u>
22		Corporate	Allocated	Intentionally	Intentionally	Intentionally	Intentionally	
23		Costs	Wages	Left	Left	Left	Left	
24		<u>Adjustment</u>	<u>Adjustment</u>	<u>Blank</u>	<u>Blank</u>	<u>Blank</u>	<u>Blank</u>	
25	Revenues							33,479
26								
27	Expenses	(82,548)	5,361	-	-	-	-	17,708
28								
29	Operating							
30	Income	82,548	(5,361)	-	-	-	-	15,771
31								
32	Interest							
33	Expense	-						-
34	Other							
35	Income /							-
36	Expense							
37								
38	Net Income	82,548	(5,361)	-	-	-	-	15,771
39								
40								
41		<u>Adjustments to Revenues and Expenses</u>						
42		<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>			<u>Total</u>
43		Intentionally	Intentionally	Interest	Income			
44		Left	Left	Synch.	Taxes			
45		<u>Blank</u>	<u>Blank</u>					
46	Revenues	-	-	-	-			33,479
47								
48	Expenses	-	-	-	157,337			175,046
49								
50	Operating							
51	Income	-	-	-	(157,337)	-	-	(141,567)
52								
53	Interest							
54	Expense			(55,750)				(55,750)
55	Other							
56	Income /							-
57	Expense							
58								
59	Net Income	-	-	(55,750)	(157,337)	-	-	(197,316)

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Non-Depr. or Fully Depr. Plant	Depr Original Cost	Proposed Rates	Depreciation Expense
1							
2							
3							
4							
5	101	Plant-in-Service	-	-	-	0.00%	-
6	351	Organization	5,785	(5,785)	-	0.00%	-
7	352	Franchise	417	(417)	-	0.00%	-
8	353	Land	7,545	(7,545)	-	0.00%	-
9	354	Structures & Improvements	487,891	-	487,891	3.33%	16,247
10	355	Power Generation	-	-	-	5.00%	-
11	360	Collection Sewer Forced	636,023	-	636,023	2.00%	12,720
12	361	Collection Sewers Gravity	6,699,939	-	6,699,939	2.00%	133,999
13	362	Special Collecting Structures	-	-	-	2.00%	-
14	363	Customer Services	1,286,513	-	1,286,513	2.00%	25,730
15	364	Flow Measuring Devices	65,412	(65,412)	-	10.00%	-
16	366	Reuse Services	-	-	-	2.00%	-
17	367	Reuse Meters And Installation	-	-	-	8.33%	-
18	370	Receiving Wells	867,120	-	867,120	3.33%	28,875
19	371	Pumping Equipment	751,817	-	751,817	12.50%	93,977
20	374	Reuse Distribution Reservoirs	-	-	-	2.50%	-
21	375	Reuse Trans. and Dist. System	-	-	-	2.50%	-
22	380	Treatment & Disposal Equipment	982,394	-	982,394	5.00%	49,120
23	381	Plant Sewers	15,362	-	15,362	5.00%	768
24	382	Outfall Sewer Lines	-	-	-	3.33%	-
25	389	Other Sewer Plant & Equipment	63,376	(57,170)	6,205	6.67%	414
26	390	Office Furniture & Equipment	142,738	-	142,738	6.67%	9,521
27	390.1	Computers and Software	4,025	(4,025)	-	20.00%	-
28	391	Transportation Equipment	117	-	117	20.00%	23
29	392	Stores Equipment	-	-	-	4.00%	-
30	393	Tools, Shop And Garage Equip	19,957	(5,139)	14,818	5.00%	741
31	394	Laboratory Equip	6,152	-	6,152	10.00%	615
32	395	Power Operated Equipment	29,947	-	29,947	5.00%	1,497
33	396	Communication Equip	6,057	(6,057)	-	10.00%	-
34	397	Miscellaneous Equip.	-	-	-	10.00%	-
35	398	Other Tangible Plant	3,913	(3,913)	0	10.00%	0
36	398.1	Other Tangible Plant	2,431,717	-	2,431,717	4.72%	114,777
37		SUBTOTAL	\$ 14,514,216	\$ (155,462)	\$ 14,358,754		\$ 489,025
38							
39	903	Land and Land Rights	5,880	(5,880)	-	0.00%	-
40	904	Structures and Improvments	63,809	-	63,809	2.56%	1,634
41	940	Office Furniture & Equipment	6,939	-	6,939	6.67%	463
42	940.1	Computers and Software	45,811	-	45,811	20.00%	9,162
43		TOTALS	\$ 14,636,654	\$ (161,342)	\$ 14,475,312		\$ 500,283
44							
45		Less: Amortization of Contributions			Gross CIAC	Amort. Rate	
46					\$ 5,112,247	3.4058%	\$ (174,111)
47							\$ -
48							\$ -
49							\$ -
50							
51		Total Depreciation Expense					\$ 326,172
52							
53		Adjusted Test Year Depreciation Expense					260,956
54							
55		Increase (decrease) in Depreciation Expense					65,216
56							
57		Adjustment to Revenues and/or Expenses					\$ 65,216
58							
59		<u>SUPPORTING SCHEDULE</u>					
60		B-2, page 3					

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Schedule C-2
 Page 3
 Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 1,478,323	\$ 1,478,323
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	2,956,646	2,956,646
4	Company Recommended Revenue	1,478,323	1,704,674
5	Subtotal (Line 4 + Line 5)	4,434,970	4,661,321
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,478,323	1,553,774
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,956,646	3,107,547
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	5,844	5,844
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,950,802	3,101,703
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	531,144	558,307
15	Composite Property Tax Rate - Obtained from ADOR	14.2600%	14.2600%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 75,741	\$ 79,614
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 75,741</u>	
19	Test Year Property Taxes	<u>\$ 60,780</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u>\$ 14,961</u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 79,614</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 75,741</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 3,873</u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 3,873
27	Increase in Revenue Requirement		\$ 226,351
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.71120%
29			
30			
31			
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line
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Estimated Rate Case Expense	\$	73,583
Estimated Amortization Period in Years		5
Annual Rate Case Expense	\$	<u>14,717</u>
Test Year Rate Case Expense	\$	-
Increase(decrease) Rate Case Expense	\$	<u>14,717</u>
Adjustment to Revenue and/or Expense	\$	<u>14,717</u>

Reference
Testimony

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 4

Exhibit
 Schedule C-2
 Page 5
 Witness: Bourassa

Revenue Annualization

Line			
<u>No.</u>			
1			
2			
3			
4	Revenue Annualization	\$	784
5			
6			
7	Total Revenue from Annualization	<u>\$</u>	<u>784</u>
8			
9	Purchased Power Expense	\$	67,788
10	Gallons Treated During Test Year (in 1,000s)		135,782
11	Cost per 1,000 gallons	\$	0.4992
12			
13	Additional Treated from Annualization (in 1,000s)		0.55
14			
15	Increase (decrease) in Purchased Power	<u>\$</u>	<u>0</u>
16			
17	TY Chemicals Expense	\$	6,030
18	Gallons Treated During Test Year (in 1,000s)		135,782
19	Cost per 1,000 gallons	\$	0.0444
20			
21	Additional Treated from Annualization (in 1,000s)		0.55
22			
23	Increase (decrease) in Chemicals Expense	<u>\$</u>	<u>0</u>
24			
25	Additional billings from annualization		3
26	Postage rate	\$	0.46
27			
28	Increase (decrease) in Office Expense	<u>\$</u>	<u>1</u>
29			
30			
31	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>1</u>
32			
33			
34			
35			
36	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>782</u>
37			
38	<u>SUPPORTING SCHEDULES</u>		
39	Work Papers		
40	H-1		
41			
42			
43			
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
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Page 6
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Revenue Accrual

Line

No.

1

2 Revenue Correction for under billing 1/5 Inch Commercial;

\$ 9,695

3

4

5

6 Adjustment to Revenues

\$ 9,695

7

8

9 Adjustment to Revenue and/or Expense

9,695

10

11 Reference

12 Testimony

13 Work papers

14

15

16

17

18

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
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Revenue Accrual Adjustment

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Under Accrual of TY Revenues

\$ 23,000

Adjustment to Revenues

\$ 23,000

Adjustment to Revenue and/or Expense

23,000

Reference
Testimony
Work papers

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
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Page 8
Witness: Bourassa

Corporate Cost Adjustment - Non-Labor

Line

No.

1

2 Corporate Allocation Adjustment

3

4 Adjusted Allocated Non-Labor Costs During Test Year

\$ 85,591

5 Allocated Non-Labor Costs During Test Year

\$ 168,139

6

7 Adjustment to Contractual Services Professional

\$ (82,548)

8

9

10 Adjustment to Revenue and/or Expense

\$ (82,548)

11

12 Reference

13 Testimony

14 Work Papers

15

16

17

18

19

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
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Corporate Cost Adjustment - Labor

Line No.			
1			
2			
3	Test Year Allocated Labor Costs	\$	66,741
4	Factor (1)		6.09%
5	Increase in Labor Costs	\$	4,065
6			
7	Adjustment to Contractual Services - Professional	<u>\$</u>	<u>4,065</u>
8			
9	Test Year Allocated Labor Costs	\$	21,289
10	Factor (1)		6.09%
11	Increase in Labor Costs	\$	1,296
12			
13	Adjustment to Contractual Services - Other	<u>\$</u>	<u>1,296</u>
14			
15			
16			
17	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>5,361</u>
18			
19	<u>Reference</u>		
20	Testimony		
21	Work papers		
22			
23			
24			
25			
26			

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
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Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Schedule C-2
Page 14
Witness: Bourassa

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- 26 Reference
- 27 Testimony
- 28 Work papers

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Schedule C-2
Page 15
Witness: Bourassa

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 15

Exhibit
 Schedule C-2
 Page 16
 Witness: Bourassa

Interest Synchronization

Line
No.

1				
2				
3				
4	Fair Value Rate Base	\$	5,355,381	
5	Weighted Cost of Debt		1.04%	
6	Interest Expense	\$	55,750	
7				
8	Test Year Interest Expense	\$	-	
9				
10	Increase (decrease) in Interest Expense		55,750	
11				
12				
13				
14	Adjustment to Revenue and/or Expense	\$	(55,750)	

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Weighted Cost of Debt Computation
Pro forma Capital Structure

	<u>Percent</u>	<u>Cost</u>	<u>Weighted</u> <u>Cost</u>
Debt	30.00%	3.47%	1.04%
Equity	<u>70.00%</u>	<u>10.80%</u>	<u>7.56%</u>
Total	100.00%		8.60%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Adjustment to Revenues and/or Expenses
 Adjustment Number 16

Exhibit
 Schedule C-2
 Page 17
 Witness: Bourassa

Line
 No.

	Test Year at Present Rates	Test Year at Proposed Rates
1 <u>Income Taxes</u>		
2		
3		
4 Computed Income Tax	\$ 157,337	\$ 240,175
5 Test Year Income tax Expense	-	157,337
6 Adjustment to Income Tax Expense	<u>\$ 157,337</u>	<u>\$ 82,838</u>
7		
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12		
13 <u>SUPPORTING SCHEDULE</u>		
14 C-3, page 2		
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Effective Income Tax Rate	37.234%
2		
3	Property Taxes	1.074%
4		
5		
6	Total Tax Percentage	38.308%
7		
8	Operating Income % = 100% - Tax Percentage	61.692%
9		
10		
11		
12		
13	1	
14	_____ = Gross Revenue Conversion Factor	1.6210
15	Operating Income %	
16		
17		
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25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
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GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	38.3081%					
5	Subtotal (L3 - L4)	61.6919%					
6	Revenue Conversion Factor (L1 / L5)	1.620957					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	37.2340%					
9	One Minus Combined Income Tax Rate (L7 - L8)	62.7660%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.9000%					
14	Federal Taxable Income (L12 - L13)	95.1000%					
15	Applicable Federal Income Tax Rate (L55, Col E)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	32.3340%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		37.2340%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	37.2340%					
20	One Minus Combined Income Tax Rate (L18-L19)	62.7660%					
21	Property Tax Factor	1.7112%					
22	Effective Property Tax Factor (L20*L21)		1.0741%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			38.3081%			
24	Required Operating Income	\$ 460,616					
25	Adjusted Test Year Operating Income (Loss)	\$ 320,976					
26	Required Increase in Operating Income (L24 - L25)		\$ 139,640				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	\$ 240,175					
28	Income Taxes on Test Year Revenue (Col. (B), L54)	\$ 157,337					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 82,838				
30	Recommended Revenue Requirement	\$ 1,704,674					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 79,614					
36	Property Tax on Test Year Revenue	\$ 75,741					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 3,873				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 226,352				

	(A) Test Year			(B) Sewer			(C) Company Recommended			(D) Total			(E) Sewer			(F) Total		
	Total	Sewer		Total	Sewer		Total	Sewer		Total	Sewer		Total	Sewer		Total	Sewer	
<u>Calculation of Income Tax:</u>																		
39	Revenue	\$ 1,478,323	\$ 1,478,323	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674	\$ 1,704,674
40	Operating Expenses Excluding Income Taxes	\$ 1,000,010	\$ 1,000,010	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883	\$ 1,003,883
41	Synchronized Interest (L47)	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750	\$ 55,750
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 422,564	\$ 422,564	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043	\$ 645,043
43	Arizona State Effective Income Tax Rate (see work papers)	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%
44	Arizona Income Tax (L42 x L43)	\$ 20,706	\$ 20,706	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607	\$ 31,607
45	Federal Taxable Income (L42- L44)	\$ 401,858	\$ 401,858	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436	\$ 613,436
46																		
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 22,732	\$ 22,732	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668	\$ 94,668
52																		
53	Total Federal Income Tax	\$ 136,632	\$ 136,632	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568	\$ 208,568
54	Combined Federal and State Income Tax (L35 + L42)	\$ 157,337	\$ 157,337	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175	\$ 240,175

55 COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53] / [Col. (D), L45 - Col. (A), L45] 34.0000%

56 WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45] 34.0000%

57 WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45] 0.0000%

<u>Calculation of Interest Synchronization:</u>	
58	Rate Base
59	Weighted Average Cost of Debt
60	Synchronized Interest (L45 X L46)

Sewer	
\$	5,355,381
	1.0410%
\$	55,750

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended 12/31/2014	Year Ended 12/31/2013	Year Ended 12/31/2012
1	ASSETS		
2	PLANT		
3	\$ 13,936,523	\$ 13,736,330	\$ 14,228,849
4	193,757	-	-
5	(295,882)	(298,562)	41,308
6	-	-	-
7	(6,051,816)	(5,658,848)	(6,902,099)
8	<u>\$ 7,782,582</u>	<u>\$ 7,778,921</u>	<u>\$ 7,368,058</u>
9			
10	CURRENT ASSETS		
11	\$ 10,762	\$ 15,991	\$ 9,790
12	-	-	-
13	255,307	226,164	99,416
14	386	-	-
15	-	-	-
16	-	-	-
17	743	-	70
18	-	591,251	400,224
19	<u>\$ 267,197</u>	<u>\$ 833,406</u>	<u>\$ 509,501</u>
20			
21	OTHER ASSETS		
22	\$ -	\$ -	\$ -
23	64,167	-	-
24	-	-	-
25	<u>\$ 64,167</u>	<u>\$ -</u>	<u>\$ -</u>
26			
27	<u>\$ 8,113,945</u>	<u>\$ 8,612,326</u>	<u>\$ 7,877,559</u>
28			
29			
30	LIABILITIES AND STOCKHOLDER EQUITY		
31			
32	\$ 4,482,953	\$ 4,887,715	\$ 3,536,704
33			
34	\$ -	\$ -	\$ -
35			
36	CURRENT LIABILITIES		
37	\$ -	\$ -	\$ -
38	-	-	-
39	304,242	277,763	368,154
40	-	30,135	57,149
41	-	-	-
42	2,500	-	-
43	14,555	4,349	3,006
44	6,174	6,543	6,295
45	564,819	539,866	1,217,801
46	<u>\$ 892,290</u>	<u>\$ 858,657</u>	<u>\$ 1,652,405</u>
47			
48	DEFERRED CREDITS		
49	\$ -	\$ -	\$ -
50	508,985	482,534	145,480
51	-	-	-
52	5,157,673	5,157,673	5,381,456
53	(2,927,957)	(2,774,253)	(2,838,487)
54	-	-	-
55	<u>\$ 2,738,701</u>	<u>\$ 2,865,954</u>	<u>\$ 2,688,449</u>
56			
57	<u>\$ 8,113,945</u>	<u>\$ 8,612,326</u>	<u>\$ 7,877,559</u>
58			
59			
60			
61	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
62		A-3	
63			
64			
65			

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Comparative Income Statements

Exhibit
 Schedule E-2
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Prior Year Ended 12/31/2013	Prior Year Ended 12/31/2012
1	Revenues			
2	Flat Rate Revenue	\$ 1,437,376	\$ 1,314,843	\$ 1,194,852
3	Measured Revenue	-	152,561	173,860
4	Other WasteWater Revenue	7,468	3,720	8,339
5	Total Revenues	\$ 1,444,844	\$ 1,471,124	\$ 1,377,051
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Wastewater Treatment	3,811	-	-
9	Sludge Removal	-	-	-
10	Purchased Power	67,788	65,630	62,218
11	Fuel for Power Production	-	-	266
12	Chemicals	6,030	6,437	7,284
13	Materials and Supplies	7,433	4,551	(1,156)
14	Contractual Services - Professional	245,830	56	621
15	Contractual Services - Testing	405	445	355
16	Contractual Services - Other	259,271	468,238	508,613
17	Office Supplies and Expense	1,915	-	-
18	Rents	3,379	1,032	2,665
19	Transportation	10,899	10,841	13,077
20	Insurance	7,991	15,718	13,897
21	Regulatory Commission Expense	-	-	2,500
22	Miscellaneous	45,814	38,978	33,931
23	Depreciation	260,956	105,764	186,565
24	Taxes Other Than Income	-	-	-
25	Property Taxes	60,780	61,732	60,024
26	Income Tax	-	-	-
27	Total Operating Expenses	\$ 982,302	\$ 779,420	\$ 890,860
28	Operating Income	\$ 462,543	\$ 691,703	\$ 486,191
29	Other Income (Expense)			
30	Interest and Dividend Income	-	-	-
31	AFUDC Income	-	3,270	-
32	Miscellaneous Non-Utility Expenses	-	-	-
33	Interest Expense	-	-	24,866
34				
35	Total Other Income (Expense)	\$ -	\$ 3,270	\$ 24,866
36	Net Profit (Loss)	\$ 462,543	\$ 694,973	\$ 511,057

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
 A-2

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Comparative Statements of Cash Flows

Exhibit
 Schedule E-3
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
3	Cash Flows from Operating Activities		
4	\$ 462,543	\$ 694,973	\$ 511,057
5	Adjustments to reconcile net income to net cash		
6	provided by operating activities:		
7	260,956	105,764	186,565
8	(21,875)	(1,284,780)	(10,912)
9	Changes in Certain Assets and Liabilities:		
10	(29,143)	(126,748)	(13,127)
11	Restricted Cash		
12	Materials and Supplies Inventory		
13	(743)	70	641
14	(64,167)		
15	(386)	(90,391)	465,299
16	26,479		
17	(369)	248	1,870
18	(30,135)	(27,014)	12,570
19	10,206	1,343	284
20	616,204	(868,962)	379,885
21	2	2	
22	<u>\$ 1,229,572</u>	<u>\$ (1,595,495)</u>	<u>\$ 1,534,132</u>
23	Cash Flow From Investing Activities:		
24	(396,448)	832,389	(18,984)
25	-	-	-
26	-	-	-
27	<u>\$ (396,448)</u>	<u>\$ 832,389</u>	<u>\$ (18,984)</u>
28	Cash Flow From Financing Activities		
29	Change in Restricted Cash		
30	Proceeds from Long-Term Debt		
31	-	(223,783)	1
32	28,951	337,054	(156,822)
33	Repayments of Long-Term Debt		
34	(867,305)		(1,361,671)
35	Deferred Financing Costs		
36		656,037	
37	<u>\$ (838,354)</u>	<u>\$ 769,308</u>	<u>\$ (1,518,492)</u>
38	(5,230)	6,202	(3,344)
39	15,992	9,790	13,134
40	<u>\$ 10,762</u>	<u>\$ 15,992</u>	<u>\$ 9,790</u>

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SUPPORTING SCHEDULES:
 Workpapers

RECAP SCHEDULES:
 A-5

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Statement of Changes in Stockholder's Equity

Exhibit
 Schedule E-4
 Page 1
 Witness: Bourassa

Line No.		Stockholder's Equity	Retained Earnings	Total
1				
2				
3				
4	Balance, December 31, 2011	\$ 4,387,318	\$ -	\$ 4,387,318
5	Addnl Paid In Capital Adjustment	-		-
6	Distributions		(1,361,671)	(1,361,671)
7	Rounding		-	-
8	Net Income		511,057	511,057
9				
10	Balance, December 31, 2012	\$ 4,387,318	\$ (850,614)	\$ 3,536,704
11	Addnl Paid In Capital Adjustment	656,037		656,037
12	Distributions		-	-
13	Rounding		1	1
14	Net Income		694,973	694,973
15				
16	Balance, December 31, 2013	\$ 5,043,355	\$ (155,640)	\$ 4,887,715
17	Addnl Paid In Capital Adjustment	-		-
18	Distributions		(867,305)	(867,305)
19	Rounding		1	1
20	Net Income		462,543	462,543
21				
22	Balance, December, 2014	\$ 5,043,355	\$ (560,401)	\$ 4,482,954
23				
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29	<u>SUPPORTING SCHEDULES:</u>		<u>RECAP SCHEDULES:</u>	
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Detail of Plant in Service

Exhibit
 Schedule E-5
 Page 1
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2013	Plant Additions, Reclassifications or Retirements	Plant Balance at 12/31/2014
1	101	Plant-in-Service	\$ -	\$ (0)	\$ (0)
2	351	Organization	5,785	-	5,785
3	352	Franchise	417	-	417
4	353	Land	7,545	-	7,545
5	354	Structures & Improvements	174,321	109,813	284,134
6	355	Power Generation	-	-	-
7	360	Collection Sewer Forced	636,023	-	636,023
8	361	Collection Sewers Gravity	6,700,848	(6,939)	6,693,909
9	362	Special Collecting Structures	-	-	-
10	363	Customer Services	1,276,990	4,339	1,281,330
11	364	Flow Measuring Devices	56,523	-	56,523
12	366	Reuse Services	-	-	-
13	367	Reuse Meters And Installation	-	-	-
14	370	Receiving Wells	867,120	-	867,120
15	371.0	Pumping Equipment	357,106	79,455	436,561
16	374.0	Reuse Distribution Reservoirs	-	-	-
17	375	Reuse Trans. and Dist. System	-	-	-
18	380.0	Treatment & Disposal Equipment	977,056	2,424,519	3,401,576
19	381.0	Plant Sewers	15,362	-	15,362
20	382	Outfall Sewer Lines	-	-	-
21	389	Other Sewer Plant & Equipment	76,386	6,205	82,592
22	390	Office Furniture & Equipment	142,475	264	142,739
23	390.1	Computers and Software	-	-	-
24	391	Transportation Equipment	117	-	117
25	392	Stores Equipment	-	-	-
26	393	Tools, Shop And Garage Equip	7,774	783	8,557
27	394	Laboratory Equip	-	6,152	6,152
28	396	Communication Equip	9,961	(9,961)	-
29	398	Other Tangible Plant	-	10,082	10,082
30	398.1	Other Tangible Plant - Scottsdale Capacity	2,424,519	(2,424,519)	-
31					
32					
33					
34					
35					
36					
37		TOTAL WATER PLANT	\$ 13,736,330	\$ 200,193	\$ 13,936,523

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 39 SUPPORTING SCHEDULES
 40 Workpapers
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RECAP SCHEDULES:
 A-4
 E-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Operating Statistics

Exhibit
 Schedule E-7
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1	<u>WASTEWATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Treated (in Thousands)	150,766	133,476	129,194
6				
7				
8				
9	Wastewater Revenues from Customers: ¹	\$ 1,444,844	\$ 1,471,124	\$ 1,377,051
10				
11				
12				
13				
14	Year End Number of Customers	2,049	2,045	2,017
15				
16				
17	Annual Gallons (in Thousands)			
18	Treated Per Year End Customer	63	67	68
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 705.15	\$ 719.38	\$ 682.72
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.4496	\$ 0.4917	\$ 0.4816
25	Purchased Water Cost per 1,000 Gallons	\$ 0.0253	\$ -	\$ -
26				
27	¹ Effective customer. An effective customer considers the number of units served for multi-unit customers.			
28				

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1	Description			
2				
3	State Income Taxes	\$ -	\$ -	\$ -
4	Federal Income Taxes	-	-	-
5	Payroll Taxes	-	-	-
6	Property Taxes	60,780	61,732	60,024
7				
8	Totals	<u>\$ 60,780</u>	<u>\$ 61,732</u>	<u>\$ 60,024</u>
9				
10				
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line

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The Company does not conduct independent audits, reviews and/or compilations. Accordingly, there are no notes which are typically associated with these financial statements. Management makes the following notations to the financial statements contained herein:

Significant Accounting Policies - The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America and the accounting records of the are maintained in accordance with the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners (USOA 1996). Significant accounting policies are as follows:

Utility Plant - Property, plant and equipment is stated at cost less accumulated depreciation provided on a straight-line basis.

Depreciation rates for asset classes of utility property, plant and equipment are established by the Commission. The cost of additions, including betterments and replacements of units of utility fixed assets are charged to utility property, plant and equipment. When units of utility property are replaced, renewed or retired, their cost plus removal or disposal costs, less salvage proceeds, is charged to accumulated depreciation.

Revenue Recognition - Revenues are recognized on the accrual method. Under this method, revenue is recognized when earned rather than when collected, and expenses are recognized when incurred rather than when paid.

Contributions in Aid of Construction - Contributions in aid of construction (CIAC) are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense

Advances in Aid of Construction - Customer advances for construction are subject to refund in accordance with agreements approved by the Arizona Corporation Commission. Agreements provide for refunds which are typically equal to 10 percent of annual water revenue generated from the expansion. The repayments are for a maximum agreed upon period or until repaid in full. Any balance remaining at the end of the agreed-upon period for repayment becomes a contribution in aid of construction.

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Projected Income Statements - Present & Proposed Rates

Exhibit
 Schedule F-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2015	At Proposed Rates Year Ended 12/31/2015
1	Revenues			
2	Flat Rate Revenue	\$ 1,437,376	\$ 1,470,855	\$ 1,697,206
3	Measured Revenues	-	-	-
4	Misc Revenues	7,468	7,468	7,468
5		<u>\$ 1,444,844</u>	<u>\$ 1,478,323</u>	<u>\$ 1,704,674</u>
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Wastewater Treatment	3,811	3,811	3,811
9	Sludge Removal	-	-	-
10	Purchased Power	67,788	67,788	67,788
11	Fuel for Power Production	-	-	-
12	Chemicals	6,030	6,030	6,030
13	Materials and Supplies	7,433	7,433	7,433
14	Contractual Services - Professional	245,830	167,347	167,347
15	Contractual Services - Testing	405	405	405
16	Contractual Services - Other	259,271	260,568	260,568
17	Office Supplies and Expense	1,915	1,916	1,916
18	Rents	3,379	3,379	3,379
19	Transportation	10,899	10,899	10,899
20	Insurance	7,991	7,991	7,991
21	Regulatory Commission Expense	-	14,717	14,717
22	Miscellaneous	45,814	45,814	45,814
23	Depreciation	260,956	326,172	326,172
24	Taxes Other Than Income	-	-	-
25	Property Taxes	60,780	75,741	79,614
26	Income Tax	-	157,337	240,175
27				
28	Total Operating Expenses	<u>\$ 982,302</u>	<u>\$ 1,157,347</u>	<u>\$ 1,244,058</u>
29	Operating Income	<u>\$ 462,543</u>	<u>\$ 320,976</u>	<u>\$ 460,616</u>
30	Other Income (Expense)			
31	Interest and Dividend Income	-	-	-
32	AFUDC Income	-	-	-
33	Miscellaneous Non-Utility Expenses	-	-	-
34	Interest Expense	-	(55,750)	(55,750)
35				
36	Total Other Income (Expense)	<u>\$ -</u>	<u>\$ (55,750)</u>	<u>\$ (55,750)</u>
37	Net Profit (Loss)	<u>\$ 462,543</u>	<u>\$ 265,226</u>	<u>\$ 404,866</u>

SUPPORTING SCHEDULES:

C-1

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Projected Statements of Changes in Financial Position
 Present and Proposed Rates

Exhibit
 Schedule F-2
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended 12/31/2014	At Present Rates Year Ended 12/31/2015	At Proposed Rates Year Ended 12/31/2015
5	Cash Flows from Operating Activities		
6	\$ 462,543	\$ 265,226	\$ 404,866
7	Adjustments to reconcile net income to net cash provided by operating activities:		
9	260,956	326,172	326,172
10	(21,875)		
11	Changes in Certain Assets and Liabilities:		
12	(29,143)		
13	-		
14	-		
15	(743)		
16	(64,167)		
17	(386)		
18	26,479		
19	(369)		
20	(30,135)		
21	10,206		
22	616,204		
	2		
23	<u>\$ 1,229,570</u>	<u>\$ 591,399</u>	<u>\$ 731,039</u>
24	Cash Flow From Investing Activities:		
25	(396,448)	(179,300)	(179,300)
26	-		
27	-		
28	<u>\$ (396,448)</u>	<u>\$ (179,300)</u>	<u>\$ (179,300)</u>
29	Cash Flow From Financing Activities		
30	-	-	-
31	-	-	-
32	-	(74,594)	(74,594)
33	28,951	69,728	69,728
34	-	-	-
35	(867,305)	(742,992)	(742,992)
36	-	-	-
37	-	218,679	218,679
38	<u>\$ (838,354)</u>	<u>\$ (529,179)</u>	<u>\$ (529,179)</u>
39	(5,232)	(117,081)	22,560
40	15,992	10,760	10,760
41	<u>\$ 10,760</u>	<u>\$ (106,321)</u>	<u>\$ 33,319</u>

SUPPORTING SCHEDULES:

E-3

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Projected Construction Requirements

Exhibit
 Schedule F-3
 Page 1
 Witness: Bourassa

Line
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Account	Test Year	2015	2016	2017
Number Plant Asset:				
351 Organization	\$ -	\$ -	\$ -	\$ -
352 Franchise	-	-	-	-
353 Land	-	-	-	-
354 Structures & Improvements	109,813	49,250	45,000	45,000
355 Power Generation	-	-	-	-
360 Collection Sewer Forced	-	-	-	-
361 Collection Sewers Gravity	(6,939)	3,750	60,000	60,000
362 Special Collecting Structures	-	-	-	-
363 Customer Services	4,339	6,750	22,000	21,000
364 Flow Measuring Devices	-	-	-	-
366 Reuse Services	-	-	-	-
367 Reuse Meters And Installation	-	-	-	-
370 Receiving Wells	-	-	-	-
371 Pumping Equipment	79,455	112,500	70,000	70,000
374 Reuse Distribution Reservoirs	-	-	-	-
375 Reuse Trans. and Dist. System	-	-	-	-
380 Treatment & Disposal Equipment	2,424,519	-	-	-
381 Plant Sewers	-	-	-	-
382 Outfall Sewer Lines	-	-	-	-
389 Other Sewer Plant & Equipment	6,205	-	71,300	71,300
390 Office Furniture & Equipment	264	1,800	2,400	2,400
390.1 Computers and Software	-	3,000	4,000	4,000
391 Transportation Equipment	-	-	-	-
392 Stores Equipment	-	-	-	-
393 Tools, Shop And Garage Equip	783	2,250	3,000	3,000
394 Laboratory Equip	6,152	-	-	-
396 Communication Equip	(9,961)	-	-	-
397 Miscellaneous Equipment	10,082	-	-	-
398 Other Tangible Plant	-	-	-	-
Total	\$ 2,624,713	\$ 179,300	\$ 277,700	\$ 276,700

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line

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Property Taxes were computed using the method used by the Arizona Department of Revenue modified for ratemaking.

Projected construction expenditures are shown on Schedule A-4.

Expense adjustments are shown on Schedule C2, and are explained in the testimony.

Income taxes were computed using statutory state and federal income tax rates.

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014

Exhibit
 Schedule H-1
 Page 2
 Witness: Bourassa

Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Revenue Annualization

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills
1	5/8X3/4 Inch	Residential	\$ (1,372)	\$ (1,535)	(163)	0.00%	(28)
2	3/4 Inch	Residential	509	569	61	11.90%	9
3	1 Inch	Residential	1,037	1,160	123	11.90%	15
4							
5		Subtotal	\$ 173	\$ 194	21	11.90%	(4)
6							
7	5/8X3/4 Inch	Commercial	63	75	11	18.19%	1
8	1 Inch	Commercial	529	623	95	17.96%	6
9	1 1/2 Inch	Commercial	-	-	-	0.00%	-
10	2 Inch	Commercial	7	10	3	40.00%	-
11	3 Inch	Commercial	58	82	23	40.00%	-
12	4 Inch	Commercial	-	-	-	0.00%	-
13							
14		Subtotal	\$ 657	\$ 790	174	26.45%	7
15							
16	5/8X3/4 Inch	Commercial (SCUSD)	(47)	(52)	(6)	0.00%	(1)
17	2 Inch	Commercial (SCUSD)	-	-	-	0.00%	-
18	4 Inch	Commercial (SCUSD)	-	-	-	0.00%	-
19	6 Inch	Commercial (SCUSD)	-	-	-	0.00%	-
20		Subtotal	\$ (47)	\$ (52)	(6)	11.90%	6
21							
22							
23	5/8X3/4 Inch	Multi-tenant	-	-	-	0.00%	-
24	1 1/2 Inch	Multi-tenant	-	-	-	0.00%	-
25							
26		Subtotal	\$ -	\$ -	-	0.00%	-
27							
28							
29							
30							
31							
32	Total Revenue Annualization		\$ 784	\$ 932	\$ 189	24.10%	3
33							

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Revenue Summary

With Annualized Revenues to Year End Number of Customers

Exhibit

Schedule H-1

Page 3

Witness: Bourassa

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present WW Revenues	Percent of Proposed WW Revenues
1	\$ 1,469,681	\$ 1,596,490	\$ 226,809	15.43%	100.00%	100.00%
2	784	932	147.76	18.85%	0.05%	0.05%
3	\$ 1,470,465	\$ 1,697,422	\$ 226,957	15.43%		
4						
5	\$ 7,468	\$ 7,468	-	0.00%	0.51%	0.44%
6	390	(216)	(606)	-155.38%	0.03%	-0.01%
7	\$ 1,478,323	\$ 1,704,674	\$ 226,351	15.31%	0.00%	0.00%
8						
9						
10						
11	\$ 1,437,376					
12	1,469,681					
13	(32,305)					
14	23,000					
15	9,695					
16	390					
17						
18						
19	\$ 7,187					
20						
21						
22						
23						
24						
25						
26						
27						
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Customer Summary
 At 9.5% WACC

Exhibit
 Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2014	Average Consumption	Average Bill		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8X3/4 Inch Residential	1,891	-	\$ 49.00	\$ 54.83	5.83	11.90%
2	3/4 Inch Residential	7	-	56.50	63.22	6.72	11.90%
3	1 Inch Residential	10	-	69.10	77.32	8.22	11.90%
4							
5							
6	Subtotal	1,908					
7	5/8X3/4 Inch Commercial	56	7,841	\$ 53.20	\$ 60.71	7.51	14.12%
8	1 Inch Commercial	44	11,948	93.84	111.96	18.12	19.31%
9	1 1/2 Inch Commercial	8	24,573	189.86	237.15	47.28	24.90%
10	2 Inch Commercial	19	25,785	235.43	289.83	54.41	23.11%
11	3 Inch Commercial	2	17,667	299.83	350.50	50.67	16.90%
12	4 Inch Commercial	2	460,542	2,633.11	3,583.67	950.57	36.10%
13							
14	Subtotal	130					
15							
16	5/8X3/4 Inch Commercial (SCUSD)	2	440	\$ 46.55	\$ 52.09	5.54	11.90%
17	2 Inch Commercial (SCUSD)	10	44,392	312.04	399.08	87.04	27.89%
18	4 Inch Commercial (SCUSD)	1	121,083	889.03	1,147.09	258.07	29.03%
19	6 Inch Commercial (SCUSD)	1	604,167	3,496.22	4,709.34	1,213.12	34.70%
20	Subtotal	14					
21							
22	5/8X3/4 Inch Multi-tenant	6	8,736	\$ 57.68	\$ 66.98	9.30	16.13%
23	1 1/2 Inch Multi-tenant	1	9,250	113.25	129.89	16.64	14.69%
24	Subtotal	7					
25							
26							
27							
28							
29	Total	2,046					

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

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Customer Summary

Exhibit
 Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2014	Median Consumption	Median Bill		Proposed Rates	Proposed Increase	
				Present Rates	Proposed Rates		Dollar Amount	Percent Amount
1	5/8X3/4 Inch Residential	1,891	-	49.00 \$	54.83	5.83	11.90%	
2	3/4 Inch Residential	7	-	56.50	63.22	6.72	11.90%	
3	1 Inch Residential	10	-	69.10	77.32	8.22	11.90%	
4								
5	Subtotal	1,908						
6								
7	5/8X3/4 Inch Commercial	56	4,000	49.00 \$	54.83	5.83	11.90%	
8	1 Inch Commercial	44	7,000	69.10	77.32	8.22	11.90%	
9	1 1/2 Inch Commercial	8	13,500	134.50	159.64	25.14	18.69%	
10	2 Inch Commercial	19	8,000	146.50	165.34	18.84	12.86%	
11	3 Inch Commercial	2	26,500	344.00	412.33	68.33	19.86%	
12	4 Inch Commercial	2	330,500	1,982.90	2,673.38	690.48	34.82%	
13								
14	Subtotal	130						
15								
16	5/8X3/4 Inch Commercial (SCUSD)	2	500	46.55 \$	52.09	5.54	11.90%	
17	2 Inch Commercial (SCUSD)	10	58,500	265.05	333.30	68.25	25.75%	
18	4 Inch Commercial (SCUSD)	1	121,000	888.63	1,146.54	257.91	29.02%	
19	6 Inch Commercial (SCUSD)	1	654,000	3,732.93	5,040.73	1,307.80	35.03%	
20	Subtotal	14						
21								
22	5/8X3/4 Inch Multi-tenant	6	7,500	51.50 \$	58.33	6.83	13.26%	
23	1 1/2 Inch Multi-tenant	1	8,500	109.50	124.64	15.14	13.82%	
24	Subtotal	7						
25								
26								
27								
28								
29	Total	2,046						
30								

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

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 1
 Witness: Bourassa

Line No.	Monthly Minimum Charge for: Meter Size (All Classes):	Present Rates ^{1,2}	Proposed Rates ^{1,2}	Change	Percent Change
1	5/8 Inch	\$ 49.00	\$ 54.83	\$ 5.83	11.90%
2	3/4 Inch	56.50	63.22	6.72	11.90%
3	1 Inch	69.10	77.32	8.22	11.90%
4	1 1/2 Inch	102.00	114.14	12.14	11.90%
5	2 Inch	141.50	158.34	16.84	11.90%
6	3 Inch	246.50	275.83	29.33	11.90%
7	4 Inch	365.40	408.88	43.48	11.90%
8	6 Inch	694.40	777.03	82.63	11.90%
9	8 Inch	1,057.78	1,183.66	125.88	11.90%
10	10 Inch	1,585.07	1,773.69	188.62	11.90%
11	12 Inch	2,254.08	2,522.32	268.24	11.90%
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22	Commodity Rates				
23	(Commercial and Multi-tenant Only)¹				
24	Block				
25	All Meter Sizes				
26	0 gallons to 7,000 gallons	\$ -	\$ -	\$ -	-
27	over 7,000 gallons	\$ 5.00	\$ 7.00	\$ 2.00	40.00%
28					
29					
30					
31					
32					
33					

¹ Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting the low income qualifications.
² A 5 % discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater utility services from the Company

NT = No Tariff

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Changes in Representative Rate Schedules
 Test Year Ended December 31, 2014

Exhibit
 Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 15.00	\$ 25.00
2	Reestablishment (within 12 months)	(1)	(1)
3	Reconnection (Delinquent)	\$ 15.00	(2)
4	Deposit	(3)	(3)
5	Deposit Interest	(4)	6%(4)
6	NSF Check	\$ 25.00	\$ 10.00
7	Late Payment Penalty	1.5% per month	1.5% per month
8	Deferred Payment	1.5% per month	1.5% per month
9	Service Charge - after hours	\$ 50.00	\$ 50.00
10			
11			
12			
13	(1) Per Commission Rule A.A.C. R14-2-603(D) - Months off the system times the monthly minimum.		
14	(2) Per Commission Rule A.A.C. R-14-2-603(B)		
15	(3) Per Commission Rule A.A.C. R-14-2-603(B)		
16	(4) Per Commission Rule A.A.C. R14-2-603(D) - Months off the system times the monthly minimum.		
17			
18	(a) At customers request. No charge for service during normal working hours.		
19			
20	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
21	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
22	TAX. PER COMMISSION RULE 14-2-608D(5).		
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Meter and Service Line Charges

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Line
No.

1

2 **Service Line Installation Charges**

3

4

5

6

7

8 Service Line Size

Present

Proposed

Charge

Charge

9 4 Inch

At Cost

At Cost

10 6 Inch

At Cost

At Cost

11 8 Inch

At Cost

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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Residential

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
\$ 49.00	\$ 54.83	\$ 5.83	11.90%

Present Rates:
Monthly Minimum: \$ 49.00

Proposed Rates:
Monthly Minimum: \$ 54.83

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
\$ 56.50	\$ 63.22	\$ 6.72	11.90%

Present Rates:
Monthly Minimum: \$ 56.50

Proposed Rates:
Monthly Minimum: \$ 63.22

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Residential

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
\$ 69.10	\$ 77.32	\$ 8.22	11.90%

Present Rates:
Monthly Minimum: \$ 69.10

Proposed Rates:
Monthly Minimum: \$ 77.32

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch Commercial

Exhibit
 Schedule H-4
 Page 4
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	
-	\$ 49.00	\$ 54.83	\$ 5.83	11.90%	
1,000	49.00	54.83	5.83	11.90%	Present Rates:
2,000	49.00	54.83	5.83	11.90%	Monthly Minimum: \$ 49.00
3,000	49.00	54.83	5.83	11.90%	Gallons in Minimum -
4,000	49.00	54.83	5.83	11.90%	Charge Per 1,000 Gallons
5,000	49.00	54.83	5.83	11.90%	Up to 7,000 \$ -
6,000	49.00	54.83	5.83	11.90%	Over 7,000 \$ 5.00
7,000	49.00	54.83	5.83	11.90%	
8,000	54.00	61.83	7.83	14.50%	
9,000	59.00	68.83	9.83	16.66%	
10,000	64.00	75.83	11.83	18.49%	
12,000	74.00	89.83	15.83	21.39%	Proposed Rates:
14,000	84.00	103.83	19.83	23.61%	Monthly Minimum: \$ 54.83
16,000	94.00	117.83	23.83	25.35%	Gallons in Minimum -
18,000	104.00	131.83	27.83	26.76%	Charge Per 1,000 Gallons
20,000	114.00	145.83	31.83	27.92%	Up to 7,000 \$ -
25,000	139.00	180.83	41.83	30.09%	Over 7,000 \$ 7.00
30,000	164.00	215.83	51.83	31.60%	
35,000	189.00	250.83	61.83	32.71%	
40,000	214.00	285.83	71.83	33.57%	
45,000	239.00	320.83	81.83	34.24%	
50,000	264.00	355.83	91.83	34.78%	
60,000	314.00	425.83	111.83	35.61%	
70,000	364.00	495.83	131.83	36.22%	
80,000	414.00	565.83	151.83	36.67%	
90,000	464.00	635.83	171.83	37.03%	
100,000	514.00	705.83	191.83	37.32%	
Average Usage					
7,841	\$ 53.20	\$ 60.71	\$ 7.51	14.12%	
Median Usage					
4,000	\$ 49.00	\$ 54.83	\$ 5.83	11.90%	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 Inch Commercial

Exhibit
 Schedule H-4
 Page 5
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	
-	\$ 69.10	\$ 77.32	\$ 8.22	11.90%	
1,000	69.10	77.32	8.22	11.90%	
2,000	69.10	77.32	8.22	11.90%	
3,000	69.10	77.32	8.22	11.90%	
4,000	69.10	77.32	8.22	11.90%	
5,000	69.10	77.32	8.22	11.90%	
6,000	69.10	77.32	8.22	11.90%	
7,000	69.10	77.32	8.22	11.90%	
8,000	74.10	84.32	10.22	13.80%	
9,000	79.10	91.32	12.22	15.45%	
10,000	84.10	98.32	14.22	16.91%	
12,000	94.10	112.32	18.22	19.37%	
14,000	104.10	126.32	22.22	21.35%	
16,000	114.10	140.32	26.22	22.98%	
18,000	124.10	154.32	30.22	24.35%	
20,000	134.10	168.32	34.22	25.52%	
25,000	159.10	203.32	44.22	27.80%	
30,000	184.10	238.32	54.22	29.45%	
35,000	209.10	273.32	64.22	30.71%	
40,000	234.10	308.32	74.22	31.71%	
45,000	259.10	343.32	84.22	32.51%	
50,000	284.10	378.32	94.22	33.17%	
60,000	334.10	448.32	114.22	34.19%	
70,000	384.10	518.32	134.22	34.94%	
80,000	434.10	588.32	154.22	35.53%	
90,000	484.10	658.32	174.22	35.99%	
100,000	534.10	728.32	194.22	36.36%	
Average Usage					
11,948	\$ 93.84	\$ 111.96	\$ 18.12	19.31%	
Median Usage					
7,000	\$ 69.10	\$ 77.32	\$ 8.22	11.90%	

Present Rates:		
Monthly Minimum:	\$	69.10
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	7,000	\$ -
Over	7,000	\$ 5.00
Proposed Rates:		
Monthly Minimum:	\$	77.32
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	7,000	\$ -
Over	7,000	\$ 7.00

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 1 1/2 Inch Commercial

Exhibit
 Schedule H-4
 Page 6
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 102.00	\$ 114.14	\$ 12.14	11.90%
1,000	102.00	114.14	12.14	11.90%
2,000	102.00	114.14	12.14	11.90%
3,000	102.00	114.14	12.14	11.90%
4,000	102.00	114.14	12.14	11.90%
5,000	102.00	114.14	12.14	11.90%
6,000	102.00	114.14	12.14	11.90%
7,000	102.00	114.14	12.14	11.90%
8,000	107.00	121.14	14.14	13.21%
9,000	112.00	128.14	16.14	14.41%
10,000	117.00	135.14	18.14	15.50%
12,000	127.00	149.14	22.14	17.43%
14,000	137.00	163.14	26.14	19.08%
16,000	147.00	177.14	30.14	20.50%
18,000	157.00	191.14	34.14	21.74%
20,000	167.00	205.14	38.14	22.84%
25,000	192.00	240.14	48.14	25.07%
30,000	217.00	275.14	58.14	26.79%
35,000	242.00	310.14	68.14	28.16%
40,000	267.00	345.14	78.14	29.27%
45,000	292.00	380.14	88.14	30.18%
50,000	317.00	415.14	98.14	30.96%
60,000	367.00	485.14	118.14	32.19%
70,000	417.00	555.14	138.14	33.13%
80,000	467.00	625.14	158.14	33.86%
90,000	517.00	695.14	178.14	34.46%
100,000	567.00	765.14	198.14	34.94%
Average Usage				
24,573	\$ 189.86	\$ 237.15	\$ 47.28	24.90%
Median Usage				
13,500	\$ 134.50	\$ 159.64	\$ 25.14	18.69%

Present Rates:

Monthly Minimum:	\$ 102.00
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 7,000	\$ -
Over 7,000	\$ 5.00

Proposed Rates:

Monthly Minimum:	\$ 114.14
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 7,000	\$ -
Over 7,000	\$ 7.00

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 2 Inch Commercial

Exhibit
 Schedule H-4
 Page 7
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 141.50	\$ 158.34	\$ 16.84	11.90%
1,000	141.50	158.34	16.84	11.90%
2,000	141.50	158.34	16.84	11.90%
3,000	141.50	158.34	16.84	11.90%
4,000	141.50	158.34	16.84	11.90%
5,000	141.50	158.34	16.84	11.90%
6,000	141.50	158.34	16.84	11.90%
7,000	141.50	158.34	16.84	11.90%
8,000	146.50	165.34	18.84	12.86%
9,000	151.50	172.34	20.84	13.75%
10,000	156.50	179.34	22.84	14.59%
12,000	166.50	193.34	26.84	16.12%
14,000	176.50	207.34	30.84	17.47%
16,000	186.50	221.34	34.84	18.68%
18,000	196.50	235.34	38.84	19.77%
20,000	206.50	249.34	42.84	20.75%
25,000	231.50	284.34	52.84	22.82%
30,000	256.50	319.34	62.84	24.50%
35,000	281.50	354.34	72.84	25.88%
40,000	306.50	389.34	82.84	27.03%
45,000	331.50	424.34	92.84	28.01%
50,000	356.50	459.34	102.84	28.85%
60,000	406.50	529.34	122.84	30.22%
70,000	456.50	599.34	142.84	31.29%
80,000	506.50	669.34	162.84	32.15%
90,000	556.50	739.34	182.84	32.86%
100,000	606.50	809.34	202.84	33.44%

Present Rates:
 Monthly Minimum: \$ 141.50
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 5.00

Proposed Rates:
 Monthly Minimum: \$ 158.34
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 7.00

Average Usage					
25,785	\$	235.43	\$	289.83	\$ 54.41 23.11%
Median Usage					
8,000	\$	146.50	\$	165.34	\$ 18.84 12.86%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Bill Comparison Present and Proposed Rates

Meter Size: 3 Inch Commercial

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 246.50	\$ 275.83	\$ 29.33	11.90%
1,000	246.50	275.83	29.33	11.90%
2,000	246.50	275.83	29.33	11.90%
3,000	246.50	275.83	29.33	11.90%
4,000	246.50	275.83	29.33	11.90%
5,000	246.50	275.83	29.33	11.90%
6,000	246.50	275.83	29.33	11.90%
7,000	246.50	275.83	29.33	11.90%
8,000	251.50	282.83	31.33	12.46%
9,000	256.50	289.83	33.33	13.00%
10,000	261.50	296.83	35.33	13.51%
12,000	271.50	310.83	39.33	14.49%
14,000	281.50	324.83	43.33	15.39%
16,000	291.50	338.83	47.33	16.24%
18,000	301.50	352.83	51.33	17.03%
20,000	311.50	366.83	55.33	17.76%
25,000	336.50	401.83	65.33	19.42%
30,000	361.50	436.83	75.33	20.84%
35,000	386.50	471.83	85.33	22.08%
40,000	411.50	506.83	95.33	23.17%
45,000	436.50	541.83	105.33	24.13%
50,000	461.50	576.83	115.33	24.99%
60,000	511.50	646.83	135.33	26.46%
70,000	561.50	716.83	155.33	27.66%
80,000	611.50	786.83	175.33	28.67%
90,000	661.50	856.83	195.33	29.53%
100,000	711.50	926.83	215.33	30.26%
Average Usage				
17,667	\$ 299.83	\$ 350.50	\$ 50.67	16.90%
Median Usage				
26,500	\$ 344.00	\$ 412.33	\$ 68.33	19.86%

Present Rates:

Monthly Minimum:	\$ 246.50
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 7,000	\$ -
Over 7,000	\$ 5.00

Proposed Rates:

Monthly Minimum:	\$ 275.83
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 7,000	\$ -
Over 7,000	\$ 7.00

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 4 Inch Commercial

Exhibit
 Schedule H-4
 Page 9
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	
-	\$ 365.40	\$ 408.88	\$ 43.48	11.90%	
1,000	365.40	408.88	43.48	11.90%	Present Rates:
2,000	365.40	408.88	43.48	11.90%	Monthly Minimum: \$ 365.40
3,000	365.40	408.88	43.48	11.90%	Gallons in Minimum -
4,000	365.40	408.88	43.48	11.90%	Charge Per 1,000 Gallons
5,000	365.40	408.88	43.48	11.90%	Up to 7,000 \$ -
6,000	365.40	408.88	43.48	11.90%	Over 7,000 \$ 5.00
7,000	365.40	408.88	43.48	11.90%	
8,000	370.40	415.88	45.48	12.28%	
9,000	375.40	422.88	47.48	12.65%	
10,000	380.40	429.88	49.48	13.01%	
12,000	390.40	443.88	53.48	13.70%	Proposed Rates:
14,000	400.40	457.88	57.48	14.36%	Monthly Minimum: \$ 408.88
16,000	410.40	471.88	61.48	14.98%	Gallons in Minimum -
18,000	420.40	485.88	65.48	15.58%	Charge Per 1,000 Gallons
20,000	430.40	499.88	69.48	16.14%	Up to 7,000 \$ -
25,000	455.40	534.88	79.48	17.45%	Over 7,000 \$ 7.00
30,000	480.40	569.88	89.48	18.63%	
35,000	505.40	604.88	99.48	19.68%	
40,000	530.40	639.88	109.48	20.64%	
45,000	555.40	674.88	119.48	21.51%	
50,000	580.40	709.88	129.48	22.31%	
60,000	630.40	779.88	149.48	23.71%	
70,000	680.40	849.88	169.48	24.91%	
80,000	730.40	919.88	189.48	25.94%	
90,000	780.40	989.88	209.48	26.84%	
100,000	830.40	1,059.88	229.48	27.64%	
Average Usage					
460,542	\$ 2,633.11	\$ 3,583.67	\$ 950.57	36.10%	
Median Usage					
330,500	\$ 1,982.90	\$ 2,673.38	\$ 690.48	34.82%	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch Commercial (SCUSD)

Exhibit
 Schedule H-4
 Page 10
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>		
-	\$ 46.55	\$ 52.09	\$ 5.54	11.90%		
1,000	46.55	52.09	5.54	11.90%	Present Rates:	
2,000	46.55	52.09	5.54	11.90%	Monthly Minimum:	\$ 46.55
3,000	46.55	52.09	5.54	11.90%	Gallons in Minimum	-
4,000	46.55	52.09	5.54	11.90%	Charge Per 1,000 Gallons	
5,000	46.55	52.09	5.54	11.90%	Up to	7,000 \$ -
6,000	46.55	52.09	5.54	11.90%	Over	7,000 \$ 4.75
7,000	46.55	52.09	5.54	11.90%		
8,000	51.30	58.74	7.44	14.50%		
9,000	56.05	65.39	9.34	16.66%		
10,000	60.80	72.04	11.24	18.49%		
12,000	70.30	85.34	15.04	21.39%	Proposed Rates:	
14,000	79.80	98.64	18.84	23.61%	Monthly Minimum:	\$ 52.09
16,000	89.30	111.94	22.64	25.35%	Gallons in Minimum	-
18,000	98.80	125.24	26.44	26.76%	Charge Per 1,000 Gallons	
20,000	108.30	138.54	30.24	27.92%	Up to	7,000 \$ -
25,000	132.05	171.79	39.74	30.09%	Over	7,000 \$ 6.65
30,000	155.80	205.04	49.24	31.60%		
35,000	179.55	238.29	58.74	32.71%		
40,000	203.30	271.54	68.24	33.57%		
45,000	227.05	304.79	77.74	34.24%		
50,000	250.80	338.04	87.24	34.78%		
60,000	298.30	404.54	106.24	35.61%		
70,000	345.80	471.04	125.24	36.22%		
80,000	393.30	537.54	144.24	36.67%		
90,000	440.80	604.04	163.24	37.03%		
100,000	488.30	670.54	182.24	37.32%		
Average Usage						
440	\$ 46.55	\$ 52.09	\$ 5.54	11.90%		
Median Usage						
-	\$ 46.55	\$ 52.09	\$ 5.54	11.90%		

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 2 Inch Commercial (SCUSD)

Exhibit
 Schedule H-4
 Page 11
 Witness: Bourassa

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 134.43	\$ 150.42	\$ 16.00	11.90%
1,000	134.43	150.42	16.00	11.90%
2,000	134.43	150.42	16.00	11.90%
3,000	134.43	150.42	16.00	11.90%
4,000	134.43	150.42	16.00	11.90%
5,000	134.43	150.42	16.00	11.90%
6,000	134.43	150.42	16.00	11.90%
7,000	134.43	150.42	16.00	11.90%
8,000	139.18	157.07	17.90	12.86%
9,000	143.93	163.72	19.80	13.75%
10,000	148.68	170.37	21.70	14.59%
12,000	158.18	183.67	25.50	16.12%
14,000	167.68	196.97	29.30	17.47%
16,000	177.18	210.27	33.10	18.68%
18,000	186.68	223.57	36.90	19.77%
20,000	196.18	236.87	40.70	20.75%
25,000	219.93	270.12	50.20	22.82%
30,000	243.68	303.37	59.70	24.50%
35,000	267.43	336.62	69.20	25.88%
40,000	291.18	369.87	78.70	27.03%
45,000	314.93	403.12	88.20	28.01%
50,000	338.68	436.37	97.70	28.85%
60,000	386.18	502.87	116.70	30.22%
70,000	433.68	569.37	135.70	31.29%
80,000	481.18	635.87	154.70	32.15%
90,000	528.68	702.37	173.70	32.86%
100,000	576.18	768.87	192.70	33.44%
Average Usage				
44,392	\$ 312.04	\$ 399.08	\$ 87.04	27.89%
Median Usage				
34,500	\$ 265.05	\$ 333.30	\$ 68.25	25.75%

Present Rates:

Monthly Minimum:	\$	134.43
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	7,000	\$ -
Over	7,000	\$ 4.75

Proposed Rates:

Monthly Minimum:	\$	150.42
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	7,000	\$ -
Over	7,000	\$ 6.65

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 4 Inch Commercial (SCUSD)

Exhibit
 Schedule H-4
 Page 12
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	
-	\$ 347.13	\$ 388.44	\$ 41.31	11.90%	
1,000	347.13	388.44	41.31	11.90%	
2,000	347.13	388.44	41.31	11.90%	
3,000	347.13	388.44	41.31	11.90%	
4,000	347.13	388.44	41.31	11.90%	
5,000	347.13	388.44	41.31	11.90%	
6,000	347.13	388.44	41.31	11.90%	
7,000	347.13	388.44	41.31	11.90%	
8,000	351.88	395.09	43.21	12.28%	
9,000	356.63	401.74	45.11	12.65%	
10,000	361.38	408.39	47.01	13.01%	
12,000	370.88	421.69	50.81	13.70%	
14,000	380.38	434.99	54.61	14.36%	
16,000	389.88	448.29	58.41	14.98%	
18,000	399.38	461.59	62.21	15.58%	
20,000	408.88	474.89	66.01	16.14%	
25,000	432.63	508.14	75.51	17.45%	
30,000	456.38	541.39	85.01	18.63%	
35,000	480.13	574.64	94.51	19.68%	
40,000	503.88	607.89	104.01	20.64%	
45,000	527.63	641.14	113.51	21.51%	
50,000	551.38	674.39	123.01	22.31%	
60,000	598.88	740.89	142.01	23.71%	
70,000	646.38	807.39	161.01	24.91%	
80,000	693.88	873.89	180.01	25.94%	
90,000	741.38	940.39	199.01	26.84%	
100,000	788.88	1,006.89	218.01	27.64%	
Average Usage					
121,083	\$ 889.03	\$ 1,147.09	\$ 258.07	29.03%	
Median Usage					
121,000	\$ 888.63	\$ 1,146.54	\$ 257.91	29.02%	

Present Rates:	
Monthly Minimum:	\$ 347.13
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 7,000	\$ -
Over 7,000	\$ 4.75

Proposed Rates:	
Monthly Minimum:	\$ 388.44
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 7,000	\$ -
Over 7,000	\$ 6.65

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 6 Inch Commercial (SCUSD)

Exhibit
 Schedule H-4
 Page 13
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 659.68	\$ 738.18	\$ 78.50	11.90%
1,000	659.68	738.18	78.50	11.90%
2,000	659.68	738.18	78.50	11.90%
3,000	659.68	738.18	78.50	11.90%
4,000	659.68	738.18	78.50	11.90%
5,000	659.68	738.18	78.50	11.90%
6,000	659.68	738.18	78.50	11.90%
7,000	659.68	738.18	78.50	11.90%
8,000	664.43	744.83	80.40	12.10%
9,000	669.18	751.48	82.30	12.30%
10,000	673.93	758.13	84.20	12.49%
12,000	683.43	771.43	88.00	12.88%
14,000	692.93	784.73	91.80	13.25%
16,000	702.43	798.03	95.60	13.61%
18,000	711.93	811.33	99.40	13.96%
20,000	721.43	824.63	103.20	14.31%
25,000	745.18	857.88	112.70	15.12%
30,000	768.93	891.13	122.20	15.89%
35,000	792.68	924.38	131.70	16.61%
40,000	816.43	957.63	141.20	17.30%
45,000	840.18	990.88	150.70	17.94%
50,000	863.93	1,024.13	160.20	18.54%
60,000	911.43	1,090.63	179.20	19.66%
70,000	958.93	1,157.13	198.20	20.67%
80,000	1,006.43	1,223.63	217.20	21.58%
90,000	1,053.93	1,290.13	236.20	22.41%
100,000	1,101.43	1,356.63	255.20	23.17%

Present Rates:

Monthly Minimum:	\$	659.68
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	7,000	\$ -
Over	7,000	\$ 4.75

Proposed Rates:

Monthly Minimum:	\$	738.18
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	7,000	\$ -
Over	7,000	\$ 6.65

Average Usage						
604,167	\$	3,496.22	\$	4,709.34	\$ 1,213.12	34.70%
Median Usage						
654,000	\$	3,732.93	\$	5,040.73	\$ 1,307.80	35.03%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch Multi-Tenant

Exhibit
 Schedule H-4
 Page 14
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	
-	\$ 49.00	\$ 54.83	\$ 5.83	11.90%	
1,000	49.00	54.83	5.83	11.90%	
2,000	49.00	54.83	5.83	11.90%	
3,000	49.00	54.83	5.83	11.90%	
4,000	49.00	54.83	5.83	11.90%	
5,000	49.00	54.83	5.83	11.90%	
6,000	49.00	54.83	5.83	11.90%	
7,000	49.00	54.83	5.83	11.90%	
8,000	54.00	61.83	7.83	14.50%	
9,000	59.00	68.83	9.83	16.66%	
10,000	64.00	75.83	11.83	18.49%	
12,000	74.00	89.83	15.83	21.39%	
14,000	84.00	103.83	19.83	23.61%	
16,000	94.00	117.83	23.83	25.35%	
18,000	104.00	131.83	27.83	26.76%	
20,000	114.00	145.83	31.83	27.92%	
25,000	139.00	180.83	41.83	30.09%	
30,000	164.00	215.83	51.83	31.60%	
35,000	189.00	250.83	61.83	32.71%	
40,000	214.00	285.83	71.83	33.57%	
45,000	239.00	320.83	81.83	34.24%	
50,000	264.00	355.83	91.83	34.78%	
60,000	314.00	425.83	111.83	35.61%	
70,000	364.00	495.83	131.83	36.22%	
80,000	414.00	565.83	151.83	36.67%	
90,000	464.00	635.83	171.83	37.03%	
100,000	514.00	705.83	191.83	37.32%	
Average Usage					
8,736	\$ 57.68	\$ 66.98	\$ 9.30	16.13%	
Median Usage					
7,500	\$ 51.50	\$ 58.33	\$ 6.83	13.26%	

Present Rates:			
Monthly Minimum:		\$	49.00
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	7,000	\$	-
Up to	99,999,999	\$	5.00
Over	99,999,999	\$	-
Proposed Rates:			
Monthly Minimum:		\$	54.83
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	7,000	\$	-
Up to	99,999,999	\$	7.00
Over	99,999,999	\$	-

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Bill Comparison Present and Proposed Rates

Meter Size: 1 1/2 Inch Multi-Tenant

Exhibit
Schedule H-4
Page 15
Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 102.00	\$ 114.14	\$ 12.14	11.90%
1,000	102.00	114.14	12.14	11.90%
2,000	102.00	114.14	12.14	11.90%
3,000	102.00	114.14	12.14	11.90%
4,000	102.00	114.14	12.14	11.90%
5,000	102.00	114.14	12.14	11.90%
6,000	102.00	114.14	12.14	11.90%
7,000	102.00	114.14	12.14	11.90%
8,000	107.00	121.14	14.14	13.21%
9,000	112.00	128.14	16.14	14.41%
10,000	117.00	135.14	18.14	15.50%
12,000	127.00	149.14	22.14	17.43%
14,000	137.00	163.14	26.14	19.08%
16,000	147.00	177.14	30.14	20.50%
18,000	157.00	191.14	34.14	21.74%
20,000	167.00	205.14	38.14	22.84%
25,000	192.00	240.14	48.14	25.07%
30,000	217.00	275.14	58.14	26.79%
35,000	242.00	310.14	68.14	28.16%
40,000	267.00	345.14	78.14	29.27%
45,000	292.00	380.14	88.14	30.18%
50,000	317.00	415.14	98.14	30.96%
60,000	367.00	485.14	118.14	32.19%
70,000	417.00	555.14	138.14	33.13%
80,000	467.00	625.14	158.14	33.86%
90,000	517.00	695.14	178.14	34.46%
100,000	567.00	765.14	198.14	34.94%

Present Rates:

Monthly Minimum:	\$	102.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 7,000	\$	-
Over 7,000	\$	5.00

Proposed Rates:

Monthly Minimum:	\$	114.14
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 7,000	\$	-
Over 7,000	\$	7.00

Average Usage					
9,250	\$	113.25	\$	129.89	\$ 16.64 14.69%
Median Usage					
8,500	\$	109.50	\$	124.64	\$ 15.14 13.82%

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 5/8 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	14	11	15	13	11	11	8	11	12	12	12	15	145	145	-
1,000	1,000	6	13	9	5	8	6	11	8	6	8	8	6	94	239	94
2,000	2,000	5	2	3	6	4	5	5	6	9	9	4	5	63	302	220
3,000	3,000	4	6	6	4	3	1	3	2	5	3	6	5	48	350	364
4,000	4,000	4	3	2	2	4	6	2	2	3	1	2	4	35	385	504
5,000	5,000	1	3	2	4	4	-	2	1	2	2	2	2	25	410	629
6,000	6,000	4	1	2	-	-	3	1	3	1	2	4	3	24	434	773
7,000	7,000	4	1	3	4	3	3	-	2	1	4	2	-	27	461	962
8,000	8,000	-	3	2	3	-	2	-	2	-	2	-	2	16	477	1,090
9,000	9,000	2	1	1	-	3	-	2	1	1	1	2	2	16	493	1,234
10,000	10,000	-	1	-	2	3	1	-	-	2	-	2	1	12	505	1,354
11,000	11,000	-	-	-	-	-	2	-	2	-	-	-	-	4	509	1,398
12,000	12,000	-	-	-	-	-	-	3	1	1	3	1	1	10	519	1,518
13,000	13,000	-	1	-	1	-	2	3	1	1	-	2	1	12	531	1,674
14,000	14,000	1	-	1	-	1	2	2	1	1	-	-	-	9	540	1,800
15,000	15,000	-	-	2	1	1	-	1	-	-	-	-	1	6	546	1,890
16,000	16,000	1	-	-	2	-	1	-	-	1	-	-	-	5	551	1,970
17,000	17,000	-	-	1	1	-	-	-	1	1	-	-	1	5	556	2,055
18,000	18,000	1	1	2	1	1	-	-	-	1	2	1	1	11	567	2,253
19,000	19,000	2	1	4	-	2	1	3	3	-	1	1	1	19	586	2,614
20,000	20,000	2	2	-	1	1	1	-	-	1	2	-	-	10	596	2,814
21,000	21,000	1	2	-	-	1	-	2	1	2	-	1	1	11	607	3,045
22,000	22,000	1	1	-	-	1	1	-	1	2	1	-	-	8	615	3,221
23,000	23,000	1	-	-	1	-	2	1	-	-	-	1	-	6	621	3,359
24,000	24,000	-	-	-	-	-	1	-	-	-	-	1	-	2	623	3,407
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	3	626	3,482
26,000	26,000	-	-	-	-	-	2	-	1	-	-	-	-	1	627	3,508
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	627	3,508
28,000	28,000	-	-	-	-	-	-	1	-	-	-	-	-	1	628	3,536
29,000	29,000	-	-	-	1	-	-	-	-	-	-	-	-	2	630	3,594
30,000	30,000	-	-	-	-	-	1	-	-	-	1	-	1	3	633	3,684
31,000	31,000	1	1	-	-	1	-	-	-	-	-	1	-	4	637	3,808
32,000	32,000	-	-	-	-	-	-	-	-	-	-	1	-	1	638	3,840
33,000	33,000	-	1	-	-	-	-	-	-	-	-	-	-	2	640	3,906
34,000	34,000	-	-	1	-	-	-	-	-	-	-	-	-	2	642	3,974
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	642	3,974
36,000	36,000	1	-	-	1	-	-	-	-	-	-	-	-	2	644	4,046
37,000	37,000	-	-	-	1	-	-	-	1	-	-	-	-	2	646	4,120
38,000	38,000	-	-	-	-	-	-	2	-	-	-	-	-	2	648	4,196

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 5/8 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	1							2					4	652	4,352
40,000	40,000														652	4,352
41,000	41,000	1				2		1				1		5	657	4,557
42,000	42,000						1			1				2	659	4,641
43,000	43,000								1				1	2	661	4,727
44,000	44,000									1				2	662	4,771
45,000	45,000					1		1						2	664	4,861
46,000	46,000	1		1										2	666	4,953
47,000	47,000														666	4,953
48,000	48,000									1				1	667	5,001
49,000	49,000										1			1	668	5,050
50,000	50,000														668	5,050
51,000	51,000														668	5,050
52,000	52,000														668	5,050
53,000	53,000														668	5,050
54,000	54,000														668	5,050
55,000	55,000														668	5,050
56,000	56,000														668	5,050
57,000	57,000														668	5,050
58,000	58,000														668	5,050
59,000	59,000														668	5,050
60,000	60,000														668	5,050
61,000	61,000														668	5,050
62,000	62,000														668	5,050
63,000	63,000							1						2	670	5,176
64,000	64,000														670	5,176
65,000	65,000														670	5,176
66,000	66,000														670	5,176
67,000	67,000														670	5,176
68,000	68,000														670	5,176
69,000	69,000														670	5,176
70,000	70,000														670	5,176
71,000	71,000														670	5,176
72,000	72,000														670	5,176
73,000	73,000														670	5,176
74,000	74,000														670	5,176
75,000	75,000														670	5,176
76,000	76,000														670	5,176
77,000	77,000														670	5,176

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014
5/8 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	5,176
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	5,176
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	5,176
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	5,176
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	5,176
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	5,176
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	670	5,176
85,000	85,000	-	-	-	-	-	-	-	-	-	1	-	-	1	671	5,261
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	671	5,261

Totals	57	57	57	55	55	55	56	56	56	56	56	55	55	56	671	671
															7,841	
															4,000	
															56	
															(1)	

Average Usage
Median Usage
Average # Customers
Change in Number of Customers

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 1 Inch Commercial

Exhibit

Schedule H-5

Page 5

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	8	4	4	4	5	4	4	6	9	8	6	8	70	70	-
1,000	1,000	2	3	2	2	1	2	3	4	3	2	4	3	33	103	33
2,000	2,000	3	4	6	2	-	2	1	4	5	4	4	3	37	140	107
3,000	3,000	2	4	2	3	4	1	3	1	5	3	1	4	33	173	206
4,000	4,000	2	1	3	5	5	4	2	5	1	3	1	3	35	208	346
5,000	5,000	1	2	3	2	1	4	2	3	1	2	1	4	26	234	476
6,000	6,000	1	2	-	4	-	2	2	-	3	1	3	-	16	250	572
7,000	7,000	2	-	1	2	1	2	2	2	-	-	2	-	14	264	670
8,000	8,000	1	2	1	-	-	2	3	2	1	2	-	-	14	278	782
9,000	9,000	1	-	1	2	4	1	-	2	1	1	-	2	14	292	908
10,000	10,000	1	2	4	1	1	-	-	1	2	3	5	1	21	313	1,118
11,000	11,000	1	-	3	1	-	3	1	1	-	1	1	1	13	326	1,261
12,000	12,000	3	1	-	1	3	-	1	-	-	-	1	2	12	338	1,405
13,000	13,000	-	3	3	-	-	1	3	-	1	-	-	1	12	350	1,561
14,000	14,000	1	1	1	1	1	-	-	-	2	1	-	1	9	359	1,687
15,000	15,000	3	2	1	2	5	-	-	-	-	2	-	-	15	374	1,912
16,000	16,000	3	2	1	-	1	-	1	1	-	2	1	-	12	386	2,104
17,000	17,000	-	1	2	1	-	5	1	1	-	1	1	1	14	400	2,342
18,000	18,000	1	1	-	2	-	-	1	1	1	1	1	-	9	409	2,504
19,000	19,000	1	1	-	-	-	1	1	-	-	-	-	1	5	414	2,599
20,000	20,000	-	-	-	-	-	1	-	2	-	1	-	2	6	420	2,719
21,000	21,000	-	-	1	-	3	-	-	-	1	1	-	1	8	428	2,887
22,000	22,000	1	3	-	-	-	-	1	-	1	-	1	-	7	435	3,041
23,000	23,000	1	-	-	2	-	-	-	2	1	-	-	1	7	442	3,202
24,000	24,000	1	-	-	1	-	2	1	-	1	-	-	-	6	448	3,346
25,000	25,000	1	1	2	-	-	-	1	-	-	2	2	1	10	458	3,596
26,000	26,000	-	-	1	-	1	-	1	1	-	-	1	-	6	464	3,752
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	1	465	3,779
28,000	28,000	-	-	-	1	-	-	-	-	-	1	-	-	3	468	3,863
29,000	29,000	-	-	-	-	1	1	-	1	1	-	-	1	6	474	4,037
30,000	30,000	-	-	-	-	1	-	1	-	-	-	-	-	2	476	4,097
31,000	31,000	-	-	-	-	-	-	1	-	-	-	-	-	1	477	4,128
32,000	32,000	-	-	-	-	-	1	1	3	-	-	-	-	6	483	4,320
33,000	33,000	-	1	-	-	-	-	-	-	-	-	-	-	3	486	4,419
34,000	34,000	-	1	-	-	-	-	-	-	-	-	-	-	1	487	4,453
35,000	35,000	-	1	-	-	-	-	1	-	-	2	-	-	4	491	4,593
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	1	2	493	4,665
37,000	37,000	-	-	-	-	-	1	-	-	-	-	-	-	1	494	4,702

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 1 Inch Commercial

Exhibit Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,000	38,000	-	-	-	-	-	-	1	-	-	-	-	-	1	495	4,740
39,000	39,000	-	-	-	-	-	1	-	-	1	-	-	-	2	497	4,818
40,000	40,000	-	-	-	-	-	1	-	-	-	-	-	-	1	498	4,858
41,000	41,000	-	-	-	-	-	-	-	-	-	-	1	-	1	499	4,899
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	499	4,899
43,000	43,000	-	-	-	-	1	-	-	-	-	-	-	-	1	500	4,942
44,000	44,000	-	-	-	-	1	-	-	-	-	-	-	-	1	501	4,986
45,000	45,000	1	-	-	-	-	-	-	1	-	-	-	-	4	505	5,166
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	505	5,166
47,000	47,000	-	-	-	-	-	1	-	-	-	-	-	-	2	507	5,260
48,000	48,000	-	-	-	-	-	-	-	1	-	-	-	-	1	508	5,308
49,000	49,000	-	-	-	-	-	-	1	-	-	-	-	-	2	510	5,406
50,000	50,000	-	-	-	-	-	-	1	-	-	-	-	-	2	512	5,506
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	1	1	512	5,506
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	1	513	5,558
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	513	5,558
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	513	5,558
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	513	5,558
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	513	5,558
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	513	5,558
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	513	5,558
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	513	5,558
60,000	60,000	-	-	-	-	-	-	-	-	-	1	-	-	2	515	5,676
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	515	5,676
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	515	5,676
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	515	5,676
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	515	5,676
65,000	65,000	-	-	-	-	-	1	-	-	-	-	-	-	1	516	5,741
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	516	5,741
67,000	67,000	-	-	-	-	-	-	-	-	1	-	-	-	1	517	5,808
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	517	5,808
69,000	69,000	-	-	-	-	1	-	-	-	-	-	-	-	1	518	5,877
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	518	5,877
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	518	5,877
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	518	5,877
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	518	5,877
74,000	74,000	1	-	-	-	-	-	-	-	-	-	-	-	1	519	5,951
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	519	5,951

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 6

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	1	1											3	3	3
2,000	2,000				1				1					4	7	11
3,000	3,000									1		1		2	9	17
4,000	4,000									1		1		2	11	25
5,000	5,000					1			1	2		3		8	19	65
6,000	6,000		1		1									3	22	83
7,000	7,000	1			2				1				3	7	29	132
8,000	8,000		1			1					1			6	35	180
9,000	9,000	1			1						1			4	39	216
10,000	10,000					1						1		2	41	236
11,000	11,000	1			1								2	5	46	291
12,000	12,000													-	46	291
13,000	13,000				1					1				2	48	317
14,000	14,000					1								3	51	359
15,000	15,000					1								1	52	374
16,000	16,000							1						1	53	390
17,000	17,000							1						2	55	424
18,000	18,000	1							1					1	56	442
19,000	19,000													-	56	442
20,000	20,000				1									1	57	462
21,000	21,000								1					1	58	483
22,000	22,000													-	58	483
23,000	23,000													-	58	483
24,000	24,000					1								1	59	507
25,000	25,000													-	59	507
26,000	26,000													-	59	507
27,000	27,000									1				1	60	534
28,000	28,000													-	60	534
29,000	29,000													-	61	563
30,000	30,000							1						1	62	593
31,000	31,000													-	62	593
32,000	32,000								1					1	63	625
33,000	33,000													-	63	625
34,000	34,000													-	63	625
35,000	35,000													-	63	625
36,000	36,000													-	63	625
37,000	37,000													1	64	662
38,000	38,000					1				1				3	67	776

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 6

Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	3	70	893
40,000	41,000	-	-	-	-	-	-	1	-	-	-	-	-	1	71	933
41,000	42,000	-	-	-	-	-	1	-	-	-	-	-	-	1	72	974
42,000	43,000	-	1	-	-	1	-	-	-	-	-	-	-	2	74	1,058
43,000	44,000	1	-	-	-	-	1	-	-	-	-	-	-	2	76	1,144
44,000	45,000	-	-	-	-	-	-	-	-	-	1	-	-	1	77	1,188
45,000	46,000	-	-	-	-	-	-	-	1	-	-	-	-	2	79	1,278
46,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	79	1,278	1,278
47,000	48,000	-	-	1	-	1	-	1	-	-	-	-	-	84	1,513	1,513
48,000	49,000	-	-	-	1	-	-	-	-	-	-	-	-	85	1,561	1,561
49,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	85	1,561	1,561
50,000	51,000	-	-	-	-	1	-	-	1	-	-	-	-	87	1,661	1,661
51,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	87	1,661	1,661
52,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	87	1,661	1,661
53,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	87	1,661	1,661
54,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	87	1,661	1,661
55,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	87	1,661	1,661
56,000	57,000	1	-	-	-	-	-	-	-	-	-	-	-	88	1,717	1,717
57,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	88	1,717	1,717
58,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	88	1,717	1,717
59,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	88	1,717	1,717
60,000	61,000	-	-	1	-	-	-	-	-	-	-	-	-	89	1,777	1,777
61,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
62,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
63,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
64,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
65,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
66,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
67,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
68,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
69,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	89	1,777	1,777
70,000	71,000	-	-	-	1	-	-	-	-	-	-	-	-	89	1,847	1,847
71,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	90	1,847	1,847
72,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	90	1,847	1,847
73,000	74,000	-	-	-	-	1	-	-	-	-	-	-	-	90	1,847	1,847
74,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	91	1,921	1,921
75,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	91	1,921	1,921
76,000	77,000	-	1	-	-	-	-	-	-	-	-	-	-	92	1,997	1,997
77,000		-	-	-	-	-	-	-	-	-	-	-	-	92	1,997	1,997

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 1 1/2 Inch Commercial

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)													
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,997													
86,000	86,000	1	-	-	-	-	-	-	-	-	-	-	-	1	93	2,083													
87,000	87,000	-	-	-	-	-	-	1	-	-	-	-	-	1	94	2,170													
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	2,170													
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	2,170													
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	2,170													
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	94	2,170													
92,000	92,000	-	-	-	-	1	-	-	-	-	-	-	-	1	95	2,262													
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	2,262													
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	2,262													
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	2,262													
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	2,262													
97,000	97,000	-	-	1	-	-	-	-	-	-	-	-	-	1	96	2,359													
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	2,359													
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	2,359													
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	96	2,359													
Totals																													
														8	8	8	8	8	8	8	8	8	8	8	8	8	8	96	
														Average Usage			24,573	Median Usage			13,500	Average # Customers			8	Change in Number of Customers			-

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	3	2	2	2	2	2	2	2	2	3	2	2	26	26	-
2,000	2,000	1	-	-	-	-	-	-	-	1	-	1	1	4	30	4
3,000	3,000	2	2	1	1	1	1	1	2	3	3	3	1	20	50	44
4,000	4,000	2	-	3	1	2	1	1	2	-	-	3	3	18	68	98
5,000	5,000	-	2	2	2	1	2	-	-	3	4	2	1	19	87	174
6,000	6,000	2	2	2	2	2	2	1	-	1	1	-	-	13	100	239
7,000	7,000	-	-	-	1	1	1	2	1	-	-	1	1	7	107	281
8,000	8,000	-	-	-	-	-	-	1	1	-	-	1	1	5	112	316
9,000	9,000	1	1	-	1	-	2	-	2	-	1	-	-	8	120	380
10,000	10,000	-	-	-	-	-	-	-	1	1	-	-	-	3	123	407
11,000	11,000	1	-	-	1	1	-	1	-	-	-	-	-	5	128	457
12,000	12,000	1	-	-	-	1	1	-	1	-	-	-	-	7	135	534
13,000	13,000	-	-	-	-	-	-	-	-	-	-	-	-	2	137	558
14,000	14,000	1	-	1	-	-	-	-	1	-	-	-	1	7	144	649
15,000	15,000	2	-	1	-	-	-	1	-	-	-	1	-	5	149	719
16,000	16,000	-	-	2	1	-	-	1	-	-	-	-	2	7	156	824
17,000	17,000	-	-	-	-	-	-	1	-	-	-	-	-	2	158	856
18,000	18,000	-	1	-	-	-	-	1	-	2	-	-	-	4	162	924
19,000	19,000	-	1	-	-	1	1	1	-	1	-	-	-	5	167	1,014
20,000	20,000	1	-	-	1	1	-	1	-	-	-	-	-	4	171	1,090
21,000	21,000	-	-	1	-	-	-	2	-	-	-	-	-	3	174	1,150
22,000	22,000	-	-	2	-	-	-	-	-	-	-	-	-	2	176	1,192
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	1	177	1,214
24,000	24,000	-	1	-	-	-	-	-	-	1	-	-	1	3	180	1,283
25,000	25,000	-	-	-	-	-	-	-	1	1	-	-	-	2	182	1,331
26,000	26,000	-	-	-	2	-	-	-	-	-	-	-	-	4	186	1,431
27,000	27,000	-	-	1	-	-	-	-	-	-	-	-	-	4	186	1,431
28,000	28,000	-	-	-	-	1	1	-	-	-	1	-	-	4	190	1,539
29,000	29,000	-	-	-	-	-	-	-	-	-	-	1	-	1	191	1,567
30,000	30,000	-	1	-	-	-	-	-	-	-	-	-	-	-	191	1,567
31,000	31,000	1	-	-	-	-	-	-	-	1	-	-	-	2	193	1,627
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	1	194	1,658
33,000	33,000	-	-	-	-	1	-	-	-	-	-	-	-	1	195	1,690
34,000	34,000	-	-	-	-	-	-	1	-	-	-	-	-	2	197	1,756
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	2	199	1,824
36,000	36,000	-	1	-	-	-	-	-	-	-	-	-	-	1	200	1,859
37,000	37,000	-	1	-	-	-	-	-	-	-	-	-	-	1	201	1,895
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial

Exhibit Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895
40,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895
41,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895
42,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895
43,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895
44,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895
45,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	201	1,895
46,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	202	1,941
47,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	202	1,941
48,000	49,000	-	-	-	-	-	-	-	1	-	-	-	-	-	203	1,989
49,000	50,000	-	-	-	-	-	-	1	-	-	-	-	-	-	204	2,038
50,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
51,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
52,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
53,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
54,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
55,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
56,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
57,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
58,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
59,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
60,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
61,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	206	2,138
62,000	63,000	-	-	-	-	1	-	-	-	-	-	-	-	-	209	2,324
63,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	209	2,324
64,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	209	2,324
65,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	209	2,324
66,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	210	2,390
67,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	210	2,390
68,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	210	2,390
69,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	210	2,390
70,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	210	2,390
71,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	211	2,462
72,000	73,000	-	-	-	-	1	-	-	-	-	-	-	-	-	211	2,462
73,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	211	2,462
74,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	211	2,462
75,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	211	2,462
76,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	211	2,462
77,000		-	-	-	-	-	-	-	-	-	-	-	-	-	212	2,539

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
														25,785		
														8,000		
														19		
														-		

Average Usage

Median Usage

Average # Customers

Change in Number of Customers

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

4 Inch Commercial

Exhibit
Schedule H-5
Page 9

Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000															
83,000	83,000															
84,000	84,000															
85,000	85,000															
86,000	86,000															
87,000	87,000															
88,000	88,000															
89,000	89,000															
90,000	90,000															
91,000	91,000															
92,000	92,000															
93,000	93,000															
94,000	94,000															
95,000	95,000															
96,000	96,000															
97,000	97,000															
98,000	98,000															
99,000	99,000															
100,000	100,000															
221,000	221,000											1		1	1	221
235,000	235,000												1	1	2	456
236,000	236,000										1			1	3	692
282,000	282,000													1	4	974
284,000	284,000													1	5	1,258
288,000	288,000													1	6	1,546
292,000	292,000													1	7	1,838
293,000	293,000													1	8	2,131
301,000	301,000													1	9	2,432
307,000	307,000													1	10	2,739
312,000	312,000													1	11	3,051
316,000	316,000													1	12	3,367
345,000	345,000													1	13	3,712
355,000	355,000													1	14	4,067
487,000	487,000													1	15	4,554
576,000	576,000													1	16	5,130
592,000	592,000													1	17	5,722
616,000	616,000													1	18	6,338
619,000	619,000													1	19	6,957
655,000	655,000													1	20	7,612
716,000	716,000													1	21	8,328
759,000	759,000													1	22	9,087

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 5/8 Inch Commercial (SCUSD)

Exhibit Schedule H-5
Page 10
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)												
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
131,000	131,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	11												
Totals														3	2	2	2	2	2	2	2	2	2	2	2	2	25	440

Average Usage
Median Usage
Average # Customers
Change in Number of Customers

2
2
(1)

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial (SCUSD)

Exhibit Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-
2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-
3,000	3,000	-	-	-	-	-	1	-	-	-	-	-	-	1	2	2
4,000	4,000	-	-	-	1	-	-	-	-	-	-	-	-	2	4	8
5,000	5,000	-	-	-	-	1	-	-	-	-	-	-	-	3	8	24
6,000	6,000	1	-	-	-	-	-	1	-	-	-	-	-	4	11	39
7,000	7,000	1	-	-	1	-	-	-	-	-	-	-	-	3	14	57
8,000	7,000	1	2	-	-	-	-	-	-	-	-	-	-	3	17	78
9,000	8,000	-	-	-	1	-	-	1	-	-	-	-	-	3	20	102
10,000	9,000	-	-	-	-	1	-	-	-	-	-	-	-	5	25	147
11,000	10,000	-	-	-	-	-	-	-	1	-	-	-	-	2	27	167
12,000	11,000	-	-	-	-	-	-	-	-	2	-	-	-	2	27	167
13,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	3	30	203
14,000	13,000	-	-	-	-	-	-	-	-	1	-	-	-	2	32	229
15,000	14,000	-	-	-	-	-	-	-	-	-	-	-	-	2	34	257
16,000	15,000	2	1	-	-	-	-	-	-	-	-	-	-	5	39	332
17,000	16,000	-	-	-	-	2	-	-	-	-	-	-	-	2	41	364
18,000	17,000	-	-	-	1	-	-	-	-	-	-	-	-	1	42	381
19,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	1	43	399
20,000	19,000	-	-	-	1	-	-	-	-	-	-	-	-	2	45	437
21,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	2	47	477
22,000	21,000	-	-	-	-	1	-	-	-	-	-	-	-	3	50	540
23,000	22,000	-	-	-	-	-	-	1	-	-	-	-	-	1	51	562
24,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	2	53	608
25,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	3	56	680
26,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	1	57	705
27,000	26,000	-	-	-	-	1	-	-	-	-	-	-	-	2	59	757
28,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
29,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
30,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
31,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
32,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
33,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
34,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
35,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	59	59	757
36,000	35,000	-	-	-	1	-	-	-	-	-	-	-	-	60	791	826
37,000	36,000	-	-	-	-	-	-	1	-	-	-	-	-	1	61	826
38,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	1	62	862
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	1	63	899
		-	-	-	-	-	-	-	-	-	-	-	-	1	64	937

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial (SCUSD)

Exhibit
Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	1												1	65	976
40,000	40,000														65	976
41,000	41,000							1						1	66	1,017
42,000	42,000						1							1	67	1,059
43,000	43,000	1												1	68	1,102
44,000	44,000			1										1	69	1,146
45,000	45,000														69	1,146
46,000	46,000					1								2	71	1,238
47,000	47,000						1							1	72	1,285
48,000	48,000														72	1,285
49,000	49,000														72	1,285
50,000	50,000														72	1,285
51,000	51,000														72	1,285
52,000	52,000	1												1	73	1,337
53,000	53,000						1							1	74	1,390
54,000	54,000						1							1	75	1,444
55,000	55,000														75	1,444
56,000	56,000														75	1,444
57,000	57,000					1								2	77	1,558
58,000	58,000							1						1	78	1,616
59,000	59,000												1	2	80	1,734
60,000	60,000									1				1	81	1,794
61,000	61,000														81	1,794
62,000	62,000	1												1	82	1,856
63,000	63,000			1										2	84	1,982
64,000	64,000		1							1				3	87	2,174
65,000	65,000														87	2,174
66,000	66,000												1	1	88	2,240
67,000	67,000														88	2,240
68,000	68,000														88	2,240
69,000	69,000							1						2	90	2,378
70,000	70,000														90	2,378
71,000	71,000														90	2,378
72,000	72,000						1							1	91	2,450
73,000	73,000														91	2,450
74,000	74,000														91	2,450
75,000	75,000													1	92	2,525
76,000	76,000														92	2,525
77,000	77,000														92	2,525

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 2 Inch Commercial (SCUSD)

Exhibit Schedule H-5
Page 11
Witness: Bourassa

Usage From:	Usage To:	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	1	93	2,603
79,000	79,000	-	1	-	-	-	-	-	-	-	-	-	1	2	95	2,761
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	2,761
81,000	81,000	1	-	-	-	1	-	-	-	-	-	-	-	2	97	2,923
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	97	2,923
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	1	98	3,006
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	3,006
85,000	85,000	-	-	-	-	-	-	-	1	-	-	-	-	2	100	3,176
86,000	86,000	-	-	-	-	1	-	-	-	-	-	-	-	2	102	3,348
87,000	87,000	-	-	-	-	-	-	-	-	1	-	-	-	-	102	3,348
88,000	88,000	-	-	1	-	-	-	-	-	-	1	-	-	2	104	3,524
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	1	105	3,613
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	3,613
91,000	91,000	-	-	-	-	1	-	-	-	-	-	-	-	2	107	3,795
92,000	92,000	-	1	-	-	-	-	-	-	-	1	-	-	3	110	4,071
93,000	93,000	-	-	-	1	-	-	-	-	-	-	-	-	2	112	4,257
94,000	94,000	-	-	-	-	-	-	-	1	-	-	-	-	1	113	4,351
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	4,351
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	4,351
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	4,351
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	4,351
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	4,351
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	4,351
105,000	105,000	1	-	-	-	-	-	-	-	-	-	-	-	1	114	4,456
128,000	128,000	-	-	-	1	-	-	-	-	-	-	-	-	1	115	4,584
165,000	165,000	-	-	1	-	-	-	-	-	-	-	-	-	1	116	4,749
179,000	179,000	-	-	1	-	-	-	-	-	-	-	-	-	1	117	4,928
187,000	187,000	-	-	-	-	-	-	-	-	-	-	-	-	1	118	5,115
101,000	101,000	-	-	-	-	-	-	-	-	-	-	-	-	1	119	5,216
111,000	111,000	-	-	-	-	-	-	-	-	-	-	1	-	1	120	5,327
		-	-	-	-	-	-	-	-	-	-	-	-	-	120	5,327

Totals	10	10	10	10	10	10	10	10	10	10	10	10	10	120	44,392	5,327
															Average Usage	
															Median Usage	
															Average # Customers	
															Change in Number of Customers	

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Meter Size: 5/8 Inch Multi-Tenant

Exhibit
Schedule H-5
Page 14
Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	629
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Totals	6	6	6	6	6	6	6	6	6	6	6	6	6	6	72
Average Usage															8,736
Median Usage															7,500
Average # Customers															6
Change in Number of Customers															-

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Meter Size: 1 1/2 Inch Multi-Tenant

Exhibit Schedule H-5
 Page 15
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan-14	Month of Feb-14	Month of Mar-14	Month of Apr-14	Month of May-14	Month of Jun-14	Month of Jul-14	Month of Aug-14	Month of Sep-14	Month of Oct-14	Month of Nov-14	Month of Dec-14	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)														
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	111														
Totals														1	1	1	1	1	1	1	1	1	1	1	1	1	12	9,250		
														Average Usage		8,500														
														Median Usage		1														
														Average # Customers		-														
														Change in Number of Customers		-														

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6 Attorneys for Liberty Utilities (Rio Rico Water & Sewer) Corp.
7

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9
10 IN THE MATTER OF THE APPLICATION
11 OF LIBERTY UTILITIES (RIO RICO
WATER & SEWER) CORP., AN ARIZONA
12 CORPORATION, FOR A
13 DETERMINATION OF THE FAIR VALUE
14 OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
15 WATER AND WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: WS-02676A-15-_____

16
17
18 **DIRECT TESTIMONY OF**
19 **THOMAS J. BOURASSA**

20
21 **COST OF CAPITAL**

22
23 **October 27, 2015**
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1 **I. INTRODUCTION.**

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

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

5 **Q. ARE YOU THE SAME THOMAS J. BOURASSA THAT FILED DIRECT**
6 **TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE**
7 **REQUIREMENT AND RATE DESIGN FOR EACH OF THE**
8 **APPLICANTS?**

9 A. Yes. I have prepared direct testimony on rate base, income statement, revenue
10 requirement and rate design, along with the A-F and H schedules, for the two
11 Applicants, Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista") and
12 Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty Rio Rico")
13 (collectively, "Applicants"). Testimony regarding my background and
14 qualifications is contained in that volume of my direct testimony. In this portion of
15 my direct testimony, I address the cost of capital for the Applicants.

16 **II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL.**

17 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT**
18 **TESTIMONY?**

19 A. I will testify in support of the proposed rates of return for the Applicants. I am
20 sponsoring the Applicants' D Schedules, which are attached to this testimony,
21 along with Exhibits TJB-COC-DT1, TJB-COC-DT2, and TJB-COC-DT3
22 discussed herein.

23 **Q. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.**

24 A. I have determined that the cost of equity for the publicly traded water utilities
25 ("water proxy group") falls in the range of 9.6 percent to 10.4 percent with an
26 average of 10.0 percent. After considering the differences in business and financial

1 risk between each of the Applicants and the publicly traded water utilities, I have
2 found that the cost of equity for Liberty Rio Rico falls in the range of 10.4 percent
3 to 11.2 percent with a mid-point of 10.8 percent; and for Liberty Bell Vista falls in
4 the range of 11.2 percent to 12.0 percent with a mid-point of 11.6 percent. Given
5 the now indisputably unique nature of regulation in Arizona relative to the other
6 states in which the sample companies operate, and the risks such regulation brings,
7 I am recommending a return on equity (“ROE”) of no less than 10.8 for Liberty
8 Rio Rico and 11.6 percent for Liberty Bella Vista. Both of these recommendations
9 would be based on a capital structure equal to 70 percent equity and 30 percent
10 debt.

11 **Q. WHAT DO YOU MEAN BY THE “NOW” INDISPUTABLY UNIQUE**
12 **NATURE OF ARIZONA REGULATION?**

13 A. On or about August 18, 2015, the Arizona Court of Appeals (Division One) issued
14 its decision in *RUCO v. Arizona Corporation Commission* (“SIB Decision”).
15 In the SIB Decision, the court declared the recently approved SIB mechanisms to
16 be contrary to Arizona law.¹ The court further concluded that a fair value finding
17 cannot be made without considering all of the other elements of ratemaking like
18 revenues and expenses.² The court’s written opinion repeatedly recognizes the
19 unique nature of Arizona’s legal framework for utility regulation, and makes it
20 clear that notwithstanding the demands of the public interest, the law trumps all.
21 As the court put it -

22 We recognize the Commission’s legitimate desire to “initiate
23 innovative procedures in an attempt to deal promptly and equitably
24 with increasingly complex regulatory matters,” and its
corresponding goal of avoiding “a constant series of extended rate

25 ¹ SIB Decision at 18 ¶¶ 49-50.

26 ² SIB Decision at 14-15 ¶¶ 40-42.

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hearings [that] are not necessary to protect the public interest.” (citation omitted). But the question before us is not whether the SIB mechanism represents prudent public policy. Our focus is on the propriety of that mechanism given the unique and express provisions of our state constitution.³

Even our state courts recognize the unique regulatory risk utilities in Arizona face.

Q. BUT MR. BOURASSA, YOU ARE NOT AN ATTORNEY, HOW CAN YOU OFFER YOUR OPINION ON THIS LEGAL DECISION?

A. I do not have to be an attorney to read the opinion. More importantly, I have nearly 20 years testifying before multiple PUCs as an expert on ratemaking, including cost of capital analysis. In that capacity I believe I am unquestionably qualified to assess the impacts of the court’s opinion on the rate setting process. Indeed, the court’s opinion echoes what I have claimed for years – which is that the regulatory risks Arizona utilities face are unique. Unfortunately, the court also limits the tools available to the Commission to address regulatory risks.

Q. BUT DON’T ALL ARIZONA UTILITIES FACE THE SAME REGULATORY RISKS?

A. I don’t think the *Bluefield* and *Hope* comparable risk standard (discussed below) would allow for such a narrow consideration, but that’s not the point. The point is that we use a group of sample utility companies to determine the returns on equity for water and sewer companies in rates cases before the Commission. Those utilities operate in other states – states that do not face the limitations of Arizona’s “unique” constitution. Therefore, we have to take those differences into account in determining equity returns.

³ SIB Decision at 17 ¶ 48.

1 Q. WHAT ABOUT THE FARE VALUE ARIZONA RATE EVALUATION
2 MODEL, MR. BOURASSA. DOESN'T THAT HAVE AN IMPACT ON
3 RISK?

4 A. Possibly, someday, in the future, when ratemaking mechanisms like the FARE
5 have been tried, tested and found successful and have become the norm. But this
6 Commission has, for years, resisted using the applicant utility's individual risk
7 profile in the determination of a return on equity. It would be inconsistent, and in
8 my opinion unreasonable, to speculate on the future success of a single pilot
9 program in order to lower the proponents' returns. The FARE is a genuine effort to
10 address long-standing shortcomings in Arizona ratemaking and, as one of the
11 authors, I think it can succeed and have a considerable impact on ratemaking here.
12 And some day, in the future, we should be able to evaluate those impacts, including
13 the impact on risk. But that time is not now in this rate case.

14 Q. OKAY, THANK YOU MR. BOURASSA. WHAT ARE THE APPLICANTS'
15 CAPITAL STRUCTURES?

16 A. The actual capital structure for Liberty Rio Rico at the end of the test year
17 (December 31, 2014) was also 100 percent equity and the actual capital structure
18 for Liberty Bella Vista at the end of the test year (December 31, 2014) was
19 approximately 9 percent debt and 91 percent equity. However, both Liberty Rio
20 Rico and Liberty Bella Vista are requesting approval of long-term debt
21 concurrently with their rate application, which will bring the debt-to-equity ratio
22 for both companies to 30 percent debt and 70 percent equity. Therefore, I am
23 assuming a capital structure consisting of 30 percent debt and 70 percent equity for
24 Liberty Bella Vista and Liberty Rio Rico for purposes of my analysis and
25 recommendations.

26

1 **Q. WHAT COST OF DEBT DID YOU UTILIZE?**

2 A. I used a cost of debt is 3.47 percent. The cost of debt is based upon the August
3 2015 average 10-year treasury rate of 2.17 percent plus 130 basis points.

4 **Q. WHAT ABOUT THE WEIGHTED AVERAGE COSTS OF CAPITAL?**

5 A. Liberty Rio Rico's weighted cost of capital is 8.60 percent, and Liberty Bella
6 Vista's weighted cost of capital is 9.16 percent.⁴

7 **Q. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE**
8 **THE COST OF EQUITY.**

9 A. The cost of equity for Liberty Rio Rico and Liberty Bella Vista cannot be estimated
10 directly because the equity for each of these utilities is not in the form of a publicly
11 traded security and thus there is no market data for these utilities. Consequently, I
12 applied market based models (Discounted Cash Flow ("DCF"), Risk Premium
13 Model ("RPM"), and the Capital Asset Pricing Model ("CAPM")), using data from
14 a sample of water utilities selected from the *Value Line* Investment Survey and
15 then determined the difference in risk between each of the two Applicants and the
16 publicly traded water utilities. There are seven publicly traded water utilities in my
17 sample: American States Water, Aqua America, California Water, Connecticut
18 Water, Middlesex Water, SJW Corp., and York Water Company. As explained
19 later in my testimony, these companies aren't really comparable to Liberty Rio
20 Rico and Liberty Bella Vista, but the publicly traded utilities are utilities with
21 available market data and they are the same proxies the Commission's Utilities
22 Division Staff has relied on for data on water utilities in a number of recent water
23 and sewer utility rate cases.

24
25
26 ⁴ Schedule D-1 (Liberty Rio Rico); Schedule D-1 (Liberty Bella Vista).

1 Consistent with my past practice and the Commission's past practices in
2 prior cases, my specification of the DCF model is based on historical growth and
3 analysts' growth projections, current indicated annual dividends, and actual stock
4 price information. Similarly, my CAPM approach is specified with actual and
5 projected market data with respect to Treasury yields, Beta estimates from *Value*
6 *Line*,⁵ market risk premia data from *Duff & Phelps*⁶ and *Value Line*. My RPM
7 approach is based upon comparing historical total market returns obtained from
8 *Value Line* with historical Treasury yields.

9 In assessing the results of my DCF, CAPM, and RPM analyses, I considered
10 several specific risk trends, including the effect of a potential rise in interest rates.
11 In my view, this approach appropriately balances practical concerns regarding
12 certain underlying assumptions associated with each methodology or approach
13 used to determine a cost of equity.

14 **Q. DID YOU CONSIDER OTHER FACTORS, IN ADDITION TO THE**
15 **ANALYSES DESCRIBED ABOVE, IN ORDER TO DETERMINE THE**
16 **APPROPRIATE ROE FOR THESE TWO UTILITIES?**

17 A. Yes, in addition to the three distinct analyses discussed above, I considered the
18 following: (1) the economic conditions expected to prevail during the period in
19 which new rates will be in effect; (2) the financial risks associated with the
20 proposed pro forma capital structures; (3) the incremental business risks associated
21 with the small size; and (4) an assessment of the business risks associated with
22 each of the two utilities relative to the large publicly traded utilities. I considered
23 explicit adjustments to my ROE estimates for these factors and I did take them into
24

25 ⁵ *Value Line* Investment Analyzer and/or *Value Line* Investment Survey.

26 ⁶ *Duff & Phelps, LLC. 2015 Valuation Handbook; Guide to Cost of Capital*. Hoboken, NJ: John Wiley and Sons, 2015 ("*Duff & Phelps*").

1 consideration when determining where, within a reasonable range of analytical
2 results from the DCF, CAPM and RPM methods, the required ROE for each of the
3 two utilities rightly falls. As explained earlier, I also considered the unique
4 Arizona regulatory environment and the inherent limitations faced by utilities
5 operating in this state.

6 **III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE**
7 **EXPECTED RETURN ON INVESTMENT.**

8 **Q. WHAT EXACTLY IS THE COST OF EQUITY?**

9 The cost of equity is the rate of return that equity investors expect to receive on
10 their investment. Investors can choose from numerous investment options, not
11 simply publicly traded stock. Investments have varying degrees of risk, ranging
12 from relatively low risk assets such as Treasury securities to somewhat higher risk
13 corporate bonds to even higher risk common stocks. As the level of risk increases,
14 investors require higher returns on their investment. The cost of equity is therefore
15 the expected rate of return that the market requires to attract funds to a particular
16 investment.⁷ Finance models that are used to estimate the cost of equity rely on
17 this basic concept.

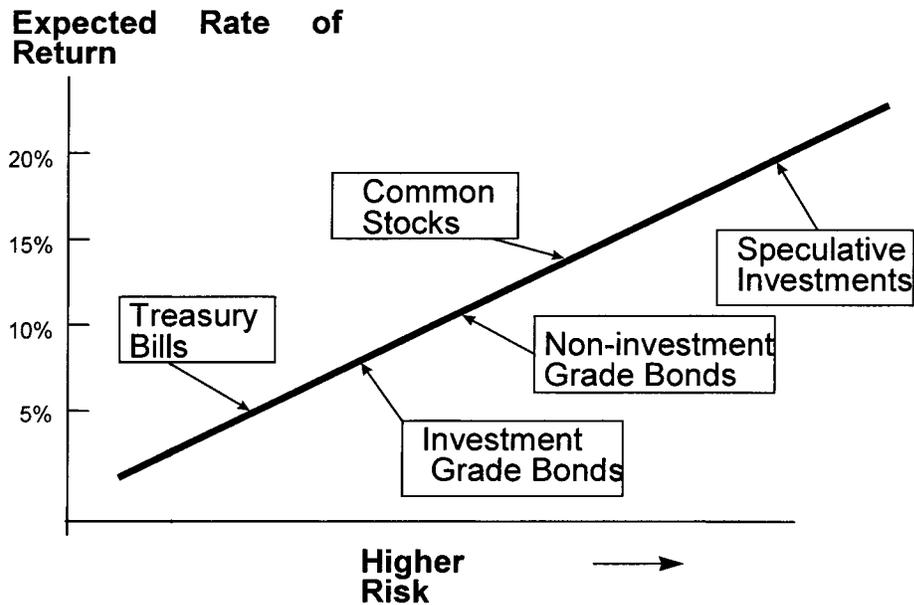
18 **Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN**
19 **CONCEPT?**

20 **A.** Yes. The following graph depicts the risk-return relationship that has become
21 widely known as the Capital Market Line (“CML”). The CML illustrates in a
22 general way the risk-return relationship.

23
24
25

⁷ Pratt, Shannon P. and Grabowski, Roger J. *Cost of capital: Applications and Examples,*
26 *Fifth Edition.* Hoboken, NJ: John Wiley and Sons, 2014, p. 2.

The Capital Market Line (CML)



The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases as you move upward and to the right along the CML. Again, the return required by investors increases with the risk.

Q. HOW DOES THE RISK-RETURN TRADE OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As indicated by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return investors will require to compensate them for the possibility of loss of either the principal amount invested

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or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and farther to the right on the CML continuum because they are exposed to more risk. Common stock risk includes the nature of the underlying business and financial strength of the issuing corporation as well as market-wide factors, such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment relative to others. While the example provided above seems straightforward, returns on common stocks are not directly observable in advance, in contrast to debt or preferred stocks with fixed payment terms. This means that these returns must be estimated from market data. Estimating the cost of equity capital should be a matter of informed judgment about the relative risk of the investment in question and the expected rate of return characteristics of other alternative investments. It isn't sufficient, in my view, to simply run a financial model and just uncritically accept the results.

The estimation of a utility's cost of equity is complex. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common equity. The data for such an analysis comes from highly competitive capital markets, where the firm raises funds by issuing common stock, selling bonds, and by borrowing (both long- and short-term) from banks and other financial

1 institutions. In the capital markets, the cost of capital, whether the capital is in the
2 form of debt or equity, is determined by two important factors: (1) the pure or real
3 rate of interest, often called the risk-free rate of interest; and (2) the uncertainty or
4 risk premium (the compensation the investor requires over and above the real or
5 pure rate of interest for subjecting his capital to additional risk).

6 **Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.**

7 A. The pure rate of interest essentially reflects both the time preference for and the
8 productivity of capital. From the standpoint of the individual, it is the rate of
9 interest required to induce the individual to forgo present consumption and offer
10 the funds thus saved to others for a specified length of time. Moreover, the pure
11 rate of interest concept is based on the assumption that no uncertainty affects the
12 investment undertaken by the individual, i.e., there is no doubt that the periodic
13 interest payments will be made and the principal returned at the end of the time
14 period. In reality, investments without any risk do not exist. Every commitment of
15 funds involves some degree of uncertainty.

16 Turning to the second factor affecting the cost of capital, it is generally
17 accepted that the higher the degree of uncertainty, the higher the cost of capital.
18 Investors are regarded as risk averse and require that the rate of return increase as
19 the risk(s) (uncertainty) associated with an investment increase(s).

20 **Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS
21 DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?**

22 A. Yes. Conceptually,

23 [1] Required Return for Common Stocks = Return on a risk-free asset + Risk Premium
24

25 where the risk premium investors require for common stocks will be higher than
26 the risk premium they require for investment grade bonds. This relationship is

1 depicted in the graph of the CML above. As I will discuss later in this testimony,
2 this concept is the basis of risk premium methods, such as the CAPM, that are used
3 to estimate the cost of equity.

4 **Q. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON**
5 **CAPITAL COSTS.**

6 A. With reference to specific utilities, risk is often discussed as consisting of two
7 separate types of risk: business risk and financial risk.

8 Business risk, the basic risk associated with any business undertaking, is the
9 uncertainty associated with the enterprise's day-to-day operations. In essence, it is
10 a function of the normal day-to-day business environment, both locally and
11 nationally. Business risks include the condition of the economy and capital
12 markets, the state of labor markets, regional stability, government regulation,
13 technological obsolescence, and other similar factors that may impact demand for
14 the business product and its cost of production. For utilities, business risk also
15 includes the volatility of revenues due to abnormal weather conditions, degree of
16 operational leverage, regulation, and regulatory climate. Regulation, for example,
17 can compound the business risk if it is unpredictable in reacting to cost increases,
18 both in terms of the time lag and magnitude for recovery of such increases. This is
19 a problem in Arizona where regulatory lag is long and makes it difficult for utilities
20 to earn their authorized return, particularly in an inflationary environment and/or
21 when there is significant lag between the timing of investment in capital projects
22 and its recognition in rates. As discussed, not only is Arizona's regulatory
23 environment unique, but there are limits on the Commission's authority to use the
24 many tools available to ameliorate the adverse consequences of regulatory lag.
25 Put simply, the greater the degree of uncertainty regarding these various factors
26 affecting a company's business, the greater the risk of an investment in that

1 company and the greater the compensation required by the investor.

2 Financial risk, on the other hand, concerns the distribution of business risk
3 to the various capital investors in the utility. Permanent capital is normally divided
4 into three categories: long-term debt, preferred stock, and common equity.
5 Because common equity owners have only a residual claim on earnings after debt
6 and preferred stockholders are paid, financial risk tends to be concentrated in that
7 element of the firm's capital. Thus, a decision by management to raise additional
8 capital by issuing additional debt concentrates even more of the financial risk of
9 the utility in the common equity owners.

10 **Q. WHAT ARE THE DETERMINANTS OF THE RISK FREE RATE IN**
11 **EQUATION [1]?**

12 A. The risk-free rate can be disaggregated into a "real" rate of interest and an inflation
13 premium (expected future inflation).

14 **Q. WHAT ARE THE DETERMINANTS OF THE REQUIRED RISK**
15 **PREMIUM FROM EQUATION [1]?**

16 A. The risk premium can be disaggregated into five general components: (1) Interest
17 Rate Risk; (2) Business Risk; (3) Regulatory Risk; (4) Financial Risk; and
18 (5) Liquidity Risk.⁸

19 Interest Rate Risk refers to the variability in return caused by subsequent
20 changes in interest rates and stems from the inverse relationship between interest
21 rates and asset prices. For example, bond prices fall when interest rates rise and
22 vice versa.

23 Business risk, the basic risk associated with any business undertaking, is the
24 uncertainty associated with the enterprise's day-to-day operations. In essence, it is

25 ⁸ Morin, Dr. Roger A. *New Regulatory Finance*. Vienna, VA: Public Utilities Reports,
26 Inc., 2006 ("Morin"), p. 36.

1 a function of the normal day-to-day business environment, both locally and
2 nationally that collectively increase the probability that expected future income
3 flows accruing to investors might not be realized. Business risks include the
4 condition of the economy and capital markets, the state of labor markets, regional
5 stability, technological obsolescence, degree of competition, sales volatility,
6 government regulation, and other similar factors that may impact demand for the
7 business product and its cost of production. For utilities, business risk also
8 includes the volatility of revenues due to abnormal weather conditions and the
9 degree of operational leverage.

10 Regulatory risk refers to the quality and consistency of regulation applied to
11 a given regulated utility. Regulatory jurisdictions are evaluated on the basis of
12 three major factors: earnable return on equity, regulatory quality, and regulatory
13 practices.⁹ These three factors collectively impact a utility's ability to earn its
14 authorized return. The type of test year employed (historical or future), capital
15 structure and rate base issues, and length of regulatory lag are among the reasons a
16 utility may or may not have a reasonable opportunity to earn its authorized return.
17 I have already discussed the unique nature of this risk in Arizona and will not
18 repeat that discussion again here.

19 Financial risk concerns the distribution of business risk to the various capital
20 investors in the utility and refers to the additional variability imparted to income
21 available to common shareholders stemming from the entity's method of financing
22 its capital needs. As I discussed earlier, because common equity owners have only
23 a residual claim on earnings after debt and preferred stockholders are paid,
24 financial risk tends to be concentrated in that element of the firm's capital.

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26 ⁹ Morin, p.43.

1 Construction risk is an important component of financial risk. Construction
2 risk is the risk of both tying capital up in projects that are not earning returns, or of
3 not having sufficient capital to build the assets needed to keep generating returns.
4 If an entity has a large construction budget relative to internally generated cash
5 flows, it will require external financing, which will also have an impact on
6 financial risk. It is important that entities have access to capital funds on
7 reasonable terms and conditions. Utilities are more susceptible to construction risk
8 for two reasons. First, water and wastewater utilities generally have high capital
9 requirements to build plant to serve customers. Second, utilities have a mandated
10 obligation to serve leaving less flexibility both in the timing and discretion of
11 scheduling capital projects. This is compounded by the limited ability to wait for
12 more favorable market conditions to raise the capital necessary to fund the capital
13 projects, and then the lag between when plant can be built and when rates can be
14 approved to provide returns on and of that capital. It is imperative that the utility
15 has access to needed capital and on reasonable terms and conditions. The return
16 allowed on common equity will have a critical role in determining those terms and
17 conditions.¹⁰

18 Although often discussed separately, the two types of risks (business and
19 financial) are interrelated. A study by Scott and Martin found statistically
20 significant results for unregulated firms in twelve industries that “smaller equity
21 ratios (higher leverage use) are generally associated with larger companies.”¹¹
22 One should expect unregulated enterprises to seek the best balance between debt
23 and equity to obtain the lowest overall cost of capital. The findings of Scott and
24

25 ¹⁰ Morin, p. 48.

26 ¹¹ Scott, D.F. and Martin, J.D., “Industry Influence on Financial Structure,” *Financial Management*, Spring 1975, pp. 67-71.

1 Martin suggest smaller firms found it prudent to *offset higher business risks related*
2 *to being small by reducing financial risk*. This evidence suggests the least cost
3 equity ratio for these two utilities may be bigger than the average equity ratio for
4 the benchmark water proxy group.

5 Finally, Liquidity Risk refers to the ability to readily convert an investment
6 into cash without sustaining a loss. Capital market theory generally assumes that
7 investments are liquid and observations about risk and return are drawn from
8 information about liquid investments. Non-publicly traded or privately-held
9 investments possess little liquidity.

10 **Q. IS INVESTMENT RISK IMPACTED BY SIZE?**

11 A. Yes. Investment risk is size related.¹² In other words, investment risk increases as
12 company size decreases.¹³ Investment liquidity may be a significant factor
13 explaining this relationship. However, the illiquidity of smaller stocks does not
14 capture the size effect completely.¹⁴ Size may be a proxy for one or more true
15 unknown factors correlated with size.¹⁵

16 **IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN.**

17 **Q. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE**
18 **RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?**

19 A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for
20 determining whether a rate of return is reasonable in *Bluefield Water Works and*
21 *Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679,
22 692-93 (1923):

23 _____
24 ¹² Morin, p. 49.

25 ¹³ *Id.*

26 ¹⁴ *Duff & Phelps*, pp. 4-21 – 4-22.

¹⁵ *Duff & Phelps*, p.4-25.

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A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertakings which are attended by corresponding risks and uncertainties The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

Then, in *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), the U.S. Supreme Court stated the following regarding the return to owners of an entity:

[T]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

320 U.S. at 603.

In summary, under *Hope* and *Bluefield*:

- (1) The rate of return should be similar to the return in businesses with similar or comparable risks;
- (2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and
- (3) The return should be sufficient to maintain and support the utility's credit.

1 **Q. HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY**
2 **PROCEEDINGS?**

3 A. Yes, but the application of the “reasonableness” criteria laid down by the Supreme
4 Court has resulted in controversy. The typical method of computing the overall
5 cost of capital is quite straightforward: it is the composite, weighted cost of the
6 various classes of capital (debt, preferred stock, and common equity) used by the
7 utility. Calculating the proportion that each class of capital bears to total capital
8 does the weighting. However, there is no consensus regarding the best method of
9 estimating the cost of equity capital. The increasing regulatory use of market-
10 based finance models in equity return determinations has not led to a universally
11 accepted means of estimating the ROE. In addition, the market-based results are
12 too often applied to a book-value investment base, which, as I will discuss,
13 understates the return expected by investors who invest in real markets based on
14 market values.

15 **V. THE APPLICANTS’ ESTIMATED COSTS OF EQUITY.**

16 **A. The Publicly Traded Utilities That Comprise the Sample Group Used to**
17 **Estimate the Cost of Equity.**

18 **Q. PLEASE DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR**
19 **COST OF CAPITAL ANALYSIS FOR LIBERTY RIO RICO AND**
20 **LIBERTY BELLA VISTA.**

21 A. Again, estimating the cost of equity is a matter of informed judgment.
22 The development of an appropriate rate of return for a regulated enterprise involves
23 a determination of the level of risk associated with that enterprise and the
24 determination of an appropriate return for that risk level. Practitioners employ
25 various techniques that provide a link to actual capital market data and assist in
26

1 defining the various relationships that underlie the equity cost estimation process.

2 None of the Applicants are publicly traded so the information required to
3 directly estimate its cost of equity is not available. Accordingly, as previously
4 noted, I used a sample group of water utilities as a *starting point* to develop an
5 appropriate cost of equity for each of the two Liberty utilities. An analysis of a
6 proxy group serves as a starting point because no proxy group is identical in risk to
7 either Liberty Rio Rico or Liberty Bella Vista. Therefore, the proxy group's results
8 must be adjusted to reflect the unique relative risks, financial and business risks, of
9 the two utilities, as I will discuss in detail below.

10 **Q. WHICH COMPANIES COMPRISE YOUR SAMPLE GROUP?**

11 A. For the three models employed in my analysis, I use data from a sample of publicly
12 traded water utilities, or proxy group, selected from the *Value Line Investment*
13 *Survey* as a starting point in my analysis. There are seven water utilities in my
14 sample: American States Water (AWR), Aqua America (WTR), California Water
15 Company (CWT), Connecticut Water (CTWS), Middlesex Water (MSEX), SJW
16 Corp. (SJW), and York Water Company (YORW).

17 The basis of selection for the proxy group of seven water companies was to
18 select those companies that meet the following criteria: (1) they are included in the
19 Water Company Group of AUS Utility Reports (August 2015); (2) they are
20 followed by the *Value Line Investment Survey*; (3) they have at least ten years of
21 historical financial and market information; (4) they have a *Value Line* adjusted
22 beta; (5) they have not cut or omitted their common dividends during the five years
23 ending 2014 or through the time of the preparation of this testimony; (6) they have
24 60 percent or greater of 2014 total net operating income derived from regulated
25 water operations; and (7) at the time of the preparation of this testimony, they had
26 not publicly announced that they were involved in any major merger or acquisition

1 activity.

2 **Q. BUT THE WATER UTILITIES IN YOUR SAMPLE ARE NOT DIRECTLY**
3 **COMPARABLE TO THE APPLICANTS?**

4 A. That is correct. But they are utilities for which market data is available. All of
5 them are regulated, they primarily provide water service, although some provide
6 both water and wastewater services, and their primary source of revenues is from
7 regulated services. Therefore, they provide a useful *starting point* for developing a
8 cost of equity for the each of the two Applicants, recognizing that the proxy group
9 is not perfectly comparable.

10 **Q. BRIEFLY, WHY IS A COMPARABLE PROXY GROUP NECESSARY IN A**
11 **COST OF CAPITAL ANALYSIS?**

12 A. First, a fair rate of return for a specific utility is the return required by investors to
13 hold correspondingly risky assets. Market data for a sample of comparable risk
14 companies provides insight into the investors' required return and that satisfies the
15 U.S. Supreme Court's decisions in *Bluefield* and *Hope*, which I discussed earlier.
16 The comparable earnings standard set forth in the *Hope* and *Bluefield* decisions
17 requires that the rate of return afforded to utilities be similar to the return in
18 businesses with similar or comparable risks. It follows that a proxy group of
19 companies with comparable risk is the starting point in a cost of capital analysis.

20 Second, a primary objective of rate regulation is to determine an authorized
21 ROE that is both fair to customers and provides satisfactory returns for the subject
22 utility. The best estimate of that ROE is the cost of equity for each of the two
23 utilities. The cost of equity is a cost of service fairly recovered from customers
24 through rates. It is also satisfactory to investors in Liberty Rio Rico, or Liberty
25 Bella Vista, because it is commensurate with returns an investor in these utilities
26 would expect to earn from investments of comparable risk. To estimate the cost of

1 equity requires market data that reveal investor required returns. But, Liberty Rio
2 Rico and Liberty Bella Vista are not publicly traded so there is no market
3 information to determine the cost of equity. This necessitates the selection of a
4 proxy group.

5 **Q. THANK YOU. CAN YOU PLEASE PROVIDE A GENERAL**
6 **DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE?**

7 A. Yes. Schedule D-4.2 lists the percentages of regulated revenues, operating
8 revenues, net plant, S&P bond ratings, allowed ROE's, *Value Line* betas, market
9 capitalization, and market size category for the seven water utilities. Comparative
10 data for Liberty Rio Rico or Liberty Bella Vista is also shown in Schedule D-4.2.
11 The seven sample companies may be generally described as follows:

12 (1) American States Water (AWR) primarily serves the California
13 market through Golden State Water Company, which provides water
14 services to over 256,000 customers within 75 communities in 10
15 counties in the State of California, primarily in Los Angeles, San
16 Bernardino, and Orange counties. AWR also owns an electric utility
17 service provider (Bear Valley Electric Service) with over 23,600
18 customers. AWR also provides contractual services to the U.S.
19 government and private entities located in 5 states through its
20 subsidiary, American States Utility Services. Total operating
21 revenues for AWR are nearly \$465 million and net plant is nearly
22 \$999 million.

23 (2) Aqua America (WTR) owns regulated utilities in Pennsylvania,
24 Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana, and
25 Virginia, serving nearly 940,000 customers. WTR's utility base is
26 diversified among residential water, commercial water, fire

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protection, industrial water, other water, and wastewater customers. Total operating revenues for WTR are nearly \$780 million and net plant is over \$4.4 billion.

(3) California Water Service Group (CWT) owns subsidiaries in California, New Mexico, Washington, and Hawaii serving nearly 506,000 customers. CWT also owns HWS Utility Services which conducts CWT's non-regulated business. These services include providing billing, water quality testing, and water and wastewater system operations and management services to cities and other companies. Operating revenues for CWT are nearly \$598 million and net plant is nearly \$1.6 billion.

(4) Connecticut Water Services (CTWS) owns subsidiaries in Connecticut and Maine serving over 123,000 customers. CTWS also provides utility operating services under contract to municipalities and other water systems. Revenues for CTWS are nearly \$95 million and net plant is nearly \$495 million.

(5) Middlesex Water (MSEX) owns subsidiaries in New Jersey, and Delaware serving over 100,000 customers and provides water service under contract to municipalities in central New Jersey serving a population of 219,000. Operating revenues for MSEX are over \$117 million and net plant is over \$465 million.

(6) SJW Corp. (SJW) owns San Jose Water, which provides water service in a 138 square mile area in San Jose, California, and surrounding communities serving nearly 229,000 customers. SJW also owns operations in Texas serving approximately 12,000 connections. San Jose Water Company also provides non-regulated

1 services under agreements with municipalities and other utilities.
2 Operating revenues for SJW are nearly \$318 million and net plant is
3 nearly \$944 million.

4 (7) York Water Company (YORW) provides water service in the state of
5 Pennsylvania serving over 65,000 water and wastewater customers in
6 more than 47 communities. Operating revenues for YORW are
7 nearly \$46 million and net plant is nearly \$250 million.

8 **Q. DO ANY OF THE SAMPLE COMPANIES HAVE OPERATIONS IN**
9 **ARIZONA?**

10 A. No, and that's just one of several reasons that these utilities are very different from
11 Liberty Rio Rico and Liberty Bella Vista. The utilities in the water proxy group
12 are much larger and, according to the empirical financial data, they are less risky
13 than the two Applicants. The Applicants are much smaller with fewer customers,
14 a relatively small and limited service territory, far less revenues and far less net
15 plant. At the end of the test year, Liberty Rio Rico had approximately 6,430 water
16 customers and 2,060 wastewater customers, and Liberty Bella Vista had
17 approximately 9,900 water customers.

18 Additionally, Liberty Rio Rico's revenues totaled approximately \$4.5
19 million, and net plant-in-service was approximately \$28.3 million. The average
20 revenues of my water proxy group are over 77 times greater than the Liberty Rico
21 Rio and nearly 45 times the net plant as compared to Liberty Rio Rico. The
22 smallest of the publicly traded water utilities in my proxy group (York Water
23 Company) has over 10 times the revenues and nearly 9 times the net plant than
24 Liberty Rio Rico. Similarly, the average revenues of my water proxy group are
25 over 75 times greater than the Liberty Bella Vista and nearly 62 times the net plant.
26 The smallest of the publicly traded water utilities in my proxy group (York Water

1 Company) has over 10 times the revenues and nearly 12 times the net plant than
2 Liberty Bella Vista.

3 In other words, the proxy companies are a starting point but that does not
4 mean they are comparable. I will discuss specific measures of business risk that
5 quantify the differences between these two utilities and the water proxy group later
6 in my testimony.

7 **Q. DO RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY**
8 **IMPACT INVESTMENTS?**

9 A. Yes. On the whole, the water and wastewater utility industry is expected to
10 continue to confront increasing need for infrastructure upgrades and replacement,
11 as well as possible additional demand. *Value Line* Investment Survey (July 18,
12 2015) continues to stress that many utilities have facilities that are decades old and
13 in need of significant maintenance and, in some cases, massive renovation and
14 replacement. As infrastructure costs continue to climb, many smaller companies
15 are at a serious disadvantage. *Value Line* notes that most of the companies in this
16 sector lack the finances necessary to fund improvements on their own. This will
17 require water utilities in this sector to rely heavily upon debt and equity offerings
18 for funding. The additional funding will thwart share-earnings and dilute
19 shareholder gains. A copy of the most recent Value Line report on the water
20 industry along with each water utility in my proxy group is attached as **Exhibit**
21 **TJB-COC-DT1.**

22 **Q. WHAT OTHER RISK FACTORS DISTINGUISH LIBERTY RIO RICO**
23 **AND LIBERTY BELLA VISTA FROM THE LARGER WATER UTILITIES**
24 **IN YOUR PROXY GROUP?**

25 A. First, water and wastewater utilities are capital intensive and typically have
26 relatively large construction budgets. As I have previously discussed in this

1 testimony, firms with large capital budgets face construction risk (a form of
2 financial risk). The size of a utility's capital budget relative to the size of the utility
3 itself often increases construction risk. Large utilities are better able to fund their
4 capital budgets from their earnings, cash flows, and short-term borrowings. For
5 smaller utilities the ability to fund relatively large capital budgets from earnings,
6 cash flows, and short-term debt is difficult, if not impossible, without reliance upon
7 additional outside capital.

8 Second, smaller companies are simply less able to cope with significant
9 events that affect sales, revenues and earnings. In general, the loss of revenues
10 from a few larger customers or from trends in the reduction of usage by customers
11 through conservation or the makeup of the customer base, for example, would have
12 a greater effect on a small company than on a much larger company with a larger
13 customer base.

14 Third, there are a number of other factors, including the differences in
15 regulatory environments, differences in the type of test year used for rate making,
16 and differences in the available regulatory mechanisms for recovery of costs
17 outside of a rate case. The large water utilities in my water proxy group are
18 generally not subject to the adverse impacts of an unfavorable regulatory
19 environment of one jurisdiction. In contrast, the Applicants are entirely subject to
20 the adverse impacts of Arizona regulation. Arizona is an historical test year state,
21 which means that plant investment will typically have to be funded, built and put in
22 service before the utility can file a rate case to put such plant in rates. And, as I
23 have already discussed, the recent decision interpreting the state's constitution
24 makes it clear that the Commission is somewhat restricted in its ability to address
25 the adverse consequences of Arizona regulation.

26

1 In summary, there are many factors that impact the ability of a smaller
2 utility to actually earn its authorized return. Liberty Rio Rico is a good example.
3 This is its fourth rate case in roughly a decade yet it has never earned its revenue
4 requirement or authorized return. An inadequate opportunity to earn the revenues
5 authorized in a rate case leads to a greater variability of earnings for entities like
6 Liberty Rio Rico and Liberty Bella Vista when compared to the proxy group. This
7 volatility means greater risk, and greater risk requires higher returns.

8 **Q. BUT ISN'T THE FARE INTENDED TO ADDRESS THE REASONS**
9 **LIBERTY RIO RICO HASN'T BEEN EARNING ITS AUTHORIZED**
10 **RETURNS?**

11 A. Yes, and if successful, these concerns may one day be appreciably mitigated. But
12 the Commission has never, to my knowledge, made an upward adjustment to an
13 ROE because the utility was repeatedly failing to earn its rate of return. I do not
14 believe it appropriate to start lowering the Applicants' cost of capital because the
15 FARE might work. I hope it does, but we are a long way away. The short-lived
16 success of the SIB illustrates the uncertainty inherent in designing new approaches
17 to setting rates in Arizona. Increased uncertainty increases risk.

18 **Q. ARE THERE QUANTITATIVE MEASURES THAT CAN BE USED TO**
19 **HELP IDENTIFY DIFFERENCES IN BUSINESS RISK?**

20 A. Yes. There are a number of fundamental accounting based risk measures that can
21 be used to assess the relative differences between firms and include: (1) The co-
22 efficient of variance of ROE; (2) the co-efficient of variance of operating income;
23 (3) the co-efficient of variance of operating margin; and (4) Operating Leverage.
24 The first three reflect the distributions of earnings. These are meaningful when
25 measured against the distribution of earnings of alternative investments, like the
26 water utilities in my water proxy group.

1 The co-efficient of variance of ROE can be quantified using a relatively
2 simple formula:

3 [2] Co-efficient of Variance of ROE = Standard Deviation of ROE/Mean of ROE

4 The co-efficient of variance of operating income can be quantified using a
5 relatively simple formula:

6 [3] Co-efficient of Variance of Operating Income = Standard Deviation of
7 Operating Income/Mean of Operating Income

8 The co-efficient of variance of operating margin can be quantified using a
9 relatively simple formula:

10 [4] Co-efficient of Variance of Operating Margin = Standard Deviation of
11 Operating Margin/Mean of Operating Margin

12 And, the Operating Leverage formula is expressed as:

13 [5] Operating Leverage = Percentage Change in Operating Income/Percentage
14 Change in Sales

15 Using the business risk measures expressed in equations [2], [3], and [4], the
16 greater the co-efficient of variation or Operating Leverage, the greater the risk to
17 investors of not receiving expected returns.¹⁶ Below are the computed co-efficient
18 of variation for ROE, Operating Income, and Operating Margin, as well as
19 Operating Leverage using the most recent 5 years of historical data for my water
20 proxy group and Liberty Rio Rico and Liberty Bella Vista:

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25 ¹⁶ Tuller, Lawrence W. *The Small Business Valuation*. Avon, MA: Adams Media
26 Corporation, 1994, p. 89.

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<u>Company</u>	<u>Business Risk Co-efficient of variance_of ROE</u>	<u>Business Risk Co-efficient of variance_of Operating Income</u>	<u>Business Risk Co-efficient of variance of Operating Margin</u>	<u>Operating Leverage</u>
Water Proxy Group	0.1271	0.1579	0.0895	3.06
Liberty Rio Rico Water & Sewer) Corp.	0.4151	0.3453	0.2920	33.79
Relative Risk of Liberty (Rio Rico Water & Sewer) Corp. to Water Proxy Group	3.27	2.19	3.26	11.05
Liberty (Bella Vista Water) Corp.	0.4343	0.3951	0.3748	6.88
Relative Risk of Liberty (Bella Vista Water) to Water Proxy Group	3.42	2.50	4.19	2.25

These metrics show that (1) Liberty Rio Rico is 2.2 to 3.3 times more risky than the water proxy group (ignoring operating leverage), and (2) Liberty Bella Vista is 2.5 to 4.2 times more risky than the water proxy group (ignoring operating leverage).

Q. CAN METRICS LIKE A COMPANY'S CO-EFFICIENT OF ROE, OPERATING INCOME, AND OPERATING MARGIN, BE USED ALONG WITH MARKET DATA TO DEVELOP COMPANY-SPECIFIC RISK PREMIUMS?

A. Yes. *Duff & Phelps* publishes comparative risk characteristics using market data that provides a nexus between a market beta and the metrics operating margin, the coefficient of variation in operating margin, and the coefficient of variation in return on equity.¹⁷ This information can be used to develop an implied beta for

¹⁷ *Duff & Phelps*, Exhibits D-1 through D-3.

1 Liberty Rio Rico and Liberty Bella Vista for use in the CAPM. By comparing the
2 results of the CAPM for the water proxy group with the CAPM for each of the two
3 utilities using the implied beta, an indicated risk premium for each of these two
4 utilities can be developed. As one would expect, the implied beta for Liberty Rio
5 Rico and Liberty Bella Vista is higher than the beta of my water proxy group.
6 A risk premium of 100 to 140 basis points over the cost of equity of the water
7 proxy group is indicated for Liberty Rio Rico, and a risk premium of 160 to 210
8 basis points over the cost of equity of the water proxy group is indicated for
9 Liberty Bella Vista. I will discuss these indicated risk premiums and implied betas
10 in more detail in the Company Specific Risk Premium section of my direct
11 testimony.

12 **Q. WHAT ABOUT LIQUIDITY RISK, MR. BOURASSA?**

13 A. A rational investor would not regard an investment in Liberty Rio Rico or Liberty
14 Bella Vista as having the same level of risk as WTR or even CTWS, because of the
15 previously mentioned small size characteristics these two utilities, and the fact that
16 an investment in Liberty Rio Rico and Liberty Bella Vista is relatively illiquid
17 compared to the publicly traded water utilities. An investor in a publicly traded
18 stock can sell his/her stock in a very short period of time if he/she is dissatisfied
19 with the returns. An investor in a non-publicly traded stock does not have the
20 ability to sell quickly. Consequently, investors will require a greater risk premium,
21 often called liquidity risk premium. As a consequence of these differences in risk,
22 the results produced by the DCF, RPM, and CAPM methodologies, utilizing data
23 for the sample utilities, often understate the appropriate return on equity for a
24 small, regulated water and/or wastewater utility provider such as Liberty Rio Rico
25 or Liberty Bella Vista.

26

1 **Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL**
2 **STRUCTURE AND ITS COST OF CAPITAL?**

3 A. Yes. Generally speaking, when a firm engages in debt financing, it exposes itself
4 to greater risk. Once debt becomes significant relative to the total capital structure,
5 the risk increases in a geometric fashion compared to the linear percentage increase
6 in the debt ratio itself. This risk is illustrated by considering the effect of leverage
7 on net earnings. For example, as leverage increases, the equity ratio falls. This
8 creates two adverse effects. First, equity earnings decline rapidly and may even
9 disappear. Second, the "cushion" of equity protection for debt falls. A decline in
10 the protection afforded debt holders, or the possibility of a serious decline in debt
11 protection, will act to increase the cost of debt financing. Therefore, one may
12 conclude that each new financing, whether through debt or equity, impacts the
13 marginal cost of future financing by any alternative method.

14 For a firm already perceived as being over-leveraged, this additional
15 borrowing would cause the marginal cost of both equity and debt to increase.
16 On the other hand, if the same firm instead successfully employed equity funding,
17 this could actually reduce the real marginal cost of additional borrowing, even if
18 the particular equity issuance occurred at a higher unit cost than an equivalent
19 amount of debt.

20 **Q. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER**
21 **UTILITIES COMPARE TO THE PROPOSED PROFORMA CAPITAL**
22 **STRUCTURES FOR THE TWO APPLICANTS?**

23 A. Schedule D-4.3 shows that the debt and equity capital structure used to develop the
24 cost of capital for Liberty Rio Rico and Liberty Bella Vista contains 70 percent
25 equity and 30 percent debt, compared to the average of the water utility sample of
26 approximately 56 percent equity and 44 percent debt. Having less debt in their

1 capital structures implies that Liberty Rio Rico and Liberty Bella Vista have lower
2 financial risk than the sample water utilities. I have taken into account the lower
3 financial risk of Liberty Rio Rico and Liberty Bella Vista compared to the water
4 proxy group using the Hamada method, which I will discuss later.

5 **B. Overview of the DCF, RPM, AND CAPM Methodologies.**

6 **Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING**
7 **THE COST OF CAPITAL.**

8 A. There are two broad approaches:

- 9 1) identify comparable-risk sample companies and estimate the cost of
10 capital directly, or
- 11 2) find the location of the CML and estimate the relative risk of the
12 company, which jointly determines the cost of capital.

13 The DCF method is an example of a method falling into the first general
14 approach. It is a direct method, but uses only a subset of the total capital market
15 evidence. The DCF rests on the premise that the fundamental value of an asset
16 (stock) is its ability to generate future cash flows to the owner of that asset (stock).
17 I will explain the DCF in detail in a moment, but for now, the DCF is simply the
18 sum of a stock's expected dividend yield and the expected long-term growth rate.
19 Dividend yields are readily available, but long-term growth estimates are not.

20 The RPM and CAPM are examples of methods falling into the second
21 general approach. An equity risk premium is made first by determining the
22 relationship between the cost of equity and an interest rate over time.
23 To implement these approaches, it is generally assumed that the past relationship
24 will continue on into the future. The RPM generally uses a small subset of the
25 capital market evidence whereas the CAPM uses information on all securities
26 rather than a small subset. I will explain the RPM and CAPM in more detail later.

1 For now, both the RPM and CAPM reflect a risk-return relationship, often depicted
2 graphically as the CML. The RPM and CAPM cost of equity estimates are the sum
3 of a risk-free return and a risk premium.

4 Each of these methods measures investor expectations. In the final analysis,
5 ROE estimates are subjective and should be based on sound, informed judgment
6 rationally articulated and supported by competent evidence. I have applied two
7 versions of the DCF, one version of the RPM, and two versions of the CAPM to
8 “bracket” the fair cost of equity capital for the publicly traded water utilities in my
9 proxy group. I then add risk premiums to results of the models for the water proxy
10 group to account for the differences in risk (business, regulatory, liquidity) between
11 the water proxy group and the two Applicants.

12 **C. Explanation of the DCF Model and Its Inputs.**

13 **Q. PLEASE EXPLAIN THE DCF METHOD OF ESTIMATING THE COST OF**
14 **EQUITY.**

15 A. The DCF model is based on the concept that the current price of a share of stock is
16 equal to the present value of future cash flows from the purchase of the stock.
17 In other words, the DCF model is an attempt to replicate the market valuation
18 process that sets the price investors are willing to pay for a share of an entity’s
19 stock. It rests on the assumption that investors rely on the expected returns (i.e.,
20 cash flow they expect to receive) to set the price of a security. The DCF model in
21 its most general form is:

22 [6]
$$P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + CF_n/(1+k)^n$$

23 where k is the cost of equity; n the number of years and is a very large number; P₀
24 is the current stock price; and, CF₁, CF₂,...CF_n are all the expected future cash
25 flows expected to be received in periods 1, 2, ... n.
26

1 Equation [6] can be written to show that the current price (P_0) is also equal
2 to

$$3 \quad [7] \quad P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + P_t/(1+k)^t$$

4 where P_t is the price expected to be received at the end of the period t . If the future
5 price (P_t) included a premium (an expected increase in the stock price or capital
6 gain), the price the investor would pay today (in anticipation of receiving that
7 premium) would increase. In other words, by estimating the cash flows from the
8 purchase of a stock in the form of dividends and capital gains, we can calculate the
9 investor's required rate of return, i.e., the rate of return an investor presumptively
10 used in bidding the current price to the stock (P_0) to its current level.

11 Equation [7] is a Market Price version of the DCF model. As with the
12 general form of the DCF model in equation [6], in the Market Price approach the
13 current stock price (P_0) is the present value of the expected cash inflows. The cash
14 flows are comprised of dividends and the final selling price of the stock.
15 The estimated cost of equity (k) is the rate of return investors expect if they bought
16 the stock at today's price, held the stock and received dividends through the
17 transition period, and then sold it for price (P_t).

18 **Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET
19 PRICE VERSION OF THE DCF MODEL?**

20 **A.** Yes. Assume an investor buys a share of common stock for \$40. If the expected
21 dividend during the coming year is \$2.00, then the expected dividend yield is
22 5 percent ($\$2.00/\$40 = 5.0$ percent). If the stock price is also expected to increase
23 to \$43.00 after one year, this \$3.00 expected gain adds an additional 7.5 percent to
24 the expected total rate of return ($\$3.00/\$40 = 7.5$ percent). Thus, the investor
25 buying the stock at \$40 per share expects a total return of 12.5 percent (5 percent
26 dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent

1 is the appropriate measure of the cost of capital because this is the rate of return
2 that caused the investor to commit \$40 of his capital by purchasing the stock.

3 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF**
4 **MODEL.**

5 A. Under the assumption that future cash flow is expected to grow at a constant rate
6 (“g”), equation [6] can be solved for k and rearranged into the simple form:

7 [8] $k = CF_1/P_0 + g$

8 where CF_1/P_0 is the expected dividend yield and g is the expected long-term
9 dividend (price) growth rate (“g”). The expected dividend yield is computed as the
10 ratio of next period’s expected dividend (“ CF_1 ”) divided by the current stock price
11 (“ P_0 ”).

12 This form of the DCF model is known as the constant growth DCF model
13 and recognizes that investors expect to receive a portion of their total return in the
14 form of current dividends and the remainder through future dividends and capital
15 (price) appreciation. A key assumption of this form of the model is that investors
16 expect that same rate of return (k) every year and that market price grows at the
17 same rate as dividends. But, this has not been historically true for the water utility
18 sample, as shown by the data in Schedule D-4.4 and Schedule D-4.5. As a result,
19 estimates of long-term growth rates (g) should take this into account.

20 **Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE DCF MODEL**
21 **TO UTILITY STOCKS?**

22 A. Yes, there are a number of reasons why caution must be used when applying the
23 DCF model to utility stocks. First, a non-publicly traded company does not have a
24 stock market price. Using the stock prices from a proxy group assumes that the
25 stock of Liberty Rio Rico and Liberty Bella Vista would be similarly priced and
26 has similar dividend yields as the publicly traded water companies. Second, the

1 stock price and dividend yield components may be unduly influenced by structural
2 changes in the industry, such as mergers and acquisitions, which influence investor
3 expectations. Third, the DCF model is based on a number of assumptions that may
4 not be realistic given the current capital market environment. The traditional DCF
5 model assumes that the stock price, book value, dividends, and earnings all grow at
6 the same rate. This has not been historically true for the sample water utility
7 companies.

8 We should be especially concerned with the DCF model's applicability
9 under current market conditions. The Federal Reserve's bond buying programs
10 have kept longer-term bond yields low and interest rates are expected to rise,¹⁸ but
11 in the meantime, and because bond yields are still very low, investors are "chasing
12 yields" and driving up the stock prices of companies that pay dividends, like
13 utilities. The *Value Line* Investment Survey (April 17, 2015) for the for the Water
14 Utility Industry notes:

15 Low bond yields seem to have driven many income-
16 oriented investors into the equity markets. All this
17 money chasing income has brought down the yield on
18 water utilities, relative to the average stock. Currently,
the yield of a typical water utility is only about 60 to 65
basis points higher than the average stock. This spread
is very low, on an historical basis.

19 Consider that while dividend yields for the water proxy group have been
20 decreasing, 3-year, and 5-year annualized total returns for the water proxy group
21 are 12.09 percent and 11.62 percent, respectively, which are all significantly higher
22 than my DCF estimate of the cost of equity of 9.0 to 10.2 percent.¹⁹ The expected
23 equity returns suggested by the market based DCF model does not line up with
24 recent experience in the markets. As Dr. Morin notes,

25 ¹⁸ *Blue Chip Financial Forecasts*, August 2015.

26 ¹⁹ *Value Line* Analyzer data from October 1, 2015.

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To the extent that increases (decreases) in relative market valuation are anticipated by investors, especially myopic investors with short-term investment horizons, the standard DCF model will understate (overstate) the cost of equity.

Another way of stating this point is that the DCF model does not account for the ebb and flow of investor sentiments over the course of the business cycle. The problem was particularly acute in the mid 1990's and mid 2000's where investors, faced with very low returns on short-term fixed-income securities and an uncertain market outlook, sought higher yields offered by utility stocks in a so-called flight to quality, boosting their stock price and lowering the dividend yield.²⁰ The circumstances then are not so different than what is occurring today.

Fourth, the application of the DCF model produces estimates of the cost of equity that are consistent with investor expectations *only* when the market price of a stock and the stock's book value are approximately the same. The DCF model will understate the cost of equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is that the market-derived return produced by the DCF is often applied to book value rate base by regulators.

Fifth, the assumption of a constant growth rate may be unrealistic, and there may be difficulty in finding an adequate proxy for the growth rate. Historical growth rates can be downward biased as a result of the impact of anemic historical growth rates in earnings, mergers and acquisitions, restructuring, unfavorable regulatory decisions, and even abnormal weather patterns. Further, by placing too much emphasis on the past, the estimation of future growth becomes circular.

²⁰ Morin, p. 433.

1 Q. THANK YOU. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR
2 DCF MODELS. WHAT DATA HAVE YOU USED TO COMPUTE THE
3 EXPECTED DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?

4 A. First, I computed a current dividend yield (CF_0/P_0). The expected dividend yield
5 (CF_1/P_0) is the current dividend yield (CF_0/P_0) times one plus the growth rate (g).
6 I used the spot price for each of the stocks of the water utilities in the sample group
7 as reported by the *Value Line Investment Analyzer* for October 2, 2015 for P_0 .
8 The current dividend (CF_0) is the current indicated dividend as reported by Value
9 Line. In my schedules, the current dividend yield is denoted as (D_0/P_0), where D_0
10 is the current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the
11 expected dividend yield in the schedules.

12 Q. WHAT MEASURES OF GROWTH (“g”) HAVE YOU USED?

13 A. I have used two estimates of growth – one based on an average of historical and
14 forecast growth and the other based only on forecast growth. For my average
15 historical and forecast growth estimate, I averaged the 5-year historical average
16 growth rates in the stock price, book value per share (“BVPS”), earnings per share
17 (“EPS”) and dividends per share (“DPS”) with *Value Line's* forecast of EPS
18 growth.²¹ Using the historical average of growth in price, BVPS, EPS, and DPS is
19 reasonable because investors know that, in equilibrium, common stock prices,
20 BVPS, EPS and DPS will all grow at the same rate and would take information
21 about changes in stock prices and growth in BVPS into account when they price
22 utility stocks. As I stated earlier, a basic assumption of the DCF model is that the
23 stock price, BVPS, EPS and DPS all grow at the same rate. For my forecast
24 growth estimate, I have used the growth forecasts from *Value Line*.²²

25 ²¹ See Schedule D-4.4.

26 ²² See *id.*

1 **Q. WHY DID YOU INCORPORATE AN HISTORICAL GROWTH RATE**
2 **ESTIMATE INTO ONE OF YOUR GROWTH ESTIMATES?**

3 A. Past growth rates may provide a reasonable basis for determining prospective
4 growth rates. Their use assumes the past is a reflection of the future. While I
5 believe the use of historical growth rates give added recognition to the past, which
6 is already incorporated into analyst estimates of growth, I nevertheless include a
7 version of the DCF that reflects historical growth. I would point out, however, that
8 historical growth rates may not be the best measure for the future. The empirical
9 evidence indicates that analyst estimates of growth are the best measure of growth
10 for use in the DCF for utility stocks.²³

11 **Q. WHY DID YOU USE FORECASTED GROWTH RATES IN YOUR**
12 **GROWTH ESTIMATES?**

13 A. The DCF model requires estimates of growth that investors expect in the future and
14 not past estimates of growth that have already occurred. Accordingly, I use
15 analysts' forecasts of growth. Logically, in estimating future growth, financial
16 institutions and analysts have taken into account all relevant historical information

17 ²³ Gordon, David A., Gordon, Myron J. and Gould, Lawrence I., "Choice Among
18 Methods of Estimating Share Yield," *Journal of Portfolio Management*, Spring 1989, pp.
19 50-55. Gordon, Gordon and Gould found that a consensus of analysts' forecasts of
20 earnings per share growth for the next five years provides a more accurate estimate of
21 growth required in the DCF model than three different historical measures of growth
22 (historical EPS, historical DPS, and historical retention growth). They explain that this
23 result makes sense because analysts would take into account such past growth as
24 indicators of future growth as well as any new information. Other studies confirm the
25 superiority of analysts' estimates such as Vander Weide, James H. and Carleton, Willard
26 T., "Investor Growth Expectations: Analysts vs. History," *Journal of Portfolio
Management*, Spring 1988, pp. 78-87, Brown, Lawrence D. and Rozeff, Michael S.,
"The Superiority of Analyst Forecasts as Measures of Expectations: Evidence from
Earnings," *Journal of Finance*, March 1978, pp. 1-16, and Timme, Stephen G. and
Eisemann, Peter C., "On the Use of Consensus Forecasts of Growth in the Constant
Growth Model: The Case for Electric Utilities," *Journal of Financial Management*,
Winter 1989, pp. 23-35. A 2004 study by the Kentucky Public Service Commission
Advance Research Center updated the study by Vander Weide and Carleton (1988)
confirmed the superiority of analyst estimates over historical averages.

1 on an entity as well as other more recent information.²⁴ To the extent that past
2 results provide useful indications of future growth prospects, analysts' forecasts
3 would already incorporate that information. In addition, a stock's current price
4 reflects known historic information on that entity, including its past earnings
5 history. Any further recognition of the past will double count what has already
6 occurred. Therefore, forward-looking growth rates should be used.

7 **Q. HAVE YOU ADJUSTED YOUR DCF RESULTS?**

8 A. Yes. I have removed any indicated DCF result below 7.1 percent (the expected
9 cost of Baa bonds plus 100 basis points) when computing the average DCF result
10 for the water proxy group. For example, the DCF indicated result on Schedule D-
11 4.7, page 1, is just 4.08 percent for SJW water. This result is not plausible.
12 Investors will not invest in risky common stocks if they can earn a higher return on
13 less risky investment grade bonds.

14 **D. Explanation of the RPM and Its Inputs.**

15 **Q. PLEASE EXPLAIN THE RPM METHODOLOGY FOR ESTIMATING**
16 **THE COST OF EQUITY.**

17 A. The RPM is sometimes referred to as the "bond yield plus risk premium method."
18 The general approach is to determine the spread between the return on debt and the
19 return on equity, and to add this spread to the current debt yield to derive an
20 estimate of the cost of equity. To implement the RPM, it is assumed that the past
21 relationship will continue into the future. The RPM is widely used by analysts and
22 investors.²⁵

23
24
25 ²⁴ Gordon, Gordon, and Gould.

26 ²⁵ Morin, p. 108.

1 The RPM formula provides a formal risk-return relationship and is stated as:

2 (6) $k = K_d + \text{Historical bond-equity spread}$

3 where k is the expected return on equity and K_d is the current cost of debt or debt
4 yield.

5 **Q. HOW DID YOU DETERMINE THE HISTORICAL BOND-EQUITY**
6 **SPREAD?**

7 A. I computed the bond-equity spread as the difference between the average total
8 realized market return of my water proxy group and the average annual long-term
9 treasury yields for the years 1999-2014 - a 16-year historical period.²⁶

10 **Q. WHY DID YOU USE TOTAL REALIZED MARKET RETURNS?**

11 A. Total realized market returns are market based which makes this approach a
12 market-based approach. While the annual actual risk premium in any given year
13 may not equal the required risk premium, over longer periods of time, the average
14 actual risk premiums can provide a good estimate of the average risk premium
15 required.

16 **Q. WHAT DO YOU USE AS THE CURRENT COST OF DEBT (K_d)?**

17 A. I use the expected U.S. Long-term Treasury rate for 2016-2018 as the basis for the
18 risk free rate. Since the cost of capital is an opportunity cost and is prospective, it
19 necessarily requires the use of a forward-looking bond yield. In recent years,
20 interest rates have dropped to very low levels when compared to interest rates for
21 similar securities in the past. From 1999 to 2007, the annual average rate for long-
22 term Treasury bonds was 5.24 percent, ranging from a low of 4.84 percent in 2007
23 to a high of 5.94 in 2000. In 2008, and during the recent recession, that annual
24 average dropped to 4.24 percent and dropped further in 2012 to 2.9 percent.

25
26 ²⁶ See Schedule D-4.9.

1 The drop in long-term Treasury rates has been largely attributed to the
2 market intervention by the Federal Reserve through its quantitative easing
3 programs. Long-term Treasury rates for 2013 and 2014 averaged 3.45 percent and
4 3.34 percent, respectively. For the first 9 months of 2015, long-term Treasury rates
5 have averaged 2.8 percent. The Federal Reserve is expected to raise interest rates
6 towards the end of this year.²⁷ Notwithstanding these current low rates, long-term
7 Treasury rates are expected to bounce back up in 2016-2018 timeframe. Analysts
8 at *Value Line* expect that future average to be 3.9 percent. The consensus estimate
9 made by analysts surveyed by the *Blue Chip Financial Forecasts* indicates analysts
10 expect that average to be higher at 4.2 percent. For my analyses, I have relied upon
11 the average of *Value Line Quarterly Forecast* forecasts and the consensus forecast
12 reported by *Blue Chip Financial Forecasts* of 4.1 percent.²⁸

13 **Q. WHY DO YOU USE LONG-TERM U.S. TREASURY YIELDS?**

14 A. The yields on long-term Treasury bonds match more closely with the perpetual
15 nature of common stock investments.²⁹ Further, short-term rates are more volatile,
16 fluctuate widely and are subject to more random disturbances than long-term rates.
17 In short, long-term Treasury rates are preferred for these reasons and because long-
18 term rates are more appropriately matched to securities with an indefinite life or
19 long-term investment horizon.

20 **E. Explanation of the CAPM and Its Inputs.**

21 **Q. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING**
22 **THE COST OF EQUITY.**

23 A. Like the RPM, the CAPM is the sum of a risk-free rate plus a risk premium. And,

24 ²⁷ *Blue Chip Financial Forecasts*, October 2015.

25 ²⁸ See Schedule D-4.8.

26 ²⁹ Morin p. 112.

1 like the RPM, it quantifies the additional return required by investors for bearing
2 incremental risk. The CAPM was developed by William Sharpe and John Lintner
3 in the mid-1960's and is a common topic in college finance textbooks. The CAPM
4 provides a formal risk-return relationship premised on the idea that only market
5 risk matters, as measured by beta. The traditional version of CAPM is represented
6 by the formula:

7
$$[9] k = R_f + \beta(R_m - R_f)$$

8 where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m is the
9 market return, $(R_m - R_f)$ is the market risk premium, and β is beta.

10 **Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE CAPM MODEL**
11 **TO UTILITY STOCKS?**

12 A. Yes. I have concerns with using this model in most periods because mechanical
13 application of the model may produce unreasonable results. The traditional CAPM
14 only captures a single measure of systematic risk as measured by beta, but there are
15 other forms of systematic risk priced by the market such as company size. A size
16 premium is necessary because, even after adjusting for the beta risk of small
17 stocks, they generally outperform larger stocks. Size may just be a proxy for other
18 risks. Nevertheless, the empirical evidence indicates that beta alone does not
19 measure the risk of smaller companies.³⁰

20 **Q. ARE THERE ALTERNATIVES TO THE TRADITIONAL CAPM?**

21 A. Yes, alternative versions of the CAPM have been developed that provide more
22 robust explanations of returns required by investors. A version of the CAPM
23 called the Empirical CAPM or ECAPM was developed to recognize that
24 estimations of R_f are higher than the return on long-term Treasuries. Dr. Roger
25

26 ³⁰ *Duff & Phelps*, pp. 2-5.

1 Morin discusses ECAPM at pages 189-191 of his book, *New Regulatory Finance*.
2 The ECPAM is represented as follows:

3 [10] $k = R_f + .25(R_m - R_f) + .75\beta(R_m - R_f)$

4 *Duff & Phelps* suggest a version of the CAPM in which a size premium is
5 included.³¹ This modified CAPM or MCAPM is represented as follows:

6 [11] $k = R_f + \beta(R_m - R_f) + RP_s$

7 where k is the expected return, R_f is the risk-free rate (or zero beta asset), R_m
8 is the market return, $(R_m - R_f)$ is the market risk premium, β is beta, and RP_s is the
9 size premium. The MCAPM recognizes the CAPM is incomplete and does not
10 fully account for the higher returns that are needed on small company stocks.
11 In other words, the higher risks associated with smaller firms are not fully
12 accounted for by beta.³²

13 **Q. IS FIRM SIZE A UNIQUE RISK?**

14 A. No. The firm size is a systematic risk factor and is an adjustment to the pure
15 CAPM.³³ Putting aside the empirical financial data, the need for a risk premium
16 for size makes sense. Company size is a significant element of business risk for
17 which investors expect to be compensated through greater returns. As discussed
18 earlier, smaller companies are simply less able to cope with significant events that
19 impact sales, revenues, and earnings. For example, smaller companies face more
20 risk exposure to business cycles and economic conditions, both nationally and
21 locally. Additionally, the loss of revenues from a few larger customers would have
22 a greater effect on a small entity than on a much larger entity with a larger, more

23 ³¹ *Duff & Phelps*, pp. 2-7.

24 ³² *Morningstar, Ibbotson SBBI 2013 Valuation Yearbook*, pp. 85-88.

25 ³³ Pratt, Shannon P. and Roger J. Grabowski. *Cost of Capital: Applications and*
26 *Examples, Fourth Edition*. John Wiley and Sons, 2010, p. 56.

1 diverse, customer base. Moreover, smaller companies are generally less diverse in
2 their operations and have less financial flexibility.

3 **Q. DID YOU EMPLOY EITHER OF THESE ALTERNATIVE CAPM**
4 **METHODS (EQUATIONS 10 AND 11) AS PART OF YOUR ANALYSIS?**

5 A. No. Instead, I conducted a risk study to develop an indicated additional risk
6 premium for Liberty Rio Rico and Liberty Bella Vista. Based on this study,
7 I added a risk premium to the results of each method I use (the DCF, RPM, and the
8 CAPM) as an alternative way of dealing with additional risk associated with
9 Liberty Rio Rico and Liberty Bella Vista. Having said that, these two methods
10 would produce an indicated cost of equity for my water proxy group in the range of
11 9.7 percent to 11.7 percent with a mid-point of 10.7 percent, which is greater than
12 my overall estimate for my water proxy group of 10.0 percent.

13 **Q. WHAT IS THE RISK-FREE RATE (R_f)?**

14 A. It is the return on an investment with no risk. The U.S. Treasury rate serves as the
15 basis for the risk-free rate because the yields are directly observable in the market
16 and are backed by the U.S. government. Practically speaking, short-term rates are
17 volatile, fluctuate widely and are subject to more random disturbances than long-
18 term rates. In short, long-term Treasury rates are preferred for these reasons and
19 because long-term rates are more appropriately matched to securities with an
20 indefinite life or long-term investment horizon.

21 **Q. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?**

22 A. I use long-term expected Treasury bond rates as the measure of the risk-free return
23 for use with CAPM cost of equity estimates from two sources: the *Blue Chip*
24 *Financial Forecasts* and the *Value Line Quarterly Forecast*.³⁴ The appropriate

25
26 ³⁴ See Schedule D-4.9.

1 choice for the risk-free rate is the *expected* return for long-term Treasury
2 securities.³⁵ Thus, when determining an estimate of the risk-free rate, it is
3 appropriate to adopt a return that is no less than the expected return on the long-
4 term Treasury bond rate. Both of my CAPM estimates are based on expected
5 yields of the long-term Treasury rates for 2016 through 2018 (from *Blue Chip*
6 *Financial Forecasts* and *Value Line Quarterly Forecasts*).³⁶

7 **Q. WHAT IS BETA AND WHAT DOES IT MEASURE?**

8 A. Beta is a measure of the relative risk of a security in relation to the market.
9 In other words, it is a measure of the sensitivity of a security to the market as a
10 whole. This sensitivity is also known as systematic risk. It is estimated by
11 regressing a security's excess returns against a market portfolio's excess returns.
12 The slope of the regression line is the beta.

13 Beta for the market is 1.0. A security with a beta greater than 1.0 is
14 considered riskier than the market. A security with a beta less than 1.0 is
15 considered less risky than the market.

16 There are computational problems surrounding beta. It depends on the
17 return data, the time period used, its duration, the choice of the market index, and
18 whether annual, monthly, or weekly return figures are used. Betas are estimated
19 with error. Based on empirical evidence, high betas will tend to have a positive
20 error (risk is overestimated) and low betas will have a negative error (risk is
21 underestimated).³⁷

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23
24 ³⁵ *Duff & Phelps*, p. 3-1.

25 ³⁶ See Schedule D-4.8.

26 ³⁷ Fama, Eugene F. and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives*, Summer 2004, pp. 25-46.

1 **Q. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR LIBERTY**
2 **RIO RICO AND LIBERTY BELLA VISTA?**

3 A. I used the average beta of the sample water utility companies. Betas were obtained
4 from *Value Line Investment Analyzer* (weekly data as if October 1, 2015).
5 *Value Line* is the source for estimated betas that I regularly employ. The average
6 beta for my water proxy group as shown on Schedule D-4.2 is 0.73. I should note
7 that because neither of the two utilities is publicly traded, they have no beta. In my
8 expert opinion, I strongly believe that both utilities, if each were publicly traded,
9 would have higher betas than the sample water utility companies.

10 Smaller companies are just inherently more risky than larger companies.
11 *Morningstar* reports that when betas (a measure of market risk) are properly
12 estimated, betas are greater for small companies than for larger companies.³⁸
13 *Morningstar* also finds that even after accounting for differences in beta risk, small
14 firms require an additional risk premium over and above the added risk premium
15 indicated by differences in beta risk.

16 **Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM.**

17 A. The market-risk premium ($R_m - R_f$) is the return an investor expects to receive as
18 compensation for market risk. It is the expected market return minus the risk-free
19 rate. Approaches for estimating the market risk premium can be historical or
20 prospective.

21 Since expected returns are not directly observable, historical realized returns
22 are often used as a proxy for expected returns on the basis that the historical market
23 risk premium follows what is known in statistics as a “random walk.” If the
24 historical risk premium does follow the random walk, then one should expect the

25
26 ³⁸ Morningstar, *Ibbotson SBBi 2013 Valuation Yearbook*, Chapter 7.

1 risk premium to remain at its historical mean. Based on this argument, the best
2 estimate of the future market risk premium is the historical mean. *Duff & Phelps*
3 provides historical market returns for various asset classes from 1926 to 2014.
4 This publication also provides market risk premiums over U.S. Treasury bonds,
5 which makes it an excellent source for historical market risk premiums.

6 Prospective market risk premium estimation approaches necessarily require
7 examining the returns expected from common equities and bonds. One method
8 employs application of the DCF model to a representative market index such as the
9 *Value Line* 1700 stocks. The expected return from the DCF is measured for a
10 number of periods of time, and then subtracted from the prevailing risk-free rate for
11 each period to arrive at market risk premium for each period. The market risk
12 premium subsequently employed in the CAPM is the average market risk premium
13 of the overall period.

14 **Q. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU**
15 **PREPARE?**

16 A. I used two market risk premium estimates: an historical market risk premium and a
17 current market risk premium.

18 **Q. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK**
19 **PREMIUM?**

20 A. I used the *Duff & Phelps* measure of the average premium of the market over long-
21 term treasury securities from 1926 through 2014, which uses the S&P 500 market
22 index. The average historical market risk premium over long-term treasury
23 securities is 7.0 percent.

24 **Q. IS THE S&P 500 INDEX A LARGE COMPANY INDEX?**

25 A. Yes. The S&P 500 consists of the 500 largest companies and only approximately
26 20 percent of the S&P 500 would be considered Mid-Cap companies. Further,

1 there are no companies in the Low-Cap or Micro-Cap categories. Because it is
2 heavily weighted with Large-Cap companies, the S&P 500 is essentially a large
3 company index. *Morningstar* refers to the S&P 500 as a large company index and
4 cautions that “if using a large company index to calculate the equity risk premium,
5 an adjustment is usually needed to account for the different risk and return
6 characteristics of small stocks.”³⁹

7 **Q. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?**

8 A. I derived a market risk premium by first, using the DCF model to compute an
9 expected market return for each of the past 12 months using *Value Line*'s
10 projections of the median dividend yield for the dividend yield in the DCF and an
11 average of the median EPS, DPS and BVPS growth on the *Value Line* 1700 stocks.
12 I then subtracted the historical monthly average 30-year Treasury yield for each
13 month from the expected market returns to arrive at the expected market risk
14 premiums. Finally, I averaged the computed market risk premiums to determine
15 the current market risk premium for the last 12 months, 9 months, 6 months, and 3
16 months. The data and computations are shown on Schedule D-4.10. The recent
17 3 month average current market risk premium is 8.93 percent. Estimates of the
18 current market risk premium have ranged from 8.45 percent to 9.72 percent over
19 the past 12 months. My recommended market risk premium is based on the recent
20 3-month average estimate of 8.93 percent somewhat below the mid-point of the
21 range of the past 12-months.

22
23
24
25
26 ³⁹ *Morningstar, 2014 Ibbotson S&P 500 2014 Classic Yearbook, p. 152.*

1 **F. Financial Risk Adjustment.**

2 **Q. ARE YOU RECOMMENDING A FINANCIAL RISK ADJUSTMENT TO**
3 **ACCOUNT FOR DIFFERENCES IN LEVERAGE BETWEEN YOUR**
4 **WATER PROXY GROUP AND THE APPLICANTS?**

5 A. Yes. I have included a downward financial risk adjustment to the cost of equity of
6 40 basis points based upon the Hamada method⁴⁰ to account for the difference in
7 financial risk between the Applicants and the water proxy group.⁴¹

8 **G. Company Specific Risk Premium.**

9 **Q. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.**

10 A. As I testified earlier, Liberty Rio Rico and Liberty Bella Vista are not directly
11 comparable to the publicly traded water utilities in my water proxy group. The
12 characteristics associated with small size, such as the lack of diversification,
13 limited revenue and cash flow, relatively small customer base, lack of investment
14 liquidity, and earnings volatility, increase the risk faced by smaller water and
15 wastewater utilities over the risk associated with the water proxy group.

16 **Q. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.**

17 A. Investment risk increases as the firm size decreases, all else remaining constant.
18 There is a great deal of empirical evidence that the firm size phenomenon exists.
19 Morningstar's *Ibbotson SBBI 2013 Valuation Yearbook* (Chapter 7) reports that
20 smaller companies have experienced higher returns that are not fully explainable
21 by their higher betas and that beta is inversely related to firm size. In other words,
22 smaller companies not only have higher betas but higher returns than larger ones.
23 Even after accounting for differences in beta risk, small companies require an

24
25 ⁴⁰ Hamada, Robert S., "Effects of the Firm's Capital Structure on Systematic Risk of
Common Stock," *Journal of Finance*, Vol. 27 No. 2 (May 1972) pp. 435 – 453.

26 ⁴¹ See Schedule D-4.14, page 1 and Schedule D-4.14, page 2.

1 additional risk premium over and above the added risk premium indicated by
2 differences in beta risk. Dr. Zepp also reported evidence that the stocks of small
3 water or wastewater utilities are more risky than the stocks of larger water utilities,
4 such as those in the water utilities sample.⁴² And the California PUC conducted a
5 study that showed smaller water utilities are more risky than larger ones.⁴³ Based
6 on the evidence, it is clear that investors require higher returns on small company
7 stocks than on large company stocks. I have included in Schedule D-4.15 the
8 results of a *Morningstar* study using annual data reporting the size premium based
9 upon firm size and return data (i) provided in Duff & Phelps *2015 Valuation*
10 *Handbook, Guide to Cost of Capital*, and (ii) contained in Dr. Thomas M. Zepp's
11 2003 article in *The Quarterly Review Economic and Finance*. Based on these
12 sources, I have estimated that a small company risk premium in the range of 99 to
13 367 basis points is appropriate for Liberty Rio Rico and Liberty Bella Vista.

14 **Q. HAVE YOU CONDUCTED A COMPARATIVE RISK STUDY TO**
15 **DEVELOP AN INDICATED RISK PREMIUM FOR THE APPLICANTS?**

16 A. Yes. Attached as **Exhibit TJB-COC-DT2** and **Exhibit TJB-COC-DT3** are the
17 risk studies I prepared for Liberty Rio Rico and Liberty Bella Vista, respectively.
18 To conduct my risk studies, I started by computing the 5-year historical operating
19 margin, coefficient of variation of operating margin, coefficient of variation of
20 ROE for each utility. Operating margin is a measure of profitability. The co-
21 efficient of variation of operating margin is a measure of earnings variability. Both
22 of these metrics are highly correlated with size and risk. Next, I cross-referenced
23

24 ⁴² Zepp, Thomas M., *Utility Stocks and the Size Effect – Revisited*, *The Quarterly Review*
25 *Economics and Finance*, Vol. 43, Issue 3, Autumn 2003, pp. 578-582.

26 ⁴³ Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and CPUC
Decision 92-03-093.

1 these metrics with data published by *Duff & Phelps*⁴⁴ and identified the
2 corresponding market portfolio beta for the utility and for my water proxy group.
3 I then computed the relative difference in beta between each utility and my proxy
4 group. Assuming that the relative difference in the market portfolio beta for the all
5 publicly traded companies is the same for publicly traded water utilities, I then
6 computed an implied beta for each utility using the difference in portfolio betas.⁴⁵
7 Finally, I used the CAPM to compute the indicated cost of equity for each utility
8 and compared the results to the CAPM results for my water proxy group.⁴⁶

9 **Q. BASED ON YOUR COMPARATIVE RISK STUDY, WHAT ADDITIONAL**
10 **RISK PREMIUM IS INDICATED?**

11 A. The indicated risk premium for Liberty Rio Rico is in the range of 100 to 140 basis
12 points. The indicated risk premium for Liberty Bella Vista is in the range of 160 to
13 210 basis points.

14 **Q. WHAT COMPANY SPECIFIC-RISK PREMIUMS DO YOU RECOMMEND**
15 **FOR EACH OF THE APPLICANTS?**

16 A. For Liberty Rio Rico I added an upward risk premium of 110 basis points to the
17 results of my models, which is near the middle of the range of my risk premium
18 estimates. I also recommend a 30 basis point downward adjustment for the
19 difference in financial risk between Liberty Rio Rico and the water proxy group.
20 In effect, the net upward adjustment to the indicated cost of equity is 80 basis
21 points (110 basis points less 30 basis points). My recommended 10.8 percent
22 return on equity is 80 basis points above the midpoint of the overall results for the
23 water proxy group of 10.0 percent.

24 ⁴⁴ *Duff & Phelps*, Exhibits D-1, and D-2.

25 ⁴⁵ See page 1 of **Exhibit TJB-COC-DT2**.

26 ⁴⁶ See page 2 of **Exhibit TJB-COC-DT2**.

1 For Liberty Bella Vista I added an upward risk premium of 190 basis points
2 to the results of my models, which is well below the bottom end of the range of my
3 risk premium estimates. I also recommend a 30 basis point downward adjustment
4 for the difference in financial risk between Liberty Bella Vista and the water proxy
5 group. In effect, the net upward adjustment to the indicated cost of equity is 160
6 basis points (190 basis points less 30 basis points). My recommended 11.6 percent
7 return on equity is 160 basis points above the midpoint of the overall results for the
8 water proxy group of 10.0 percent.

9 **H. Summary and Conclusions.**

10 **Q. HAVE YOU PREPARED A SCHEDULE THAT SUMMARIZES YOUR**
11 **EQUITY COST ESTIMATES AND PRESENTS YOUR**
12 **RECOMMENDATIONS?**

13 A. Yes. The equity cost estimates and my recommendations are summarized in
14 Schedule D-4.1, pages 1 and 2, for Liberty Rio Rico and Liberty Bella Vista,
15 respectively.

16 In the first part of my analysis, I applied two versions of the constant growth
17 DCF model; one using historical and forecast growth and one using only forecast
18 growth. The DCF models produce an indicated equity cost for the water proxy
19 group in the range of 9.0 percent to 10.2 percent.⁴⁷

20 In the second part of my analysis, I applied a RPM. I used historical annual
21 total market returns for the water proxy group and historical average annual
22 average long-term treasury yields to develop an equity risk premium to which I
23 added the expected long-term treasury to estimate the current cost of equity.
24 My RPM produces an indicated cost of equity of 10.5 percent for the water proxy
25

26 ⁴⁷ See Schedule D-4.7, pages 1 and 2.

1 group.⁴⁸

2 In the third part of my analysis, I applied two versions of the CAPM – a
3 historical risk premium CAPM and a current market risk premium CAPM.
4 The CAPM analyses produce an indicated cost of equity in the range of 9.2 percent
5 to 10.6 percent for the water proxy group.⁴⁹

6 The overall results on the DCF, CAPM, and RPM analyses for the water
7 proxy group are in the range of 9.6 percent to 10.4 percent with a mid-point of
8 10.0 percent.

9 In the fourth part of my analysis, I determine that a downward adjustment of
10 30 basis points is required to account for the difference in financial risk between
11 the water proxy group and Liberty Rio Rico and Liberty Bella Vista.

12 In the fifth part of my analysis, I reviewed the financial literature on the
13 small firm size effect and determined that an appropriate risk premium for small
14 utilities like the two Applicants that should be applied to the DCF, RPM, and
15 CAPM results is the range of 99 to 367 basis points.⁵⁰

16 In the sixth part of my analysis, I conducted a comparative risk study using
17 market based information and financial data for the water proxy group and Liberty
18 Rio Rico. Based upon my comparative risk study using market based information
19 and financial data for the water proxy group and Liberty Rio Rico, I determined the
20 indicated risk premium for Liberty Rio Rico falls in the range of 100 to 140 basis
21 points.⁵¹ I recommend a risk premium of only 110 basis points. Using my
22 recommended risk premium of 110 basis points, the DCF models produce an

23
24 ⁴⁸ See Schedule D-4.9.

25 ⁴⁹ See Schedule D-4.11.

26 ⁵⁰ See Schedule D-4.12.

⁵¹ See **Exhibit TJB-COC-DT2**.

1 indicated equity cost for Liberty Rio Rico in the range of 10.4 percent to
2 11.2 percent. My RPM produces an indicated cost of equity of 11.6 percent for
3 Liberty Rio Rico. My CAPM analyses produce an indicated cost of equity in the
4 range of 10.3 percent to 11.7 percent for Liberty Rio Rico. After adjusting for the
5 difference in financial risk, the range of cost of equity estimates falls in the range
6 of 10.4 to 11.2 percent with a midpoint of 10.8 percent.⁵²

7 Based upon my comparative risk study using market based information and
8 financial data for the water proxy group and Liberty Bella Vista, I determined the
9 indicated risk premium for Liberty Bella Vista falls in the range of 160 to 210 basis
10 points.⁵³ I recommend a risk premium of only 190 basis points. Using my
11 recommended risk premium of 190 basis points, the DCF models produce an
12 indicated equity cost for Liberty Bella Vista in the range of 10.9 percent to
13 12.1 percent. My RPM produces an indicated cost of equity of 12.4 percent for
14 Liberty Bella Vista. My CAPM analyses produce an indicated cost of equity in the
15 range of 11.1 percent to 12.5 percent for Liberty Bella Vista. After adjusting for
16 the difference in financial risk, the range of cost of equity estimates falls in the
17 range of 11.2 to 12.0 percent with a midpoint of 11.6 percent.⁵⁴

18 **Q. WHAT EQUITY RETURN DO YOU RECOMMEND?**

19 A. I am recommending a cost of equity of *no less than* 10.8 percent for Liberty Rio
20 Rico and *no less than* 11.6 percent for Liberty Bella Vista.

21 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON COST OF**
22 **CAPITAL?**

23 A. Yes.

24 ⁵² See Schedule D-4.1, page 1.

25 ⁵³ See Exhibit TJB-COC-DT3.

26 ⁵⁴ See Schedule D-4.1, page 2.

EXHIBIT
TJB-COC-DT1

INDUSTRY TIMELINESS: 59 (of 96)

Stocks in the Water Industry have performed extremely well since our last report three months ago. Indeed, excluding the one nonregulated member of the group, and another that had a company specific issue, the equities in this group earned positive returns, compared to a loss recorded by the S&P 500.

The "Big Picture" remains unchanged for the industry. Following years of underinvestment in the nation's water infrastructure, utilities are now spending heavily to replace old pipes, valves, and wastewater systems. This means that capital expenditures should be substantial through late decade.

Relationships between utilities and state regulators remain generally positive. California is a good example of this, as water companies are working closely with state authorities to keep the area properly serviced during the ongoing historic drought.

The recent strong relative showing of these stocks has reduced the overall attractiveness of many in the group.

A Safe Port In The Storm

Equities in the Water Industry lived up to their reputation as defensive stocks by turning in a stellar performance over the past three turbulent months. Since our last report in mid-July, the stock market has been in an upheaval. Led by the biotech and healthcare sectors, the broader market averages saw an increase in volatility and declined almost 5%. In contrast, the equity price of seven out of the eight regulated companies, in this group, posted an average gain of 5.1%.

Water utilities are viewed as less risky than most industries because they have a well-defined earnings stream. Moreover, whether the economy is vibrant or struggling, households and businesses require water. Demand for water is seasonable, increasing in the summer and declining in the winter. Also, having a big impact on demand is the amount of rainfall. During a particularly wet spring or summer, there is a less of a need to water lawns. Conversely, when there is a drought, the demand for water can rise dramatically. The problem is that people want to use more water at the time it is the scarcest. Regulators can use price (as well as penalties), to decrease usage.

Construction And Consolidation

The United States' pipeline infrastructure is in terrible condition. Over the past five to 10 years, water utilities have, with the assistance of state regulators, begun large construction projects to replace old pipes, valves, and refurbish wastewater systems. In older cities and states, the same pipes laid over 100 years ago are still in use today.

Since many smaller districts do not have the financial wherewithal required to replace old pipelines and bring their facilities up to the EPA's standards, they are selling themselves to larger better-capitalized water entities. Such arrangements, have thus far, proved to be mutually beneficial as the water sector is one industry where plenty of redundancies exist. Purchasers are able to use their resources and expertise, to improve the acquired district's facilities, while reducing costs substantially.

The Importance Of Reasonable Regulation

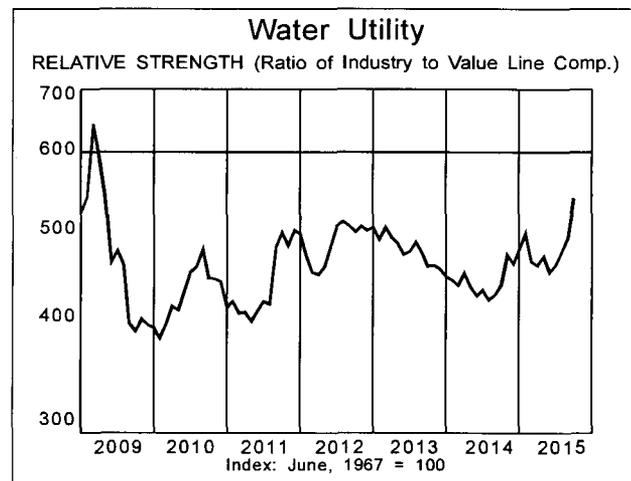
We cannot overstate to investors how large an impact state authorities have on any regulated company, be it an electric, water, or natural gas utility. Most importantly, state regulators establish the allowed return that utilities are allowed to earn on their capital. Furthermore, they can disallow a return on any investment they deem imprudent, leaving the utility and its shareholders to absorb the cost. For water utility investors, the news is relatively good. Regulators and water companies seemed to be in a balanced relationship. State commissions have to protect homeowners from paying for unnecessary expenditures and unneeded expenses. On the other hand, they have to let utilities earn a competitive return on their money, or there will be no incentive for companies to invest the funds needed to maintain their operations.

An excellent example of regulators and utilities working together can be seen in California. In the past, utilities' income depended upon how much water they sold. With the state in the midst of an historic drought making water very scarce, California changed the model used to determine how utilities generate profits. Utilities now are paid what is considered a fee for their services. Thus, with the level of water usage not impacting their bottom lines, (in the long term), they were quick to work with the state to reduce any water losses due to leaks and to help in aggressively urging homeowners to use less water.

Conclusion

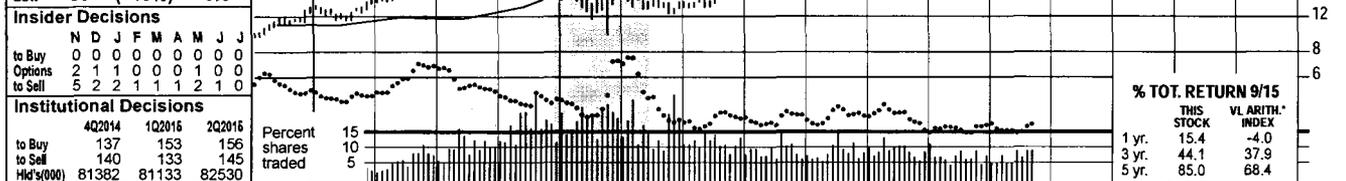
The strong rally in water stocks has left the group less desirable. Currently, the equities of *American States Water* and *American Water Works* are the only two that are ranked to outperform the market in the year ahead. Fortunately, these are two of the three largest companies as measured by market capitalization, so both retail and institutional accounts are both able to take positions in them, should they choose to do so. Over the next three- to five year-period, however, most regulated water utilities seem to be trading at a rich premium. This situation will probably continue until the market settles down and volatility reverts more toward the norm.

James A. Flood



AQUA AMERICA NYSE-WTR

RECENT PRICE	26.83	P/E RATIO	21.3 (Trailing: 21.5, Median: 23.0)	RELATIVE P/E RATIO	1.22	DIV'D YLD	2.7%	VALUE LINE																	
TIMELINESS	3 Lowered 5/24/13	High:	14.8	23.4	23.8	21.3	17.6	17.2	18.4	19.0	21.5	28.1	28.2	28.1	Target Price	Range									
SAFETY	2 Raised 4/20/12	Low:	11.3	14.0	16.1	15.1	9.8	12.3	13.2	15.4	16.8	20.6	22.4	24.4	2018	2019	2020								
TECHNICAL	4 Lowered 10/9/15	LEGENDS - - - - - 1.60 x Dividends p sh divided by Interest Rate Relative Price Strength 5-for-4 split 12/03 4-for-3 split 12/05 5-for-4 split 9/13 Options: Yes Shaded area indicates recession																							
BETA	.75 (1.00 = Market)	2018-20 PROJECTIONS <table border="1"> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total</th> </tr> <tr> <td>High 45</td> <td>(+70%)</td> <td>16%</td> </tr> <tr> <td>Low 30</td> <td>(+10%)</td> <td>6%</td> </tr> </table>															Price	Gain	Ann'l Total	High 45	(+70%)	16%	Low 30	(+10%)	6%
Price	Gain	Ann'l Total																							
High 45	(+70%)	16%																							
Low 30	(+10%)	6%																							



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
1.93	1.97	2.16	2.28	2.38	2.78	3.08	3.23	3.61	3.71	3.93	4.21	4.10	4.32	4.32	4.37	4.60	4.70	Revenues per sh	5.70
.58	.61	.69	.76	.77	.87	.97	1.01	1.10	1.14	1.29	1.42	1.45	1.51	1.82	1.89	2.00	2.10	"Cash Flow" per sh	2.55
.33	.37	.41	.43	.46	.51	.57	.56	.57	.58	.62	.72	.83	.87	1.16	1.20	1.25	1.35	Earnings per sh ^A	1.65
.22	.23	.24	.26	.28	.29	.32	.35	.38	.41	.44	.47	.50	.54	.58	.63	.69	.76	Div'd Decl'd per sh ^{B=C}	1.00
.72	.93	.87	.96	1.06	1.23	1.47	1.64	1.43	1.58	1.66	1.89	1.90	1.98	1.73	1.84	1.90	1.95	Cap'l Spending per sh	2.00
2.74	3.08	3.32	3.49	4.27	4.71	5.04	5.57	5.85	6.26	6.50	6.81	7.21	7.90	8.63	9.27	9.90	10.45	Book Value per sh	11.75
133.50	139.78	142.47	141.49	154.31	158.97	161.21	165.41	166.75	169.21	170.61	172.46	173.60	175.43	177.93	178.59	176.50	175.00	Common Shs Outst'g ^C	170.00
21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.3	21.9	21.2	20.8	20.8	20.8	Avg Ann'l P/E Ratio	22.5
1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.34	1.39	1.19	1.10	1.10	1.10	Relative P/E Ratio	1.40
3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	2.8%	2.8%	2.4%	2.5%	2.5%	2.5%	Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 6/30/15																		
Total Debt \$1735.3 mill. Due in 5 Yrs \$437.0 mill.																		
LT Debt \$1660.5 mill. LT Interest \$70.0 mill. (49% of Cap'l)																		
Pension Assets-12/14 232.4 mill. Oblig. \$281.2 mill.																		
Pfd Stock None																		
Common Stock 176,805,350 shares as of 7/24/15																		
MARKET CAP: \$4.7 billion (Mid Cap)																		

CURRENT POSITION (\$MILL.)																			
Cash Assets	5.1	4.1	4.6	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	5.5%	5.5%	5.5%	5.5%	56%	63%
Receivables	95.4	97.0	109.5	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	50.5%	51.0%	50.5%	51.0%	51.1%	51.5%
Inventory (AvgCst)	11.4	12.8	13.6	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.8%	6.6%	8.0%	7.8%	7.5%	7.5%	7.5%	7.5%	8.0%	7.8%
Other	59.8	38.6	47.7	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	13.0%	13.0%	13.4%	12.9%
Current Assets	171.7	152.5	175.4	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	13.0%	13.0%	13.4%	12.9%
Accts Payable	65.8	60.0	47.5	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	13.0%	13.0%	13.4%	12.9%
Debt Due	123.0	70.0	74.8	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	13.0%	13.0%	13.4%	12.9%
Other	78.1	95.3	81.1	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	13.0%	13.0%	13.4%	12.9%
Current Liab.	266.9	225.3	203.4	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	13.0%	13.0%	13.4%	12.9%

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Has 1,617 employees. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '14: residential, 68%; commercial, 17%; industrial & other, 15%. Officers and directors own .8% of the common stock; Vanguard Group, 7.1%; Blackrock, Inc. 6.7%; State Street Capital Corp., 5.7% (3/15 Proxy). Chairman: Nicholas DeBenedictis. CEO: Christopher Franklin. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Tel.: 610-525-1400. Internet: www.aquaamerica.com.

ANNUAL RATES				
Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14	'12-'14	'18-'20
Revenues	5.5%	3.0%	4.5%	4.5%
"Cash Flow"	8.0%	8.0%	6.5%	6.5%
Earnings	8.5%	13.0%	7.5%	7.5%
Dividends	7.5%	7.0%	9.5%	9.5%
Book Value	7.5%	6.5%	5.5%	5.5%

QUARTERLY REVENUES (\$ mill.)					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	164.0	191.7	214.6	187.5	757.8
2013	180.0	195.7	204.3	188.6	768.6
2014	182.7	195.3	210.5	191.4	779.9
2015	190.3	205.8	220	193.9	810
2016	192	208	225	200	825

EARNINGS PER SHARE ^A					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.15	.24	.29	.19	.87
2013	.26	.30	.36	.24	1.16
2014	.24	.31	.38	.27	1.20
2015	.27	.32	.39	.27	1.25
2016	.28	.34	.42	.31	1.35

QUARTERLY DIVIDENDS PAID ^B					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.124	.124	.124	.132	.50
2012	.132	.132	.132	.14	.54
2013	.14	.14	.152	.152	.58
2014	.152	.152	.165	.165	.63
2015	.165	.165	.178		

(A) Diluted eqs. Excl. nonrec. gains (losses): '99, (9c); '00, 2c; '01, 2c; '02, 4c; '03, 3c; '12, 18c. Excl. gain from disc. operations: '12, 7c; '13, 9c; '14, 11c. May not sum due to rounding. Next earnings report due mid-November. (B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount). (C) In millions, adjusted for stock splits.

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tion, large amounts of capital will be required to pay for the repairs. Since many small municipally run water authorities are in a financial bind, it makes sense for them to be purchased by a larger water company. Because there is a tremendous amount of redundancies in the water industry, companies such as Aqua are able to absorb smaller concerns and substantially reduce overhead. This strategy should help fuel profit growth for the foreseeable future.

Long-term, conservative, income-oriented investors should take note of this stock. Though only ranked to perform in-line with the broader market averages in the coming year, WTR has many attractive attributes. For starters, the stock's yield is 2.7%, which is close to the industry average. This is unusual, as utilities with good dividend growth prospects often carry a much lower yield than a typical member of the group. Moreover, the stock has an A Financial Strength rating, and scores extremely high for both Earnings Predictability (100), and Stock Price Stability (95).

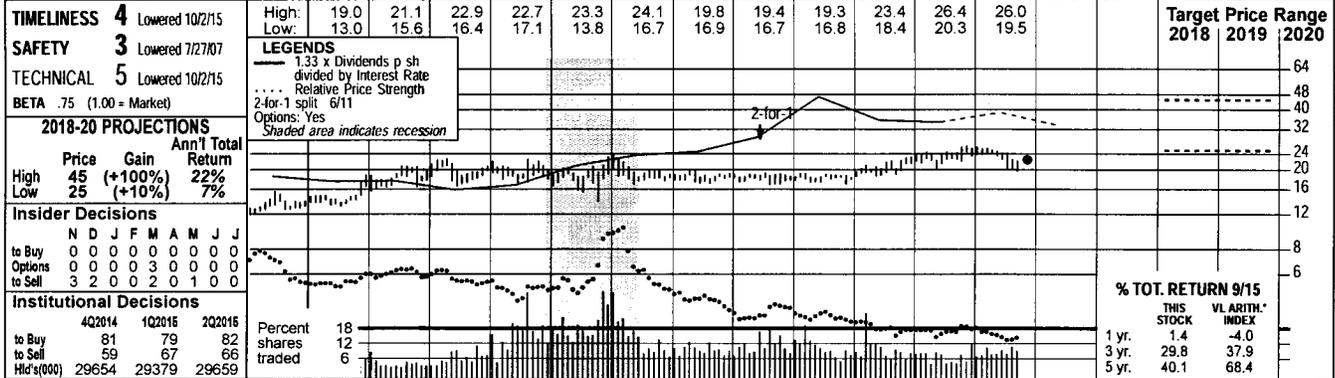
James A. Flood *October 16, 2015*

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	100

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CALIFORNIA WATER NYSE-CWT

RECENT PRICE **22.48** P/E RATIO **19.2** (Trailing: 19.1 Median: 20.0) RELATIVE P/E RATIO **1.10** DIV'D YLD **3.1%** VALUE LINE



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Value Line Pub. LLC	18-20	
Price	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	13.34	12.23	12.50	12.80	Revenues per sh	14.50	
Gain	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	2.07	2.32	2.21	2.47	2.50	2.50	"Cash Flow" per sh	3.25	
Low	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	1.02	1.19	1.15	Earnings per sh A	1.55	
High	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.60	.62	.63	.64	.65	.67	.70	Div'd Decl'd per sh B	.97	
Ann'l Total Return	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	3.04	2.76	3.00	2.76	Cap'l Spending per sh	3.15	
Insider Decisions	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.28	12.54	13.11	13.55	14.15	Book Value per sh C	16.00
Institutional Decisions	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	41.98	47.74	47.81	48.00	48.00	Common Shs Outst'g D	50.00
Percent shares traded	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	17.9	20.1	19.7	19.7	19.7	Avg Ann'l P/E Ratio	23.0
to Buy	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	1.14	1.13	1.04	1.04	1.04	Relative P/E Ratio	1.45
to Sell	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	3.1%	2.8%	2.8%	2.8%	Avg Ann'l Div'd Yield	3.0%
Options																				

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Value Line Pub. LLC	18-20	
Total Debt	320.7	334.7	367.1	410.3	449.4	460.4	501.8	560.0	584.1	597.5	600	600	600	600	600	600	600	600	Revenues (\$mill) E	725
LT Debt	27.2	25.6	31.2	39.8	40.6	37.7	36.1	42.6	47.3	56.7	65.0	65.0	65.0	65.0	65.0	65.0	65.0	65.0	Net Profit (\$mill)	77.5
LT Interest	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	37.5%	30.3%	33.0%	28.0%	29.5%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	Income Tax Rate	36.0%
Cap'l Spending	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	4.3%	2.7%	7.0%	5.5%	7.0%	5.5%	5.5%	5.5%	5.5%	5.5%	AFUDC % to Net Profit	5.0%
Long-Term Debt Ratio	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	47.8%	41.6%	40.1%	42.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%	Long-Term Debt Ratio	41.5%
Common Equity Ratio	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	52.2%	58.4%	59.9%	57.5%	56.5%	56.5%	56.5%	56.5%	56.5%	56.5%	56.5%	Common Equity Ratio	58.5%
Total Capital (\$mill)	568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	1024.9	1045.9	1135	1205	1205	1205	1205	1205	1205	1205	Total Capital (\$mill)	1370
Return on Total Cap'l	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	1515.8	1590.4	1680	1760	1760	1760	1760	1760	1760	1760	Return on Total Cap'l	7.0%
Return on Shr. Equity	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.3%	6.0%	6.3%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	Return on Shr. Equity	9.5%
Return on Com Equity	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	8.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	Return on Com Equity	9.5%
Retained to Com Eq	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.4%	3.4%	4.1%	3.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	Retained to Com Eq	3.5%
All Div'ds to Net Prof	78%	86%	77%	61%	60%	66%	71%	62%	56%	55%	58%	51%	51%	51%	51%	51%	51%	51%	All Div'ds to Net Prof	63%

CAPITAL STRUCTURE as of 6/30/15
 Total Debt \$550.0 mill. Due in 5 Yrs \$165.8 mill.
 LT Debt \$416.8 mill. LT Interest \$23.0 mill. (40% of Cap'l)

Pension Assets-12/14 \$306.3 mill. Oblig. \$390.6 mill.

Pfd Stock None

Common Stock 47,878,659 shs. as of 7/22/15

MARKET CAP: \$1.1 billion (Mid Cap)

CURRENT POSITION 2013 2014 6/30/15 (\$MILL.)

Cash Assets	27.5	19.6	24.5
Other	112.0	134.5	125.7
Current Assets	139.5	154.1	150.2
Accts Payable	55.1	59.4	68.7
Debt Due	54.7	65.7	133.2
Other	56.8	72.6	68.5
Current Liab.	166.6	217.7	270.4

BUSINESS: California Water Service Group provides regulated and nonregulated water service to 477,900 customers in 85 communities in the state of California. Accounts for over 94% of total customers. Also operates in Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '14: residential, 68%; business, 19%; industrial, 5%; public authorities, 3%; other 5%. '14 reported depreciation rate: 4.0%. Has 1,105 employees. President, Chairman, and CEO: Peter C. Nelson, Inc. DE. Address: 1720 North First St., San Jose, CA 95112-4598. Tel.: 408-367-8200. Internet: www.calwatergroup.com.

Shares of California Water have done poorly for a water company. The equity of every other regulated water utility we follow recorded positive returns that averaged 5.1% since our July report. This is in sharp contrast to CWT, which has declined 5.1%, basically mirroring the performance of the broader market averages.

Poor second-quarter earnings obviously put downward pressure on the stock. Share net came in at \$0.21, versus our \$0.35 estimate and last year's \$0.36 figure. Due to water restrictions implemented by the California Public Utility Commission (CPUC), demand for water was expected to decrease. However, because the CPUC altered the methodology utilities use to calculate earnings, the large drop in income took the market by surprise. Mechanisms were implemented, so water companies' profits would be derived more from fees and "decoupled" from the amount of water sold.

Despite some confusion among investors, we believe most of the lost profits will eventually be recovered. When water sales drop, the company's accrued unbilled revenue increases. Thus, the timing of California Water's share net is changed. To reflect this, we have lowered 2015's share-net estimate \$0.10, to \$1.15, while raising 2016's by \$0.10, to \$1.35.

An important rate case was filed earlier this year. Water utilities are required to file petitions seeking rate relief triennially. California Water asked for \$140 million over the period, with the majority of the request front-loaded. Water utilities and the CPUC appear to have reached a balanced relationship, in which the utilities are allowed to earn a fair return on investment in modernizing the water infrastructure, as long as expenses are kept in check. As a result, we expect the CPUC's final decision to be reasonable.

The weak stock price may have presented long-term investors with a nice entry point. Though ranked 4 (Below Average) for year-ahead relative price performance, the equity now has much higher total return potential than almost every other regulated water utility. In addition, CWT has gone from having one of the lowest dividend yields in the industry to one of the highest.

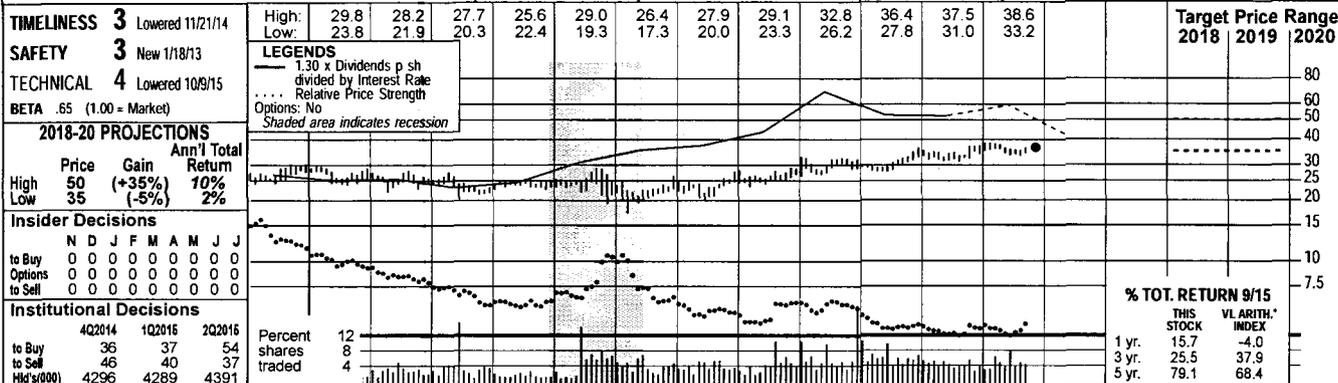
James A. Flood *October 16, 2015*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4c); '01, 2c; '02, 4c; '11, 4c. Next earnings report due mid-Nov. (B) Dividends historically paid in late Feb., May, Aug., and Nov. (C) Incl. intangible assets. In '14: \$7.3 mill., \$0.15/sh. (D) In millions, adjusted for splits. (E) Excludes non-reg. rev.

Company's Financial Strength B++
Stock's Price Stability 95
Price Growth Persistence 35
Earnings Predictability 85

CONNECTICUT WATER NDQ-CTWS

RECENT PRICE **36.64** P/E RATIO **17.5** (Trailing: 18.0 Median: 21.0) RELATIVE P/E RATIO **1.00** DIV'D YLD **2.9%** VALUE LINE



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC 18-20	
5.87	5.70	5.93	5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	9.47	8.29	8.45	8.65	9.00	Revenues per sh	12.90
1.65	1.73	1.78	1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	2.64	2.63	2.97	3.20	3.40	"Cash Flow" per sh	3.65
1.03	1.09	1.13	1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	1.53	1.66	1.92	2.05	2.10	Earnings per sh ^A	2.25
.79	.79	.80	.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	.98	1.01	1.05	1.09	Div'd Decl'd per sh ^B	1.30
1.42	1.43	1.86	1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	2.79	3.02	4.11	4.60	4.15	Cap'l Spending per sh	3.00
8.61	8.92	9.25	10.06	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	20.95	17.92	18.83	20.10	21.15	Book Value per sh ^D	23.35
7.26	7.28	7.65	7.94	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	8.85	11.04	11.12	11.20	11.35	Common Shs Outs'tg ^C	12.00
18.2	18.2	21.5	24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	19.4	18.4	17.5	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	19.0
1.04	1.18	1.10	1.33	1.34	1.21	1.52	1.57	1.22	1.34	1.23	1.32	1.44	1.23	1.03	.92			Relative P/E Ratio	1.20
4.2%	4.0%	3.3%	3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	3.2%	3.2%	3.0%			Avg Ann'l Div'd Yield	3.1%

CAPITAL STRUCTURE as of 6/30/15

Total Debt \$183.5 mill.	Due in 5 Yrs \$19.3 mill.	47.5	46.9	59.0	61.3	59.4	66.4	69.4	83.8	91.5	94.0	97.0	102	Revenues (\$mill)	155
LT Debt \$177.3 mill.	LT Interest \$7.0 mill.	7.2	6.7	8.8	9.4	10.2	9.8	9.9	13.6	18.3	21.3	23.0	23.5	Net Profit (\$mill)	27.0
	(45% of Cap'l)	--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	32.0%	28.0%	14.4%	9.0%	20.0%	Income Tax Rate	28.0%
		--	--	--	1.7%	--	--	--	1.7%	2.0%	2.4%	2.0%	2.5%	AFUDC % to Net Profit	2.0%

Leases, Uncapitalized: Annual rentals \$.1 mill.

Pension Assets-12/14 \$61.6 mill.

Oblig. \$79.8 mill.

44.9%	44.4%	47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	46.9%	45.7%	46.0%	46.5%	46.5%	46.5%	Long-Term Debt Ratio	47.0%
54.6%	55.1%	51.8%	52.7%	49.1%	50.2%	46.5%	50.8%	52.9%	54.1%	54.0%	53.5%	53.5%	53.5%	Common Equity Ratio	53.0%
172.3	174.1	193.2	196.5	221.3	225.6	254.2	364.6	373.6	386.8	410	425	425	425	Total Capital (\$mill)	530
247.7	268.1	284.3	302.3	325.2	344.2	362.4	447.9	471.9	506.9	525	550	550	550	Net Plant (\$mill)	650
5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	4.8%	5.9%	6.4%	6.5%	6.5%	6.5%	6.5%	Return on Total Cap'l	6.5%
7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	7.3%	9.2%	10.1%	10.5%	10.5%	10.5%	10.5%	Return on Shr. Equity	9.5%
7.6%	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	9.2%	10.2%	10.5%	10.5%	10.5%	10.5%	Return on Com Equity	9.5%
3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	2.8%	3.8%	4.8%	5.0%	5.0%	5.0%	5.0%	Retained to Com Eq	4.0%
95%	105%	82%	79%	76%	81%	83%	62%	59%	53%	53%	52%	52%	52%	All Div'ds to Net Prof	58%

Pfd Stock \$0.8 mill. **Pfd Divd** NMF

Common Stock 11,168,731 shs. as of 7/31/15

MARKET CAP: \$400 million (Small Cap)

CURRENT POSITION

	2013	2014	6/30/15
Cash Assets	18.4	2.5	3.1
Accounts Receivable	12.3	12.0	11.5
Other	16.2	21.7	21.1
Current Assets	46.9	36.2	35.7
Accts Payable	10.8	10.0	9.2
Debt Due	4.1	4.4	6.2
Other	7.8	9.2	9.5
Current Liab.	22.7	23.6	24.9

BUSINESS: Connecticut Water Service, Inc. is a non-operating holding company, whose income is derived from earnings of its wholly-owned subsidiary companies (regulated water utilities). In 2014, 93% of net income was derived from these activities. Provides water services to 400,000 people in 77 municipalities throughout Connecticut and Maine. Acquired The Maine Water Company, January, 2012; Biddeford and Saco Water, December, 2012. Incorporated: Connecticut. Has 265 employees. Chairman/President/Chief Executive Officer: Eric W. Thornburg. Officers and directors own 2.3% of the common stock; BlackRock, Inc. 7.0%; (4/15 proxy). Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Internet: www.ctwater.com.

ANNUAL RATES

Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14
4.0%	4.5%	6.0%
4.0%	7.5%	4.5%
4.0%	9.0%	4.5%
2.0%	2.0%	5.0%
6.5%	9.5%	4.0%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	18.5	21.3	24.5	19.5	83.8
2013	19.7	22.6	27.6	21.6	91.5
2014	20.3	25.4	27.6	20.7	94.0
2015	20.0	26.6	28.9	21.5	97.0
2016	22.5	27.5	30.0	22.0	102

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.22	.47	.67	.17	1.53
2013	.24	.39	.86	.17	1.66
2014	.27	.67	.76	.22	1.92
2015	.28	.77	.77	.23	2.05
2016	.32	.68	.85	.25	2.10

QUARTERLY DIVIDENDS PAID ^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.233	.233	.238	.238	.942
2012	.238	.238	.2425	.2425	.962
2013	.2425	.2425	.2475	.2475	.988
2014	.2475	.2475	.2575	.2575	1.01
2015	.2575	.2575	.2675		

Shares of Connecticut Water Service have been strong performers of late. Since our last report in July, the price of the equity has increased 5.0%, compared to the 4.9% decline posted by the S&P 500. Much of the gain is probably due to investors fleeing riskier sectors of the market for stocks, such as Connecticut Water, that carry low Betas, well-defined earnings streams, and higher yields. Also, **The last dividend hike was a start of a new trend, in our opinion.** The utility's annual payout growth has been 2% over the past five- and 10-year periods, several hundred basis points lower than that of the typical water utility. Through 2018-2020, we expect the rate to be 5%. **There's a downside to the good news.** For starters, most of the company's positive attributes now appear to be factored into the stock price. In the near term, CTWS is pegged to mirror the market averages. Too, the equity's total return potential to late decade is now subpar. **Meanwhile, Connecticut Water's bottom line is poised for a solid showing this year.** Second-quarter share net came in at \$0.77, versus 2014's \$0.67, and the

Wall Street consensus of \$0.66. A lower-than-expected tax rate and a strong showing by the Maine subsidiary were the primary reasons for the excellent results. In addition, the large gain came despite what we believe was a one-time spike in expenses. All told, earnings per share should rise 4%, despite last year's difficult comparison. We are sticking with our \$2.10-a-share estimate in 2016, even though it could prove conservative. **Connecticut Water is expanding its customer base.** The company purchased two decent-sized water utilities in the recent past and may add smaller districts in the future. Since there are many redundant expenses in this industry, expenses can be trimmed. Connecticut Water is also building out its existing pipelines infrastructure to serve the University of Connecticut's Storrs campus, as well as the greater Manfield area. This will result in higher capital outlays through 2016. The company currently has the financial wherewithal to handle the construction program, so there shouldn't be an appreciable decline in its financial metrics. *James A. Flood* *October 16, 2015*

(A) Diluted earnings. Next earnings report due mid-November. Quarterly earnings do not add in 2012 due to rounding. (B) Dividends historically paid in mid-March. (C) In millions, adjusted for split. (D) Includes intangibles. In 2014: \$31.7 million/\$2.85 a share.

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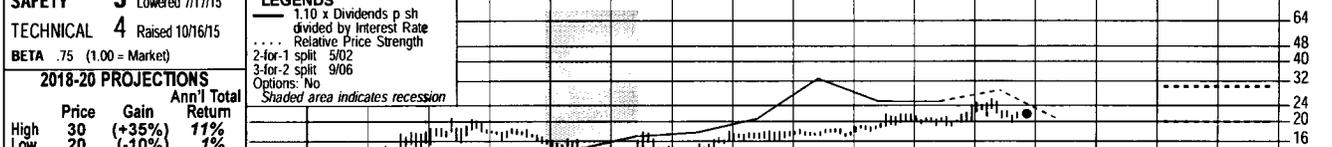
Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	50
Earnings Predictability	85

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YORK WATER NDQ-YORW

RECENT PRICE **21.91** P/E RATIO **24.3** (Trailing: 23.6 Median: 25.0) RELATIVE P/E RATIO **1.39** DIV'D YLD **2.9%** VALUE LINE

TIMELINESS 3 Raised 3/27/15	High: 14.0 17.9 21.0 18.5 16.5 18.0 18.0 18.1 18.5 22.0 24.3 26.0	Target Price Range 2018 2019 2020
SAFETY 3 Lowered 7/17/15	Low: 11.0 11.7 15.3 15.5 6.2 9.7 12.8 15.8 16.8 17.6 18.8 19.7	64 48 40 32 24 16 12 8 6
TECHNICAL 4 Raised 10/16/15	LEGENDS 1.0 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 5/02 3-for-2 split 9/06 Options: No Shaded area indicates recession	
BETA .75 (1.00 = Market)		



2018-20 PROJECTIONS		Ann'l Total	
High	Price	Gain	Return
Low	30	(+35%)	11%
	20	(-10%)	1%
Insider Decisions			
N D J F M A M J J			
to Buy	0	0	4
Options	0	0	0
to Sell	0	0	0
Institutional Decisions			
4Q2014 1Q2015 2Q2015			
to Buy	32	33	34
to Sell	24	29	31
Hld's(000)	3767	3841	3769
Percent shares traded			
	12	8	4
% TOT. RETURN 9/15			
	THIS STOCK	VL ARITH. INDEX	
1 yr.	7.9	-4.0	
3 yr.	23.7	37.9	
5 yr.	50.4	68.4	

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
--	--	2.05	2.05	2.17	2.18	2.58	2.56	2.79	2.89	2.95	3.07	3.18	3.21	3.27	3.58	3.75	4.00	Revenues per sh	4.85
--	--	.59	.57	.65	.65	.79	.77	.86	.88	.95	1.07	1.09	1.12	1.19	1.36	1.45	1.50	"Cash Flow" per sh	1.75
--	--	.43	.40	.47	.49	.58	.58	.57	.57	.64	.71	.71	.72	.75	.89	.90	1.00	Earnings per sh ^A	1.15
--	--	.34	.35	.37	.39	.42	.45	.48	.49	.51	.52	.53	.54	.55	.57	.60	.63	Div'd Decl'd per sh ^B	.80
--	--	.75	.66	1.07	2.50	1.69	1.85	1.69	2.17	1.18	.83	.74	.94	.76	1.10	.95	1.25	Cap'l Spending per sh	1.10
--	--	3.79	3.90	4.06	4.65	4.85	5.84	5.97	6.14	6.92	7.19	7.45	7.73	7.98	8.15	8.65	8.80	Book Value per sh	9.50
--	--	9.46	9.55	9.63	10.33	10.40	11.20	11.27	11.37	12.56	12.69	12.79	12.92	12.98	12.83	12.75	12.50	Common Shs Outst'g ^C	12.00
--	--	17.8	26.9	24.5	25.7	26.3	31.2	30.3	24.6	21.9	20.7	23.9	24.4	26.3	23.1	23.1	22.1	Avg Ann'l P/E Ratio	22.5
--	--	.91	1.47	1.40	1.36	1.40	1.68	1.61	1.48	1.46	1.32	1.50	1.55	1.48	1.22	1.22	1.22	Relative P/E Ratio	1.40
--	--	4.4%	3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	3.1%	3.1%	2.8%	2.8%	2.8%	2.8%	Avg Ann'l Div'd Yield	3.2%

CAPITAL STRUCTURE as of 6/30/15		26.8	28.7	31.4	32.8	37.0	39.0	40.6	41.4	42.4	45.9	48.0	50.0	Revenues (\$mill)	58.0
Total Debt \$84.8 mill.	Due in 5 Yrs \$30.5 mill.	5.8	6.1	6.4	6.4	7.5	8.9	9.1	9.3	9.7	11.5	11.5	12.5	Net Profit (\$mill)	14.0
LT Debt \$84.8 mill.	LT Interest \$5.1 mill.	36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	35.3%	37.6%	37.6%	29.8%	27.5%	24.5%	Income Tax Rate	32.5%
(44% of Cap'l)		--	7.2%	3.6%	10.1%	--	1.2%	1.1%	1.1%	8%	1.8%	1.0%	1.0%	AFUDC % to Net Profit	1.0%

Pension Assets 12/14 \$30.6 mill.		44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	47.1%	46.0%	45.1%	44.8%	44.0%	46.0%	Long-Term Debt Ratio	48.0%		
Oblig. \$40.9 mill.		55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	52.9%	54.0%	54.9%	55.2%	56.0%	54.0%	Common Equity Ratio	52.0%		
Pfd Stock None		90.3	126.5	125.7	153.4	160.1	176.4	180.2	184.8	188.4	189.4	200	205	Total Capital (\$mill)	220		
Common Stock 12,866,946 shs.		155.3	174.4	191.6	211.4	222.0	228.4	233.0	240.3	244.2	253.2	260	265	Net Plant (\$mill)	280		
as of 8/4/15		8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	6.4%	6.4%	6.5%	7.4%	7.0%	7.5%	Return on Total Cap'l	8.0%		
MARKET CAP: \$275 million (Small Cap)		11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	11.0%	10.5%	11.5%	Return on Shr. Equity	12.0%		
CURRENT POSITION (\$MILL.)		11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	11.0%	10.5%	11.5%	Return on Com Equity	12.0%		
2013	2014	6/30/15	3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	2.5%	2.4%	2.4%	3.9%	3.5%	4.5%	Retained to Com Eq	3.5%	
Cash Assets	7.6	1.5	1.0	74%	77%	82%	85%	78%	72%	73%	74%	74%	64%	67%	63%	All Div'ds to Net Prof	69%

BUSINESS: The York Water Company is the oldest investor-owned regulated water utility in the United States. It has operated continuously since 1816. As of December 31, 2014, the company's average daily availability was 35.2 million gallons and its service territory had an estimated population of 190,000. Has more than 65,100 customers. Residential customers accounted for 63% of 2014 revenues.

York Water's earnings were flat in the second quarter. This broke a string of four-straight solid earnings comparisons on a year-over-year basis. The positives were higher rates being in effect from last year and a smaller tax bill. These were offset, however, by an increase in costs. For the full year, we reduced our earnings-per-share estimate by \$0.05, to \$0.90, roughly on par with 2014's strong number. **Earnings should pick up in 2016.** York ought to benefit from last year's rate hike and a lower tax bill. Also, we don't think last quarter's spike in expenses was the start of a trend. Actually, the company had been successfully reining in costs, and we think this should continue. All told, the company's share net may jump 11%, or \$0.10, to \$1.00. **The company has a solid balance sheet.** To a certain degree, other water entities would probably like to have York's financial problem. Pennsylvania regulators seem to prefer that water utilities maintain a long-term debt-to-total capitalization percentage between 46% and 50%. Because the company has solid cash generation, this figure was 44% at the end

of the second quarter. We think York may buy back 4% of its outstanding shares to raise its debt ratio. **York is the smallest regulated utility in the water industry.** Most institution accounts don't like owning more than 3% to 5% of any one company's stock for diversification reasons. A market cap of around \$275 million just isn't large enough to take a position. A drawback of this could be a lack of liquidity. Conversely, when the stock is priced attractively, retail investors won't have to worry about the smart money getting involved before them. **Dividend growth prospects have improved.** Over the past five years, the payout has increased 2.5% per annum, subpar for a utility. Earlier this year, the dividend was hiked 4.5%, however. We think this level is sustainable through 2018-2020. **These shares are ranked to perform in line with the broader market averages over the next six- to 12-month period.** Due to the equity outperforming the S&P 500 by almost 700 basis points since mid-July, it has below-average long-term total return potential.

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	9.6	10.4	11.0	10.4	41.4
2013	10.1	10.7	10.9	10.7	42.4
2014	10.6	11.8	12.0	11.5	45.9
2015	11.2	11.9	12.4	12.5	48.0
2016	11.5	12.5	13.0	13.0	50.0

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.15	.17	.22	.18	.72
2013	.17	.18	.19	.21	.75
2014	.16	.22	.23	.28	.89
2015	.20	.22	.25	.23	.90
2016	.20	.26	.28	.26	1.00

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.131	.131	.131	.131	.524
2012	.134	.134	.134	.134	.535
2013	.138	.138	.138	.138	.552
2014	.1431	.1431	.1431	.1431	.572
2015	.1495	.1495	.1495		

James A. Flood October 16, 2015

(A) Diluted earnings. Next earnings report due mid-November.	(C) In millions, adjusted for splits.	Company's Financial Strength	B+
(B) Dividends historically paid in mid-January, April, July, and October.		Stock's Price Stability	85
		Price Growth Persistence	50
		Earnings Predictability	95

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EXHIBIT
TJB-COC-DT2

Liberty Utilities (Rio Rico Water & Sewer) Corp.

Comparative Risk Study
Computations of Operating Margin and Coefficient of Variation of Variation of Operating Margin

Exhibit
Page 1 of 3

Line No.	Operating Income EBIT (\$ in millions)										Std Dev.	Co-efficient of variation of Operating Income
	2014	2013	2012	2011	2010	Average	2014	2013	2012	2011		
1	Company											
2	Symbol											
3	AWR	119	119	111	95	73	103.40	19.62	0.1897			
4	American States Water											
5	Aqua America	314	305	322	286	272	299.80	20.52	0.0685			
6	California Water											
7	Connecticut Water	109	93	93	90	85	94.00	9.00	0.0957			
8	Middlesex	25	22	20	16	14	19.40	4.45	0.2294			
9	SJW Corp.	34	31	28	24	27	28.80	3.83	0.1331			
10	York Water Company	93	53	55	54	38	58.60	20.45	0.3490			
11	York Water Company	22	21	21	20	20	20.80	0.84	0.0402			
12	Water Proxy Group											
13												
14	Liberty Utilities (Rio Rico Water & Sewer) Corp.	1.00	1.82	1.40	0.70	0.81	1.14	0.46	0.4022			
15												
16	Risk relative to the average risk of the water utilities sample											
17	Sales (\$ in millions)											
18	2014	2013	2012	2011	2010	Average						
19	Company											
20	Symbol											
21	AWR	466	472	467	419	399	445					
22	American States Water											
23	Aqua America	760	758	712	726	749	749					
24	California Water	598	584	560	502	460	541					
25	Connecticut Water	94	91	84	69	66	81					
26	Middlesex	117	115	110	102	103	109					
27	SJW Corp.	320	277	262	239	216	253					
28	York Water Company	46	42	41	41	39	42					
29	York Water Company											
30	Liberty Utilities (Rio Rico Water & Sewer) Corp.	4.55	4.50	4.18	4.14	3.51	4.18					
31												
32	Operating Margin (%)											
33	Company	2014	2013	2012	2011	2010	Average					
34	AWK	25.54%	25.21%	23.77%	22.67%	18.30%	23.10%	0.03				
35	American Water Works											
36	Aqua America	40.26%	39.66%	42.48%	40.17%	37.47%	40.01%	0.02				
37	California Water	18.23%	15.92%	16.81%	17.93%	18.48%	17.43%	0.01				
38	Connecticut Water	26.60%	24.18%	23.81%	23.19%	21.21%	23.80%	0.02				
39	Middlesex	29.06%	26.96%	25.45%	23.53%	26.21%	26.24%	0.02				
40	SJW Corp.	29.06%	19.13%	20.99%	22.59%	17.59%	21.88%	0.04				
41	York Water Company	47.83%	50.00%	51.22%	48.78%	51.28%	49.82%	0.02				
42	York Water Company											
43	Average Water Proxy Group						28.90%					
44	Liberty Utilities (Rio Rico Water & Sewer) Corp.	22.05%	40.33%	33.48%	16.81%	23.13%	27.16%	0.10				
45												
46	Risk relative to the average risk of the water utilities sample											
47	Return on Equity (ROE)											
48	Company	2014	2013	2012	2011	2010	Average					
49	Symbol											
50	AWR	12.1%	12.7%	11.9%	10.3%	11.0%	11.6%	0.01				
51	American States Water											
52	Aqua America	12.9%	13.4%	11.0%	11.6%	10.6%	11.9%	0.01				
53	California Water	9.0%	9.0%	9.0%	8.0%	8.5%	8.7%	0.00				
54	Connecticut Water	10.2%	9.3%	7.3%	8.3%	8.7%	8.8%	0.01				
55	Middlesex	9.3%	8.7%	7.8%	7.5%	8.2%	8.3%	0.01				
56	SJW Corp.	14.4%	7.0%	8.1%	7.9%	6.2%	8.7%	0.03				
57	York Water Company	11.0%	9.4%	9.3%	9.5%	9.8%	9.5%	0.01				
58	York Water Company											
59	Water Proxy Group	11.3%	9.9%	9.2%	9.0%	9.0%	9.7%					
60	Liberty Utilities (Rio Rico Water & Sewer) Corp.	3.92%	7.74%	7.84%	3.94%	3.36%	5.36%	0.02				
61												
62	Risk relative to the average risk of the water utilities sample											

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Comparative Risk Study
Beta Estimate Using Duff and Phelps Risk Study Portfolio Information

Line No.	A. Beta Estimates for Water Sample Group and Company		Portfolio	Operating Margin ¹	Portfolio	CV (Operating Margin) ¹	Portfolio	CV (ROE) ¹
1	Company	3	27.16%	6	35.07%	13	41.51%	
2	Water Proxy Group	2	28.90%	19	8.95%	23	12.71%	
			<u>Portfolio Beta²</u>		<u>Portfolio Beta³</u>		<u>Portfolio Beta³</u>	<u>Average</u>
3	Company		0.86		1.27		1.15	
4	Water Proxy Group		0.83		0.99		0.89	
5	Percentage Difference		3.6%		28.3%		29.2%	20.4%
			<u>Portfolio Beta²</u>		<u>Portfolio Beta³</u>		<u>Portfolio Beta³</u>	
6	Water Sample Group ⁵		0.73		0.73		0.73	
7	Implied Beta for Company ⁶		0.76		0.94		0.94	0.88

B. Assume percentage difference is the same for water utilities as companies in general

Notes:

- ¹ See work papers. CV stands for Coefficient of Variation.
- ² Source is Duff & Phelps 2105 Valuation Handbook, Risk Study, Exhibit D-1, Companies Ranked by Operating Margin.
- ³ Source is Duff & Phelps 2105 Valuation Handbook, Risk Study, Exhibit D-2, Companies Ranked by CV (Operating Margin).
- ⁵ Source is Schedule D-4.3.
- ⁶ Calculated by multiplying (1+ percentage difference in risk study betas) times average beta for the water sample group.

Liberty Utilities (Rio Rico Water & Sewer) Corp.

Comparative Risk Study

Traditional Capital Asset Pricing Model (CAPM) Using Implied Beta

To Find Additional Risk Premium

Exhibit
Page 2 of 3

Line No.	R_f^1	+	Implied β^2	x	RP_M^3	=	k	CAPM Results From Schedule D-4.11	Indicated Company Risk Premium	
1	Historical Market Risk Premium CAPM	4.1%	+	0.88	x	7.00%	=	10.3%	9.2%	1.1%
2	Current Market Risk Premium CAPM	4.1%	+	0.88	x	8.93%	=	12.0%	10.6%	1.4%

Notes:

¹ Forecasts of long-term treasury yields. See Schedule D-4.9.

² Implied Beta computed from Duff and Phelps 2015 Valuation Handbook Risk Study information. See page 1 of exhibit.

³ Historical Market Risk Premium from (Rp) from Morningstar Ibbotson 214 Classic Yearbook, Long-Horizon ERP on S&P 500. See Schedule D-4.11.

⁴ See Schedule D-4.10

EXHIBIT
TJB-COC-DT3

Liberty Utilities (Bella Vista Water) Corp.
Comparative Risk Study
Beta Estimate Using Duff and Phelps Risk Study Portfolio Information

Line No.	Company	Portfolio	Operating Margin ¹	Portfolio	CV (Operating Margin) ¹	Portfolio	CV (ROE) ¹	Portfolio Beta ³	Average
1	Company	11	12.97%	6	37.48%	12	43.43%		
2	Water Proxy Group	2	28.90%	19	8.95%	23	12.71%		
3	Company		1.16		1.27		1.14		
4	Water Proxy Group		0.83		0.99		0.89		
5	Percentage Difference		39.8%		28.3%		28.1%		32.0%
B. Assume percentage difference is the same for water utilities as companies in general									
6	Water Sample Group ⁵		0.73		0.73		0.73		
7	Implied Beta for Company ⁶		1.02		0.94		0.94		0.96

Notes:

- ¹ See work papers. CV stands for Coefficient of Variation.
- ² Source is Duff & Phelps 2105 Valuation Handbook, Risk Study, Exhibit D-1, Companies Ranked by Operating Margin.
- ³ Source is Duff & Phelps 2105 Valuation Handbook, Risk Study, Exhibit D-2, Companies Ranked by CV (Operating Margin).
- ⁵ Source is Schedule D-4.3.
- ⁶ Calculated by multiplying (1+ percentage difference in risk study betas) times average beta for the water sample group.

Liberty Utilities (Bela Vista Water) Corp.

Comparative Risk Study

Traditional Capital Asset Pricing Model (CAPM) Using Implied Beta
To Find Additional Risk Premium

Exhibit

Page 2 of 3

Line No.	R_f^1	+	Implied β^2	x	RP_M^3	=	k	CAPM Results From Schedule D-4.11	Indicated Company Risk Premium	
1	Historical Market Risk Premium	4.1%	+	0.96	x	7.00%	=	10.8%	9.2%	1.6%
2	Current Market Risk Premium	4.1%	+	0.96	x	8.93%	=	12.7%	10.6%	2.1%

Notes:

¹ Forecasts of long-term treasury yields. See Schedule D-4.9.

² Implied Beta computed from Duff and Phelps 2015 Valuation Handbook Risk Study information. See page 1 of exhibit.

³ Historical Market Risk Premium from (Rp) from Morningstar Ibbotson 214 Classic Yearbook, Long-Horizon ERP on S&P 500. See Schedule D-4.11.

⁴ See Schedule D-4.10

D SCHEDULES

Liberty Utilities (Bella Vista Water) Corp.
 Test Year Ended December 31, 2014
 Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

		<u>Adjusted End of Test Year</u>				<u>Projected Capital Structure</u>			
Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	990,597	10.32%	6.25%	0.64%	2,632,308	30.00%	3.47%	1.04%
3	Stockholder's Equity	8,610,275	89.68%	11.60%	10.40%	6,142,053	70.00%	11.60%	8.12%
5	Totals	<u>9,600,872</u>	<u>100.00%</u>		<u>11.05%</u>	<u>8,774,361</u>	<u>100.00%</u>		<u>9.16%</u>

SUPPORTING SCHEDULES:

- D-1
- D-3
- D-4
- E-1 Water Division
- E-1 Wastewater Division
- Testimony

RECAP SCHEDULES:
 A-3

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

Liberty Utilities (Bella Vista Water) Corp.
 Test Year Ended December 31, 2014
 Cost of Long Term Debt

Exhibit
 Schedule D-2
 Page 1
 Witness: Bourassa

Line No.	Description of Debt	End of Test Year			End of Projected Year				
		Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost	Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost
1	WIFA #1	50,106	3,056	6.10%	0.31%	-	-	0.00%	0.00%
2	WIFA #2	940,491	58,875	6.26%	5.94%	-	-	0.00%	0.00%
3	Liberty Utilities - Proforma	-	-	0.00%	0.00%	2,632,308	91,341	3.47%	3.47%
4				0.00%	0.00%			0.00%	0.00%
5				0.00%	0.00%			0.00%	0.00%
6				0.00%	0.00%			0.00%	0.00%
7				0.00%	0.00%			0.00%	0.00%
8				0.00%	0.00%			0.00%	0.00%
9				0.00%	0.00%			0.00%	0.00%
10				0.00%	0.00%			0.00%	0.00%
11				0.00%	0.00%			0.00%	0.00%
12				0.00%	0.00%			0.00%	0.00%
13	Totals	\$ 990,597	\$ 61,931		6.25%	\$ 2,632,308	\$ 91,341		3.47%
14									

Supporting Schedules:

E-1
 E-2

RECAP SCHEDULES:
 D-1

Liberty Utilities (Bella Vista Water) Corp.
Test Year Ended December 31, 2014
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line

No.

1

End of Test Year

End of Projected Year

2

3

Description
of Issue

Shares

Dividend

Shares

Dividend

4

Outstanding Amount Requirement

Outstanding Amount Requirement

5

6

7

NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

8

9

10

11

12

13

14

15

16

17

18

19

20

21

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

22

E-1

D-1

23

24

25

26

27

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31

32

33

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35

36

37

38

39

40

Liberty Utilities (Bella Vista Water) Corp.
Test Year Ended December 31, 2014
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line
No.

1

2

The Company is proposing a cost of common equity of

11.60%

3

4

5

6

7

8

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10

11

12

13

14

15

16

17

SUPPORTING SCHEDULES:

18

E-1

19

D-4.1 to D-4.16

20

RECAP SCHEDULES:

D-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
 Test Year Ended December 31, 2014
 Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

Line No.	Item of Capital	Adjusted End of Test Year				Projected Capital Structure			
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	-	0.00%	0.00%	0.00%	4,924,545	30.00%	3.47%	1.04%
2									
3	Stockholder's Equity	15,942,410	100.00%	10.80%	10.80%	11,490,604	70.00%	10.80%	7.56%
4									
5	Totals	15,942,410	100.00%		10.80%	16,415,149	100.00%		8.60%
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									

SUPPORTING SCHEDULES:

- D-1
- D-3
- D-4
- E-1 Water Division
- E-1 Wastewater Division
- Testimony

RECAP SCHEDULES:
 A-3

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division

Test Year Ended December 31, 2014

Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year			End of Projected Year				
		Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost	Amount Outstanding	Annual Interest	Effective Interest Rate	Weighted Cost
1									
2	Liberty Utilities - Pro Forma	-	-	0.00%	0.00%	4,924,545	170,882	3.47%	3.47%
3		-	-	0.00%	0.00%	-	-	0.00%	0.00%
4		-	-	0.00%	0.00%	-	-	0.00%	0.00%
5		-	-	0.00%	0.00%	-	-	0.00%	0.00%
6		-	-	0.00%	0.00%	-	-	0.00%	0.00%
7		-	-	0.00%	0.00%	-	-	0.00%	0.00%
8		-	-	0.00%	0.00%	-	-	0.00%	0.00%
9		-	-	0.00%	0.00%	-	-	0.00%	0.00%
10		-	-	0.00%	0.00%	-	-	0.00%	0.00%
11		-	-	0.00%	0.00%	-	-	0.00%	0.00%
12		-	-	0.00%	0.00%	-	-	0.00%	0.00%
13	Totals	\$ -	-		0.00%	\$ 4,924,545	170,882		3.47%
14									

SUPPORTING SCHEDULES:

E-1 Wastewater Division

E-1 Water Division

Testimony

RECAP SCHEDULES:

D-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

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End of Test Year

End of Projected Year

Description of Issue	Shares Outstanding	Dividend Amount	Dividend Requirement	Shares Outstanding	Dividend Amount	Dividend Requirement
-------------------------	-----------------------	--------------------	-------------------------	-----------------------	--------------------	-------------------------

NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

SUPPORTING SCHEDULES:
E-1

RECAP SCHEDULES:
D-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

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The Company is proposing a cost of common equity of 10.80% .

SUPPORTING SCHEDULES:

E-1
D-4.1 to D-4.16

RECAP SCHEDULES:

D-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
 Test Year Ended December 31, 2014
 Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

		<u>Adjusted End of Test Year</u>				<u>Projected Capital Structure</u>			
Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	-	0.00%	0.00%	0.00%	4,924,545	30.00%	3.47%	1.04%
2									
3	Stockholder's Equity	<u>15,942,410</u>	<u>100.00%</u>	<u>10.80%</u>	<u>10.80%</u>	<u>11,490,604</u>	<u>70.00%</u>	<u>10.80%</u>	<u>7.56%</u>
4									
5	Totals	<u><u>15,942,410</u></u>	<u><u>100.00%</u></u>		<u><u>10.80%</u></u>	<u><u>16,415,149</u></u>	<u><u>100.00%</u></u>		<u><u>8.60%</u></u>
6									
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21									

SUPPORTING SCHEDULES:

- D-1
- D-3
- D-4
- E-1 Wastewater Division
- E-1 Water Division

RECAP SCHEDULES:

A-3

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division

Test Year Ended December 31, 2014

Cost of Long Term Debt

Exhibit
Schedule D-2

Page 1

Witness: Bourassa

Line No.	Description of Debt	End of Test Year				End of Projected Year			
		Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1									
2	Liberty Utilities - Pro Forma	-	-	0.00%	0.000%	4,924,545	-	3.47%	3.470%
3		-	-	0.00%	0.000%	-	-	0.00%	0.000%
4									
5									
6									
7									
8									
9									
10									
11									
12									
13	Totals	\$ -	\$ -		0.000%	\$ 4,924,545	\$ -		3.470%
14									
15									

SUPPORTING SCHEDULES:

E-1 Wastewater Division

E-1 Water Division

Testimony

RECAP SCHEDULES:

D-1

16
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

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End of Test Year

End of Projected Year

Description of Issue	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement
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NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING

SUPPORTING SCHEDULES:
E-1

RECAP SCHEDULES:
D-1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line
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2	The Company is proposing a cost of common equity of	10.80%
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16		
17	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
18	E-1	D-1
19	D-4.1 to D-4.16	
20		

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Summary of Results

Exhibit
Schedule D-4.1

Page 1

Witness: Bourassa

Line No.		<u>Indicated</u> <u>Cost of Equity for</u> <u>Water Sample Group</u>		<u>Indicated</u> <u>Cost of Equity for</u> <u>Liberty Utilities (Rio Rico Water & Sewer) Corp.</u> ¹	
1	DCF Constant Growth - Schedule D-4-7	9.0%	to 10.2%	10.1%	to 11.3%
2	Risk Premium Model - Schedule D-4.9		10.5%		11.6%
3	CAPM - Schedule D-4.11	9.2%	to 10.6%	10.3%	to 11.7%
4	Range of Cost of Equity Estimates	9.6%	to 10.4%	10.7%	to 11.5%
5	Financial Risk Adjustment - Schedule D-4.14		0.0%		-0.30%
6	Adjusted Range of Cost of Equity Estimates	9.6%	to 10.4%	10.4%	to 11.2%
7	Mid-point		10.0%		10.8%
8	Cost of Equity Recommendation			10.8%	

Notes:

¹Estimates include an equity risk premium of 110 basis points based on comparative risk study. See Testimony.

Liberty Utilities (Bella Vista Water) Corp.
Summary of Results

Exhibit
Schedule D-4.1
 Page 2
 Witness: Bourassa

Line No.		<u>Indicated</u> Cost of Equity for <u>Water Sample Group</u>	<u>Indicated</u> Cost of Equity for <u>Liberty Utilities (Bella Vista Water) Corp.</u>
1	DCF Constant Growth - Schedule D-4-7	9.0% to 10.2%	10.9% to 12.1%
2	Risk Premium Model - Schedule D-4.9	10.5%	12.4%
3	CAPM - Schedule D-4.11	9.2% to 10.6%	11.1% to 12.5%
4	Range of Cost of Equity Estimates	9.6% to 10.4%	11.5% to 12.3%
5	Financial Risk Adjustment - Schedule D-4.14	0.0%	-0.30%
6	Adjusted Range of Cost of Equity Estimates	9.6% to 10.4%	11.2% to 12.0%
7	Mid-point	10.0%	11.6%
8	Cost of Equity Recommendation	11.6%	

Notes:

¹Estimates include an equity risk premium of 190 basis points based on comparative risk study. See Testimony.

Exhibit
Schedule D-4.2
Witness: Bourassa

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.

Selected Characteristics of Sample Group of Water Utilities

Line No.	Company	Symbol	% Water Revenues ¹	Operating Revenues (millions) ¹	Net Plant (millions) ¹	S&P Bond Rating ¹	Moody's Bond Rating ¹	Allowed ROE (%) ¹	Value Line Beta ²	Market Capitalization ²	Size Category ³
1	American States Water	AWR	71%	\$ 463.8	\$ 1,015.5	A+	A2	9.43	0.70	\$ 1,536.5	Low-Cap
2	Aqua America	WTR	95%	\$ 798.0	\$ 4,522.3	AA-	NR	9.79	0.75	\$ 4,687.6	Mid cap
3	California Water	CWT	100%	\$ 595.0	\$ 1,636.7	AA-	NR	9.43	0.75	\$ 1,060.5	Low-Cap
4	Connecticut Water	CTWS	96%	\$ 100.1	\$ 507.9	A/A-	NR	9.63	0.65	\$ 406.6	Micro-cap
5	Middlesex	MSEX	86%	\$ 121.2	\$ 473.5	A	NR	9.75	0.75	\$ 384.0	Micro-cap
6	SJW Corp.	SJW	96%	\$ 329.2	\$ 971.1	A	NR	9.43	0.75	\$ 636.5	Micro-cap
7	York Water Company	YORW	100%	\$ 46.7	\$ 257.3	A-	NR	NM	0.75	\$ 274.0	Micro-cap
8	Average		92%	\$ 350.6	\$ 1,340.6			9.58	0.73	\$ 1,283.7	
9	Liberty Utilities (Rio Rico Water & Sewer) Corp.		68%	\$ 4.5	\$ 29.8	NR	NR				
10	Liberty Utilities (Bella Vista Water) Corp.		100%	\$ 4.7	\$ 21.7	NR	NR				

Notes:

¹AUS Utility Reports (October 2015).

²Value Line Analyzer Data (Weekly as of October 1, 2015)

³ See Schedule D-4.15 for definitions of size category

**Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.**

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

Capital Structures

Line No.	Company	Symbol	Book Value ¹		Market Value ¹	
			Long-Term Debt	Common Equity	Long-Term Debt	Common Equity
1	American States Water	AWR	39.1%	60.9%	17.5%	82.5%
2	Aqua America	WTR	48.5%	51.5%	25.0%	75.0%
3	California Water	CWT	40.1%	59.9%	28.3%	71.7%
4	Connecticut Water	CTWS	45.8%	54.2%	30.3%	69.7%
5	Middlesex	MSEX	40.8%	59.2%	26.2%	73.8%
6	SJW Corp.	SJW	51.6%	48.4%	37.7%	62.3%
7	York Water Company	YORW	44.8%	55.2%	23.6%	76.4%
8	Average		44.4%	55.6%	26.9%	73.1%
9	Liberty Utilities (Rio Rico Water & Sewer) Corp.	Proforma	30.0%	70.0%	N/A	N/A
10	Liberty Utilities (Bella Vista Water) Corp.	Proforma	30.0%	70.0%	N/A	N/A

¹ Value Line Analyzer Data (Weekly as of October 1, 2015)

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.

Exhibit
Schedule D-4.4
 Witness: Bourassa

Comparisons of Past and Future Estimates of Growth

Line No.	[1] Price ¹	[2] Book Value ²	[3] EPS ²	[4] DPS ²	[5] Average Historical Growth	[6] Value Line Projected Growth ²	[7] Average of Historical and Proj. Grwth
	<u>Five-year historical average annual changes</u>						
1	American States Water 21.56%	6.50%	14.00%	8.50%	12.64%	6.00%	9.32%
2	Aqua America 20.11%	6.50%	13.00%	7.00%	11.65%	7.50%	9.58%
3	California Water 9.74%	5.00%	4.00%	2.00%	5.19%	6.50%	5.84%
4	Connecticut Water 14.28%	9.50%	9.00%	2.00%	8.69%	4.50%	6.60%
5	Middlesex 13.00%	3.00%	4.50%	1.50%	5.50%	5.00%	5.25%
6	SJW Corp. 11.37%	3.50%	10.50%	3.00%	7.09%	1.50%	4.30%
7	York Water Company 14.22%	4.50%	6.00%	2.50%	6.81%	6.50%	6.65%
8	GROUP AVERAGE	5.50%	8.71%	3.79%	8.22%	5.36%	6.79%

Notes:

¹ Compound growth in stock prices ending December 31 through 2014. Data from Yahoo Finance website.

² Value Line Analyzer, weekly as of October 1, 2015.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit
Schedule D-4.5
Witness: Bourassa**

Comparisons of Past and Future Estimates of Growth

Line No.	[1] Company	[2] Price ¹	[3] Value ²	[4] EPS ²	[5] DPS ²	[6] Average Col 1-4	[7] Value Line Growth ²	[8] Average of Historical and Proj. Growth
			<u>Ten-year historical average annual changes</u>					
			Book					
1	American States Water	14.46%	6.00%	11.00%	5.50%	9.24%	6.00%	7.62%
2	Aqua America	8.84%	7.50%	8.50%	7.50%	8.09%	7.50%	7.79%
3	California Water	5.99%	5.50%	5.00%	1.50%	4.50%	6.50%	5.50%
4	Connecticut Water	6.91%	6.50%	4.00%	2.00%	4.85%	4.50%	4.68%
5	Middlesex	5.94%	4.50%	4.00%	1.50%	3.98%	5.00%	4.49%
6	SJW Corp.	8.61%	6.00%	6.50%	4.00%	6.28%	1.50%	3.89%
7	York Water Company	9.29%	6.50%	5.50%	4.00%	6.32%	6.50%	6.41%
8	GROUP AVERAGE	8.58%	6.07%	6.36%	3.71%	6.18%	5.36%	5.77%

Notes:

¹ Compound growth in stock prices ending December 31 through 2014. Data from Yahoo Finance website.

² Value Line Analyzer Data, weekly as of October 1, 2015.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit
Schedule D-4.6
Witness: Bourassa**

Current Dividend Yields for Water Utility Sample Group

Line No.	[1] Company	[2] Stock Price (P ₀) ¹	[3] Current Dividend (D ₀) ¹	[4] Average Annual Dividend Yield (D ₀ /P ₀) ^{1,2}
1	American States Water	\$ 41.88	\$ 0.90	2.63%
2	Aqua America	\$ 26.70	\$ 0.71	2.53%
3	California Water	\$ 22.29	\$ 0.68	2.77%
4	Connecticut Water	\$ 36.81	\$ 1.07	3.00%
5	Middlesex	\$ 24.00	\$ 0.78	3.65%
6	SJW Corp.	\$ 31.02	\$ 0.79	2.64%
7	York Water Company	\$ 21.55	\$ 0.63	2.79%
8	GROUP AVERAGE			2.86%

Notes:

¹ Stock prices as of October 2, 2015. Indicated Dividend from Value Line Analyzer weekly as of October 1, 2015.

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

Liberty Utilities (Rio Rico Water & Sewer) Corp.
 Liberty Utilities (Bella Vista Water) Corp.

Exhibit
 Schedule D-4.7 (page 1)
 Witness: Bourassa

Discounted Cash Flow Analysis
 DCF Constant Growth

Line No.	[1] Dividend Yield (D_0/P_0) ¹	[2] Expected Dividend Yield (D_1/P_0) ²	[3] Value Line Projected Growth (g) ³	[4] Indicated Cost of Equity (COE) $k = \text{Div Yld} + g$ (Cols 2+3)
1	2.15%	2.28%	+ 6.00%	= 8.28%
2	2.66%	2.86%	+ 7.50%	= 10.36%
3	3.05%	3.25%	+ 6.50%	= 9.75%
4	2.91%	3.04%	+ 4.50%	= 7.54%
5	3.25%	3.41%	+ 5.00%	= 8.41%
6	2.55%	2.58%	+ 1.50%	= 4.08% *
7	2.92%	3.11%	+ 6.50%	= 9.61%
8	Average	2.78%	5.36%	8.29%
9	Adjusted Average ⁴			8.99%

Notes:

¹ Spot Dividend Yield = D_0/P_0 . See Schedule D-4.6.

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

³ Value Line Growth rate (g). See Schedule D-4.5, Col. 6.

⁴ Excludes SJW because results are less than projected Baa bond yields plus 100 basis points or 7.1%. See Testimony.

Exhibit
Schedule D-4.7 (page 2)
Witness: Bourassa

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.

Discounted Cash Flow Analysis
DCF Constant Growth

Line No.	[1] Dividend Yield $(D_1/P_0)^1$	[2] Expected Dividend Yield $(D_1/P_0)^2$	[3] Average of Historical and Proj. Grwth ³	[4] Indicated Cost of Equity (COE) $k = \text{Div Yield} + g$ (Cols 2+3)
1	American States Water 2.15%	2.35%	9.32%	11.67%
2	Aqua America 2.66%	2.91%	9.58%	12.49%
3	California Water 3.05%	3.23%	5.84%	9.07%
4	Connecticut Water 2.91%	3.10%	6.60%	9.70%
5	Middlesex 3.25%	3.42%	5.25%	8.67%
6	SJW Corp. 2.55%	2.66%	4.30%	6.95%
7	York Water Company 2.92%	3.12%	6.65%	9.77%
8	Average			9.76%
9	Adjusted Average ⁴			10.23%

Notes:

- Spot Dividend Yield = D_0/P_0 . See Table 7.
- Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
- Historical Growth rate (g). See Schedule D-4.5 Col. 7.
- Excludes SJW because results are less than projected Baa bond yields plus 100 basis points or 7.1%. See Testimony.

Liberty Utilities (Rio Rico Water & Sewer) Corp.
 Liberty Utilities (Bella Vista Water) Corp.

Exhibit
 Schedule D-4.8
 Witness: Bourassa

Forecasts of Long-Term Interest Rates

Line No.		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Average</u>
1	Long-term Treasury Rates				
2	Blue Chip Consensus Forecasts ¹	3.70%	4.30%	4.70%	
3	Value Line ²	3.50%	3.90%	4.20%	
4	Average				4.1%
5	Aaa Corporate Bonds				
6	Blue Chip Consensus Forecasts ¹	4.70%	5.40%	5.80%	
7	Value Line ²	4.70%	5.40%	5.80%	
8	Average				5.3%
9	Baa Corporate Bonds				
10	Blue Chip Consensus Forecasts ¹	5.60%	6.10%	6.60%	
11	Value Line ²				
12	Average				6.1%

Notes:

¹ Blue Chip consensus forecasts (June 2015).

² Value Line Quarterly forecasts dated September 4, 2015.

Liberty Utilities (Rio Rico Water & Sewer) Corp.
 Liberty Utilities (Bella Vista Water) Corp.

Exhibit
 Schedule D-4.9
 Witness: Bourassa

Risk Premium Analysis Based on Total Returns

Line No.	Annual Total Return ¹	Treasury Bond Yields ²	Annual Risk Premiums
1	1999	5.87%	20.41%
2	2000	5.94%	-3.24%
3	2001	5.49%	10.51%
4	2002	5.42%	-9.58%
5	2003	5.05%	18.67%
6	2004	5.12%	8.66%
7	2005	4.56%	14.46%
8	2006	4.91%	10.95%
9	2007	4.84%	-7.55%
10	2008	4.28%	-6.15%
11	2009	4.08%	-4.28%
12	2010	4.25%	11.01%
13	2011	3.91%	-2.39%
14	2012	2.92%	12.16%
15	2013	3.45%	16.89%
16	2014	3.34%	11.64%
17	16-Year Average	4.6%	6.4%
18	Expected Long-term Treasury Bond Rate ³		4.1%
19	Projected Returns on Equity for Sample		10.5%

Notes:

- ¹ Composite of average total returns for water utilities. Data from Value Line Analyzer software.
- ² Average annual 30 Yr. U.S. Treasury Bond yields as reported by the Federal Reserve.
- ³ Source is Schedule D-4.8.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.**

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

**Estimation of Current Market Risk Premium
Using DCF Analysis**

Line No.	Month	Dividend Yield (D_t/P_t) ¹	Expected Dividend Yield (D_t/P_t) ²	Expected Growth (g) ³	Expected Market Return (k)	Monthly Average 30 Year Treasury Rate ⁴	Expected Market Risk Premium (MRP)
1	May 2014	2.01%	+ 2.20%	+ 9.42%	= 11.62%	= 3.39%	= 8.23%
2	June	2.34%	+ 2.56%	+ 9.33%	= 11.89%	= 3.42%	= 8.47%
3	July	2.42%	+ 2.65%	+ 9.50%	= 12.15%	= 3.33%	= 8.82%
4	Aug	2.38%	+ 2.61%	+ 9.50%	= 12.11%	= 3.20%	= 8.91%
5	Sept	2.82%	+ 3.10%	+ 9.83%	= 12.93%	= 3.26%	= 9.67%
6	Oct	2.45%	+ 2.68%	+ 9.50%	= 12.18%	= 3.04%	= 9.14%
7	Nov	2.38%	+ 2.61%	+ 9.67%	= 12.27%	= 3.04%	= 9.23%
8	Dec	2.44%	+ 2.67%	+ 9.67%	= 12.34%	= 2.83%	= 9.51%
9	Jan 2015	2.45%	+ 2.68%	+ 9.50%	= 12.18%	= 2.46%	= 9.72%
10	Feb	2.38%	+ 2.61%	+ 9.50%	= 12.11%	= 2.57%	= 9.54%
11	Mar	2.42%	+ 2.64%	+ 9.17%	= 11.81%	= 2.63%	= 9.18%
12	Apr	2.40%	+ 2.61%	+ 9.00%	= 11.61%	= 2.59%	= 9.02%
13	May	2.41%	+ 2.63%	+ 9.00%	= 11.63%	= 2.96%	= 8.67%
14	June	2.50%	+ 2.72%	+ 8.83%	= 11.56%	= 3.11%	= 8.45%
15	July	2.56%	+ 2.78%	+ 8.83%	= 11.62%	= 3.07%	= 8.55%
16	Aug	2.70%	+ 2.95%	+ 9.00%	= 11.95%	= 2.86%	= 9.09%
17	Sept	2.84%	+ 3.10%	+ 9.00%	= 12.10%	= 2.95%	= 9.15%
18	Recommended	2.70%	+ 2.94%	+ 8.94%	= 11.89%	= 2.96%	= 8.93%
19	Short-term Trends						
20	Recent Twelve Months Avg	2.49%	+ 2.72%	+ 9.22%	= 11.95%	= 2.84%	= 9.10%
21	Recent Nine Months Avg	2.52%	+ 2.75%	+ 9.09%	= 11.84%	= 2.80%	= 9.04%
22	Recent Six Months Avg	2.57%	+ 2.80%	+ 8.94%	= 11.74%	= 2.92%	= 8.82%
23	Recent Three Months Avg	2.70%	+ 2.94%	+ 8.94%	= 11.89%	= 2.96%	= 8.93%

Notes:

¹ Average Dividend Yield (D_t/P_t) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

² Expected Dividend Yield (D_t/P_t) equals current average dividend yield (D_t/P_t) times one plus growth rate(g).

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

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

Liberty Utilities (Rio Rico Water & Sewer) Corp.
 Liberty Utilities (Bella Vista Water) Corp.

Exhibit
 Schedule D-4.11
 Witness: Bourassa

Traditional Capital Asset Pricing Model (CAPM)

Line No.	R_f^1	+	β^2	x	RP_M	=	k
1	Historical Market Risk Premium CAPM 4.1%	+	0.73	x	7.00% ³	=	9.2%
2	Current Market Risk Premium CAPM 4.1%	+	0.73	x	8.93% ⁴	=	10.6%
3	Average						9.9%

Notes:

- ¹ Forecasts of long-term treasury yields. See Schedule D-4.8.
- ² Value Line Investment Analyzer data. See Schedule D-4.3.
- ³ Historical Market Risk Premium from (Rp) Duff & Phelps 2015 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2014.
- ⁴ See Schedule D-4.10.

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.

Financial Risk Computation
Unlevered Beta

Line No.	Company	VL Beta β_{VL}^1	Raw Beta β_{Raw}^2	Tax Rate t^3	MV Debt D^4	MV Equity E^4	Unlevered Raw Beta β_{UL}^5
1	American Water Worl	0.70	0.55	38.4%	17.5%	82.5%	0.49
2	Aqua America	0.75	0.63	10.5%	25.0%	75.0%	0.49
3	California Water	0.75	0.63	33.0%	28.3%	71.7%	0.50
4	Connecticut Water	0.65	0.48	14.4%	30.3%	69.7%	0.35
5	Middlesex	0.75	0.63	35.0%	26.2%	73.8%	0.51
6	SJW Corp.	0.75	0.63	32.5%	37.7%	62.3%	0.45
7	York Water	0.75	0.63	29.8%	23.6%	76.4%	0.52
13	Sample Water Utilities:	0.73	0.60	27.7%	26.9%	73.1%	0.47

¹ Value Line Investment Analyzer data. See Schedule D-4.1.
 Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
 Adjusted beta = .33 + (.67) * Raw beta
² Raw Beta = (VL beta - .33)/(.67)
³ Effective tax rates for year ended December 31, 2013.
⁴ See Schedule D-4.2.
⁵ Raw $B_u = \text{Raw } B_L / (1 + (1-t)D/E)$

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Financial Risk Computation
Relevered Beta

Exhibit
Schedule D-4.13
 Page 1
 Witness: Bourassa

Line No.	Unlevered Raw Beta β_{UL}^1	MV Book Debt BD^2	MV Equity Capital EC^2	Tax Rate t^3	Relevered Raw Beta $\beta_{RL} = \beta_U (1 + (1-t)BD/EC)$	Adjusted Relevered Beta β_{RL}
5	0.47	15.7%	84.3%	37.23%	0.53	0.69

Liberty Utilities (Rio Rico Water & Sewer) Corp.

¹ Unlevered Beta from Unlevered Beta tab in WP.

² Proforma Capital Structure of Company per D-1

	MV (in Thousands)	MV (in Thousands)	MV %
Long-term Debt	\$ 4,917	\$ 4,917	15.70%
Preferred Stock	\$ -	-	0.0%
Common Stock	\$ 11,473	26,307 (a)	84.3%
Total Capital	\$ 16,389	\$ 31,223	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

³ Current Tax rate based on test year ending 12/31/2014. See Schedule C-5.

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26

**Liberty Utilities (Bella Vista Water) Corp.
Financial Risk Computation
Relevered Beta**

**Exhibit
Schedule D-4.13
Page 2
Witness: Bourassa**

Line No.	Unlevered Raw Beta β_{LL}^1	MV Book Debt $\frac{BD^2}{EC^2}$	MV Equity Capital $\frac{EC^2}{EC^2}$	Tax Rate t^3	Relevered Raw Beta $\beta_{RL} = \beta_U (1 + (1-t) \frac{BD}{EC})$	VL Adjusted Relevered Beta β_{RL}
5	0.47	15.7%	84.3%	37.90%	0.53	0.69

Liberty Utilities (Bella Vista Water) Corp.

¹ Unlevered Beta from Unlevered Beta tab in WP.
² Proforma Capital Structure of Company per D-1

Bella Vista Water	
(in Thousands)	MV %
\$ 2,630	1.00
\$ -	1.00
\$ 6,136	2.29
\$ 8,766	(a) 100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

³ Current Tax rate based on test year ending 12/31/2014. See Schedule C-5.

22
23
24
25
26

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Financial Risk Computation

Exhibit
Schedule D-4.14
 Page 1
 Witness: Bourassa

Line No.							
1	CAPM						
2		+	β	x	(R_p)	=	k
3	Historical Market Risk Premium	+	0.73	2	7.00%	3	9.2%
4	Current Market Risk Premium	+	0.73	2	8.93%	4	10.6%
5							
6	Average						9.9%
7							
8							
9	CAPM Relevered Beta						
10		+	β	x	(R_p)	=	k
11	Historical Market Risk Premium	+	0.69	5	7.00%	3	8.9%
12	Current Market Risk Premium	+	0.69	5	8.93%	4	10.3%
13							
14	Average						9.6%
15							
16	Indicated Financial Risk Adjustment						-0.3%
17							

¹ Forecast of long-term treasury yields. See Schedule D-4.8.
² Value Line Investment Analyzer data. See Schedule D-4.1.
³ Historical Market Risk Premium from (Rp) Duff & Phelps 2015 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2014.
⁴ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.10.
⁵ Relevered beta found on Relevered Beta. See Schedule D-4.13.

Liberty Utilities (Rio Rico Water & Sewer) Corp.
Liberty Utilities (Bella Vista Water) Corp.

Exhibit
Schedule D-4.15
Witness: Bourassa

Risk Premium¹

Line No.	Beta(β)	Size Premium	Risk Premium for Small Water Utilities ⁷
1	1.12	1.07%	
2	1.22	1.80%	
3	1.35	3.74%	
4	1.40	5.78%	3.25%
5			
			Risk Premium for Small Water Utilities
			0.99%

6 Estimated Risk Premium for Rio Rico Water & Sewer⁸

1.10% to 1.40%

7 Estimated Risk Premium for Bella Vista Water⁸

1.60% to 2.10%

¹ Data from Table 4-7 of Duff & Phelps, 2015 Valuation Handbook Guide to Cost of Capital.

² Mid-Cap companies includes companies with market capitalization between \$2.552 million and \$10,106 million.

³ Low-Cap companies includes companies with market capitalization between \$549 million and \$2,552 million.

⁴ Micro-Cap companies includes companies with market capitalization less than \$549 million.

⁵ Decile 10 includes companies with market capitalization less than \$301 million.

⁶ From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.

⁷ Computed as the weighted differences between the Micro-Cap risk premium and the indicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

Market Cap. (Millions)

Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1. American States	\$ 1,537 Low-Cap	3.98%	0.14285714	0.57%
2. Aqua America	\$ 4,688 Mid-Cap	4.71%	0.14285714	0.67%
3. California Water	\$ 1,061 Low-Cap	3.98%	0.14285714	0.57%
4. Connecticut Water	\$ 407 Micro-Cap	2.04%	0.14285714	0.29%
5. Middlesex	\$ 384 Micro-Cap	2.04%	0.14285714	0.29%
6. SJW Corp.	\$ 637 Micro-Cap	3.98%	0.14285714	0.57%
7. York Water Company	\$ 274 Micro-Cap	2.04%	0.14285714	0.29%
Average	2.53%	Weighted Size Prem. for Small Utilities		3.25%

⁸ Results of Comparative Risk Study. See work papers.