

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: *for* Thomas M. Broderick
Director
Utilities Division

DATE: February 11, 2016

RE: SUPPLEMENTAL STAFF REPORT AND STAFF'S RESPONSE TO THE JANUARY 29, 2016, PROCEDURAL ORDER REGARDING CHAPARRAL WATER PROPERTIES, INC. DBA CHAPARRAL WATER COMPANY APPLICATION FOR AN INCREASE IN RATES (DOCKET NO. W-02393A-15-0349)

Pursuant to the Procedural Order issued on January 29, 2016, in response to the Staff Report issued on January 8, 2016, and subsequent Company response issued on January 19, 2016, Staff files this response and the resulting Supplemental Staff Report to address questions raised by the Administrative Law Judge in the January 29, 2016 Procedural Order.

Staff recommends approval of its rates and charges as outlined on Revised Schedule TDP-4.

TMB:TDP:nr/RWG

Originator: Tanya Pitre

Arizona Corporation Commission
DOCKETED

FEB 11 2016

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Service List for: Chaparral Water Properties, Inc. dba Chaparral Water Company
Docket No. W-02393A-15-0349

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REVISED STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

CHAPARRAL WATER PROPERTIES, INC. DBA
CHAPARRAL WATER COMPANY

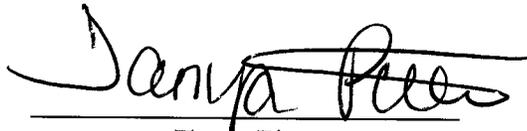
DOCKET NO. W-02393A-15-0349

SUPPLEMENTAL STAFF REPORT AND
STAFF'S RESPONSE TO THE JANUARY 29, 2016 PROCEDURAL ORDER
REGARDING CHAPARRAL WATER PROPERTIES, INC. APPLICATIONS FOR AN
INCREASE IN RATES

February 11, 2016

STAFF ACKNOWLEDGMENT

Staff's response to the directives contained in the January 29, 2016, Procedural Order and the resulting Supplemental Staff Report for Chaparral Water Properties, Inc. DBA Chaparral Water Company ("Chaparral" or "Company"), Docket Nos. W-02393A-15-0349 is the responsibility of the Staff member listed below. Tanya Pitre is responsible for the review and analysis of the Company's application for a permanent rate increase, revenue requirement, rate base, and rate design.

A handwritten signature in black ink, appearing to read "Tanya Pitre", written over a horizontal line.

Tanya Pitre
Public Utilities Analyst I

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INTRODUCTION

Chaparral Water Properties, Inc. dba Chaparral Water Company (“Chaparral” or “Company”) is a C Corporation certificated by the Arizona Corporation Commission (“Commission”) to provide water service in Arizona, pursuant to Decision No. 52362, dated August 1, 1981. Chaparral is located approximately one mile west of Grand Ave, near Patton Road and 203rd Ave, in the Phoenix metropolitan area. At test year end, Chaparral serviced approximately 296 residential customers. The current rates for Chaparral water division were approved in Decision No. 71833, dated August 10, 2010.

On October 9, 2015, Chaparral filed an application for a permanent rate increase with the Commission. On January 8, 2016, Staff filed a Staff Report recommending approval of the rate application using Staff’s recommended rates and charges. On January 19, 2016, the Company filed a response to the Staff Report. On January 29, 2016, a Procedural Order was issued by the Administrative Law Judge requiring Staff to clarify certain issues and to provide revised schedules with Staff’s responses.

STAFF’S RESPONSES TO THE QUESTIONS RAISED BY THE ADMINISTRATIVE LAW JUDGE (“ALJ”) IN THE JANUARY 29, 2016 PROCEDURAL ORDER.

Staff would note that, but for the request for Staff to submit a Cash Flow Analysis and Staff’s clarification regarding the elimination of Engineering Recommendation No. 4 in the original Staff Report, **all** of the rate base and operating expense questions raised by the ALJ, and discussed in detail below, can be explained by way of the “un-hiding” of line items inadvertently hidden in the original Staff Report Schedules. As a result Staff’s original rate base and operating expense recommendations remain valid.

Question 1:

Staff’s Original Cost Rate Base (Schedule TDP, page 1 of 3) shows Rate Base as \$133,002. However, the net balance of the rate base components is \$120,346 (\$130,845, Net Plant- \$11,558 Total Advance+ 1/24 Power), a difference of \$12,656. Explain the discrepancy.

Staff’s Response 1:

In Staff’s original Schedule TDP-2, Page 1 of 3, Staff inadvertently hid a row containing “1/8 Operation and Maint.” costs. The Company filed original amount of \$12,864, Staff adjusted this amount by \$(208), which leaves Staff’s proposed amount of \$12,656.

Question 2:

Staff's Plant Adjustment (Schedule TDP, page 2 of 3, line 26) shows the Accumulated Depreciation balance as \$332,735. However, the sum of the accumulated depreciation for the individual accounts equals \$328,855, a difference of \$3,930. Explain the discrepancy.

Staff's Response 2:

In Staff's original Schedule TDP-2, page 3 of 3, Staff inadvertently hid row No. 26, (account 344 Laboratory Equipment), this account has a balance of \$3,930. This amount is the difference in the sum of Accumulated Depreciation.

Question 3:

Staff's Plant Adjustment (Schedule TDP, page 2 of 3, line 26) shows Account No. 344, Laboratory Equipment in the amount of \$6,550. However, Staff's Rate Base Adjustment- Accumulated Depreciation (Schedule TDP-2, page 3 of 3) does not show Account No. 344. Provide the accumulated depreciation balance at the end of the test year for Laboratory Equipment.

Staff's Response 3:

In Staff's original Schedule TDP-2, page 3 of 3, Staff inadvertently hid row No. 26, (account No. 344 Laboratory Equipment). The accumulated depreciation balance for Account No. 344, Laboratory Equipment at the end of the test year is \$3,930.

Question 4:

Staff's Operating Income Adjustment No. 3- Depreciation Expense (Schedule TDP-3, Page 3 of 4) shows Depreciation Expense of \$11,998. However, the sum of the depreciation expense for the individual accounts equals \$11,343, a difference of \$655. Explain the discrepancy.

Staff's Response 4:

In Staff's original Schedule TDP-3, Page 3 of 4, row No. 26 was inadvertently hidden. This row contains Account No. 344, Laboratory Equipment. This account has a depreciation expense balance of \$655, which is the discrepancy between the totals.

Question 5:

Staff's Operating Income Adjustment No. 3- Depreciation Expense (Schedule TDP-3, Page 3 of 4) does not show Account No. 344, Laboratory Equipment. Provide the test year amount of depreciation expense for Laboratory Equipment.

Staff's Response 5:

The test year amount of depreciation expense for Laboratory Equipment is \$655. Line No. 26 was inadvertently hidden; therefore, Account No. 344, Laboratory Equipment, was not shown on Staff's original Schedule TDP-3, Page 3 of 4.

STAFF'S CONCLUSIONS

Staff has revised all schedules and these are attached to this Supplemental Staff Report as Revised Schedules TDP-1 through TDP-5. Also included in the revised schedules is a Cash Flow Analysis, Schedule TDP-6. Schedule TDP-6 is being provided in response to the Procedural Order issued by the ALJ dated January 29, 2016.

1. In reviewing the Staff Report filed on January 8, 2016, Staff Engineer noticed an inconsistency between the Staff Report and the Engineering Report. Due to this inconsistency, Recommendation No. 4 in the Engineering Report "Staff recommends that any increase in rates and charges approved in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADWR Compliance Status Report indicating that the Company is in compliance with ADWR requirements." should be deleted.

Staff would also like to advise that on Schedule TDP-4, page 4 of 4, the Late Payment Charge (per month) was not included on the original schedule. This information has been added and updated on Revised Schedule TDP-4, page 4 of 4. The late payment charge proposed by the Company and Recommended by Staff is 1.50 percent.

STAFF'S RECOMMENDATIONS

Staff recommends approval of the Staff recommended rates and charges as shown on revised Staff Schedule TDP-4.

Staff recommends approval of all of Staff's recommendations in its original Staff Report, with the changes detailed in this Supplemental Staff Report.

SUMMARY OF FILING

	Company as Filed	Staff as Adjusted	Company Proposed	Staff Recommended
Revenues:				
Metered Water Revenue	\$134,391	\$134,391	\$191,140	\$176,097
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	4,079	4,079	4,079	4,079
Total Operating Revenue	<u>\$138,470</u>	<u>\$138,470</u>	<u>\$195,219</u>	<u>\$180,176</u>
Operating Expenses:				
Operation and Maintenance	\$128,483	\$126,669	\$128,483	\$126,669
Depreciation	14,722	11,998	14,722	11,998
Property & Other Taxes	6,178	5,852	8,481	6,440
Income Tax	150	(1,190)	8,764	6,900
Total Operating Expense	<u>\$149,533</u>	<u>\$143,329</u>	<u>\$160,450</u>	<u>\$152,006</u>
Operating Income/(Loss)	<u>(\$11,063)</u>	<u>(\$4,859)</u>	<u>\$34,769</u>	<u>\$28,170</u>
Rate Base O.C.L.D.	\$133,210	\$133,002	\$133,210	\$133,002
Rate of Return - O.C.L.D.	N/M	N/M	26.10%	21.18%
Operating Margin	N/M	N/M	17.81%	15.63%

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]	[C]
		COMPANY ORIGINAL COST	STAFF ORIGINAL COST
1	Adjusted Rate Base	\$133,210	\$133,002
2	Adjusted Operating Income (Loss)	(\$11,063)	(\$4,859)
3	Current Rate of Return (L2 / L1)	-8.30%	-3.65%
4	Required Rate of Return	26.10%	21.18%
5	Required Operating Income (L4 * L1)	\$34,769	\$28,170
6	Operating Income Deficiency (L5 - L2)	\$45,832	\$33,029
7	Gross Revenue Conversion Factor	1.2382	1.2627
8	Required Revenue Increase (L7 * L6)	\$56,749	\$41,706
9	Adjusted Test Year Revenue	\$138,470	\$138,470
10	Proposed Annual Revenue (L8 + L9)	\$195,219	\$180,176
11	Required Increase in Revenue (%)	40.98%	30.12%

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]
<i>Calculation of Gross Revenue Conversion Factor:</i>				
1	Revenue	100.0000%		
2	Uncollectible Factor (Line 11)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Tax Rate (L17) + Property Tax Factor (L22)	20.8066%		
5	Subtotal (L3 - L4)	79.1934%		
6	Revenue Conversion Factor (L1 / L5)	1.262732		
<i>Calculation of Uncollectible Factor:</i>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	19.6750%		
9	One Minus Combined Income Tax Rate (L7 - L8)	80.3250%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0		
<i>Calculation of Effective Tax Rate:</i>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	5.5000%		
14	Federal Taxable Income (L12 - L13)	94.5000%		
15	Applicable Federal Income Tax Rate (L44)	15.0000%		
16	Effective Federal Income Tax Rate (L14 * L15)	14.1750%		
17	Combined Federal and State Income Tax Rate (L13 + L16)	19.6750%		
<i>Calculation of Effective Property Tax Factor:</i>				
21	Property Tax Factor	1.4088%		
22	Effective Property Tax Factor (L21 * L22)	1.1316%		
23	Combined Federal and State Tax and Property Tax Rate (L17 + L22)	20.8066%		
24	Required Operating Income	\$28,170		
25	Adjusted Test Year Operating Income (Loss)	(4,859)		
26	Required Increase in Operating Income (L24 - L25)	\$33,029		
27	Income Taxes on Recommended Revenue (Col. [D], L52)	\$6,900		
28	Income Taxes on Test Year Revenue (Col. [B], L52)	(1,190)		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)	\$8,090		
30	Recommended Revenue Requirement	\$180,176		
31	Uncollectible Rate (L10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$0		
33	Adjusted Test Year Uncollectible Expense	\$0		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)	\$0		
35	Property Tax with Recommended Revenue	\$6,440		
36	Property Tax on Test Year Revenue	5,852		
37	Increase in Property Tax Due to Increase in Revenue	\$588		
38	Total Required Increase in Revenue (L26 + L30 + L34 + L37)	\$41,706		
<i>Calculation of Income Tax:</i>				
39	Revenue	Test Year	STAFF Recommended	
40	Operating Expenses Excluding Income Taxes	\$138,470	\$41,706	\$180,176
41	Synchronized Interest (L47)	144,519	588	145,106
42	Arizona Taxable Income (L36 - L37 - L38)	0		0
43	Arizona State Income Tax Rate	(\$6,049)		\$35,070
44	Arizona Income Tax (L39 * L40)	5.5000%		5.5000%
45	Federal Taxable Income (L33 - L35)	(\$333)		\$1,929
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	(5,716)		33,141
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	(857)		4,971
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	0		0
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	0		0
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	0		0
51	Total Federal Income Tax	(\$857)		\$4,971
52	Combined Federal and State Income Tax (L35 + L42)	(\$1,190)		\$6,900
53	Applicable Federal Income Tax Rate ((Col. [D], L42 - Col. [B], L42) / (Col. [C], L36 - Col. [A], L36))			15.00%
<i>Calculation of Interest Synchronization:</i>				
54	Rate Base	\$133,002		
55	Weighted Average Cost of Debt	0.00%		
56	Synchronized Interest (L45 * L46)	\$0		

ORIGINAL COST RATE BASE			
	----- Original Cost -----		Staff
	Company	Adjustment	
Plant in Service	\$463,580	\$0	\$463,580
Less:			
Accum. Depreciation	332,735	0	332,735
Net Plant	\$130,845	\$0	\$130,845
Less:			
Plant Advances	\$0	\$0	\$0
Security Deposits	8,874		8,874
Meter Deposits	2,684	0	2,684
Total Advances	\$11,558	\$0	\$11,558
Contributions Gross	\$0	\$0	\$0
Less:			
Amortization of CIAC	0	0	0
Net CIAC	\$0	\$0	\$0
Total Deductions	\$11,558	\$0	\$11,558
Plus:			
1/24 Power	\$1,059	\$0	\$1,059
1/8 Operation & Maint.	12,864	(208)	12,656
Inventory	-	-	-
Prepayments	-	-	-
Total Additions	\$13,923	(\$208)	\$13,715
Rate Base	\$133,210	(\$208)	\$133,002

PLANT ADJUSTMENT

Line No.	Acct. No.	Description	Company Exhibit	Adjustment	Staff Adjusted
1	301	Organization Costs	\$0	\$0	\$0
2	302	Franchise Costs	0	0	0
3	303	Land & Land Rights	17,000	0	17,000
4	304	Structures & Improvements	73,989	0	73,989
5	307	Wells & Springs	36,106	0	36,106
6	310	Power Generation Equipment	0	0	0
7	311	Electric Pumping Equipment	48,735	0	48,735
8	320	Water Treatment Equipment	0	0	0
9	320.1	Water Treatment Plants	749	0	749
10	320.2	Solutions & Feeders	0	0	0
11	320.3	Point-of-Use Treatment Devices	0	0	0
12	330	Distribution Reservoirs & Standpipes	0	0	0
13	330.1	Storage Tank	116,118	0	116,118
14	330.2	Pressure Tanks	0	0	0
15	331	Transmission & Distribution Mains	87,022	0	87,022
16	333	Services	44,646	0	44,646
17	334	Meters & Meter Installations	20,119	0	20,119
18	335	Hydrants	0	0	0
19	336	Backflow Prevention Devices	0	0	0
20	339	Other Plant & Misc. Equip.	0	0	0
21	340	Office Furniture & Fixtures	467	0	467
22	340.1	Computer & Software	12,079	0	12,079
23	341	Transportation Equipment	0	0	0
24	342	Store Equipment	0	0	0
25	343	Tools & Work Equipment	0	0	0
26	344	Laboratory Equipment	6,550	0	6,550
27	345	Power Operated Equipment	0	0	0
28	346	Communications Equipment	0	0	0
29	347	Miscellaneous Equipment	0	0	0
30	348	Other Intangibles	0	0	0
31	105	C.W.I.P.	0	0	0
32		TOTALS	\$463,580	\$0	\$463,580

RATE BASE ADJUSTMENT - ACCUMULATED DEPRECIATION

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	301	Organization Costs	\$0	\$0	\$0
2	302	Franchise Costs	0	0	0
3	303	Land & Land Rights	0	0	0
4	304	Structures & Improvements	58,880	0	58,880
5	307	Wells & Springs	36,106	0	36,106
6	310	Power Generation Equipment	0	0	0
7	311	Electric Pumping Equipment	23,634	0	23,634
8	320	Water Treatment Equipment	0	0	0
9	320.1	Water Treatment Plants	749	0	749
10	320.2	Solutions & Feeders	0	0	0
11	320.3	Point-of-Use Treatment Devices	0	0	0
12	330	Distribution Reservoirs & Standpipes	0	0	0
13	330.1	Storage Tank	88,019	0	88,019
14	330.2	Pressure Tanks	0	0	0
15	331	Transmission & Distribution Mains	47,483	0	47,483
16	333	Services	44,646	0	44,646
17	334	Meters & Meter Installations	17,100	0	17,100
18	335	Hydrants	0	0	0
19	336	Backflow Prevention Devices	0	0	0
20	339	Other Plant & Misc. Equip.	0	0	0
21	340	Office Furniture & Fixtures	109	0	109
22	340.1	Computer & Software	12,079	0	12,079
23	341	Transportation Equipment	0	0	0
24	342	Store Equipment	0	0	0
25	343	Tools & Work Equipment	0	0	0
26	344	Laboratory Equipment	3,930	0	3,930
27	345	Power Operated Equipment	0	0	0
28	346	Communications Equipment	0	0	0
29	347	Miscellaneous Equipment	0	0	0
30	348	Other Intangibles	0	0	0
31	105	C.W.I.P.	0	0	0
32		Accumulated Depreciation	<u>\$332,735</u>	<u>\$0</u>	<u>\$332,735</u>

STATEMENT OF TEST YEAR OPERATING INCOME

Line No.	Acct. No.	Description	[A] Company Exhibit	[B] Staff Adjustments	Adj. No.	[C] Staff Adjusted	[D] Staff Adjustments	[E] Staff Recommended
1		Revenues:						
2	461	Metered Water Revenue	\$134,391	\$0		\$134,391	\$41,706	\$176,097
3	460	Unmetered Water Revenue	0	0		0	0	0
4	474	Other Water Revenues	4,079	0		4,079	0	4,079
5		Total Operating Revenue	\$138,470	\$0		\$138,470	\$41,706	\$180,176
6								
7		Operating Expenses:						
8	601	Salaries and Wages	\$0	\$0		\$0	\$0	\$0
9	610	Purchased Water	0	0		0	0	0
10	615	Purchased Power	25,425	0		25,425	0	25,425
11	618	Chemicals	2,351	0		2,351	0	2,351
12	620	Repairs and Maintenance	24,265	0		24,265	0	24,265
13	621	Office Supplies and Expense	2,662	0		2,662	0	2,662
14	630	Outside Services	55,622	0		55,622	0	55,622
15	635	Water Testing	2,743	61	1	2,804	0	2,804
16	641	Rents	0	0		0	0	0
17	650	Transportation Expenses	0	0		0	0	0
18	657	Insurance - General Liability	2,569	0		2,569	0	2,569
19	659	Insurance - Health and Life	0	0		0	0	0
20	666	Regulatory Commission Expense - Rate Case	7,500	(1,875)	2	5,625	0	5,625
21	427	Customer Security Deposit Interest	147	0		147	0	147
22	675	Miscellaneous Expense	5,199	0		5,199	0	5,199
23	403	Depreciation Expense	14,722	(2,724)	3	11,998	0	11,998
24	408	Taxes Other Than Income	0	0		0	0	0
25	408.11	Property Taxes	6,178	(326)	4	5,852	\$588	6,440
26	409	Income Tax	150	(1,340)	5	(1,190)	8,090	6,900
27		Total Operating Expenses	\$149,533	(\$6,204)		\$143,329	\$8,678	\$152,006
28								
29								
30		OPERATING INCOME/(LOSS)	(\$11,063)	\$6,204		(\$4,859)	\$33,029	\$28,170
32		Other Income/(Expense):						
33	419	Interest and Dividend Income	\$71	\$0		\$71		\$71
34	421	Non-Utility Income	0	0		0		0
35	427	Interest Expense	0	0		0		0
37	426	Miscellaneous Non-Utility Expense	0	0		0		0
38		Total Other Income/(Expense)	\$71	\$0		\$71	\$0	\$71
40		NET INCOME/(LOSS)	(\$10,992)	\$6,204			\$33,029	\$28,241

STAFF ADJUSTMENTS

Adjustment No. 1	WATER TESTING - Per Company	\$2,743	
	Per Staff	2,804	\$61

This adjustment increases water testing expense by \$61 to reflect Staff's recommended water testing expense as discussed in greater detail in the attached Engineering report.

Adjustment No. 2	REGULATORY COMMISSION EXPENSE - RATE CASE		
	- Per Company	\$7,500	
	Per Staff	5,625	(\$1,875)
	Staff recommended Rate Case expense	\$22,500	Per Data Request TDP 1-10
	Normalized using 4 years	4	
		\$5,625	

This adjustment decreases rate case expense by \$1,825 to reflect Staff's recommended expense level

Adjustment No. 3	DEPRECIATION EXPENSE - Per Company	\$14,722	
	Per Staff	11,998	(\$2,724)

To reflect Staff's calculation of depreciation expense as shown on Schedule TDP-3, Page 3 of 4.

Adjustment No. 4	PROPERTY TAXES - Per Company	\$6,178	
	Per Staff	5,852	(\$326)

To reflect Staff's calculation of property taxes as shown on Schedule TDP-3, Page 4 of 4.

Adjustment No. 5	INCOME TAX - Per Company	\$150	
	Per Staff	(1,190)	(\$1,340)

To reflect Staff's calculation of income taxes as shown on Schedule TDP-2, Page 1 of 2.

CHAPARRAL WATER PROPERTIES

Docket No. W-02393A-15-0349

Test Year Ended 12/31/2014

Revised Schedule TDP-3

Page 3 of 4

OPERATING INCOME ADJUSTMENT No. 3 - DEPRECIATION EXPENSE

Line No.	Acct. No.	Description	[A] Utility Plant in Service Balances	[B] Fully/Non-Depreciable Plant Balances	[C] Depreciable Plant In Service	[D] Deprec. Rate	[E] Depreciation Expense
Plant In Service							
1	301	Organization Costs	\$0	\$0	\$0	0.00%	\$0
2	302	Franchise Costs	0	0	0	0.00%	0
3	303	Land & Land Rights	17,000	0	17,000	0.00%	0
4	304	Structures & Improvements	73,989	0	73,989	3.33%	2,464
5	307	Wells & Springs	36,106	36,106	0	3.33%	0
6	310	Power Generation Equipment	0	0	0	5.00%	0
7	311	Electric Pumping Equipment	48,735	14,760	33,975	12.50%	4,247
8	320	Water Treatment Equipment	0				
9	320.1	Water Treatment Plants	749	749	0	3.33%	0
10	320.2	Solutions & Feeders	0	0	0	20.00%	0
11	320.3	Point-of-Use Treatment Devices	0	0	0	10.00%	0
12	330	Distribution Reservoirs & Standpipes	0				
13	330.1	Storage Tank	116,118	0	116,118	2.22%	2,578
14	330.2	Pressure Tanks	0	0	0	5.00%	0
15	331	Transmission & Distribution Mains	87,022	0	87,022	2.00%	1,740
16	333	Services	44,646	44,646	0	3.33%	0
17	334	Meters & Meter Installations	20,119	16,728	3,391	8.33%	282
18	335	Hydrants	0	0	0	2.00%	0
19	336	Backflow Prevention Devices	0	0	0	6.67%	0
20	339	Other Plant & Misc. Equip.	0	0	0	6.67%	0
21	340	Office Furniture & Fixtures	467	0	467	6.67%	31
22	340.1	Computer & Software	12,079	12,079	0	20.00%	0
23	341	Transportation Equipment	0	0	0	20.00%	0
24	342	Store Equipment	0	0	0	4.00%	0
25	343	Tools & Work Equipment	0	0	0	5.00%	0
26	344	Laboratory Equipment	6,550	0	6,550	10.00%	655
27	345	Power Operated Equipment	0	0	0	5.00%	0
28	346	Communications Equipment	0	0	0	10.00%	0
29	347	Miscellaneous Equipment	0	0	0	10.00%	0
30	348	Other Intangibles	0	0	0	10.00%	0
31							
32							
33		Subtotal General	<u>\$463,580</u>	<u>\$125,068</u>	<u>\$338,512</u>		<u>\$11,998</u>
34							
44		Staff Recommended Depreciation Expense					\$11,998
45		Company Proposed Depreciation Expense					14,722
46		Increase/(Decrease) to Depreciation Expense					<u>(\$2,724)</u>

OPERATING INCOME ADJUSTMENT No. 4 - PROPERTY TAXES

Line No.	Description	[A]	[B]
		Staff As Adjusted	Staff Recommended
1	Staff Adjusted Test Year Revenues	\$138,470	\$138,470
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$276,940	\$276,940
4	Staff Recommended Revenue	138,470	180,176
5	Subtotal (L4 + L5)	\$415,410	\$457,116
6	Number of Years	3	3
7	Three Year Average (L5 / L6)	\$138,470	\$152,372
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (L7 * L8)	\$276,940	\$304,744
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles	0	0
12	Full Cash Value (L9 + L10 - L11)	\$276,940	\$304,744
13	Assessment Ratio	18.00%	18.00%
14	Assessment Value (L12 * L13)	\$49,849	\$54,854
15	Composite Property Tax Rate - Obtained from ADOR	11.74%	11.74%
16	Staff Test Year Adjusted Property Tax Expense (L14 * L15)	\$5,852	
17	Company Proposed Property Tax	6,178	
18	Staff Test Year Adjustment (L16 - L17)	(\$326)	
19	Property Tax - Staff Recommended Revenue (L14 * L15)		\$6,440
20	Staff Test Year Adjusted Property Tax Expense (L16)		5,852
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$588
22	Increase in Property Tax Due to Increase in Revenue Requirement (L21)		\$588
23	Increase in Revenue Requirement		\$41,706
24	Increase in Property Tax Per Dollar Increase in Revenue (L22 / L23)		1.408800%

CHAPARRAL WATER PROPERTIES

Docket No. W-02393A-15-0349

Test Year Ended 12/31/2014

Revised Schedule TDP-4

Page 1 of 4

RATE DESIGN			
Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" x 3/4" Meter	\$13.25	\$23.00	\$20.25
3/4" Meter	19.28	34.50	30.38
1" Meter	32.50	57.50	50.63
1½" Meter	64.25	115.00	101.25
2" Meter	103.50	184.00	162.00
3" Meter	205.60	368.00	324.00
4" Meter	321.25	575.00	506.25
6" Meter	642.50	1,150.00	1,012.50
8" Meter	N/A	N/A	1,620.00
Commodity Rates			
<u>All Meter Sizes</u>			
Gallons Included in Minimum	0	0	0
0-7,000 Gallons	\$1.91	N/A	N/A
7,001-15,000 Gallons	2.40	N/A	N/A
Over 15,000 Gallons	3.00	N/A	N/A
<u>5/8" X 3/4" Meter - Residential</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	\$1.65
3,001-10,000 Gallons	N/A	2.50	2.50
Over 10,000	N/A	4.25	3.75
<u>5/8" X 3/4" Meter - Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	N/A
3,001-10,000 Gallons	N/A	2.50	N/A
Over 10,000	N/A	4.25	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$2.50
Over 10,000	N/A	N/A	3.75
<u>3/4" Meter - Residential</u>			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
0-3,000 Gallons	N/A	\$1.25	\$1.65
3,001-10,000 Gallons	N/A	2.50	2.50
Over 10,000	N/A	4.25	3.75

RATE DESIGN CONT.

<u>3/4" Meter - Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	N/A
3,001-10,000 Gallons	N/A	2.50	N/A
Over 10,000	N/A	4.25	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$2.50
Over 10,000	N/A	N/A	3.75
<u>1" - Residential, Commercial, & Industrial</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	N/A
3,001-10,000 Gallons	N/A	2.50	N/A
Over 10,000	N/A	4.25	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$2.50
Over 10,000	N/A	N/A	3.75
<u>1 1/2" - Residential, Commercial, & Industrial</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	N/A
3,001-10,000 Gallons	N/A	2.50	N/A
Over 10,000	N/A	4.25	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$2.50
Over 10,000	N/A	N/A	3.75
<u>2" - Residential, Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	N/A
3,001-10,000 Gallons	N/A	2.50	N/A
Over 10,000	N/A	4.25	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$2.50
Over 10,000	N/A	N/A	3.75
<u>3" - Residential, Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	N/A
3,001-10,000 Gallons	N/A	2.50	N/A
Over 10,000	N/A	4.25	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$2.50
Over 10,000	N/A	N/A	3.75
<u>4" - Residential, Commercial & Industrial</u>			
Gallons Included in Minimum	0	0	0
0-3,000 Gallons	N/A	\$1.25	N/A
3,001-10,000 Gallons	N/A	2.50	N/A
Over 10,000	N/A	4.25	N/A
From 0 to 50,000 Gallons	N/A	N/A	\$2.50
Over 50,000	N/A	N/A	3.75

RATE DESIGN CONT.

Service Charges	Present Rates	Company Proposed	Staff Recommended
Establishment	\$25.00	\$30.00	\$35.00
Establishment (After Hours)	50.00	N/A	N/A
After Hours Service Charge (At customers request)	N/A	35.00	35.00
Reconnection (Delinquent)	50.00	50.00	40.00
Meter Test (If Correct)	25.00	25.00	25.00
Deposit	*	*	*
Deposit Interest	**	**	**
Re-Establishment (Within 12 Months)	***	***	***
NSF Check	15.00	25.00	15.00
Deferred Payment	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	15.00	20.00	15.00
Late Payment Charge (per month)	1.50%	1.50%	1.50%
Monthly Service Charge for Fire Sprinkler			
4" or Smaller	****	****	****
6"	****	****	****
8"	****	****	****
10"	****	****	****
Larger than 10"	****	****	****

* Per Commission Rule A.A.C. R-14-2-403(B)(7).

** Per Commission Rule A.A.C. R-14-2-403(B)(3).

*** Number of months off system times the monthly minimum A.A.C. R14-2-403(D).

**** 2% of Monthly Minimum for a comparable sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable to service lines separate and distinct from the primary water service line

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule A.A.C. 14-2-409D(5)

TYPICAL BILL ANALYSIS
General Service 5/8 x 3/4-Inch Meter

Average Number of Customers: 296

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	10,293	\$ 34.52	\$ 45.49	\$ 10.97	31.8%
Median Usage	6,697	\$ 26.04	\$ 35.99	\$ 9.95	38.2%
<u>Staff Recommend</u>					
Average Usage	10,293	\$ 34.52	\$ 43.80	\$ 9.27	26.9%
Median Usage	6,697	\$ 26.04	\$ 34.44	\$ 8.40	32.3%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Recommended Rates</u>	<u>% Increase</u>
0	\$13.25	\$23.00	73.6%	\$20.25	52.8%
1,000	15.16	24.25	60.0%	21.90	44.5%
2,000	17.07	25.50	49.4%	23.55	38.0%
3,000	18.98	26.75	40.9%	25.20	32.8%
4,000	20.89	29.25	40.0%	27.70	32.6%
5,000	22.80	31.75	39.3%	30.20	32.5%
6,000	24.71	34.25	38.6%	32.70	32.3%
7,000	26.62	36.75	38.1%	35.20	32.2%
8,000	29.02	39.25	35.3%	37.70	29.9%
9,000	31.42	41.75	32.9%	40.20	27.9%
10,000	33.82	44.25	30.8%	42.70	26.3%
15,000	45.82	65.50	43.0%	61.45	34.1%
20,000	60.82	86.75	42.6%	80.20	31.9%
25,000	75.82	108.00	42.4%	98.95	30.5%
50,000	150.82	214.25	42.1%	192.70	27.8%
75,000	225.82	320.50	41.9%	286.45	26.8%
100,000	300.82	426.75	41.9%	380.20	26.4%
125,000	375.82	533.00	41.8%	473.95	26.1%
150,000	450.82	639.25	41.8%	567.70	25.9%
175,000	525.82	745.50	41.8%	661.45	25.8%
200,000	600.82	851.75	41.8%	755.20	25.7%

CASH FLOW ANALYSIS

Line No.

		Staff Recommended
1	INCOME STATEMENT	
2		
3	Operating Revenue	
4	461 Metered Water Revenue	\$176,097
5	460 Unmetered Water Revenue	\$0
6	474 Other Water Revenues	\$4,079
7	Total Operating Revenue	\$180,176
8		
9	Operating Expenses:	
10	601 Salaries and Wages	\$0
11	610 Purchased Water	\$0
12	615 Purchased Power	\$25,425
13	618 Chemicals	\$2,351
14	620 Repairs and Maintenance	\$24,265
15	621 Office Supplies and Expense	\$2,662
16	630 Outside Services	\$55,622
17	635 Water Testing	\$2,804
18	641 Rents	\$0
19	650 Transportation Expenses	\$0
20	657 Insurance - General Liability	\$2,569
21	659 Insurance - Health and Life	\$0
22	666 Regulatory Commission Expense - Rate Case	\$5,625
23	427 Customer Security Deposit Interest	\$147
24	675 Miscellaneous Expense	\$5,199
25	403 Depreciation Expense	\$11,998
26	408 Taxes Other Than Income	\$0
27	408.1 Property Taxes	\$6,440
28	409 Income Tax	\$6,900
29	Total Operating Expenses	\$152,006
30		
31	Operating Income	\$28,170
32		
33	Interest Income	\$71
34	Total Other Interest Expense/Income	\$71
35		
36	Net Income	\$28,241
37		
38	Rate Base	\$133,002
39		
40	Rate of Return (Line 31 / Line 38)	21.18%
41		
42	Operating Margin (Line 31 / Line 7)	15.63%
43		
44	Cash Flow (Line 25 + Line 31)	\$40,167