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Transcript Exhibit(s)

Docket #(s): W-01445A-15-0277

Arizona Corporation Commission
DOCKETED
MAY 26 2016
DOCKETED BY

Exhibit #: Abbott-1-3, RUCO1-5, S1-S7

Part 7 of 12

For parts 1-6, see barcodes 0000170605 through 0000170610
For parts 8-12, see barcodes 0000170612 through 0000170616

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE, CHAIRMAN

BOB STUMP, COMMISSIONER

BOB BURNS, COMMISSIONER

TOM FORESE, COMMISSIONER

ANDREW TOBIN, COMMISSIONER

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS.	Docket No.: W-01445A-15-0277

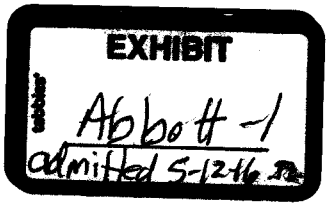
Direct Testimony

of

Kevin Kemp

on behalf of Abbott Laboratories

March 11, 2016



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Executive Summary

Kevin Kemp is the Manager of Manufacturing Engineering for Abbott Laboratories' Casa Grande manufacturing plant. He is responsible for all utilities that come into the plant, and also looks for methods to reduce costs and environmental impacts.

Mr. Kemp testifies that Abbott is one of the largest industrial customers in Arizona Water Company's Pinal Valley system. The Abbott Nutrition division operates a manufacturing plant that employs approximately 500 employees and is located on the west side of Casa Grande. The plant manufactures a variety of infant formula and adult nutritional products for distribution mainly in the western United States.

Abbott has three separate service connections – two potable connections and one six-inch non-potable connection. Abbott receives chlorinated non-potable groundwater through the six-inch connection from one of three Arizona Water Company-owned wells. The non-potable water is supplied to the plant through a dedicated 7-mile pipeline that was constructed by Abbott and contributed to Arizona Water Company.

Because Abbott manufactures products that must meet stringent quality standards, Abbott treats the non-potable water entering the plant in Abbott's own reverse osmosis treatment plant. Abbott does not require that Arizona Water Company pre-treat the non-potable supply for arsenic or nitrates, and understands that Arizona Water Company does not do so.

In 2013, Abbott purchased 324 million gallons of water from Arizona Water Company. In 2014, Abbott purchased 331 million gallons of water. In 2015, Abbott purchased 371 million gallons of water.

Abbott receives most of its water service through the six-inch non-potable meter, and under Arizona Water Company's Pinal Valley tariff for a six-inch meter is currently charged a monthly commodity rate of $1.55 per 1000 gallons, in addition to other tariffed fees and charges. Abbott has significant financial and environmental incentives to reduce the amount of water it purchases and uses. First, because water is a significant product production cost, Abbott has ongoing cost incentives to reduce the amount of water it must purchase. In addition, every gallon of water Abbott purchases must be treated, so a reduction of the volume of water going through the treatment processes will reduce treatment, operation and maintenance expenses. Reduction of water intake into the plant also reduces the volume of wastewater that must be treated.

Second, Abbott has identified responsible water use as one of its strategic environmental priorities. Abbott's current corporate goal is a 30% reduction of water use by 2020, using Abbott's 2010 water usage as a baseline, indexed to sales.

The Arizona Corporation Commission should not impose further price incentives in Abbott's rates to reduce industrial water use. Arizona Water Company's updated Cost of Service Study indicates industrial users in the Pinal Valley system will continue under the Company's proposed rates to pay substantially more than the cost of providing water service to that class of customers. That extra cost alone encourages water conservation.

I. Introduction

Q. Please state your name, business address, and telephone number.

A. My name is Kevin Kemp. My business address is 1250 West Maricopa Highway, Casa Grande, Arizona 85193. My telephone number is (520) 421-6600.

Q. In what capacity and by whom are you employed?

A. I am employed by Abbott Laboratories ("Abbott") as the Manager of Manufacturing Engineering for Abbott's Casa Grande manufacturing plant.

Q. Please describe your primary responsibilities for Abbott.

A. Among other things, I am responsible for all utilities that come into the plant. I ensure that utilities are delivered to all operations in a timely and cost efficient manner. My other key responsibility is to proactively look for methods to reduce overall utility consumption to reduce costs and environmental impacts.

Q. Please describe your professional experience and education.

A. I have worked for Abbott since April 2015. Before that, I worked for Arizona Public Service Company as Manager of Operations (Transmission Operations). I hold a Bachelor of Science in Electrical Engineering, and a Master of Business Administration (MBA).

Q. Have you previously testified before this Commission?

A. No, I have only updated the Commissioners on issues concerning APS Solar, Smartgrid, and related rate issues.

II. Purpose of Testimony

Q. What is the purpose of your testimony in this case?

A. Abbott is one of the largest industrial customers in Arizona Water Company's Pinal Valley system. The purpose of my testimony is to describe the services provided to Abbott by Arizona Water Company, the facilities used to provide those services, and Abbott's role in treating water prior to use in its manufacturing facility. I will also describe Abbott's water conservation programs.

III. Water Facilities

Q. Please briefly describe Abbott's Casa Grande business.

A. The Abbott Nutrition division of Abbott operates a manufacturing plant located on the west side of Casa Grande, Arizona within Arizona Water Company's Certificate of Convenience and Necessity in sections 13 and 24, Township 6 South, Range 5 East, GSRB&M. The plant manufactures a variety of infant formula and adult nutritional products for distribution mainly in the western United States.

Q. Please describe the water facilities that supply the plant.

A. In addition to a one-inch service connection and a 6-inch alternate service connection that provide potable water to plant facilities, Abbott receives chlorinated non-potable groundwater through a six-inch meter from one of three Arizona Water Company-owned wells. Water is supplied to the plant through a dedicated 7-mile pipeline that was constructed by Abbott and contributed to Arizona Water Company.

Q. Does Arizona Water Company provide any treatment services to Abbott?

A. I understand that Arizona Water Company chlorinates the non-potable water before it is supplied to Abbott, but I do not believe that Arizona Water Company provides any other treatment for the water that flows through the six-inch meter. Because Abbott manufactures products that must meet stringent quality standards, Abbott treats the non-potable water entering the plant in Abbott's own reverse osmosis treatment plant. Abbott's reverse osmosis treatment plant provides treatment to ensure water used in the plant meets applicable water quality standards, and includes arsenic, nitrate, and fluoride removal. Abbott does not require that Arizona Water Company pre-treat the non-potable water supply, and understands that Arizona Water Company does not do so. The Arizona Department of Environmental Quality considers Abbott's water treatment plant the "point of entry" to Arizona Water Company's system, and the water is tested for compliance with water quality standards just after the water has passed through Abbott's water treatment plant.

Q. Is Abbott currently paying a rate for the six-inch meter that includes the cost of arsenic removal?

A. Yes.

IV. Water Use

Q. For what purposes is water used at the plant?

A. Water is used for a variety of purposes. Water becomes part of some finished products, and is an integral part of some of the manufacturing processes. Water is also used to clean manufacturing equipment, and for the production of steam and in cooling towers.

Q. How many employees work at the Casa Grande plant?

A. The plant employs approximately 500 employees.

Q. What are the plant's hours of operation?

A. The plant operates 24 hours, 7 days per week, 365 days per year.

Q. Does Arizona Water Company currently provide all of the plant's water supply?

A. Yes.

Q. How much water did the plant purchase from Arizona Water Company in 2013, 2014, and 2015?

A. In 2013, Abbott purchased 324 million gallons of water from Arizona Water Company. In 2014, Abbott purchased approximately 331 million gallons of water. In 2015, Abbott has purchased 371 million gallons of water.

Q. Under what rate structure is Abbott currently charged?

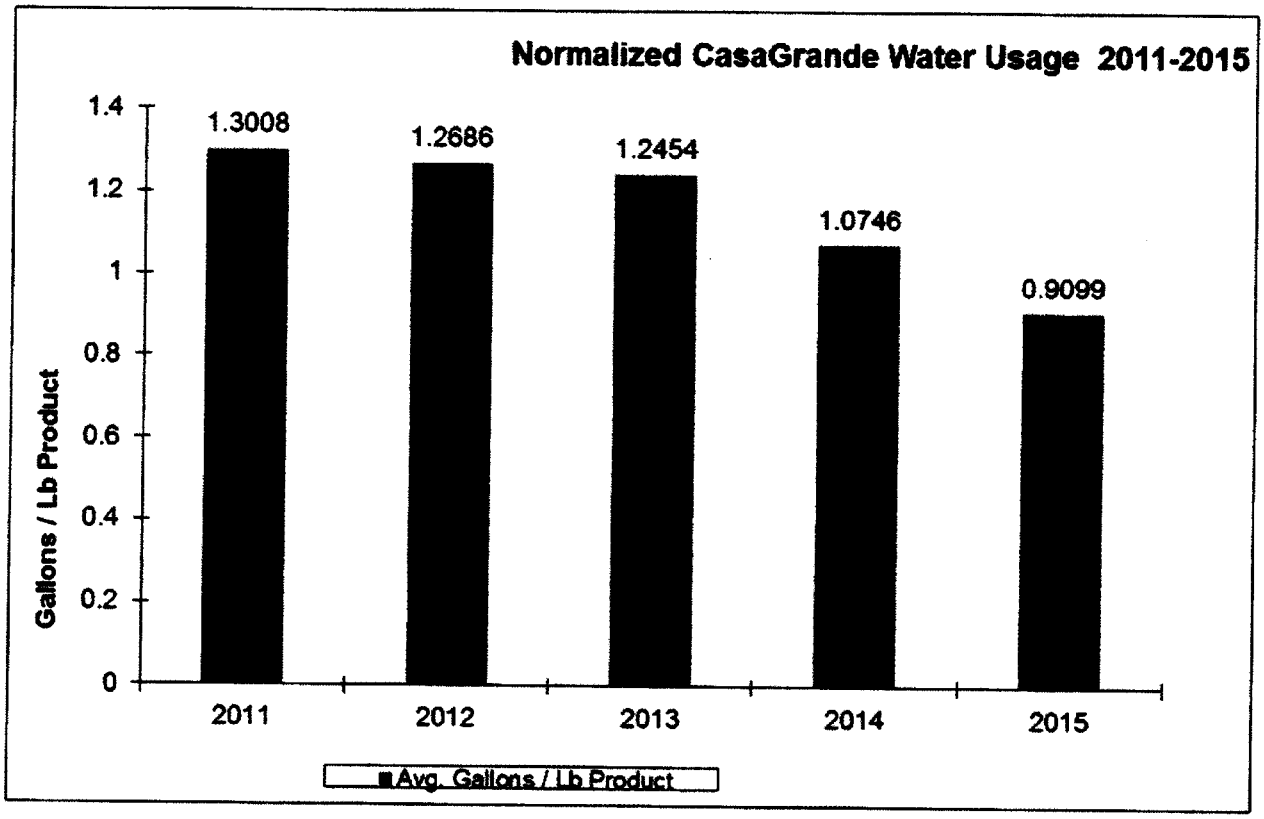
A. Abbott receives most of its water service through the six-inch meter (a relatively minor amount of potable water is purchased through a one-inch meter, with a redundant 6-inch meter that can provide Abbott with water service during emergency repairs), and under Arizona Water Company's Pinal Valley tariff for a six-inch meter is currently charged a monthly commodity rate of $1.55 per 1000 gallons, in addition to other tariffed fees and charges. This water rate is a significant operational cost.

V. Water Conservation

Q. Does Abbott currently have incentives to reduce its water use?

A. Absolutely. Abbott has significant financial and environmental incentives to reduce the amount of water it purchases and uses. First, because water is a significant product production cost, Abbott has ongoing cost incentives to reduce the amount of water it must purchase. In addition, every gallon of water Abbott purchases must be treated, so a reduction of the volume of water going through the treatment processes will reduce treatment, operation and maintenance expenses. Reduction of water intake into the plant also reduces the volume of wastewater that must be treated.

Second, Abbott has identified responsible water use as one of its strategic environmental priorities. Abbott's current corporate goal is a 30% reduction of water use by 2020, using Abbott's 2010 water usage as a baseline, indexed to sales. Abbott identified the Casa Grande plant as one of its high priority sites in its global operations based on a review of water supply stress. Abbott's corporate initiatives have focused and continue to focus resources and efforts toward reductions in water use. These efforts include Abbott's partnership with the University of Arizona and Project WET to promote water conservation, not only within Abbott's facility, but within the community, including Arizona Water Festivals, the School Water Audit Program, Water Wednesdays, and more. Abbott is the founding sponsor of the Pinal County Community Program. The following charts demonstrate that the Casa Grande plant has already achieved significant water reductions through ongoing water conservation efforts and is actively working to meet the updated aggressive corporate goals.



Q. How much does Abbott spend on initial water treatment at the plant inlet?

A. The 2015 annual operation and maintenance cost for the Abbott reverse osmosis treatment system, not including capital costs, was $6.44 per thousand gallons. This cost includes the power to generate and treat the water. This cost is paid by Abbott in addition to the water rates that Abbott pays to Arizona Water Company.

Q. Should the Arizona Corporation Commission impose further price incentives in Arizona Water Company's new rates to reduce industrial water use?

A. No. The small number of large industrial users in Arizona Water Company's Pinal Valley system already have significant price incentives to reduce water use. It is not necessary for the Commission to adopt tiered rates or any other price incentives to encourage further conservation by industrial users. As will be described in the testimony of Abbott's rate expert, Dan Neidlinger, Arizona Water Company's updated Cost of Service Study indicates Abbott will continue under the Company's proposed rates to pay

substantially more than the cost of providing water service to that class of customers. That extra cost alone encourages water conservation.

Additionally, to my knowledge, major industrial users in the system have been investing in programs and equipment to make their operations more water efficient in order to reduce water use for all the reasons Abbott has done so. Additional price incentives would simply raise production costs to the detriment of Abbott product consumers.

VI. CAP Water Use Plan and Surcharge Proposal

Q. Arizona Water Company is proposing a Central Arizona Project ("CAP") water use plan to recharge its CAP water allocation in its Pinal Valley service area. Does Abbott have a position regarding the prudency of Arizona Water Company's plan for CAP water use?

A. Abbott generally supports the plan to bring CAP water to the Pinal Valley service area for the benefit of customers. Arizona Water Company's plan for recharge in the general area seems like a good idea because it promotes the sustainability of the area's water supply, and avoids the larger up-front costs of constructing a direct delivery system with a new potable water treatment plant. Abbott will, of course, reserve its right to disagree with any particular charge if the charge is not prudent or reasonable.

Q. Do you have any concerns about Arizona Water Company's CAP water use plan?

A. The only concern I have generally is whether the recharged CAP water will be available to customers when needed given that the plan is to recharge the water miles away and there are other competing users of groundwater in the area, such as farms. At a minimum, Arizona Water Company should be required to hold the long term storage credits resulting from the planned recharge solely for the benefit of Pinal Valley customers.

Q. Does this conclude your direct testimony in this case?

A. Yes.

ARIZONA CORPORATION COMMISSION

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-15-0277

Direct Testimony of Dan L. Neidlinger

Cost of Service and Rate Design

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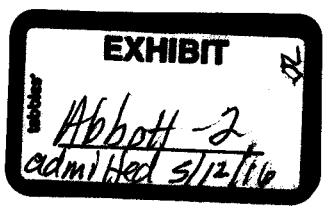

I. BACKGROUND

Q1. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A1. My name is Dan L. Neidlinger. My business address is 3020 North 17th Drive, Phoenix, Arizona. I am President of Neidlinger & Associates, Ltd., a consulting firm specializing in utility rate economics.

Q2. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS AND EXPERIENCE.

A2. A summary of my professional qualifications and experience is included in the attached Statement of Qualifications. In addition to providing testimony before the Arizona Corporation Commission ("ACC" or "Commission"), I have presented expert testimony before regulatory commissions and agencies in Alaska, California, Colorado, Guam, Idaho, New Mexico, Nevada, Texas, Utah, Wyoming and the Province of Alberta, Canada.

Q3. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A3. I am appearing on behalf of Abbott Laboratories ("Abbott") located in Casa Grande, Arizona. Abbott receives most of its water service from Arizona Water Company's ("AWC" or "Company") Pinal Valley System under AWC's 6" Industrial Rate Schedule. A detailed description of Abbott's operations, its water treatment system and its water conservation program is provided in the direct testimony of Mr. Kevin Kemp, Manager of Manufacturing Engineering for the Casa Grande plant. Abbott is AWC's largest customer and one of the largest water customers of any investor owned water utility in Arizona.

Q4. DID YOU PRESENT TESTIMONY ON BEHALF OF ABBOTT ON COST OF SERVICE AND RATE DESIGN ISSUES IN ONE OF THE COMPANY'S PREVIOUS RATE CASES, ACC DOCKET 08-0440?

A4. Yes, I did. I also provided consulting assistance to Abbott on cost of service and rate design issues in its most recent case, ACC Docket No. 10-0517.

Q5. WHY HAS THE COMPANY FILED FOR INCREASED RATES AT THIS TIME?

A5. As summarized on the attached Exhibit DLN-1, the Company's return on rate base for the Western Group has declined from the 8.44% finding in Docket No. 10-0517 to 3.50% for the test year ended December 31, 2014. This decline is primarily attributable to a 48% decrease in operating income and a 27% increase in rate base.

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A6. My testimony addresses the results of the cost of service study ("COSS") prepared by the Company for the Pinal Valley System and the Company's related rate design and class revenue recommendations. More specifically, I will discuss the Company's costing and pricing of the 6" meter rate for Abbott served under the Large Industrial Class. I will also provide rate design recommendations and comment on the Nitrate and CAP surcharges proposed by the Company. I did not perform a revenue requirements study and accordingly have no opinion on this issue.

II. COST OF SERVICE

Q7. WAS THE COMPANY REQUIRED, PURSUANT TO ACC RULE R14-2-103, TO FILE A COSS FOR EACH OF ITS OPERATING SYSTEMS?

A7. Yes. All large utilities, including AWC, are required to file a COSS supporting their rate design proposals for each class of customer. When Rule14-2-103 was adopted in the 1970s, the Commission recognized the need for such studies in setting fair and equitable rates. Although the Rule has been amended from time to time since its initial adoption, the COSS series of schedules remain today an important component of any rate filing package for all large utilities, including water utilities.

Q8. WHY IS COST OF SERVICE IMPORTANT?

A8. In a regulated environment, cost of service is the single-most important criterion in the development of revenues by customer class and the development of rates that will produce those revenues. If rates are not cost-based, the inevitable results are subsidies among classes of customers and customers within a class. Although other factors, such a continuity, simplicity and stability, are valid

considerations in the rate design process, the primary guideline should be cost of service. Rates developed based on cost of service are equitable because each customer pays its fair share of the utility's total cost.

Q9. DID YOU REVIEW OF COSS AND RATE DESIGN TESTIMONY OF COMPANY WITNESS JOEL REIKER?

A9. Yes. I am in general agreement with Mr. Reiker's costing and rate design proposals for the various customer classes except, as I shall discuss later, for his cost allocations to the Large Industrial class in the Pinal Valley system that includes Abbott. Abbott's water usage represents approximately 78% of that class.

At the bottom of page 7 of his testimony, beginning at line 25, Mr. Reiker accurately points out that the owners of utilities are forced to "pick up the tab" or subsidize the utilities' customers should revenues fall short of the utilities' cost of service. There is a corollary with respect to setting revenue targets among customer classes. Some classes of customers may be forced to "pick up the tab" for other classes of customers should revenue targets fall short of their cost of service. As discussed later, Abbott is currently providing large subsidies to other classes of customers.

Q10. BRIEFLY DESCRIBE THE NATURE OF WATER SERVICE PROVIDED TO ABBOTT BY AWC.

A10. Abbott receives over 98% of its water requirements through a 6" non-potable water main and a dedicated well. These facilities were financed primarily through contributions from Abbott to AWC. The remaining 2% of water used by Abbott is sourced through a 6" standby meter and a 1" meter. Except for these ancillary deliveries, Abbott does not use AWC's water distribution system. Accordingly, Abbott presents a unique set of costing and pricing issues that need to be addressed in this case.

Q11. DOES THE COMPANY'S COSS FOR THE PINAL VALLEY SYSTEM ACCURATELY REFLECT THESE UNIQUE COSTING ISSUES?

A11. No. The Company's COSS for the Pinal Valley system allocated distribution costs to the Large Industrial class, including arsenic-related costs, assuming all of the customers in that class used the distribution system. The largest component of the cost allocation to this class, 65%, is commodity-related. The commodity allocation factors for the Pinal Valley system included Abbott's water usage. As previously stated, Abbott represents 78% of the total commodity usage for the Large Industrial class but does not use the distribution system. Accordingly, the Large Industrial class was allocated a very large amount of potable treatment and distribution system costs that properly belong to other customers. The rate base allocation to the Large Industrial class is similarly affected but to a lesser extent since the commodity component of rate base is 36%.

Q12. DID YOU ASK THE COMPANY TO PREPARE AN ANALYSIS THAT MORE ACCURATELY REFLECTS THE COST TO SERVE ABBOTT?

A12. Yes and the Company did prepare a stand-alone cost of service analysis that better reflects the cost to serve Abbott. Before discussing that analysis, however, I would like to demonstrate the effect on Abbott's annual water bill of the allocation of one major cost component, arsenic costs, to the Large Industrial class and ultimately to Abbott. The water Abbott buys from AWC is not treated for arsenic yet the Company's present and proposed rates for Abbott both include these costs. Abbott should receive either a bill credit or lower fixed rates in recognition of this improper cost assignment.

Q13. HAVE YOU PREPARED AN ANALYSIS THAT SHOWS THE MAGNITUDE OF THIS ARSENIC CREDIT AND ITS IMPACT ON ABBOTT'S ANNUAL BILL?

A13. Yes. A calculation of the arsenic credit is shown on Exhibit DLN-2. At proposed rates, the credit is $0.23 per 1,000 gallons. At present rates the credit is slightly smaller at $0.21 per 1,000 gallons due to a lower current return on arsenic rate base.

The impact on Abbott's annual water bills is significant. As shown on Exhibit DLN-3, at present rates the annual credit is $78,125 resulting in a 13.33% bill reduction. At proposed rates, the annual credit

increases to $85,566 resulting in an annual bill ($586,480) that is essentially equivalent to the current annual bill of $586,240. Abbott has in the past and continues to subsidize other customers for the costs incurred by the Company for arsenic treatment. These subsidies need to be addressed in this case.

Q14. PLEASE DISCUSS THE COMPANY'S STAND-ALONE COST OF SERVICE ANALYSIS FOR ABBOTT THAT YOU EARLIER REFERENCED.

A14. The Company prepared, at my request, a cost of service study that addresses Abbott's unique service characteristics. This study is provided in the Appendix attached to this testimony. The results of the study are summarized on Exhibit DLN-4.

The Company's cost analysis is a blending of test year operating expenses and utility plant together with projected capital expenditures required to service Abbott through the year 2018. Included in the development of the $1.03 million rate base shown on Exhibit DLN-4 are $1.25 million of main replacements in years 2015 and 2018. These mains were originally constructed through contributions from Abbott and recorded as CIAC in the Company's plant records.

The cost study shows a revenue requirement for Abbott of $365,700 using the Company's requested return on rate base of 8.93%. This amount is $220,540 or 37.62% less than current annual billings to Abbott and represents a very large revenue subsidy to other customer classes.

Q15. EXPLAIN THE ADJUSTMENTS TO THE COMPANY'S STUDY SHOWN IN THE SECOND COLUMN OF EXHIBIT DLN-4.

A15. The adjustments to the Company's stand-alone cost of service study eliminate the effect of the projected $1.25 million of main replacements in 2015 and 2018 thereby showing a calculation of Abbott's revenue requirement using test year operating expenses and rate base. On a test year basis, Abbott's revenue requirement is only $217,626 or $368,614 (62.86%) less than current annual billings. This revenue requirement results in price per acre foot (AF) of water of $191 which is essentially equivalent to the Company's average sales rate of $192 per AF during the test year for non-potable CAP water.

Q16. WHAT ARE YOUR CONCLUSIONS BASED ON THE PRECEEDING ANALYSES?

A16. Based on my review of the Arsenic issue and the results of the Company's stand-alone cost study, I conclude that a rate decrease for Abbott is necessary at this time to begin reducing the large subsidies provided by Abbott under present rates. Because of its unique service characteristics and non-typical cost of service profile, a separate rate should be designed for Abbott that is 15% lower than current rates for the Large Industrial class.

III. RATE DESIGN

Q17. HAVE YOU DESIGNED A RATE FOR ABBOTT THAT IS ACHIEVES YOUR RECOMMENDED 15% RATE REDUCTION?

A17. Yes. My proposed rate design for Abbott is provided on Exhibit DLN-5. The rate would be applicable to all non-potable water deliveries. I am recommending an increase in the monthly basic service charge from the current $800 to $1,200. In that regard, I agree with Mr. Reiker's rate design testimony. Increases in basic service charges are needed for all of the Company's rates to improve fixed cost recovery percentages. The recommended commodity rate is $1.30 per thousand gallons or $0.25 per thousand less than the current rate of $1.55. As indicated on Exhibit DLN-5, Abbott's total annual billings are reduced by $88,207 but Abbott would continue to provide, as shown by the Company's cost study, over $132,000 in revenue subsidies to other customers at these lower rates.

Q18. HOW WOULD OTHER CLASSES OF CUSTOMERS IN THE PINAL VALLEY SYSTEM BE AFFECTED BY YOUR RECOMMENDED REDUCTION IN ABBOTT'S RATES?

A18. I suggest that the amount recovered from other classes be based on revised commodity allocators for each class. Exhibit DLN-6 shows the effect of allocating Abbott's $88,207 revenue reduction to other classes using revised commodity allocation factors. The impact is small. Except for the Large Industrial class, all classes would receive an increase of less than 1%.

IV. OTHER RATEMAKING ISSUES

Q19. THE COMPANY HAS PROPOSED A NUMBER OF RATE ADJUSTORS IN THIS CASE INCLUDING A $0.073 PER THOUSAND GALLONS SURCHARGE FOR CAP WATER. DO YOU SUPPORT THIS SURCHARGE?

A19. I support, in general, the funding of the Company's CAP program since, in my view, it is a vital resource necessary to fulfill customers' needs now and into the future. I have not, however, analyzed the economics of the Company's proposal in this regard and accordingly have no opinion with respect to the level of the proposed surcharge.

Q20. WHAT ABOUT THE COMPANY'S PROPOSED SURCHARGE FOR NITRATES?

A20. This is a surcharge needed to meet federal water quality standards that parallels the arsenic surcharge. The bulk of Abbott's water purchases from AWC should be exempt from this surcharge as they are from the arsenic surcharge since Abbott's non-potable water supply is not treated for nitrate.

Q21. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A21. Yes, it does.

EXHIBIT DLN-1

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-15-0277
Test Year Ended December 31, 2014

Comparison of Decision in Docket No. 10-0517 With Current Filing
Western Group ($000)

DESCRIPTION	10-0517 DECISION (1)	CURRENT FILING (2)	DIFFERENCE	PERCENT DIFFERENCE
Revenues	$21,863	$21,217	-$646	-2.95%
Operating Expenses	$17,368	$18,860	$1,492	8.59%
Operating Income	$4,495	$2,357	-$2,138	-47.56%
Rate Base	$53,234	$67,418	$14,184	26.64%
Return on Rate Base	8.44%	3.50%	-4.95%	-58.60%

NOTES:
(1) ACC Decision No. 73144 Dated May 1, 2012
(2) Company Filing Schedule G-1, Page 1 of 8

EXHIBIT DLN-2

ARIZONA WATER COMPANY
DOCKET NO. W-01446A-15-0277
Test Year Ended December 31, 2014

Abbott Arsenic Credit Calculation
Pinal Valley System

DESCRIPTION	LARGE INDUST. AMOUNT (1)	ARSENIC PERCENTAGE (2)	ARSENIC AMOUNT
Water Treatment Rate Base	$273,348	78.00%	$213,211
Revenue Requirement Percent (3)			9.78%
Revenue Requirement - Proposed Rates			$20,852
O&M Expenses	$159,899	55.00%	87,944
Total Arsenic Costs			$108,797
Large Industrial Sales (000) Gallons			479,680
Arsenic Cost Per 1,000 Gallons (4)			$0.23

NOTES:
(1) Response to Abbott Data Request 2.8
(2) Response to Abbott Data Request 3.4
(3) Proposed Rate of Return of 8.93% and income Taxes of 8.64% of Revenues
(4) Arsenic Cost at Present Rates is $0.21 per 1,000 gallons

EXHIBIT DLN-3

ARIZONA WATER COMPANY
DOCKET NO. W-01446A-15-0277
Test Year Ended December 31, 2014

Impact on Annual Water Bill to Abbott
Arsenic Credit

DESCRIPTION	BILLING UNITS	RATE	ANNUAL AMOUNT
PRESENT RATES:			
Basic Service Charge	12	$800	$9,600
Commodity Rate Per 1,000 Gallons	372,026	$1.55	576,640
Total Bill - Present Rates			$586,240
Less: Arsenic Credit	372,026	$0.21	-78,125
Revised Bill			$508,115
Percentage Change			-13.33%
PROPOSED RATES:			
Basic Service Charge	12	$1,750	$21,000
Commodity Rate Per 1,000 Gallons	372,026	$1.75	651,046
Total Bill - Proposed Rates			$672,046
Less: Arsenic Credit	372,026	$0.23	-85,566
Revised Bill			$586,480
Percentage Change			-12.73%

EXHIBIT DLN-4

ARIZONA WATER COMPANY
DOCKET NO. W-01446A-15-0277
Test Year Ended December 31, 2014

Stand-Alone Cost of Service Analysis
Abbott Laboratories

DESCRIPTION	COMPANY COS ANALYSIS (1)	ADJUSTMENTS (2)	ADJUSTED TO TEST YEAR
Abbott Laboratories Revenues	$365,700	-$148,074	$217,626
Operating and Maintenance Expenses	$167,256		$167,256
Depreciation	48,148	-28,157	19,991
Property Taxes	19,195	-7,770	11,425
Income Taxes	36,225	-31,709	4,516
Other Taxes	2,655		2,655
Total Operating Expenses	$273,479	-$67,636	$205,843
Operating Income	$92,221	-$80,438	$11,783
Rate Base	$1,033,213	-$901,286	$131,927
Return on Rate Base	8.93%		8.93%
Abbott Revenues at Present Rates	$586,240		$586,240
Revenue Subsidy to Other Customers	$220,540		$368,614
Percent of Present Rates	37.62%		62.88%

NOTES:
(1) Per Attached Cost of Service Study Prepared by the Company
(2) Adjustments to Eliminate Projected Replacements of Water Mains Serving Abbott Included in Cost Study

EXHIBIT DLN-5

ARIZONA WATER COMPANY
DOCKET NO. W-01446A-15-0277
Test Year Ended December 31, 2014

Abbott Rate Design

DESCRIPTION	BILLING UNITS	RATE	ANNUAL AMOUNT
PRESENT RATES:			
Basic Service Charge	12	$800	$9,600
Commodity Rate Per 1,000 Gallons	372,026	$1.55	576,640
Total Bill - Present Rates			$586,240
PROPOSED RATE FOR ABBOTT:			
Basic Service Charge	12	$1,200	$14,400
Commodity Rate Per 1,000 Gallons	372,026	$1.30	483,634
Total Bill - Abbott			$498,034
ANNUAL BILL DECREASE:			
Amount			-$88,207
Percent			-15.05%

EXHIBIT DLN-6

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-15-0277
Test Year Ended December 31, 2014

Impact on Other Customer Classes of Rate Reduction to Abbott
Pinal Valley System

CUSTOMER CLASS	REV. AT PRESENT RTS.(1)	COMMODITY PERCENT (2)	ALLOCATION OF RT. REDUCTION (3)	PERCENT INCREASE
Residential	$11,298,423	63.76%	$56,241	0.50%
Commercial	5,412,847	31.15%	27,476	0.51%
Industrial	161,824	1.35%	1,191	0.74%
Large Industrial (Excluding Abbott)	209,905	2.45%	2,161	1.03%
Other	215,938	1.29%	1,138	0.53%
Total	$17,298,937	100.00%	$88,207	0.51%

NOTES:
(1) Schedule G-1, Page 3 of 8
(2) Commodity Allocation Factors Excluding Abbott
(3) Revenue Effect of Proposed Rate Reduction for Abbott

APPENDIX

Stand-Alone Cost of Service Study
Abbott Laboratories

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Abbott Laboratories - Estimated Stand-Alone Cost of Service

Line No.			Abbott Laboratories
1	Revenue Requirement/Cost to Serve Abbott	$	365,700
2			
3	Source of Supply Expenses	$	510
4	Pumping Expenses		131,610
5	Water Treatment Expenses		10,088
6	Transmission & Distribution Expenses		22,954
7	Customer Accounting & Sales Expenses		690
8	Administrative & General Expenses		1,403
9	Total O&M Expenses	$	167,256
10			
11	Depreciation Expense	$	48,148
12			
13	Property Taxes	$	19,195
14	Income Taxes		36,225
15	Other Taxes		2,655
16	Operating Income	$	92,220
17			
18	Required Operating Income	$	92,266
19			
20	Total Rate Base	$	1,033,213
21			
22	Rate of Return		8.93%
23	Required Rate of Return		8.93%
24			
25			
26			
27	Total Source of Suppy, Pumping & Water Treatn	$	142,208
28	Total Gallons Sold to Abbott (x1,000)		372,026.0
29	Variable Cost Per 1,000 Gallons	$	0.3823
30			
31	Total Fixed Costs	$	223,492
32	÷ 12 Months		12
33	Monthly Fixed Costs	$	18,624
34			
35			
36			
37			
38			
39			
40	Other Information from Rate Application:		
41	Weighted Cost of Equity		5.77%
42	Weighted Cost of Debt		3.16%

43	Combined Federal & State Income Tax Rate	37.82%
44		
45		
46		
47		
48		
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53		
54		
55		

Test Year Ended December 31, 2014
Development of Allocation Factors - Abbott Laboratories

Exhibit
Schedule G-7
Page 1 of 4
Witness: Reiker

Line No.			Pinal Valley [A] Adjusted - End of Test Year 12/31/2014	[B] Allocated to Abbott Laboratories Plant	[C] Factor	[D] Depreciation	Notes
1	Intangible Plant						
2	Organization	0.00%	$ -	$ -	-	-	
3	Franchises		82,969	-	-	-	
4	Other Intangibles		1,903,294	-	-	-	
5	Subtotal Intangible Plant		$ 1,986,263	$ -	-	$ -	
6	Source of Supply Plant						
7	Water Rights	0.00%	366,071	-	-	-	
8	Other Source of Supply Land	0.00%	298,548	-	-	-	
9	Wells - Other		-	-	-	-	
10	Wells	3.13%	6,982,428	51,740	0.0074	1,619	See Plant Worksheet
11	Subtotal Source of Supply Plant		$ 7,647,047	$ 51,740	0.0068	$ 1,619	
12	Pumping Plant						
13	Pumping Plant Land	0.00%	31,897	-	-	-	
14	Pumping Plant Structures & Improvements	2.86%	366,670	2,895	0.0079	83	See Plant Worksheet
15	Electtric Pumping Equipment	5.88%	16,229,982	328,734	0.0203	19,330	See Plant Worksheet
16	Gas Engine Equipment	4.00%	20,026	-	-	-	
17	Subtotal Pumping Plant		$ 16,648,575	$ 331,629	0.0199	$ 19,412	
18	Water Treatment Plant						
19	Water Treatment Plant Land	0.00%	680,718	-	-	-	
20	Water Treatment Structures & Improvements	2.50%	1,898,025	12,610	0.0066	315	See Plant Worksheet
21	Water Treatment Equipment	2.86%	11,482,553	7,755	0.0007	222	See Plant Worksheet
22	Subtotal Water Treatment Plant		$ 14,061,296	$ 20,365	0.0014	$ 537	
23	Transmission & Distribution Plant						
24	Transmission and Distribution Land	0.00%	1,653,038	-	-	-	
25	Transmission & Distribution Structures	3.33%	1,333	-	-	-	
26	Storage Tanks	2.00%	-4,515,209	-	-	-	
27	Transmission & Distribution Mains	1.79%	77,680,282	1,673,842	0.0215	29,962	See Plant Worksheet
28	Fire Sprinkler Taps	2.00%	2,775,607	-	-	-	
29	Services	2.38%	25,122,555	48,071	0.0019	1,144	See Plant Worksheet
30	Meters	4.55%	3,922,237	7,303	0.0019	332	See Plant Worksheet
31	Hydrants	1.82%	9,647,072	2,120	0.0002	39	See Plant Worksheet
32	Subtotal Transmission & Distribution Plant		$ 125,317,332	$ 1,731,335	0.0138	$ 31,477	
33	General Plant						
34	General Plant Land	0.00%	8,772	1	0.0001	-	Allocated based on % of total customers (3 ÷ 31,691)
35	General Plant Structures	2.50%	477,283	45	0.0001	1	Allocated based on % of total customers (3 ÷ 31,691)
36	Leasehold Improvements	note_2	51,930	5	0.0001	-	Allocated based on % of total customers (3 ÷ 31,691)
37	Office Furniture & Equipment	6.67%	380,638	36	0.0001	2	Allocated based on % of total customers (3 ÷ 31,691)
38	Warehouse Equipment	5.00%	22,958	2	0.0001	0	Allocated based on % of total customers (3 ÷ 31,691)
39	Tools, Shop & Garage Equipment	4.00%	426,127	40	0.0001	2	Allocated based on % of total customers (3 ÷ 31,691)
40	Laboratory Equipment	5.00%	106,387	10	0.0001	1	Allocated based on % of total customers (3 ÷ 31,691)
41	Power Operated Equipment	6.67%	102,919	10	0.0001	1	Allocated based on % of total customers (3 ÷ 31,691)
42	Communication Equipment	6.67%	2,808,912	2,364	0.0008	158	See Plant Worksheet
43	Miscellaneous Equipment	3.33%	204,420	19	0.0001	1	Allocated based on % of total customers (3 ÷ 31,691)
44	Subtotal General Plant		$ 4,590,347	$ 2,533	0.0006	$ 165	
45	Total Plant in Service		$ 170,250,860	$ 2,137,602	0.0126	$ 53,210	
46	Accumulated Depreciation		(43,254,490)	$ (543,086)	0.0126		
47	Net Plant in Service		$ 126,996,370	$ 1,594,516			
48							

Supporting Schedules:

Recap Schedules:
G-4, G-3

49	Advances & Contributions	116,340,179	506,196	0.0044	(10,124)	CIAC Amortization rate of 2.00%	Exhibit -
50	Deferred Income Tax	12,343,427	154,979	0.0126			Schedule G-7
51	Working Capital	1,561,902	19,611	0.0126			Page 2 of 4
52	Net Regulatory Asset	4,753,804	59,687	0.0126	3,132	Sch. B-2 Appdx., pp. 9-10	Witness: Reiker
53	Phoenix Office & Mtr. Shop Net Plant Allocation	1,638,678	20,575	0.0126	1,930	Phx. Offc. & Mtr Shop Depr. Exp. Per Sch. C-2 Appdx. Pp. 30-31, tin	
54	Total		$ 1,033,213		$ 48,148		

Test Year Ended December 31, 2014
Development of Allocation Factors - Abbott Laboratories

Exhibit
Schedule G-7
Page 3 of 4
Witness: Reiker

Line No.	
1	Intangible Plant
2	Organization
3	Franchises
4	Other Intangibles
5	Subtotal Intangible Plant
6	Source of Supply Plant
7	Water Rights
8	Other Source of Supply Land
9	Wells - Other
10	Wells
11	Subtotal Source of Supply Plant
12	Pumping Plant
13	Pumping Plant Land
14	Pumping Plant Structures & Improvements
15	Electtric Pumping Equipment
16	Gas Engine Equipment
17	Subtotal Pumping Plant
18	Water Treatment Plant
19	Water Treatment Plant Land
20	Water Treatment Structures & Improvements
21	Water Treatment Equipment
22	Subtotal Water Treatment Plant
23	Transmission & Distribution Plant
24	Transmission and Distribution Land
25	Transmission & Distribution Structures
26	Storage Tanks
27	Transmission & Distribution Mains
28	Fire Sprinkler Taps
29	Services
30	Meters
31	Hydrants
32	Subtotal Transmission & Distribution Plant
33	General Plant
34	General Plant Land
35	General Plant Structures
36	Leasehold Improvements
37	Office Furniture & Equipment
38	Warehouse Equipment
39	Tools, Shop & Garage Equipment
40	Laboratory Equipment
41	Power Operated Equipment
42	Communication Equipment
43	Miscellaneous Equipment
44	Subtotal General Plant
45	Total Plant in Service
46	Accumulated Depreciation
47	Net Plant in Service
48	

49	Advances & Contributions	
50	Deferred Income Tax	
51	Working Capital	
52	Net Regulatory Asset	
53	Phoenix Office & Mtr. Shop Net Plant Allocation	nes Pinal Valley 3-factor (.3317)
54	Total	

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Development of Allocation Factors - Abbott Laboratories

Line No.		Pinal Valley [A] Adjusted - End of Test Year 12/31/2014	Pinal Valley [B] Direct Abbott Laboratories	Pinal Valley [C] Factor	
1	Operating Expenses				
2	Source of Supply Expenses:				
3	Purchased Water	1,085,544	-	-	
4	Other	75,424	510	0.0068	Allocated based on % of Source of Supply Plant
5	Pumping Expenses:				
6	Purchased Power	2,071,310	91,967	0.0444	See Purch. Power Worksheet
7	Purchased Gas	878	-	-	
8	Other	892,848	39,643	0.0444	Allocated based on Purchased Power
9	Water Treatment Expenses	1,404,743	10,088	0.0072	See Chemicals Worksheet
10	Transmission & Distribution Expenses	1,661,471	22,954	0.0138	Allocated based on % ofT&D Plant
11	Customer Accounting Expenses	1,251,024	690	0.0006	Allocated based on % of General Plant
12	Sales Expense	2,093	1	0.0006	Allocated based on % of General Plant
13	Administrative & General Expenses	2,543,213	1,403	0.0006	Allocated based on % of General Plant
14	Total Operations & Maintenance Expense	$ 10,988,547	$ 167,257	0.0152	
15					
16	Depreciation & Amortization Expenses	3,963,576	$ 48,148	0.0121	See depreciation calculation above
17					
18	Income Taxes	2,153,140	36,225	0.01682	Calculated on Summary Sheet
19	Property Taxes	1,062,879	19,195	0.01806	Calculated on Summary Sheet
20	Other Taxes	174,445	2,655	0.0152	Allocated based on % of total O&M
21					
22	Total O&M	$ 18,342,587	$ 273,481	0.0149	
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					

		Year	Original Cost	
1-8013	Construct Well No. 20			
	314 Original Cost	1978	$ 76,342	
	314 Retirements	1995	-	
	271 CIAC		-	
	314 In Service	2014	$ 76,342	
	325 Original Cost	1978	$ 45,493	
	325 Retirements	1992	(4,502)	
	325 Retirements	1993	(4,608)	
	325 Retirements	1994	(21,709)	
	325 Retirements	2003	(6,616)	
	271 CIAC		-	
	325 In Service	2014	$ 8,058	
2-9167	Install Service & Hydrant at Ross Abbott Labs			
	345 Original Cost	1983	$ 6,135	
	345 Retirements		-	
	271 CIAC	1983	6135	
	345 In Service	2014	$ 6,135	
	348 Original Cost	1983	$ 2,120	
	348 Retirements			
	271 CIAC	1983	2,120	
	348 In Service	2014	$ 2,120	
2-9303	Install Main to Serve Ross Abbott Labs			
	343 Original Cost	1984	$ 486,920	
	343 Retirements	2015	(34,780)	WA 1-5171 Replaced 2,640 LF of 36,960 total LF
	343 Retirements	2018	(69,823)	2018 Budgeted project to replace 5,300 LF of 36,960 total LF
	271 CIAC	1984	486,920	
	343 In Service	2018	$ 382,317	

2-9353 Tie Over Wells 15, 17 & 20 to Serve Ross Abbott Labs — Well 15 replaced by Well 26 in 1997

325	Original Cost	1984	$ 26,263
325	Retirements		-
271	CIAC	1984	26,263
325	In Service	2014	$ 26,263
343	Original Cost	1984	$ 40,123
343	Retirements		-
271	CIAC	1984	40,123
343	In Service	2014	$ 40,123
345	Original Cost	1984	$ 9,477
345	Retirements		-
271	CIAC	1984	9,477
345	In Service	2014	$ 9,477
346	Original Cost	1984	$ 2,099
346	Retirements		-
271	CIAC	1984	2,099
346	In Service	2014	$ 2,099
397	Original Cost	1984	$ 8,986
397	Retirements		(8,986)
271	CIAC	1984	8,986
397	In Service	2014	$ -

1-9543 Replace Pump at Well 20

325	Original Cost	1986	$ 17,430
325	Retirements	1997	(17,430)
271	CIAC		-
325	In Service	2014	$ -

1-2253 Replace Pump at Well 20

325	Original cost	1997	$ 55,886
325	Retirements	2001	(16,275)
271	CIAC	1997	-
325	In Service	2014	$ 39,611
321	Original Cost	1997	$ 811
321	Retirements		-
271	CIAC	1997	-
321	In Service	2014	$ 811

1-2992 Install Calcium Hypochlorinator at Well 20

331 Original Cost	2001	$	12,610
331 Retirements			-
271 CIAC	2001		-
331 In Service	2014	$	12,610
332 Original Cost	2001	$	7,755
332 Retirements			-
271 CIAC	2001		-
332 In Service	2014	$	7,755

1-3123 Replace Pump at Well 20

325 Original Cost	2001	$	20,113
325 Retirements	2012		(20,113)
271 CIAC	2001		-
325 In Service	2014	$	-

1-3558 Replace Electrical Panel at Wells 20

325 Original Cost	2004	$	34,744
325 Retirements			-
271 CIAC	2004		-
325 In Service	2014	$	34,744
397 Original Cost	2004	$	2,364
397 Retirements			-
271 CIAC	2004		-
In Service	2014	$	2,364

1-4000 Install Electrical Starter at Well 20

325 Original Cost	2007	$	133,237
325 Retirements			-
271 CIAC	2007		-
In Service	2014	$	133,237

1-4248 Construct Block Wall at Wells 17 & 20

314 Original Cost	2007	$	390
314 Retirements			-
271 CIAC	2007		-
314 In Service	2014	$	390
321 Original Cost	2007	$	2,084
321 Retirements			-
271 CIAC	2007		-
321 In Service	2014	$	2,084

1-4943 Replace Pump, Clean & Inspect Casing at Well 20

325 Original Cost	2012	$	86,821
325 Retirements			-
271 CIAC	2012		-
325 In Service	2014	$	86,821

5-0672 Install Emergency Backup Service & 6" Meter at Abbott Labs

345 Original Cost	2013	$	32,459
345 Retirements			-
271 CIAC	2012		32,459
345 In Service	2014	$	32,459
346 Original Cost	2013	$	5,204
346 Retirements			-
271 CIAC	2012		5,204
346 In Service	2014	$	5,204

1-5171 Replace 2,640' of failing main on Cottonwood Ln

343 Original Cost	2015	$	551,402
343 Retirements		$	-
271 CIAC	2015	$	-
343 In Service	2015	$	551,402

2018 Budgeted Project - Replace 5,300 LF of main used to serve Abbott (Kortsen between Peart & Trekell)

343 Est. Original Cost	2018 (est.)	$	700,000
343 Est. Retirements		$	-
271 Est. CIAC	2018 (est.)	$	-
343 Est. In Servie	2018 (est.)	$	700,000

Summary & Totals

		Totals		Well 20 Alloc. Factor	Abbott Labs - Allocated
314	In Service	2014	$ 76,732	0.67	$ 51,740
321	In Service	2014	$ 2,895		$ 2,895
325	In Service	2014	$ 328,734		$ 328,734
331	In Service	2014	$ 12,610		$ 12,610
332	In Service	2014	$ 7,755		$ 7,755
343	In Service	2018	$ 1,673,842		$ 1,673,842
345	In Service	2014	$ 48,071		$ 48,071
346	In Service	2014	$ 7,303		$ 7,303
348	In Service	2014	$ 2,120		$ 2,120
397	In Service	2014	$ 2,364		$ 2,364
Total	In Service	2014	$ 2,162,425		$ 2,137,433
			$ 2,162,425		
271	CIAC		$ 506,196		$ 506,196

ARIZONA WATER COMPANY
MONTHLY POWER DETAIL

Power Company: ELECTRICAL DISTRICT NO 2
Rate

System	Segment1	Segment2	Segment3	Desc	ED2 Acct. No.	Month	Customer Charge	kW Demand	Demand Charge 9.45000	Tier 1 kWh usage	Tier 1 0.06840	Tier 2 First 5,000 kWh usage	Tier 2 0.08346	Tier 1.A additional kWh usage	Tier 1.A kWh Charge 0.06583	Tier 2.A additional kWh usage	Tier 2.A kWh Charge 0.07537	Power Cost Adjuster 0.00505	Total Electricity Charges	Total Tax	Total Billed Amount
PV	41	62310	0000	Well 20	50520	RATE: General Service Industrial GS3															
						Jan	$ 13.46	170,400	$ 1,610.28	31,080	$ 2,331.07	-		82,140	$ 5,407.28	-	-	$ 556.91	$ 9,949.09	$ 666.58	$ 10,615.58
						Feb	$ 13.46	170,040	$ 1,606.88	34,008	$ 2,326.15	-		103,092	$ 6,786.55	-	-	$ 692.16	$ 11,423.79	$ 765.50	$ 12,190.89
						Mar	$ 13.46	170,640	$ 1,612.55	34,728	$ 2,334.36	-		78,372	$ 5,159.27	-	-	$ 568.13	$ 9,687.72	$ 649.08	$ 10,336.80
						Apr	$ 13.46	169,500	$ 1,601.78	33,900	$ 2,318.76	-	-	82,560	$ 5,423.08	-	-	$ 587.27	$ 9,944.28	$ 666.27	$ 10,610.55
						May	$ 13.46	168,900	$ 1,596.07	33,792	$ 2,311.37	-	-	74,208	$ 4,885.11	-	-	$ 545.40	$ 9,352.01	$ 626.59	$ 9,978.61
						Jun	$ 13.46	167,700	$ 1,585.33	33,552	$ 2,294.96	-		80,568	$ 5,303.39	-	-	$ 576.31	$ 9,773.85	$ 654.85	$ 10,428.70
						Jul	$ 13.46	168,660	$ 1,593.84	33,732	$ 2,307.27	-		104,088	$ 6,852.11	-	-	$ 695.99	$ 11,462.67	$ 768.00	$ 12,230.67
						Aug	$ 13.46	151,440	$ 1,431.11	30,288	$ 2,071.70	-		82,992	$ 5,463.36	-	-	$ 572.06	$ 9,551.69	$ 639.96	$ 10,191.65
						Sep	$ 13.46	168,060	$ 1,588.17	33,612	$ 2,299.06	-	-	97,008	$ 6,386.04	-	-	$ 659.63	$ 10,946.36	$ 733.41	$ 11,679.77
						Oct	$ 13.46	168,720	$ 1,594.40	33,744	$ 2,308.09	-	-	85,350	$ 5,618.99	-	-	$ 601.10	$ 10,136.39	$ 679.14	$ 10,815.53
						Nov	$ 13.46	169,680	$ 1,603.48	33,936	$ 2,321.22	-	-	67,104	$ 4,417.46	-	-	$ 510.25	$ 8,865.87	$ 594.01	$ 9,459.88
						Dec	$ 13.46	170,160	$ 1,608.01	34,032	$ 2,327.79	-	-	106,608	$ 7,018.60	-	-	$ 710.23	$ 11,677.50	$ 782.39	$ 12,459.89
																					$ 130,998.51

% Allocated to Abbott 0.67

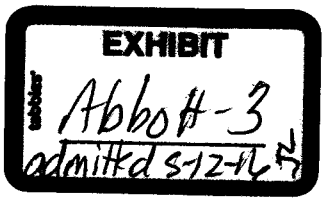
$ Allocated to Abbott $ 88,331.36

Pro Forma Charges

Customer Charge		Demand Chg.	Energy Charge: Commercial Step-1	Energy Charge: Commercial Step-2	Energy Charge: General Svc. Industrial Step-1	Energy Charge: General Svc. Industrial Step-2	Power Cost Adjuster	Total Electricity Charges	Total Tax	Total Pro Forma Charges	Increase / (Decrease)
Industrial: $ 50.00		$/kW	$/kWh<5,001kWh	$/kWh>5,000kWh	$/kWh/kW<201kWh	$/kWh>200kWh	$/kWh				
Commercial: $ 18.00		$ 9.83	$ 0.0868	$ 0.0784	$ 0.0711	$ 0.0685	0.00505				
$	50.00	$ 1,675.03			$ 2,424.45	$ 5,623.30	$ 586.91	$ 10,359.70	$ 694.10	$ 11,053.80	$ 438.22
$	50.00	$ 1,671.49			$ 2,419.33	$ 7,057.68	$ 692.36	$ 11,890.86	$ 796.69	$ 12,687.54	$ 496.66
$	50.00	$ 1,677.39			$ 2,427.87	$ 5,365.35	$ 568.13	$ 10,088.73	$ 675.95	$ 10,764.68	$ 427.88
$	50.00	$ 1,666.19			$ 2,411.65	$ 5,639.73	$ 587.21	$ 10,354.78	$ 693.77	$ 11,048.55	$ 438.00
$	50.00	$ 1,660.88			$ 2,403.96	$ 5,080.28	$ 545.40	$ 9,740.52	$ 652.62	$ 10,393.14	$ 414.53
$	50.00	$ 1,649.08			$ 2,386.89	$ 5,515.69	$ 576.31	$ 10,177.96	$ 681.93	$ 10,859.89	$ 431.19
$	50.00	$ 1,657.93			$ 2,399.69	$ 7,125.86	$ 695.99	$ 11,929.48	$ 799.28	$ 12,728.75	$ 498.08
$	50.00	$ 1,488.66			$ 2,154.69	$ 5,681.63	$ 572.06	$ 9,947.04	$ 666.45	$ 10,613.49	$ 421.83
$	50.00	$ 1,652.03			$ 2,391.16	$ 6,641.17	$ 659.63	$ 11,393.99	$ 763.40	$ 12,157.39	$ 477.62
$	50.00	$ 1,658.52			$ 2,400.55	$ 5,843.47	$ 601.46	$ 10,553.99	$ 707.12	$ 11,261.11	$ 445.58
$	50.00	$ 1,667.95			$ 2,414.21	$ 4,593.94	$ 510.25	$ 9,236.35	$ 618.83	$ 9,855.19	$ 395.31
$	50.00	$ 1,672.67			$ 2,421.04	$ 7,298.38	$ 710.23	$ 12,152.32	$ 814.20	$ 12,966.53	$ 506.64
										$ 136,390.05	$ 5,391.54
								% Allocated to Abbott		0.67	
								$ Allocated to Abbott		$ 91,966.84	

	Well 20 Production x1,000 Gals	Total Abbott Usage x1,000 Gals	
201401	51,780.0	31,044.0	
201402	49,101.0	30,487.0	
201403	46,410.0	30,455.0	
201404	55,157.0	27,464.0	
201405	44,908.0	30,784.0	
201406	44,855.0	26,046.0	
201407	50,935.0	27,957.0	
201408	44,315.0	37,344.0	
201409	50,189.0	32,835.0	
201410	49,319.0	31,912.0	
201411	40,983.0	35,409.0	
201412	51,362.0	30,289.0	
	579,314.0	372,026.0	0.67

		2014
Total Gallons Pumped x 1,000 - PV		5,318,719.3
Total Chlorine Cost - PV	$	137,363
Chlorine Cost per 1,000 Gallons	$	0.0258
1,000 Gallons Pumped to Abbott		390,627.3
Chlorine Cost Allocated to Abbott	$	10,088



ARIZONA CORPORATION COMMISSION

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-15-0277

Testimony of Kevin Kemp

in Support of Settlement

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Kevin Kemp. My business address is 1250 West Maricopa Highway, Casa Grande, Arizona 85193.

Q2. IN WHAT CAPACITY AND BY WHOM ARE YOU EMPLOYED?

A2. I am employed by Abbott as the Manager of Manufacturing Engineering for Abbott's Casa Grande manufacturing plant. I am responsible for the utilities that come into the plant.

Q3. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS MATTER?

A3. Yes, I submitted Direct Testimony on March 11, 2016.

Q4. WHAT IS THE PURPOSE OF YOUR CURRENT TESTIMONY?

A4. The parties, including Abbott, have reached a settlement agreement. I am appearing on Abbott's behalf to testify in support of the settlement agreement terms that directly affect Abbott.

Q5. DOES ABBOTT SUPPORT THE SETTLEMENT AGREEMENT TERMS?

A5. Yes.

Q6. PLEASE SUMMARIZE ABBOTT'S ORIGINAL POSITIONS IN THIS CASE.

A6. Abbott's primary concern in this case was to request that the Commission set an appropriate rate that reflects the cost of service for its primary non-potable water service. Abbott obtains 98% of its water supply through a dedicated non-potable system that Abbott constructed and contributed to Arizona Water Company. This dedicated system supplies the Abbott manufacturing plant with the raw water

that Abbott then treats in Abbott's reverse osmosis treatment system, and then incorporates in the plant's liquid nutritional products. Arizona Water Company adds chlorine to this raw water supply, but does not otherwise treat it before delivery to Abbott's plant.

In support of Abbott's request, Abbott offered the testimony of Dan Neidlinger, a rate expert, on March 21, 2016. Mr. Neidlinger testified regarding Arizona Water Company's cost of providing this non-potable service to Abbott. Mr. Neidlinger demonstrated that Abbott would be paying a 37.62%, or $220,540, revenue subsidy to other customer classes at the rates requested in Arizona Water Company's application. Abbott instead proposed to lower the projected rate subsidy by adopting a larger basic service charge with a commodity rate of $1.30 per thousand gallons.

Q7. WHAT RATE IS PROPOSED FOR ABBOTT IN THE SETTLEMENT AGREEMENT?

A7. The settlement agreement adopts Mr. Neidlinger's recommended rates, with a higher basic service charge for the six-inch meter of $1,200 per month, and with a commodity rate of $1.30 per thousand gallons. It is my understanding that the settlement rates reduce, but do not eliminate, the rate subsidy paid by Abbott. Abbott believes the proposed settlement rate is fair because the new rate moves the rate closer to the cost of providing the service.

Q8. WHAT OTHER PROVISIONS IN THE SETTLEMENT DIRECTLY AFFECT ABBOTT?

A8. The Settlement Agreement and schedules continue to recognize that Abbott should not have to pay the arsenic surcharge for its 6-inch non-potable service since that water is not treated. Abbott will continue to pay the arsenic surcharge on its smaller meters that provide potable water to the facility. In addition, since Abbott's six-inch meter water service is different in character than Arizona Water Company's other industrial potable water service, Abbott's non-potable service will be reflected as a separate service category on the new tariff.

Q9. DO YOU HAVE AN OPINION ON THE FACTORS RELATING TO THE OVERALL REVENUE REQUIREMENT?

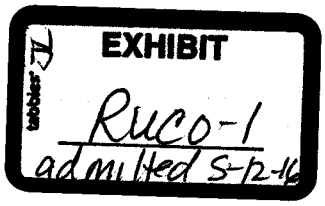
A9. Abbott supports the final settlement numbers agreed by the parties. Abbott did not offer testimony on the various issues related to the overall revenue requirement, so I am not prepared to testify on the details of those numbers.

Q10. DO YOU BELIEVE THE SETTLEMENT AGREEMENT TERMS, IF ADOPTED BY THE COMMISSION, ARE IN THE PUBLIC'S BEST INTERESTS?

A10. Yes.

Q11. DOES THIS CONCLUDE YOUR TESTIMONY?

A11. Yes, it does.



ARIZONA WATER COMPANY

DOCKET NO. W-01445A-15-0277

DIRECT TESTIMONY

OF

JOHN CASSIDY

ON

REVENUE REQUIREMENT

ON BEHALF OF THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 11, 2016

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EXECUTIVE SUMMARY

Arizona Water Company ("AWC" or "Company") is a Class A public service water corporation. At the present time, the total Company serves approximately 84,000 customers. AWC is comprised of ten separate operating systems that are organized into three different geographical groups: the Eastern, Western, and Northern Groups. AWC filed a general rate application with the Arizona Corporation Commission ("ACC" or "Commission") on August 21, 2015 for its Western Group using a test year ending December 31, 2014. The Commission found the Application sufficient and filed a letter of Sufficiency on September 14, 2015.

The Company's Western Group is comprised of the Pinal Valley, White Tank and Ajo systems and serves approximately 32,700 customers. AWC is requesting adjustments to its rates and charges for utility service in each of the Western Groups water systems. AWC's rate application uses a test year ending December 31, 2014, and requests an increase in total revenues for the Western Group of $6,010,409, or approximately 28.3 percent increase over test year operating revenues. In addition, AWC's application proposes continuation of an arsenic cost recovery mechanism ("ACRM") as previously authorized in Decision No. 71845 for the Pinal Valley system; a Nitrate Cost Reduction Mechanism ("NCRM") which the Company describes as operating the same as the ACRM (if approved by the ACC) also for the Pinal Valley system; authorization to implement Off Site Facilities Fees of $2,500 for new service connections in the White Tank system; authorization to implement a System Improvement Benefit ("SIB"); continuation of a Monitoring Assistance Program ("MAP") surcharge previously authorized for the Western Group and finally the Company has requested a purchase power adjustor for each of the systems included in the Western Group.

AWC's Application requests and RUCO's proposed gross revenue increases are as follows:

Service Area	AWC Requested Increase	AWC Requested Percent	RUCO Recommended	RUCO Percent
Pinal Valley	$5,354,172	28.99%	$2,862,004	15.39%
White Tank	$ 561,919	24.32%	$ 298,814	12.74%
Ajo	$ 94,318	21.54%	$ 28,608	6.42%

AWC is requesting an 8.93 percent rate of return on the fair value rate base (FVRB) on the Western Groups Systems while RUCO is recommending a 7.32 percent rate of return. The FVRB as identified by the Company and RUCO's recommendation is shown as follows:

Service Area	COMPANY PROPOSED FVRB	RUCO's PROPOSED FVRB
Pinal Valley	$61,344,294	$56,001,472
White Tank	$ 5,107,756	$ 4,737,182
Ajo	$ 965,735	$ 954,567

INTRODUCTION

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

A. My name is John A. Cassidy. I am a Public Utilities Analyst V with the Residential Utility Consumers Office ("RUCO"). My business address is 1110 W. Washington Street, Suite 220, Phoenix, AZ.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Arts degree in History from Arizona State University, a Master of Library Science degree from the University of Arizona, and a Master of Business Administration degree with an emphasis in Finance from Arizona State University. I am a member of Beta Gamma Sigma, the National Business Honor Society, and have passed the CPA exam, though I opted not to pursue certification. I have worked professionally as a librarian, financial consultant and tax auditor, and have over seven years of regulatory work experience as a Public Utilities Analyst with the Arizona Corporation Commission, where I served as a cost of capital witness on behalf of Staff testifying in numerous rate case proceedings. I have attended utility related seminars sponsored by both the National Association of Regulatory Utility Commissioners (NARUC), and the Society of Utility Regulatory Financial Analysts (SURFA). At present, I am preparing to sit for the Certified Rate of Return Analyst (CRRA) exam. Attachment 1 contains a summary of my prior regulatory work experience.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present RUCO's recommendations regarding AWC's Western Group's Application for a determination of the current fair value of its utility plant and property and for a permanent increase in its rates and charges based thereon for utility service. The test year utilized by the Company in connection with the preparation of this Application is the 12-month period that ended December 31, 2014.

Q. How many and which systems are in the Company's Western Group?

A. There are three systems that make up AWC's Western Group. The largest system in the Western Group is the Pinal Valley System that has approximately 28,723 customers. The remaining two systems White Tank and Ajo have 2,321 and 647 customers respectively.

BACKGROUND

Q. Please describe your work effort on this project.

A. I reviewed financial data provided by the Company and performed analytical procedures necessary to understand the Company's filing as it relates to operating income, rate base, and the overall revenue requirement for each system in the Western Group. Procedures performed include the in-house formulation and analysis of this data, the preparation of discovery requests, the review and analysis of the Company's responses to RUCO and Commission Staff data requests, and a review of prior ACC dockets related to AWC's Western Group. I was responsible for the rate base and operating income and expense adjustments that determine RUCO's revenue requirement recommendations.

Q. Please identify the exhibits you are sponsoring.

A. I am sponsoring schedules for the Western Group systems numbered JAC-1 through JAC-16. Schedules are provided for each of the systems including Pinal Valley, White Tank and the Ajo systems.

SUMMARY OF COMPANY'S REVENUE REQUEST

Q. Please provide a summary of the Company's filing for each of the systems in the Western Group.

A. The Company is proposing a fair value rate base ("FVRB") of $67,417,786 for the Western Group and an 8.93 percent rate of return on the FVRB. For ratemaking purposes the Company has elected not to perform a reconstructive cost new less depreciation study and is using its original cost rate base ("OCRB") as it's FVRB. The Company is also proposing an adjustment in rates that will increase operating revenues for the Western Group by $6,010,434, or 28.32 percent.

Service Area	FVRB	Current Operating Revenue	Inc. From Test Year	Percent Increase
Pinal Valley	$ 61,344,294	$ 18,467,889	$ 5,354,172	28.99%
White Tank	$ 5,107,756	$ 2,310,910	$ 561,919	24.32%
Ajo	$ 965,735	$ 437,888	$ 94,318	21.54%
	$ 67,417,785	$ 21,216,687	$ 6,010,409	28.32%

RATE BASE ADJUSTMENTS – SUMMARY

Q. Has RUCO recommended any adjustments to the rate base for any of the three systems included in the Western Group?

A. Yes. RUCO is recommending several adjustments to the rate base as filed by AWC. A summary of RUCO's recommendations includes the following:

Rate Base Adjustment No. 1 – Post Test Year Plant

RUCO is recommending reductions in post-test year plant for each of the three systems included in the Western Group. The adjustments decreased the rate base in the Pinal Valley, White Tank and Ajo systems by ($5,167,279), ($352,391) and ($4,326) respectively.

Rate Base Adjustment No. 2 – Accumulated Depreciation

RUCO's proposed adjustments to the accumulated depreciation accounts for each of the three systems results in RUCO's reduction to depreciation expense related to the proposed decrease in post-test year plant. The adjustments decreased accumulated depreciation in the Pinal Valley, White Tank and Ajo systems by ($117,932), ($11,568) and ($201) respectively.

Rate Base Adjustment No. 3 – Change in Cash Working Capital

RUCO is recommending a reduction in the Company's cash working capital primarily as a result of reducing the Company's operating expenses and the Company's failure to include interest expense in its calculations of working capital requirements. The adjustments decreased the working capital requirement in the Pinal Valley, White Tank and Ajo systems by ($293,475), ($29,751) and ($6,641) respectively.

OPERATING INCOME ADJUSTMENTS – SUMMARY

Q. Has RUCO recommended adjustments to the operating income as requested by the Company for the three systems included in this applications?

A. Yes. RUCO has recommended several adjustments to the operating income as filed by the Company. In summary, the operating income adjustments RUCO is recommending include the following:

RUCO Operating Income Adjustment No. 1 – Depreciation Expense

RUCO has reduced depreciation expense due to the reduction of RUCO"s recommendation for post-test year plant.

RUCO Operating Income Adjustment No. 2 – Weather Normalization

RUCO has eliminated the Company's request for declining usage and weather normalization.

RUCO Operating Income Adjustment No. 3 – Tank Maintenance

RUCO's is proposing denial of the Company's pro-forma adjustment for tank maintenance expense. The Company's adjustment is predicated on forecasts made over a 14-year period. In reviewing the Company's support for the adjustments made to tank maintenance there were several years when there were no tank maintenance expenses incurred. Consequently, ratepayers will be paying for expenses that the Company has not incurred and may never incur.

RUCO Operating Income Adjustment No. 4 – Payroll Annualization #1

The Company has made pro-forma payroll annualization adjustments based on expected salary increases for two years (i.e., 2015 and 2016). RUCO's first payroll adjustment

removes the pro forma 3.0 percent salary increase in year 2016, resulting in a reduction to payroll in the Western Group by $97,603.

RUCO Operating Income Adjustment No. 5 – Payroll Annualization #2

In its pro forma payroll annualization adjustment, the Company includes two corporate officers shown to be full-time employees of AWC. However, these two executives also work for AWC's California affiliate, San Gabriel Valley Water Company ("SGVWC"). RUCO's second payroll annualization adjustment reflects a sharing of payroll costs between AWC and its California affiliate for salaries paid to the (i) Chairman/CEO and (ii) Assistant Secretary, and results in a reduction to payroll expense by the Western Group of $49,307.

RUCO Operating Income Adjustment No. 6 – Payroll Annualization #3

RUCO's final payroll adjustment gives recognition to the known and measurable change in employment status of one of the witnesses testifying on behalf of the Company in this proceeding. Mr. Joel M. Reiker now lives in California and is employed by SGVWC, and by removing his salary, RUCO's payroll adjustment results in a reduction to payroll expense by the Western Group of $36,383.

RUCO Operating Income Adjustment No. 7 – Vehicles Service Cost

RUCO has made an adjustment to vehicle service costs based on the substantial decrease in gasoline prices compared to the test year.

RUCO Operating Income Adjustment No. 8 – Rate Case Expense

RUCO has reduced rate case expense based on the Commission's most recent litigated decisions involving the Western Group as well as Commission decisions in other water company filings, as adjusted for inflation.

RUCO Operating Income Adjustment No. 9 – Property Tax

RUCO has made adjustments to the proposed property tax expense due to a change in the revenue requirements for each system as recommended by RUCO.

RUCO Operating Income Adjustment No. 10 – Income Taxes

RUCO has made adjustments to the proposed federal and state income tax expense due to changes in the revenue requirements for each system as recommended by RUCO.

RATE BASE ADJUSTMENTS

Rate Base Adjustment No. 1 - Post Test Year Plant

Q Can you please summarize what the Company proposes in respect to post-test year plant additions in this proceeding?

A. Yes. The Company is proposing post-test year plant net additions for the three Western systems included in this case of $9,675,337 and increases in the Phoenix office and meter shop's total of $203,750. This adjustment assumes that these items were placed in service as of December 31, 2014, and assumes for ratemaking purposes that the Company recorded one half-year of depreciation on these additions, consistent with standard utility plant depreciation practices.[1]

[1] Joel Reiker's testimony page 15

Q. Can you please identify the post-test year plant and accumulated depreciation recorded by the Company for each of the Western Group systems?

A. Yes. The pro-form adjustments made as of the close of the test year by each of the three water systems, exclusive of the Phoenix office and meter shop, are as follows:

System	Plant in Service	Accu. Depreciation	Net Plant
Pinal Valley	$ 9,122,637	($ 164,354)	$ 8,958,283
White Tank	541,050	(14,004)	527,046
Ajo	11,650	(185)	11,465
TOTALS	$ 9,675,337	($ 178,543)	$ 9,496,794

Q. What has been the ACC Staff's position on post-test year plant additions in recent rate case applications?

A. In recent applications the Staff has allowed post-test year additions even in cases when the Staff Engineer did not do a used and useful determination. In the recent EPCOR hearing, Docket No. WS-01303A-14-0010, the Staff Engineer did not perform a used and useful determination prior to the hearing. See Transcript at 821-822.

Q. Hasn't the Commission addressed the post-test year plant issue in prior rate cases that was contrary to the position that the Staff seems to be taking in recent rate case applications requesting post-test year plant?

A. Yes. In decision No. 71410,[2] the Commission adopted most of Staff's recommendations to remove post-test year plant additions from the rate setting process. In that case, Staff explained that the matching principle is the reason that the Commission has allowed the

[2] Arizona-American Water Company; Docket No. W-01303A-08-0227; pages 19 through pages 22

inclusion of post-test year plant in rate base **only in special and unusual situations** that were summarized as follows:

1) when the magnitude of the investment relative to the utility's total investment is such that not including the post-test year plant in the cost of service would jeopardize the utility's financial health;

2) the cost of the post-test year plant is significant and substantial;

3) the net impact on revenue and expenses for the post-test year plant is known and insignificant (or is revenue-neutral); and

4) the post-test year plant is prudent and necessary for the provision of services and reflects appropriate, efficient, effective and timely decision making.

Q. Does RUCO believe that the reasoning put forth by Staff in that rate case continues to be relevant today?

A. Yes. RUCO believes that Staff's reasoning in that previous case are still sound principles to continue to support. Only by matching costs and revenues will the test period be the proper basis for setting rates that are just and reasonable.

Q. Have you researched other regulatory agencies and how they have treated the question of post-test year plant?

A. I have reviewed filings from several other states. In a recent case in Maryland the Administrative Law Judge summarized the Maryland Public Service Commission's policy as follows:

> "Adjustments to historic test year data should reflect the relationship between sales, expenses, and rate base that can reasonably be expected to exist during the rate effective period. The return that will be earned is a function of this relationship between these items – it is not dependent upon only one of them.

> Selective projection of only one element in the equation is not appropriate. Adjustments to the test year relationship must be balanced and should, so far as possible, reflect all predictable changes to the test year relationship. Commission's precedent permits adjustments for known and measurable changes from test year totals because known and measurable changes suggest that the test year relationship between the cost of service items will change."[3]

Q. What is RUCO's position on post-test year plant?

A. RUCO will support post-test year plant if the project(s) are completed within six months of the test year end and for projects considered as "major projects." Major projects would be considered as transmission and distribution mains, wells and pumping equipment, services, and projects that typically improve infrastructure. Additionally, major projects improve water quality, reduce significant repair expenses, and would include projects that ensure regulatory compliance.

Q. Are there specific projects that the Company has requested in this case that RUCO has taken exception too even if completed within the six month time period?

A. Yes. These would be considered as "small and/or recurring type projects" that are purchased on an ongoing bases and are not directly improving the quality of service to ratepayers. The projects that RUCO classifies in this category and that the Company has requested in their post-test year request include (1) Office Furniture and Equipment, (2) Tools, Shop and Garage Equipment, and (3) Communication Equipment. The total

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[3] Case No. 8959 – In the matter of the application of Washington Gas and Light Company for authority to increase existing rates and charges for gas service.

project costs that the Company has requested in post-test year plant that RUCO believes qualifies as small and/or recurring projects includes $47,000 in Pinal Valley, $329,250 in White Tanks and $450 in the Ajo system.

Q. Can you please summarize the adjustments that RUCO is recommending be removed from the Company's post-test year plant adjustment?

A. Yes. RUCO is recommending the following adjustments to the Company's request for post-test year plant.

System	Company Request Plant in Service	Meter Shop/ Phoenix Off.	RUCO Adj. Plant	RUCO Adj. Shop/Office	RUCO Recommends
Pinal Valley	$ 9,122,637	$ 178,557	($ 4,988,722)	($ 178,557)	$ 4,133,915
White Tank	541,050	23,566	(328,824)	(23,566)	212,226
Ajo	11,650	3,877	(450)	(3,877)	11,200
TOTALS	$ 9,675,337	$ 203,750	($ 5,317,996)	($ 203,750)	$ 4,357,341

Rate Base Adjustment No. 2 – Accumulated Depreciation / Depreciation Expense

Q. Has RUCO identified any other adjustments related to the Company's post-test year plant adjustment?

A. Yes. RUCO is also making adjustments to reduce depreciation expense as well as accumulated depreciation resulting from the reduction to post-test year plant. RUCO is recommending that depreciation expense be reduced by $117,932, $11,568, and $201 for the Pinal Valley, White Tank and Ajo systems respectively. These reductions, as previously stated, are caused by RUCO's recommended reduction in post-test year plant.

Q. Did AWC make a pro-forma adjustment to record deferred income taxes related to the post-test year adjustments?

A. No. The Company did not make a pro-forma adjustment to record deferred income taxes related to the inclusion of post-test year plant additions.

Q. Does AWC use accelerated depreciation methods in calculating federal and state income taxes?

A. Yes. See Reiker Exhibit Schedule E-9, Page 1 of 2. Ln 38 through 40; "Depreciation is computed on a straight-line composite basis on property classifications ranging from 1.79% to 6.67%. For federal and state income tax purposes, depreciation is computed using accelerated methods."

Q. What are the ramifications to the revenue requirements by not recording deferred income taxes?

A. Deferred income taxes calculated as a result of the Company's use of accelerated depreciation methods allowable by the Internal Revenue Service, are a reduction from rate base, therefore, a benefit to ratepayers. If deferred taxes are not recognized for the inclusion of post-test year plant then the ratepayer is, to put it simply, paying more in rates then they should.

Q. Can RUCO calculate the deferred income tax effect that should have been recorded by AWC and deducted from rate base when submitting its rate application?

A. RUCO could make an attempt to calculate the deferred income taxes but too many assumptions would have to be made. RUCO has asked AWC to provide this calculation and will make any further adjustment(s) in surrebuttal testimony if necessary.

Rate Base Adjustment No. 3 – Cash Working Capital

Q. Please explain the concept of Cash Working Capital.

A. Cash Working Capital is often defined as the net cash outlay that a utility must furnish to provide service before payment for that service is received from the customers. A company's Cash Working Capital requirement represents the amount of cash the company must have on hand to cover any differences in the time period between when revenues are received and expenses must be paid. The most accurate way to measure the cash working capital requirement is via a lead/lag study. The lead/lag study measures the actual lead and lag days attributable to the individual revenues and expenses.

Q. Is RUCO proposing a Cash Working Capital requirement adjustment in this case?

A. Yes. RUCO proposes a reduction in Cash Working Capital for each system. Adjustments of $293,475, $29,751 and $6,641 were made in the Pinal Valley, White Tank and Ajo water systems respectively.

Q Did the Company prepare a lead/lag study and did RUCO prepare its own study confirming the lead/lag study as filed by the Company?

A. Yes. The Company prepared a lead/lag study and while RUCO did not prepare a full lead/lag study we did review the Company's and accepted their study as filed.

Q. What element of expenses did RUCO adjust in its lead/lag study?

A RUCO made several operating expense adjustments that are reflected in RUCO's recommended lead/lag expense levels reflected on Schedule(s) JAC-5 that are presented for each system.. The lone expense adjustment not reflected in RUCO's lead/lag study is the Rate Case Expense adjustment.

Q. Why isn't RUCO's Rate Case Expense adjustments reflected in RUCO's operating expenses in its lead/lag study?

A. Rate Case Expense has already been incurred and paid, consequently, it is not an appropriate expense to be included in the calculation of Cash Working Capital.

Q. What is RUCO's rationale for including the interest expense in the lead/lag study?

A. Interest payments are contractual arrangements associated with AWC's debt issuances that obligate the Company to make fixed interest payments on certain dates. In this respect, debt interest closely resembles AWC's other cash operating expenses. Thus, the payment lead for AWC's interest expense should be separately recognized in the

lead/lag calculation as the Commission has recognized in numerous cases. Typically, long-term debt interest is paid semi-annually, creating a 91.25-day expense lag.

Q. Did the Company include interest expense in their calculation of working capital?

A. No. The Company did not include interest expense.

OPERATING INCOME ADJUSTMENTS

RUCO Operating Income Adjustment No. 1 – Depreciation Expense

Q. Did RUCO adjust the depreciation expense that the Company had requested for each system?

A. Yes. RUCO reduced the Company's request for depreciation expense related to the post-test year adjustments. RUCO reduced the depreciation in the Pinal Valley system by $117,932, in the White Tanks system by $11,568 and in the Ajo system by $201. As previously stated the accumulated depreciation accounts for each of the systems were also adjusted in the same amounts.

RUCO Operating Income Adjustment No. 2 – Weather Normalization

Q. Did the Company make a weather normalization adjustment to test-year operating revenues and expenses to compensate for declining usage?

A. Yes. The Company's weather normalization adjustment decreases test-year operating revenues by $165,791 and decreases operating expenses by $80,566 for the Western Group. Among the individual operating systems, the Company's weather normalization

adjustment (i) decreases operating revenues in the Pinal Valley, White Tank and Ajo systems by $123,848, $34,391, and $7,552, respectively; and (ii) decreases operating expenses in the Pinal Valley, White Tank and Ajo systems by $56,308, $18,002, and $6,256, respectively.

Q. What is the Company's stated justification for its proposed weather normalization adjustment?

A. The Company believes such an adjustment is necessary to reflect residential customer sales under "normal weather conditions and usage patterns." In making its adjustment, AWC conducted a multiple regression analysis of monthly residential usage per customer and weather conditions over the 5-year period ending December 2014. Based on its analysis, the Company determined that weather conditions in the Pinal Valley and White Tank service areas were "slightly wetter and cooler than normal," resulting in lower test year residential usage, while weather conditions in the Ajo service area in 2014 were "drier and hotter than normal," leading to residential usage higher than under normal weather conditions. Regardless of the divergence in weather patterns, the Company states that when controlling for weather conditions, its analysis demonstrates a statistically significant annual decline in residential usage for each of its Western group systems.[4]

[4] *See* Direct Testimony of Joel M. Reiker, pp. 24-25.

Q. Does RUCO support the Company's proposed weather normalization adjustment?

A. No. RUCO believes the Company's weather normalization declining usage analysis to be speculative, for as a determinant of customer usage fluctuations in weather patterns are not, '*known and measureable*.' Additionally, for purposes of its regression analysis, the Company relies on historical weather data over only a 5-year period. Weather normalization adjustments made by regulated natural gas and power companies, typically rely on historical data over a minimum 10-year period of time in order to establish a baseline norm. For this reason, RUCO makes a reversing adjustment to the weather normalization adjustment made by the Company, increasing test-year operating revenues by $165,791 and increasing operating expenses by $80,566 for the Western Group. As shown in schedule JAC-9 filed for each system within the Western Group, RUCO's weather normalization adjustment (i) increases operating revenues in the Pinal Valley, White Tank and Ajo systems by $123,848, $34,391, and $7,552, respectively; and (ii) increases operating expenses in the Pinal Valley, White Tank and Ajo systems by $56,308, $18,002, and $6,256, respectively.

RUCO Operating Income Adjustment No. 3 – Tank Maintenance

Q. Does the Company propose an income statement adjustment to normalize tank maintenance expense?

A. Yes. The Company makes a $174,048 income statement adjustment to normalize tank maintenance expense. The Company's proposed normalized cost of tank maintenance calls for the tank interiors to be recoated every fourteen (14) years and the exteriors painted every seven (7) years. In the test year, the Western Group experienced actual

tank maintenance expense of $131,210, all of which cost was incurred by the Pinal Valley system. The Company's proposed $174,048 tank maintenance normalization adjustment is based on projections of tank maintenance costs to be incurred over the next 14-year period (i.e., 2016-2029) by each of the three Western Group systems, with the normalized storage tank expense for each system representing a 14-year annual average cost figure.[5] The following presents the normalized annual cost figures used to obtain the Company's proposed $174,048 tank maintenance normalization adjustment:

	Pinal Valley	White Tank	Ajo	Western Group
Storage Tanks - Actual	$131,210	$ -	$ -	$131210
Storage Tanks – Normalized	$231,105	$55,199	$18,953	$305,258
Annual Increase	$99,896	$55,199	$18,953	**$174,048**

Q. Does RUCO support the Company's proposed tank maintenance normalization adjustment?

A. No, and for three reasons. First, the Company's adjustment is predicated on forecasts made over a 14-year period, a circumstance which is highly problematic given the uncertainty associated with making forecasts over such an extended period of time. Second, the further you move from a historical test year, the greater the imbalances become between rate base, revenues, and expenses. Authorization of the Company's proposed normalization adjustment would allow for recovery of future costs well in advance of the period in which those costs are to be incurred. Third, and to underscore

[5] Over the 14-year period, 2016-2029, AWC projects the following tank maintenance expense to be incurred by its Western Group systems: Pinal Valley ($3,235,473, or 14-year annual average of $231,105); White Tank ($772,790, or 14-year annual average of $55,199); and Ajo ($265,346 or 14-year annual average of $18,953).

the above point, a review of the work papers supporting the Company's proposed adjustment reveals the following: (i) **in 10 of the 14 years**, the Ajo system is expected to incur **no tank maintenance costs** (i.e., $ 0); (ii) **in 9 of the 14 years**, White Tank is expected to experience **average annual tank maintenance costs of only $9,122**, with **no tank maintenance costs** incurred **in 6 of those years**; and (iii) in **9 of the 14 years**, Pinal Valley is expected to experience tank maintenance costs **less** than the anticipated $231,105 14-year annual average cost period, 2016-2029. For the above reasons, RUCO recommends denial of the Company's proposed tank maintenance normalization adjustment.

Q. Does RUCO's tank maintenance income statement adjustment reverse the Company's pro forma tank maintenance adjustment?

A. Yes. As shown in Schedule JAC-10 filed for each Western Group system, RUCO's tank maintenance adjustment decreases operating expenses by $99,896, $55,199 and $18,953 for the Pinal Valley, White Tank and Ajo systems, respectively.

RUCO Operating Income Adjustment No. 4 – Payroll Annualization Adj. #1

Q. In reviewing the work papers relating to the Company's proposed payroll annualization adjustment, did RUCO find that the Company made provision for two post-test year salary increases, (i) a so-called "2015 rate" and (ii) a 3.0 percent "2015 increase" in the hourly wage paid to all AWC Western Group employees?

A. Yes. For purposes of its analysis, RUCO allowed the '2015 rate,' but made an adjustment to remove the 3.0 percent across the board salary increase proposed for year 2016.

Q. After disallowing the above noted across the board 3 percent 2016 salary increase, what was RUCO's adjustment to the Company's proposed payroll annualization adjustment?

A. As shown in Schedule JAC-11, Page1 of 3, RUCO's adjustment to remove the 3.0 percent salary increase resulted in a $97,603 decrease to payroll and related expenses for the Western Group. Individually, RUCO's adjustment resulted in a reduction to payroll expense of $85,980, $8,713 and $2,910 for the Pinal Valley, White Tank and Ajo systems, respectively.

RUCO Operating Income Adjustment No. 5 – Payroll Annualization Adj. #2

Q. Please explain the rationale for RUCO's second payroll annualization adjustment.

A. A review of the work papers accompanying the Company's payroll annualization adjustment revealed that two corporate officers working for both for AWC as well as its California affiliate, San Gabriel Valley Water Company, were shown to be full-time employees of AWC. Accordingly, RUCO made an adjustment to reduce the salaries of (i) the Chairman/CEO and (ii) Assistant Secretary by one half (i.e., 50 percent) to reflects a sharing of payroll costs between AWC and its California affiliate for salaries paid to these corporate officers. RUCO's adjustment resulted in a total reduction to payroll expense for the Western Group of $49,307. As shown in Schedule JAC-11, Page 2 of 3, RUCO's adjustment reduced payroll expenses by $ 44,616, $3,446 and $1,246 for the Pinal Valley, White Tank and Ajo sytems, respectively.

RUCO Operating Income Adjustment No. 6 – Payroll Annualization Adj. #3

Q. Please explain the rationale for RUCO's third payroll annualization adjustment.

A. Mr. Joel Reiker has been a long-time employee of AWC, and is testifying on behalf of the Company in this proceeding. However, Mr. Reiker now lives in California and is employed by AWC's affiliate, SGVWC. In view of this known and measureable change in Mr. Reiker's employment status, RUCO's third payroll annualization adjustment removes Mr. Reiker's salary from test-year payroll expenses. As shown in Schedule JAC-11, Page 3 of 3, RUCO's adjustment reduces payroll expenses in the Western Group by $36,383. Individually, RUCO's adjustment reduces payroll expense by $32,921, $2,542 and $920 for the Pinal Valley, White Tank and Ajo systems, respectively.

RUCO Operating Income Adjustment No. 7 – Vehicles Service Costs

Q. Has RUCO made an adjustment to the Company's pro forma service vehicle cost adjustment, and if so why?

A. Yes. In its application, AWC states that this adjustment is "necessary to reflect **current costs** related to the Company's fleet of service vehicles (emphasis added)."[6] A review of the work papers accompanying the Company's service vehicle cost adjustment reveals, however, that the Company made no adjustment to reflect the known and measurable change in gasoline prices.

[6] *See* Reiker Direct, p.32, lines 9-10.

Q. What was the average price per gallon paid by the Company for gasoline in the 2014 test year, and what price per gallon does RUCO propose in making its adjustment to AWC's service vehicle cost adjustment?

A. During the test-year the average price per gallon paid by the Company was $3.174. RUCO's adjusted price per gallon is $1.8725. RUCO's adjusted closing price is computed as an average annual price per gallon, using the average price (i.e., $1.789) per gallon in Arizona as of February 4, 2016 and the average price (i.e., $1.956) per gallon one year earlier (($1.789 + $1.956) /2 = $1.8725).[7] Thus, RUCO's adjustment gives recognition to a known and measurable decrease in the current cost of gasoline of $1.301 ($.174 - $1.8725 = $1.301) over a one year period of time.

Q. What impact did RUCO's known and measureable change in fuel prices have upon service vehicle costs in the Western Group?

A. As shown in Schedule JAC-12, RUCO's adjustment to reflect the current known and measureable reduction in fuel prices decreases vehicle service costs by $11,220 for the Western Group.[8] RUCO's adjustment reduces the fuel component of service vehicle expense by $9,389 for the Pinal Valley system and $1,831 for the White Tank system.[9]

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[7] These average Arizona gas prices were obtained from AAA Daily Fuel Gauge Report http://fuelgaugereport.aaa.com/states/aruzona/

[8] In its prior rate filing, the Company made a fleet fuel adjustment increasing operating expenses, in part to reflect an increase in the price of gasoline. In response to RUCO 7.02, the Company indicated that it does not expect gasoline prices to remain at current levels.

[9] Because the fuel component of the Company's vehicle service cost adjustment did not impact the Ajo system, RUCO similarly made no adjustment to the service vehicle costs for the Ajo system.

RUCO Operating Income Adjustment No. 8 – Rate Case Expense

Q. What amount of rate case expense has the Company requested be authorized in this proceeding?

A. The Company requests recovery of rate case expense estimated to be $486,274, amortized over three years. To facilitate recovery of this expense, in its application AWC has proposed an income statement adjustment increasing operating expenses by $40,606 for the Western Group.

Q. Has RUCO proposed an adjustment reducing the amount of rate case expense requested by the Company?

A. Yes. RUCO proposes recovery of rate case expense of $319,827 in this docket. In arriving at this dollar figure, RUCO looked to see what the Commission authorized rate case expense had been in the prior AWC Western Group rate filing litigated at Hearing.

Q. Was the prior AWC Western Group rate proceeding litigated at Hearing?

A. No. The previous AWC Western Group rate proceeding was resolved by means of a Settlement Agreement in Docket No. W-01445A-10-0517. Prior to that time, the last Western Group rate proceeding to be fully litigated at Hearing was the Company's rate filing in Docket No. W-01445A-04-0650. In that docket, in Decision No. 68302 (dated November 14, 2005), the Commission authorized recovery of rate case expense in an amount of $250,000.

Q. Did RUCO use the $250,000 rate case expense figure authorized in Decision No. 68302 as a basis for its recommendation in the instant docket, and if so, how?

A. Yes. Although resolved by means of a Settlement Agreement, RUCO did file testimony in Docket No. W-01445A-10-0517. In that docket, RUCO witness, Mr. Tim Coley, borrowed upon the $250,000 authorized rate case expense in the prior Western Group rate proceeding, making an upward adjustment for inflation to obtain his then recommended $304,975 rate case expense in that proceeding.

Q. For purposes of RUCO's recommended rate case expense in this docket, have you made an additional upward adjustment to Mr. Coley's recommended rate case expense in the prior AWC rate proceeding (i.e., Docket No. 01445A-10-0517)?

A. Yes. As shown in RUCO Direct Schedule JAC-13, in arriving at my $319,827 recommended rate case expense figure, I make an upward 4.87 percent adjustment for inflation to give recognition to the diminished purchasing power of the U.S. dollar over the period, January 1, 2004 through July 1, 2011.[10] RUCO's adjustment reduces rate case expense by to the Company's proposed rate

[10] The 4.87 percent inflation factor used to compute RUCO's recommended $319,827 rate case expense figure was obtained from InflationData.com
http://inflationdata.com/Inflation/Inflation_Calculators/Cumulative_Inflation_Calculator.aspx

Q. What is RUCO's recommended rate case expense for each of the three Western Group systems?

A. As shown in Schedule JAC-13, individually RUCO's adjustment results in a reduction to rate case expense of $48,622, $5,805 and $1,055 for the Pinal Valley, White Tank and Ajo systems, respectively.

Q. Does RUCO believe its $319,827 recommended rate case expense to be reasonable?

A. Yes, as it is based on an amount previously awarded by the Commission in an AWC Western Group rate docket, and has been updated for inflation on two occasions, thereby ensuring that its purchasing power today is equivalent to that of the $250,000 Commission authorized rate case expense in Decision No. 68302.

RUCO Operating Income Adjustment No. 9 – Property Tax Expense

Q. What amount of property tax expense has the Company requested be authorized in this proceeding?

A. RUCO increased property tax expense in Pinal Valley and the White Tank systems in the Western Group. Property taxes in Arizona are calculated on revenues in the water industry and adjustments are being made to each system as a result of RUCO's recommended increase in test year revenue. Property tax adjustments of $6,629 and $1,648 were made to the Pinal Valley and White Tank systems accordingly.

RUCO Operating Income Adjustment No. 10 – Income Tax Expense

Q. What amount of income tax expense has the Company requested be authorized in this proceeding?

A. Federal and State income tax expense is directly related to taxable income as reported to the taxing authorities. RUCO made adjustments to each of the Western Groups systems income tax calculations as RUCO is recommending adjustments to both revenue and expense items as proposed by the Company. Schedule JAC-16 is included for Pinal Valley, White Tank and Ajo and provides the details of the Company's tax calculations and RUCO's adjustments

SYSTEM IMPROVEMENT BENEFIT ("SIB")

Q. Has AWC requested that a System Improvement Benefit ("SIB") mechanism be approved by the Commission for the Western group in this filing?

A. Yes. AWC has requested a SIB mechanism be approved for all three of the systems included in the rate case application. The Company's cost estimates included in their request are:

Pinal Valley service area	$48,110,000
White Tank service areas	7,141,000
Ajo service area	559,000
TOTAL	$55,810,000

Q. What is a SIB mechanism?

A. Basically, a SIB mechanism, if approved by the Commission, allows a company to increase customer rates during the years between rate case applications, based on the completion of projects included in the SIB mechanism request.

Q. Wasn't there a recent opinion issued by the Arizona Court of Appeal's declaring that the SIB mechanism is unconstitutional?

A. Yes. The Arizona Court of Appeals, ruled on August 18, 2015, that the SIB mechanism is unconstitutional as there is no determination of "fair Value' at the time the SIB mechanism rate(s) go into effect.

Q. What has transpired since the Court of Appeals ruling?

A. The Arizona Corporation Commission petitioned the Arizona Supreme Court to review the Court of Appeals' opinion in *Residential Util. Consumer Office v. Ariz. Corp. Comm'n,* 1 CA-CC 13-0002 and 1 CA-CC 14-0001 (Consolidated), 2015 WL 4911765 (Aug. 18, 2015).

Q. What was the outcome of the ACC's petition?

A. The Supreme Court of Arizona has agreed to hear the case and it is scheduled for oral arguments on March 22, 2016.

Q. In the meantime, what is RUCO's position on AWC's current request for a SIB mechanism in this case?

A. RUCO has opposed such a mechanism in all rate case applications where companies have requested a SIB. RUCO continues to oppose a SIB mechanism and as of this filing, the SIB is unconstitutional and should be denied by the Commission.

NITRATE COST RECOVERY MECHANISM ("NCRM")

Q. Can you please explain why AWC believes that a new adjustor mechanism is necessary in this rate case filing?

A. Yes. As stated in Mr. Garfield's testimony; "Arizona Water also faces federally mandated costs to build and operate treatment plants to remove high levels of nitrates from groundwater in Arizona Water's Pinal Valley service area. Accordingly, Arizona Water requests Commission authorization of an NCRM, identical in function to the ACRM. Arizona Water must design and construct four nitrate removal facilities in the Pinal Valley service area. The cost to design, construct, operate, and maintain these nitrate removal facilities, as described in Mr. Schneider's pre-filed direct testimony, is even greater than that of similarly-sized arsenic removal facilities."[11]

[11] Mr. Garfield's Direct Testimony, page 7

Q. Is RUCO recommending that the NCRM be adopted by the Commission for AWC's Pinal Valley service area?

A. No. RUCO is not recommending that the Commission adopt a new adjustor mechanism. RUCO takes exception to this mechanism for the same reasons that RUCO opposes a SIB mechanism. Both the SIB and the NCRM, if approved by the Commission, allows the Company to increase ratepayer's rates without the benefit of a fair value determination. RUCO continues to oppose a SIB mechanism as stated above and is now also opposing the NCRM.

PURCHASE POWER ADJUSTOR MECHANISM ("PPAM")

Q. What is RUCO's position and recommendation regarding the Company's requested purchased power adjustment mechanism?

A. RUCO's recommends the Commission deny the Company's request for a PPAM. Such an adjustor would allow an increase in rates without the benefit of determining fair value. It's another instance of violating the Arizona constitution the same as the SIB that was found by the Court of Appeal to be unconstitutional.

Q. Would you please explain why the PPAM should be denied by the Commission in this case as it was in the AWC rate case?

A. Adjustment mechanisms traditionally have been established to mitigate the regulatory lag for 1) volatile and 2) very large expense items (such as purchased coal, oil, and gas in the case of electric utilities and purchased gas for natural gas distribution companies) that

may have a negative impact on the financial health of a utility. In no instance should automatic adjustment mechanisms be a substitute for a formal rate case.

ARIZONA CORPORATION RULES AND REGULATIONS

NARUC Uniform System of Accounts

Q. Is AWC in compliance with all of the applicable rules and regulations as published in the Arizona Administrative Code ("A.A.C.")?

A. No. There are two specific areas that RUCO has identified where the Company is not complying with the A.A.C. The first issue is AWC's failure to maintain its books and records in compliance with the NARUC Uniform System of Accounts and the second issue has to do with the Company's failure to properly maintain depreciation reserve's for each account or functional account.

Q. Can you please site the A.A.C. specific language for the maintenance of its accounts and records?

A. See A.A.C. R14-2-411 D.2. "Each utility shall maintain its books and records in conformity with the NARUC Uniform System of Accounts ("USOA") for Class A, B, C and D Water Utilities."

Q. Are you saying that AWC is not maintaining its books and records in conformity with the current NARUC USOA?

A. No. AEC maintains its books and records in conformity with the NARUC USOA as published in 1976. However, NARUC has modified and reissued the USOA for water

utilities in both 1984 and 1996, with the 1996 being the most recent updated and published USOA.

Q. Are there significant differences noted between the 1976 NARUC account numbers compared to the most recent updates in 1996?

A. Yes. There are significant differences noted. Many on the account numbers used by AWC today have been revised and updated by NARUC and are account numbers that are being used by wastewater utilities today.

Q. Has AWC offered an explanation to explain their non-compliance and failure to comply with the existing NARUC guidelines as well as non-compliance with the A.A.C.?

A. Yes. In the Company's response to Staff DR. BAB 1.17, they offer the following explanation; "The ACC has not established any forum to consider the recommended 1984 or 1996 NARUC USOA. The ACC has never taken any action, whether by decision or rulemaking, to specifically adopt either the 1984 or 1996 NARUC USOA. Therefore, the Company has continued to use the 1976 NARUC USOA."

Q. Does RUCO consider this a valid explanation for non-compliance?

A. No. The use of a proper account numbering system is well defined by the A.A.C. The responsibility for compliance is the responsibility of each Company and the onus should not be put on the ACC to establish a forum just for the purpose of adopting revisions to NARUC guidelines.

Depreciation Reserve Accounts

Q. Can you please explain the other non-compliance issue being the incorrect accounting for depreciation reserves?

A. Yes. See A.A.C. R14-2-102, B.2, "A separate reserve for each account or functional account shall be maintained."

Q. Is AWC in compliance with this requirement?

A. No. In the Company's response to RUCO DR. 1.13 (b) the AWC stated; "The Company does not maintain accumulated depreciation balances by plant account. Accumulated depreciation balances by system are provided." In the Company's response to RUCO DR. 3.06, a follow-up to RUCO DR. 1.13 (b), AWC further stated; "The Company does not maintain accumulated depreciation balances by function."

Q. So, in summary, the Company does not maintain separate depreciation reserves for each account or by functional account as required by the A.A.C., correct?

A. Yes. The Company is clearly in violation of the A.A.C. by not maintaining appropriate depreciations reserve accounts.

Q. Is RUCO aware of any other water or wastewater company that fails to comply with the requirements of the A.A.C?

A. No. RUCO is aware of no other water or wastewater companies that fail to meet the reporting requirements as outlined in the A.A.C.

Q. Does RUCO know if AWC's California affiliate, SGVWC, maintains depreciation reserves by plant account?

A. Yes, AWC's affiliate does maintain depreciation reserves by plant account.[12]

Q. What is RUCO's recommendation to resolve the critical non-compliance issues?

A. RUCO strongly recommends that the Company should be required, prior to their next rate case filing for any of their systems, to comply with the rules and regulations as laid out in A.A.C.

Q. Does your silence on any of the issues, matters, findings, or lack of adjustment to and for other ratemaking components addressed or not in your testimony of any of the witnesses for the Company constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony?

A. Yes. It does

[12] As shown in the Annual Reports filed with the California Public Utility Commission, San Gabriel Valley Water Company maintains accumulated depreciation reserves by plant account. ftp://ftp.cpuc.ca.gov/waterannualreports/2014/Class%20A/San%20Gabriel%20Valley%20-%202014%20Annual%20Report.pdf

SCHEDULES

WESTERN GROUP

PINAL VALLEY

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Arizona Water Company
Docket No. W-01445A-15-0277
Test Year Ended December 31, 2014

Pinal Valley System
Direct Schedule JAC-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 61,344,294	$ 56,001,472
2	Adjusted Operating Income (Loss)	$ 2,215,360	$ 2,380,502
3	Current Rate of Return (L2 / L1)	3.61%	4.25%
4	Required Operating Income (L5 X L1)	$ 5,479,474	$ 4,099,285
5	Required Rate of Return on Fair Value Rate Base	8.93%	7.32%
6	Operating Income Deficiency (L4 - L2)	$ 3,264,114	$ 1,718,784
7	Gross Revenue Conversion Factor (JAC-1, Page 2)	1.6403	1.6651
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 5,354,172	$ 2,862,004
9	Adjusted Test Year Revenue	$ 18,467,889	$ 18,591,737
10	Proposed Annual Revenue (L8 + L9)	$ 23,822,061	$ 21,453,741
11	Required Percentage Increase in Revenue (L8 / L9)	28.99%	15.39%
12	Rate of Return on Common Equity	10.75%	8.95%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule JAC-2, JAC-6, and JAC-14

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	1.20%		
3	Revenues (L1 - L2)	98.8000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	38.7447%		
5	Subtotal (L3 - L4)	60.0553%		
6	**Revenue Conversion Factor (L1 / L5)**	1.6651		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	38.2900%		
9	One Minus Combined Income Tax Rate (L7 - L8)	61.7100%		
10	Uncollectible Rate	0.01200		
11	Uncollectible Factor (L9 * L10)	0.7405%		
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col. [C], L53)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	31.7900%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.2900%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	38.2900%		
20	One Minus Combined Income Tax Rate (L18-L19)	61.7100%		
21	Property Tax Factor	0.7369%		
22	Effective Property Tax Factor (L20 x L21)		0.4547%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			38.7447%
24	Required Operating Income (Sch. JAC-1, Col. [B] Line 4)	$ 4,099,285		
25	Adjusted Test Year Operating Income (Loss) (Sch. JAC-1, Col. [B], L2)	2,380,502		
26	Required Increase in Operating Income (L24 - L25)		$ 1,718,784	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 1,596,459		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	503,337		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		1,093,122	
30	Recommended Revenue Requirement (Sch. JAC-1, Col. [B], Line 10)	$ 21,453,741		
31	Uncollectible Rate (L10)	0.2100%		
32	Uncolllectible Expense on Recommended Revenue (L30 x L31)	$ 45,053		
33	Adjusted Test Year Uncollectible Expense	$ 211,863		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		(166,810)	
35	Property Tax with Recommended Revenue	$ 1,025,917		
36	Property Tax on Test Year Revenue	975,843		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		50,074	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ 2,861,980	

	Calculation of Income Tax:	Test Year	RUCO Recommended
39	Revenue (Sch. JAC-1, Col. [B], Line 9 & Sch. JAC-1, Col. [B], L10)	$ 18,467,889	$ 21,453,741
40	Operating Expenses Excluding Income Taxes	$ 15,707,898	$ 15,757,933
41	Synchronized Interest (Col. [C], L57)	$ 1,408,169	$ 1,408,169
42	Arizona Taxable Income (L39 - L40 - L41)	$ 1,351,821	$ 4,287,638
43	Arizona State Income Tax Rate	4.9000%	4.9000%
44	Arizona Income Tax (L42 x L43)	$ 66,239	$ 210,094
45	Federal Taxable Income (L42 - L44)	$ 1,285,582	$ 4,077,544
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500	$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ 6,250	$ 6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 8,500	$ 8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 91,650	$ 91,650
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 323,198	$ 1,272,465
51	Total Federal Income Tax	$ 437,098	$ 1,386,365
52	Combined Federal and State Income Tax (L44 + L51)	$ 503,337	$ 1,596,459
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]		34.0000%
54	Synchronized Interest Calculation:		
55	Rate Base		$ 56,001,472
56	x Weighted Average Cost of Debt		2.5145%
57	Synchronized Interest		$ 1,408,169

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 1,989,297	$ -	$ 1,989,297
2	Source of Supply Plant	7,647,074	-	7,647,074
3	Pumping Plant	16,648,575	(2,254,806)	14,393,769
4	Water Treatment Plant	14,061,976	(2,894,112)	11,167,864
5	Transmission & Distribution Plant	125,319,344	(58,465)	125,260,879
6	General Plant	7,229,460	40,104	7,269,564
7	Total Gross Plant in Service	$ 172,895,726	$ (5,167,279)	$ 167,728,447
	Less:			
8	Accumulated Depreciation	(44,260,678)	117,932	(44,142,746)
9	Net Utility Plant in Service (L7 less L8)	$ 128,635,048	$ (5,049,347)	$ 123,585,701
10	Advances in Aid of Construction	$ (36,540,428)	$ -	$ (36,540,428)
11	Contributions in Aid of Construction (CIAC)	(29,481,326)	-	(29,481,326)
12	Accumulated Amortization of CIAC	5,181,305	-	5,181,305
13	Net CIAC (L11 less L12)	$ (24,300,021)	$ -	$ (24,300,021)
14	Accumulated Deferred Income Taxes (ADIT)	(12,343,427)	-	(12,343,427)
15	Customer Deposits	(422,585)	-	(422,585)
	Add:			
16	Allowance for Working Capital	$ 1,561,902	$ (293,475)	$ 1,268,427
17	Net Regulatory Asset / (Liability)	4,753,804	-	4,753,804
18	Rounding	-	-	-
19	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18)	$ 61,344,294	$ (5,342,822)	$ 56,001,472

References:
Column (A): Company Schedule B-1
Column (B): Schedule JAC-3
Column (C): Column (A) + Column (B)

Arizona Water Company
Docket No. W-01445A-15-0277
Test Year Ended December 31, 2014

Western Group - Pinal Valley System
Direct Schedule JAC-3
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SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 Post Test Test Plant	(C) ADJMT NO. 2	(D) ADJMT NO. 3	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 1,989,297	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,989,297
2	Source of Supply Plant	7,647,074	-	-	-	-	-	-	7,647,074
3	Pumping Plant	16,648,575	(2,254,806)	-	-	-	-	-	14,393,769
4	Water Treatment Plant	14,061,976	(2,894,112)	-	-	-	-	-	11,167,864
5	Transmission & Distribution Plant	125,319,344	(58,465)	-	-	-	-	-	125,260,879
6	General Plant	7,229,460	40,104	-	-	-	-	-	7,269,564
7	Total Gross Plant in Service	$ 172,895,726	$ (5,167,279)	$ -	$ -	$ -	$ -	$ -	$ 167,728,447
	Less:								
8	Accumulated Depreciation	(44,260,678)	117,932	-	-	-	-	-	(44,142,746)
9	Net Utility Plant in Service (L7 less L8)	$ 128,635,048	$ (5,049,347)	$ -	$ -	$ -	$ -	$ -	$ 123,585,701
10	Advances in Aid of Construction	$ (36,540,428)	$ -	$ -	$ -	$ -	$ -	$ -	$ (36,540,428)
11	Contributions in Aid of Construction (CIAC)	(29,481,326)	-	-	-	-	-	-	(29,481,326)
12	Accumulated Amortization of CIAC	5,181,305	-	-	-	-	-	-	5,181,305
13	Net CIAC (L11 less L12)	$ (24,300,021)	$ -	$ -	$ -	$ -	$ -	$ -	$ (24,300,021)
14	Accumulated Deferred Income Taxes (ADIT)	(12,343,427)	-	-	-	-	-	-	(12,343,427)
15	Customer Deposits	(422,585)	-	-	-	-	-	-	(422,585)
	Add:								
16	Allowance for Working Capital	$ 1,561,902	$ -	$ -	$ -	$ -	$ -	$ (293,475)	$ 1,268,427
17	Net Regulatory Asset / (Liability)	4,753,804	-	-	-	-	-	-	4,753,804
18	Rounding	-	-	-	-	-	-	-	-
19	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18	$ 61,344,294	$ (5,049,347)	$ -	$ -	$ -	$ -	$ (293,475)	$ 56,001,472

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See JAC-4.1 Direct, Phx. Off., and & MS Schedule and JAC Testimony)
Column (C): Adjustment No. 2 - Intentionally Left Blank
Column (D): Adjustment No. 3 - Intentionally Left Blank
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Arizona Water Company
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Western Group - Pinal Valley, Wite Tank and Ajo Systems
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EXPLANATION OF RATE BASE ADJUSTMENT NO. 1
Summary of Post Test Year Plant Additions
Preliminary Costs vs Final Costs

Line	Work Authorization Number	Account Description	Acct No.	Date Const. Began	Date Const. Was/Expected to be Completed	[A] Company Proposed Cost as Per Company Exhibit Sch. B-2 Appendix (Pages 1 thru 4)	[B] Actual Costs as of 29-Nov-15 As per Response to Staff DR's BAB 4.1 and BAB 5.1	[C] RUCO Adjusted Budgeted vs. Actual Cost	[D] RUCO Adjusted Post-Test Year Plant Not in Service as of 6/30/2015	[E] Function	[F] RUCO Adjustments Pinal Valley	[G] RUCO Adjustments White Tank	[H] RUCO Adjustments Ajo
		Pinal Valley											
1	I-5167	Valley Farms ARF Well No. 2	332	9/24/2014	7/8/2015	$ 1,250,000			-	WT	$ (1,250,000)		
2	I-5164	Coolidge 9 &10 Motors	325	10/3/2014	12/8/2015	175,000			-	PP	(175,000)		
3	I-5170	Cottonwood Lane Storage Tank	325	11/18/2014	7/23/2015	1,200,000			-	PP	(1,200,000)		
4	I-5296	PV Well No. 19 Pump	325	5/7/2015	9/14/2015	175,000			-	PP	(175,000)		
5	I-5299	Coolidge 9 &10 Access Road	321	3/2/2015	12/14/2015	100,000			-	PP	(100,000)		
6	I-4806	Coolidge Well N0. 13 ARF	332	3/3/2011	11/30/2016	1,500,000			-	WT	(1,500,000)		
7	I-5166	Coolidge Airport POU	332	3/19/2015	2/29/2016	80,000			-	WT	(80,000)		
8	I-5304	PV Well No. 27 Booster Pump Station	325	2/15/2015	12/31/2015	175,000			-	PP	(175,000)		
9	I-5307	Coolidge Well Nos. 9 & 10 Strainer	332	6/16/2015	7/1/2015	40,000			-	WT	(40,000)		
10	I-5168	Hwy. 84 Gate & Butterfly Valves	343	4/30/2015	7/20/2015	110,000			-	TD	(110,000)		
11	I-5345	1955 North Casa Grande Ave. Replacement	343	5/4/2015	8/4/2015	62,000			-	TD	(62,000)		
12	I-5260	PV Well No. 29 Sodium Hypochlorite	332	10/30/2014	9/28/2015	25,000			-	WT	(25,000)		
13	I-5348	Burgess Peak Radio System	397	6/2/2015	7/23/2015	27,000			-	GP	(27,000)		
14	I-5358	PV Well No. 26 Pump	325	6/25/2015	8/10/2015	115,000			-	PP	(115,000)		
15	I-5362	PV Well No. 31 Pump	325	8/26/2015	11/26/2015	117,000			-	PP	(117,000)		
16	I-5359	PV Well No. 27 Pump	325	7/10/2015	10/16/2015	200,000			-	PP	(200,000)		
17	I-5361	Elevated Tank in Coolidge Cathotic Protection	342	10/31/2014	7/8/2015	70,000			-	TD	(70,000)		
18	I-5169	Replace PVC with Iron Pipe on Overfield Road	343	10/2/2014	5/21/2015	$ 392,000	$ 407,891	$ 15,891		TD	15,891		
19	I-5171	Trans. & Dist. Mains -- Cottonwood Rd.	343	10/27/2014	4/15/2015	517,000	551,402	34,402		TD	34,402		
20	I-5301	Trans. & Dist. Mains -- Hancock Trail	343	2/24/2015	6/6/2015	180,000	194,840	14,840		TD	14,840		
21	I-5303	Install Nitrate Analyzers -- Well Nos. 32 & 33	332	2/6/2015	6/5/2015	174,000	173,112	(888)		WT	(888)		
22	I-5306	Install Booster Pump -- Stanfield Station	325	5/11/2014	6/30/2015	43,000	42,857	(143)		PP	(143)		
23	I-5329	Construction of Main -- 4th Street	343	1/29/2015	2/12/2015	24,000	19,402	(4,598)		TD	(4,598)		
24	I-5332	Replace Main on Casa Grande Mountain	343	2/18/2015	5/5/2015	300,000	191,545	(108,455)		TD	(108,455)		
25	I-5339	Replace Water Service Line -- Arizola Blvd.	345	5/4/2015	5/21/2015	62,000	57,535	(4,465)		TD	(4,465)		
26	I-5341	Replace Water Service Line -- Pinal Ave.	345	5/11/2015	6/20/2015	43,000	35,165	(7,835)		TD	(7,835)		
27	I-1076	No support Provided	346			120,000		(120,000)		TD	(120,000)		
28	I-5344	Construction of Main -- 2nd Street	343	5/7/2015	6/18/2015	27,000	23,685	(3,315)		TD	(3,315)		
29	I-5076	Lower and Replace Main -- Az. Grain Depot	343	5/10/2013	12/23/2014	195,574	195,574	-		TD	-		
30	I-5173	Install Electrical Panel -- 30 sites	325	11/10/2014	12/31/2014	106,065	103,598	(2,467)		PP	(2,467)		
31	I-5165	Block Walls -- Well Nos. 21, 30 and 31	314	9/22/2014	1/12/2015	417,446	417,446	-		SS; PP	-		
32	I-5251	Replace Pump -- Well No. 33	325	10/14/2014	1/22/2015	245,552	245,968	416		PP	416		
33													
34		White Tank											
35	I-5032	Install SCADA at BAE Tank, Well Nos. 7 & 8	397			327,000			-	GP		(327,000)	
36	I-5309	Replace Pipe at Blue Horizon ARF	332			54,000	53,658	(342)		WT		(342)	
37	I-5263	Install 230' of 6" DIP along Citrus Rd.	343			52,000	53,708	1,708		TD		1,708	
38	I-5360	Replace Ladder, Add Overflow BAE Water Tank	343			20,000	16,810	(3,190)		TD		(3,190)	
39													
40		Phoenix Office											
41	I-5324		397			85,000			-	GP	(74,490)	(8,893)	(1,617)
42	I-5325		390.1			31,000			-	GP	(27,167)	(3,243)	(590)
43	I-5326		391			14,000			-	GP	(12,269)	(1,465)	(266)
44	I-5327		398			20,000			-	GP	(17,527)	(2,092)	(380)
45													
46	Blankets	Pinal Valley	391; 394			855,000			20,000	GP	(20,000)		
47	Blankets	White Tank	391; 394			88,050			2,250	GP		(2,250)	
48	Blankets	Ajo	391; 394			11,650			450	GP			(450)
49	Blankets	Phoenix Office	391			52,000			-	GP	(45,570)	(5,440)	(989)
50	Blankets	Meter Shop	391; 394			1,750			-	GP	(1,534)	(183)	(33)
51													
52													
53		Post-Test Year Plant Adjustments				9,879,087	$ 2,784,196	$ (188,441)	$ 22,700		$ (5,806,174)	$ (352,391)	$ (4,326)
54													

RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ 201,938	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(91,537)	RUCO Schedule JAC-6, Page 2
3	Adjustment	$ (293,475)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 119,556	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	119,556	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 799,112	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	799,112	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 441,295	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	441,295	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See JAC-2, Column (K))	$ (293,475)	Sum of Lines 3, 6, 9 & 12

RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 2,071,310	$ -	$ 2,071,310	30.87	$ 63,941,344
2	Payroll	3,869,443	-	3,869,443	14.00	54,172,209
3	Purchased Water	715,000	-	715,000	(57.84)	(41,355,600)
4	Chemicals	407,363	-	407,363	(18.11)	(7,377,346)
5	Property & Liability Insurance	215,569	-	215,569	(45.27)	(9,758,802)
6	Workman's Compensation Insurance	56,136	-	56,136	(46.50)	(2,610,325)
7	Health Insurance	868,512	-	868,512	(8.92)	(7,747,127)
8	Other Operating & Maintenance Expenses	1,999,287	(255,791)	1,743,496	(9.27)	(16,162,211)
9	Federal Current Income Taxes	1,839,977	293,352	1,386,365	37.00	51,295,506
10	State Current Income Taxes	313,163	41,774	210,094	37.00	7,773,489
11	FICA Taxes	267,606	-	267,606	14.00	3,746,483
12	FUTA & SUTA Taxes	3,202	-	3,202	83.10	266,068
13	Property Taxes	1,062,879	(36,962)	1,025,917	212.00	217,494,340
14	Registration, Svc. Contracts, & Misc. Fees	86,918	-	86,918	(98.83)	(8,590,057)
15	Retirement Annuities (401k)	296,049	-	296,049	34.72	10,278,820
16	Subtotal	14,072,414	42,374	13,222,980		315,366,791
17	Interest Expense	$ -	$ 1,762,861	$ 1,762,861	90.83	$ 160,126,499
18						
19	Subtotal	$ -	$ 1,762,861	$ 1,762,861		$ 160,126,499
20	Total	$ 14,072,414	$ 1,805,234	$ 14,985,841		$ 475,493,290
21	Expense Lag	Line 20, Col. (E) / (C)	31.73			
22	Revenue Lag	Company B-5 Schedules	29.50			
23	Net Lag	Line 22 - Line 21	(2.23)			
24	RUCO Adjusted Expenses	Col. (C), Line 20	$ 14,985,841			
25	Cash Working Capital	Line 23 X Line 24 / 365 Days	(91,537)			
26	Company As Filed	Co. Schedule B-5, Page 2	201,938			
27	Difference	Line 25 - Line 26	$ (293,475)			
28	ADJUSTMENT	Line 27	$ (293,475)			

NOTE: Dependent on System

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule JAC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
1	Operating Revenues:					
2	Residential	$ 11,298,361	$ 123,848	$ 11,422,209	$ 2,862,004	$ 14,284,213
3	Commercial	5,412,782	-	5,412,782	-	5,412,782
4	Industrial	957,969	-	957,969	-	957,969
5	Private Fire Service	121,650	-	121,650	-	121,650
6	Other Water Revenues	216,003	-	216,003	-	216,003
7	Total Water Revenues	$ 18,006,765	$ 123,848	$ 18,130,613	$ 2,862,004	$ 20,992,617
8	Miscellaneous	461,124	-	461,124	-	461,124
9	Total Operating Revenues	$ 18,467,889	$ 123,848	$ 18,591,737	$ 2,862,004	$ 21,453,741
10	Operating Expenses:					
11	Source of Supply					
12	Purchased Water	$ 1,085,544	$ -	$ 1,085,544	$ -	$ 1,085,544
13	Other	75,424	6,434	81,858	-	81,858
14	Pumping Expenses					
15	Purchased Power	2,071,310	-	2,071,310	-	2,071,271
16	Purchased Gas	878	(2,437)	(1,559)	-	(1,559)
17	Other	892,848	16,549	909,397	-	909,397
18	Water Treatment Expenses	1,404,743	6,203	1,410,946	-	1,410,946
19	Transmission & Distribution Expenses	1,661,471	(128,940)	1,532,531	-	1,532,531
20	Customer Accounting Expenses	1,239,559	(20,132)	1,219,427	-	1,219,427
21	Sales Expense	2,093	-	2,093	-	2,093
22	Administrative & General Expenses	2,543,213	(133,467)	2,409,746	-	2,409,746
23	Total Operations & Maintenance Expense	$ 10,977,082	$ (255,791)	$ 10,721,292	$ -	$ 10,721,253
24	Depreciation & Amortization Expense	3,963,576	(117,932)	3,845,644	-	3,845,644
25	Taxes:					
26	Federal Income Taxes	$ 143,745	$ 293,352	$ 437,098	$ 949,267	$ 1,386,365
27	State Income Taxes	24,465	41,774	66,239	$ 143,855	210,094
28	Property Taxes	969,214	6,629	975,843	50,074	1,025,917
29	Other	174,445	(9,326)	165,120	-	165,120
30	Total Taxes	$ 1,311,870	$ 332,429	$ 1,644,300	$ 1,143,196	$ 2,787,496
31	Total Operating Expenses	$ 16,252,529	$ (41,293)	$ 16,211,235	$ 1,143,196	$ 17,354,392
32	Operating Income	$ 2,215,360	$ 165,141	$ 2,380,502	$ 1,718,808	$ 4,099,285

References:
Column (A): Company Schedule C-1
Column (B): JAC-7, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): JAC-7, Columns B Thru K
Column (E): Column (C) + Column (D)

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Pinal Valley System
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SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 DEPRECIATION EXPENSE	(C) ADJMT NO. 2 WEATHER NORMALIZATION	(D) ADJMT NO. 3 TANK MAINTENANCE EXPENSE	(E) ADJMT NO. 4 PAYROLL ANNUALIZATION #1	(F) ADJMT NO. 5 PAYROLL ANNUALIZATION #2	(G) ADJMT NO. 6 PAYROLL ANNUALIZATION #3	(H) ADJMT NO. 7 SERVICE VEHICLE EXPENSE	(I) ADJMT NO. 8 RATE CASE EXPENSE	(J) ADJMT NO. 9 PROPERTY TAX EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJ'D
1	Operating Revenues:												
2	Residential	$ 11,298,361	$ -	$ 123,848	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,422,209
3	Commercial	5,412,782	-	-	-	-	-	-	-	-	-	-	5,412,782
4	Industrial	957,969	-	-	-	-	-	-	-	-	-	-	957,969
5	Private Fire Service	121,650	-	-	-	-	-	-	-	-	-	-	121,650
6	Other Water Revenues	216,003	-	-	-	-	-	-	-	-	-	-	216,003
7	Total Water Revenues	$ 18,006,765	$ -	$ 123,848	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,130,613
8	Miscellaneous	461,124	-	-	-	-	-	-	-	-	-	-	461,124
9	Total Operating Revenues	$ 18,467,889	$ -	$ 123,848	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,591,737
10	Operating Expenses:												
11	Source of Supply												
12	Purchased Water	$ 1,085,544	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,085,544
13	Other	75,424	-	7,003	-	(523)	-	-	(47)	-	-	-	81,858
14	Pumping Expenses	2,071,310	-	-	-	-	-	-	-	-	-	-	2,071,310
15	Purchased Power	878	-	-	-	-	-	-	-	-	-	-	(1,559)
16	Purchased Gas	892,848	-	33,349	-	(16,112)	-	-	(2,437)	-	-	-	909,397
17	Other	1,404,743	-	15,956	-	(5,135)	-	-	(688)	-	-	-	1,410,946
18	Water Treatment Expenses	1,661,471	-	-	(99,896)	(27,608)	17	16	(4,617)	-	-	-	1,532,531
19	Transmission & Distribution Expenses	1,239,559	-	-	-	(20,305)	87	85	(1,470)	-	-	-	1,219,427
20	Customer Accounting Expenses	2,093	-	-	-	-	-	-	-	-	-	-	2,093
21	Sales Expense	2,543,213	-	-	-	-	-	-	-	-	-	-	2,409,746
22	Administrative & General Expenses	$ 10,977,082	$ -	$ 56,308	$ (99,896)	$ (85,980)	$ (39,426)	$ (28,785)	$ (9,389)	$ (48,622)	$ -	$ -	$ 10,721,292
23	Total Operations & Maintenance Expen					(16,298)	(39,530)	(28,887)	(130)	(48,622)			
24	Depreciation & Amortization Expense	3,963,576	(117,932)	-	-	-	-	-	-	-	-	-	3,845,644
25	Taxes:												
26	Federal Income Taxes	$ 143,745	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 293,352	$ 437,098
27	State Income Taxes	24,465	-	-	-	-	-	-	-	-	-	41,774	66,239
28	Property Taxes	969,214	-	-	-	-	-	-	-	-	6,629	-	975,843
29	Other	174,445	-	-	-	-	(5,189)	(4,136)	-	-	-	-	165,120
30	Total Taxes	$ 1,311,870	$ -	$ -	$ -	$ -	$ (5,189)	$ (4,136)	$ -	$ -	$ 6,629	$ 335,126	$ 1,644,300
31	Total Operating Expenses	$ 16,252,529	$ (117,932)	$ 56,308	$ (99,896)	$ (85,980)	$ (44,616)	$ (32,921)	$ (9,389)	$ (48,622)	$ 6,629	$ 335,126	$ 16,211,235
32	Operating Income	$ 2,215,360	$ 117,932	$ 67,540	$ 99,896	$ 85,980	$ 44,616	$ 32,921	$ 9,389	$ 48,622	$ (6,629)	$ (335,126)	$ 2,380,502

ADJUSTMENTS:
1 - Depreciation Expense
2 - Weather Normalization
3 - Tank Maintenance Expense
4 - Payroll Annualization
5 - Service Vehicle Costs
6 - Rate Case Expense
7 - Intentionally Left Blank
8 - Intentionally Left Blank
9 - Property Tax Expense
10 - Income Tax Expense

REFERENCE:
JAC Testimony and Schedule JAC-9, Page 1 of 1

JAC Testimony and Schedule JAC-8, Page 1 of 1
JAC Testimony and Schedule JAC-10, Page 1 of 1
N/A
N/A
JAC Testimony and Schedule JAC-11, Page 1 of 1
JAC Testimony and Schedule JAC-13, Page 1 of 1

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OPERATING EXPENSE ADJUSTMENT No. 1
Depreciation Expense

Line	Work Authorization Number	Account Description	Acct No.	Date Const. Began	Date Const. Was/Expected to be Completed	[A] Company Proposed Cost as Per Company Exhibit Sch. B-2 Appendix (Pages 1 thru 4)	[B] Actual Costs as of 29-Nov-15 As per Response to Staff DR's BAB 4.1 and BAB 5.1	[C] RUCO Adjusted Budgeted vs. Actual Cost	[D] RUCO Adjusted Post-Test Year Plant Not in Service as of 6/30/2015	[E] Function	[F] RUCO Adjustments Pinal Valley	[G] RUCO Adjustments Depre Rate	[H] RUCO Adjustments Depre Exp One-Half Yr
		Pinal Valley											
1	I-5167	Valley Farms ARF Well No. 2	332	9/24/2014	7/8/2015	$ 1,250,000			-	WT	$ (1,250,000)	2.86%	$ (17,875)
2	I-5164	Coolidge 9 &10 Motors	325	10/3/2014	12/8/2015	175,000			-	PP	(175,000)	5.88%	(5,145)
3	I-5170	Cottonwood Lane Storage Tank	325	11/18/2014	7/23/2015	1,200,000			-	PP	(1,200,000)	5.88%	(35,280)
4	I-5296	PV Well No. 19 Pump	325	5/7/2015	9/14/2015	175,000			-	PP	(175,000)	5.88%	(5,145)
5	I-5299	Coolidge 9 &10 Access Road	321	3/2/2015	12/14/2015	100,000			-	PP	(100,000)	2.86%	(1,430)
6	I-4806	Coolidge Well N0. 13 ARF	332	3/3/2011	11/30/2016	1,500,000			-	WT	(1,500,000)	2.86%	(21,450)
7	I-5166	Coolidge Airport POU	332	3/19/2015	2/29/2016	80,000			-	WT	(80,000)	2.86%	(1,144)
8	I-5304	PV Well No. 27 Booster Pump Station	325	2/15/2015	12/31/2015	175,000			-	PP	(175,000)	5.88%	(5,145)
9	I-5307	Coolidge Well Nos. 9 & 10 Strainer	332	6/16/2015	7/1/2015	40,000			-	WT	(40,000)	2.86%	(572)
10	I-5168	Hwy. 84 Gate & Butterfly Valves	343	4/30/2015	7/20/2015	110,000			-	TD	(110,000)	1.79%	(985)
11	I-5345	1955 North Case Grande Ave. Replacement	343	5/4/2015	8/4/2015	62,000			-	TD	(62,000)	1.79%	(555)
12	I-5260	PV Well No. 29 Sodium Hypochlorite	332	10/30/2014	9/28/2015	25,000			-	WT	(25,000)	2.86%	(358)
13	I-5348	Burgess Peak Radio System	397	6/2/2015	7/23/2015	27,000			-	GP	(27,000)	6.67%	(900)
14	I-5358	PV Well No. 26 Pump	325	6/25/2015	8/10/2015	115,000			-	PP	(115,000)	5.88%	(3,381)
15	I-5362	PV Well No. 31 Pump	325	8/26/2015	11/26/2015	117,000			-	PP	(117,000)	5.88%	(3,440)
16	I-5359	PV Well No. 27 Pump	325	7/10/2015	10/16/2015	200,000			-	PP	(200,000)	5.88%	(5,880)
17	I-5361	Elevated Tank in Coolidge Cathotic Protection	342	10/31/2014	7/8/2015	70,000			-	TD	(70,000)	2.00%	(700)
18	I-5169	Replace PVC with Iron Pipe on Overfield Road	343	10/2/2014	5/21/2015	$ 392,000	$ 407,891	$ 15,891		TD	15,891	1.79%	142
19	I-5171	Trans. & Dist. Mains -- Cottonwood Rd.	343	10/27/2014	4/15/2015	517,000	551,402	34,402		TD	34,402	1.79%	308
20	I-5301	Trans. & Dist. Mains -- Hancock Trail	343	2/24/2015	6/6/2015	180,000	194,840	14,840		TD	14,840	1.79%	133
21	I-5303	Install Nitrate Analyzers -- Well Nos. 32 & 33	332	2/6/2015	6/5/2015	174,000	173,112	(888)		WT	(888)	2.86%	(13)
22	I-5306	Install Booster Pump -- Stanfield Station	325	5/11/2014	6/30/2015	43,000	42,857	(143)		PP	(143)	5.88%	(4)
23	I-5329	Construction of Main -- 4th Street	343	1/29/2015	2/12/2015	24,000	19,402	(4,598)		TD	(4,598)	1.79%	(41)
24	I-5332	Replace Main on Casa Grande Mountain	343	2/18/2015	5/5/2015	300,000	191,545	(108,455)		TD	(108,455)	1.79%	(971)
25	I-5339	Replace Water Service Line -- Arizola Blvd.	345	5/4/2015	5/21/2015	62,000	57,535	(4,465)		TD	(4,465)	2.38%	(53)
26	I-5341	Replace Water Service Line -- Pinal Ave.	345	5/11/2015	6/20/2015	43,000	35,165	(7,835)		TD	(7,835)	2.38%	(93)
27	I-1076	No support Provided	346			120,000		(120,000)		TD	(120,000)	4.55%	(2,730)
28	I-5344	Construction of Main -- 2nd Street	343	5/7/2015	6/18/2015	27,000	23,685	(3,315)		TD	(3,315)	1.79%	(30)
29	I-5076	Lower and Replace Main -- Az. Grain Depot	343	5/10/2013	12/23/2014	195,574	195,574	-		TD	-	1.79%	-
30	I-5173	Install Electrical Panel -- 30 sites	325	11/10/2014	12/31/2014	106,065	103,598	(2,467)		PP	(2,467)	5.88%	(73)
31	I-5165	Block Walls -- Well Nos. 21, 30 and 31	314	9/22/2014	1/12/2015	417,446	417,446	-		SS; PP	-		-
32	I-5251	Replace Pump -- Well No. 33	325	10/14/2014	1/22/2015	245,552	245,968	416		PP	416	5.88%	12
33						-							
34		White Tank											
35	I-5032	Install SCADA at BAE Tank, Well Nos. 7 & 8	397			327,000			-	GP			
36	I-5309	Replace Pipe at Blue Horizon ARF	332			54,000	53,658	(342)		WT			
37	I-5263	Install 230' of 6" DIP along Citrus Rd.	343			52,000	53,708	1,708		TD			
38	I-5360	Replace Ladder, Add Overflow BAE Water Tank	343			20,000	16,810	(3,190)		TD			
39													
40		Phoenix Office											
41	I-5324												
42	I-5325		397			85,000			-	GP	(74,490)	6.67%	(2,484)
43	I-5326		390.1			31,000			-	GP	(27,167)	0.00%	-
44	I-5327		391			14,000			-	GP	(12,269)	6.67%	(409)
45			398			20,000			-	GP	(17,527)	3.30%	(289)
46	Blankets	Pinal Valley	391; 394			855,000			20,000	GP	(20,000)	4.00%	(400)
47	Blankets	White Tank	391; 394			88,050			2,250	GP			
48	Blankets	Ajo	391; 394			11,650			450	GP			
49	Blankets	Phoenix Office	391			52,000			-	GP	(45,570)	6.67%	(1,520)
50	Blankets	Meter Shop	391; 394			1,750			-	GP	(1,534)	4.00%	(33)
51													
52													
53		Post-Test Year Plant Adjustments				9,879,087	$ 2,784,196	$ (188,441)	$ 22,700		$ (5,806,174)		$ (117,932)

OPERATING INCOME ADJUSTMENT NO. 2
WEATHER NORMALIZATION

Line No.	Description	Company Proposed	RUCO Adjustment	RUCO Recommended
1				
2	Company decrease to residential revenues	$ (123,848)	$ 123,848	$ -
3				
4	Company Proposed Expense Adjustments			
5	Source of Supply	(7,003)	7,003	-
6	Pumping	(33,349)	33,349	-
7	Water Treatment	(15,956)	15,956	-
8				
9	Total Operating Expense Adjustment	(56,308)	56,308	$ -
10				
11				
12				
13	To reverse the weather normalization declining usage adjustment made by the Company which			
14	decreased test-year operating revenues for the Pinal Valley system by $123,848, and decreased test-year			
15	operating expenses for the Pinal Valley system by $56,308.			
16				
17	Source:			
18	Company Exhibit Schedule C-2 Appendix (Page 9 of 38)			
19				
20				

OPERATING INCOME ADJUSTMENT NO. 3
NORMALIZE TANK MAINTENANCE

Line No.	Western Group	Company Proposed	RUCO Adjustment	RUCO Recommended
1				
2	To reverse Company tank maintenance			
3	normalization adjustment (IS-19)	231,105	(99,896)	131,210
4				
5				
6				
7				
8				
9		Pinal Valley 041	White Tank 044	Ajo 047	Total
10	Trans. & Dist. - Storage Tanks - Actual	131,210	-		131,210
11	Trans. & Dist. - Storage Tanks - Normalized	231,105	55,199	18,953	305,258
12					
13	Increase / (Decrease)	$ 99,896	$ 55,199	$ 18,953	$ 174,048
14					
15					
16					
17					
18					
19					
20					

OPERATING INCOME ADJUSTMENT NO. 4
PAYROLL ANNUALIZATION ADJ. #1
REMOVAL OF PRO FORMA 3% SALARY INCREASE IN 2016

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Total Increase / (Decrease)
1								
2	Pinal Valley per RUCO	$ 9,991	$ 120,689	$ 42,605	$ 75,559	$ 9,757	$ 75,325	$ 333,927
3	Pinal Valley per Company	10,514	136,801	47,740	103,167	30,062	91,623	419,907
4								
5	**RUCO Pinal Valley Adjustments**	**$ (523)**	**$ (16,112)**	**$ (5,135)**	**$ (27,608)**	**$ (20,305)**	**$ (16,298)**	**$ (85,980)**
6								
7								
8	White Tank per RUCO	$ 9,471	$ 33,919	$ 32,906	$ 10,598	$ 1,502	$ 2,072	$ 90,470
9	White Tank per Company	9,641	36,761	33,262	12,547	3,686	3,286	99,183
10								
11	RUCO White Tank Adjustments	$ (170)	$ (2,841)	$ (356)	$ (1,949)	$ (2,184)	$ (1,214)	$ (8,713)
12								
13								
14	Ajo per RUCO	$ 5	$ 148	$ 252	$ 410	$ 383	$ 754	$ 1,953
15	Ajo per Company	16	470	800	1,315	1,072	1,190	4,863
16								
17	RUCO Ajo Adjustments	$ (11)	$ (321)	$ (548)	$ (905)	$ (688)	$ (436)	$ (2,910)
18								
19								
20	Subtotal per RUCO	$ 19,468	$ 154,757	$ 75,763	$ 86,568	$ 11,643	$ 78,151	$ 426,350
21	Subtotal per Company	20,171	174,032	81,802	117,029	34,819	96,099	523,953
22								
23	RUCO's Total WG Adjustments	$ (703)	$ (19,274)	$ (6,039)	$ (30,461)	$ (23,177)	$ (17,948)	$ (97,603)
24								
25	Increase/(Decrease) in Payroll Expenses -- Removal of 3 Percent 2015 Salary Increase							**$ (97,603)**
26								
27								
28								
29	Column [A]: Payroll allocations made to Source of Supply function.							
30	Column [B]: Payroll allocations made to Pumping function.							
31	Column [C]: Payroll allocations made to Water Treatment function.							
32	Column [D]: Payroll allocations made to Transmission & Distribution function.							
33	Column [E]: Payroll allocations made to Customer Accounting function.							
34	Column [F]: Payroll allocations made to Administrative & General function.							
35	Column [G]: [A] + [B] + [C] + [D] + [E] + [F]							
36								
37								

OPERATING INCOME ADJUSTMENT NO. 5
PAYROLL ANNUALIZATION ADJ. #2
ADJUSTMENT TO REFLECT SHARING OF PAYROLL COSTS WITH CALIFORNIA AFFILIATE

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Taxes & 401K Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2									
3									
4	**Pinal Valley per RUCO**	**$ 27,635**	**$ 646,274**	**$ 209,622**	**$ 1,014,849**	**$ 694,139**	**$ 579,366**	**$ 53,115**	**$ 3,225,000**
5	**Pinal Valley per Company**	**27,635**	**646,274**	**209,622**	**1,014,832**	**694,052**	**618,896**	**58,305**	**3,269,616**
6									
7	**RUCO Pinal Valley Adjustments**	**$ -**	**$ -**	**$ -**	**$ 17**	**$ 87**	**$ (39,530)**	**$ (5,189)**	**$ (44,616)**
8									
9									
10	White Tank per RUCO	$ 15,208	$ 130,094	$ 44,894	$ 76,203	$ 74,897	$ 39,548	$ 8,912	$ 389,757
11	White Tank per Company	15,208	130,094	44,894	76,202	74,890	42,601	9,313	393,203
12									
13	RUCO White Tank Adjustments	$ -	$ -	$ -	$ 1	$ 7	$ (3,053)	$ (401)	$ (3,446)
14									
15									
16	Ajo per RUCO	$ 384	$ 11,031	$ 18,808	$ 31,076	$ 23,631	$ 14,216	$ 2,907	$ 102,054
17	Ajo per Company	384	11,031	18,808	31,076	23,628	15,320	3,052	103,300
18									
19	RUCO Ajo Adjustments	$ -	$ -	$ -	$ 0	$ 2	$ (1,104)	$ (145)	$ (1,246)
20									
21									
22	Subtotal per RUCO	$ 43,228	$ 787,399	$ 273,324	$ 1,122,129	$ 792,666	$ 633,131	$ 64,934	$ 3,716,811
23	Subtotal per Company	43,228	787,399	273,324	1,122,110	792,570	676,818	70,669	3,766,119
24									
25	RUCO's Total WG Adjustments	$ -	$ -	$ -	$ 19	$ 96	$ (43,687)	$ (5,735)	$ (49,307)
26									
27	Increase/(Decrease) in Payroll Expenses -- Change in Employment Status								$ (49,307)
28									
29									
30									
31	Column [A]: Payroll allocations made to Source of Supply function.								
32	Column [B]: Payroll allocations made to Pumping function.								
33	Column [C]: Payroll allocations made to Water Treatment function.								
34	Column [D]: Payroll allocations made to Transmission & Distribution function.								
35	Column [E]: Payroll allocations made to Customer Accounting function.								
36	Column [F]: Payroll allocations made to Administrative & General function.								
37	Column [G]: [A] + [B] + [C] + [D] + [E] + [F]								
38									
39									

OPERATING INCOME ADJUSTMENT NO. 6
PAYROLL ANNUALIZATION ADJ. #3
ADJUSTMENT TO REFLECT KNOWN AND MEASURABLE CHANGE IN EMPLOYMENT STATUS

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Payroll Taxes & 401K Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2									
3									
4	**Pinal Valley per RUCO**	**$ 27,635**	**$ 646,274**	**$ 209,622**	**$ 1,014,849**	**$ 694,137**	**$ 590,009**	**$ 54,169**	**$ 3,236,694**
5	**Pinal Valley per Company**	**27,635**	**646,274**	**209,622**	**1,014,832**	**694,052**	**618,896**	**58,305**	**3,269,616**
6									
7	**RUCO Pinal Valley Adjustments**	**$ -**	**$ -**	**$ -**	**$ 16**	**$ 85**	**$ (28,887)**	**$ (4,136)**	**$ (32,921)**
8									
9									
10	White Tank per RUCO	$ 15,208	$ 130,094	$ 44,894	$ 76,203	$ 74,897	$ 40,370	$ 8,993	$ 390,660
11	White Tank per Company	15,208	130,094	44,894	76,202	74,890	42,601	9,313	393,203
12									
13	RUCO White Tank Adjustments	$ -	$ -	$ -	$ 1	$ 7	$ (2,231)	$ (319)	$ (2,542)
14									
15									
16	Ajo per RUCO	$ 384	$ 11,031	$ 18,808	$ 31,076	$ 23,631	$ 14,514	$ 2,936	$ 102,380
17	Ajo per Company	384	11,031	18,808	31,076	23,628	15,320	3,052	103,300
18									
19	RUCO Ajo Adjustments	$ -	$ -	$ -	$ 0	$ 2	$ (807)	$ (116)	$ (920)
20									
21									
22	Subtotal per RUCO	$ 43,228	$ 787,399	$ 273,324	$ 1,122,129	$ 792,664	$ 644,893	$ 66,098	$ 3,729,735
23	Subtotal per Company	43,228	787,399	273,324	1,122,110	792,570	676,818	$ 70,669	3,766,119
24									
25	RUCO's Total WG Adjustments	$ -	$ -	$ -	$ 18	$ 94	$ (31,925)	$ (4,571)	$ (36,383)
26									
27	Increase/(Decrease) in Payroll Expenses -- Change in Employment Status								$ (36,383)
28									
29									
30									
31	Column [A]: Payroll allocations made to Source of Supply function.								
32	Column [B]: Payroll allocations made to Pumping function.								
33	Column [C]: Payroll allocations made to Water Treatment function.								
34	Column [D]: Payroll allocations made to Transmission & Distribution function.								
35	Column [E]: Payroll allocations made to Customer Accounting function.								
36	Column [F]: Payroll allocations made to Administrative & General function.								
37	Column [G]: [A] + [B] + [C] + [D] + [E] + [F]								
38									
39									

OPERATING INCOME ADJUSTMENT NO. 7
SERVICE VEHICLE COSTS
ADJUSTMENT TO REFLECT LOWER FUEL COSTS

Line No.	Western Group	Western Group - Fleet Fuel [A] Capital	[B] Source of Supply Increase / (Decrease)	[C] Pumping Increase / (Decrease)	[D] Water Treatment Increase / (Decrease)	[E] Transmission & Distribution Increase / (Decrease)	[F] Customer Accounting Increase / (Decrease)	[G] Administrative & General Increase / (Decrease)	[H] Total Increase / (Decrease)
3									
4	Pinal Valley per RUCO	$ 10,037	$ 369	$ 19,241	$ 5,427	$ 36,449	$ 11,606	$ 1,025	$ 74,117
5	Pinal Valley per Company	11,309	416	21,679	6,115	41,066	13,076	1,155	83,507
6									
7	**RUCO Pinal Valley Adjustments**		**$ (47)**	**$ (2,437)**	**$ (688)**	**$ (4,617)**	**$ (1,470)**	**$ (130)**	**$ (9,389)**
8									
9									
10	White Tank per RUCO	$ 1,655	$ 267	$ 4,161	$ 512	$ 3,031	$ 2,041	$ 31	$ 10,043
11	White Tank per Company	1,956	316	4,919	605	3,584	2,413	36	11,874
12									
13	RUCO White Tank Adjustments		$ (49)	$ (758)	$ (93)	$ (553)	$ (372)	$ (6)	$ (1,831)
14									
15									
16	Ajo per RUCO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Ajo per Company	-	-	-	-	-	-	-	-
18									
19	RUCO Ajo Adjustments		$ -	$ -	$ -	$ -	$ -	$ -	$ -
20									
21									
22	Subtotal per RUCO	$ 11,692	$ 637	$ 23,402	$ 5,939	$ 39,480	$ 13,647	$ 1,056	$ 84,160
23	Subtotal per Company	13,265	732	26,598	6,720	44,650	15,489	1,191	95,380
24									
25	RUCO's Total WG Adjustments		$ (96)	$ (3,196)	$ (781)	$ (5,170)	$ (1,842)	$ (135)	$ (11,220)
26									
27	Increase/(Decrease) in Service Vehicle Expenses -- Lower Fuel Costs								**$ (11,220)**
28									
29									
30									
31	Column [A]:	The cost figures shown in column [A] are presented in the work papers accompanying Income Statement adjustment IS-16 , but ate not							
32		included as an expense in the Company's IS-16 service vehicle cost adjustments. RUCO presents them for informational purposes only.							
33	Columns [B] - [G]:	Fuel cost allocations made							
34									
35	Column [H]:	[B] + [C] + [D] + [E] + [F] + [G]							
36									
37									
38									
39									
40									
41		Company average cost per gallon in 2014 test year:				$ 3.1736			
42									
43		[1] Average Arizona Price as of 2/4/2016		$ 1.789					
44		[1] Year Ago Average Arizona Price		1.956					
45									
46		Recent 12-Month Average Price				1.8725			
47									
48		RUCO Adjustment to Cost per Gallon				$ 1.3011			
49									
50									
51		[1] Average Arizona gas price data obtained from AAA Daily Fuel Gauge Report -- Arizona Fuel Prices							
52		http://fuelgaugereport.aaa.com/states/arizona/							
53		Downloaded February 4, 2016							

Arizona Water Company
Docket No. W-01445A-15-0277
Test Year Ended December 31, 2014

Pinal Valley System
Direct Schedule JAC-13
Page 1 of 1

OPERATING INCOME ADJUSTMENT NO. 8
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 486,274	$ (166,447)	$ 319,827
2	Allocation Factor			0.87635
3	Pinal Valley System (Line 1 X Line 2)			$ 280,282
4	Normalized Over 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 93,427
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 142,049
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (48,622)
8	RUCO Adjustment (Line 7) (See JAC-8, Column (E))			$ (48,622)

RUCO's Rate Case Expense Adjustment Calculation:

Decision No. 68302, dated November 14, 2005, Approved $250,000 for Arizona Water Company's Western Grc	$ 250,000
Inflation Factor from January 1, 2004 thru July 1, 2011 per InflationData.com	21.99%
RUCO recommended Rate Case Expense in prior Western Group rate case (Docket No. W-01445A-10	$ 304,975
Inflation Factor from July 1, 2011 thru January 31, 2016 per InflationData.com	4.87%
Reasonable rate case expense based on Commission Decision No. 68302	$ 319,827
RUCO Rate Case Expense Adjustment	$ (166,447)

3-Factor Allocation Percentages Used by the Company:

Pinal Valley System	0.87635
White Tank System	0.10462
Ajo System	0.01902
Western Group Total	1.00000

RUCO OPERATING INCOME ADJUSTMENT NO. 4
PROPERTY TAXES

LINE NO.	Property Tax Calculation	(A) RUCO AS ADJUSTED	(B) RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues - 2014	$ 18,591,737	$ 18,591,737
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	$ 37,183,474	$ 37,183,474
4a	RUCO Adjusted Test Year Revenues - 2014	18,591,737	
4b	RUCO Recommended Revenue, Per Schedule TJC-7		21,453,741
5	Subtotal (Line 4 + Line 5)	$ 55,775,210	$ 58,637,214
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 18,591,737	$ 19,545,738
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 37,183,474	$ 39,091,476
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 37,183,474	$ 39,091,476
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	$ 6,693,025	$ 7,036,466
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	14.5800%	14.5800%
16	RUCO Proposed Property Tax Expense (Line 14 * Line 15)	$ 975,843	$ 1,025,917
17	Company Proposed Property Tax	969,214	
18	RUCO Test Year Adjustment (Line 16-Line 17)	$ 6,629	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		$ 1,025,917
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		975,843
21	Increase/(Decrease) to Property Tax Expense		1.0513

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Pinal Valley System
Direct Schedule JAC-15
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OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. JAC-7, Column (C), L28 + L22 + L23	$ 2,883,839
	LESS:		
2	Arizona State Tax	Line 11	102,854
3	Interest Expense	Note (A) Line 21	1,408,169
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 1,372,815
5	Federal Tax Rate	Sch. JAC-1, Pg 2, Col. (D), L46	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 466,757
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 2,883,839
	LESS:		
8	Interest Expense	Note (A) Line 21	1,408,169
9	State Taxable Income	Line 7 - Line 8	$ 1,475,669
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 102,854
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 466,757
13	State Income Tax Expense	Line 11	102,854
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 569,611
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L30)		143,745
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L31)		24,465
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 323,012
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 78,389

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$	56,001,472
20	Weighted Cost Of Debt (Sch. TJC-15 Col. (D), L		2.51%
21	Interest Expense (L18 X L19)	$	1,408,169

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	46.31%	5.43%	2.51%
2	Common Equity	86,959,196	53.69%	8.95%	4.81%
3	Total Capitalization	$ 161,959,196	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.32%

References:
Columns (A) Thru (D): JAC Cost of Capital Testimony

SCHEDULES

WESTERN GROUP

WHITE TANK

TABLE OF CONTENTS TO JAC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
JAC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
JAC-2	1	RATE BASE
JAC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
JAC-4	1	RATE BASE ADJUSTMENT NO. 1 - POST-TEST YEAR PLANT & ACCUMULATED DEPRECIATION
		RATE BASE ADJUSTMENT NO. 2 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 3 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
JAC-5	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
JAC-6	1	OPERATING INCOME
JAC-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
JAC-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - DEPRECIATION EXPENSE
JAC-9	1	OPERATING INCOME ADJUSTMENT NO. 2 - WEATHER NORMALIZATION
JAC-10	1	OPERATING INCOME ADJUSTMENT NO. 3 - TANK MAINTENANCE
JAC-11, Page 1	1	OPERATING INCOME ADJUSTMENT NO. 4 - PAYROLL ANNUALIZATION ADJ. #1
JAC-11, Page 2	1	OPERATING INCOME ADJUSTMENT NO. 5 - PAYROLL ANNUALIZATION ADJ. #2
JAC-11, Page 3	1	OPERATING INCOME ADJUSTMENT NO. 6 - PAYROLL ANNUALIZATION ADJ. #3
JAC-12	1	OPERATING INCOME ADJUSTMENT NO. 7 - SERVICE VEHICLE EXPENSE
JAC-13	1	OPERATING INCOME ADJUSTMENT NO. 8 - RATE CASE EXPENSE
JAC-14	1	OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX EXPENSE
JAC-15	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
JAC-16	1	COST OF CAPITAL

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White Tank System
Direct Schedule JAC-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 5,107,756	$ 4,737,182
2	Adjusted Operating Income (Loss)	$ 113,125	$ 172,921
3	Current Rate of Return (L2 / L1)	2.21%	3.65%
4	Required Operating Income (L5 X L1)	$ 456,242	$ 346,646
5	Required Rate of Return on Fair Value Rate Base	8.93%	7.32%
6	Operating Income Deficiency (L4 - L2)	$ 343,116	$ 173,725
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6377	1.7200
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 561,919	$ 298,814
9	Adjusted Test Year Revenue	$ 2,310,991	$ 2,345,382
10	Proposed Annual Revenue (L8 + L9)	$ 2,872,910	$ 2,644,196
11	Required Percentage Increase in Revenue (L8 / L9)	24.32%	12.74%
12	Rate of Return on Common Equity	10.75%	8.95%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule JAC-2, JAC-6, and JAC-14

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	41.8617%		
5	Subtotal (L3 - L4)	58.1383%		
6	**Revenue Conversion Factor (L1 / L5)**	1.7200		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	40.9274%		
9	One Minus Combined Income Tax Rate (L7 - L8)	59.0726%		
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 (Col. [C], L53)	37.8837%		
16	Effective Federal Income Tax Rate (L14 x L15)	36.0274%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		40.9274%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	40.9274%		
20	One Minus Combined Income Tax Rate (L18-L19)	59.0726%		
21	Property Tax Factor (Sch. TJC-9, Col. [B], L24)	1.5816%		
22	Effective Property Tax Factor (L20 x L21)		0.9343%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			41.8617%
24	Required Operating Income (Sch. TJC-1, Col. [B] Line 4)	$ 346,646		
25	Adjusted Test Year Operating Income (Loss) (Sch. TJC-1, Col. [B], L2)	172,921		
26	Required Increase in Operating Income (L24 - L25)		$ 173,725	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 135,001		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	14,639		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		120,362	
30	Recommended Revenue Requirement (Sch. TJC-1, Col. [B], Line 10)	$ 2,644,196		
31	Uncollectible Rate (L10)	0.0000%		
32	Uncolllectible Expense on Recommended Revenue (L30 x L31)	$ 0		
33	Adjusted Test Year Uncollectible Expense (Sch. TJC-6, Col. [C], L32)	4,487		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		(4,487)	
35	Property Tax with Recommended Revenue (Sch. TJC-9, Col. [B], L19)	$ 116,010		
36	Property Tax on Test Year Revenue (Sch. TJC-9, Col. [B], L20)	111,284		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		4,726	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ 298,814	

	Calculation of Income Tax:	Test Year		RUCO Recommended
39	Revenue (Sch. TJC-1, Col. [B], Line 9 & Sch. TJC-1, Col. [B], L10)	$ 2,345,382	$ 298,814	$ 2,644,196
40	Operating Expenses Excluding Income Taxes	$ 2,157,823		$ 2,162,549
41	Synchronized Interest (Col. [C], L57)	$ 119,072		$ 119,072
42	Arizona Taxable Income (L39 - L40 - L41)	$ 68,487		$ 362,575
43	Arizona State Income Tax Rate	4.9000%		4.9000%
44	Arizona Income Tax (L42 x L43)	$ 3,356		$ 17,766
45	Federal Taxable Income (L42 - L44)	$ 65,131		$ 344,809
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ 3,783		$ 6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ 8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ 91,650
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ 3,335
51	Total Federal Income Tax	$ 11,283		$ 117,235
52	Combined Federal and State Income Tax (L44 + L51)	$ 14,639		$ 135,001
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			37.8837%
54	**Synchronized Interest Calculation:**			
55	Rate Base			$ 4,737,182
56	x Weighted Average Cost of Debt			2.5136%
57	Synchronized Interest			$ 119,072

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White Tank System
Direct Schedule JAC-2
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RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 14,444	$ -	$ 14,444
2	Source of Supply Plant	1,932,442	-	1,932,442
3	Pumping Plant	3,284,147	-	3,284,147
4	Water Treatment Plant	8,812,741	(342)	8,812,399
5	Transmission & Distribution Plant	16,707,713	(1,482)	16,706,231
6	General Plant	881,728	(350,567)	531,161
7	Total Gross Plant in Service	$ 31,633,216	$ (352,391)	$ 31,280,825
	Less:			
8	Accumulated Depreciation	(5,425,556)	11,568	(5,413,987)
9	Net Utility Plant in Service (L7 less L8)	$ 26,207,660	$ (340,823)	$ 25,866,838
10	Advances in Aid of Construction	$ (16,185,732)	$ -	$ (16,185,732)
11	Contributions in Aid of Construction (CIAC)	(4,006,138)	-	(4,006,138)
12	Accumulated Amortization of CIAC	458,417	-	458,417
13	Net CIAC (L11 less L12)	$ (3,547,721)	$ -	$ (3,547,721)
14	Accumulated Deferred Income Taxes (ADIT)	(1,473,620)	-	(1,473,620)
15	Customer Deposits	(34,152)	-	(34,152)
	Add:			
16	Allowance for Working Capital	$ 141,320	$ (29,751)	$ 111,568
17	Net Regulatory Asset / (Liability)	-	-	-
18	Rounding	-	-	-
19	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18)	$ 5,107,756	$ (370,574)	$ 4,737,182

References:
Column (A): Company Schedule B-1
Column (B): Schedule JAC-3
Column (C): Column (A) + Column (B)

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White Tank System
Direct Schedule JAC-3
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SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 REMOVE PTY PLANT	(D) ADJMT NO. 3	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 14,444	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,444
2	Source of Supply Plant	1,932,442	-	-	-	-	-	-	1,932,442
3	Pumping Plant	3,284,147	-	-	-	-	-	-	3,284,147
4	Water Treatment Plant	8,812,741	(342)	-	-	-	-	-	8,812,399
5	Transmission & Distribution Plant	16,707,713	(1,482)	-	-	-	-	-	16,706,231
6	General Plant	881,728	(350,567)	-	-	-	-	-	531,161
7	Total Gross Plant in Service	$ 31,633,216	$ (352,391)	$ -	$ -	$ -	$ -	$ -	$ 31,280,825
	Less:								
8	Accumulated Depreciation	$ (5,425,556)	$ 11,568	-	-	-	-	-	(5,413,987)
9	Net Utility Plant in Service (L7 less L8)	$ 26,207,660	$ (340,823)	$ -	$ -	$ -	$ -	$ -	$ 25,866,838
10	Advances in Aid of Construction	$ (16,185,732)	$ -	$ -	$ -	$ -	$ -	$ -	$ (16,185,732)
11	Contributions in Aid of Construction (CIAC)	(4,006,138)	-	-	-	-	-	-	(4,006,138)
12	Accumulated Amortization of CIAC	458,417	-	-	-	-	-	-	458,417
13	Net CIAC (L11 less L12)	$ (3,547,721)	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,547,721)
14	Accumulated Deferred Income Taxes (ADIT)	$ (1,473,620)	-	-	-	-	-	-	(1,473,620)
15	Customer Deposits	(34,152)	-	-	-	-	-	-	(34,152)
	Add:								
16	Allowance for Working Capital	$ 141,320	$ -	$ -	$ -	$ -	$ -	$ (29,751)	$ 111,568
17	Net Regulatory Asset / (Liability)	-	-	-	-	-	-	-	-
18	Rounding	-	-	-	-	-	-	-	-
19	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18	$ 5,107,756	$ (340,823)	$ -	$ -	$ -	$ -	$ (29,751)	$ 4,737,182

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See JAC-4.1 Direct, Phx. Off., and & MS Schedule and JAC Testimony)
Column (C): Adjustment No. 2 - Intentionally Left Blank
Column (D): Adjustment No. 3 - Intentionally Left Blank
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

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EXPLANATION OF RATE BASE ADJUSTMENT NO. 1
Summary of Post Test Year Plant Additions
Preliminary Costs vs Final Costs

Line	Work Authorization Number	Account Description	Acct No.	Date Const. Began	Date Const. Was/Expected to be Completed	[A] Company Proposed Cost as Per Company Exhibit Sch. B-2 Appendix (Pages 1 thru 4)	[B] Actual Costs as of 29-Nov-15 As per Response to Staff DR's BAB 4.1 and BAB 5.1	[C] RUCO Adjusted Budgeted vs. Actual Cost	[D] RUCO Adjusted Post-Test Year Plant Not in Service as of 6/30/2015	[E] Function	[F] RUCO Adjustments White Tank	[G] RUCO Adjustments Depre Rates	[H] RUCO Adjustments Depre Reduction
		Pinal Valley											
1	I-5167	Valley Farms ARF Well No. 2	332	9/24/2014	7/8/2015	$ 1,250,000			-	WT			
2	I-5164	Coolidge 9 &10 Motors	325	10/3/2014	12/8/2015	175,000			-	PP			
3	I-5170	Cottonwood Lane Storage Tank	325	11/18/2014	7/23/2015	1,200,000			-	PP			
4	I-5296	PV Well No. 19 Pump	325	5/7/2015	9/14/2015	175,000			-	PP			
5	I-5299	Coolidge 9 &10 Access Road	321	3/2/2015	12/14/2015	100,000			-	PP			
6	I-4806	Coolidge Well N0. 13 ARF	332	3/3/2011	11/30/2016	1,500,000			-	WT			
7	I-5166	Coolidge Airport POU	332	3/19/2015	2/29/2016	80,000			-	WT			
8	I-5304	PV Well No. 27 Booster Pump Station	325	2/15/2015	12/31/2015	175,000			-	PP			
9	I-5307	Coolidge Well Nos. 9 & 10 Strainer	332	6/16/2015	7/1/2015	40,000			-	WT			
10	I-5168	Hwy. 84 Gate & Butterfly Valves	343	4/30/2015	7/20/2015	110,000			-	TD			
11	I-5345	1955 North Casa Grande Ave. Replacement	343	5/4/2015	8/4/2015	62,000			-	TD			
12	I-5260	PV Well No. 29 Sodium Hypochlorite	332	10/30/2014	9/28/2015	25,000			-	WT			
13	I-5348	Burgess Peak Radio System	397	6/2/2015	7/23/2015	27,000			-	GP			
14	I-5358	PV Well No. 26 Pump	325	6/25/2015	8/10/2015	115,000			-	PP			
15	I-5362	PV Well No. 31 Pump	325	8/26/2015	11/26/2015	117,000			-	PP			
16	I-5359	PV Well No. 27 Pump	325	7/10/2015	10/16/2015	200,000			-	PP			
17	I-5361	Elevated Tank in Coolidge Cathotic Protection	342	10/31/2014	7/8/2015	70,000			-	TD			
18	I-5169	Replace PVC with Iron Pipe on Overfield Road	343	10/2/2014	5/21/2015	$ 392,000	$ 407,891	$ 15,891		TD			
19	I-5171	Trans. & Dist. Mains -- Cottonwood Rd.	343	10/27/2014	4/15/2015	517,000	551,402	34,402		TD			
20	I-5301	Trans. & Dist. Mains -- Hancock Trail	343	2/24/2015	6/6/2015	180,000	194,840	14,840		TD			
21	I-5303	Install Nitrate Analyzers -- Well Nos. 32 & 33	332	2/6/2015	6/5/2015	174,000	173,112	(888)		WT			
22	I-5306	Install Booster Pump -- Stanfield Station	325	5/11/2014	6/30/2015	43,000	42,857	(143)		PP			
23	I-5329	Construction of Main -- 4th Street	343	1/29/2015	2/12/2015	24,000	19,402	(4,598)		TD			
24	I-5332	Replace Main on Casa Grande Mountain	343	2/18/2015	5/5/2015	300,000	191,545	(108,455)		TD			
25	I-5339	Replace Water Service Line -- Arizola Blvd.	345	5/4/2015	5/21/2015	62,000	57,535	(4,465)		TD			
26	I-5341	Replace Water Service Line -- Pinal Ave.	345	5/11/2015	6/20/2015	43,000	35,165	(7,835)		TD			
27	I-1076	No support Provided	346			120,000		(120,000)		TD			
28	I-5344	Construction of Main -- 2nd Street	343	5/7/2015	6/18/2015	27,000	23,685	(3,315)		TD			
29	I-5076	Lower and Replace Main -- Az. Grain Depot	343	5/10/2013	12/23/2014	195,574	195,574	-		TD			
30	I-5173	Install Electrical Panel -- 30 sites	325	11/10/2014	12/31/2014	106,065	103,598	(2,467)		PP			
31	I-5165	Block Walls -- Well Nos. 21, 30 and 31	314	9/22/2014	1/12/2015	417,446	417,446	-		SS; PP			
32	I-5251	Replace Pump -- Well No. 33	325	10/14/2014	1/22/2015	245,552	245,968	416		PP			
33													
34		White Tank											
35	I-5032	Install SCADA at BAE Tank, Well Nos. 7 & 8	397			327,000							
36	I-5309	Replace Pipe at Blue Horizon ARF	332			54,000	53,658	(342)	-	GP	(327,000)	6.67%	(10,905)
37	I-5263	Install 230' of 6" DIP along Citrus Rd.	343			52,000	53,708	1,708		WT	(342)	1.79%	(3)
38	I-5360	Replace Ladder, Add Overflow BAE Water Tank	343			20,000	16,810	(3,190)		TD	1,708	6.67%	57
39										TD	(3,190)	6.67%	(106)
40		Phoenix Office											
41	I-5324		397			85,000							
42	I-5325		390.1			31,000			-	GP	(8,893)	6.67%	(297)
43	I-5326		391			14,000			-	GP	(3,243)	0.00%	-
44	I-5327		398			20,000			-	GP	(1,465)	6.67%	(49)
45									-	GP	(2,092)	3.33%	(35)
46	Blankets	Pinal Valley	391; 394			855,000			20,000	GP			
47	Blankets	White Tank	391; 394			88,050			2,250	GP	(2,250)	4.00%	(45)
48	Blankets	Ajo	391; 394			11,650			450	GP			
49	Blankets	Phoenix Office	391			52,000			-	GP	(5,440)	6.67%	(181)
50	Blankets	Meter Shop	391; 394			1,750			-	GP	(183)	4.00%	(4)
51													
52													
53		Post-Test Year Plant Adjustments											
54						9,879,087	$ 2,784,196	$ (188,441)	$ 22,700		$ (352,391)	-	$ (11,568)

RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ (21,040)	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(50,791)	RUCO Schedule JAC-5, Page 2
3	Adjustment	$ (29,751)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 14,273	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	14,273	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 95,402	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	95,402	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 52,684	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	52,684	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See JAC-2, Column (K))	$ (29,751)	Sum of Lines 3, 6, 9 & 12

RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 286,661	$ -	$ 286,661	30.87	$ 8,849,233
2	Payroll	476,932	-	476,932	14.00	6,677,049
3	Purchased Water	-	-	-	41.88	-
4	Chemicals	47,058	-	47,058	(18.11)	(852,228)
5	Property & Liability Insurance	25,736	-	25,736	(45.27)	(1,165,054)
6	Workman's Compensation Insurance	4,335	-	4,335	(46.50)	(201,586)
7	Health Insurance	67,130	-	67,130	(8.92)	(598,797)
8	Other Operating & Maintenance Expenses	354,699	(59,055)	295,644	(9.27)	(2,740,619)
9	Federal Current Income Taxes	153,203	36,384	117,235	37.00	4,337,693
10	State Current Income Taxes	26,075	7,628	17,766	37.00	657,348
11	FICA Taxes	28,684	-	28,684	14.00	401,581
12	FUTA & SUTA Taxes	319	-	319	83.10	26,514
13	Property Taxes	118,521	1,648	116,010	212.00	24,594,060
14	Registration, Svc. Contracts, & Misc. Fees	10,342	-	10,342	(98.83)	(1,022,120)
15	Retirement Annuities (401k)	22,863	-	22,863	34.72	793,797
16	Subtotal	1,622,559	(13,395)	1,516,715		39,756,870
17	Synchronized Interest		$ 146,782	$ 146,782	90.83	$ 13,332,733
18						
19	Subtotal	$ -	$ 146,782	$ 146,782		$ 13,332,733
20	Total	$ 1,622,559	$ 133,388	$ 1,663,498		$ 53,089,603

21	Expense Lag	Line 20, Col. (E) / (C)	31.91
22	Revenue Lag	Company B-5 Schedules	20.77
23	Net Lag	Line 22 - Line 21	(11.14)
24	RUCO Adjusted Expenses	Col. (C), Line 20	$ 1,663,498
25	Cash Working Capital	Line 23 X Line 24 / 365 Days	(50,791)
26	Company As Filed	Co. Schedule B-5, Page 2	(21,040)
27	Difference	Line 25 - Line 26	$ (29,751)
28	ADJUSTMENT	Line 27	$ (29,751)

NOTE: Dependent on System

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule JAC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
1	Operating Revenues:					
2	Residential	$ 1,791,645	$ 34,391	$ 1,826,036	$ 298,814	$ 2,124,849
3	Commercial	421,627	-	421,627	-	421,627
4	Industrial	15,992	-	15,992	-	15,992
5	Private Fire Service	1,800	-	1,800	-	1,800
6	Other Water Revenues	35,306	-	35,306	-	35,306
7	Total Water Revenues	$ 2,266,370	$ 34,391	$ 2,300,761	$ 298,814	$ 2,599,575
8	Miscellaneous	44,621	-	44,621	-	44,621
9	Total Operating Revenues	$ 2,310,991	$ 34,391	$ 2,345,382	$ 298,814	$ 2,644,196
10	Operating Expenses:					
11	Source of Supply					
12	Purchased Water	$ -	$ -	$ -	$ -	$ -
13	Other	26,216	241	26,457	-	26,457
14	Pumping Expenses					
15	Purchased Power	286,661	-	286,661	-	286,661
16	Purchased Gas	-	-	-	-	-
17	Other	178,709	8,170	186,878	-	186,878
18	Water Treatment Expenses	231,997	(449)	231,548	-	231,548
19	Transmission & Distribution Expenses	171,716	(51,925)	119,791	-	119,791
20	Customer Accounting Expenses	154,650	(2,171)	152,479	-	152,479
21	Sales Expense	2,636	(372)	2,264	-	2,264
22	Administrative & General Expenses	260,129	(12,307)	247,822	-	247,822
23	Total Operations & Maintenance Expense	$ 1,312,714	$ (58,814)	$ 1,253,901	$ -	$ 1,253,901
24	Depreciation & Amortization Expense	788,523	(11,531)	776,992	-	776,992
25	Taxes:					
26	Federal Income Taxes	$ (25,101)	$ 36,384	$ 11,283	$ 105,952	$ 117,235
27	State Income Taxes	(4,272)	7,628	$ 3,356	14,410	17,766
28	Property Taxes	109,635	1,648	111,284	4,726	116,010
29	Other	16,366	(720)	15,646	-	15,646
30	Total Taxes	$ 96,628	$ 44,940	$ 141,568	$ 125,088	$ 266,656
31	Total Operating Expenses	$ 2,197,866	$ (25,405)	$ 2,172,461	$ 125,088	$ 2,297,550
32	Operating Income	$ 113,125	$ 59,796	$ 172,921	$ 173,725	$ 346,646

References:
Column [A]: Company Schedule C-1
Column (B): JAC-7, Columns [B] Thru [I]
Column [C]: Column [A] + Column [B]
Column [D]: JAC-7, Columns [B] Thru [K]
Column [E]: Column [C] + Column [D]

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White Tank System
Direct Schedule JAC-7
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 DEPRECIATION EXPENSE	[C] ADJMT NO. 2 WEATHER NORMALIZATION	(D) ADJMT NO. 3 TANK MAINTENANCE EXPENSE	(E) ADJMT NO. 4 PAYROLL ANNUALIZATION #1	(F) ADJMT NO. 5 PAYROLL ANNUALIZATION #2	(G) ADJMT NO. 6 PAYROLL ANNUALIZATION #3	(H) ADJMT NO. 7 SERVICE VEHICLE COSTS	(I) ADJMT NO. 8 RATE CASE EXPENSE	(J) ADJMT NO. 9 PROPERTY TAX EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJ'T'D
1	Operating Revenues:												
2	Residential	$ 1,791,645	$ -	$ 34,391	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,826,036
3	Commercial	421,627	-	-	-	-	-	-	-	-	-	-	421,627
4	Industrial	15,992	-	-	-	-	-	-	-	-	-	-	15,992
5	Private Fire Service	1,800	-	-	-	-	-	-	-	-	-	-	1,800
6	Other Water Revenues	35,306	-	-	-	-	-	-	-	-	-	-	35,306
7	Total Water Revenues	$ 2,266,370	$ -	$ 34,391	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,300,761
8	Miscellaneous	44,621	-	-	-	-	-	-	-	-	-	-	44,621
9	Total Operating Revenues	$ 2,310,991	$ -	$ 34,391	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,345,382
10	Operating Expenses:												
11	Source of Supply												
12	Purchased Water	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
13	Other	26,216	-	460	-	(170)	-	-	(49)	-	-	-	26,457
14	Pumping Expenses												
15	Purchased Power	286,661	-	-	-	-	-	-	-	-	-	-	286,661
16	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
17	Other	178,709	-	11,769	-	(2,841)	-	-	(758)	-	-	-	186,878
18	Water Treatment Expenses	231,997	-	-	-	(356)	-	-	(93)	-	-	-	231,548
19	Transmission & Distribution Expenses	171,716	-	5,773	(55,199)	(1,949)	1	1	(553)	-	-	-	119,791
20	Customer Accounting Expenses	154,650	-	-	-	(2,184)	7	7	-	-	-	-	152,479
21	Sales Expense	2,636	-	-	-	-	-	-	(372)	-	-	-	2,264
22	Administrative & General Expenses	260,129	-	-	-	(1,214)	(3,053)	(2,231)	(6)	(5,805)	-	-	247,822
23	Total Operations & Maintenance Expense	$ 1,312,714	$ -	$ 18,002	$ (55,199)	$ (8,713)	$ (3,045)	$ (2,223)	$ (1,831)	$ (5,805)	$ -	$ -	$ 1,253,901
24	Depreciation & Amortization Expense	788,523	(11,531)	-	-	-	-	-	-	-	-	-	776,992
25	Taxes:												
26	Federal Income Taxes	$ (25,101)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 36,384	11,283
27	State Income Taxes	(4,272)	-	-	-	-	-	-	-	-	-	7,628	3,356
28	Property Taxes	109,635	-	-	-	-	-	-	-	-	1,648	-	111,284
29	Other	16,366	-	-	-	-	-	-	-	-	-	-	15,646
30	Total Taxes	$ 96,628	$ -	$ -	$ -	$ -	$ (401)	$ (319)	$ -	$ -	$ 1,648	$ 44,012	$ 141,568
31	Total Operating Expenses	$ 2,197,866	$ (11,531)	$ 18,002	$ (55,199)	$ (8,713)	$ (3,446)	$ (2,542)	$ (1,831)	$ (5,805)	$ 1,648	$ 44,012	$ 2,172,461
32	Operating Income	$ 113,125	$ 11,531	$ 16,389	$ 55,199	$ 8,713	$ 3,446	$ 2,542	$ 1,831	$ 5,805	$ (1,648)	$ (44,012)	$ 172,921

ADJUSTMENTS:
1 - Depreciation Expense
2 - Weather Normalization
3 - Tank Maintenance Expense
4 - Payroll Annualization #1
5 - Payroll Annualization #2
6 - Payroll Annualization #3
7 - Service Vehicle Costs
8 - Rate Case Expense
9 - Property Tax Expense
10 - Income Tax Expense

REFERENCE:
JAC Testimony and Schedule JAC-8, Page 1 of 1
JAC Testimony and Schedule JAC-9, Page 1 of 1
JAC Testimony and Schedule JAC-10, Page 1 of 1
JAC Testimony and Schedule JAC-11, Page 1 of 3
JAC Testimony and Schedule JAC-11, Page 2 of 3
JAC Testimony and Schedule JAC-11, Page 3 of 3
JAC Testimony and Schedule JAC-12, Page 1 of 1
JAC Testimony and Schedule JAC-13, Page 1 of 1
JAC Testimony and Schedule JAC-14, Page 1 of 1
JAC Testimony and Schedule JAC-15, Page 1 of 1

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Western Group - Pinal Valley, Wite Tank and Ajo Systems
Schedule JAC-8
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OPERATING EXPENSE ADJUSTMENT No. 1
Depreciation Expense

Line	Work Authorization Number	Account Description	Acct No.	Date Const. Began	Date Const. Was/Expected to be Completed	[C] Company Proposed Cost as Per Company Exhibit Sch. B-2 Appendix (Pages 1 thru 4)	[D] Actual Costs as of 29-Nov-15 As per Response to Staff DR's BAB 4.1 and BAB 5.1	[E] RUCO Adjusted Budgeted vs. Actual Cost	[F] RUCO Adjusted Post-Test Year Plant Not in Service as of 6/30/2015	[G] Function	[H] RUCO Adjustments White Tank	[I] Depre Rate	[J] Depre Exp One-Half One Half Yr
		Pinal Valley											
1	I-5167	Valley Farms ARF Well No. 2	332	9/24/2014	7/8/2015	$ 1,250,000			-	WT			
2	I-5164	Coolidge 9 &10 Motors	325	10/3/2014	12/8/2015	175,000			-	PP			
3	I-5170	Cottonwood Lane Storage Tank	325	11/18/2014	7/23/2015	1,200,000			-	PP			
4	I-5296	PV Well No. 19 Pump	325	5/7/2015	9/14/2015	175,000			-	PP			
5	I-5299	Coolidge 9 &10 Access Road	321	3/2/2015	12/14/2015	100,000			-	PP			
6	I-4806	Coolidge Well N0. 13 ARF	332	3/3/2011	11/30/2016	1,500,000			-	WT			
7	I-5166	Coolidge Airport POU	332	3/19/2015	2/29/2016	80,000			-	WT			
8	I-5304	PV Well No. 27 Booster Pump Station	325	2/15/2015	12/31/2015	175,000			-	PP			
9	I-5307	Coolidge Well Nos. 9 & 10 Strainer	332	6/16/2015	7/1/2015	40,000			-	WT			
10	I-5168	Hwy. 84 Gate & Butterfly Valves	343	4/30/2015	7/20/2015	110,000			-	TD			
11	I-5345	1955 North Casa Grande Ave. Replacement	343	5/4/2015	8/4/2015	62,000			-	TD			
12	I-5260	PV Well No. 29 Sodium Hypochlorite	332	10/30/2014	9/28/2015	25,000			-	WT			
13	I-5348	Burgess Peak Radio System	397	6/2/2015	7/23/2015	27,000			-	GP			
14	I-5358	PV Well No. 26 Pump	325	6/25/2015	8/10/2015	115,000			-	PP			
15	I-5362	PV Well No. 31 Pump	325	8/26/2015	11/26/2015	117,000			-	PP			
16	I-5359	PV Well No. 27 Pump	325	7/10/2015	10/16/2015	200,000			-	PP			
17	I-5361	Elevated Tank in Coolidge Cathotic Protection	342	10/31/2014	7/8/2015	70,000			-	TD			
18	I-5169	Replace PVC with Iron Pipe on Overfield Road	343	10/2/2014	5/21/2015	$ 392,000	$ 407,891	$ 15,891		TD			
19	I-5171	Trans. & Dist. Mains -- Cottonwood Rd.	343	10/27/2014	4/15/2015	517,000	551,402	34,402		TD			
20	I-5301	Trans. & Dist. Mains -- Hancock Trail	343	2/24/2015	6/6/2015	180,000	194,840	14,840		TD			
21	I-5303	Install Nitrate Analyzers -- Well Nos. 32 & 33	332	2/6/2015	6/5/2015	174,000	173,112	(888)		WT			
22	I-5306	Install Booster Pump -- Stanfield Station	325	5/11/2014	6/30/2015	43,000	42,857	(143)		PP			
23	I-5329	Construction of Main -- 4th Street	343	1/29/2015	2/12/2015	24,000	19,402	(4,598)		TD			
24	I-5332	Replace Main on Casa Grande Mountain	343	2/18/2015	5/5/2015	300,000	191,545	(108,455)		TD			
25	I-5339	Replace Water Service Line -- Arizola Blvd.	345	5/4/2015	5/21/2015	62,000	57,535	(4,465)		TD			
26	I-5341	Replace Water Service Line -- Pinal Ave.	345	5/11/2015	6/20/2015	43,000	35,165	(7,835)		TD			
27	I-1076	No support Provided	346			120,000		(120,000)		TD			
28	I-5344	Construction of Main -- 2nd Street	343	5/7/2015	6/18/2015	27,000	23,685	(3,315)		TD			
29	I-5076	Lower and Replace Main -- Az. Grain Depot	343	5/10/2013	12/23/2014	195,574	195,574	-		TD			
30	I-5173	Install Electrical Panel -- 30 sites	325	11/10/2014	12/31/2014	106,065	103,598	(2,467)		PP			
31	I-5165	Block Walls -- Well Nos. 21, 30 and 31	314	9/22/2014	1/12/2015	417,446	417,446	-		SS; PP			
32	I-5251	Replace Pump -- Well No. 33	325	10/14/2014	1/22/2015	245,552	245,968	416		PP			
33													
34		White Tank											
35	I-5032	Install SCADA at BAE Tank, Well Nos. 7 & 8	397			327,000			-	GP	(327,000)	6.67%	(10,905)
36	I-5309	Replace Pipe at Blue Horizon ARF	332			54,000	53,658	(342)		WT	(342)	2.86%	(5)
37	I-5263	Install 230' of 6" DIP along Citrus Rd.	343			52,000	53,708	1,708		TD	1,708	1.79%	15
38	I-5360	Replace Ladder, Add Overflow BAE Water Tank	343			20,000	16,810	(3,190)		TD	(3,190)	1.79%	(29)
39													
40		Phoenix Office											
41	I-5324		397			85,000			-	GP	(8,803)	6.67%	(294)
42	I-5325		390.1			31,000			-	GP	(3,243)	-	-
43	I-5326		391			14,000			-	GP	(1,465)	6.67%	(49)
44	I-5327		398			20,000			-	GP	(2,093)	3.30%	(35)
45													
46	Blankets	Pinal Valley	391; 394			855,000			20,000	GP			
47	Blankets	White Tank	391; 394			88,050			2,250	GP	(2,250)	4.00%	(45)
48	Blankets	Ajo	391; 394			11,650			450	GP			
49	Blankets	Phoenix Office	391			52,000			-	GP	(5,440)	6.67%	(181)
50	Blankets	Meter Shop	391; 394			1,750			-	GP	(183)	4.00%	(4)
51													
52													
53		Post-Test Year Plant Adjustments				9,879,087	$ 2,784,196	$ (188,441)	$ 22,700		$ (352,301)		$ (11,531)

OPERATING INCOME ADJUSTMENT NO. 2
WEATHER NORMALIZATION

Line No.	Description	Company Proposed	RUCO Adjustment	RUCO As Adjusted
1				
2	Company decrease to residential revenues	$ (34,391)	$ 34,391	$ -
3				
4	Company Proposed Expense Adjustments			
5	Source of Supply	$ (460)	$ 460	$ -
6	Pumping	(11,769)	11,769	-
7	Water Treatment	(5,773)	5,773	-
8				
9	Total Operating Expense Adjustment	$ (18,002)	$ 18,002	$ -
10				
11				
12				
13	To reverse the weather normalization declining usage adjustment made by the Company which			
14	decreased test-year operating revenues for the White Tank system by $34,391, and decreased test-year			
15	operating expenses for the White Tank system by $18,002.			
16				
17	Source:			
18	Company Exhibit Schedule C-2 Appendix (Page 10 of 38)			
19				
20				

OPERATING INCOME ADJUSTMENT NO. 3
NORMALIZE TANK MAINTENANCE

Line No.	Western Group	Company Proposed	RUCO Adjustment	RUCO As Adjusted
1				
2	To reverse Company tank maintenance	$ 55,199	$ (55,199)	$ -
3	normalization adjustment (IS-19)			
4	for the White Tank System			
5				
6				
7				

		Pinal Valley	White Tank	Ajo	Total
8					
9		041	044	047	
10	Trans. & Dist. - Storage Tanks - Actual	131,210	$ -		131,210
11	Trans. & Dist. - Storage Tanks - Normalized	231,105	55,199	18,953	305,258
12					
13	Increase / (Decrease)	99,896	$ 55,199	18,953	174,048
14					
15					
16					
17					
18					
19					
20					

OPERATING INCOME ADJUSTMENT NO. 4
PAYROLL ANNUALIZATION
REMOVAL OF PRO FORMA 3% SALARY INCREASE IN 2016

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Total Increase / (Decrease)
1								
2								
3								
4	Pinal Valley per RUCO	$ 9,991	$ 120,689	$ 42,605	$ 75,559	$ 9,757	$ 75,325	$ 333,927
5	Pinal Valley per Company	10,514	136,801	47,740	103,167	30,062	91,623	419,907
6								
7	RUCO Pinal Valley Adjustments	$ (523)	$ (16,112)	$ (5,135)	$ (27,608)	$ (20,305)	$ (16,298)	$ (85,980)
8								
9								
10	**White Tank per RUCO**	**$ 9,471**	**$ 33,919**	**$ 32,906**	**$ 10,598**	**$ 1,502**	**$ 2,072**	**$ 90,470**
11	**White Tank per Company**	**9,641**	**36,761**	**33,262**	**12,547**	**3,686**	**3,286**	**99,183**
12								
13	**RUCO White Tank Adjustments**	**$ (170)**	**$ (2,841)**	**$ (356)**	**$ (1,949)**	**$ (2,184)**	**$ (1,214)**	**$ (8,713)**
14								
15								
16	Ajo per RUCO	$ 5	$ 148	$ 252	$ 410	$ 383	$ 754	$ 1,953
17	Ajo per Company	16	470	800	1,315	1,072	1,190	4,863
18								
19	RUCO Ajo Adjustments	$ (11)	$ (321)	$ (548)	$ (905)	$ (688)	$ (436)	$ (2,910)
20								
21								
22	Subtotal per RUCO	$ 19,468	$ 154,757	$ 75,763	$ 86,568	$ 11,643	$ 78,151	$ 426,350
23	Subtotal per Company	20,171	174,032	81,802	117,029	34,819	96,099	523,953
24								
25	RUCO's Total WG Adjustments	$ (703)	$ (19,274)	$ (6,039)	$ (30,461)	$ (23,177)	$ (17,948)	$ (97,603)
26								
27	Increase/(Decrease) in Payroll and related Expenses							$ (97,603)
28								
29								
30								
31	Column [A]:	Payroll allocations made to Source of Supply function, utilizing the methodology employed by the Company.						
32	Column [B]:	Payroll allocations made to Pumping function, utilizing the methodology employed by the Company.						
33	Column [C]:	Payroll allocations made to Water Treatment function, utilizing the methodology employed by the Company.						
34	Column [D]:	Payroll allocations made to Transmission & Distribution function, utilizing the methodology employed by the Company.						
35	Column [E]:	Payroll allocations made to Customer Accounting function, utilizing the methodology employed by the Company.						
36	Column [F]:	Payroll allocations made to Administrative & General function, utilizing the methodology employed by the Company.						
37	Column [G]:	([A] + [B] + [C] + [D] + [E] + [F])						
38								
39								

OPERATING INCOME ADJUSTMENT NO. 5
PAYROLL ANNUALIZATION ADJ. #2
ADJUSTMENT TO REFLECT SHARING OF PAYROLL COSTS WITH CALIFORNIA AFFILIATE

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Taxes & 401K Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2									
3									
4	Pinal Valley per RUCO	$ 27,635	$ 646,274	$ 209,622	$ 1,014,849	$ 694,139	$ 579,366	$ 53,115	$ 3,225,000
5	Pinal Valley per Company	27,635	646,274	209,622	1,014,832	694,052	618,896	58,305	3,269,616
6									
7	RUCO Pinal Valley Adjustments	$ -	$ -	$ -	$ 17	$ 87	$ (39,530)	$ (5,189)	$ (44,616)
8									
9									
10	**White Tank per RUCO**	**$ 15,208**	**$ 130,094**	**$ 44,894**	**$ 76,203**	**$ 74,897**	**$ 39,548**	**$ 8,912**	**$ 389,757**
11	**White Tank per Company**	15,208	130,094	44,894	76,202	74,890	42,601	9,313	393,203
12									
13	**RUCO White Tank Adjustments**	**$ -**	**$ -**	**$ -**	**$ 1**	**$ 7**	**$ (3,053)**	**$ (401)**	**$ (3,446)**
14									
15									
16	Ajo per RUCO	$ 384	$ 11,031	$ 18,808	$ 31,076	$ 23,631	$ 14,216	$ 2,907	$ 102,054
17	Ajo per Company	384	11,031	18,808	31,076	23,628	15,320	3,052	103,300
18									
19	RUCO Ajo Adjustments	$ -	$ -	$ -	$ 0	$ 2	$ (1,104)	$ (145)	$ (1,246)
20									
21									
22	Subtotal per RUCO	$ 43,228	$ 787,399	$ 273,324	$ 1,122,129	$ 792,666	$ 633,131	$ 64,934	$ 3,716,811
23	Subtotal per Company	43,228	787,399	273,324	1,122,110	792,570	676,818	70,669	3,766,119
24									
25	RUCO's Total WG Adjustments	$ -	$ -	$ -	$ 19	$ 96	$ (43,687)	$ (5,735)	$ (49,307)
26									
27	Increase/(Decrease) in Payroll Expenses – Change in Employment Status								$ (49,307)
28									
29									
30									
31	Column [A]: Payroll allocations made to Source of Supply function.								
32	Column [B]: Payroll allocations made to Pumping function.								
33	Column [C]: Payroll allocations made to Water Treatment function.								
34	Column [D]: Payroll allocations made to Transmission & Distribution function.								
35	Column [E]: Payroll allocations made to Customer Accounting function.								
36	Column [F]: Payroll allocations made to Administrative & General function.								
37	Column [G]: [A] + [B] + [C] + [D] + [E] + [F]								
38									
39									

OPERATING INCOME ADJUSTMENT NO. 6
PAYROLL ANNUALIZATION ADJ. #3
ADJUSTMENT TO REFLECT KNOWN AND MEASURABLE CHANGE IN EMPLOYMENT STATUS

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Payroll Taxes & 401K Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2									
3									
4	Pinal Valley per RUCO	$ 27,635	$ 646,274	$ 209,622	$ 1,014,849	$ 694,137	$ 590,009	$ 54,169	$ 3,236,694
5	Pinal Valley per Company	27,635	646,274	209,622	1,014,832	694,052	618,896	58,305	3,269,616
6									
7	RUCO Pinal Valley Adjustments	$ -	$ -	$ -	$ 16	$ 85	$ (28,887)	$ (4,136)	$ (32,921)
8									
9									
10	**White Tank per RUCO**	**$ 15,208**	**$ 130,094**	**$ 44,894**	**$ 76,203**	**$ 74,897**	**$ 40,370**	**$ 8,993**	**$ 390,660**
11	**White Tank per Company**	**15,208**	**130,094**	**44,894**	**76,202**	**74,890**	**42,601**	**9,313**	**393,203**
12									
13	**RUCO White Tank Adjustments**	**$ -**	**$ -**	**$ -**	**$ 1**	**$ 7**	**$ (2,231)**	**$ (319)**	**$ (2,542)**
14									
15									
16	Ajo per RUCO	$ 384	$ 11,031	$ 18,808	$ 31,076	$ 23,631	$ 14,514	$ 2,936	$ 102,380
17	Ajo per Company	384	11,031	18,808	31,076	23,628	15,320	3,052	103,300
18									
19	RUCO Ajo Adjustments	$ -	$ -	$ -	$ 0	$ 2	$ (807)	$ (116)	$ (920)
20									
21									
22	Subtotal per RUCO	$ 43,228	$ 787,399	$ 273,324	$ 1,122,129	$ 792,664	$ 644,893	$ 66,098	$ 3,729,735
23	Subtotal per Company	43,228	787,399	273,324	1,122,110	792,570	676,818	$ 70,669	3,766,119
24									
25	RUCO's Total WG Adjustments	$ -	$ -	$ -	$ 18	$ 94	$ (31,925)	$ (4,571)	$ (36,383)
26									
27	Increase/(Decrease) in Payroll Expenses -- Change in Employment Status								$ (36,383)
28									
29									
30									
31	Column [A]: Payroll allocations made to Source of Supply function.								
32	Column [B]: Payroll allocations made to Pumping function.								
33	Column [C]: Payroll allocations made to Water Treatment function.								
34	Column [D]: Payroll allocations made to Transmission & Distribution function.								
35	Column [E]: Payroll allocations made to Customer Accounting function.								
36	Column [F]: Payroll allocations made to Administrative & General function.								
37	Column [G]: [A] + [B] + [C] + [D] + [E] + [F]								
38									
39									

OPERATING INCOME ADJUSTMENT NO. 7
SERVICE VEHICLE COSTS
ADJUSTMENT TO REFLECT LOWER FUEL COSTS

Line No.	System	[A] Capital	Western Group - Service Vehicle Costs - Fuel Costs [B] Source of Supply Increase / (Decrease)	[C] Pumping Increase / (Decrease)	[D] Water Treatment Increase / (Decrease)	[E] Transmission & Distribution Increase / (Decrease)	[F] Customer Accounting Increase / (Decrease)	[G] Administrative & General Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2	**Western Group:**								
3									
4	Pinal Valley per RUCO	$ 10,037	$ 369	$ 19,241	$ 5,427	$ 36,449	$ 11,606	$ 1,025	$ 74,117
5	Pinal Valley per Company	11,309	416	21,679	6,115	41,066	13,076	1,155	83,507
6									
7	RUCO Pinal Valley Adjustments		$ (47)	$ (2,437)	$ (688)	$ (4,617)	$ (1,470)	$ (130)	$ (9,389)
8									
9									
10	**White Tank per RUCO**	**$ 1,655**	**$ 267**	**$ 4,161**	**$ 512**	**$ 3,031**	**$ 2,041**	**$ 31**	**$ 10,043**
11	**White Tank per Company**	**1,956**	**316**	**4,919**	**605**	**3,584**	**2,413**	**36**	**11,874**
12									
13	**RUCO White Tank Adjustments**		**$ (49)**	**$ (758)**	**$ (93)**	**$ (553)**	**$ (372)**	**$ (6)**	**$ (1,831)**
14									
15									
16	Ajo per RUCO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	Ajo per Company	-	-	-	-	-	-	-	-
18									
19	RUCO Ajo Adjustments		$ -	$ -	$ -	$ -	$ -	$ -	$ -
20									
21									
22	Subtotal per RUCO	$ 11,692	$ 637	$ 23,402	$ 5,939	$ 39,480	$ 13,647	$ 1,056	$ 84,160
23	Subtotal per Company	13,265	732	26,598	6,720	44,650	15,489	1,191	95,380
24									
25	RUCO's Total WG Adjustments		$ (96)	$ (3,196)	$ (781)	$ (5,170)	$ (1,842)	$ (135)	$ (11,220)
26									
27	Increase/(Decrease) in Fuel Expenses								$ (11,220)
28									
29									
30									
31	Column [A]:	The cost figures shown in column [A] are presented in the work papers accompanying Income Statement adjustment IS-16 , but ate not							
32		included as an expense in the Company's IS-16 service vehicle cost adjustments. RUCO presents them for informational purposes only.							
33	Columns [B] - [G]:	Fuel cost allocations made							
34									
35	Column [H]:	([B] + [C] + [D] + [E] + [F] + [G])							
36									
37									
38									
39									

OPERATING INCOME ADJUSTMENT NO. 8
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 486,274	$ (166,447)	$ 319,827
2	Allocation Factor			0.10462
3	White Tank System (Line 1 X Line 2)			$ 33,461
4	Normalized Over 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 11,154
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 16,959
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (5,805)
8	**RUCO Adjustment (Line 7) (See JAC-7, Column (I))**			**$ (5,805)**

RUCO's Rate Case Expense Adjustment Calculation:

Decision No. 68302, dated November 14, 2005, Approved $250,000 for Arizona Water Company's Western Group.	$ 250,000
Inflation Factor from January 1, 2004 thru July 1, 2011 per InflationData.com	21.99%
RUCO recommended Rate Case Expense in prior Western Group rate case (Docket No. W-01445A-10-0517)	$ 304,975
Inflation Factor from July 1, 2011 thru January 31, 2016 per InflationData.com	4.87%
Reasonable rate case expense based on Commission Decision No. 68302	$ 319,827
RUCO Rate Case Expense Adjustment	$ (166,447)

3-Factor Allocation Percentages Used by the Company:

Pinal Valley System	0.87635
White Tank System	0.10462
Ajo System	0.01902
Western Group Total	1.00000

RUCO OPERATING INCOME ADJUSTMENT NO. 9
PROPERTY TAXES

LINE NO.	Property Tax Calculation	(A) RUCO AS ADJUSTED	(B) RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues - 2010	$ 2,345,382	$ 2,345,382
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	$ 4,690,764	$ 4,690,764
4a	RUCO Adjusted Test Year Revenues - 2010	2,345,382	
4b	RUCO Recommended Revenue, Per Schedule JAC-7		2,644,196
5	Subtotal (Line 4 + Line 5)	$ 7,036,146	$ 7,334,959
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 2,345,382	$ 2,444,986
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 4,690,764	$ 4,889,973
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 4,690,764	$ 4,889,973
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	$ 844,337	$ 880,195
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	13.1800%	13.1800%
16	RUCO Proposed Property Tax Expense (Line 14 * Line 15)	$ 111,284	$ 116,010
17	Company Proposed Property Tax	109,635	
18	RUCO Test Year Adjustment (Line 16-Line 17)	$ 1,648	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		$ 116,010
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		111,284
21	Increase/(Decrease) to Property Tax Expense		$ 4,726
22	Increase (Decrease) in P{roperty Tax Expense		$ 4,726
	Increase in Revenue Requirement		$ 298,814
	Increase/Decrease) to Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.5816%

OPERATING INCOME ADJUSTMENT NO. 10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) Adjusted Test Year	(B) As Recommended
1	Company Federal Income Tax Proposed	$ (25,101)	$ 153,203
2	RUCO Federal Income Tax Recommended	11,283	117,235
3	RUCO Federal Income Tax Adjustment	$ 36,384	$ (35,968)
	Company State Income Tax Proposed	(4,272)	26,075
	RUCO State Income Tax Recommended	3,356	17,766
	RUCO State Income Tax Adjustment	$ 7,628	$ (8,309)

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	46.31%	5.43%	2.51%
2	Common Equity	86,959,196	53.69%	8.95%	4.80%
3	Total Capitalization	$ 161,959,196	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.32%

References:
Columns (A) Thru (D): JAC Cost of Capital Testimony

SCHEDULES

WESTERN GROUP

AJO

TABLE OF CONTENTS TO JAC SCHEDULES

SCH. NO.	PAGE NO.	TITLE
JAC-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
JAC-2	1	RATE BASE
JAC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
JAC-4	1	RATE BASE ADJUSTMENT NO. 1 - POST-TEST YEAR PLANT & ACCUMULATED DEPRECIATION
		RATE BASE ADJUSTMENT NO. 2 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 3 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
JAC-5	1 & 2	RATE BASE ADJUSTMENT NO. 6 - WORKING CAPITAL AND LEAD/LAG STUDY
JAC-6	1	OPERATING INCOME
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JAC-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - DEPRECIATION EXPENSE
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JAC-10	1	OPERATING INCOME ADJUSTMENT NO. 3 - TANK MAINTENANCE
JAC-11, Page 1	1	OPERATING INCOME ADJUSTMENT NO. 4 - PAYROLL ANNUALIZATION ADJ. #1
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JAC-12	1	OPERATING INCOME ADJUSTMENT NO. 7 - SERVICE VEHICLE EXPENSE
JAC-13	1	OPERATING INCOME ADJUSTMENT NO. 8 - RATE CASE EXPENSE
JAC-14	1	OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX EXPENSE
JAC-15	1	OPERATING INCOME ADJUSTMENT NO. 10 - INCOME TAX EXPENSE
JAC-16	1	COST OF CAPITAL

Arizona Water Company
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Western Group - Ajo System
Direct Schedule JAC-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 965,735	$ 954,567
2	Adjusted Operating Income (Loss)	$ 28,644	$ 47,910
3	Current Rate of Return (L2 / L1)	2.97%	5.02%
4	Required Operating Income (L5 X L1)	$ 86,263	$ 69,851
5	Required Rate of Return on Fair Value Rate Base	8.93%	7.32%
6	Operating Income Deficiency (L4 - L2)	$ 57,618	$ 21,941
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6369	1.3039
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 94,318	$ 28,608
9	Adjusted Test Year Revenue	$ 437,888	$ 445,441
10	Proposed Annual Revenue (L8 + L9)	$ 532,206	$ 474,049
11	Required Percentage Increase in Revenue (L8 / L9)	21.54%	6.42%
12	Consolidated Revenue Adjustment	$ -	$ -
13	Required Incease in Gross Revenue Under Company Proposed Consolidation	$ -	$ -
14	Required Revenue Under Company Proposed Consolidation	$ -	$ -
15	Required Percentage Increase in Revenue Under Company Proposed Consolidation	-	-
16	Rate of Return on Common Equity	10.75%	8.95%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule JAC-2, JAC-6, and JAC-14

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor (Company Sch. C-3, Page 2, L13)	0.00%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	23.3047%		
5	Subtotal (L3 - L4)	76.6953%		
6	**Revenue Conversion Factor (L1 / L5)**	1.3039		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	22.1140%		
9	One Minus Combined Income Tax Rate (L7 - L8)	77.8860%		
10	Uncollectible Rate	0.00000		
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	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col. [C], L53)	16.6995%		
16	Effective Federal Income Tax Rate (L14 x L15)	15.6140%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		22.1140%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	22.1140%		
20	One Minus Combined Income Tax Rate (L18-L19)	77.8860%		
21	Property Tax Factor (Sch. JAC-9, Col. [B], L24)	1.5288%		
22	Effective Property Tax Factor (L20 x L21)		1.1907%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			23.3047%
24	Required Operating Income (Sch. JAC-1, Col. [B] Line 4)	$ 69,851		
25	Adjusted Test Year Operating Income (Loss) (Sch. JAC-1, Col. [B], L2)	47,910		
26	Required Increase in Operating Income (L24 - L25)		$ 21,941	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 12,406		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	6,176		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		6,230	
30	Recommended Revenue Requirement (Sch. JAC-1, Col. [B], Line 10)	$ 474,049		
31	Uncollectible Rate (L10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	$ 0		
33	Adjusted Test Year Uncollectible Expense	$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		0	
35	Property Tax with Recommended Revenue (Sch. JAC-9, Col. [B], L19)	$ 20,867		
36	Property Tax on Test Year Revenue (Sch. JAC-9, Col. [B], L20)	$ 20,430		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		437	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ 28,675	

	Calculation of Income Tax:	Test Year	RUCO Recommended
39	Revenue (Sch. JAC-1, Col. [B], Line 9 & Sch. JAC-1, Col. [B], L10)	$ 445,441	$ 474,049
40	Operating Expenses Excluding Income Taxes (Sch. JAC-6, Cols. [C] and [E])	$ 391,355	$ 391,792
41	Synchronized Interest (Col. [C], L57)	$ 23,994	$ 23,994
42	Arizona Taxable Income (L39 - L40 - L41)	$ 30,093	$ 58,263
43	Arizona State Income Tax Rate	6.5000%	6.5000%
44	Arizona Income Tax (L42 x L43)	$ 1,956	$ 3,787
45	Federal Taxable Income (L42 - L44)	$ 28,137	$ 54,476
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 4,220	$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -	$ 1,119
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -	$ -
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -	$ -
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -	$ -
51	Total Federal Income Tax	$ 4,220	$ 8,619
52	Combined Federal and State Income Tax (L44 + L51)	$ 6,176	$ 12,406

53 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 16.6995%

54	**Synchronized Interest Calculation:**	
55	Rate Base	$ 954,567
56	x Weighted Average Cost of Debt	2.5136%
57	Synchronized Interest	$ 23,994

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Ajo System
Direct Schedule JAC-2
Page 1 of 1

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
	Plant Classification			
1	Intangible Plant	$ 4,578	$ -	$ 4,578
2	Source of Supply Plant	11,236	-	11,236
3	Pumping Plant	103,468	-	103,468
4	Water Treatment Plant	4,305	-	4,305
5	Transmission & Distribution Plant	2,057,913	-	2,057,913
6	General Plant	393,164	(4,326)	388,838
7	Total Gross Plant in Service	$ 2,574,664	$ (4,326)	$ 2,570,339
	Less:			
8	Accumulated Depreciation	(1,186,265)	(201)	(1,186,467)
9	Net Utility Plant in Service (L7 less L8)	$ 1,388,399	$ (4,527)	$ 1,383,872
10	Advances in Aid of Construction	$ (35,084)	$ -	$ (35,084)
11	Contributions in Aid of Construction (CIAC)	(167,252)	-	(167,252)
12	Accumulated Amortization of CIAC	28,097	-	28,097
13	Net CIAC (L11 less L12)	$ (139,155)	$ -	$ (139,155)
14	Accumulated Deferred Income Taxes (ADIT)	(267,931)	-	(267,931)
15	Customer Deposits	(9,501)	-	(9,501)
	Add:			
16	Allowance for Working Capital	$ 29,007	$ (6,641)	$ 22,366
17	Net Regulatory Asset / (Liability)	-	-	-
18	Rounding	-	-	-
19	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18)	$ 965,735	$ (11,169)	$ 954,567

References:
Column (A): Company Schedule B-1
Column (B): Schedule JAC-3
Column (C): Column (A) + Column (B)

Arizona Water Company
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Ajo System
Direct Schedule JAC-3
Page 1 of 1

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 Post Test Year Plant	(C) ADJMT NO. 2	(D) ADJMT NO. 3	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6 WORKING CAPITAL	(H) RUCO ADJ'TED OCRB/FVRB
	Plant Classification								
1	Intangible Plant	$ 4,578	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,578
2	Source of Supply Plant	11,236	-	-	-	-	-	-	11,236
3	Pumping Plant	103,468	-	-	-	-	-	-	103,468
4	Water Treatment Plant	4,305	-	-	-	-	-	-	4,305
5	Transmission & Distribution Plant	2,057,913	-	-	-	-	-	-	2,057,913
6	General Plant	393,164	(4,326)	-	-	-	-	-	388,838
7	Total Gross Plant in Service	$ 2,574,664	$ (4,326)	$ -	$ -	$ -	$ -	$ -	$ 2,570,339
	Less:								
8	Accumulated Depreciation	$ (1,186,265)	(201)	-	-	-	-	-	(1,186,467)
9	Net Utility Plant in Service (L7 less L8)	$ 1,388,399	$ (4,527)	$ -	$ -	$ -	$ -	$ -	$ 1,383,872
10	Advances in Aid of Construction	$ (35,084)	$ -	$ -	$ -	$ -	$ -	$ -	$ (35,084)
11	Contributions in Aid of Construction (CIAC)	(167,252)	-	-	-	-	-	-	(167,252)
12	Accumulated Amortization of CIAC	28,097	-	-	-	-	-	-	28,097
13	Net CIAC (L11 less L12)	$ (139,155)	$ -	$ -	$ -	$ -	$ -	$ -	$ (139,155)
14	Accumulated Deferred Income Taxes (ADIT)	$ (267,931)	-	-	-	-	-	-	(267,931)
15	Customer Deposits	(9,501)	-	-	-	-	-	-	(9,501)
	Add:								
16	Allowance for Working Capital	$ 29,007	$ -	$ -	$ -	$ -	$ -	$ (6,641)	$ 22,366
17	Net Regulatory Asset / (Liability)	-	-	-	-	-	-	-	-
18	Rounding	-	-	-	-	-	-	-	-
19	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18	$ 965,735	$ (4,527)	$ -	$ -	$ -	$ -	$ (6,641)	$ 954,567

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant, PTY Plant & Accumulated Depreciation (See JAC-4.1 Direct, Phx. Off., and & MS Schedule and JAC Testimony)
Column (C): Adjustment No. 2 - Post-Test Year Plant
Column (D): Adjustment No. 3 - Intentionally Left Blank
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (G): Adjustment No. 6 - Working Capital
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

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Western Group - Pinal Valley, Wite Tank and Ajo Systems
Schedule JAC-4
Page 1

EXPLANATION OF RATE BASE ADJUSTMENT NO. 1
Summary of Post Test Year Plant Additions
Preliminary Costs vs Final Costs

Line	Work Authorization Number	Account Description	Account No.	Date Construction Began	Date Construction Was/Expected to be Completed	[A] Company Proposed Cost as Per Company Exhibit Sch. B-2 Appendix (Pages 1 thru 4)	[B] Actual Costs as of 29-Nov-15 As per Response to Staff DR's BAB 4.1 and BAB 5.1	[C] RUCO Adjusted Budgeted vs. Actual Cost	[D] RUCO Adjusted Post-Test Year Plant Not in Service as of 6/30/2015	[E] Function	[F] RUCO Adjustments Pinal Valley	[G] RUCO Adjustments White Tank	[H] RUCO Adjustments Ajo
		Pinal Valley											
1	I-5167	Valley Farms ARF Well No. 2	332	9/24/2014	7/8/2015	$ 1,250,000			-	WT	$ (1,250,000)		
2	I-5164	Coolidge 9 &10 Motors	325	10/3/2014	12/8/2015	175,000			-	PP	(175,000)		
3	I-5170	Cottonwood Lane Storage Tank	325	11/18/2014	7/23/2015	1,200,000			-	PP	(1,200,000)		
4	I-5296	PV Well No. 19 Pump	325	5/7/2015	9/14/2015	175,000			-	PP	(175,000)		
5	I-5299	Coolidge 9 &10 Access Road	321	3/2/2015	12/14/2015	100,000			-	PP	(100,000)		
6	I-4806	Coolidge Well N0. 13 ARF	332	3/3/2011	11/30/2016	1,500,000			-	WT	(1,500,000)		
7	I-5166	Coolidge Airport POU	332	3/19/2015	2/29/2016	80,000			-	WT	(80,000)		
8	I-5304	PV Well No. 27 Booster Pump Station	325	2/15/2015	12/31/2015	175,000			-	PP	(175,000)		
9	I-5307	Coolidge Well Nos. 9 & 10 Strainer	332	6/16/2015	7/1/2015	40,000			-	WT	(40,000)		
10	I-5168	Hwy. 84 Gate & Butterfly Valves	343	4/30/2015	7/20/2015	110,000			-	TD	(110,000)		
11	I-5345	1955 North Casa Grande Ave. Replacement	343	5/4/2015	8/4/2015	62,000			-	TD	(62,000)		
12	I-5260	PV Well No. 29 Sodium Hypochlorite	332	10/30/2014	9/28/2015	25,000			-	WT	(25,000)		
13	I-5348	Burgess Peak Radio System	397	6/2/2015	7/23/2015	27,000			-	GP	(27,000)		
14	I-5358	PV Well No. 26 Pump	325	6/25/2015	8/10/2015	115,000			-	PP	(115,000)		
15	I-5362	PV Well No. 31 Pump	325	8/26/2015	11/26/2015	117,000			-	PP	(117,000)		
16	I-5359	PV Well No. 27 Pump	325	7/10/2015	10/16/2015	200,000			-	PP	(200,000)		
17	I-5361	Elevated Tank in Coolidge Cathotic Protection	342	10/31/2014	7/8/2015	70,000			-	TD	(70,000)		
18	I-5169	Replace PVC with Iron Pipe on Overfield Road	343	10/2/2014	5/21/2015	$ 392,000	$ 407,891	$ 15,891		TD	15,891		
19	I-5171	Trans. & Dist. Mains -- Cottonwood Rd.	343	10/27/2014	4/15/2015	517,000	551,402	34,402		TD	34,402		
20	I-5301	Trans. & Dist. Mains -- Hancock Trail	343	2/24/2015	6/6/2015	180,000	194,840	14,840		TD	14,840		
21	I-5303	Install Nitrate Analyzers -- Well Nos. 32 & 33	332	2/6/2015	6/5/2015	174,000	173,112	(888)		WT	(888)		
22	I-5306	Install Booster Pump -- Stanfield Station	325	5/11/2014	6/30/2015	43,000	42,857	(143)		PP	(143)		
23	I-5329	Construction of Main -- 4th Street	343	1/29/2015	2/12/2015	24,000	19,402	(4,598)		TD	(4,598)		
24	I-5332	Replace Main on Casa Grande Mountain	343	2/18/2015	5/5/2015	300,000	191,545	(108,455)		TD	(108,455)		
25	I-5339	Replace Water Service Line -- Arizola Blvd.	345	5/4/2015	5/21/2015	62,000	57,535	(4,465)		TD	(4,465)		
26	I-5341	Replace Water Service Line -- Pinal Ave.	345	5/11/2015	6/20/2015	43,000	35,165	(7,835)		TD	(7,835)		
27	I-1076	No support Provided	346			120,000		(120,000)		TD	(120,000)		
28	I-5344	Construction of Main -- 2nd Street	343	5/7/2015	6/18/2015	27,000	23,685	(3,315)		TD	(3,315)		
29	I-5076	Lower and Replace Main -- Az. Grain Depot	343	5/10/2013	12/23/2014	195,574	195,574	-		TD	-		
30	I-5173	Install Electrical Panel -- 30 sites	325	11/10/2014	12/31/2014	106,065	103,598	(2,467)		PP	(2,467)		
31	I-5165	Block Walls -- Well Nos. 21, 30 and 31	314	9/22/2014	1/12/2015	417,446	417,446	-		SS; PP	-		
32	I-5251	Replace Pump -- Well No. 33	325	10/14/2014	1/22/2015	245,552	245,968	416		PP	416		
33													
34		White Tank											
35	I-5032	Install SCADA at BAE Tank, Well Nos. 7 & 8	397			327,000							
36	I-5309	Replace Pipe at Blue Horizon ARF	332			54,000	53,658	(342)	-	GP		(327,000)	
37	I-5263	Install 230' of 6" DIP along Citrus Rd.	343			52,000	53,708	1,708		WT		(342)	
38	I-5360	Replace Ladder, Add Overflow BAE Water Tank	343			20,000	16,810	(3,190)		TD		1,708	
39										TD		(3,190)	
40		Phoenix Office											
41	I-5324		397			85,000			-	GP	(74,490)	(8,893)	(1,617)
42	I-5325		390.1			31,000			-	GP	(27,167)	(3,243)	(590)
43	I-5326		391			14,000			-	GP	(12,269)	(1,465)	(266)
44	I-5327		398			20,000			-	GP	(17,527)	(2,092)	(380)
45													
46	Blankets	Pinal Valley	391; 394			855,000			20,000	GP	(20,000)		
47	Blankets	White Tank	391; 394			88,050			2,250	GP		(2,250)	
48	Blankets	Ajo	391; 394			11,650			450	GP			(450)
49	Blankets	Phoenix Office	391			52,000			-	GP	(45,570)	(5,440)	(989)
50	Blankets	Meter Shop	391; 394			1,750			-	GP	(1,534)	(183)	(33)
51													
52													
53		Post-Test Year Plant Adjustments											
54						9,879,087	$ 2,784,196	$ (188,441)	$ 22,700		$ (5,806,174)	$ (352,391)	$ (4,326)
55													

RATE BASE ADJUSTMENT NO. 6
ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Working Cash Requirement Per Company	$ (513)	Company Schedule B-5, PG. 1
2	Working Cash Requirement Per RUCO	(7,154)	RUCO Schedule JAC-5, Page 2
3	Adjustment	$ (6,641)	Line 2 - Line 1
4	Material and Supplies Inventories Per Company	$ 2,595	Company Schedule B-5, PG. 1
5	Material and Supplies Inventories Per RUCO	2,595	Company Schedule B-5, PG. 1
6	Adjustment	$ -	Line 5 - Line 4
7	Required Bank Balances Per Company	$ 17,346	Company Schedule B-5, PG. 1
8	Required Bank Balances Per RUCO	17,346	Company Schedule B-5, PG. 1
9	Adjustment	$ -	Line 8 - Line 7
10	Prepayments & Special Deposits Per Company	$ 9,579	Company Schedule B-5, PG. 1
11	Prepayments & Special Deposits Per RUCO	9,579	Company Schedule B-5, PG. 1
12	Adjustment	$ -	Line 11 - Line 10
13	TOTAL ADJUSTMENT (See JAC-2, Column (K))	$ (6,641)	Sum of Lines 3, 6, 9 & 12

RATE BASE ADJUSTMENT NO. 6 - CONT'D
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses					
1	Purchased Power	$ 4,903	$ -	$ 4,903	30.87	$ 151,354
2	Payroll	118,010	-	118,010	14.00	1,652,143
3	Purchased Water	117,312	-	117,312	38.97	4,571,748
4	Chemicals	502	-	502	(18.11)	(9,087)
5	Property & Liability Insurance	4,679	-	4,679	(45.27)	(211,828)
6	Workman's Compensation Insurance	1,568	-	1,568	(46.50)	(72,914)
7	Health Insurance	24,173	-	24,173	(8.92)	(215,624)
8	Other Operating & Maintenance Expenses	36,170	(18,569)	17,601	(9.27)	(163,165)
9	Federal Current Income Taxes	28,967	-	8,619	37.00	318,906
10	State Current Income Taxes	4,930	-	3,787	37.00	140,124
11	FICA Taxes	8,841	-	8,841	14.00	123,774
12	FUTA & SUTA Taxes	99	-	99	83.10	8,218
13	Property Taxes	21,529	-	20,524	212.00	4,351,029
14	Registration, Svc. Contracts, & Misc. Fees	1,893	-	1,893	(98.83)	(187,127)
15	Retirement Annuities (401k)	8,270	-	8,270	34.72	287,118
16	Subtotal	381,845	(18,569)	340,781		10,744,668
17	Synchronized Interest		$ 27,752	$ 27,752	90.83	$ 2,520,850
18		-	-	-	-	-
19	Subtotal	$ -	$ 27,752	$ 27,752		$ 2,520,850
20	Total	$ 381,845	$ 9,184	$ 368,533		$ 13,265,518

21	Expense Lag	Line 20, Col. (E) / (C)	36.00
22	Revenue Lag	Company B-5 Schedules	28.91
23	Net Lag	Line 22 - Line 21	(7.09)
24	RUCO Adjusted Expenses	Col. (C), Line 20	$ 368,533
25	Cash Working Capital	Line 23 X Line 24 / 365 Days	(7,154)
26	Company As Filed	Co. Schedule B-5, Page 2	(513)
27	Difference	Line 25 - Line 26	$ (6,641)
28	ADJUSTMENT	Line 27	$ (6,641)

NOTE: Dependent on System

References:
Column (A): - Company Schedule B-5
Column (B): RUCO Operating Income Adjustments (See Schedule JAC-7)
Column (C): Column (A) + (B)
Column (D): - Company Schedule B-5
Column (E): Column (C) X Column (D)

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Ajo System
Direct Schedule JAC-6
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OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
1	Operating Revenues:					
2	Residential	$ 306,895	$ 7,552	$ 314,447	$ 28,608	$ 343,055
3	Commercial	125,128	-	125,128	-	125,128
4	Industrial	-	-	-	-	-
5	Private Fire Service	1,200	-	1,200	-	1,200
6	Other Water Revenues	564	-	564	-	564
7	Total Water Revenues	$ 433,787	$ 7,552	$ 441,339	$ 28,608	$ 469,948
8	Miscellaneous	4,101	-	4,101	-	4,101
9	Total Operating Revenues	$ 437,888	$ 7,552	$ 445,441	$ 28,608	$ 474,049
10	Operating Expenses:					
11	Source of Supply					
12	Purchased Water	$ 117,312	$ -	$ 117,312	$ -	$ 117,312
13	Other	(3,893)	4,512	618	-	618
14	Pumping Expenses					
15	Purchased Power	4,903	-	4,903	-	4,903
16	Purchased Gas	-	-	-	-	-
17	Other	18,038	493	18,531	-	18,531
18	Water Treatment Expenses	23,870	371	24,241	-	24,241
19	Transmission & Distribution Expenses	58,757	(19,858)	38,899	-	38,899
20	Customer Accounting Expenses	38,982	(683)	38,299	-	38,299
21	Sales Expense	46	-	46	-	46
22	Administrative & General Expenses	59,465	(3,403)	56,062	-	56,062
23	Total Operations & Maintenance Expense	$ 317,480	$ (18,569)	$ 298,911	$ -	$ 298,911
24	Depreciation & Amortization Expense	66,337	(201)	66,136	-	66,136
25	Taxes:					
26	Federal Income Taxes	$ (975)	$ 5,196	$ 4,220	$ 4,399	$ 8,619
27	State Income Taxes	(166)	2,122	1,956	1,831	3,787
28	Property Taxes	20,086	-	20,086	437	20,524
29	Other	6,482	(260)	6,221	-	6,221
30	Total Taxes	$ 25,427	$ 7,057	$ 32,484	$ 6,667	$ 39,151
31	Total Operating Expenses	$ 409,244	$ (11,713)	$ 397,531	$ 6,667	$ 404,198
32	Operating Income	$ 28,644	$ 19,265	$ 47,910	$ 21,941	$ 69,851

References:
Column (A): Company Schedule C-1
Column (B): JAC-7, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): JAC-7, Columns B Thru K
Column (E): Column (C) + Column (D)

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Ajo System
Direct Schedule JAC-7
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SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 DEPRECIATION EXPENSE	(C) ADJMT NO. 2 WEATHER NORMALIZATION	(D) ADJMT NO. 3 TANK MAINTENANCE EXPENSE	(E) ADJMT NO. 4 PAYROLL ANNUALIZATION #1	(F) ADJMT NO. 5 PAYROLL ANNUALIZATION #2	(G) ADJMT NO. 6 PAYROLL ANNUALIZATION #3	(H) ADJMT NO. 7 INTENTIONALLY LEFT BLANK	(I) ADJMT NO. 8 RATE CASE EXPENSE	(J) ADJMT NO. 9 PROPERTY TAX EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
1	Operating Revenues:												
2	Residential	$ 306,895	$ -	$ 7,552	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 314,447
3	Commercial	125,128	-	-	-	-	-	-	-	-	-	-	125,128
4	Industrial	-	-	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	1,200	-	-	-	-	-	-	-	-	-	-	1,200
6	Other Water Revenues	564	-	-	-	-	-	-	-	-	-	-	564
7	Total Water Revenues	$ 433,787	$ -	$ 7,552	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 441,339
8	Miscellaneous	4,101	-	-	-	-	-	-	-	-	-	-	4,101
9	Total Operating Revenues	$ 437,888	$ -	$ 7,552	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 445,441
10	Operating Expenses:												
11	Source of Supply												
12	Purchased Water	$ 117,312	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 117,312
13	Other	(3,893)	-	4,523	-	(11)	-	-	-	-	-	-	618
14	Pumping Expenses												
15	Purchased Power	4,903	-	-	-	-	-	-	-	-	-	-	4,903
16	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-
17	Other	18,038	-	814	-	(321)	-	-	-	-	-	-	18,531
18	Water Treatment Expenses	23,870	-	919	-	(548)	-	-	-	-	-	-	24,241
19	Transmission & Distribution Expenses	58,757	-	-	(18,953)	(905)	-	-	-	-	-	-	38,899
20	Customer Accounting Expenses	38,982	-	-	-	(688)	2	2	-	-	-	-	38,299
21	Sales Expense	46	-	-	-	-	-	-	-	-	-	-	46
22	Administrative & General Expenses	59,465	-	-	-	(436)	(1,104)	(807)	-	(1,055)	-	-	56,062
23	Total Operations & Maintenance Expense	$ 317,480	$ -	$ 6,256	$ (18,953)	$ (2,910)	$ (1,102)	$ (805)	$ -	$ (1,055)	$ -	$ -	$ 298,911
24	Depreciation & Amortization Expense	66,337	(201)	-	-	-	-	-	-	-	-	-	66,136
25	Taxes:												
26	Federal Income Taxes	$ (975)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,196	$ 4,220
27	State Income Taxes	(166)	-	-	-	-	-	-	-	-	-	2,122	1,956
28	Property Taxes	20,086	-	-	-	-	-	-	-	-	-	-	20,086
29	Other	6,482	-	-	-	-	(145)	(116)	-	-	-	-	6,221
30	Total Taxes	$ 25,427	$ -	$ -	$ -	$ -	$ (145)	$ (116)	$ -	$ -	$ -	$ 7,318	$ 32,484
31	Total Operating Expenses	$ 409,244	$ (201)	$ 6,256	$ (18,953)	$ (2,910)	$ (1,247)	$ (920)	$ -	$ (1,055)	$ -	$ 7,318	$ 397,531
32	Operating Income	$ 28,644	$ 201	$ 1,296	$ 18,953	$ 2,910	$ 1,247	$ 920	$ -	$ 1,055	$ -	$ (7,318)	$ 47,910

ADJUSTMENTS:	REFERENCE:
1 - Depreciation Expense	JAC Testimony and Schedule JAC-8, Page 1 of 1
2 - Weather Normalization	JAC Testimony and Schedule JAC-9, Page 1 of 1
3 - Tank Maintenance Expense	JAC Testimony and Schedule JAC-10, Page 1 of 1
4 - Payroll Annualization #1	JAC Testimony and Schedule JAC-11, Page 1 of 3
5 - Payroll Annualization #2	JAC Testimony and Schedule JAC-11, Page 2 of 3
6 - Payroll Annualization #3	JAC Testimony and Schedule JAC-11, Page 3 of 3
7 - Service Vehicle Costs (Intentionally Left Blank)	N/A
8 - Rate Case Expense	JAC Testimony and Schedule JAC-13, Page 1 of 1
9 - Property Tax Expense	JAC Testimony and Schedule JAC-14, Page 1 of 1
10 - Income Tax Expense	JAC Testimony and Schedule JAC-15, Page 1 of 1

OPERATING EXPENSE ADJUSTMENT No. 1
Depreciation Expense

Line	Work Authorization Number	Account Description	Account No.	[A] Date Construction Began	[B] Date Construction Was/Expected to be Completed	[C] Company Proposed Cost as Per Company Exhibit Sch. B-2 Appendix (Pages 1 thru 4)	[D] Actual Costs as of 29-Nov-15 As per Response to Staff DR's BAB 4.1 and BAB 5.1	[E] RUCO Adjusted Budgeted vs. Actual Cost	[F] RUCO Adjusted Post-Test Year Plant Not in Service as of 6/30/2015	[G] Function	[H] RUCO Adjustments Ajo	[I] RUCO Adjustments Depre Rate	[J] RUCO Adjustments Depre Exp One Half Yr.
		Pinal Valley											
1	I-5167	Valley Farms ARF Well No. 2	332	9/24/2014	7/8/2015	$ 1,250,000			-	WT			
2	I-5164	Coolidge 9 &10 Motors	325	10/3/2014	12/8/2015	175,000			-	PP			
3	I-5170	Cottonwood Lane Storage Tank	325	11/18/2014	7/23/2015	1,200,000			-	PP			
4	I-5296	PV Well No. 19 Pump	325	5/7/2015	9/14/2015	175,000			-	PP			
5	I-5299	Coolidge 9 &10 Access Road	321	3/2/2015	12/14/2015	100,000			-	PP			
6	I-4806	Coolidge Well N0. 13 ARF	332	3/3/2011	11/30/2016	1,500,000			-	WT			
7	I-5166	Coolidge Airport POU	332	3/19/2015	2/29/2016	80,000			-	WT			
8	I-5304	PV Well No. 27 Booster Pump Station	325	2/15/2015	12/31/2015	175,000			-	PP			
9	I-5307	Coolidge Well Nos. 9 & 10 Strainer	332	6/16/2015	7/1/2015	40,000			-	WT			
10	I-5168	Hwy. 84 Gate & Butterfly Valves	343	4/30/2015	7/20/2015	110,000			-	TD			
11	I-5345	1955 North Casa Grande Ave. Replacement	343	5/4/2015	8/4/2015	62,000			-	TD			
12	I-5260	PV Well No. 29 Sodium Hypochlorite	332	10/30/2014	9/28/2015	25,000			-	WT			
13	I-5348	Burgess Peak Radio System	397	6/2/2015	7/23/2015	27,000			-	GP			
14	I-5358	PV Well No. 26 Pump	325	6/25/2015	8/10/2015	115,000			-	PP			
15	I-5362	PV Well No. 31 Pump	325	8/26/2015	11/26/2015	117,000			-	PP			
16	I-5359	PV Well No. 27 Pump	325	7/10/2015	10/16/2015	200,000			-	PP			
17	I-5361	Elevated Tank in Coolidge Cathotic Protection	342	10/31/2014	7/8/2015	70,000			-	TD			
18	I-5169	Replace PVC with Iron Pipe on Overfield Road	343	10/2/2014	5/21/2015	$ 392,000	$ 407,891	$ 15,891		TD			
19	I-5171	Trans. & Dist. Mains -- Cottonwood Rd.	343	10/27/2014	4/15/2015	517,000	551,402	34,402		TD			
20	I-5301	Trans. & Dist. Mains -- Hancock Trail	343	2/24/2015	6/6/2015	180,000	194,840	14,840		TD			
21	I-5303	Install Nitrate Analyzers -- Well Nos. 32 & 33	332	2/6/2015	6/5/2015	174,000	173,112	(888)		WT			
22	I-5306	Install Booster Pump -- Stanfield Station	325	5/11/2014	6/30/2015	43,000	42,857	(143)		PP			
23	I-5329	Construction of Main -- 4th Street	343	1/29/2015	2/12/2015	24,000	19,402	(4,598)		TD			
24	I-5332	Replace Main on Casa Grande Mountain	343	2/18/2015	5/5/2015	300,000	191,545	(108,455)		TD			
25	I-5339	Replace Water Service Line -- Arizola Blvd.	345	5/4/2015	5/21/2015	62,000	57,535	(4,465)		TD			
26	I-5341	Replace Water Service Line -- Pinal Ave.	345	5/11/2015	6/20/2015	43,000	35,165	(7,835)		TD			
27	I-1076	No support Provided	346			120,000		(120,000)		TD			
28	I-5344	Construction of Main -- 2nd Street	343	5/7/2015	6/18/2015	27,000	23,685	(3,315)		TD			
29	I-5076	Lower and Replace Main -- Az. Grain Depot	343	5/10/2013	12/23/2014	195,574	195,574	-		TD			
30	I-5173	Install Electrical Panel -- 30 sites	325	11/10/2014	12/31/2014	106,065	103,598	(2,467)		PP			
31	I-5165	Block Walls -- Well Nos. 21, 30 and 31	314	9/22/2014	1/12/2015	417,446	417,446	-		SS; PP			
32	I-5251	Replace Pump -- Well No. 33	325	10/14/2014	1/22/2015	245,552	245,968	416		PP			
33													
34		White Tank											
35	I-5032	Install SCADA at BAE Tank, Well Nos. 7 & 8	397			327,000			-	GP			
36	I-5309	Replace Pipe at Blue Horizon ARF	332			54,000	53,658	(342)		WT			
37	I-5263	Install 230' of 6" DIP along Citrus Rd.	343			52,000	53,708	1,708		TD			
38	I-5360	Replace Ladder, Add Overflow BAE Water Tank	343			20,000	16,810	(3,190)		TD			
39													
40		Phoenix Office											
41	I-5324		397			85,000			-	GP	(1,617)	6.67%	(108)
42	I-5325		390.1			31,000			-	GP	(590)	0.72%	(4)
43	I-5326		391			14,000			-	GP	(266)	6.67%	(18)
44	I-5327		398			20,000			-	GP	(380)	3.33%	(13)
45													
46	Blankets	Pinal Valley	391; 394			855,000			20,000	GP			
47	Blankets	White Tank	391; 394			88,050			2,250	GP			
48	Blankets	Ajo	391; 394			11,650			450	GP	(450)	4.00%	(18)
49	Blankets	Phoenix Office	391			52,000			-	GP	(989)	4.00%	(40)
50	Blankets	Meter Shop	391; 394			1,750			-	GP	(33)	4.00%	(1)
51													
52													
53		Post-Test Year Plant Adjustments				9,879,087	$ 2,784,196	$ (188,441)	$ 22,700		$ (4,326)	$ 0	$ (201)
54													
55		Phoenix Office Adjustments											
								9,690,646					

OPERATING INCOME ADJUSTMENT NO. 2
WEATHER NORMALIZATION

Line No.	Description	(A) Company Proposed	(B) RUCO Adjustment	(C) RUCO As Adjusted
1				
2	Company decrease to residential revenues	$ (7,552)	$ 7,552	$ -
3				
4	Company Proposed Expense Adjustments			
5	Source of Supply	(4,523)	4,523	-
6	Pumping	(814)	814	-
7	Water Treatment	(919)	919	-
8				
9	Total Operating Expense Adjustment	$ (6,256)	$ 6,256	$ -
10				
11				
12				
13	To reverse the weather normalization declining usage adjustment made by the Company which			
14	decreased test-year operating revenues for the Ajo system by $7,552, and decreased test-year			
15	operating expenses for the Ajo system by $6,256.			
16				
17				
18	Column (A): Company Exhibit Schedule C-2 Appendix (Page 11 of 38)			
19				
20				

OPERATING INCOME ADJUSTMENT NO. 3
NORMALIZE TANK MAINTENANCE

Line No.	Description	(A) Company Proposed	(B) RUCO Adjustment	(C) RUCO As Adjusted
1				
2	To reverse Company tank maintenance	$ 18,953	$ (18,953)	$ -
3	normalization adjustment (IS-19)			
4	for the Ajo system			
5				
6				
7				
8				
9		Pinal Valley 041	White Tank 044	Ajo 047	Total
10	Trans. & Dist. - Storage Tanks - Actual	$ 131,210	$ -		$ 131,210
11	Trans. & Dist. - Storage Tanks - Normalized	231,105	55,199	**18,953**	305,258
12					
13	Increase / (Decrease)	$ 99,896	$ 55,199	**$ 18,953**	$ 174,048
14					
15					
16					
17					
18					
19					
20					

OPERATING INCOME ADJUSTMENT NO. 4
PAYROLL ANNUALIZATION ADJ. #1
REMOVAL OF PRO FORMA 3% SALARY INCREASE IN 2016

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Total Increase / (Decrease)
1								
2								
3								
4	Pinal Valley per RUCO	$ 9,991	$ 120,689	$ 42,605	$ 75,559	$ 9,757	$ 75,325	$ 333,927
5	Pinal Valley per Company	10,514	136,801	47,740	103,167	30,062	91,623	419,907
6								
7	RUCO Pinal Valley Adjustments	(523)	(16,112)	(5,135)	(27,608)	(20,305)	(16,298)	(85,980)
8								
9								
10	White Tank per RUCO	$ 9,471	$ 33,919	$ 32,906	$ 10,598	$ 1,502	$ 2,072	$ 90,470
11	White Tank per Company	9,641	36,761	33,262	12,547	3,686	3,286	99,183
12								
13	RUCO White Tank Adjustments	(170)	(2,841)	(356)	(1,949)	(2,184)	(1,214)	(8,713)
14								
15								
16	**Ajo per RUCO**	**$ 5**	**$ 148**	**$ 252**	**$ 410**	**$ 383**	**$ 754**	**$ 1,953**
17	**Ajo per Company**	**16**	**470**	**800**	**1,315**	**1,072**	**1,190**	**4,863**
18								
19	**RUCO Ajo Adjustments**	**(11)**	**(321)**	**(548)**	**(905)**	**(688)**	**(436)**	**(2,910)**
20								
21								
22	Subtotal per RUCO	$ 19,468	$ 154,757	$ 75,763	$ 86,568	$ 11,643	$ 78,151	$ 426,350
23	Subtotal per Company	20,171	174,032	81,802	117,029	34,819	96,099	523,953
24								
25	RUCO's Total WG Adjustments	(703)	(19,274)	(6,039)	(30,461)	(23,177)	(17,948)	(97,603)
26								
27	Increase/(Decrease) in Payroll Annualization Expenses -- 3% Salary Increase in 2016							$ (97,603)
28								
29								
30								
31								
32								
33								
34								
35	Column [G]: Columns [A] + [B] + [C] + [D] + [E] + [F]							
36								
37								
38								
39								

OPERATING INCOME ADJUSTMENT NO. 5
PAYROLL ANNUALIZATION ADJ. #2
ADJUSTMENT TO REFLECT SHARING OF PAYROLL COSTS WITH CALIFORNIA AFFILIATE

		Western Group - Payroll Annualization							
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
Line No.	Western Group	Source of Supply Increase / (Decrease)	Pumping Increase / (Decrease)	Water Treatment Increase / (Decrease)	Transmission & Distribution Increase / (Decrease)	Customer Accounting Increase / (Decrease)	Administrative & General Increase / (Decrease)	Taxes & 401K Increase / (Decrease)	Total Increase / (Decrease)
1									
2									
3									
4	Pinal Valley per RUCO	$ 27,635	$ 646,274	$ 209,622	$ 1,014,849	$ 694,139	$ 579,366	$ 53,115	$ 3,225,000
5	Pinal Valley per Company	27,635	646,274	209,622	1,014,832	694,052	618,896	58,305	3,269,616
6									
7	RUCO Pinal Valley Adjustments	$ -	$ -	$ -	$ 17	$ 87	$ (39,530)	$ (5,189)	$ (44,616)
8									
9									
10	White Tank per RUCO	$ 15,208	$ 130,094	$ 44,894	$ 76,203	$ 74,897	$ 39,548	$ 8,912	$ 389,757
11	White Tank per Company	15,208	130,094	44,894	76,202	74,890	42,601	9,313	393,203
12									
13	RUCO White Tank Adjustments	$ -	$ -	$ -	$ 1	$ 7	$ (3,053)	$ (401)	$ (3,446)
14									
15									
16	**Ajo per RUCO**	**$ 384**	**$ 11,031**	**$ 18,808**	**$ 31,076**	**$ 23,631**	**$ 14,216**	**$ 2,907**	**$ 102,054**
17	**Ajo per Company**	**384**	**11,031**	**18,808**	**31,076**	**23,628**	**15,320**	**3,052**	**103,300**
18									
19	**RUCO Ajo Adjustments**	**$ -**	**$ -**	**$ -**	**$ 0**	**$ 2**	**$ (1,104)**	**$ (145)**	**$ (1,246)**
20									
21									
22	Subtotal per RUCO	$ 43,228	$ 787,399	$ 273,324	$ 1,122,129	$ 792,666	$ 633,131	$ 64,934	$ 3,716,811
23	Subtotal per Company	43,228	787,399	273,324	1,122,110	792,570	676,818	70,669	3,766,119
24									
25	RUCO's Total WG Adjustments	$ -	$ -	$ -	$ 19	$ 96	$ (43,687)	$ (5,735)	$ (49,307)
26									
27	Increase/(Decrease) in Payroll Expenses -- To Reflect Sharing of Costs with California Affiliate								$ (49,307)
28									
29									
30									
31	Column [A]: Payroll allocations made to Source of Supply function.								
32	Column [B]: Payroll allocations made to Pumping function.								
33	Column [C]: Payroll allocations made to Water Treatment function.								
34	Column [D]: Payroll allocations made to Transmission & Distribution function.								
35	Column [E]: Payroll allocations made to Customer Accounting function.								
36	Column [F]: Payroll allocations made to Administrative & General function.								
37	Column [G]: [A] + [B] + [C] + [D] + [E] + [F]								
38									
39									

OPERATING INCOME ADJUSTMENT NO. 6
PAYROLL ANNUALIZATION ADJ. #3
ADJUSTMENT TO REFLECT KNOWN AND MEASURABLE CHANGE IN EMPLOYMENT STATUS

Line No.	Western Group	Western Group - Payroll Annualization [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Payroll Taxes & 401K Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2									
3									
4	Pinal Valley per RUCO	$ 27,635	$ 646,274	$ 209,622	$ 1,014,849	$ 694,137	$ 590,009	$ 54,169	$ 3,236,694
5	Pinal Valley per Company	27,635	646,274	209,622	1,014,832	694,052	618,896	58,305	3,269,616
6									
7	RUCO Pinal Valley Adjustments	$ -	$ -	$ -	$ 16	$ 85	$ (28,887)	$ (4,136)	$ (32,921)
8									
9									
10	White Tank per RUCO	$ 15,208	$ 130,094	$ 44,894	$ 76,203	$ 74,897	$ 40,370	$ 8,993	$ 390,660
11	White Tank per Company	15,208	130,094	44,894	76,202	74,890	42,601	9,313	393,203
12									
13	RUCO White Tank Adjustments	$ -	$ -	$ -	$ 1	$ 7	$ (2,231)	$ (319)	$ (2,542)
14									
15									
16	**Ajo per RUCO**	$ 384	$ 11,031	$ 18,808	$ 31,076	$ 23,631	$ 14,514	$ 2,936	$ 102,380
17	**Ajo per Company**	384	11,031	18,808	31,076	23,628	15,320	3,052	103,300
18									
19	**RUCO Ajo Adjustments**	$ -	$ -	$ -	$ 0	$ 2	$ (807)	$ (116)	$ (920)
20									
21									
22	Subtotal per RUCO	$ 43,228	$ 787,399	$ 273,324	$ 1,122,129	$ 792,664	$ 644,893	$ 66,098	$ 3,729,735
23	Subtotal per Company	43,228	787,399	273,324	1,122,110	792,570	676,818	$ 70,669	3,766,119
24									
25	RUCO's Total WG Adjustments	$ -	$ -	$ -	$ 18	$ 94	$ (31,925)	$ (4,571)	$ (36,383)
26									
27	Increase/(Decrease) in Payroll Expenses -- Change in Employment Status								$ (36,383)
28									
29									
30									
31	Column [A]: Payroll allocations made to Source of Supply function.								
32	Column [B]: Payroll allocations made to Pumping function.								
33	Column [C]: Payroll allocations made to Water Treatment function.								
34	Column [D]: Payroll allocations made to Transmission & Distribution function.								
35	Column [E]: Payroll allocations made to Customer Accounting function.								
36	Column [F]: Payroll allocations made to Administrative & General function.								
37	Column [G]: [A] + [B] + [C] + [D] + [E] + [F]								
38									
39									

OPERATING INCOME ADJUSTMENT NO. 7
SERVICE VEHICLE COSTS
ADJUSTMENT TO REFLECT LOWER FUEL COSTS

Line No.	Western Group	Western Group - Service Vehicle Costs - Fuel Costs [A] Capital	[B] Source of Supply Increase / (Decrease)	[C] Pumping Increase / (Decrease)	[D] Water Treatment Increase / (Decrease)	[E] Transmission & Distribution Increase / (Decrease)	[F] Customer Accounting Increase / (Decrease)	[G] Administrative & General Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2									
3									
4	Pinal Valley per RUCO	$ 10,037	$ 369	$ 19,241	$ 5,427	$ 36,449	$ 11,606	$ 1,025	$ 74,117
5	Pinal Valley per Company	11,309	416	21,679	6,115	41,066	13,076	1,155	83,507
6									
7	RUCO Pinal Valley Adjustments		$ (47)	$ (2,437)	$ (688)	$ (4,617)	$ (1,470)	$ (130)	$ (9,389)
8									
9									
10	White Tank per RUCO	$ 1,655	$ 267	$ 4,161	$ 512	$ 3,031	$ 2,041	$ 31	$ 10,043
11	White Tank per Company	1,956	316	4,919	605	3,584	2,413	36	11,874
12									
13	RUCO White Tank Adjustments		$ (49)	$ (758)	$ (93)	$ (553)	$ (372)	$ (6)	$ (1,831)
14									
15									
16	**Ajo per RUCO**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17	**Ajo per Company**	-	-	-	-	-	-	-	-
18									
19	**RUCO Ajo Adjustments**		$ -	$ -	$ -	$ -	$ -	$ -	$ -
20									
21									
22	Subtotal per RUCO	$ 11,692	$ 637	$ 23,402	$ 5,939	$ 39,480	$ 13,647	$ 1,056	$ 84,160
23	Subtotal per Company	13,265	732	26,598	6,720	44,650	15,489	1,191	95,380
24									
25	RUCO's Total WG Adjustments		$ (96)	$ (3,196)	$ (781)	$ (5,170)	$ (1,842)	$ (135)	$ (11,220)
26									
27	Increase/(Decrease) in Fuel Expenses								$ (11,220)
28									
29									
30									
31	Column [A]:	The cost figures shown in column [A] are presented in the work papers accompanying Income Statement adjustment IS-16 , but ate not							
32		included as an expense in the Company's IS-16 service vehicle cost adjustments. RUCO presents them for informational purposes only.							
33	Columns [B] - [G]:	Fuel cost allocations made							
34									
35	Column [H]:	([B] + [C] + [D] + [E] + [F] + [G])							
36									
37									
38									
39									

OPERATING INCOME ADJUSTMENT NO. 8
RATE CASE EXPENSE

LINE NO.	Western Group	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 486,274	$ (166,447)	$ 319,827
2	Allocation Factor			0.01902
3	Ajo System (Line 1 X Line 2)			$ 6,084
4	Normalized Over 3 Years			3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)			$ 2,028
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 3,083
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (1,055)
8	**RUCO Adjustment (Line 7) (See JAC-8, Column (E))**			**$ (1,055)**

RUCO's Rate Case Expense Adjustment Calculation:

Decision No. 68302, dated November 14, 2005, Approved $250,000 for Arizona Water Company's Western Gro	$	250,000
Inflation Factor from January 1, 2004 thru July 1, 2011 per InflationData.com		21.99%
RUCO recommended Rate Case Expense in prior Western Group rate case (Docket No. W-01445A-10-	$	304,975
Inflation Factor from July 1, 2011 thru January 31, 2016 per InflationData.com		4.87%
Reasonable rate case expense based on Commission Decision No. 68302	$	319,827
RUCO Rate Case Expense Adjustment	$	(166,447)

3-Factor Allocation Percentages Used by the Company:

Pinal Valley System	0.87635
White Tank System	0.10462
Ajo System	0.01902
Western Group Total	1.00000

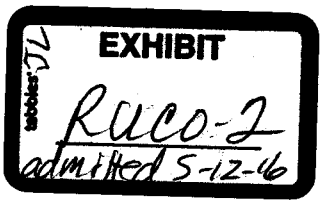
RUCO OPERATING INCOME ADJUSTMENT NO. 9
PROPERTY TAXES

LINE NO.	Property Tax Calculation	(A) RUCO AS ADJUSTED	(B) RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues - 2010	$ 445,441	$ 445,441
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	$ 890,882	$ 890,882
4a	RUCO Adjusted Test Year Revenues - 2010	445,441	
4b	RUCO Recommended Revenue, Per Schedule JAC-7		474,049
5	Subtotal (Line 4 + Line 5)	$ 1,336,322	$ 1,364,931
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 445,441	$ 454,977
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 890,882	$ 909,954
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 890,882	$ 909,954
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	$ 160,359	$ 163,792
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	12.7400%	12.7400%
16	RUCO Proposed Property Tax Expense (Line 14 * Line 15)	$ 20,430	
17	Company Proposed Property Tax	24,146	
18	RUCO Test Year Adjustment (Line 16-Line 17)	$ (3,716)	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		$ 20,867
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		20,430
21	Increase/(Decrease) to Property Tax Expense		$ 437
22	Increase/(Decrease) to Property Tax Expense		$ 437
23	Increase in Revenue Requirement		28,608
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.015288

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 75,000,000	46.31%	5.43%	2.51%
2	Common Equity	86,959,196	53.69%	8.95%	4.80%
3	Total Capitalization	$ 161,959,196	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.32%

References:
Columns (A) Thru (D): JAC Cost of Capital Testimony



ARIZONA WATER COMPANY

DOCKET NO. W-01445A-15-0277

DIRECT TESTIMONY

OF

JOHN CASSIDY

ON

RATE DESIGN

ON BEHALF OF THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 18, 2016

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EXECUTIVE SUMMARY

Arizona Water Company ("AWC" or "Company") is a Class A public service water corporation. At the present time, the total Company serves approximately 84,000 customers. AWC is comprised of ten separate operating systems that are organized into three different geographical groups: the Eastern, Western, and Northern Groups. AWC filed a general rate application with the Arizona Corporation Commission ("ACC" or "Commission") on August 21, 2015 for its Western Group using a test year ending December 31, 2014. The Commission found the Application sufficient and filed a letter of Sufficiency on September 14, 2015.

The Company's Western Group is comprised of the Pinal Valley, White Tank and Ajo systems and serves approximately 32,700 customers. AWC is requesting adjustments to its rates and charges for utility service in each of the Western Group water systems. AWC's rate application uses a test year ending December 31, 2014.

The Company has proposed a declining usage/ weather normalization adjustment reducing test year gallons sold. RUCO does not support a declining usage adjustment as it is not a known and measurable adjustment.

RUCO recommends approval of its rate design for AWC Western Group's Pinal Valley, White Tank and Ajo systems.

Pinal Valley System:

The Company-proposed rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter residential customer, with an average usage of 7,781 gallons, by $8.61 or 29.06 percent, from $29.62 to $38.22. Under the RUCO-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by $4.02 or 13.56 percent, from $29.62 to $33.63.

White Tank System:

The Company-proposed rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter residential customer, with an average usage of 11,733 gallons, by $15.26 or 29.24 percent, from $52.20 to $67.46. Under the RUCO-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by $6.79 or 13.01 percent, from $52.20 to $58.99.

Ajo System:

The Company-proposed rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter residential customer, with an average usage of 3,991 gallons, by $8.40 or 20.50 percent, from $40.98 to $49.38. Under the RUCO-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by $2.66 or 6.48 percent, from $40.98 to $43.64.

I. INTRODUCTION

Q. Are you the same John A. Cassidy who previously filed direct testimony pertaining to (i) rate base, operating income and revenue requirement, and (ii) cost of capital on behalf of RUCO in this proceeding?

A. Yes, I am.

Q. What is the purpose of your direct testimony?

A. My direct testimony will address RUCO's recommended rate design for each of the three systems comprising AWC's Western Group. These three Western Group systems include Pinal Valley, White Tank and Ajo. To support RUCO's position in this direct testimony, Schedule JAC-1 presents a typical residential bill analysis for the Pinal Valley system; JAC-2 presents a typical residential bill analysis for the White Tank system; and JAC-3 presents a typical residential bill analysis for the Ajo system. Schedule JAC-1.1 for the Pinal Valley system (pages 1-5); Schedule JAC-2.1 for the White Tank system (pages 1-5); Schedule JAC 3.1 for the Ajo system (pages 1-6) have been prepared which develop appropriate rate designs allowing for recovery of RUCO's recommended revenue requirement. In addition, my testimony will also discuss the Company's proposed declining usage adjustment.

II. BACKGROUND

Q. Please describe the Company and the background of the current rate case.

A. Arizona Water Company ("AWC" or "Company") is a Class A public service water corporation. At the present time, the total Company serves approximately 84,000 customers. AWC is comprised of ten separate operating systems that are organized into three different geographical groups: the Eastern, Western, and Northern Groups. AWC filed a general rate application with the Arizona Corporation Commission ("ACC" or "Commission") on August 21, 2015 for its Western Group using a test year ending December 31, 2014. The Commission found the Application sufficient and filed a letter of Sufficiency on September 14, 2015.

Q. Briefly describe the current rate design structure for AWC's Western Group systems.

A. For each of the three systems within the Western Group, the present rate design is based on monthly minimum charges that increase by meter size and tiered commodity rate charges per one-thousand gallons consumed. There are currently several customer classifications; residential, commercial, industrial, private fire service, coin machine, construction, and sales for resale.

At present, the Pinal Valley, White Tank and Ajo systems all have a three-tier commodity rate design for 5/8 x 3/4-inch meter residential customers. All other residential customers and commercial customers have a two-tier commodity rate design. Additionally, industrial customers and construction customers having meters at or under 4-inch also presently have a two-tier commodity rate design. Industrial customers having meters at or above 6-inch, and all sales for resale customers presently have a one-tier commodity rate design.

Q. Has the Company proposed any significant changes to the present rate design structure?

A. Yes. For each of its Western Group systems, the Company proposes a four-tier rate design for residential customers having a meter at or under 3/4-inch. The Company proposes a three-tier rate design for residential customers having a meter at or above 1-inch, as well as all commercial customers and all construction customers. The Company now proposes a one-tier rate design for all industrial customers, and retains its one-tier rate design for all sales for resale customers. All of the above noted changes apply to AWC's Pinal Valley, White Tank and Ajo systems.

Q. Is RUCO recommending changes to the present rate design structure?

A. No. For purposes of its proposed rate design, RUCO has retained the Company's current rate design structure, as well as all current break over points for the Pinal Valley, White Tank and Ajo systems.

III. DECLINING USAGE RATE DESIGN

Q Is the Company proposing a declining usage/weather normalization adjustment to reduce the quantity of test year gallons sold?

A. Yes. In direct testimony filed by Company witness Mr. Joel M. Reiker, AWC makes a declining usage/weather normalization adjustment to the billing determinants (i.e., quantity of gallons sold) for each of the three operating systems in its Western Group. The weather and usage normalization adjustment proposed by the Company reduces test-year gallons sold for each Western Group system as follows:[1]

System	Declining Usage Adjustment (Reduction to gallons sold)
Pinal Valley	-2.0487 percent
White Tank	-3.4614 percent
Ajo	-5.4400 percent

[1] *See* Reiker Direct, Exhibit JMR-6 (Schedule Page 1 of 5).

Q. What is RUCO's position on AWC's proposed rate design which incorporates the above referenced declining usage/weather normalization adjustments to the billing determinants for each Western Group system?

A. RUCO believes that the Company's declining usage/weather normalization adjustment is improper, as the extent to which weather patterns influence water consumption is not something which is known and measurable, thereby rendering the Company's adjustment to be speculative. Furthermore, as noted in direct testimony, RUCO believes Mr. Reiker's use of a five year measurement period to be insufficient to establish a baseline norm against which to compare test-year weather conditions. In this regard, it should be noted that when proposing a weather normalization adjustment in both (i) the prior AWC Western Group rate case (Docket No. W-01445A-10-0517) and (ii) the prior AWC Eastern Group rate case (Docket No. W-01445A-11-0310), Mr. Reiker did, in fact, utilize a ten year period over which to establish a baseline norm for purposes of his analysis.[2] That Mr. Reiker has elected to utilize only a five year study period for purposes of his declining usage/weather normalization adjustment in the instant docket only further calls into question the legitimacy of such an adjustment for rate-making purposes.

[2] In the prior AWC Western Group rate filing, Mr. Reiker studied monthly weather patterns over the 10-year period, January 2000 – December 2009 (See Reiker Direct, Docket No. W-01445A-10-0517, Exhibit JMR-5). In the prior AWC Eastern Group rate filing, Mr. Reiker studied monthly weather patterns over the 10-year period, January 2001 – December 2010 (See Reiker Direct, Docket No. W-01445A-11-0310, Exhibit JMR-1).

Q. For the reasons noted above, does RUCO recommend that the Commission deny the Company's proposed rate design, inclusive of a speculative declining usage adjustment?

A. Yes.

Q. Has the issue of declining usage been addressed in recent decisions by the ACC?

A. Yes. In Decision No. 73736, dated February 20, 2013, the Commission denied the Company's proposed declining usage adjustment for its Eastern Group. In the Decision (p. 71), the Commission stated that it would "not approve such an adjustment without first **being confident that the changes in usage are known and measureable** (emphasis added)."

IV. RATE DESIGN

Q. Have you prepared schedules summarizing the present, Company-proposed and RUCO-recommended rates and charges?

A. Yes. RUCO has presented its recommended rates in the attached Rate Design Schedules for each system. RUCO presents its recommended rate design in Schedule JAC-1.1, Schedule JAC-2.1 and Schedule JAC-3.1 for the Pinal Valley, White Tank and Ajo systems, respectively. A brief summary of the present, Company-proposed and RUCO-recommended rates for the 5/8 x 3/4-inch meter residential customer for the Pinal Valley, White Tank and Ajo system is presented below.

PINAL VALLEY SYSTEM

Q. Please summarize the present rate design for the 5/8 x 3/4-inch meter Pinal Valley residential customer.

A. The present monthly minimum charge for a 5/8 x 3/4-inch residential customer is $16.00. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch residential customer is $1.1879 per thousand gallons for 1 to 3,000 gallons, $2.1026 per thousand gallons for 3,001 to 10,000 gallons, and $3.2590 per thousand gallons for any consumption over 10,000 gallons.

Q. Please summarize the Company's proposed rate design for the 5/8 x 3/4-inch meter Pinal Valley residential customer.

A. The Company-proposed monthly minimum charge for a 5/8 x 3/4-inch residential customer is $22.00. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch residential customer is $1.5246 per thousand gallons for 1 to 2,000 gallons, $2.1891 per thousand gallons for 2,001 to 7,000 gallons, $2.8536 per thousand gallons for 7,001 to 18,000 gallons, and $4.1827 per thousand gallons for any consumption over 18,000 gallons.

Q. Please summarize RUCO's recommended rate design for the 5/8 x 3/4-inch meter Pinal Valley residential customer?

A. RUCO recommends a monthly minimum charge for a 5/8 x 3/4-inch residential customer of $18.14. No gallons are included in the monthly minimum charge. RUCO recommends a residential water commodity rate for the 5/8 x 3/4-inch residential customer of $1.3517 per thousand gallons for 1 to 3,000 gallons, $2.3924 per thousand gallons for 3,001 to 10,000 gallons, and $3.7083 per thousand gallons for any consumption over 10,000 gallons.

WHITE TANK SYSTEM

Q. Please summarize the present rate design for the 5/8 x 3/4-inch meter White Tank residential customer.

A. The present monthly minimum charge for a 5/8 x 3/4-inch residential customer is $23.00. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch residential customer is $1.8000 per thousand gallons for 1 to 5,000 gallons, $3.0000 per thousand gallons for 5,001 to 15,000 gallons, and $5.1664 per thousand gallons for any consumption over 15,000 gallons.

Q. Please summarize the Company's proposed rate design for the 5/8 x 3/4-inch meter White Tank residential customer.

A. The Company-proposed monthly minimum charge for a 5/8 x 3/4-inch residential customer is $30.00. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch residential customer is $2.2531 per thousand gallons for 1 to 3,000 gallons, $3.3065 per thousand gallons for 3,001 to 10,000 gallons, $4.3599 per thousand gallons for 10,001 to 30,000 gallons, and $6.4668 per thousand gallons for any consumption over 30,000 gallons.

Q. Please summarize RUCO's recommended rate design for the 5/8 x 3/4-inch meter White Tank residential customer?

A. RUCO recommends a monthly minimum charge for a 5/8 x 3/4-inch residential customer of $26.00. No gallons are included in the monthly minimum charge. RUCO recommends a residential water commodity rate for the 5/8 x 3/4-inch residential customer of $2.0338 per thousand gallons for 1 to 5,000 gallons, $3.3896 per thousand gallons for 5,001 to 15,000 gallons, and $5.8374 per thousand gallons for any consumption over 15,000 gallons.

AJO SYSTEM

Q. Please summarize the present rate design for the 5/8 x 3/4-inch meter Ajo residential customer.

A. The present monthly minimum charge for a 5/8 x 3/4-inch residential customer is $25.00. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch residential customer is $3.3617 per thousand gallons for 1 to 3,000 gallons, $5.9502 per thousand gallons for 3,001 to 10,000 gallons, and $9.2228 per thousand gallons for any consumption over 10,000 gallons.

Q. Please summarize the Company's proposed rate design for the 5/8 x 3/4-inch meter Ajo residential customer.

A. The Company-proposed monthly minimum charge for a 5/8 x 3/4-inch residential customer is $28.00. No gallons are included in the monthly minimum charge. The residential water commodity rate for the 5/8 x 3/4-inch residential customer is $4.4007 per thousand gallons for 1 to 2,000 gallons, $6.3189 per thousand gallons for 2,001 to 5,000 gallons, $8.2370 per thousand gallons for 5,001 to 10,000 gallons, and $12.0733 per thousand gallons for any consumption over 10,000 gallons.

Q. Please summarize RUCO's recommended rate design for the 5/8 x 3/4-inch Ajo residential customer?

A. RUCO recommends a monthly minimum charge for a 5/8 x 3/4-inch residential customer of $26.62. No gallons are included in the monthly minimum charge. RUCO recommends a residential water commodity rate for the 5/8 x 3/4-inch residential customer of $3.5796 per thousand gallons for 1 to 3,000 gallons, $6.3359 per thousand gallons for 3,001 to 10,000 gallons, and $9.8206 per thousand gallons for any consumption over 10,000 gallons.

V. TYPICAL BILL ANALYSIS

Q. Have you prepared a residential typical bill analysis to show the impact of both the Company-proposed and RUCO-recommended rates for each of AWC's three Western Group systems?

A. Yes. RUCO has presented its typical bill analysis in Schedule JAC-1, Schedule JAC-2 and Schedule JAC-3 for the Pinal Valley, White Tank and Ajo systems, respectively. The results for each AWC Western Group operating system are summarized below.

Pinal Valley System:

The Company-proposed rates would increase the monthly bill for a typical 5/8 x3/4-inch meter Pinal Valley residential customer, with an average usage of 7,781 gallons, by $8.61 or 29.06 percent, from $29.62 to $38.22.

Under the RUCO-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by $4.02 or 13.56 percent, from $29.62 to $33.63.

White Tank System:

The Company-proposed rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter White Tank residential customer, with an average usage of 11,733 gallons, by $15.26 or 29.24 percent, from $52.20 to $67.46. Under the RUCO-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by $6.79 or 13.01 percent, from $52.20 to $58.99.

Ajo System:

The Company-proposed rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter Ajo residential customer, with an average usage of 3,991 gallons, by $8.40 or 20.50 percent, from $40.98 to $49.38. Under the RUCO-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by $2.66 or 6.48 percent, from $40.98 to $43.64.

Q. Does this conclude your direct testimony on rate design?

A. Yes, it does.

SCHEDULES
WESTERN GROUP
PINAL VALLEY

Arizona Water Company - Western Group - Pinal Valley
Docket No. W-01445A-15-0277
Test Year Ended December 31, 2014

RUCO Schedule JAC-1

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,781	$ 29.62	$ 38.22	$ 8.61	29.06%
Median Usage	5,700	25.24	33.15	$ 7.91	31.33%
RUCO Recommended					
Average Usage	7,781	$ 29.62	$ 33.63	$ 4.02	13.56%
Median Usage	5,700	25.24	28.65	$ 3.41	13.53%

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

Gallons	Present		Company Proposed		%	RUCO Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 16.00	Minimum Charge	$ 22.00		Minimum Charge	$ 18.14	
	1st Tier Rate	1.1879	1st Tier Rate	1.5246		1st Tier Rate	1.3517	
	1st Tier Breakover	3,000	1st Tier Breakover	2,000		1st Tier Breakover	3,000	
	2nd Tier Rate Incremental Tier 2	2.1026	2nd Tier Rate Incremental Tier 2	2.1891		2nd Tier Rate Incremental Tier 2	2.3924	
	Rate	0.9147	Rate	0.6645		Rate	1.0407	
	2nd Tier Breakover	10,000	2nd Tier Breakover	7,000		2nd Tier Breakover	10,000	
	3rd Tier Rate Incremental Tier 3	3.2590	3rd Tier Rate Incremental Tier 3	2.8536		3rd Tier Rate Incremental Tier 3	3.7083	
	Rate	1.1564	Rate	0.6645		Rate	1.3159	
	3rd Tier Breakover	9,999,999,999	3rd Tier Breakover	18,000		3rd Tier Breakover	99,999,999	
	4th Tier Rate Incremental Tier 4	-	4th Tier Rate Incremental Tier 4	4.1827		4th Tier Rate Incremental Tier 4	-	
	Rate	-	Rate	1.3290		Rate	-	
	4th Tier Breakover	-	4th Tier Breakover	9,999,999,999		4th Tier Breakover	-	
	5th Tier Rate Incremental Tier 5	-	5th Tier Rate Incremental Tier 5	-		5th Tier Rate Incremental Tier 5	-	
	Rate	-	Rate	-		Rate	-	
	5th Tier Breakover	-	5th Tier Breakover	-		5th Tier Breakover	-	
	6th Tier Rate Incremental Tier 6	-	6th Tier Rate Incremental Tier 6	-		6th Tier Rate Incremental Tier 6	-	
	Rate	-	Rate	-		Rate	-	
	6th Tier Breakover	-	6th Tier Breakover	-		6th Tier Breakover	-	
Consumption	Rates		Rates	Increase		Rates	Increase	
-	$ 16.00		$ 22.00	37.50%		$ 18.14	13.38%	
1,000	$ 17.19		$ 23.52	36.87%		$ 19.49	13.40%	
2,000	$ 18.38		$ 25.05	36.32%		$ 20.84	13.43%	
3,000	$ 19.56		$ 27.24	39.23%		$ 22.20	13.45%	
4,000	$ 21.67		$ 29.43	35.82%		$ 24.59	13.48%	
5,000	$ 23.77		$ 31.62	33.02%		$ 26.98	13.51%	
6,000	$ 25.87		$ 33.81	30.67%		$ 29.37	13.53%	
7,000	$ 27.97		$ 35.99	28.67%		$ 31.76	13.55%	
8,000	$ 30.08		$ 38.85	29.16%		$ 34.16	13.57%	
9,000	$ 32.18		$ 41.70	29.59%		$ 36.55	13.58%	
10,000	$ 34.28		$ 44.56	29.97%		$ 38.94	13.59%	
11,000	$ 37.54		$ 47.41	26.29%		$ 42.65	13.61%	
12,000	$ 40.80		$ 50.26	23.19%		$ 46.36	13.62%	
13,000	$ 44.06		$ 53.12	20.56%		$ 50.07	13.64%	
14,000	$ 47.32		$ 55.97	18.28%		$ 53.78	13.65%	
15,000	$ 50.58		$ 58.82	16.31%		$ 57.48	13.66%	
16,000	$ 53.84		$ 61.68	14.56%		$ 61.19	13.66%	
17,000	$ 57.09		$ 64.53	13.02%		$ 64.90	13.67%	
18,000	$ 60.35		$ 67.38	11.65%		$ 68.61	13.68%	
19,000	$ 63.61		$ 71.57	12.50%		$ 72.32	13.68%	
20,000	$ 66.87		$ 75.75	13.28%		$ 76.02	13.69%	
25,000	$ 83.17		$ 96.66	16.23%		$ 94.57	13.71%	
30,000	$ 99.46		$ 117.58	18.21%		$ 113.11	13.72%	
35,000	$ 115.76		$ 138.49	19.64%		$ 131.65	13.73%	
40,000	$ 132.05		$ 159.40	20.71%		$ 150.19	13.74%	
45,000	$ 148.35		$ 180.32	21.55%		$ 168.73	13.74%	
50,000	$ 164.64		$ 201.23	22.22%		$ 187.27	13.75%	
75,000	$ 246.12		$ 305.80	24.25%		$ 279.98	13.76%	
100,000	$ 327.59		$ 410.36	25.27%		$ 372.69	13.77%	

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
Meter Size (Residential Class):			
5/8 x 3/4 Inch	$ 16.00	$ 22.00	$ 18.14
3/4 Inch	N/A	33.00	27.21
1 Inch	40.00	55.00	45.35
1 1/2 Inch	80.00	110.00	90.70
2 Inch	128.00	176.00	145.12
3 Inch	256.00	352.00	290.24
4 Inch	400.00	550.00	453.50
6 Inch	800.00	1,100.00	907.00
8 Inch	1,280.00	1,760.00	1,451.20
10 Inch	1,840.00	2,530.00	2,086.10
Meter Size (Commercial):			
5/8 x 3/4 Inch	$ 16.00	$ 25.00	$ 18.14
3/4 Inch	N/A	37.50	27.21
1 Inch	40.00	62.50	45.35
1 1/2 Inch	80.00	125.00	90.70
2 Inch	128.00	200.00	145.12
3 Inch	256.00	400.00	290.24
4 Inch	400.00	625.00	453.50
6 Inch	800.00	1,250.00	907.00
8 Inch	1,280.00	2,000.00	1,451.20
10 Inch	1,840.00	2,875.00	2,086.10
Meter Size (Industrial):			
5/8 x 3/4 Inch	$ 16.00	$ 35.00	$ 18.14
3/4 Inch	N/A	52.50	27.21
1 Inch	40.00	87.50	45.35
1 1/2 Inch	80.00	175.00	90.70
2 Inch	128.00	280.00	145.12
3 Inch	256.00	560.00	290.24
4 Inch	400.00	875.00	453.50
6 Inch	800.00	1,750.00	907.00
8 Inch	1,280.00	2,800.00	1,451.20
10 Inch	1,840.00	4,025.00	2,086.10
Meter Size (Construction):			
5/8 x 3/4 Inch	N/A	$ 25.00	$ 18.14
3/4 Inch	N/A	37.50	27.21
1 Inch	N/A	62.50	45.35
1 1/2 Inch	N/A	125.00	90.70
2 Inch	$ 128.00	200.00	145.12
3 Inch	256.00	400.00	290.24
4 Inch	400.00	625.00	453.50
6 Inch	N/A	1,250.00	907.00
8 Inch	N/A	2,000.00	1,451.20
10 Inch	N/A	2,875.00	2,086.10
Meter Size (Sales for Resale):			
5/8 x 3/4 Inch	$ 16.00	$ 25.00	$ 18.14
3/4 Inch	N/A	37.50	27.21
1 Inch	40.00	62.50	45.35
1 1/2 Inch	80.00	125.00	90.70
2 Inch	128.00	200.00	145.12
3 Inch	256.00	400.00	290.24
4 Inch	400.00	625.00	453.50
6 Inch	800.00	1,250.00	907.00
8 Inch	1,280.00	2,000.00	1,451.20
10 Inch	1,840.00	2,875.00	2,086.10
Private Fires	$ 25.00	$ 35.00	$ 35.00
Public Fire Hydrants	N/A	N/A	N/A
Coin Machine (Gallons per Quarter)	N/A	N/A	N/A

Monthly Usage Charge Commodity Charge - Per 1,000 Gallons	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	$ 1.1879	N/A	$ 1.3517
3,001 to 10,000 gallons	2.1026	N/A	2.3924
Over 10,000 gallons	3.2590	N/A	3.7083
First 2,000 gallons	N/A	$ 1.5246	N/A
2,001 to 7,000 gallons	N/A	2.1891	N/A
7,001 to 18,000 gallons	N/A	2.8536	N/A
Over 18,000 gallons	N/A	4.1827	N/A
3/4" Meter (Residential)			
First 4,000 gallons	N/A	$ 1.5246	N/A
4,001 to 10,000 gallons	N/A	2.1891	N/A
10,001 to 18,000 gallons	N/A	2.8536	N/A
Over 18,000 gallons	N/A	4.1827	N/A
First 3,000 gallons	N/A	N/A	1.3517
3,001 to 10,000 gallons	N/A	N/A	2.3924
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Residential)			
First 15,000 gallons	2.1026	N/A	2.3924
Over 15,000 gallons	3.2590	N/A	3.7083
First 5,000 gallons	N/A	2.1891	N/A
5,001 to 18,000 gallons	N/A	2.8536	N/A
Over 18,000 gallons	N/A	4.1827	N/A
1 1/2" Meter (Residential)			
First 55,000 gallons	N/A	N/A	2.3924
Over 55,000 gallons	N/A	N/A	3.7083
First 10,000 gallons	N/A	2.1891	N/A
5,001 to 35,000 gallons	N/A	2.8536	N/A
Over 35,000 gallons	N/A	4.1827	N/A
2" Meter (Residential)			
First 95,000 gallons	2.1026	N/A	2.3924
Over 95,000 gallons	3.2590	N/A	3.7083
First 16,000 gallons	N/A	2.1891	N/A
16,001 to 56,000 gallons	N/A	2.8536	N/A
Over 56,000 gallons	N/A	4.1827	N/A
3" Meter (Residential)			
First 195,000 gallons	2.1026	N/A	2.3924
Over 195,000 gallons	3.2590	N/A	3.7083
First 32,000 gallons	N/A	2.1891	N/A
32,001 to 112,000 gallons	N/A	2.8536	N/A
Over 112,000 gallons	N/A	4.1827	
4" Meter (Residential)			
First 315,000 gallons	2.1026	N/A	2.3924
Over 315,000 gallons	3.2590	N/A	3.7083
First 50,000 gallons	N/A	2.1891	N/A
50,001 to 175,000 gallons	N/A	2.8536	N/A
Over 175,000 gallons	N/A	4.1827	N/A
6" Meter (Residential)			
First 650,000 gallons	2.1026	N/A	2.3924
Over 650,000 gallons	3.2590	N/A	3.7083
First 100,000 gallons	N/A	2.1891	N/A
100,001 to 350,000 gallons	N/A	2.8536	N/A
Over 350,000 gallons	N/A	4.1827	N/A
8" Meter (Residential)			
First 1,000,000 gallons	2.1026	N/A	2.3924
Over 1,000,000 gallons	3.2590	N/A	3.7083
First 160,000 gallons	N/A	2.1891	N/A
160,001 to 560,000 gallons	N/A	2.8536	N/A
Over 560,000 gallons	N/A	4.1827	N/A
10" Meter (Residential)			
First 1,475,000 gallons	2.1026	N/A	2.3924
Over 1,475,000 gallons	3.2590	N/A	3.7083
First 230,000 gallons	N/A	2.1891	N/A
230,001 to 805,000 gallons	N/A	2.8536	N/A
Over 805,000 gallons	N/A	4.1827	N/A
5/8" x 3/4" Meter (Commercial)			
First 10,000 gallons	2.1026	N/A	2.3924
Over 10,000 gallons	3.2590	N/A	3.7083
First 3,000 gallons	N/A	2.1891	N/A
3,001 to 15,000 gallons	N/A	2.8536	N/A
Over 15,000 gallons	N/A	4.1827	N/A

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
3/4" Meter (Commercial)			
First 5,000 gallons	N/A	1.5246	N/A
5,001 to 20,000 gallons	N/A	2.1891	N/A
Over 20,000 gallons	N/A	2.8536	N/A
First 10,000 gallons	N/A	N/A	2.3924
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Commercial)			
First 25,000 gallons	2.1026	N/A	2.3924
Over 25,000 gallons	3.2590	N/A	3.7083
First 8,000 gallons	N/A	2.1891	N/A
8,001 to 38,000 gallons	N/A	2.8536	N/A
Over 38,000 gallons	N/A	4.1827	N/A
1 1/2" Meter (Commercial)			
First 55,000 gallons	N/A	N/A	2.3924
Over 55,000 gallons	N/A	N/A	3.7083
First 15,000 gallons	N/A	2.1891	N/A
15,001 to 75,000 gallons	N/A	2.8536	N/A
Over 75,000 gallons	N/A	4.1827	N/A
2" Meter (Commercial)			
First 95,000 gallons	2.1026	N/A	2.3924
Over 95,000 gallons	3.2590	N/A	3.7083
First 24,000 gallons	N/A	2.1891	N/A
24,001 to 120,000 gallons	N/A	2.8536	N/A
Over 120,000 gallons	N/A	4.1827	N/A
3" Meter (Commercial)			
First 195,000 gallons	2.1026	N/A	2.3924
Over 195,000 gallons	3.2590	N/A	3.7083
First 48,000 gallons	N/A	2.1891	N/A
48,001 to 240,000 gallons	N/A	2.8536	N/A
Over 240,000 gallons	N/A	4.1827	
4" Meter (Commercial)			
First 315,000 gallons	2.1026	N/A	2.3924
Over 315,000 gallons	3.2590	N/A	3.7083
First 75,000 gallons	N/A	2.1891	N/A
75,001 to 375,000 gallons	N/A	2.8536	N/A
Over 375,000 gallons	N/A	4.1827	N/A
6" Meter (Commercial)			
First 650,000 gallons	2.1026	N/A	2.3924
Over 650,000 gallons	3.2590	N/A	3.7083
First 150,000 gallons	N/A	2.1891	N/A
150,001 to 750,000 gallons	N/A	2.8536	N/A
Over 750,000 gallons	N/A	4.1827	N/A
8" Meter (Commercial)			
First 1,000,000 gallons	2.1026	N/A	2.3924
Over 1,000,000 gallons	3.2590	N/A	3.7083
First 240,000 gallons	N/A	2.1891	N/A
240,001 to 1,200,000 gallons	N/A	2.8536	N/A
Over 1,200,000 gallons	N/A	4.1827	N/A
10" Meter (Commercial)			
First 1,475,000 gallons	2.1026	N/A	2.3924
Over 1,475,000 gallons	3.2590	N/A	3.7083
First 345,000 gallons	N/A	2.1891	N/A
345,001 to 1,725,000 gallons	N/A	2.8536	N/A
Over 1,725,000 gallons	N/A	4.1827	N/A
5/8" x 3/4" Meter (Industrial)			
First 10,000 gallons	1.5500	N/A	2.3924
Over 10,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
3/4" Meter (Industrial)			
All Gallons	N/A	2.5000	N/A
First 10,000 gallons	N/A	N/A	2.3924
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Industrial)			
First 25,000 gallons	1.5500	N/A	2.3924
Over 25,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
1 1/2" Meter (Industrial)			
First 55,000 gallons	1.5500	N/A	2.3924
Over 55,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
2" Meter (Industrial)			
First 95,000 gallons	1.5500	N/A	2.3924
Over 95,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
3" Meter (Industrial)			
First 195,000 gallons	1.5500	N/A	2.3924
Over 195,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
4" Meter (Industrial)			
First 315,000 gallons	1.5500	N/A	2.3924
Over 315,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
6" Meter (Industrial)			
All Gallons	1.5500	2.5000	2.3924
8" Meter (Industrial)			
All Gallons	1.5500	2.5000	2.3924
10" Meter (Industrial)			
All Gallons	1.5500	2.5000	2.3924
5/8" x 3/4" Meter (Construction)			
First 10,000 gallons	2.1026	N/A	2.3924
Over 10,000 gallons	3.2590	N/A	3.7083
First 3,000 gallons	N/A	2.1891	N/A
3,001 to 15,000 gallons	N/A	2.8536	N/A
Over 15,000 gallons	N/A	4.1827	N/A
3/4" Meter (Construction)			
First 5,000 gallons	N/A	1.5246	N/A
5,001 to 20,000 gallons	N/A	2.1891	N/A
Over 20,000 gallons	N/A	2.8536	N/A
First 10,000 gallons	N/A	N/A	2.3924
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Construction)			
First 25,000 gallons	2.1026	N/A	2.3924
Over 25,000 gallons	3.2590	N/A	3.7083
First 8,000 gallons	N/A	2.1891	N/A
8,001 to 38,000 gallons	N/A	2.8536	N/A
Over 38,000 gallons	N/A	4.1827	N/A
1 1/2" Meter (Construction)			
First 55,000 gallons	N/A	N/A	2.3924
Over 55,000 gallons	N/A	N/A	3.7083
First 15,000 gallons	N/A	2.1891	N/A
15,001 to 75,000 gallons	N/A	2.8536	N/A
Over 75,000 gallons	N/A	4.1827	N/A
2" Meter (Construction)			
First 95,000 gallons	2.1026	N/A	2.3924
Over 95,000 gallons	3.2590	N/A	3.7083
First 24,000 gallons	N/A	2.1891	N/A
24,001 to 120,000 gallons	N/A	2.8536	N/A
Over 120,000 gallons	N/A	4.1827	N/A
3" Meter (Construction)			
First 195,000 gallons	2.1026	N/A	2.3924
Over 195,000 gallons	3.2590	N/A	3.7083
First 48,000 gallons	N/A	2.1891	N/A
48,001 to 240,000 gallons	N/A	2.8536	N/A
Over 240,000 gallons	N/A	4.1827	
4" Meter (Construction)			
First 315,000 gallons	2.1026	N/A	2.3924
Over 315,000 gallons	3.2590	N/A	3.7083
First 75,000 gallons	N/A	2.1891	N/A
75,001 to 375,000 gallons	N/A	2.8536	N/A
Over 375,000 gallons	N/A	4.1827	N/A
6" Meter (Construction)			
First 650,000 gallons	2.1026	N/A	2.3924
Over 650,000 gallons	3.2590	N/A	3.7083
First 150,000 gallons	N/A	2.1891	N/A
150,001 to 750,000 gallons	N/A	2.8536	N/A
Over 750,000 gallons	N/A	4.1827	N/A
8" Meter (Construction)			
First 1,000,000 gallons	2.1026	N/A	2.3924
Over 1,000,000 gallons	3.2590	N/A	3.7083
First 240,000 gallons	N/A	2.1891	N/A
240,001 to 1,200,000 gallons	N/A	2.8536	N/A
Over 1,200,000 gallons	N/A	4.1827	N/A
10" Meter (Construction)			
First 1,475,000 gallons	2.1026	N/A	2.3924
Over 1,475,000 gallons	3.2590	N/A	3.7083
First 345,000 gallons	N/A	2.1891	N/A
345,001 to 1,725,000 gallons	N/A	2.8536	N/A
Over 1,725,000 gallons	N/A	4.1827	N/A

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
3/4" Meter (Sale for Resale)			
All Gallons	N/A	2.1891	2.3924
1" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
1 1/2" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
2" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
3" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
4" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
6" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
8" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924
10" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.3924

SCHEDULES
WESTERN GROUP
WHITE TANK

Arizona Water Company - Western Group - White Tank
Docket No. W-01445A-15-0277
Test Year Ended December 31, 2014

RUCO Schedule JAC-2

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	11,733	$ 52.20	$ 67.46	$ 15.26	29.24%
Median Usage	7,631	39.89	52.07	$ 12.18	30.53%
RUCO Recommended					
Average Usage	11,733	$ 52.20	$ 58.99	$ 6.79	13.01%
Median Usage	7,631	39.89	45.09	$ 5.19	13.02%

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

Gallons	Present		Company Proposed		%	RUCO Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 23.00	Minimum Charge	$ 30.00		Minimum Charge	$ 26.00	
	1st Tier Rate	1.8000	1st Tier Rate	2.2531		1st Tier Rate	2.0338	
	1st Tier Breakover	5,000	1st Tier Breakover	3,000		1st Tier Breakover	5,000	
	2nd Tier Rate	3.0000	2nd Tier Rate	3.3065		2nd Tier Rate	3.3896	
	Incremental Tier 2 Rate	1.2000	Incremental Tier 2 Rate	1.0534		Incremental Tier 2 Rate	1.3558	
	2nd Tier Breakover	15,000	2nd Tier Breakover	10,000		2nd Tier Breakover	15,000	
	3rd Tier Rate	5.1664	3rd Tier Rate	4.3599		3rd Tier Rate	5.8374	
	Incremental Tier 3 Rate	2.1664	Incremental Tier 3 Rate	1.0534		Incremental Tier 3 Rate	2.4478	
	3rd Tier Breakover	9,999,999,999	3rd Tier Breakover	30,000		3rd Tier Breakover	9,999,999,999	
	4th Tier Rate	-	4th Tier Rate	6.4668		4th Tier Rate	-	
	Incremental Tier 4 Rate	-	Incremental Tier 4 Rate	2.1069		Incremental Tier 4 Rate	-	
	4th Tier Breakover	-	4th Tier Breakover	9,999,999,999		4th Tier Breakover	-	
	5th Tier Rate	-	5th Tier Rate	-		5th Tier Rate	-	
	Incremental Tier 5 Rate	-	Incremental Tier 5 Rate	-		Incremental Tier 5 Rate	-	
	5th Tier Breakover	-	5th Tier Breakover	-		5th Tier Breakover	-	
	6th Tier Rate	-	6th Tier Rate	-		6th Tier Rate	-	
	Incremental Tier 6 Rate	-	Incremental Tier 6 Rate	-		Incremental Tier 6 Rate	-	
	6th Tier Breakover	-	6th Tier Breakover	-		6th Tier Breakover	-	

Consumption	Present Rates	Company Proposed Rates	Increase	%	RUCO Recommended Rates	Increase
-	$ 23.00	$ 30.00	30.43%	$	26.00	13.04%
1,000	$ 24.80	$ 32.25	30.05%	$	28.03	13.04%
2,000	$ 26.60	$ 34.51	29.72%	$	30.07	13.04%
3,000	$ 28.40	$ 36.76	29.43%	$	32.10	13.03%
4,000	$ 30.20	$ 40.07	32.67%	$	34.14	13.03%
5,000	$ 32.00	$ 43.37	35.54%	$	36.17	13.03%
6,000	$ 35.00	$ 46.68	33.37%	$	39.56	13.02%
7,000	$ 38.00	$ 49.99	31.54%	$	42.95	13.02%
8,000	$ 41.00	$ 53.29	29.98%	$	46.34	13.02%
9,000	$ 44.00	$ 56.60	28.63%	$	49.73	13.02%
10,000	$ 47.00	$ 59.90	27.46%	$	53.12	13.01%
11,000	$ 50.00	$ 64.26	28.53%	$	56.51	13.01%
12,000	$ 53.00	$ 68.62	29.48%	$	59.90	13.01%
13,000	$ 56.00	$ 72.98	30.33%	$	63.29	13.01%
14,000	$ 59.00	$ 77.34	31.09%	$	66.68	13.01%
15,000	$ 62.00	$ 81.70	31.78%	$	70.07	13.01%
16,000	$ 67.17	$ 86.06	28.14%	$	75.90	13.01%
17,000	$ 72.33	$ 90.42	25.01%	$	81.74	13.01%
18,000	$ 77.50	$ 94.78	22.30%	$	87.58	13.00%
19,000	$ 82.67	$ 99.14	19.93%	$	93.41	13.00%
20,000	$ 87.83	$ 103.50	17.84%	$	99.25	13.00%
25,000	$ 113.66	$ 125.30	10.24%	$	128.44	13.00%
30,000	$ 139.50	$ 147.10	5.45%	$	157.63	13.00%
35,000	$ 165.33	$ 179.44	8.53%	$	186.81	13.00%
40,000	$ 191.16	$ 211.77	10.78%	$	216.00	12.99%
45,000	$ 216.99	$ 244.10	12.49%	$	245.19	12.99%
50,000	$ 242.82	$ 276.44	13.84%	$	274.37	12.99%
75,000	$ 371.98	$ 438.11	17.78%	$	420.31	12.99%
100,000	$ 501.14	$ 599.78	19.68%	$	566.24	12.99%

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
Meter Size (Residential Class):			
5/8 x 3/4 Inch	$ 23.00	$ 30.00	$ 26.00
3/4 Inch	N/A	45.00	39.00
1 Inch	57.50	75.00	65.00
1 1/2 Inch	115.00	150.00	130.00
2 Inch	184.00	240.00	208.00
3 Inch	368.00	480.00	416.00
4 Inch	575.00	750.00	650.00
6 Inch	1,150.00	1,500.00	1,300.00
8 Inch	1,840.00	2,400.00	2,080.00
10 Inch	2,645.00	3,450.00	2,990.00
Meter Size (Commercial):			
5/8 x 3/4 Inch	$ 23.00	$ 35.00	$ 26.00
3/4 Inch	N/A	52.50	39.00
1 Inch	57.50	87.50	65.00
1 1/2 Inch	115.00	175.00	130.00
2 Inch	184.00	280.00	208.00
3 Inch	368.00	560.00	416.00
4 Inch	575.00	875.00	650.00
6 Inch	1,150.00	1,750.00	1,300.00
8 Inch	1,840.00	2,800.00	2,080.00
10 Inch	2,645.00	4,025.00	2,990.00
Meter Size (Industrial):			
5/8 x 3/4 Inch	$ 23.00	$ 35.00	$ 26.00
3/4 Inch	N/A	52.50	39.00
1 Inch	57.50	87.50	65.00
1 1/2 Inch	115.00	175.00	130.00
2 Inch	184.00	280.00	208.00
3 Inch	368.00	560.00	416.00
4 Inch	575.00	875.00	650.00
6 Inch	1,150.00	1,750.00	1,300.00
8 Inch	1,840.00	2,800.00	2,080.00
10 Inch	2,645.00	4,025.00	2,990.00
Meter Size (Construction):			
5/8 x 3/4 Inch	N/A	$ 25.00	$ 26.00
3/4 Inch	N/A	37.50	39.00
1 Inch	N/A	62.50	65.00
1 1/2 Inch	N/A	125.00	130.00
2 Inch	$ 184.00	200.00	208.00
3 Inch	368.00	400.00	416.00
4 Inch	575.00	625.00	650.00
6 Inch	N/A	1,250.00	1,300.00
8 Inch	N/A	2,000.00	2,080.00
10 Inch	N/A	2,875.00	2,990.00
Meter Size (Sales for Resale):			
5/8 x 3/4 Inch	$ 23.00	$ 25.00	$ 26.00
3/4 Inch	N/A	37.50	39.00
1 Inch	57.50	62.50	65.00
1 1/2 Inch	115.00	125.00	130.00
2 Inch	184.00	200.00	208.00
3 Inch	368.00	400.00	416.00
4 Inch	575.00	625.00	650.00
6 Inch	1,150.00	1,250.00	1,300.00
8 Inch	1,840.00	2,000.00	2,080.00
10 Inch	2,645.00	2,875.00	2,990.00
Private Fires	$ 25.00	$ 35.00	$ 35.00
Public Fire Hydrants	N/A	N/A	N/A
Coin Machine (Gallons per Quarter)	N/A	N/A	N/A

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 5,000 gallons	$ 1.8000	N/A	$ 2.0338
5,001 to 15,000 gallons	3.0000	N/A	3.3896
Over 15,000 gallons	5.1664	N/A	5.8374
First 3,000 gallons	N/A	$ 2.2531	N/A
3,001 to 10,000 gallons	N/A	3.3065	N/A
10,001 to 30,000 gallons	N/A	4.3599	N/A
Over 30,000 gallons	N/A	6.4668	N/A
3/4" Meter (Residential)			
First 5,000 gallons	N/A	$ 2.2531	N/A
5,001 to 15,000 gallons	N/A	3.3065	N/A
15,001 to 30,000 gallons	N/A	4.3599	N/A
Over 30,000 gallons	N/A	6.4668	N/A
First 5,000 gallons	N/A	N/A	$ 2.0338
5,001 to 15,000 gallons	N/A	N/A	3.3896
Over 15,000 gallons	N/A	N/A	5.8374
1" Meter (Residential)			
First 25,000 gallons	3.0000	N/A	3.3896
Over 25,000 gallons	5.1664	N/A	5.8374
First 8,000 gallons	N/A	3.3065	N/A
8,001 to 20,000 gallons	N/A	4.3599	N/A
Over 20,000 gallons	N/A	6.4668	N/A
1 1/2" Meter (Residential)			
First 50,000 gallons	3.0000	N/A	3.3896
Over 50,000 gallons	5.1664	N/A	5.8374
First 15,000 gallons	N/A	3.3065	N/A
15,001 to 35,000 gallons	N/A	4.3599	N/A
Over 35,000 gallons	N/A	6.4668	N/A
2" Meter (Residential)			
First 80,000 gallons	3.0000	N/A	3.3896
Over 80,000 gallons	5.1664	N/A	5.8374
First 24,000 gallons	N/A	3.3065	N/A
24,001 to 80,000 gallons	N/A	4.3599	N/A
Over 80,000 gallons	N/A	6.4668	N/A
3" Meter (Residential)			
First 160,000 gallons	3.0000	N/A	3.3896
Over 160,000 gallons	5.1664	N/A	5.8374
First 48,000 gallons	N/A	3.3065	N/A
48,001 to 160,000 gallons	N/A	4.3599	N/A
Over 160,000 gallons	N/A	6.4668	
4" Meter (Residential)			
First 250,000 gallons	3.0000	N/A	3.3896
Over 250,000 gallons	5.1664	N/A	5.8374
First 75,000 gallons	N/A	3.3065	N/A
75,001 to 200,000 gallons	N/A	4.3599	N/A
Over 200,000 gallons	N/A	6.4668	N/A
6" Meter (Residential)			
First 500,000 gallons	3.0000	N/A	3.3896
Over 500,000 gallons	5.1664	N/A	5.8374
First 15,000 gallons	N/A	3.3065	N/A
150,001 to 425,000 gallons	N/A	4.3599	N/A
Over 425,000 gallons	N/A	6.4668	N/A
8" Meter (Residential)			
First 800,000 gallons	3.0000	N/A	3.3896
Over 800,000 gallons	5.1664	N/A	5.8374
First 240,000 gallons	N/A	3.3065	N/A
240,000 to 800,000 gallons	N/A	4.3599	N/A
Over 800,000 gallons	N/A	6.4668	N/A
10" Meter (Residential)			
First 1,150,000 gallons	3.0000	N/A	3.3896
Over 1,150,000 gallons	5.1664	N/A	5.8374
First 345,000 gallons	N/A	3.3065	N/A
345,001 to 1,150,000 gallons	N/A	4.3599	N/A
Over 1,150,000 gallons	N/A	6.4668	N/A

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Commercial)			
First 10,000 gallons	3.0000	N/A	3.3896
Over 10,000 gallons	5.1664	N/A	5.8374
First 5,000 gallons	N/A	3.3065	N/A
5,001 to 20,000 gallons	N/A	4.3599	N/A
Over 20,000 gallons	N/A	6.4668	N/A
3/4" Meter (Commercial)			
First 8,000 gallons	N/A	3.3065	N/A
8,001 to 25,000 gallons	N/A	4.3599	N/A
Over 25,000 gallons	N/A	6.4668	N/A
First 10,000 gallons	N/A	N/A	3.3896
Over 10,000 gallons	N/A	N/A	5.8374
1" Meter (Commercial)			
First 20,000 gallons	3.0000	N/A	3.3896
Over 20,000 gallons	5.1664	N/A	5.8374
First 13,000 gallons	N/A	3.3065	N/A
13,001 to 35,000 gallons	N/A	4.3599	N/A
Over 35,000 gallons	N/A	6.4668	N/A
1 1/2" Meter (Commercial)			
First 45,000 gallons	N/A	N/A	3.3896
Over 45,000 gallons	N/A	N/A	5.8374
First 25,000 gallons	N/A	3.3065	N/A
25,001 to 50,000 gallons	N/A	4.3599	N/A
Over 50,000 gallons	N/A	6.4668	N/A
2" Meter (Commercial)			
First 75,000 gallons	3.0000	N/A	3.3896
Over 75,000 gallons	5.1664	N/A	5.8374
First 40,000 gallons	N/A	3.3065	N/A
40,001 to 75,000 gallons	N/A	4.3599	N/A
Over 75,000 gallons	N/A	6.4668	N/A
3" Meter (Commercial)			
First 155,000 gallons	3.0000	N/A	3.3896
Over 155,000 gallons	5.1664	N/A	5.8374
First 80,000 gallons	N/A	3.3065	N/A
80,001 to 150,000 gallons	N/A	4.3599	N/A
Over 150,000 gallons	N/A	6.4668	
4" Meter (Commercial)			
First 245,000 gallons	3.0000	N/A	3.3896
Over 245,000 gallons	5.1664	N/A	5.8374
First 125,000 gallons	N/A	3.3065	N/A
125,001 to 240,000 gallons	N/A	4.3599	N/A
Over 240,000 gallons	N/A	6.4668	N/A
6" Meter (Commercial)			
First 500,000 gallons	3.0000	N/A	3.3896
Over 500,000 gallons	5.1664	N/A	5.8374
First 250,000 gallons	N/A	3.3065	N/A
250,001 to 1,000,000 gallons	N/A	4.3599	N/A
Over 1,000,000 gallons	N/A	6.4668	N/A
8" Meter (Commercial)			
First 800,000 gallons	3.0000	N/A	3.3896
Over 800,000 gallons	5.1664	N/A	5.8374
First 400,000 gallons	N/A	3.3065	N/A
400,001 to 1,600,000 gallons	N/A	4.3599	N/A
Over 1,600,000 gallons	N/A	6.4668	N/A
10" Meter (Commercial)			
First 1,150,000 gallons	3.0000	N/A	3.3896
Over 1,150,000 gallons	5.1664	N/A	5.8374
First 575,000 gallons	N/A	3.3065	N/A
575,001 to 2,300,000 gallons	N/A	4.3599	N/A
Over 2,300,000 gallons	N/A	6.4668	N/A

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Industrial)			
First 10,000 gallons	3.0000	N/A	3.3896
Over 10,000 gallons	5.1664	N/A	5.8374
All Gallons	N/A	4.3599	N/A
3/4" Meter (Industrial)			
All Gallons	N/A	4.3599	N/A
First 10,000 gallons	N/A	N/A	3.3896
Over 10,000 gallons	N/A	N/A	5.8374
1" Meter (Industrial)			
First 20,000 gallons	3.0000	N/A	3.3896
Over 20,000 gallons	5.1664	N/A	5.8374
All Gallons	N/A	4.3599	N/A
1 1/2" Meter (Industrial)			
First 45,000 gallons	3.0000	N/A	3.3896
Over 45,000 gallons	5.1664	N/A	5.8374
All Gallons	N/A	4.3599	N/A
2" Meter (Industrial)			
First 75,000 gallons	3.0000	N/A	3.3896
Over 75,000 gallons	5.1664	N/A	5.8374
All Gallons	N/A	4.3599	N/A
3" Meter (Industrial)			
First 155,000 gallons	3.0000	N/A	3.3896
Over 155,000 gallons	5.1664	N/A	5.8374
All Gallons	N/A	4.3599	N/A
4" Meter (Industrial)			
First 245,000 gallons	3.0000	N/A	3.3896
Over 245,000 gallons	5.1664	N/A	5.8374
All Gallons	N/A	4.3599	N/A
6" Meter (Industrial)			
All Gallons	3.0000	3.5000	3.3896
8" Meter (Industrial)			
All Gallons	3.0000	3.5000	3.3896
10" Meter (Industrial)			
All Gallons	N/A	3.5000	3.3896
5/8" x 3/4" Meter (Construction)			
First 5,000 gallons	N/A	3.3065	N/A
5,001 to 20,000 gallons	N/A	4.3599	N/A
Over 20,000 gallons	N/A	6.4668	N/A
First 10,000 gallons	N/A	N/A	3.3896
Over 10,000 gallons	N/A	N/A	5.8374
3/4" Meter (Construction)			
First 8,000 gallons	N/A	3.3065	N/A
8,001 to 25,000 gallons	N/A	4.3599	N/A
Over 25,000 gallons	N/A	6.4668	N/A
First 10,000 gallons	N/A	N/A	3.3896
Over 10,000 gallons	N/A	N/A	5.8374
1" Meter (Construction)			
First 13,000 gallons	N/A	3.3065	N/A
13,001 to 35,000 gallons	N/A	4.3599	N/A
Over 35,000 gallons	N/A	6.4668	N/A
First 20,000 gallons	N/A	N/A	3.3896
Over 20,000 gallons	N/A	N/A	5.8374
1 1/2" Meter (Construction)			
First 25,000 gallons	N/A	3.3065	N/A
25,001 to 50,000 gallons	N/A	4.3599	N/A
Over 50,000 gallons	N/A	6.4668	N/A
First 45,000 gallons	N/A	N/A	3.3896
Over 45,000 gallons	N/A	N/A	5.8374
2" Meter (Construction)			
First 75,000 gallons	3.0000	N/A	3.3896
Over 75,000 gallons	5.1664	N/A	5.8374
First 40,000 gallons	N/A	3.3065	N/A
40,001 to 75,000 gallons	N/A	4.3599	N/A
Over 75,000 gallons	N/A	6.4668	N/A

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
3" Meter (Construction)			
First 155,000 gallons	3.0000	N/A	3.3896
Over 155,000 gallons	5.1664	N/A	5.8374
First 80,000 gallons	N/A	3.3065	N/A
80,001 to 150,000 gallons	N/A	4.3599	N/A
Over 150,000 gallons	N/A	6.4668	
4" Meter (Construction)			
First 245,000 gallons	3.0000	N/A	3.3896
Over 245,000 gallons	5.1664	N/A	5.8374
First 125,000 gallons	N/A	3.3065	N/A
125,001 to 240,000 gallons	N/A	4.3599	N/A
Over 240,000 gallons	N/A	6.4668	N/A
6" Meter (Construction)			
First 250,000 gallons	N/A	3.3065	N/A
250,001 to 1,000,000 gallons	N/A	4.3599	N/A
Over 1,000,000 gallons	N/A	6.4668	N/A
First 500,000 gallons	N/A	N/A	3.3896
Over 500,000 gallons	N/A	N/A	5.8374
8" Meter (Construction)			
First 400,000 gallons	N/A	3.3065	N/A
400,001 to 1,600,000 gallons	N/A	4.3599	N/A
Over 1,600,000 gallons	N/A	6.4668	N/A
First 800,000 gallons	N/A	N/A	3.3896
Over 800,000 gallons	N/A	N/A	5.8374
10" Meter (Construction)			
First 575,000 gallons	N/A	3.3065	N/A
575,001 to 2,300,000 gallons	N/A	4.3599	N/A
Over 2,300,000 gallons	N/A	6.4668	N/A
First 1,150,000 gallons	N/A	N/A	3.3896
Over 1,150,000 gallons	N/A	N/A	5.8374
5/8" x 3/4" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
3/4" Meter (Sale for Resale)			
All Gallons	N/A	3.3065	3.3896
1" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
1 1/2" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
2" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
3" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
4" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
6" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
8" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896
10" Meter (Sale for Resale)			
All Gallons	3.0000	3.3065	3.3896

SCHEDULES

WESTERN GROUP

AJO

Arizona Water Company - Western Group - Ajo
Docket No. W-01445A-15-0277
Test Year Ended December 31, 2014

RUCO Schedule JAC-3

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	3,991	$ 40.98	$ 49.38	$ 8.40	20.50%
Median Usage	2,680	34.01	41.10	$ 7.09	20.84%
RUCO Recommended					
Average Usage	3,991	$ 40.98	$ 43.64	$ 2.66	6.48%
Median Usage	2,680	34.01	36.21	$ 2.20	6.48%

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

Gallons	Present		Company Proposed		%	RUCO Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 25.00	Minimum Charge	$ 28.00		Minimum Charge	$ 26.62	
	1st Tier Rate	3.3617	1st Tier Rate	4.4007		1st Tier Rate	3.5796	
	1st Tier Breakover	3,000	1st Tier Breakover	2,000		1st Tier Breakover	3,000	
	2nd Tier Rate	5.9502	2nd Tier Rate	6.3189		2nd Tier Rate	6.3359	
	Incremental Tier 2 Rate	2.5885	Incremental Tier 2 Rate	1.9181		Incremental Tier 2 Rate	2.7563	
	2nd Tier Breakover	10,000	2nd Tier Breakover	5,000		2nd Tier Breakover	10,000	
	3rd Tier Rate	9.2228	3rd Tier Rate	8.2370		3rd Tier Rate	9.8206	
	Incremental Tier 3 Rate	3.2726	Incremental Tier 3 Rate	1.9181		Incremental Tier 3 Rate	3.4847	
	3rd Tier Breakover	9,999,999,999	3rd Tier Breakover	10,000		3rd Tier Breakover	9,999,999,999	
	4th Tier Rate	-	4th Tier Rate	12.0733		4th Tier Rate	-	
	Incremental Tier 4 Rate	-	Incremental Tier 4 Rate	3.8363		Incremental Tier 4 Rate	-	
	4th Tier Breakover	-	4th Tier Breakover	9,999,999,999		4th Tier Breakover	-	
	5th Tier Rate	-	5th Tier Rate	-		5th Tier Rate	-	
	Incremental Tier 5 Rate	-	Incremental Tier 5 Rate	-		Incremental Tier 5 Rate	-	
	5th Tier Breakover	-	5th Tier Breakover	-		5th Tier Breakover	-	
	6th Tier Rate	-	6th Tier Rate	-		6th Tier Rate	-	
	Incremental Tier 6 Rate	-	Incremental Tier 6 Rate	-		Incremental Tier 6 Rate	-	
	6th Tier Breakover	-	6th Tier Breakover	-		6th Tier Breakover	-	

Consumption	Rates	Rates	Increase	Rates	Increase
-	$ 25.00	$ 28.00	12.00%	$ 26.62	6.48%
1,000	$ 28.36	$ 32.40	14.24%	$ 30.20	6.48%
2,000	$ 31.72	$ 36.80	16.01%	$ 33.78	6.48%
3,000	$ 35.09	$ 43.12	22.90%	$ 37.36	6.48%
4,000	$ 41.04	$ 49.44	20.48%	$ 43.69	6.48%
5,000	$ 46.99	$ 55.76	18.67%	$ 50.03	6.48%
6,000	$ 52.94	$ 63.99	20.89%	$ 56.37	6.48%
7,000	$ 58.89	$ 72.23	22.66%	$ 62.70	6.48%
8,000	$ 64.84	$ 80.47	24.11%	$ 69.04	6.48%
9,000	$ 70.79	$ 88.71	25.32%	$ 75.37	6.48%
10,000	$ 76.74	$ 96.94	26.33%	$ 81.71	6.48%
11,000	$ 85.96	$ 109.02	26.82%	$ 91.53	6.48%
12,000	$ 95.18	$ 121.09	27.22%	$ 101.35	6.48%
13,000	$ 104.40	$ 133.16	27.54%	$ 111.17	6.48%
14,000	$ 113.63	$ 145.24	27.82%	$ 120.99	6.48%
15,000	$ 122.85	$ 157.31	28.05%	$ 130.81	6.48%
16,000	$ 132.07	$ 169.38	28.25%	$ 140.63	6.48%
17,000	$ 141.30	$ 181.46	28.42%	$ 150.45	6.48%
18,000	$ 150.52	$ 193.53	28.57%	$ 160.27	6.48%
19,000	$ 159.74	$ 205.60	28.71%	$ 170.10	6.48%
20,000	$ 168.96	$ 217.68	28.83%	$ 179.92	6.48%
25,000	$ 215.08	$ 278.04	29.27%	$ 229.02	6.48%
30,000	$ 261.19	$ 338.41	29.56%	$ 278.12	6.48%
35,000	$ 307.31	$ 398.78	29.76%	$ 327.23	6.48%
40,000	$ 353.42	$ 459.14	29.91%	$ 376.33	6.48%
45,000	$ 399.53	$ 519.51	30.03%	$ 425.43	6.48%
50,000	$ 445.65	$ 579.87	30.12%	$ 474.53	6.48%
75,000	$ 676.22	$ 881.71	30.39%	$ 720.05	6.48%
100,000	$ 906.79	$ 1,183.54	30.52%	$ 965.56	6.48%

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
Meter Size (Residential Class):			
5/8 x 3/4 Inch	$ 25.00	$ 28.00	$ 26.62
3/4 Inch	N/A	42.00	39.93
1 Inch	62.50	70.00	66.55
1 1/2 Inch	125.00	140.00	133.10
2 Inch	200.00	224.00	212.96
3 Inch	400.00	448.00	425.92
4 Inch	625.00	700.00	665.50
6 Inch	1,250.00	1,400.00	1,331.00
8 Inch	2,000.00	2,240.00	2,129.60
10 Inch	2,875.00	3,220.00	3,061.30
Meter Size (Commercial):			
5/8 x 3/4 Inch	$ 25.00	$ 33.00	$ 26.62
3/4 Inch	N/A	49.50	39.93
1 Inch	62.50	82.50	66.55
1 1/2 Inch	125.00	165.00	133.10
2 Inch	200.00	264.00	212.96
3 Inch	400.00	528.00	425.92
4 Inch	625.00	825.00	665.50
6 Inch	1,250.00	1,650.00	1,331.00
8 Inch	2,000.00	2,640.00	2,129.60
10 Inch	2,875.00	3,795.00	3,061.30
Meter Size (Industrial):			
5/8 x 3/4 Inch	$ 25.00	$ 35.00	$ 26.62
3/4 Inch	N/A	52.50	39.93
1 Inch	62.50	87.50	66.55
1 1/2 Inch	125.00	175.00	133.10
2 Inch	200.00	280.00	212.96
3 Inch	400.00	560.00	425.92
4 Inch	625.00	875.00	665.50
6 Inch	1,250.00	1,750.00	1,331.00
8 Inch	2,000.00	2,800.00	2,129.60
10 Inch	2,875.00	4,025.00	3,061.30
Meter Size (Construction):			
5/8 x 3/4 Inch	N/A	$ 33.00	$ 26.62
3/4 Inch	N/A	49.50	39.93
1 Inch	N/A	82.50	66.55
1 1/2 Inch	N/A	165.00	133.10
2 Inch	$ 200.00	264.00	212.96
3 Inch	400.00	528.00	425.92
4 Inch	625.00	825.00	665.50
6 Inch	N/A	1,650.00	1,331.00
8 Inch	N/A	2,640.00	2,129.60
10 Inch	N/A	3,795.00	3,061.30
Meter Size (Sales for Resale):			
5/8 x 3/4 Inch	$ 25.00	$ 33.00	$ 26.62
3/4 Inch	N/A	49.50	39.93
1 Inch	62.50	82.50	66.55
1 1/2 Inch	125.00	165.00	133.10
2 Inch	200.00	264.00	212.96
3 Inch	400.00	528.00	425.92
4 Inch	625.00	825.00	665.50
6 Inch	1,250.00	1,650.00	1,331.00
8 Inch	2,000.00	2,640.00	2,129.60
10 Inch	2,875.00	3,795.00	3,061.30
Private Fires	$ 25.00	$ 35.00	$ 35.00
Public Fire Hydrants	N/A	N/A	N/A
Coin Machine (Gallons per Quarter)	N/A	N/A	N/A

RATE DESIGN

Monthly Usage Charge Commodity Charge - Per 1,000 Gallons	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	$ 3.3617	N/A	$ 3.5796
3,001 to 10,000 gallons	5.9502	N/A	6.3359
Over 10,000 gallons	9.2228	N/A	9.8206
First 2,000 gallons	N/A	$ 4.4007	N/A
2,001 to 5,000 gallons	N/A	6.3189	N/A
5,001 to 10,000 gallons	N/A	8.2370	N/A
Over 10,000 gallons	N/A	12.0733	N/A
3/4" Meter (Residential)			
First 3,000 gallons	N/A	$ 4.4007	N/A
3,001 to 7,000 gallons	N/A	6.3189	N/A
7,001 to 11,000 gallons	N/A	8.2370	N/A
Over 11,000 gallons	N/A	12.0733	N/A
First 3,000 gallons	N/A	N/A	3.5796
3,001 to10,000 gallons	N/A	N/A	6.3359
Over 10,000 gallons	N/A	N/A	9.8206
1" Meter (Residential)			
First 15,000 gallons	5.9502	N/A	6.3359
Over 15,000 gallons	9.2228	N/A	9.8206
First 5,000 gallons	N/A	6.3189	N/A
5,001 to 13,000 gallons	N/A	8.2370	N/A
Over 13,000 gallons	N/A	12.0733	N/A
1 1/2" Meter (Residential)			
First 30,000 gallons	5.9502	N/A	6.3359
Over 30,000 gallons	9.2228	N/A	9.8206
First 10,000 gallons	N/A	6.3189	N/A
10,001 to 25,000 gallons	N/A	8.2370	N/A
Over 25,000 gallons	N/A	12.0733	N/A
2" Meter (Residential)			
First 50,000 gallons	5.9502	N/A	6.3359
Over 50,000 gallons	9.2228	N/A	9.8206
First 16,000 gallons	N/A	6.3189	N/A
16,001 to 40,000 gallons	N/A	8.2370	N/A
Over 40,000 gallons	N/A	12.0733	N/A
3" Meter (Residential)			
First 100,000 gallons	5.9502	N/A	6.3359
Over 100,000 gallons	9.2228	N/A	9.8206
First 32,000 gallons	N/A	6.3189	N/A
32,001 to 80,000 gallons	N/A	8.2370	N/A
Over 80,000 gallons	N/A	12.0733	
4" Meter (Residential)			
First 150,000 gallons	5.9502	N/A	6.3359
Over 150,000 gallons	9.2228	N/A	9.8206
First 50,000 gallons	N/A	6.3189	N/A
50,001 to 125,000 gallons	N/A	8.2370	N/A
Over 125,000 gallons	N/A	12.0733	N/A
6" Meter (Residential)			
First 300,000 gallons	5.9502	N/A	6.3359
Over 300,000 gallons	9.2228	N/A	9.8206
First 100,000 gallons	N/A	6.3189	N/A
100,001 to 250,000 gallons	N/A	8.2370	N/A
Over 250,000 gallons	N/A	12.0733	N/A
8" Meter (Residential)			
First 525,000 gallons	5.9502	N/A	6.3359
Over 525,000 gallons	9.2228	N/A	9.8206
First 160,000 gallons	N/A	6.3189	N/A
160,001 to 400,000 gallons	N/A	8.2370	N/A
Over 400,000 gallons	N/A	12.0733	N/A

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
10" Meter (Residential)			
First 775,000 gallons	5.9502	N/A	6.3359
Over 775,000 gallons	9.2228	N/A	9.8206
First 230,000 gallons	N/A	6.3189	N/A
230,001 to 575,000 gallons	N/A	8.2370	N/A
Over 575,000 gallons	N/A	12.0733	N/A
5/8" x 3/4" Meter (Commercial)			
First 10,000 gallons	5.9502	N/A	6.3359
Over 10,000 gallons	9.2228	N/A	9.8206
First 2,000 gallons	N/A	6.3189	N/A
2,001 to 18,000 gallons	N/A	8.2370	N/A
Over 18,000 gallons	N/A	12.0733	N/A
3/4" Meter (Commercial)			
First 3,000 gallons	N/A	6.3189	N/A
3,001 to 20,000 gallons	N/A	8.2370	N/A
Over 20,000 gallons	N/A	12.0733	N/A
First 10,000 gallons	N/A	N/A	6.3359
Over 10,000 gallons	N/A	N/A	9.8206
1" Meter (Commercial)			
First 15,000 gallons	5.9502	N/A	6.3359
Over 15,000 gallons	9.2228	N/A	9.8206
First 5,000 gallons	N/A	6.3189	N/A
5,001 to 25,000 gallons	N/A	8.2370	N/A
Over 25,000 gallons	N/A	12.0733	N/A
1 1/2" Meter (Commercial)			
First 30,000 gallons	N/A	N/A	6.3359
Over 30,000 gallons	N/A	N/A	9.8206
First 10,000 gallons	N/A	6.3189	N/A
10,001 to 40,000 gallons	N/A	8.2370	N/A
Over 40,000 gallons	N/A	12.0733	N/A
2" Meter (Commercial)			
First 50,000 gallons	5.9502	N/A	6.3359
Over 50,000 gallons	9.2228	N/A	9.8206
First 16,000 gallons	N/A	6.3189	N/A
16,001 to 60,000 gallons	N/A	8.2370	N/A
Over 60,000 gallons	N/A	12.0733	N/A
3" Meter (Commercial)			
First 100,000 gallons	5.9502	N/A	6.3359
Over 100,000 gallons	9.2228	N/A	9.8206
First 32,000 gallons	N/A	6.3189	N/A
32,001 to 120,000 gallons	N/A	8.2370	N/A
Over 120,000 gallons	N/A	12.0733	
4" Meter (Commercial)			
First 150,000 gallons	5.9502	N/A	6.3359
Over 150,000 gallons	9.2228	N/A	9.8206
First 50,000 gallons	N/A	6.3189	N/A
50,001 to 185,000 gallons	N/A	8.2370	N/A
Over 185,000 gallons	N/A	12.0733	N/A
6" Meter (Commercial)			
First 330,000 gallons	5.9502	N/A	6.3359
Over 330,000 gallons	9.2228	N/A	9.8206
First 100,000 gallons	N/A	6.3189	N/A
100,001 to 300,000 gallons	N/A	8.2370	N/A
Over 300,000 gallons	N/A	12.0733	N/A
8" Meter (Commercial)			
First 525,000 gallons	5.9502	N/A	6.3359
Over 525,000 gallons	9.2228	N/A	9.8206

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
First 160,000 gallons	N/A	6.3189	N/A
160,001 to 500,000 gallons	N/A	8.2370	N/A
Over 500,000 gallons	N/A	12.0733	N/A
10" Meter (Commercial)			
First 775,000 gallons	5.9502	N/A	6.3359
Over 775,000 gallons	9.2228	N/A	9.8206
First 230,000 gallons	N/A	6.3189	N/A
230,001 to 750,000 gallons	N/A	8.2370	N/A
Over 750,000 gallons	N/A	12.0733	N/A
5/8" x 3/4" Meter (Industrial)			
First 10,000 gallons	5.9502	N/A	6.3359
Over 10,000 gallons	9.2228	N/A	9.8206
All Gallons	N/A	8.2370	N/A
3/4" Meter (Industrial)			
First 10,000 gallons	N/A	N/A	6.3359
Over 10,000 gallons	N/A	N/A	9.8206
All Gallons	N/A	8.2370	N/A
1" Meter (Industrial)			
First 15,000 gallons	5.9502	N/A	6.3359
Over 15,000 gallons	9.2228	N/A	9.8206
All Gallons	N/A	8.2370	N/A
1 1/2" Meter (Industrial)			
First 30,000 gallons	5.9502	N/A	6.3359
Over 30,000 gallons	9.2228	N/A	9.8206
All Gallons	N/A	8.2370	N/A
2" Meter (Industrial)			
First 50,000 gallons	5.9502	N/A	6.3359
Over 50,000 gallons	9.2228	N/A	9.8206
All Gallons	N/A	8.2370	N/A
3" Meter (Industrial)			
First 100,000 gallons	5.9502	N/A	6.3359
Over 100,000 gallons	9.2228	N/A	9.8206
All Gallons	N/A	8.2370	N/A
4" Meter (Industrial)			
First 150,000 gallons	5.9502	N/A	6.3359
Over 150,000 gallons	9.2228	N/A	9.8206
All Gallons	N/A	8.2370	N/A
6" Meter (Industrial)			
All Gallons	5.9502	2.2500	6.3359
8" Meter (Industrial)			
All Gallons	5.9502	2.2500	N/A
10" Meter (Industrial)			
All Gallons	N/A	2.2500	N/A
5/8" x 3/4" Meter (Construction)			
First 2,000 gallons	N/A	6.3189	N/A
2,001 to 18,000 gallons	N/A	8.2370	N/A
Over 18,000 gallons	N/A	12.0733	N/A
First 10,000 gallons	N/A	N/A	6.3359
Over 10,000 gallons	N/A	N/A	9.8206
3/4" Meter (Construction)			
First 3,000 gallons	N/A	6.3189	N/A
3,001 to 20,000 gallons	N/A	8.2370	N/A
Over 20,000 gallons	N/A	12.0733	N/A

RATE DESIGN

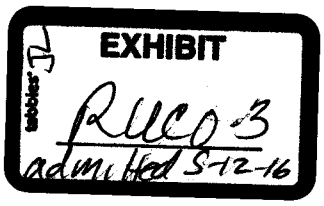
Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
First 10,000 gallons	N/A	N/A	6.3359
Over 10,000 gallons	N/A	N/A	9.8206
1" Meter (Construction)			
First 5,000 gallons	N/A	6.3189	N/A
5,001 to 25,000 gallons	N/A	8.2370	N/A
Over 25,000 gallons	N/A	12.0733	N/A
First 30,000 gallons	N/A	N/A	6.3359
Over 30,000 gallons	N/A	N/A	9.8206
1 1/2" Meter (Construction)			
First 6,000 gallons	N/A	6.3189	N/A
6,001 to 40,000 gallons	N/A	8.2370	N/A
Over 40,000 gallons	N/A	12.0733	N/A
First 50,000 gallons			6.3359
Over 50,000 gallons	N/A	N/A	9.8206
2" Meter (Construction)			
First 50,000 gallons	5.9502	N/A	6.3359
Over 50,000 gallons	9.2228	N/A	9.8206
First 16,000 gallons	N/A	6.3189	N/A
16,001 to 60,000 gallons	N/A	8.2370	N/A
Over 60,000 gallons	N/A	12.0733	N/A
3" Meter (Construction)			
First 100,000 gallons	5.9502	N/A	6.3359
Over 100,000 gallons	9.2228	N/A	9.8206
First 32,000 gallons	N/A	6.3189	N/A
32,001 to 120,000 gallons	N/A	8.2370	N/A
Over 120,000 gallons	N/A	12.0733	N/A
4" Meter (Construction)			
First 150,000 gallons	5.9502	N/A	6.3359
Over 150,000 gallons	9.2228	N/A	9.8206
First 50,000 gallons	N/A	6.3189	N/A
50,001 to 185,000 gallons	N/A	8.2370	N/A
Over 185,000 gallons	N/A	12.0733	N/A
6" Meter (Construction)			
First 100,000 gallons	N/A	6.3189	N/A
100,001 to 300,000 gallons	N/A	8.2370	N/A
Over 300,000 gallons	N/A	12.0733	N/A
First 333,000 gallons	N/A	N/A	6.3359
Over 333,000 gallons	N/A	N/A	9.8206
8" Meter (Construction)			
First 160,000 gallons	N/A	6.3189	N/A
160,001 to 500,000 gallons	N/A	8.2370	N/A
Over 500,000 gallons	N/A	12.0733	N/A
First 525,000 gallons	N/A	N/A	6.3359
Over 525,000 gallons	N/A	N/A	9.8206
10" Meter (Construction)			
First 230,000 gallons	N/A	6.3189	N/A
230,001 to 750,000 gallons	N/A	8.2370	N/A
Over 750,000 gallons	N/A	12.0733	N/A
First 775,000 gallons	N/A	N/A	6.3359
Over 775,000 gallons	N/A	N/A	9.8206

RATE DESIGN

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
3/4" Meter (Sale for Resale)			
All Gallons	N/A	6.3189	6.3359
1" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
1 1/2" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
2" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
3" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
4" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
6" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
8" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359
10" Meter (Sale for Resale)			
All Gallons	5.9502	6.3189	6.3359

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-15-0277



DIRECT TESTIMONY

OF

JOHN CASSIDY

ON

COST OF CAPITAL

ON BEHALF OF THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 11, 2016

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EXECUTIVE SUMMARY

RUCO recommends that the Commission adopt a 7.32 percent overall rate of return for Arizona Water Company's ("AWC," or "Company") Western Group, based upon (i) the Company's proposed capital structure consisting of 46.31 percent long-term debt and 53.69 percent common equity, (ii) RUCO's recommended 5.43 percent cost of long-term debt, and (iii) RUCO's recommended 8.95 percent cost of equity, as shown below:

	Weight	Cost	Weighted Cost
Long-Term Debt	46.31 %	5.43 %	2.51 %
Common Equity	53.69 %	8.95 %	4.80 %
Overall Rate of Return			7.32 %

RUCO's 8.95 percent cost of equity is derived from estimates obtained from three cost of equity estimation models, the results of which are as follows:

	Estimated Cost
Discounted Cash Flow	8.63 %
Capital Asset Pricing Model	7.79 %
Comparable Earnings	10.42 %
Average Cost of Equity	8.95 %

I will also demonstrate that the 10.75 percent cost of equity recommendation of AWC witness, Ms. Pauline M. Ahern significantly over-states the Company's actual cost of equity.

I. INTRODUCTION

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

A. My name is John A. Cassidy. I am a Public Utilities Analyst V with the Residential Utility Consumers Office ("RUCO"). My business address is 1110 W. Washington Street, Suite 220, Phoenix, AZ.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Arts degree in History from Arizona State University, a Master of Library Science degree from the University of Arizona, and a Master of Business Administration degree with an emphasis in Finance from Arizona State University. I am a member of Beta Gamma Sigma, the National Business Honor Society, and have passed the CPA exam, though I opted not to pursue certification. I have worked professionally as a librarian, financial consultant and tax auditor, and have over seven years of regulatory work experience as a Public Utilities Analyst with the Arizona Corporation Commission, where I served as a cost of capital witness on behalf of Staff testifying in numerous rate case proceedings. I have attended utility related seminars sponsored by both the National Association of Regulatory Utility Commissioners (NARUC), and the Society of Utility Regulatory Financial Analysts (SURFA). At present, I am preparing to sit for the Certified Rate of Return Analyst (CRRA) exam. Attachment 1 contains a summary of my prior regulatory work experience.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present RUCO's recommendations for the establishment of a fair value rate of return. For purposes of establishing a fair value rate

of return on its invested capital in this proceeding, the Company has elected to use its original cost rate base (OCRB) as its fair value rate base (FVRB).

Q. Will RUCO provide direct testimony on the rate base, operating income and rate design issues in this proceeding?

A. Yes. In addition to filing cost of capital direct testimony on behalf of RUCO, I will also file direct testimony in this proceeding which will address the rate base and operating income issues associated with the case, as well as RUCO's proposed rate design.

II. SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your cost of capital testimony is organized.

A. My cost of capital testimony is organized into eleven (11) different sections as identified in my "Table of Contents." In summary I have derived cost of equity estimates obtained from both the Discounted Cash Flow ("DCF") model and the Capital Asset Pricing Model ("CAPM"). The DCF and CAPM are market-based cost of equity estimation models, and both have consistently been employed by RUCO and ACC Staff in prior rate proceedings. Additionally, both the DCF and CAPM are methodologies which the ACC has traditionally given the most weight when establishing authorized rates of return for utilities operating within its Arizona jurisdiction. In addition to the DCF and CAPM models, I have also prepared a Comparable Earnings ("CE") analysis. The Company's witness, Ms. Pauline M. Ahern, also obtains cost of equity estimates from both the DCF and CAPM models, as well as from a Risk Premium Model ("RPM"). My testimony will conclude with a discussion of Ms. Ahern's cost of equity estimation methodologies, and I will demonstrate that her analyses significantly over-states the Company's actual cost of equity.

Q. Please summarize the recommendations and adjustments that you will address in your testimony.

A. Based on the results of my analysis, I am making the following recommendations:

I recommend that the Commission adopt a 7.32 percent overall rate of return for the Company. The components included in my cost of capital calculation include:[1]

	Weight	Cost	Weighted Cost
Long-Term Debt	46.31 %	5.43 %	2.51 %
Common Equity	53.69 %	8.95 %	4.80 %
Overall Rate of Return			7.32 %

The cost of equity estimates included in my calculations are derived from the following three cost of equity models:

	Estimated Cost
Discounted Cash Flow	8.63 %
Capital Asset Pricing Model	7.79 %
Comparable Earnings	10.42 %
Average Cost of Equity	8.95 %

III. ECONOMIC PRINCIPLES APPLICABLE TO ARIZONA

Q. What are the basic economic principles which apply in the determination of a fair rate of return for regulated public utilities in Arizona?

A. For regulated public utilities in Arizona, rates are established in a manner designed to allow for recovery of the utility's costs, including capital costs. This is traditionally referred to as "cost of service" ratemaking. Rates are established using the "rate base – rate of return" concept, wherein utilities are allowed to recover specific operating expenses, taxes and depreciation, and granted an opportunity to earn a fair value rate of return on the

[1] See JAC Schedule 1

assets utilized (i.e., fair value rate base) in providing service to ratepayers. Rate base is derived from the asset side of the utility's balance sheet, while rate of return is developed from the liability/stockholders' equity side of the balance sheet. The revenue impact of the cost of capital in rates is determined by multiplying rate base by rate of return. In the instant docket RUCO is recommending an overall rate of return for AWC's Western Group of 7.32 percent.

Q. Is the Company proposing that its original cost rate base also be used as its fair value rate base?

A. Yes.

Q. What is the meaning of a "fair rate of return" when analyzing a rate case application?

A. From an economic standpoint, a "fair rate of return" is one which allows an efficient and economically well managed utility the ability to maintain its financial integrity, attract capital, and establish comparable returns for similar risk investments. These concepts are derived from economic and financial theory and are generally implemented using financial models and economic concepts. From a technical perspective, a "fair rate of return" is an ex post (after the fact) earned return on an asset base. Conversely, the cost of capital is an ex ante (before the fact) expected, or required, return on a capital base. In regulatory proceedings, the two terms are often used interchangeably.

Q. As regulated entities granted natural monopoly status, are public utilities guaranteed to earn their authorized rate of return?

A. No. Public utilities are afforded an opportunity to earn their authorized rate of return, they are not guaranteed to earn the rate of return authorized in a rate case. Many factors are involved in determining a rate of return. However, investments in new plant assets made subsequent to a rate case and/or increases to operating expenses between rate cases can have a negative impact on a utility's realized rate of return. Conversely, an increase in revenues and/or a decrease in operating expenses can have a positive impact on the earned rate of return. In the former scenario, a public utility will generally file for a rate increase. In the latter scenario, should a public utility earn a rate of return in excess of that approved by a utility commission, then the commission may instruct the utility to file a rate application in order that new rates be established to provide rate relief to ratepayers.

IV. GENERAL ECONOMIC CONDITIONS

Q. Can you please explain how general economic and financial conditions are considered in the determination of the cost of capital for a public utility?

A. Yes. The cost of capital is determined in part by the current and future economic and financial conditions. The level of economic activity; the stage of the business cycle; the trend in interest rates, and the level of inflation or expansion all play an important factor in determining the cost of capital. While there are other factors involved these are the most important and at any point in time each can have an influence on the cost of capital. The general economic indicators which influence the cost of capital are presented in Schedule JAC-6 (Pages 1-8).

Q. Briefly describe the recent trends in economic conditions and their impact on capital costs over the past thirty years?

A. Since the early 1980's through the end of 2007 the United States economy had been relatively stable. This period was characterized by longer economic expansions, small contractions, low and/or declining inflation, and declining interest rates and other capital costs. However, in 2008 and 2009, the economy declined as a result of the mortgage crisis and had a negative effect on the financial markets both in the US and international financial markets. This decline was described as the worst financial crisis since the Great Depression and has been referred to as the "Great Recession." Since 2008, central banks in the U.S. (i.e., the Federal Reserve Board) and other foreign countries have initiated accommodative monetary policies designed to stimulate economic growth and reduce unemployment in an effort to recover from this worldwide recession.

The recession bottomed out in mid-2009 and since that time the economy has begun to expand again, initially at a slow pace but at a more rapid rate in recent months. This is evidenced by the national unemployment rate falling from 7.4 percent in 2013 to 5.3 percent in 2015. At the State level, however, Arizona's unemployment rate continues to lag that of the nation, and as of December 2015 stood at 5.8 percent.[2] The length of this most recent recession and the slow recovery indicate that the impact may be felt for an extended period of time.

[2] United States Department of Labor, Bureau of Labor Statistics, Arizona Unemployment Rate http://www.bls.gov/eag/eag.az.htm

Q. Please describe how the economic and financial indicators were examined and how they relate generally to the cost of capital.

A. Schedule JAC-6 (Pages 1 and 2) identifies relevant economic data such a Real Gross Domestic Product ("GDP") Growth, Industrial Production Growth, Unemployment, Consumer Price Index ("CPI") and Producer Price Index. As can be seen, 2007 marked the sixth year of economic expansion, but beginning in 2008 the economy entered into a significant decline, as indicated by negative real GDP and industrial production growth as well as an increase in the unemployment rate. Since 2010 the economy has begun to rebound; however, overall economic growth has continued at a slower pace than that in prior expansions following an economic downturn.

Since 2008 inflation, as measured by the CPI, has been 3.0 percent or lower. The annual rate of inflation in 2014 was 0.8 percent, and as of the end of the third quarter in 2015, inflation stood at -0.1 percent. The annual rate of inflation has generally been declining over the past several business cycles and continues to do so as evidenced by the low annual inflation rates of the last three years, 2012-2014. At present, inflation is at the lowest level experienced in the past 40 years, and is indicative of lower capital costs.

Q. What have been the trends in interest rates over the forty-year period, 1975-2015?

A. Schedule JAC-6 (Pages 3 – 5) shows that interest rates rose sharply to record levels in 1975-1981, when the inflation rate was high and generally rising. Interest rates declined substantially, as did inflation, during the remainder of the 1980s and throughout the 1990s. Interest rates declined even further from 2000-2005, and after trending slightly upward in years 2006-2008, continued on a downward path reaching levels in years 2009-2015 not

previously seen since the early 1960s. In 2008, the Federal Reserve (the "Fed") initiated an accommodative monetary by lowering the federal funds ("Fed Funds") rate (the rate the Fed charges banks for overnight transfers of funds), and in an effort to promote increased lending and liquidity, eventually initiated a policy of quantitative easing, an unconventional monetary policy used when short-term interest rates are at or approaching zero. As a consequence, in years 2012-2015, both U.S. and corporate bond yields declined to their lowest levels in more than 40 years. While interest rates have risen slightly from their lows of 2012, both government and corporate lending rates remain at historically low levels through 2015, again reflective of lower capital costs. On December 16, 2015, the Fed raised the Fed Funds rate from a level of 0 to ¼ percent to ¼ - ½ percent. Since doing so, however, yields on medium- and longer-term (i.e., 5-, 7-, 10-, 20- and 30-year) U.S. Treasury securities have continued to fall due to heavy demand by fixed income investors; a circumstance suggestive that today's low interest rate environment may continue into the future.[3]

Q. Did the action taken by the Fed to raise the Fed Funds rate in December 2015 signal a change in monetary policy by the U.S. central bank?

A. No, it did not. While the increase to the Fed Funds rate marked the first time the Fed had increased the rate it charged banks for overnight transfers of funds since mid-2006,[4] in a press release issued on December 16, 2015, the Fed made the following statement: "The

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[3] As of the close of market on Wednesday, December 16, 2015, the day the Federal Reserve hiked the Fed Funds rate, yields on the 5-, 7-, 10-, 20- and 30-year Treasury securities were 1.75%, 2.11%, 2.30%, 2.65%, and 3.02%, respectively. As of the close of market on Thursday, February 11, 2016, yields on these same 5-, 7-, 10-, 20- and 30-year Treasury securities were 1.11%,1.39%, 1.63%, 2.06%, and 2.50%, respectively.

[4] The Fed last raised the Fed Funds rate on June 29, 2006.
http://www.federalreserve.gov/monetarypolicy/openmarket.htm

stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation."[5]

Q. What trends do the economic indicators suggest for common share prices?

A. As shown in Schedule JAC-6 (Pages 6 and 7), stock prices were stagnant during the high inflation/high interest rate environment of the late 1970s and early 1980s. In 1983, however, equity prices began to rise steadily, particularly as measured by the Dow Jones Industrial Average ("DJIA"), before peaking in 2007. With the onset of the Great Recession in 2008, equity prices declined sharply from their highs of 2007, reaching a low in the first quarter of 2009. Beginning in the third quarter of 2009, equity prices again began to rise, eventually recovering the losses sustained as a consequence of the "crash" in 2008 and, as evidenced by the performance of the DJIA, the S&P 500 Composite Index ("S&P 500"), and the NASDAQ Composite Index ("NASDAQ"), went on to reach new all-time highs in the fourth quarter of 2015. Following the action taken by the Fed to raise the Fed Funds rate, the equity markets have since experienced a sell-off, but all three major stock indices have risen from their lows of February 11, 2016.[6]

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[5] Federal Reserve Board, Federal Open Market Committee, *Press Release* (December 16, 2015). http://www.federalreserve.gov/newsevents/press/monetary/20151216a.htm

[6] On February 11, 2016, the DJIA closed at 15,660.18, the S&P 500 closed at 1,829.08, and the NASDAQ closed at 4,266.84. On February 18, 2016, these three market indices closed at 16,413.43, 1,917.83, and 4,487.54, respectfully.

Q. We are now in the seventh year of recovery from the Great Recession. Is it possible that the U.S. economy could fall into recession in late-2016?

A. Yes. In fact, research analysts at CitiGroup forecast a 65 percent probability of the U.S. economy entering into recession – defined as two consecutive quarters of shrinking economic growth – later this year.[7] CitiGroup analysts predict (i) a global growth recession in 2016 as a consequence of the continued economic downturn in China, and (ii) recession in the U.S. caused by a rapid flattening of the bond yield curve towards inversion, with "curve inversion coming more quickly than the consensus thinks."[8] As another observer has expressed it, "[t]he odds of a recession in 2016 may be less than 50%, but not by much. And in 2017, the odds shift."[9]

Q. In setting monetary policy, what is the Fed's stated long-term objective?

A. Consistent with its statutory mandate, when setting monetary policy the long-term objective of the Fed's Federal Open Market Committee ("FOMC") is two-fold: (i) maximum employment, and (ii) price stability (i.e., inflation of 2.0 percent).[10]

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[7] Sherter, Alain, "Will the U.S. Economy Slip into Recession in 2016?," *Money Watch* (December 23, 2015). http://www.cbsnews.com/news/will-the-u-s-economy-slip-into-recession-in-2016/

[8] McGeever, Jamie, "Watch for U.S. Recession, Zero Interest Rates in China next Year, Citi Says," *Reuters* (December 2, 2015). http://www.reuters.com/article/us-global-economy-idUSKBN0TL18F20151202

[9] Murray, Alan, "Is 2016 the Year of the Next Recession?," *Fortune.com* (January 11, 2016). http://fortune.com/2016/01/11/stock-market-recession-2016/

[10] Federal Reserve Board, Federal Open Market Committee, *Press Release* (December 16, 2015). http://www.federalreserve.gov/newsevents/press/monetary/20151216a.htm

Q. So in the event the U.S. economy went into recession in either 2016 or 2017 and the unemployment rate were to rise, the Fed might once again have to take steps to stimulate economic growth in order to achieve full employment, correct?

A. Yes, in keeping with its statutory mandate to achieve full employment, the Fed might well have to do that.

Q. Has Janet Yellen, the Fed Chairperson, made statements to the effect that the Fed would again consider lowering the Fed Funds rate in order to stimulate economic growth?

A. Yes. When testifying before the Joint Congressional Economic Committee ("Committee") in early December 2015 (i.e., prior to the hike in the Fed Funds rate), Ms. Yellen downplayed the possibility of a recession in the U.S. economy but specifically acknowledged the risk of a global economic recession, stating that a hike in the Fed Funds rate would give the Fed "the flexibility to lower it if those risks cause the economy to falter in the future."[11] Subsequently, when testifying before the Committee on February 11, 2016, Ms. Yellen "conceded that there's a 'chance' of a downturn ahead," and indicated that the Fed "is studying whether **negative interest rates** would help should conditions worsen (emphasis added)." Ms. Yellen went on to say the following:

> "In light of the experience of European countries and others that have gone to **negative rates**, we're taking a look at them again, because **we would want to be prepared in the event that we would need (to increase) accommodation.**"[12]

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[11] Puzzanghera, Jim, "Downplaying Risk of Recession, Yellen Indicates an Interest Rate Hike is Coming this Month," *Los Angeles Times* (December 3, 2015). http://www.latimes.com/business/la-fi-yellen-congress-20151203-story.html

[12] Cox, Jeff, "Yellen on Negative Rates: 'We Wouldn't Take those off the Table,'" (February 11, 2016). http://www.cnbc.com/2016/02/11/fed-chair-yellen-theres-always-some-chance-of-recession.html

In further testimony before the Committee, Ms. Yellen acknowledged that Fed officials had been "caught off guard" by (i) the degree to which "[m]arkets have been tumbling as oil prices plunge, with traders now pricing in the chance that **the Fed's next move could be a rate cut rather than hike**;" and (ii) the persistent strength of the greenback, as the dollar movement is "not something we anticipated."[13]

Q. You indicated that a stated objective of the Fed is to achieve price stability, defined as an inflation rate of 2.0 percent. Is the Fed concerned that inflation might become a problem for the U.S. economy anytime soon?

A. No, inflation is currently very low, and in keeping with its goal to achieve price stability, the Fed would prefer to see the rate of inflation rise to a level of 2.0 percent.

Q. How do American's feel about the prospects for the U.S. economy in the coming year (i.e., 2016)?

A. According to a new survey conducted by the Pew Research Center, Americans are "less optimistic about how well the economy will fare over the next year than they were last January."[14]

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[13] *Ibid.*

[14] "As election Year Nears, Public Sees Mixed Economic Picture," Pew Research Center (December 22, 2015). http://www.people-press.org/2015/12/22/as-election-year-nears-public-sees-mixed-economic-picture/

Q. What conclusions can be drawn from the above discussion of economic and financial conditions as they relate to the cost of capital?

A. Despite the Federal Reserve having raised the Fed Funds rate in December 2015, I believe the probability of continued rate hikes in 2016 and 2017 to be low. Fed Chairperson Yellen has indicated a willingness to raise short-term interest rates in the event the U.S. economy should go into recession, and should circumstances warrant additional monetary policy accommodation, a willingness to consider use of negative interest rates, as well. Thus, while the U.S. economy is stronger today than it was in 2008-2009, expected investment returns have declined since the onset of the Great Recession of 2008, and given the economic uncertainty on the horizon there is good reason to believe that interest rates, and hence the cost of capital, would be expected to remain at or near current levels for the next several years.

V. CAPITAL STRUCTURE AND COST OF DEBT

Q. What is the Company's proposed capital structure in this proceeding?

A. AWC proposes a capital structure consisting of 46.31 percent long-term debt and 53.69 percent common equity.

Q. What is the Company's proposed cost of debt in this proceeding?

A. In this proceeding, the Company proposes a cost of debt of 6.82 percent. This cost figure represents the weighted average cost of long-term debt as presented in Schedule D-2 (Page 2) of the Company's application.

Q. What test-year was used in the prior Western Group rate proceeding, and what cost of debt did the Company propose in that docket?

A. In the prior AWC Western Group rate filing,[15] the Company used a December 31, 2009 test-year end, and in that docket AWC similarly proposed a 6.82 percent cost of debt.

Q. But interest rates have fallen appreciably since the December 31, 2009 test-year end used in the Western Group's last rate case, resulting in commensurate reductions to both the cost of long-term debt as well as equity capital, true?

A. Yes. In response to the great recession of 2008, the Federal Reserve Board initiated an accommodative monetary policy designed to stimulate economic growth and reduce unemployment. As a consequence, interest rates have fallen to levels not seen since the early 1960s, and because inflation has been held in check, both the cost of long-term debt and equity capital have experienced historically low levels, as well.

Q. Did the Company propose this same 6.82 percent cost of debt in AWC's most recent Eastern Group and Northern Group rate filings?

A. Yes, in both the most recent Eastern Group and Northern Group rate filings, the Company proposed a cost of debt of 6.82 percent. In the Eastern Group docket,[16] the Company used a December 31, 2010 test-year end, and in the Northern Group docket,[17] the Company used a December 31, 2011 test-year end.

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[15] Docket No. W-01445A-10-0517.
[16] Docket No. W-01445A-11-0310.
[17] Docket No. W-01445A-12-0348.

Q. In the AWC rate dockets noted above, did any reach resolution by means of a Settlement Agreement?

A. Yes. In both the Western Group proceeding (Docket No. W-01445A-10-0517) and the Northern Group proceeding (Docket No. W-01445A-12-0348), resolution was achieved by means of a Settlement Agreement.[18] Only the Eastern Group rate proceeding (Docket No. W-01445A-11-0310) was fully litigated at Hearing.

Q. What cost of debt was approved by the Commission in the Settlement Agreements achieved in the above noted Western Group and Northern Group rate proceedings?

A. In both the Western Group proceeding and the Northern Group proceeding, the Commission approved the 6.82 percent cost of debt agreed to in the Settlement Agreement.

Q. When setting rates for AWC's Eastern Group in Docket No. W-01445A-11-0310, did the Commission approve the Company's proposed 6.82 percent cost of debt?

A. Yes. However, in doing so the Commission made the following statement:

> "Although **this [6.82 percent] cost of long-term debt seems somewhat high considering the current market**, we agree that it is appropriate to use AWC's actual cost of long-term debt as of the end of the TY to determine the Eastern Group's cost of capital in this case."

To further underscore the point that the Company's 6.82 percent cost of debt appeared high, the Commission then stated:

> "**Official notice is taken that the prime rate has been at 3.25 percent since December 16, 2008**. It may be worthwhile for AWC to explore

[18] In the Northern Group settlement agreement, RUCO agreed to the revenue requirement portion, but not the SIB.

whether it is possible to refinance any of its long-term debt at a more favorable interest rate (emphasis added)."[19]

Q. Please provide a brief discussion of the nature and type of permanent debt capital employed by AWC to fund its utility plant investment.

A. On a total company basis, the debt component of AWC's capital structure consists of $75,000,000 in 30-year term, non-amortizing, General Mortgage Bonds requiring (i) semi-annual interest payments and (ii) a balloon payment of the aggregate principal balance upon maturity. As shown in the Company's Schedule D-2, the Company's permanent debt capital consists of the following three series of General Mortgage Bonds:

	Issue Date	Maturity Date	Amount	Interest Rate
Series K	April 1, 2001	April 1, 2031	$15,000,000	8.05 %
Series L	August 1, 2006	August 1, 2036	$25,000,000	6.30 %
Series M	August 1, 2008	August 1, 2038	$35,000,000	6.67 %

Q. Does RUCO believe it is feasible for AWC to redeem/refinance any portion of its long-term debt at the present time?

A. No, it is not feasible, due to highly restrictive loan covenants contained in the Indenture. Specifically, Article 2.04 of the Indenture effectively precludes the Company from redeeming any portion of its Series K or Series L debt prior to 20 years of the 30-year Bond Series term having elapsed. What this means is that at the earliest, the Series K Bonds ($15M, 8.05%) would not be eligible for redemption until April 1, 2021, while the Series L Bonds ($25M, 6.30%) would not be eligible for redemption until August 1, 2026).[20] Although the Company's Series M Bonds ($35M, 6.67%) are eligible for

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[19] *See* Decision No. 73736 (dated February 20, 2013), p. 44, lines 20-22, and Footnote 50.
[20] Information provided pursuant to RUCO 2.05.

redemption at any time prior to maturity, a Make Whole provision would require payment of a discounted (i.e., net present) value of all remaining scheduled interest payments from the date of redemption to maturity. At present, the Company estimates this discounted cost to be approximately $42M which, when added to the $35M principal balance outstanding, would result in a total redemption cost of $77M.[21]

Q. For rate-making purposes, does RUCO believe AWC's inability to refinance its long-term debt to be grounds for adoption of the Company's 6.82 percent embedded cost of debt in this proceeding?

A. No. As will be demonstrated, there are several compelling reasons why adoption of the Company's proposed 6.82 percent cost of debt is **not** warranted in this proceeding.

Q. What is the first compelling reason why the Company's 6.82 percent embedded cost of debt should not be adopted in this proceeding?

A. Contemporaneous to the prime rate falling (i.e., December 16, 2008) to a level of 3.25 percent, the Company, on December 19, 2008, filed a financing application with the Commission seeking authority to issue short-term debt in an amount not to exceed $30,000,000.[22] As stated in the application, the debt proceeds were to be used for construction of improvements and additions to the Company's utility plant, with AWC alleging Commission authorization of its request to be "in the best interests of the Company and its customers." In the docket, Staff recommended Commission approval

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[21] Information provided in response to RUCO 4.06.
[22] *See* Docket No. W-01445A-08-0607, *Application for Authority to Issue Short-Term Debt*, dated December 19, 2008.

of $14,200,000 of the requested indebtedness, but the Company clearly desired authorization of the entire $30,000,000 request, as evidenced by AWC filings made to the docket.[23] Nevertheless, frustrated by Staff's unwillingness to recommend approval of the entire $30,000,000 request, the Company elected to **withdraw** its financing application,[24] and in so doing (i) eliminated the potential for AWC to reduce its then current 6.82 percent weighted cost of debt through the issuance new lower cost debt, and (ii) effectively ensured that during the 7-plus year period in which the prime rate remained at 3.25 percent,[25] all plant additions and improvements made by AWC to its Western, Eastern and Northern Groups would, out of necessity, be financed exclusively with higher cost equity. For obvious reasons, withdrawal of the Company's financing application has accrued only to the benefit of AWC shareholders. Therefore, the Commission should feel no obligation to pass on what is admittedly a high cost of debt to AWC ratepayers in this proceeding when, given the opportunity to mitigate this high cost by obtaining authority to issue low cost debt, AWC management elected not to do so.

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[23] *See* Docket No. W-01445A-08-0607, *Arizona Water Company's Comments to Arizona Corporation Commission Staff's Recommendation*, dated August 7, 2009; *Arizona Water Company's Reply to Arizona Corporation Commission Staff's Response*, dated September 11, 2009; and *Memorandum in Support of Request for Approval to Incur Short-Term Debt*, dated October 2, 2009.

[24] *See* Docket No. W-01445A-08-0607, *Withdrawal of Application for Authority to Issue Short-Term Debt*, dated September 17, 2010.

[25] On December 17, 2015, the prime rate rose to a level of 3.50%.

Q. Since withdrawing its financing application in Docket No. W-01445A-08-0607, has the Company made a subsequent filing with the Commission seeking authority to issue debt?

A. No, it has not; this, despite the fact that when withdrawing its application, the Company "respectfully reserve[d] the right to refile its application, in the form in which it was filed or in another form, at some future date."[26]

Q. Since withdrawing its financing application in the above referenced docket, has the equity capital used to fund plant additions and improvements made to AWC's Western, Eastern and Northern Groups been funded exclusively with internally generated retained earnings?

A. No, it has not, because shareholders made a cash equity infusion of $10,222,000 into the Company on October 29, 2010 "for the purpose of improving Arizona Water Company's equity ratio." (Information provided in response to RUCO 5.07 see Attachment 4)

Q. What is the second compelling reason why the Company's 6.82 percent embedded cost of debt should not be adopted in this proceeding?

A. While AWC is a public service company subject to regulation by the Commission, it is an affiliate of San Gabriel Valley Water Company ("SGVWC"), a public service company subject to regulation by the California Public Utilities Commission ("CPUC"). Annual reports filed by SGVWC are available on the CPUC website, and a review of the 2014 annual report revealed that in 2011, SGVWC issued $30,000,000 of 10-year bonds at an

[26] *See* Docket No. W-01445A-08-0607, *Withdrawal of Application*, dated September 17, 2010, p. 1.

interest rate of 3.75 percent.[27] Thus, while AWC has made no effort to mitigate the high cost of its long-term debt in today's low interest rate environment, its California affiliate, SGVWC, has actively taken steps to do so.

Q. Since issuing the above referenced 10-year, 3.75 percent bonds in 2011, has SGVWC taken further steps to reduce its weighted average cost of debt and overall cost of capital?

A. Yes, it has. A further search of the CPUC website revealed that in 2013, SGVWC filed an application requesting CPUC authority to issue an additional $80,000,000 of low cost debt.[28] A review of the filings made to the docket reveal that SGVWC wanted to act quickly before interest rates began to rise, and in the application requested the CPUC to act "as expeditiously as possible," in order to take advantage of "the currently favorable conditions for the issuance of debt securities."[29] In a subsequent filing, SGVWC continued to urge the CPUC to act promptly on its requested authorization, as "interest rates on long-term debt ha[d] recently begun to increase after a long period at historically low levels."[30]

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[27] *See* San Gabriel Valley Water Company, *2014 Annual Report*, Schedule A-24 "Account 210-Bonds," p. 36.
[28] *See* Application 13-05-006, *Application of San Gabriel Valley Water Company (U337W) for Authorization to Issue and Sell Bonds, Notes, or Other Evidence of Indebtedness Not to Exceed $80,000,000*, filed with the California Public Utilities Commission (May 13, 2013).
[29] *Ibid*, p. 2.
[30] *See* Application 13-05-006, *Brief of Applicant San Gabriel Valley Water Company (U337W)*, filed with the California Public Utilities Commission (November 25, 2013), p. 2.

Q. In the above noted financing docket, did SGVWC seek authorization to issue bonds with a sinking fund requirement (i.e., amortizing debt)?

A. Yes, in its financing application SGVWC specifically requested authority to issue bonds with a sinking fund requirement, pointing out that "**the interest rate and overall cost of the debt securities may be reduced by the use of a sinking fund** (emphasis added)."[31] The lower cost associated with bonds having a sinking fund requirement was affirmed in testimony provided by San Gabriel's Vice-President and Treasurer, Mr. David M. Batt, who stated that "**to get a loan on the best possible terms, a lender might want a sinking fund** and **San Gabriel certainly would want to have the ability to consider offering that arrangement** (emphasis added)." Mr. Batt further testified that SGVWC already had one series of bonds outstanding with a sinking fund provision.[32]

Q. Did the CPUC authorize SGVWC's requested $80,000,000 debt issuance?

A. Yes. SGVWC was granted the authority to issue the requested $80,000,000 in new long-term debt by the CPUC in Decision No. 14-01-014 (dated January 16, 2014).[33]

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[31] In its financing application, SGVWC explained that a sinking fund normally operates in one of two ways: (1) Applicant may set aside a sum of money at specified dates so that, at the maturity date of the bond issue, there is a pool of cash available to redeem the issue, or (2) Applicant may redeem specified portions of the bond issue at agreed upon dates. *See* Application 13-05-006, *"Application of San Gabriel Valley Water Company (U337W),"* filed with the California Public Utilities Commission (May 13, 2013), p. 6.

[32] *See* Application 13-05-006, *Brief of Applicant San Gabriel Valley Water Company (U337W)*, filed with the California Public Utilities Commission (November 25, 2013), p. 4.

[33] *See* Decision No. 14-01-014, *Decision Authorizing San Gabriel Valley Water Company to Issue up to $80 Million of New Long-Term Debt*, (January 16, 2014).

Q. What is the third compelling reason why the Company's 6.82 percent embedded cost of debt should not be adopted in this proceeding?

A. While AWC's sister California affiliate, SGVWC, specifically requested authority to issue bonds with a sinking fund requirement in order to further reduce its cost of long-term debt, it appears AWC is unwilling to do likewise, as evidenced by the company's response to RUCO 3.03(2), which reads as follows:

> "**Arizona Water Company does not consider bonds with a sinking fund requirement to be a suitable option** given the capital intensity of the water utility industry. **Retiring debt through annual sinking fund payments significantly reduces** the amount of **cash flow** available and can impair the utility's ability to make ongoing necessary system improvements and replacements. It is for this reason that public utilities have traditionally issued debt without sinking fund requirements (emphasis added)." (Information provided in response to RUCO 3.03 is included in Attachment 4)

Q. Did RUCO ask the Company why it has historically relied upon the issuance of 30-year, non-amortizing bonds to fund its utility plant?

A. Yes, and the Company's response to RUCO 3.03(1) reads, in part, as follows:

> "Arizona Water Company has issued traditional public utility-style bonds (i.e., long-term, non-sinking fund) because doing so is consistent with the permanent nature of the capital deployed in financing long-lived assets and **provides cash flow** to fund ongoing necessary system improvements and replacements, thereby maintaining a balanced capital structure **without unnecessarily increasing customers' rates** (emphasis added)." (Information provided in response to RUCO 3.03 is included in Attachment 4)

In light of the above, and given the Company's unwillingness to issue lower-cost, sinking fund bonds, there is every reason to call into question the assertion that AWC's exclusive reliance on non-sinking fund debt has not '*unnecessarily increased customer's rates.*'

Q. What is the fourth, and final, compelling reason why the Company's 6.82 percent embedded cost of debt should not be adopted in this proceeding?

A. In response to both RUCO 3.03(2) and RUCO 3.03(1), the Company addresses the cash flow implications of sinking fund, and non-sinking fund bonds as they relate to making "ongoing necessary system improvements and replacements," but is conspicuously silent as to the payment of dividends. Because AWC makes exclusive use of 30-year, non-sinking fund bonds requiring only semi-annual interest payments, the enhanced cash flows associated with that debt more easily facilitates the payment of dividends to AWC shareholders. Therefore, in view of the fact that the Company has **done nothing** to reduce the weighted average cost of its long-term debt over the entire 7-plus year period in which the prime rate stood at 3.25 percent, RUCO believes that consideration of AWC's dividend payout ratio is relevant to the issue of what cost of long-term debt should be approved in this rate proceeding.

Q. Has RUCO prepared a schedule showing what the Company's dividend payout has been over the 10-year period, 2005-2014?

A. Yes. RUCO Exhibit JAC-A presents an analysis of AWC's shareholders' equity over the 10-year period, 2005-2014, as well as the Company's dividend payout in each year. For informational purposes, the dividend payout ratios for RUCO's sample companies is also provided.

Q. As measured over the 10-year period, 2005-2014, what is AWC's 10-year average annual dividend payout ratio?

A. As shown in RUCO Exhibit JAC-A, over the 10-year period, 2005-2014, on an average annual basis AWC paid out **93.99 percent** of its earnings in the form of dividends.

Q. Within the 10-year period, 2005-2014, were there years in which AWC's dividend payout exceeded earnings (i.e. a dividend payout ratio in excess of 100 percent)?

A. Yes. As shown in RUCO Exhibit JAC-A, within this 10-year period, the dividend payout exceeded earnings on five occasions: In years 2007 (**109.60 percent**), 2008 (**145.66 percent**), 2009 (**147.79 percent**), 2010 (**114.16 percent**), and 2012 (**111.73 percent**). In another year – 2011 (94.99 percent) – the dividend payout was almost 100 percent.

Q. Over the 10-year period, 2005-2014, have there been extended periods within which AWC's average annual dividend payout exceeded 100 percent?

A. Yes, as shown in RUCO Exhibit JAC-A this happened on two occasions. First, over the **8-year period, 2007-2014**, when the average annual dividend payout was **101.38 percent**; and second, over the **7-year period, 2008-2014**, when the average annual dividend payout was **100.21 percent**.

Q. As measured over the 5-year period, 2010-2014, what is AWC's 5-year average annual dividend payout ratio?

A. As shown in RUCO Exhibit JAC-A, over the 5-year period, 2010-2014, on an average annual basis AWC paid out **81.61 percent** of its earnings in the form of dividends.

Q. What are RUCO's observations concerning the above noted AWC dividend payout ratios?

A. RUCO has only one observation: the ability of AWC to achieve such high dividend payout ratios year-in and year-out over the last ten years is a testament to the fact that the enhanced cash flows made possible by the Company's exclusive use of higher cost, non-sinking fund debt does, indeed, facilitate the payment of dividends. Unfortunately, while AWC shareholders have directly benefitted from this higher cost debt, the Company has made **no effort** to mitigate or otherwise reduce its weighted cost of debt over a 7-year extended period of time in which interest rates have reached historically low levels.

Q. You noted earlier that AWC shareholders made a $10,222,000 equity infusion into the Company in 2010 for the stated purpose of increasing the equity component. What was the amount of the annual dividend distribution made to AWC shareholders in each of the following two years, 2011 and 2012?

A. As shown in RUCO Exhibit JAC-A, AWC paid total annual dividends of $4,665,600 in 2011, and total annual dividends of $7,079,400 in 2012. Thus, over the two years combined, the total dividend distribution made to AWC shareholders in years 2011 and 2012 was **$11,745,000** ($4,665,600 + $7,079,400 = $11,745,000).

Q. So after having made an equity infusion of $10,222,000 in late 2010, within the next two years AWC shareholders received total dividend distributions in an amount greater (i.e., $11,745,000) than the equity infusion made in 2010, correct?

A. Yes. In fact, the total 2011 and 2012 dividend distribution exceeded the 2010 equity infusion by $1,523,000 ($11,745,000 - $10,222,000 = $1,523,000). That the Company

was able to return the equity infusion made by shareholders in the form of a dividend distribution in such a short period of time underscores the point made earlier concerning the enhanced cash flows resulting from AWC's exclusive use of higher cost, non-sinking fund debt and how it facilitates the payment of dividends to shareholders.

Q. In view of the compelling reasons noted above as to why the Company's 6.82 percent embedded cost of debt should not be adopted, for rate making purposes in this proceeding what cost of debt does RUCO recommend?

A. RUCO recommends adoption of a **5.43 percent** cost of debt for AWC's Western Group, a cost rate equal to the December 31, 2014 weighted average cost of long-term debt used to fund the utility plant of RUCO's proxy group of companies.

Q. For purposes of its cost of capital recommendations in this docket, why did RUCO elect to use the 5.43 percent sample average weighted average cost of long-term debt of its proxy group of companies?

A. The reason is two-fold. First, when estimating the cost of equity, a proxy group of sample companies is used to obtain an estimated cost rate. RUCO's adoption of the 5.43 percent weighted average cost of debt for its sample companies is predicated on this same concept. Second, as shown in Schedule JAC-6 (Page 8), the common equity ratios, and thus the capital structures, of RUCO's proxy group of companies closely mirrors that of AWC.

Q. Has RUCO prepared a schedule presenting the overall (i.e., sample average) weighted average cost of long-term debt for its sample companies to support its recommended 5.43 percent recommended cost of debt?

A. Yes. As shown in RUCO Exhibit JAC-B, for each of RUCO's sample companies the balance of long-term debt outstanding, as of December 31, 2014, used to fund utility plant is presented in Column [A], the weighted average cost of long-term debt for each company is presented in Column [B], and the annual interest expense associated with each company's long-term debt is presented in Column [C]. For informational purposes, the weighted average years to maturity of long-term debt outstanding for each sample company is presented in Column [D], the percentage of total long-term debt issued by each sample company exceeding AWC's 6.82 weighted cost of debt is presented in Column [E], while a comparison between AWC's lowest cost debt (i.e., Series L Bonds ($25M @ 6.30%) and the weighted average cost of debt for each sample company is presented in Column [F].[34] Information relating to AWC appears at the top of the schedule.

Q. Please enumerate the most significant items of information presented in RUCO Exhibit JAC-B.

A. First, as shown in Column [B], as of December 31, 2014, the weighted average cost of long term debt for RUCO's sample companies is **5.43 percent**, a figure **140 basis points lower** than the Company's 6.82 percent weighted average cost. Second, as shown in Column [D], AWC rate payers will be saddled with this higher cost debt for an extended

[34] Information obtained from the 2014 Form 10-K filed with the Securities and Exchange Commission by each sample company was used in the preparation of Exhibit JAC-B.

period of time, as the Company's long-term debt has a weighted average years to maturity of **21.43 years**. Third, as shown in Column [E], of the total long-term debt issued and outstanding by RUCO's sample companies, on average only 17.31 percent carries an interest rate higher than AWC's weighted average 6.82 percent cost of debt. Fourth, as shown in Column [F], with the exception of American States Water (6.51 percent), all of RUCO's sample companies have a weighted average cost of debt **lower** than AWC's lowest cost debt (i.e., Series L Bonds, 6.30 percent). Finally, as shown in Column [C], AWC had annual interest expense ($5,118,614) exceeding that of one publicly-traded sample company (York Water Company, $4,647,175).

Q. In compiling the data used in the preparation of RUCO Exhibit JAC-B, did you find that the publicly-traded sample companies utilized amortizing debt (i.e., sinking fund debt) in an effort to reduce the weighted average cost of long-term debt?

A. Yes. The 10-K Forms filed by RUCO's nine sample companies indicated that each utilized amortizing debt in order to reduce its overall weighted average cost of long-term debt.

VI. SELECTION OF PROXY GROUP

Q. Was RUCO able to directly estimate AWC's cost of common equity?

A. No. The Company's common stock is not publicly-traded, and for this reason it is not possible to directly estimate AWC's cost of common equity. Therefore, RUCO employed a proxy group of publicly-traded water utility companies to indirectly estimate the Company's cost of equity utilizing financial market data available for each sample company.

Q. What publicly-traded water utility companies has RUCO selected for inclusion in its proxy group?

A. RUCO's proxy group consists of the following nine publicly-traded water utility companies: American States Water, American Water Works, Aqua America, Artesian Resources, California Water, Connecticut Water, Middlesex Water, SJW Corp., and York Water. These nine water utilities comprise the entire universe of publicly-traded water utility companies followed by both the Standard Large-Cap and Small & Mid-Cap editions of *The Value Line Investment Survey*. Attachment 2 contains the most recent *Value Line* quarterly update for each of RUCO's nine proxy companies.

Q. For purposes of her analysis, does the Company's cost of capital witness, Pauline M. Ahern, employ the same proxy group used by RUCO?

A. No. Ms. Ahern's proxy group consists of eight of the nine water utility companies in RUCO's sample group; for purposes of her analysis, Ms. Ahern excludes Artesian Resources from her proxy group.

VII. DCF ANALYSIS

Q. What is the theory and methodological basis of the DCF model?

A. The DCF model is one of the oldest and most commonly used models for estimating the cost of equity ("COE") for public utilities, and the only one which intrinsically takes into consideration the price investors are willing to pay for a given unit of return. The DCF is based on the "dividend discount model" of financial theory, which maintains that the value (price) of any security or commodity is the discounted present value of all future cash flows.

The most common variant of the DCF used to estimate the cost of equity is the Constant Growth DCF model, which assumes that dividend growth is expected to continue at a constant rate into perpetuity, is expressed by the following formula:

$$K = \frac{D}{P} + g$$

Where: K = cost of equity
D_1 = expected annual dividend
P_0 = current stock price
g = expected constant rate of dividend growth

This formula essentially recognizes that the return expected, or required, by investors is comprised of two factors: the dividend yield (current income) and expected growth in dividends (future income).

Q. For purposes of its DCF analysis, does RUCO employ the Constant Growth DCF model?

A. Yes. In doing so, RUCO combines the current dividend yield (D_0/P_0) for each proxy group sample company with several indicators of expected dividend growth.

Q. How did RUCO derive the dividend yield component of the DCF equation?

A. Several different methods can be used to compute the dividend yield component in the constant growth DCF model. However, for purposes of its analysis RUCO utilized the Gordon quarterly compounding method to compute the dividend yield component, as it gives recognition to the timing of dividend payments and dividend increases. The Gordon quarterly compounding method is expressed as follows:

$$Yield = \frac{D_0(1+0.5g)}{P_0}$$

The current stock price (P_0) in my yield calculation represents the average of the high and low stock price for each proxy company over the most recent three month period (November 2015 – January 2016). The current dividend (D_0) is the current annualized dividend rate for each proxy company, computed using the most recent quarterly dividend.

Q. How does RUCO estimate the dividend growth (g) component of the DCF equation?

A. In estimating the dividend growth rate in its DCF analysis, RUCO gives consideration to the following five indicators of growth:

1. Five-year average (2010-2014) earnings retention (i.e., fundamental) growth, as reported by *Value Line*;
2. Five-year average of historic growth in earnings per share (EPS), dividends per share (DPS), and book value per share (BVPS), as reported by *Value Line*;
3. Years 2015, 2016 and 2018-2020 projections of earnings retention growth, as reported by *Value Line*;
4. Years 2012-2014 to 2018-2020 projections of EPS, DPS, and BVPS, as reported by *Value Line*; and,
5. Five - year projections of EPS growth, as reported by Yahoo Finance.

RUCO believes this combination of growth indicators to be a representative and appropriate set with which to estimate investor expectations of dividend growth for its proxy group of sample companies, as each is a determinant of dividend growth. Additionally, these growth indicators are reflective of the types of information that investors normally take into consideration when making an investment decision.

Q. Please describe RUCO's DCF calculations.

A. RUCO's DCF analysis is presented in Schedule JAC-3, Pages 1 through 4. Page 1 presents RUCO's overall DCF cost of equity estimation results for its proxy group of sample companies. As can be seen, "raw" DCF calculations are presented on several bases: mean, median, and high values. Page 2 presents the calculation of the dividend yield for each proxy company prior to adjustment for growth. Pages 3 and 4 present RUCO's historical and projected growth rate calculations for its proxy group of companies.

Q. What does RUCO conclude from its DCF cost of equity estimation analyses?

A. The DCF cost of equity rates obtained for RUCO's proxy group fall into a range between 7.58 percent and 8.63 percent. RUCO's highest DCF cost rate is 8.63 percent. RUCO concludes that 8.63 percent represents the current DCF cost of equity for the proxy group. Accordingly, RUCO recommends a DCF cost of equity of 8.63 percent for AWC's Western Group, which is based on the high end of the DCF range.

VIII. CAPM ANALYSIS

Q. Please describe the theory and methodological basis of the CAPM.

A. Developed in the 1960s and 1970s as an extension of modern portfolio theory, the CAPM describes the relationship between a security's investment risk and its market rate of return.[35] This relationship identifies the rate of return which investors expect a security to earn so that its market return is comparable with the market returns earned by other

[35] The CAPM makes the following assumptions: 1) single holding period; 2) perfect and competitive securities market; 3) no transaction costs; 4) no restrictions on short selling or borrowing; 5) the existence of a risk-free rate; and 6) homogeneous expectations.

securities that have similar risk. The relationship is specified by the Security Market Line (SLM) that indicates the relationship between each security or portfolio's "beta" and its resulting return. Beta is a measure of relative risk (i.e., volatility) between a given equity security and the market as a whole.

Q. How is the CAPM derived?

A. The general form of the CAPM is expressed by the following formula:

$$K = R_f + \beta (R_m - R_f)$$

Where: K = *cost of equity*

R_f = *risk free rate*

R_m = *return on market*

β = *beta*

$R_m - R_f$ = *market risk premium*

Q. Can you please identify the strengths of using the CAPM model in your analysis?

A. Yes. The CAPM is cited as having the following strengths (1) it is based on the concept of risk and return; (2) it is company specific as it relates to the specific beta's within the industry; (3) it has widespread use as it recognizes that investors can and do diversify; (4) given the assumptions underlying the model, it is highly structured and easy to apply; (5) the model is formulistic and the data used in the computations is readily available; (6) it is a forward looking concept; and (7) it is a method for converting changes in interest rates to the cost of equity.

Q. What risk-free (R_f) rate does RUCO use in its CAPM analysis?

A. For purposes of its CAPM analysis, RUCO uses a risk-free rate of 2.95 percent. RUCO's risk-free rate represents the 3-month average yield on the 30-year long-term U.S. Treasury Bond, measured over the 3-month period, November 2015 – January 2016. The calculation of RUCO's risk-free rate is presented in Schedule JAC-4, Page 1.

Q. Is it customary to use the yield on U.S. Treasury securities as the risk-free (R_f) rate in the CAPM?

A. Yes, because debt securities issued by the United States Department of the Treasury are considered to be free of default risk. For purposes of its analysis, RUCO elected to use the yield on the 30-year U.S. Treasury Bond as a measure of the risk-free rate because the 30-year maturity of U.S. Treasury Bonds more closely matches the useful life of the Company's utility plant assets.

Q. Did RUCO consider use of a forecasted long-term Treasury bond rate as the risk-free rate to be used in its CAPM analysis?

A. No. The appropriate interest rate to be used in the CAPM is the current rate borne by investors in the market place. Use of a forecasted risk-free rate overstates the estimated cost of equity derived from the CAPM. Use of a current, or recent average, long-term Treasury rate is reflective of investor's current expectations, and as such is the appropriate risk-free rate to be used in the CAPM. This is particularly true given the prospect that the Fed may have to further reduce short-term interest rates and/or initiate an accommodative monetary policy utilizing negative interest rates should the U.S. economy, once again, go into recession.

Q. What beta does RUCO employ in its CAPM analysis?

A. RUCO employs the most recent (i.e., January 16, 2016) *Value Line* beta reported for each company in its proxy group. Once again, beta[36] is a measure of the relative riskiness (i.e. as measured by market volatility) of a given company's stock in relation to that of the market as a whole. The market is assumed to have a beta of 1.0; thus, firm's having a beta less than 1.0 are considered to be less risky than the market, whereas firms having a beta coefficient greater than 1.0 are considered to be riskier than the market. As regulated entities insulated from market competition by virtue of having been granted natural monopoly status, the common stocks of utility companies are perceived to be less risky than the overall market and, thus, have traditionally had betas less than 1.0.

Q. How does RUCO estimate the market risk premium (R_m-R_f) component?

A. The market risk premium component (R_m-R_f) represents the investor-expected premium of common stocks over the risk-free rate, or government bonds. For purposes of its analysis, RUCO estimated the market risk premium by comparing annual realized returns on equity for the S&P 500 group with the actual annual yields on 20-year long-term Treasury bonds over the period, 1978-2015. As shown in Schedule JAC-4, Page 2, the market risk premium component used in RUCO's CAPM represents the average of differential returns on equity for the S&P 500 group and the annual yields on 20-year U.S. Treasury bonds over this 1978-2015 period of time. RUCO determined the average ROE on the S&P 500 to be 13.69 percent, and the average 20-year U.S. Treasury bond yield

[36] See Attachment 2 – Individual proxy companies beta's identified

to be 6.78 percent. Thus, based upon these returns RUCO concluded the market risk premium (R_m-R_f) component in its CAPM to be 6.91 percent (13.69% - 6.78% = 6.91%).

Q. What did RUCO conclude the overall estimated CAPM COE to be?

A. As shown in Schedule JAC-4, Page 1, the CAPM COE estimate for RUCO's proxy group of sample companies is 7.79 percent.

IX. CE ANALYSIS

Q. Please describe the basis of the Comparable Earnings (CE) methodology.

A. The CE method is designed to measure returns expected to be earned on the original cost book value of similar risk business enterprises, in this case RUCO's proxy group of companies. Thus, it provides a direct measure of the fair return, since it translates into practice the competitive principle upon which regulation rests. This is true despite AWC not being a public company, as it provides additional support that the company will be earning a fair rate of return.

Q. How did RUCO apply the CE methodology?

A. RUCO applied the CE methodology by examining realized returns on equity for its proxy group of sample companies over the 10-year period, 2005-2014, as well as projected returns on equity for 2015 and 2016, and 2018-2020.

Q. What cost of equity results were obtained from RUCO's CE analysis?

A. As shown in Schedule 5, RUCO calculated historical returns on equity for its sample companies over both a 5- and 10-year period, and projected returns on equity over the 5-

year period, 2015-2019. Based upon its analysis, RUCO generated mean and median CE cost of equity estimates ranging from a low of 8.63 percent to a high of 10.42 percent. The results of RUCO's CE cost of equity analysis based on returns on equity for the proxy group can be summarized as follows:

	Historic ROE's	Projected ROE's
Mean	8.83 % - 9.18 %	10.42 %
Median	8.63 % - 8.74 %	9.92 %

For purposes of its analysis, RUCO adopts the 10.42 percent cost of equity estimate at the high end of the range as its CE-derived cost of equity estimate for the Company.

X. RUCO RESPONSE TO COMPANY'S COST OF CAPITAL WITNESS MS. PAULINE M. AHERN

Q. Please summarize Ms. Ahern's cost of equity estimation methodology and recommendations.

A. Ms. Ahem recommends a 10.75 percent cost of equity based on estimates derived from the constant growth DCF model, two risk premium models (the Predictive Risk Premium Model™ ("PRPM™") and a Risk Premium Model using an Adjusted Total Market Approach), and the CAPM model (both the Traditional CAPM and the Empirical CAPM) for a proxy group of eight sample companies.

For purposes of her analysis, Ms. Ahern relies on the average of the mean and median cost rates obtained from each of her cost of equity models. Accordingly, Ms. Ahern derives an estimated 8.64 percent cost of common equity from her DCF model, an estimated 10.76 percent cost of common equity from her two risk premium models, and

an estimated 9.58 percent cost of common equity from her CAPM models. She concludes that the indicated cost of common equity to her sample group of companies before adjustments for credit risk and business/ small size risk is 9.60 percent. To this 9.60 percent indicated cost of equity figure, Ms. Ahern adds an upward 63 basis point credit risk adjustment and an upward 50 basis point business/small size risk adjustment, thus arriving at an indicated cost of common equity of 10.73 percent. Ms. Ahern's recommended cost of common equity for AWC is 10.75 percent. Her overall recommended rate of return for the Company is 8.93 percent.

For purposes of her constant growth DCF analysis, Ms. Ahem (i) relies on 5-year analysts' forecasts of EPS growth from Value Line, Reuters, Zack's and Yahoo! Finance to estimate the dividend growth (g) component; (ii) utilizes a 60-day average stock price (P_0) in the computation of the current dividend (D_0/P_0) yield, and (iii) makes a semi-annual compounding adjustment to the expected dividend yield (D_1/ P_0) component to reflect the periodic payment of dividends.

For purposes of her CAPM, ECAPM and PRPM™ analyses, Ms. Ahem employs an inflated risk-free (R_F) rate of 3.69 percent; a figure representing the forecasted average yield on 30-year U.S. Treasury Bonds obtained from *Blue Chip Financial Forecasts* covering (i) the 18-month period, Q2 2015 – Q3 2016, (ii) the 5-year period, 2017-2021, and (iii) the 5-year period, 2022-2026.

Q. Turning first to Ms. Ahern's DCF analysis, as presented in Exhibit PMA-5 (Page 1), did RUCO find Ms. Ahern's sample average (8.93 percent), sample median (8.35 percent) and average mean/median (8.64 percent) DCF cost rates to be overstated?

A. The DCF cost estimates presented in Exhibit PMA-5 (Page 1) are overstated, and this overstatement is largely attributable to recent reductions made to *Value Line's* 5-year EPS growth forecast for six of Ms. Ahern's eight sample companies.[37] Additionally, there have been changes to the Yahoo! Finance 5-year EPS growth estimates for three of Ms. Ahern's sample companies (American States Water, American Water Works and Aqua America).[38] As a consequence, the average projected 5-year EPS growth estimate presented in column [6] of PMA-5 (Page 1) for six of Ms. Ahern's sample companies is overstated.[39]

Q. Has RUCO determined the extent to which Ms. Ahern's sample average, sample median and average mean/median DCF cost rates, as presented in Exhibit PMA-5 (Page 1), have been overstated?

A. Yes. As shown in RUCO Exhibit JAC-C, after updating the Value Line and Yahoo! Finance 5-year projected EPS growth estimates in column's [2] and [5] of Ahern Exhibit PMA-5, RUCO determined (i) the sample average DCF cost rate to be **8.47 percent**, (ii) the sample median DCF cost rate to be **8.25 percent**, and (iii) the average mean/median DCF cost rate to be **8.36 percent**. For purposes of her analysis, Ms. Ahern relies upon

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[37] *Value Line* (January 16, 2016). Only *Value Line's* 5-year EPS growth forecast for Middlesex Water (5.0 percent) and York Water (6.5 percent) remained unchanged.
[38] For purposes of confirmation, see RUCO Schedule JAC-3 (Page 1), column [F].
[39] Only the average projected 5-year EPS growth rate for Middlesex Water (3.85 percent) and York Water Company (5.70 percent) remained unchanged.

the average mean/median DCF estimate in her cost of equity analysis; therefore, her DCF cost of equity estimate has been **overstated by 28 basis points** (8.64% - 8.36% = 0.28%).

Q. What is Ms. Ahern's estimated Predictive Risk Premium Model ("PRPM™") cost of equity?

A. As shown in Exhibit PMA-7 (Page 2), Ms. Ahern's sample average PRPM™ COE is 11.94 percent, her median PRPM™ COE is 11.24 percent, and her average mean/median PRPM™ COE is 11.59 percent. For purposes of her analysis, Ms. Ahern relies on the average mean/median estimate. Therefore, for purposes of her cost of equity recommendation in this docket, Ms. Ahern's PRPM™ estimated COE is 11.59 percent.

Q. Among the cost of equity estimates obtained by Ms. Ahern in this docket, is the 11.59 percent estimate obtained from the PRPM™ the highest?

A. Yes, it is.

Q. In arriving at her 11.59 percent PRPM™ derived cost of equity estimate, what risk-free (R_F) rate does Ms. Ahern employ?

A. As shown in Exhibit PMA-7 (Page 2), Column 6, Ms. Ahern uses a forecasted risk-free rate of 3.69 percent. As shown in Exhibit PMA-8, Note 2, this 3.69 percent risk-free rate represents the average of forecasted yields on 30-year U.S. Treasury Bonds, covering the following periods: (i) the 18-month period, Q2 2015 – Q3 2016, (ii) the 5-year period, 2017-2021, and (iii) the 5-year period, 2022-2026, as reported by *Blue Chip Financial Forecasts*.

Q. Does Ms. Ahern's use of a forecasted 30-year Treasury Bond yield as the risk-free rate in her PRPM™ analysis overstate the cost of equity?

A. Yes. As noted earlier, the appropriate risk-free rate to be used is the current rate borne by investors in the market place. Use of a forecasted risk-free rate overstates the estimated cost of equity. Use of a current, or recent average, long-term Treasury rate is reflective of investor's current expectations, and as such is the appropriate risk-free rate to be used when estimating the cost of equity.

Q. Does RUCO find it somewhat ironic that Ms. Ahern, on behalf of the Company, would advocate for the adoption of cost of equity estimates predicated on the assumption that interest rates will rise (i.e., her use of a forecasted risk-free rate) when, during an extended period (7-years plus) of historically low interest rates, the company has made no effort to reduce its weighted average cost of long-term debt?

A. Yes.

Q. Have cost of equity estimates derived from the PRPM™ previously been adopted by the Commission in a rate proceeding?

A. No, they have not.[40]

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[40] *See* Decision No. 75268 (dated September 8, 2015), *EPCOR Water Arizona*, Docket No. WS-01303A-14-0010, p.41. In the Decision, the Commission rejected cost of equity estimates obtained from Ms. Ahern's PRPM™, stating: "We are not persuaded that the Company's PRPM, which was developed and sponsored by its witness, should be adopted in this case. Despite Ms. Ahern's claims, the record does not support a conclusion that the PRPM has been peer-reviewed simply because it appeared in a few journals and that it may be included in future publications."

Q. Have cost of equity estimates derived from the PRPM™ previously been adopted in a rate proceeding before any regulatory commission?

A. No. To date, cost of equity estimates derived from the PRPM™ have not been adopted in a rate proceeding before any regulatory commission. The following is an excerpt from the Final Order issued by the Maine Public Utilities Commission in which PRPM™ derived cost of equity estimates proposed by Ms. Ahern were rejected:

> "We are not convinced that we should accept results based on a newly derived analytical model that has not been rigorously vetted. As acknowledged by Ms. Ahern, the PRPM™ model is one that was developed by her consulting firm Associated Utility Services (AUS) and has been used only by AUS cost of equity consultants since 2012. January 14, 2014 Tr. At 37. To the best of Ms. Ahern's knowledge, no other state commission has adopted it. January 14, 2014 Tr. At 39-40. As stated by Mr. Hill, the model does not easily lend itself to analysis and independent verification of accuracy. At this point, we are not prepared to incorporate the results of the analysis using the PRPM™ inputs into our determination of an appropriate ROE in this case. This does not however preclude us from future reliance once the model is fully vetted by academia and other regulatory bodies."[41]

Q. The above cited passage makes reference to a Mr. Hill. Does RUCO have knowledge of Mr. Hill, and if so, did RUCO review his cost of capital testimony in the above referenced Maine docket as it relates to Ms. Ahern's PRPM™ model?

A. Yes. Mr. Stephen G. Hill is a Certified Rate of Return Analyst (CRRA) and former Vice-President of the Society of Utility Regulatory Financial Analysts (SURFA), and has previously filed cost of capital testimony on behalf of RUCO before the Commission on many occasions. In reviewing the docket, RUCO found that Mr. Hill addressed Ms. Ahern's PRPM™ model in oral surrebuttal testimony provided at hearing. A transcript of

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[41] *See* Maine Water Company-Camden & Rockland Division, Maine Public Utilities Commission (Docket No. 2013-00362), Final Order, pp. 11-12.

Mr. Hill's surrebuttal testimony is available on the Maine Public Utilities Commission website,[42] and it serves as an insightful tutorial as to the reasons why cost of equity estimates obtained from the PRPM™ should **not** be adopted in a regulatory rate proceeding. As contained in the transcript, the following is a brief bullet-point overview of Mr. Hill's substantive criticism of Ms. Ahern's PRPM™ model:

1) The threshold question to be asked when a new cost of equity estimation model is introduced is whether it provides a reasonable estimate of the COE, and the PRPM™ model developed by Ms. Ahern and her former AUS colleagues fails to pass this threshold test because it **overstates** the COE;
2) Unlike the DCF and CAPM models, both of which are based on financial economics, the PRPM™ is based on **behavioral economics**;
3) Behavioral economics is used to measure a "utility function," **not** a "dollar return function;"
4) The PRPM™ utilizes a historical data set of monthly returns, and **assumes that investors are buying and selling the market every month**;
5) In using the PRPM™ to estimate the cost of equity for utility companies, Ms. Ahern improperly assumes that utility stocks are **not** defensive stocks;[43]
6) The PRPM™ is a consumption-based asset pricing model subject to statistical GARCH analysis, and there are **three general problems** associated with such models:
   a) Changes in conditional variance are much **more dramatic** when utilizing daily or **monthly data**, and much weaker at lower frequencies (i.e., the stock price volatilities obtained by Ms. Ahern when using monthly data are much more pronounced than had she utilized yearly data);
   b) Forecasts of excess stock returns do not move proportionally with estimates of conditional variance – Ms. Ahern's PRPM™ analysis

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[42] *See* Transcript of Hearing, Maine Water Company-Camden & Rockland Division, Maine Public Utilities Commission (Docket No. 2013-00362), dated January 14, 2014. Mr. Hill's oral surrebuttal testimony appears on pp. 57-97.
https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/CaseMaster.aspx?CaseNumber=2013-00362

[43] To demonstrate that this is an invalid assumption, Mr. Hill cites to a definition of "defensive stock," obtained from Investopedia, which reads as follows: "The utility industry is an example of defensive stocks because, during all phases of the business cycle, people need gas and electricity. Many active investors will invest in defensive stocks if a market downturn is expected."

assumes that conditional variance determines stock price movements, but research shows that this is not the case; and

c) There is little evidence of cyclical variation and consumption volatility that could explain the variation in stock market volatility.[44]

Q. You indicated that Mr. Hill's surrebuttal testimony was provided orally at hearing. Did Ms. Ahern also testify at that hearing, and if so how did she respond to Mr. Hill's criticism of the PRPM™?

A. Yes, Ms. Ahern testified at the hearing, and her oral rebuttal testimony is included in the transcript from that Maine docket. A review of that document indicates that at no time did Ms. Ahern take exception to the criticism leveled against the PRPM™ by Mr. Hill.

Q. In accordance with the Efficient Market Hypothesis, investors are assumed to be "rational." In your judgement, would a so-called 'rational investor' buy and sell the market on a monthly basis (i.e., churn the account) in the fashion the PRPM™ does in Ms. Ahern's cost of equity analysis?

A. No, and this is an additional reason why cost of equity estimates obtained from the PRPM™ model should be rejected when setting rates for AWC's Western Group in this proceeding.

[44] *See* Maine Water Company-Camden & Rockland Division, Maine Public Utilities Commission (Docket No. 2013-00362), *Surrebuttal Testimony of Stephen G. Hill*, Transcript of Hearing, dated January 14, 2014, pp. 57-98.

Q. Ms. Ahern presents the results of her PRPM™ cost of equity estimates in Exhibit PMA-7 (Page 2). As shown, column [2] presents the PRPM™ derived predicted risk premiums for each of her sample companies, and among these risk premium values, only two – (Aqua America (10.95 percent) and York Water Company (10.30 percent) – exceed ten percent.[45] Does RUCO have reason to believe that the 10.30 percent predicted risk premium shown for York Water is significantly overstated?

A. Yes.

Q. Please explain why RUCO believes the 10.30 percent PRPM™ derived predicted risk premium for York Water to be significantly overstated.

A. As mentioned earlier, the PRPM™ model utilized by Ms. Ahern in her analysis was developed by Ms. Ahern and several former associates with the firm, AUS Consultants. In 2011, in an article co-authored by Ms. Ahern and published in the Journal of Regulatory Economics, the authors make the following statement:

> "**Another problem** is that **the model** [i.e., PRPM™ model] **requires a substantial time series history on stock returns** data **to develop stable estimates of risk premia** (emphasis added)."[46]

[45] Although a value not shown in PMA-7 (Page 2), Column [2], the sample average predicted risk premium for Mr. Ahern's sample group of companies is 8.25 percent.

[46] Ahern, Pauline M., Hanley, Frank J., and Michelfelder, Richard A., "New Approach to Estimating the Cost of Common Equity Capital for Public Utilities," *Journal of Regulatory Economics* (2011), p.277.

Q. When was York Water Company founded, and how long has it been an investor-owned water utility company?

A York Water Company was founded in 1816, and has been an investor-owned water utility since inception. Thus, the common stock of York Water Company has been publicly-traded for a period of 200 years.

Q. For purposes of obtaining a 10.30 percent PRPM™ derived predicted risk premium for York Water, what time series of monthly stock price data does Ms. Ahern use?

A A review of Ms. Ahern's PRPM™ work papers reveals that the time series of monthly stock prices used to obtain a 10.30 percent predicted risk premium for York Water covered the period, February 2001–May 2015.

Q. So for purposes of her analysis, even though the common stock of York Water has been publicly-traded for a period of 200 years, Ms. Ahern utilizes a time series of stock price data covering a period of less than 15 years, true?

A. Yes; this, despite the fact that in the article cited to above which she co-authored, Ms. Ahern acknowledges that the PRPM™ "*requires a substantial time series history on stock returns data to develop stable estimates of risk premia.*"

Q. As noted, Ms. Ahern incorporates an 11.59 percent PRPM™ derived Risk Premium cost of equity estimate into her analysis. Does Ms. Ahern incorporate PRPM™ derived metrics into her other models, as well?

A. Yes. Ms. Ahern incorporates PRPM™ derived metrics on two occasions in the development of the 4.87 percent equity risk premium component used in her Risk

Premium Using and Adjusted Total Market Approach model.[47] Additionally, Ms. Ahern incorporates PRPM™ derived metrics on another occasion in the development of the 7.41 percent market risk premium component used in her CAPM.[48]

Q. Does use of PRPM™ derived metrics in Ms. Ahern's Risk Premium Using and Adjusted Total Market Approach and CAPM models overstate the cost of equity estimates obtained from those models?

A. Yes.[49]

Q. In closing on the issue of Ms. Ahern's PRPM™ cost of equity estimation model, did RUCO request Ms. Ahern to provide (i) the actual proprietary program utilized in her PRPM™ cost of equity analysis and (ii) all data inputs used to compute the PRPM™ derived predicted risk premiums in her cost of equity analysis, and if so, did Ms. Ahern provide the information requested?

A. Yes, RUCO requested this information in a data request, RUCO 2.08 (Information provided in response to RUCO 2.08 is included in Attachment 4). However, the information requested of Ms. Ahern was not provided.

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[47] *See* Ahern Exhibits: PMA-7 (Page 3), Line 6; PMA-7 (Page 7); PMA-7 (Page 8), Line 2; and PMA-7 (Page 11), Line 4.

[48] *See* Ahern Exhibit PMA-8, Measure 3: Application of the PRPM to Ibbotson historical data.

[49] *See* (i) Ahern Exhibit PMA-7 (Page 8), compare the 5.89 percent Ibbottson Equity Risk Premium (Line 1) to the 6.34 percent Ibbottson Equity Risk Premium based on PRPM™ (Line 2); and (ii) Ahern Exhibit PMA-8, compare the 6.84 percent MRP based on Ibbottson historical data (Measure 2) to the 7.15 percent MRP with PRPM application to that same Ibbottson historical data (Measure 3).

Q. Has the Commission, in a prior rate proceeding, indicated that Ms. Ahern should provide other parties access to her proprietary PRPM™ model, as well as the data inputs used therein?

A. Yes. In Decision No. 75268, issued in the aforementioned EPCOR docket, the Commission stated as follows:

> "We are also concerned that the other parties did not have access to the actual program and data used by the Company because of the proprietary nature of the model. Access to the model is critical for multiple reasons, ranging from the possibility of data input errors, to formula miscalculations, to manipulation of data."[50]

Q. Turning now to Ms. Ahern's CAPM analysis, does RUCO believe Ms. Ahern's CAPM cost of equity estimates to be overstated?

A. Yes, and for several reasons. First, as shown in Exhibit PMA-8, rather than relying on beta values reported by *Value Line*, for each of her sample companies Ms. Ahern employs a beta coefficient representing the average of (i) a *Value Line* adjusted beta and (ii) a Bloomberg adjusted beta. Use of Bloomberg betas leads to an overstatement to the beta component of her CAPM analysis.[51] Second, as shown in Exhibit PMA-8, Ms. Ahern employs a 7.41 percent MRP in her CAPM analysis, a figure obtained by taking the average of four different MRP measures:

Measure 1:	6.11 percent	(based on Value Line information);
Measure 2:	6.84 percent	(based on Ibbottson historical data);
Measure 3:	7.15 percent	(PRPM™ applied to Ibbottson data); and
Measure 4:	9.53 percent	(based on Bloomberg data).

[50] Decision No. 75268, p. 41, lines 21-24

[51] Although figures not shown in the schedule, the sample average Bloomberg beta (.79375) exceeds the sample average Value Line beta (.71875) by 10.43 percent ((.79375/.71875)-1 = .1043).

As can be seen, among these four MRP measures, that obtained from Bloomberg data (i.e., Measure 4, 9.53 percent) **far exceeds** the others, while the PRPM™ derived MRP based on Ibbottson historical data (i.e., Measure 3, 7.15 percent) **exceeds by 31 basis points** the MRP obtained from Ibbotson historical data without PRPM™ application (i.e., Measure 2, 6.84 percent). RUCO believes the Bloomberg and PRPM™ derived MRP inputs serve to overstate the 7.41 percent MRP used in Ms. Ahern's CAPM analysis, and thus, her CAPM estimated cost of equity, as well.[52] Third, Ms. Ahern's CAPM cost of equity estimates are further overstated due to the use of a 3.69 percent forecasted risk-free (R_F) rate. Lastly, inclusion of cost of equity estimates obtained from Ms. Ahern's ECAPM model is unnecessary and redundant, and further serves to overstate her CAPM results.

Q. Please explain why cost of equity estimates obtained from the ECAPM should not be relied upon.

A. The ECAPM modification to the traditional CAPM is predicated on the notion that cost of equity estimates derived from the CAPM are biased downward for companies having a beta coefficient less than 1.0, and biased upward for companies having a beta coefficient greater than 1.0. Use of an adjusted beta increases the beta coefficient for companies with a beta less than 1.0 and decreases beta coefficient for companies with a beta greater than 1.0. As noted, for purposes of her CAPM cost of equity analyses, Ms. Ahern utilizes a beta representing the average of adjusted betas provided by *Value Line* and Bloomberg.

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[52] Ms. Ahern's utilization of estimates provided by Bloomberg appears to be a recent development. In response to RUCO 2.10, when asked why she included an equity risk premium based on data obtained from Bloomberg in this docket but had not done so in the recent EPCOR case (i.e., Docket No. WS-01303A-14-0010), Ms. Ahern indicated that Bloomberg Professional Services were not available to her at that time.

Because both the *Value Line* and Bloomberg betas are "adjusted" betas, the ECAPM beta adjustment is an unnecessary redundancy which only serves to overstate the cost of equity. As shown in Exhibit PMA-8, Ms. Ahern's average ECAPM cost rate (9.76 percent) exceeds her average traditional CAPM cost rate (9.31 percent) by 45 basis points (.0976 - .0931 = .0045), while her median ECAPM cost rate (9.82 percent) exceeds her median traditional CAPM cost rate (9.40 percent) by 42 basis points (.0982 - .0940 = .0042). While it is true that Ms. Ahern relies on the average mean/median 9.58 percent cost rate shown in column [8] of Exhibit PMA-8 as her CAPM estimated cost of equity, the differences in average and median cost rates noted above as obtained from Ms. Ahern's CAPM and ECAPM models clearly demonstrate that ECAPM estimates overstate the cost of equity.

Q. As shown in Exhibit PMA-8, the 6.84 percent MRP (i.e., Measure 2) used by Ms. Ahern to obtain the 7.41 percent MRP used in her CAPM analysis was obtained through the exclusive use of arithmetic mean returns, with no consideration given to the use of geometric mean returns. Has the Commission previously ruled on the issue of geometric returns and whether they should be considered in the development of an equity risk premium?

A. Yes, and the ACC has consistently ruled that geometric returns **should be considered** in the development of an equity risk premium.[53]

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[53] *See* Decision No. 70011 (dated November 27, 2007), in *UNS Gas, Inc.* (Docket No. G-04204A-06-0463); Decision No. 70360 (dated May 27, 2008), in *UNS Electric, Inc.* (Docket No. E-04204A-06-0783); Decision No. 71308 (dated October 21, 2009), in *Chaparral City Water Company* (Docket No. W-02113A-07-0551); Decision No. 71623 (dated April 14, 2010), in *UNS Gas, Inc.* (Docket No. G-04204A-08-0571); Decision No. 71845 (dated August 25, 2010), in *Arizona Water Company* (Docket No. W-01445A-08-0440); Decision No. 71914 (dated September 30, 2010), in *UNS Electric, Inc.* (Docket No. E-04204A-09-0206);

Q. How does RUCO respond to Ms. Ahern's proposed 63 basis point upward credit risk adjustment?

A. Ms. Ahern's proposed credit risk adjustment has no merit, as a 1994 study by S. Brooks Marshall which investigated the relationship between equity risk and bond risk concluded that bond ratings fail to explain a large portion of total equity risk (defined as equity risk premiums and beta). Specifically, the author concluded:

> "These data show that using a bond rating as the sole measure for selecting a set of comparable companies for a cost-of-equity determination will not necessarily produce a group of companies that have similar equity risk. Most of this risk is explained by characteristics other than bond ratings."[54]

Accordingly, the proposed 63 basis point upward credit risk adjustment should be denied.

Q. For purposes of her 10.75 percent recommended cost of equity for AWC, Ms. Ahern also makes provision for an upward 50 basis point business risk/small size adjustment. How does RUCO respond?

A. Empirical research has demonstrated that a small company risk premium adjustment to the cost of equity is unwarranted for regulated utilities. Annie Wong, of Western Connecticut State University, conducted a study on utility stocks to determine if the so-called size effect exists in the utility industry, and she writes as follows:

> The fact that the two samples show different, though weak, results indicates that utility and industrial stocks do not share the same characteristics. First, given firm size, utility stocks are consistently less risky than industrial stocks. Second, industrial betas tend to decrease with firm size but utility betas do not. These findings may be attributed to the fact that all public utilities operate in an environment with regional monopolistic power and regulated financial structure. As a result, the business and financial risks are very similar among the utilities regardless

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[54] Marshall, S. Brooks. "Bond Ratings: A Poor Predictor of Equity *Risk," Public Utilities Fortnightly,* Oct. 15, 1994, pp. 27-28.

> of their size. Therefore, utility betas would not necessarily be expected to be related to firm size.
>
> The object of this study is to examine if the size effect exists in the utility industry. After controlling for equity values, there is some weak evidence that firm size is a missing factor from the CAPM for the industrial but not for the utility stocks. This implies that although the size phenomenon has been strongly documented for industrials, the findings suggest that **there is no need to adjust for the firm size in utility regulations**.[55] (emphasis added)

Q. Has the Commission previously ruled on the issue of firm size and whether it warrants a risk premium adjustment to the cost of equity?

A. Yes. In Decision No. 64282,[56] the Commission ruled in a prior Arizona Water case that firm size does not warrant recognition of a risk premium stating, "We do not agree with the Company's proposal to assign a risk premium to Arizona Water based on its size relative to other publicly traded water utilities...." The Commission confirmed its previous ruling in Decision No. 64727[57] for Black Mountain Gas agreeing with Staff that "the 'firm size phenomenon' does not exist for regulated utilities, and that therefore there is no need to adjust for risk for small firm size in utility regulation." All companies have firm-specific risks; therefore, the existence of unique risks for a company does not lead to the conclusion that its total risk is greater than other entities. Moreover, as previously discussed, investors cannot expect compensation for firm-specific risk since it can be eliminated through diversification.

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[55] Annie Wong, "Utility Stock and the Size Effect: An Empirical Analysis," *Journal of the Midwest Finance Association*, (1993), p.98.
[56] Dated December 28, 2001.
[57] Dated April 17, 2002.

Q. Has the Commission issued a more recent decision which reconfirms its prior position regarding firm size?

A. Yes, in a recent EPCOR Water Arizona case in which Ms. Ahern appeared as the cost of capital witness on behalf of the applicant.[58] Specifically, in Decision No. 75268[59] the Commission ruled as follows:

> **Nor are we persuaded** by Ms. Ahern's claim **that EPCOR's "size" should be recognized as a business risk factor**. Although a company's size may sometimes be considered as a business risk factor, **for utilities of substantial size (i.e., those that have access to the equity capital markets) it is a minimal consideration in determining business risk**. Small utilities, (e.g., non-class A utilities) may have additional risk due to the inability to hire employees or contract for sufficient levels of expertise management, technical & financial) to perform effectively and efficiently. Small utilities also have other risks such as information access, greater annual variability in operating expenses, and greater regulatory risk both due to lack of skilled rate case personnel and the percentage of operating expenses and rate base components reviewed by Staff and intervenors. Due to the latter two reasons, for any adopted return on equity the distribution of actual returns is greater for a small utility than for a large utility, and greater variability means greater risk. However, most of the proxy companies used in the cost of capital analyses, including EPCOR, are a conglomeration of many smaller water systems and have the capacity to attract the appropriate level of talent for proficient operation. Thus, the business risk for any of the EPCOR systems parallels that of the sample companies, and **we do not believe a cost of equity adjustment for size is appropriate**. (emphasis added)

Q. To your knowledge, do EPCOR and AWC rank as the two largest water utility companies in Arizona subject to rate regulation by the Commission?

A. Yes, they do.

---

[58] *EPCOR Water Arizona, Inc.* (Docket No. WS-01303A-14-0010).
[59] Dated September 8, 2015.

Q. Does this suggest that pursuant to Decision No. 75268, Ms. Ahern's 50 basis point upward adjustment for small size is unwarranted?

A. Yes.

XI. CONCLUSION AND RECOMMENDATIONS

Q. Please summarize RUCO's cost of capital recommendations in this proceeding.

A. RUCO recommends that the Commission adopt the following:

1) A capital structure composed of 46.31 percent long-term debt and 53.69 percent common equity;
2) A cost of debt of 5.43 percent;
3) A cost of common equity of 8.95 percent; and
4) An overall rate of return of 7.32 percent.

Q. Does this conclude your direct testimony?

A. Yes, it does.

ATTACHMENT 1

Attachment 1

John A. Cassidy

EDUCATION

Arizona State University -- Master of Business Administration-Finance (May 1987)

University of Arizona -- Master of Library Science (August 1980)

Arizona State University -- B.A. History, Latin American Studies (May 1976)

REGULATORY EXPERIENCE

Public Utilities Analyst V – Residential Utility Consumer Office (RUCO), Phoenix, AZ (July 2015-Present)

Public Utilities Analyst III -- Arizona Corporation Commission, Phoenix, AZ (March 2013-July 2015)

Public Utilities Analyst II -- Arizona Corporation Commission, Phoenix, AZ (May 2012-March 2013)

Public Utility Consultant -- Arizona Corporation Commission, Phoenix, AZ (Jan. 2012-May 2012)

Regulatory Utility Consultant – Self-Employed, Tempe, AZ (2009-2010)

- Assisted in the preparation of testimony filed by the Residential Utility Consumer Office (RUCO) in the Litchfield Park W/WW rate case (Docket No. SW-01428A-09-0103, et al)

Regulatory Utility Consultant – Self-Employed, Tempe, AZ (2007-2008)

- Filed formal cost of capital testimony/schedules on behalf of intervener, Anthem Town Council, and testified at evidentiary hearing in the Arizona-American Water Co., Anthem Water and Anthem/Agua Fria WW rate case (Docket No. WS-01303A-06-0403)

Utilities Auditor II -- Arizona Corporation Commission, Phoenix, AZ (Aug. 1993-Nov. 1997)

PROFESSIONAL DEVELOPMENT

Annual Regulatory Studies Program ("Camp NARUC"), Institute of Public Utilities, Michigan State University, East Lansing, MI (August 4-15, 2014)

Society of Utility and Regulatory Financial Analysts (SURFA), Indianapolis, IN (April 17-19, 2013)

NARUC Utility Rate School, San Diego, CA (May 13-17, 2013)

CRRA Certification – Preparing to sit for the Certified Rate of Return Analyst (CRRA) exam.

HONORS

CPA Candidate - Passed the CPA exam (1997), but opted not to pursue certification

Beta Gamma Sigma - National Honor Society in Business Administration

Rate Dockets Testified - Cost of Capital:

Liberty Utilities (Black Mountain Sewer)	(Docket No. SW-02361A-15-0206, et al)
Quail Creek Water Company	(Docket No. W-02514A-14-0343)
EPCOR Water Arizona	(Docket No. WS-01303A-14-0010)
Utility Source, L.L.C.	(Docket No. WS-04235A-13-0331)
Verde Santa Fe Wastewater Company	(Docket No. SW-03437A-13-0292)
Chaparral City Water Company	(Docket No. W-02113A-13-0118)
Payson Water Company	(Docket No. W-03514A-13-0111)
Lago Del Oro Water Company	(Docket No. W-01944A-13-0215)
Las Quintas Serenas Water Company	(Docket No. W-01583A-13-0117)
Litchfield Park Service Company	(Docket No. SW-01428A-13-0042,et al.)
Adaman Mutual Water Company	(Docket No. W-01997A-12-0501)
Global Water Utilities	(Docket No. W-01212A-12-0309, et al.)
New River Utility Company	(Docket No. W-01737A-12-0478)
Arizona Water Company	(Docket No. W-01445A-12-0348)
Far West Water & Sewer, Inc.	(Docket No. WS-03478A-12-0307)
Cordes Lakes Water Company	(Docket No. W-02060A-12-0356)
Rio Rico Utilities, Inc.	(Docket No. WS-02676A-12-0196)
Ray Water Company	(Docket No. W-01380A-12-0254)
Vail Water Company	(Docket No. W-01651B-12-0339)
Valley Water Company	(Docket No. W-01412A-12-0195)
Arizona Water Company	(Docket No. W-01445A-11-0310)
Pima Utility Company	(Docket No. W-02199A-11-0329, et al.)

Rate Dockets Testified - Revenue Requirement/Rate Design:

Quail Creek Water Company	(Docket No. W-02514A-14-0343)
Beaver Dam Water Company	(Docket No. W-03067A-12-0232)
Eden Water Company	(Docket No. W-02068A-11-0471)
Great Prairie Oasis, dba Sunland Water Co.	(Docket No. W-04015A-12-0051)

Financing Dockets - Responsible for ACC Staff Report:

Arizona Public Service Company	(Docket No. E-01345A-11-0423)
Tucson Electric Power Company	(Docket No. E-01933A-12-0176)
Chaparral City Water Company	(Docket No. W-02113A-13-0047)
Payson Water Company	(Docket No. W-03514A-13-0142)
Lago Del Oro Water Company	(Docket No. W-01944A-13-0242)
Duncan Valley Electric Cooperative, Inc.	(Docket No. E-01703A-13-0272)
Sulphur Springs Valley Electric Cooperative, Inc.	(Docket No. E-01575A-12-0457)
Trico Electric Cooperative, Inc.	(Docket No. E-01461A-12-0056)
Great Prairie Oasis, dba Sunland Water Co.	(Docket No. W-04015A-12-0050)
Columbus Electric Cooperative, Inc.	(Docket No. E-01851A-11-0415)
Pima Utility Company	(Docket No. W-02199A-11-0403, et al.)

ATTACHMENT 2

AMER. STATES WATER NYSE-AWR

RECENT PRICE 40.79 | P/E RATIO 24.9 (Trailing: 24.7 Median: 20.0) | RELATIVE P/E RATIO 1.44 | DIV'D YLD 2.3% | VALUE LINE

TIMELINESS 2 Raised 6/5/15
SAFETY 2 Raised 7/20/12
TECHNICAL 3 Lowered 11/27/15
BETA .70 (1.00 = Market)

2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+25%)	7%
Low	35	(-15%)	-1%

Insider Decisions

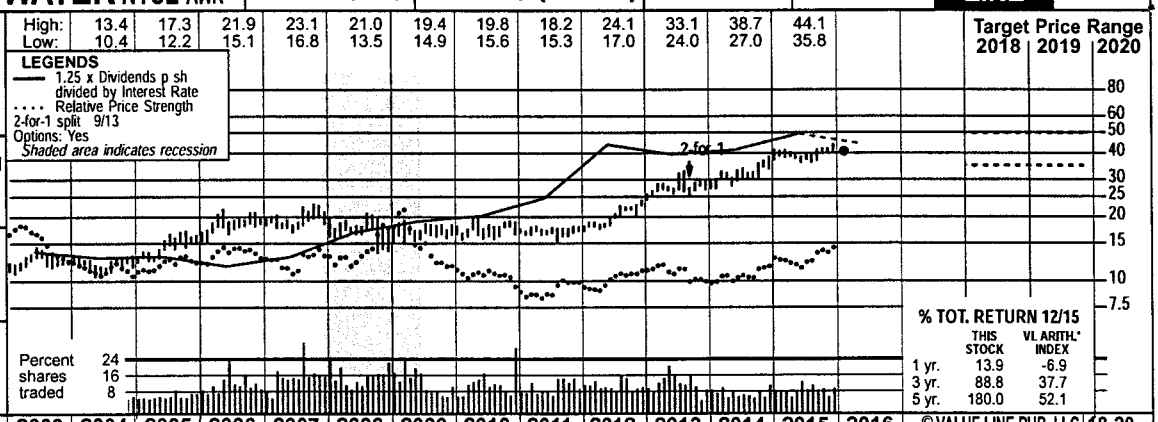
	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	1	0	1	0	2	3
to Sell	0	1	0	0	3	1	1	5	3

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	86	80	91
to Sell	93	82	89
Hld's(000)	23637	23707	23779

	High:	13.4	17.3	21.9	23.1	21.0	19.4	19.8	18.2	24.1	33.1	38.7	44.1
	Low:	10.4	12.2	15.1	16.8	13.5	14.9	15.6	15.3	17.0	24.0	27.0	35.8

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 9/13
Options: Yes
Shaded area indicates recession



% TOT. RETURN 12/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.9	-6.9
3 yr.	88.8	37.7
5 yr.	180.0	52.1

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
6.45	6.08	6.53	6.89	6.99	6.81	7.03	7.88	8.75	9.21	9.74	10.71	11.12	12.12	12.19	12.17	12.45	12.35	Revenues per sh	15.00
1.13	1.10	1.26	1.27	1.04	1.11	1.32	1.45	1.65	1.69	1.70	2.11	2.13	2.48	2.65	2.67	2.75	2.90	"Cash Flow" per sh	3.45
.60	.64	.67	.67	.39	.53	.66	.67	.81	.78	.81	1.11	1.12	1.41	1.61	1.57	1.60	1.70	Earnings per sh [A]	2.15
.43	.43	.43	.44	.44	.44	.45	.46	.48	.50	.51	.52	.55	.64	.76	.83	.87	.92	Div'd Decl'd per sh [B]■	1.15
2.15	1.51	1.59	1.34	1.88	2.51	2.12	1.95	1.45	2.23	2.09	2.12	2.13	1.77	2.52	1.89	2.20	2.15	Cap'l Spending per sh	2.20
5.91	6.37	6.61	7.02	6.98	7.51	7.86	8.32	8.77	8.97	9.70	10.13	10.84	11.80	12.72	13.24	13.00	13.85	Book Value per sh	14.85
26.87	30.24	30.24	30.36	30.42	33.50	33.60	34.10	34.46	34.60	37.06	37.26	37.70	38.53	38.72	38.29	36.50	36.50	Common Shs Outst'g [C]	37.00
17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.4	14.3	17.2	20.1	24.7		Avg Ann'l P/E Ratio	20.5
.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	.97	.91	.97	1.06	1.25		Relative P/E Ratio	1.30
4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.2%	3.1%	2.7%	2.6%	2.2%		Avg Ann'l Div'd Yield	2.7%
						236.2	268.6	301.4	318.7	361.0	398.9	419.3	466.9	472.1	465.8	455	450	Revenues ($mill)	555
						22.5	23.1	28.0	26.8	29.5	41.4	42.0	54.1	62.7	61.1	60.0	62.0	Net Profit ($mill)	80.0
						47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	39.9%	36.3%	38.4%	39.0%	38.0%	Income Tax Rate	37.5%
						--	12.2%	8.5%	6.9%	3.2%	5.8%	2.0%	2.5%	2.5%	.5%	.5%	1.0%	AFUDC % to Net Profit	1.0%
						50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	42.2%	39.8%	39.1%	40.5%	40.0%	Long-Term Debt Ratio	42.0%
						49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	57.8%	60.2%	60.9%	59.5%	60.0%	Common Equity Ratio	58.0%
						532.5	551.6	569.4	577.0	665.0	677.4	749.1	787.0	818.4	832.6	800	830	Total Capital ($mill)	950
						713.2	750.6	776.4	825.3	866.4	855.0	896.5	917.8	981.5	1003.5	1040	1090	Net Plant ($mill)	1250
						5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	7.1%	8.3%	8.9%	8.6%	9.0%	9.0%	Return on Total Cap'l	9.5%
						8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	12.0%	12.5%	12.5%	Return on Shr. Equity	14.5%
						8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	12.0%	12.5%	12.5%	Return on Com Equity	14.5%
						2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.3%	6.6%	6.8%	5.7%	5.5%	5.5%	Retained to Com Eq	6.5%
						67%	67%	58%	64%	61%	47%	49%	45%	47%	53%	54%	54%	All Div'ds to Net Prof	53%

CAPITAL STRUCTURE as of 9/30/15
Total Debt $325.9 mill. Due in 5 Yrs $41.6 mill.
LT Debt $325.6 mill. LT Interest $21.5 mill.
(41% of Cap'l)

Leases, Uncapitalized: Annual rentals $0.4 mill.
Pension Assets-12/14 $140.6 mill.
Oblig. $185.2 mill.

Pfd Stock None.

Common Stock 36,728,248 shs.
as of 11/2/15

MARKET CAP: $1.5 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	38.2	76.0	27.3
Accts Receivable	23.8	18.8	22.1
Other	129.6	114.7	86.1
Current Assets	191.6	209.5	135.5
Accts Payable	49.8	41.9	46.5
Debt Due	6.3	.3	.3
Other	44.8	57.1	77.2
Current Liab.	100.9	99.3	124.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	6.0%	5.5%	3.5%
"Cash Flow"	8.5%	9.0%	5.0%
Earnings	11.0%	14.0%	6.0%
Dividends	5.5%	8.5%	7.5%
Book Value	6.0%	6.5%	3.0%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	107.6	114.3	133.5	111.5	466.9
2013	110.6	120.7	130.9	109.9	472.1
2014	102.0	115.6	138.3	109.9	465.8
2015	100.9	114.6	133.0	106.5	455
2016	95.0	110	135	110	450

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	.27	.40	.49	.26	1.41
2013	.35	.43	.53	.30	1.61
2014	.28	.39	.54	.36	1.57
2015	.32	.41	.56	.31	1.60
2016	.31	.46	.60	.33	1.70

Calendar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.14	.14	.1775	.1775	.64
2013	.1775	.1775	.2025	.2025	.76
2014	.2025	.2025	.213	.213	.83
2015	.213	.213	.224	.224	.87
2016					

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden States Water Company, it supplies water to 258,191 customers in 75 communities and 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to 23,716 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold..Chaparral City Water of Arizona (6/11). Has 707 employees. Blackrock, Inc., owns 9.8% of out. shares; Vanguard, 8.5%; off. & dir. 1.5%. (4/15 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

Shares of American States Water have not performed well lately. Since our October report, the equity of the company has declined 1.3% compared to an average gain of 4.9% for the typical water utility, and a 1.9% rise in the S&P 500. Indeed, only two out of the nine members in the group posted losses, and each one has significant operations in California.

Despite the ongoing drought, we expect earnings growth to be healthy in 2016. In California, petitions for higher rates are made triennially. So, this year is important as we expect the California Public Utility Commission to be reasonable regarding the Golden State Water subsidiary's request for higher tariffs. Based on this assumption, and a greater contribution from ASUS (see below), we think the company's bottom line should rise a solid 6%, to $1.70 a share.

Nonregulated businesses may play a more important role in the future. Through its ASUS subsidiary, the company has been operating the water systems at several U.S. Army bases. Responsible for an estimated 15% of income, this percentage could rise as the government privatizes more of these facilities. We think ASUS should win more contracts, which are for a 50-year period. This could provide a boost to earnings because returns on equity in this sector are not regulated.

All in all, American States is in good shape. Like all water utilities, Golden State has to invest heavily in upgrading its antiquated water infrastructure. With a strong balance sheet, however, we think the financial integrity of the firm will be maintained through the late decade. Another benefit is operating in California, as the regulatory environment has improved significantly in years past.

Shares of American States are ranked to outperform the broader market averages in the year ahead. This equity might only be suitable for momentum accounts, however. That's because many water utility investors traditionally take a long-term view of their holdings. From this perspective, the stock looks more than fully valued. Indeed, even with the recent weakness in the stock price, AWR's total return potential is still substantially lower than the *Value Line* median.

James A. Flood *January 15, 2016*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 7¢; '05, 13¢; '06, 3¢; '08, (14¢); '10, (23¢) '11, 10¢. Next earnings report due late February. Quarterly earnings may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	90

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AMERICAN WATER NYSE-AWK

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
60.15	22.4 (Trailing: 23.1 Median: NMF)	1.29	2.4%	

TIMELINESS 2 Lowered 7/10/15
SAFETY 3 New 7/25/08
TECHNICAL 3 Lowered 11/27/15
BETA .70 (1.00 = Market)

2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+35%)	10%
Low	50	(-15%)	-1%

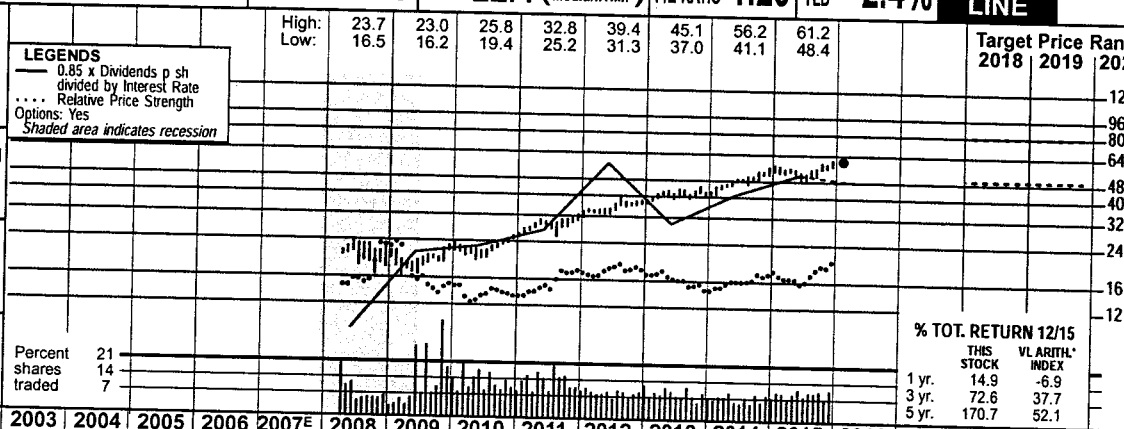
Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	1	0	0
Options	2	5	0	2	0	0	1	0	0
to Sell	2	5	0	4	0	0	1	0	0

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	213	247	211
to Sell	222	206	220
Hld's(000)	147193	145636	148013

LEGENDS
— 0.85 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



% TOT. RETURN 12/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.9	-6.9
3 yr.	72.6	37.7
5 yr.	170.7	52.1

1999	2000	2001	2002	2003	2004	2005	2006	2007E	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
--	--	--	--	--	--	--	13.08	13.84	14.61	13.98	15.49	15.18	16.25	16.28	16.78	*17.55*	*18.45*	Revenues per sh	*21.60*
--	--	--	--	--	--	--	.65	d.47	2.87	2.89	3.56	3.73	4.27	4.36	4.75	*5.05*	*5.30*	"Cash Flow" per sh	*6.50*
--	--	--	--	--	--	--	d.97	d2.14	1.10	1.25	1.53	1.72	2.11	2.06	2.39	*2.60*	*2.80*	Earnings per sh A	*3.25*
--	--	--	--	--	--	--	--	--	.40	.82	.86	.90	1.21	.84	1.21	1.33	*1.45*	Div'd Decl'd per sh B■	*1.75*
--	--	--	--	--	--	--	4.31	4.74	6.31	4.50	4.38	5.27	5.25	5.50	5.33	*7.20*	*6.50*	Cap'l Spending per sh	*6.50*
--	--	--	--	--	--	--	23.86	28.39	25.64	22.91	23.59	24.11	25.11	26.52	27.39	*29.05*	*30.40*	Book Value per sh D	*36.75*
--	--	--	--	--	--	--	160.00	160.00	160.00	174.63	175.00	175.66	176.99	178.25	179.46	*179.00*	*179.00*	Common Shs Outst'g C	*185.00*
--	--	--	--	--	--	--	--	--	18.9	15.6	14.6	16.8	16.7	19.9	20.0	*20.8*		Avg Ann'l P/E Ratio	*20.0*
--	--	--	--	--	--	--	--	--	1.14	1.04	.93	1.05	1.06	1.12	1.05	*1.06*		Relative P/E Ratio	*1.25*
--	--	--	--	--	--	--	--	--	1.9%	4.2%	3.8%	3.1%	3.4%	2.0%	2.5%	2.5%		Avg Ann'l Div'd Yield	*2.7%*
--	--	--	--	--	--	--	2093.1	2214.2	2336.9	2440.7	2710.7	2666.2	2876.9	2901.9	3011.3	*3140*	*3300*	Revenues ($mill)	*4000*
--	--	--	--	--	--	--	d155.8	d342.3	187.2	209.9	267.8	304.9	374.3	369.3	429.8	*468*	*500*	Net Profit ($mill)	*600*
--	--	--	--	--	--	--	--	--	37.4%	37.9%	40.4%	39.5%	40.7%	39.1%	39.4%	*40.0%*	*38.5%*	Income Tax Rate	*37.5%*
--	--	--	--	--	--	--	--	--	--	--	--	--	6.2%	5.1%	1.4%	*2.5%*	*2.4%*	AFUDC % to Net Profit	*3.0%*
--	--	--	--	--	--	--	56.1%	50.9%	53.1%	56.9%	56.8%	55.7%	53.9%	52.4%	52.4%	*53.5%*	*53.5%*	Long-Term Debt Ratio	*53.0%*
--	--	--	--	--	--	--	43.9%	49.1%	46.9%	43.1%	43.2%	44.2%	46.1%	47.6%	47.4%	*46.5%*	*46.5%*	Common Equity Ratio	*47.0%*
--	--	--	--	--	--	--	8692.8	9245.7	8750.2	9289.0	9561.3	9580.3	9635.5	9940.7	10364	*11200*	*11655*	Total Capital ($mill)	*14500*
--	--	--	--	--	--	--	8720.6	9318.0	9991.8	10524	11059	11021	11739	12391	12900	*13800*	*14500*	Net Plant ($mill)	*16000*
--	--	--	--	--	--	--	NMF	NMF	3.7%	3.8%	4.4%	4.8%	5.4%	5.1%	5.5%	*5.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
--	--	--	--	--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.4%	7.8%	8.7%	*9.0%*	*9.0%*	Return on Shr. Equity	*9.0%*
--	--	--	--	--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.4%	7.8%	8.7%	*9.0%*	*9.0%*	Return on Com Equity	*9.0%*
--	--	--	--	--	--	--	NMF	NMF	3.0%	1.8%	2.8%	3.5%	3.6%	4.7%	4.3%	*4.5%*	*4.5%*	Retained to Com Eq	*4.0%*
--	--	--	--	--	--	--	--	--	34%	65%	56%	52%	57%	40%	50%	*51%*	*52%*	All Div'ds to Net Prof	*54%*

CAPITAL STRUCTURE as of 9/30/15
Total Debt $6342.6 mil. Due in 5 Yrs $1294.5 mil.
LT Debt $5940.6 mil. LT Interest $295.0 mil. (53% of Cap'l)

Leases, Uncapitalized: Annual rentals $14.0 mill.
Pension Assets 12/14 $1428.2 mill
Oblig. $1746.5 mill.
Pfd Stock $14.3 mill. **Pfd Div'd** $.5 mill

Common Stock 179,469,453 shs.
as of 10/30/2015

MARKET CAP: $10.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	27.0	23.1	75.2
Accts Receivable	244.6	267.1	341.7
Other	278.8	638.3	462.1
Current Assets	550.4	661.4	879.0
Accts Payable	264.1	285.8	281.3
Debt Due	644.5	511.1	402.0
Other	326.9	444.1	482.1
Current Liab.	1235.5	1241.0	1165.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	--	3.0%	*4.5%*
"Cash Flow"	--	20.5%	*6.5%*
Earnings	--	NMF	*7.0%*
Dividends	--	21.5%	*8.5%*
Book Value	--	.5%	*5.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	618.5	745.6	831.8	681.0	2876.9
2013	636.1	724.3	829.2	712.3	2901.9
2014	679.0	754.8	846.1	731.4	3011.3
2015	698.1	782.1	896.2	*763.6*	*3140*
2016	*735*	*830*	*920*	*815*	*3300*

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	.28	.66	.87	.30	2.11
2013	.32	.57	.84	.33	2.06
2014	.39	.62	.86	.52	2.39
2015	.44	.68	.96	*.52*	*2.60*
2016	*.48*	*.72*	*1.03*	*.57*	*2.80*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.23	.23	.25	.50	1.21
2013	--	.28	.28	.28	.84
2014	.28	.31	.31	.31	1.21
2015	.31	.34	.34	.34	1.33
2016					

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 15 million people in over 47 states and Canada. (Regulated presence in 16 states.) Nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up 88.8% of 2014 revenues. New Jersey is its largest market accounting for 22.7% of regulated revenues. Has roughly 6,400 employees. BlackRock, Inc., owns 10.0% of outstanding shares; Vanguard, 6.3%; officers & directors, less than 1.0%. (3/15 Proxy). Pres. & CEO: Susan Story. Chairman: George Mackenzie. Addr.: 1025 Laurel Oak Road, Voorhees, NJ 08043. Tel.: 856-346-8200. Internet: www.amwater.com.

Shares of American Water Works continue to rise. Once again, the stock had a strong three-month showing. Since our mid-October report, AWK increased 8.1% in value compared to the water utility average of 4.9% and the 1.9% for the S&P 500 Index. Indeed, the equity reached a new all time high before trading lower during a general market sell off.

Acquisitions are an integral part of management's long-term strategy. In the U.S., there are literally thousands of small municipally-run water districts. (Even after excluding the very minor operations, there are still over 50,000.) As these systems age and large amounts of capital are required to modernize the infrastructure, some of the more financially-pressed districts look to be purchased. This often works out very well for the acquirer because of the large amount of redundancies in the industry that can be eliminated, resulting in higher returns. As the biggest investor-owned water utility in the country, American Water Works has been using its size to benefit from this situation for years, making hundreds of acquisitions.

Earnings prospects for 2016 are bright. We expect the company's share net to rise a healthy 8% over our 2015 estimate. Much of the earnings improvement will continue to be derived from synergies from the acquisitions, as well as successful cost controls on existing operations.

The balance sheet is just average. The capital expenditure budget has been, and should continue to be burdensome through late decade. Internally generated funds will not be sufficient to finance the investment, so additional debt may be required. The firm has not had a major equity offering in years and the timing might be good considering the lofty stock price.

Our Ranking System continues to favor shares of American Water Works. Long-term income-oriented investors, who usually are attracted to water utility stocks for current income and dividend growth prospects, may want to look elsewhere, however. That's because the stock's yield is now just equal to the *Value Line* median, and its total-return prospects through 2018-2020 are substantially below average.

James A. Flood *January 15, 2016*

(A) Diluted earnings. Excludes nonrecurring losses: '08, $4.62; '09, $2.63; '11, $0.07. Discontinued operations: '06, ($0.04); '11, $0.03; '12, ($0.10); '13,($0.01). GAAP used as of 2014. Next earnings report due late February. Quarterly earnings may not sum due to rounding. (B) Dividends paid in March, June, September, and December. ■ Div. reinvestment available. Two payments made in 4th quarter of 2012. (C) In millions. (D) Includes intangibles. In 2014: $1.21 billion, $6.73/share. (E) Pro forma numbers for '06 & '07.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	85
Earnings Predictability	35

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AQUA AMERICA NYSE-WTR

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
29.65	23.2 (Trailing: 23.7 Median: 23.0)	1.34	2.5%	

TIMELINESS 3 Lowered 5/24/13
SAFETY 2 Raised 4/20/12
TECHNICAL 3 Raised 10/23/15
BETA .75 (1.00 = Market)

2018-20 PROJECTIONS

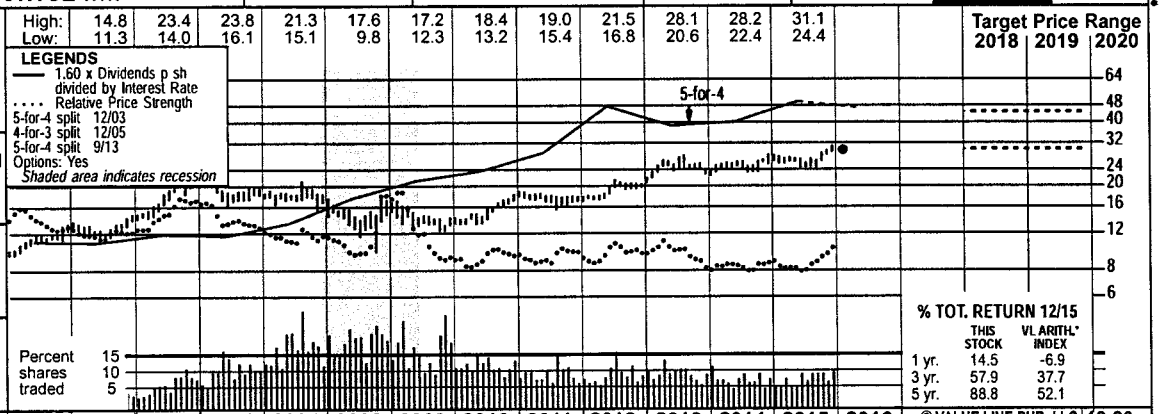
	Price	Gain	Ann'l Total Return
High	45	(+50%)	13%
Low	30	(Nil)	3%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	1	0	0	1	0	1
to Sell	1	1	1	2	1	0	2	2	1

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	153	156	166
to Sell	133	145	138
Hld's(000)	81133	82530	84833



% TOT. RETURN 12/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.5	-6.9
3 yr.	57.9	37.7
5 yr.	88.8	52.1

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	*4.65*	*4.75*	Revenues per sh	*5.90*
.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	*2.60*
.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■	*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	*1.95*	*2.00*	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	*9.80*	*10.10*	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	*175.50*	*174.00*	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	*21.4*		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*		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%	2.6%		Avg Ann'l Div'd Yield	*2.7%*
						496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	768.6	779.9	*815*	*825*	Revenues ($mill)	*1000*
						91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	205.0	213.9	*220*	*235*	Net Profit ($mill)	*280*
						38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	10.0%	10.5%	*10.0%*	*11.0%*	Income Tax Rate	*23.0%*
						--	--	--	--	--	--	--	--	1.1%	2.4%	*2.0%*	*2.5%*	AFUDC % to Net Profit	*3.0%*
						52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	48.5%	*49.5%*	*49.5%*	Long-Term Debt Ratio	*50.0%*
						48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	*50.5%*	*50.5%*	Common Equity Ratio	*50.0%*
						1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	3216.0	*3425*	*3550*	Total Capital ($mill)	*4000*
						2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	4402.0	*4675*	*4900*	Net Plant ($mill)	*5000*
						6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	7.8%	*7.5%*	*7.5%*	Return on Total Cap'l	*8.5%*
						11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	*13.0%*	*13.5%*	Return on Shr. Equity	*14.0%*
						11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	*13.0%*	*13.5%*	Return on Com Equity	*14.0%*
						4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	*5.5%*	*6.0%*	Retained to Com Eq	*5.5%*
						56%	63%	67%	70%	72%	65%	60%	61%	50%	52%	*55%*	*56%*	All Div'ds to Net Prof	*61%*

CAPITAL STRUCTURE as of 9/30/15
Total Debt $1756.7 mill. **Due in 5 Yrs** $437.0 mill.
LT Debt $1681.1 mill. **LT Interest** $74.0 mill. (49% of Cap'l)

Pension Assets-12/14 232.4 mill. **Oblig.** $281.2 mill.

Pfd Stock None
Common Stock 176,428,025 shares as of 10/23/15

MARKET CAP: $5.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	5.1	4.1	4.1
Receivables	95.4	97.0	111.1
Inventory (AvgCst)	11.4	12.8	12.9
Other	59.8	38.6	40.2
Current Assets	171.7	152.5	168.3
Accts Payable	65.8	60.0	45.1
Debt Due	123.0	70.0	75.6
Other	78.1	95.3	95.3
Current Liab.	266.9	225.3	216.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	5.5%	3.0%	*5.5%*
"Cash Flow"	8.0%	8.0%	*7.0%*
Earnings	8.5%	13.0%	*7.5%*
Dividends	7.5%	7.0%	*9.5%*
Book Value	7.5%	6.5%	*5.5%*

Calendar	QUARTERLY REVENUES ($ mill.) 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	221.1	*197.8*	*815*
2016	*192*	*208*	*225*	*200*	*825*

Calendar	EARNINGS PER SHARE A 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	.38	*.28*	*1.25*
2016	*.28*	*.34*	*.42*	*.31*	*1.35*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.132	.132	.132	.14	.54
2013	.14	.14	.152	.152	.58
2014	.152	.152	.165	.165	.63
2015	.165	.165	.178	.178	.69
2016					

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; Vangurad 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.

Shares of Aqua America have been on a roll. Like several other water utility stocks, this equity has turned in an excellent performance since our mid-October report, increasing roughly 11% in value. In contrast, the typical stock in the group rose about 5%, while the S&P 500 gained only 2%, over the same period.

Our earnings estimates are unchanged. Last year's fourth-quarter profits should probably be similar to 2014's. For the full year, we expect Aqua's share net to rise a decent 4%. (Comparisons on a year-over-year basis would look better if not for an unusual gain posted in 2014.) In 2016, results should be more impressive as Aqua should benefit from a combination of factors, including synergies derived from many of its acquisitions, rate relief, and relative constructive regulatory treatment. All told, we think a solid 7% rise in earnings per share is possible.

Aqua is one of the nation's best-run water utilities. There may be only nine members in this industry, but the company has some compelling attributes. For starters, it is one of only a handful of firms that has a meaningful market capitalization ($5.2 billion). Furthermore, despite a large capital budget, the company's finances are solid. In addition, there are thousands of small municipally-owned water districts that can be purchased by larger water companies like Aqua and made more profitable due to the large amount of redundancies prevalent in the industry. Acquisitions are usually small, so the process is ongoing. For example, the company made 16 purchases last year alone. We are not sure how many will eventually be made, but we expect the customer base to be increased by 1.5%-2% annually, via this method.

We think this stock has lost some of its appeal. A water utility is attractive in part for its yield and dividend growth prospects. Due to the recent run-up in WTR's price, its yield is now only 10 basis points higher than the *Value Line* median. So, while Aqua remains a very sound company, we think that the market may be placing too high a premium on its shares. Also, with so many positives factored into the current price, we think the equity may be vulnerable to any bad news.

James A. Flood *January 15, 2016*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (9¢); '00, 2¢; '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢; '14, 11¢. May not sum due to rounding. Next earnings report due late February.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	100

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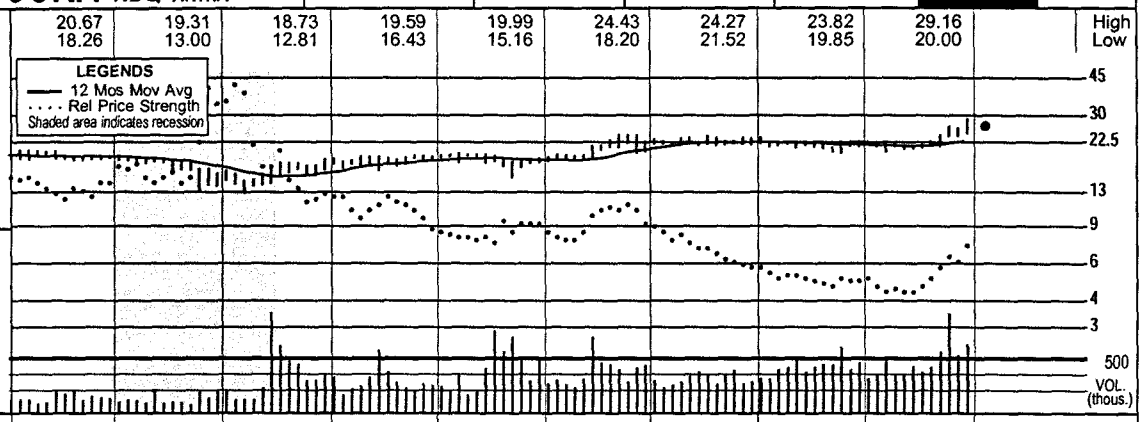
ARTESIAN RES. CORP. NDQ--ARTNA

RECENT PRICE 26.82 | TRAILING P/E RATIO 20.8 | RELATIVE P/E RATIO 1.15 | DIV'D YLD 3.3% | VALUE LINE

RANKS

PERFORMANCE 2 Above Average
Technical 2 Above Average
SAFETY 3 Average
BETA .55 (1.00 = Market)

Financial Strength B
Price Stability 95
Price Growth Persistence 35
Earnings Predictability 80



© VALUE LINE PUBLISHING LLC	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016/2017
SALES PER SH	7.20	7.59	8.11	8.48	7.56	8.10	7.82	8.13	--	
"CASH FLOW" PER SH	1.57	1.65	1.84	1.92	1.64	2.04	1.87	2.04	--	
EARNINGS PER SH	.90	.86	.97	1.00	.83	1.13	.94	1.07	*1.28*[A,B]	*1.29*[C]*/NA*
DIV'DS DECL'D PER SH	.66	.71	.72	.75	.76	.79	.82	.85	--	
CAP'L SPENDING PER SH	3.66	6.09	2.32	2.57	1.83	2.36	2.40	2.66	--	
BOOK VALUE PER SH	11.66	11.86	12.15	12.44	13.12	13.57	13.80	14.09	--	
COMMON SHS OUTST'G (MILL)	7.30	7.40	7.51	7.65	8.61	8.71	8.83	8.91	--	
AVG ANN'L P/E RATIO	21.5	20.1	16.4	18.2	22.5	18.3	23.9	20.5	*21.0*	*20.8/NA*
RELATIVE P/E RATIO	1.14	1.21	1.09	1.16	1.41	1.17	1.34	1.08	--	
AVG ANN'L DIV'D YIELD	3.4%	4.1%	4.5%	4.1%	4.1%	3.8%	3.7%	3.9%	--	
SALES ($MILL)	52.5	56.2	60.9	64.9	65.1	70.6	69.1	72.5	--	
OPERATING MARGIN	45.6%	45.1%	46.9%	46.5%	45.5%	48.7%	47.0%	48.8%	--	
DEPRECIATION ($MILL)	5.2	5.8	6.6	7.0	7.4	7.9	8.3	8.7	--	
NET PROFIT ($MILL)	6.3	6.4	7.3	7.6	6.7	9.8	8.3	9.5	--	
INCOME TAX RATE	39.8%	40.8%	40.1%	40.0%	40.8%	40.2%	40.2%	40.1%	--	
NET PROFIT MARGIN	11.9%	11.4%	11.9%	11.7%	10.4%	14.0%	12.0%	13.1%	--	
WORKING CAP'L ($MILL)	2.5	d20.9	d23.3	d27.9	d11.4	d11.4	d12.3	d13.5	--	
LONG-TERM DEBT ($MILL)	91.8	107.6	106.0	105.1	106.5	106.3	105.5	105.0	--	
SHR. EQUITY ($MILL)	85.1	87.8	91.2	95.1	113.0	118.2	121.8	125.6	--	
RETURN ON TOTAL CAP'L	5.3%	4.7%	5.2%	5.6%	4.6%	5.9%	5.1%	5.5%	--	
RETURN ON SHR. EQUITY	7.4%	7.3%	8.0%	8.0%	6.0%	8.3%	6.8%	7.6%	--	
RETAINED TO COM EQ	2.1%	1.4%	2.1%	2.0%	.5%	2.5%	.9%	1.6%	--	
ALL DIV'DS TO NET PROF	71%	81%	74%	75%	92%	70%	87%	79%	--	

Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.

[A]*No. of analysts changing earn. est. in last 2 days: 0 up, 0 down, consensus 5-year earnings growth not available.* [B]*Based upon 2 analysts' estimates.* [C]*Based upon one analyst's estimate.*

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	1.0%	4.0%
"Cash Flow"	3.5%	9.0%
Earnings	3.0%	14.0%
Dividends	3.5%	3.0%
Book Value	3.0%	2.0%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/13	16.3	17.8	18.1	16.9	69.1
12/31/14	16.9	17.9	19.6	18.1	72.5
12/31/15	18.0	19.5	20.8		
12/31/16					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/12	.28	.32	.33	.20	1.13
12/31/13	.20	.28	.29	.17	.94
12/31/14	.24	.22	.37	.24	1.07
12/31/15	.28	.36	.41		
12/31/16					

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2013	.203	.206	.206	.209	.82
2014	.209	.212	.212	.215	.85
2015	.215	.218	.218	.222	.87
2016					

INSTITUTIONAL DECISIONS

	1Q'15	2Q'15	3Q'15
to Buy	38	33	33
to Sell	21	27	25
Hld's(000)	3046	2853	3049

ASSETS ($mill.)	2013	2014	9/30/15
Cash Assets	.4	.2	.5
Receivables	8.1	8.4	6.6
Inventory	1.5	1.9	1.7
Other	3.3	6.1	6.2
Current Assets	13.3	16.6	15.0
Property, Plant & Equip, at cost	472.9	496.2	--
Accum Depreciation	89.8	98.4	--
Net Property	383.1	397.8	407.1
Other	7.4	7.8	7.8
Total Assets	403.8	422.2	429.9
LIABILITIES ($mill.)			
Accts Payable	4.1	3.8	3.9
Debt Due	12.2	19.9	13.7
Other	9.3	6.5	9.7
Current Liab	25.6	30.2	27.3

LONG-TERM DEBT AND EQUITY as of 9/30/15

Total Debt $117.6 mill. **Due in 5 Yrs.** NA
LT Debt $103.9 mill.
Including Cap. Leases NA (45% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $.3 mill. in '14 vs. $.3 mill. in '13

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 9,003,000 shares (55% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Artesian Resources Corp. operates as a holding company of wholly-owned subsidiaries offering water, wastewater services, and related services. Artesian Water Co., the principal subsidiary, is the oldest and largest investor-owned water utility on the Delmarva Peninsula, supplying roughly 7.3 billion gallons of water per year through 1,201 miles of water main to about 300,000 people. Artesian Wastewater Management, Inc. is a regulated entity that owns wastewater collection and treatment infrastructure and provides wastewater services to customers in Delaware as a regulated public wastewater service company. As of September 30, 2015, it owned and operated four wastewater treatment facilities, which are capable of treating approximately 730,000 gallons per day and can be expanded to treat 1.6 million gallons per day. Its Artesian Water Maryland distributes and sells water to residential, commercial, industrial, and municipal customers in Cecil County, MD. Has 237 employees. Chairman, C.E.O. & President: Dian C. Taylor. Address: 664 Churchmans Rd., Newark, DE 19702. Tel.: (302) 453-6900. Internet: http://www.artesianwater.com. *E.B.*

January 15, 2016

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 12/31/2015

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
15.79%	33.86%	27.52%	38.51%	77.44%

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CALIFORNIA WATER NYSE-CWT

RECENT PRICE 23.24 | P/E RATIO 20.0 (Trailing: 23.2 Median: 20.0) | RELATIVE P/E RATIO 1.16 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 3 Raised 1/8/16
SAFETY 3 Lowered 7/27/07
TECHNICAL 5 Lowered 12/18/15
BETA .75 (1.00 = Market)

2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+95%)	20%
Low	30	(+30%)	7%

Insider Decisions

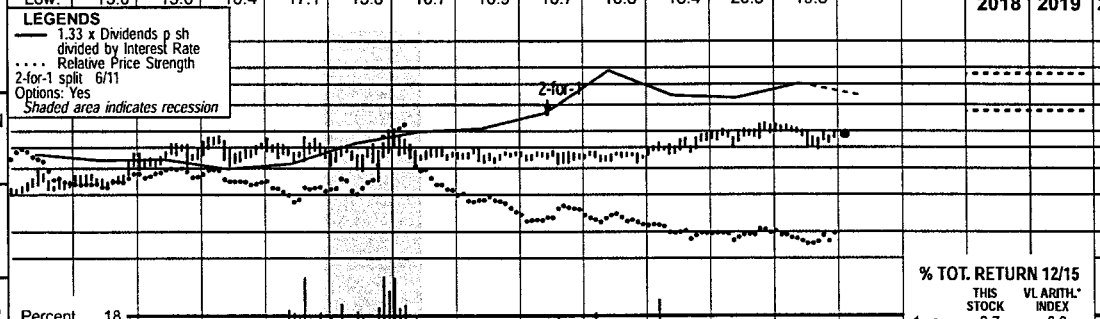
	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	1	0	0
Options	0	3	0	0	0	0	0	0	0
to Sell	0	2	0	1	0	0	1	0	0

Institutional Decisions

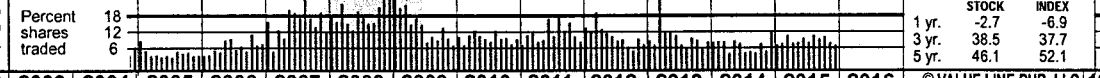
	1Q2015	2Q2015	3Q2015
to Buy	79	82	69
to Sell	67	66	74
Hld's(000)	29379	29659	28655

	High:	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3	23.4	26.4	26.0
	Low:	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	16.8	18.4	20.3	19.5

LEGENDS
— 1.33 x Dividends p sh divided by Interest Rate
..... Relative Price Strength
2-for-1 split 6/11
Options: Yes
Shaded area indicates recession



Target Price Range 2018 | 2019 | 2020



% TOT. RETURN 12/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-2.7	-6.9
3 yr.	38.5	37.7
5 yr.	46.1	52.1

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
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	12.20	12.50	Revenues per sh	14.40
1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.32	2.21	2.47	2.30	2.60	"Cash Flow" per sh	3.25
.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	1.02	1.19	1.00	1.25	Earnings per sh A	1.55
.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	.64	.65	.67	.69	Div'd Decl'd per sh B ■	.97
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	2.58	2.76	3.30	3.00	Cap'l Spending per sh	3.15
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	13.45	13.90	Book Value per sh C	16.00
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
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	23.3		Avg Ann'l P/E Ratio	23.0
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	1.18		Relative P/E Ratio	1.45
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%	2.9%		Avg Ann'l Div'd Yield	3.0%
						320.7	334.7	367.1	410.3	449.4	460.4	501.8	560.0	584.1	597.5	585	600	Revenues ($mill) E	720
						27.2	25.6	31.2	39.8	40.6	37.7	36.1	42.6	47.3	56.7	48.0	60.0	Net Profit ($mill)	77.5
						42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	37.5%	30.3%	33.0%	28.0%	29.0%	Income Tax Rate	35.5%
						3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	4.3%	2.7%	7.0%	5.0%	AFUDC % to Net Profit	5.0%
						48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	47.8%	41.6%	40.1%	40.0%	41.5%	Long-Term Debt Ratio	41.5%
						51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	52.2%	58.4%	59.9%	60.0%	58.5%	Common Equity Ratio	58.5%
						568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	1024.9	1045.9	1070	1145	Total Capital ($mill)	1370
						862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	1515.8	1590.4	1685	1755	Net Plant ($mill)	1820
						6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.3%	6.0%	6.3%	5.5%	6.5%	Return on Total Cap'l	7.0%
						9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	7.5%	9.0%	Return on Shr. Equity	9.5%
						9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	7.5%	9.0%	Return on Com Equity	9.5%
						2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.4%	3.4%	4.1%	2.5%	4.0%	Retained to Com Eq	3.5%
						78%	86%	77%	61%	60%	66%	71%	62%	56%	55%	67%	55%	All Div'ds to Net Prof	63%

CAPITAL STRUCTURE as of 9/30/15
Total Debt $559.6 mill. Due in 5 Yrs $165.8 mill.
LT Debt $416.4 mill. LT Interest $24.0 mill. (39% of Cap'l)

Pension Assets-12/14 $306.3 mill.
Oblig. $390.6 mill.

Pfd Stock None

Common Stock 47,876,087 shs. as of 10/27/15

MARKET CAP: $1.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	27.5	19.6	50.8
Other	112.0	134.5	140.3
Current Assets	139.5	154.1	191.1
Accts Payable	55.1	59.4	77.3
Debt Due	54.7	85.7	143.2
Other	56.8	72.6	80.3
Current Liab.	166.6	217.7	300.8

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.

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	4.0%	5.0%	2.0%
"Cash Flow"	6.0%	5.5%	5.5%
Earnings	5.0%	4.0%	6.5%
Dividends	1.5%	2.0%	7.0%
Book Value	5.5%	5.0%	4.5%

Calendar	QUARTERLY REVENUES ($ mill.) E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	116.8	143.6	178.1	121.5	560.0
2013	111.4	154.6	184.4	133.7	584.1
2014	110.5	158.4	191.2	137.4	597.5
2015	122.0	144.4	183.5	135.1	585
2016	120	150	190	140	600

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.03	.31	.56	.12	1.02
2013	.01	.28	.61	.12	1.02
2014	d.11	.36	.70	.24	1.19
2015	.03	.21	.52	.24	1.00
2016	.05	.35	.60	.25	1.25

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.1575	.1575	.1575	.1575	.63
2013	.16	.16	.16	.16	.64
2014	.1625	.1625	.1625	.1625	.65
2015	.1675	.1675	.1675	.1675	.67
2016					

The California Water Service Group posted its second-straight poor quarter. The water utility's share earnings came in at $0.52, versus the prior year's $0.70, and our $0.69 estimate. Even though the same quarter in 2014 had been aided by a tax adjustment and revenue recognition from outlays the company had made earlier in the year, the bottom-line showing was still a disappointment. Increased costs related to the state's ongoing drought, higher maintenance expenses, and meaningful "uninsured loss costs," were also provided by management as reasons for the earnings miss.

The utility's profitability is not supposed to be meaningfully impacted by the drought. In an attempt to preserve water, the California Public Utility Commission (CPUC) has mandated strict restrictions on usage. Previously, the CPUC instituted a change in how water utilities' income is calculated. Based on the new methodology, income and revenues were switched from being a "quantity based" to a "fixed-rate charge" system. The main goal of this maneuver was to incentivize utilities to sway customers to use less water. Thus, revenues are now more fee-based and don't correlate as much to the volume of water sold.

We are cutting our estimates once again. We now expect the company's share net to reach $1.00 for 2015, $0.15 less than our previous forecast. A $0.10 a-share-reduction has also been made to our 2016 figure. In any case, we think any drought-related costs will eventually be recovered by California Water. Indeed, at the end of the third quarter, the company had a large increase in unbilled revenues, which are incurred expenses that the utility has not been reimbursed for yet.

These shares may appeal to long-term accounts willing to assume slightly more risk than the typical water utility investor. The premium that was usually priced into the value of this equity has dissipated, as some investors appear wary of owning water utilities domiciled in California. Based on our assumption that the CPUC will maintain its current constructive approach, we think CWT could provide better long-term returns through late decade than the average water utility.

James A. Flood *January 15, 2016*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due late February.
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(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

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CONNECTICUT WATER NDQ-CTWS

RECENT PRICE 38.47 | P/E RATIO 19.2 (Trailing: 18.7 Median: 21.0) | RELATIVE P/E RATIO 1.11 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Lowered 11/21/14
SAFETY 3 New 1/18/13
TECHNICAL 4 Lowered 1/1/16
BETA .65 (1.00 = Market)

2018-20 PROJECTIONS

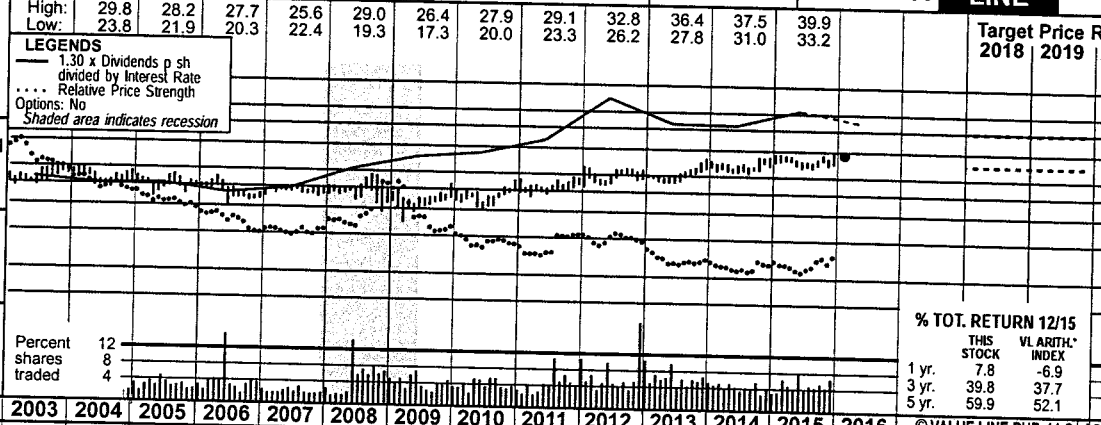
	Price	Gain	Ann'l Total Return
High	50	(+30%)	10%
Low	35	(-10%)	1%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	37	54	50
to Sell	40	37	34
Hld's(000)	4289	4391	4527



% TOT. RETURN 12/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.8	-6.9
3 yr.	39.8	37.7
5 yr.	59.9	52.1

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	8.60	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	3.25	3.40	"Cash Flow" per sh	3.75
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	3.60	5.80	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	19.95	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 Outst'g 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	17.5		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	.89		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%	2.9%		Avg Ann'l Div'd Yield	3.1%
47.5	46.9	59.0	61.3	59.4	66.4	69.4	83.8	91.5	94.0	96.5	102	Revenues ($mill)	155
7.2	6.7	8.8	9.4	10.2	9.8	9.9	13.6	18.3	21.3	23.0	23.5	Net Profit ($mill)	27.0
--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	32.0%	28.0%	14.4%	5.0%	19.0%	Income Tax Rate	27.0%
--	--	--	1.7%	--	--	--	1.7%	2.0%	2.4%	2.0%	2.5%	AFUDC % to Net Profit	2.0%
44.9%	44.4%	47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	46.9%	45.7%	44.0%	44.5%	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%	56.0%	55.5%	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	400	425	Total Capital ($mill)	510
247.7	268.1	284.3	302.3	325.2	344.2	362.4	447.9	471.9	506.9	535	565	Net Plant ($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%	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%	10.0%	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%	10.0%	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%	Retained to Com Eq	4.0%
95%	105%	82%	79%	76%	81%	83%	62%	59%	53%	52%	52%	All Div'ds to Net Prof	58%

CAPITAL STRUCTURE as of 9/30/15
Total Debt $190.7 mill. Due in 5 Yrs $19.3 mill.
LT Debt $176.7 mill. LT Interest $7.0 mill. (44% of Cap'l)

Leases, Uncapitalized: Annual rentals $.1 mill.
Pension Assets-12/14 $61.6 mill. Oblig. $79.8 mill.

Pfd Stock $0.8 mill. Pfd Divd NMF

Common Stock 11,181,070 shs. as of 10/31/15
MARKET CAP: $425 million (Small Cap)

CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	18.4	2.5	2.2
Accounts Receivable	12.3	12.0	13.0
Other	16.2	21.7	24.1
Current Assets	46.9	36.2	39.3
Accts Payable	10.8	10.0	9.7
Debt Due	4.1	4.4	14.0
Other	7.8	9.2	8.5
Current Liab.	22.7	23.6	32.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	4.0%	4.5%	6.5%
"Cash Flow"	4.0%	7.5%	5.5%
Earnings	4.0%	9.0%	4.5%
Dividends	2.0%	2.0%	5.0%
Book Value	6.5%	9.5%	3.5%

Calendar	QUARTERLY REVENUES ($ mill.) 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	28.4	21.5	96.5
2016	22.5	27.5	30.0	22.0	102

Calendar	EARNINGS PER SHARE A 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	.79	.21	2.05
2016	.32	.68	.85	.25	2.10

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.238	.238	.2425	.2425	.962
2013	.2425	.2425	.2475	.2475	.98
2014	.2475	.2475	.2575	.2575	1.01
2015	.2575	.2575	.2675	.2675	1.05
2016					

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.

Connecticut Water Service probably turned in another solid earnings performance last year. Even though we are expecting the company to report a negative profit comparison in the fourth quarter, we think the utility still posted a healthy 7% increase in full-year share earnings versus 2014. This would mark the fourth-straight year of healthy gains.

We are being more conservative in our expectations for 2016. For now, we are sticking with our $2.10-a-share forecast, which would be only a 2.5% increase over 2015. Connecticut Water could surprise to the upside, however, due to the continued benefits of an earlier rate increase in Maine.

A substantial hike in capital expenditures has been approved for this year. In late November, the company announced it will spend $66 million on major projects during 2016. This represents a hefty 47% rise over what we estimate Connecticut spent in 2015. Roughly one-third of the total will be used to upgrade a wastewater facility, with the rest expected to be spent replacing the company's aging infrastructure.

The balance sheet is in decent shape. The company carries an average Financial Strength rating of B+, but that would be higher if Connecticut's market capitalization was larger. The current long-term debt-to-total capital ratio is 44%, which is near the lower end of the industry spectrum. What's more, even with the company's higher projected budgets over the next year or two, we think the balance sheet should remain quite sound through the late decade.

Dividend growth is clearly on the upswing. For years, the company would only raise its annual payout by 2%. Starting in 2014, the rate rose to 3%, and increased 4% in 2015. Over the next 3- to 5-year period, we expect growth to average 5%.

These shares are ranked to perform in line with the broader market averages in the year ahead. Moreover, it appears that all of the company's strong points are currently factored into the recent price. Indeed, the stock's capital appreciation potential to 2018-2020 is only 10%, versus the median of 50% for all companies in the *Value Line* universe.

James A. Flood *January 15, 2016*

(A) Diluted earnings. Next earnings report due late February. Quarterly earnings do not add in 2012 due to rounding.
(B) Dividends historically paid in mid-March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.
(D) Includes intangibles. In 2014: $31.7 million/$2.85 a share.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	85

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MIDDLESEX WATER NDQ-MSEX

RECENT PRICE 26.23 | P/E RATIO 21.3 (Trailing: 22.6 Median: 21.0) | RELATIVE P/E RATIO 1.23 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 3 Lowered 4/11/14
SAFETY 2 New 10/21/11
TECHNICAL 3 Lowered 12/18/15
BETA .70 (1.00 = Market)

2018-20 PROJECTIONS

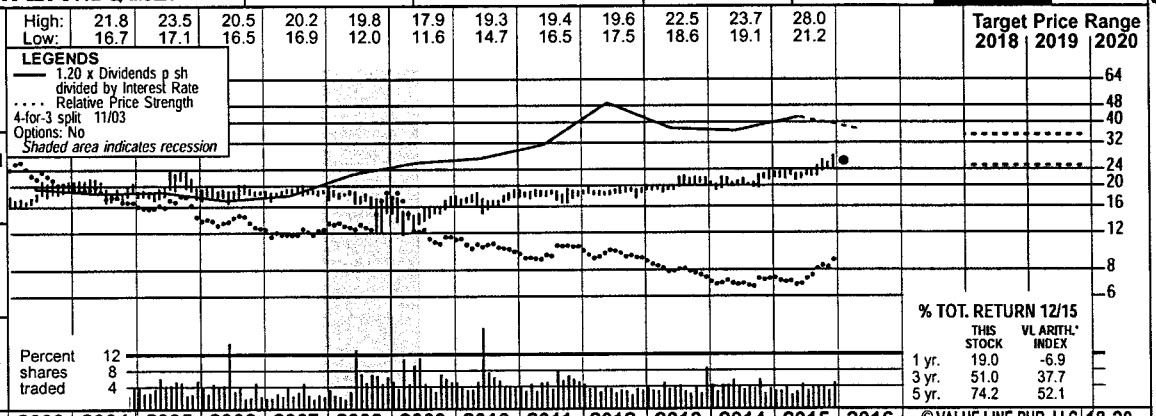
	Price	Gain	Ann'l Total Return
High	35	(+35%)	10%
Low	25	(-5%)	2%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	40	43	47
to Sell	38	36	42
Hld's(000)	6413	6487	6614



% TOT. RETURN 12/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	19.0	-6.9
3 yr.	51.0	37.7
5 yr.	74.2	52.1

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	6.98	7.19	7.26	7.70	8.00	Revenues per sh	9.10
1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.46	1.56	1.72	1.84	2.10	2.15	"Cash Flow" per sh	2.25
.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	.90	1.03	1.13	1.20	1.30	Earnings per sh A	1.35
.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	.74	.75	.76	.78	.81	Div'd Decl'd per sh B■	.89
2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	1.36	1.26	1.40	1.60	1.75	Cap'l Spending per sh	2.00
6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	11.48	11.82	12.24	12.45	12.95	Book Value per sh	14.30
10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	15.82	15.96	16.12	16.25	16.25	Common Shs Outst'g C	17.00
17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.7	20.8	19.7	18.5	19.4		Avg Ann'l P/E Ratio	21.0
1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.36	1.32	1.11	.98	.98		Relative P/E Ratio	1.30
4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.0%	4.0%	3.7%	3.7%	3.3%		Avg Ann'l Div'd Yield	3.1%
						74.6	81.1	86.1	91.0	91.2	102.7	102.1	110.4	114.8	117.1	125	130	Revenues ($mill)	155
						8.5	10.0	11.8	12.2	10.0	14.3	13.4	14.4	16.6	18.4	20.5	21.0	Net Profit ($mill)	23.0
						27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.7%	33.9%	34.1%	35.0%	35.0%	31.0%	Income Tax Rate	34.0%
						--	--	--	--	--	6.8%	6.1%	3.4%	1.9%	1.7%	1.0%	1.5%	AFUDC % to Net Profit	2.5%
						55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	42.3%	41.5%	40.4%	40.5%	40.0%	40.0%	Long-Term Debt Ratio	43.5%
						41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	56.6%	57.4%	58.7%	58.8%	59.5%	59.5%	Common Equity Ratio	56.5%
						231.7	264.0	268.8	259.4	267.9	310.5	312.5	316.5	321.4	335.8	340	355	Total Capital ($mill)	430
						288.0	317.1	333.9	366.3	376.5	405.9	422.2	435.2	446.5	465.4	480	495	Net Plant ($mill)	555
						5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.2%	5.4%	5.9%	6.3%	6.5%	7.0%	Return on Total Cap'l	6.5%
						8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	7.8%	8.7%	9.2%	10.0%	10.0%	Return on Shr. Equity	9.5%
						8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.5%	7.8%	8.7%	9.3%	10.0%	10.0%	Return on Com Equity	9.5%
						.6%	1.3%	1.8%	2.0%	NMF	2.1%	1.0%	1.4%	2.4%	3.1%	4.0%	4.0%	Retained to Com Eq	3.5%
						94%	84%	79%	78%	98%	75%	87%	83%	73%	67%	62%	62%	All Div'ds to Net Prof	66%

CAPITAL STRUCTURE as of 9/30/15
Total Debt 158.9 mill. Due in 5 Yrs $49.8 mill.
LT Debt $135.2 mill. LT Interest $4.6 mill.

(39% of Cap'l)

Pension Assets-12/14 $51.6 mill.
Oblig. $75.0 mill.
Pfd Stock $2.4 mill. Pfd Div'd: $.1 mill.

Common Stock 16,211,304 shs.
as of 10/31/15

MARKET CAP: $425 million (Small Cap)

CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	4.8	2.7	4.7
Other	21.0	20.2	26.2
Current Assets	25.8	22.9	30.9
Accts Payable	6.3	6.4	8.6
Debt Due	33.8	24.9	23.7
Other	12.6	12.6	14.6
Current Liab.	52.7	43.9	46.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	1.5%	1.5%	4.0%
"Cash Flow"	3.5%	3.0%	4.5%
Earnings	4.0%	4.5%	5.0%
Dividends	1.5%	1.5%	3.0%
Book Value	4.5%	3.0%	3.0%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	23.5	27.4	32.4	27.1	110.4
2013	27.0	29.1	31.3	27.4	114.8
2014	27.1	29.2	32.7	28.1	117.1
2015	28.8	31.7	34.7	29.8	125
2016	29.5	32.5	35.5	32.5	130

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	.11	.24	.38	.17	.90
2013	.20	.28	.36	.19	1.03
2014	.20	.29	.42	.22	1.13
2015	.22	.31	.41	.26	1.20
2016	.23	.33	.45	.29	1.30

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.185	.185	.185	.1875	.74
2013	.1875	.1875	.1875	.19	.75
2014	.19	.19	.19	.1925	.76
2015	.1925	.1925	.1925	.19875	.78
2016					

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. In 2014, the Middlesex System accounted for 60% of operating revenues. At 12/31/14, the company had 282 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 3.5% of the common stock; BlackRock Institutional Trust Co., 6.6% (4/15 proxy). Add.: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Shares of Middlesex continue to perform well. Since our mid-October report, the value of the equity has risen 8.2%, compared to 4.9% for the industry, and 1.9% for the S&P 500 Index.

We think the utility finished 2015 on a positive note. Third-quarter results were disappointing due to a sharp spike in expenses related to the company's employee benefit plan. With costs at more normal levels in the final quarter, Middlesex probably posted an earnings-per-share gain of over 15%. Rate relief implemented in New Jersey was almost certainly the reason for the expected strong showing.

Earnings should be even better this year. Even though New Jersey regulators were restrictive in last year's major rate case by allowing only $5 million of the $9 million in higher tariffs sought by Middlesex, the rate hike will be in effect for the entire year. Moreover, despite the aforementioned employee compensation charge, the utility has been doing a fairly good job of containing costs.

A major change has been made in Middlesex's dividend policy. The company has increased the annual dividend since 1997 by exactly $0.01 a share annually (one-quarter of one cent every quarter). In the final period of 2015, however, instead of raising the quarterly payout the usual amount to $.1925, or +1.3%, management hiked the payout five-eights of one cent, or 3.2%. To reflect this, we've raised our long-term growth forecast.

Finances are very solid. Though not a large company, Middlesex has an equity-to-total capital ratio close to 60%, which is extremely high for a water utility. Due to projected greater capital spending commitments to modernize the existing water infrastructure, we expect the financial metrics to slide marginally, but still remain well above industry levels.

Most of the bloom is off the rose of these shares. As evidenced by the recent strength in the stock price, investors have become well aware of company's positive attributes. The equity is current ranked to only be a market performer this year. Over the pull to 2018-2020, though, projected capital appreciation is only 15%, substantially below the 50% median of all stocks in the *Value Line* universe.

James A. Flood *January 15, 2016*

(A) Diluted earnings. May not sum due to rounding. Next earnings report due late February.
(B) Dividends historically paid in mid-Feb., May, Aug., and November. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	80

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SJW CORP. NYSE-SJW

RECENT PRICE 29.52 | P/E RATIO 21.7 (Trailing: 22.2 Median: 24.0) | RELATIVE P/E RATIO 1.25 | DIV'D YLD 2.7% | VALUE LINE

TIMELINESS 4 Lowered 11/27/15
SAFETY 3 New 4/22/11
TECHNICAL 4 Lowered 1/15/16
BETA .75 (1.00 = Market)

2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+50%)	13%
Low	30	(Nil)	3%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	1	3	0	0	1	0	1	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	1	0	0	0	1	0	0	0	0

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	61	63	61
to Sell	47	49	44
Hld's(000)	10898	10749	9038

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
High:	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	26.9	30.1	33.7	35.7								
Low:	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.6	24.5	25.5	27.5								
	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.85	14.01	13.73	15.76	*14.15*	*14.30*	Revenues per sh	*17.60*
	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	2.97	2.90	4.42	*3.40*	*3.65*	"Cash Flow" per sh	*3.95*
	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	1.12	2.54	*1.35*	*1.55*	Earnings per sh [A]	*1.75*
	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	.73	.75	.78	*.81*	Div'd Decl'd per sh [B■]	*1.05*
	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	5.67	4.68	5.02	*4.65*	*5.20*	Cap'l Spending per sh	*4.95*
	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	14.71	15.92	17.75	*18.30*	*19.30*	Book Value per sh	*22.60*
	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	18.67	20.17	20.29	*20.50*	*21.00*	Common Shs Outst'g [C]	*23.00*
	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	20.4	24.3	11.2	*22.8*		Avg Ann'l P/E Ratio	*22.0*
	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.30	1.37	.59	*1.16*		Relative P/E Ratio	*1.40*
	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	2.7%	2.6%	2.5%		Avg Ann'l Div'd Yield	*2.7%*
							180.1	189.2	206.6	220.3	216.1	215.6	239.0	261.5	276.9	319.7	*290*	*300*	Revenues ($mill)	*405*
							20.7	22.2	19.3	20.2	15.2	15.8	20.9	22.3	23.5	51.8	*27.5*	*32.0*	Net Profit ($mill)	*40.0*
							41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	41.1%	38.7%	32.5%	*37.0%*	*36.5%*	Income Tax Rate	*37.0%*
							1.6%	2.1%	2.7%	2.3%	2.0%	--	--	--	2.0%	1.0%	*1.5%*	*1.5%*	AFUDC % to Net Profit	*1.5%*
							42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	55.0%	51.1%	51.6%	*51.0%*	*51.5%*	Long-Term Debt Ratio	*52.5%*
							57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	45.0%	48.9%	48.4%	*49.0%*	*48.5%*	Common Equity Ratio	*47.5%*
							341.2	391.8	453.2	470.9	499.6	550.7	607.9	610.2	656.2	744.5	*765*	*835*	Total Capital ($mill)	*1100*
							484.8	541.7	645.5	684.2	718.5	785.5	756.2	831.6	898.7	963.0	*1030*	*1100*	Net Plant ($mill)	*1300*
							7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	4.9%	5.0%	5.0%	8.3%	*5.0%*	*5.5%*	Return on Total Cap'l	*5.5%*
							10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	14.4%	*7.0%*	*8.0%*	Return on Shr. Equity	*7.5%*
							10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	14.4%	*7.0%*	*8.0%*	Return on Com Equity	*7.5%*
							5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	3.3%	2.8%	10.2%	*3.0%*	*4.0%*	Retained to Com Eq	*3.0%*
							47%	46%	57%	59%	80%	80%	61%	59%	62%	29%	*58%*	*52%*	All Div'ds to Net Prof	*60%*

% TOT. RETURN 12/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-5.3	-6.9
3 yr.	20.7	37.7
5 yr.	28.7	52.1

Target Price Range 2018 | 2019 | 2020

LEGENDS
1.50 x Dividends p sh divided by Interest Rate
Relative Price Strength
3-for-1 split 3/04
2-for-1 split 3/06
Options: No
Shaded area indicates recession

CAPITAL STRUCTURE as of 9/30/15
Total Debt $405.8 mill. Due in 5 Yrs $21.2 mill.
LT Debt $381.0 mill. LT Interest $21.0 mill.
(51% of Cap'l)

Leases, Uncapitalized: Annual rentals $5.5 mill.

Pension Assets-12/14 $91.4 mill.
Oblig. $128.7 mill.

Pfd Stock None.

Common Stock 20,381,949 shs.
as of 10/21/15
MARKET CAP: $600 million (Small Cap)

CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	2.3	2.4	6.3
Accts Receivable	14.5	15.0	20.3
Other	22.9	50.7	50.3
Current Assets	39.7	68.1	76.9
Accts Payable	12.6	7.0	17.5
Debt Due	23.0	13.8	24.8
Other	23.6	23.9	30.7
Current Liab.	59.2	44.7	73.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	5.5%	4.5%	*3.5%*
"Cash Flow"	7.0%	8.0%	*2.5%*
Earnings	6.5%	10.5%	*1.5%*
Dividends	4.0%	3.0%	*6.0%*
Book Value	6.0%	3.5%	*6.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	51.1	65.6	82.4	62.4	261.5
2013	50.1	74.2	85.2	67.4	276.9
2014	54.6	70.4	125.4	69.3	319.7
2015	62.1	72.4	83.0	*72.5*	*290*
2016	*60.0*	*75.0*	*90.0*	*75.0*	*300*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	.06	.28	.53	.31	1.18
2013	.07	.37	.44	.24	1.12
2014	.04	.34	1.88	.28	2.54
2015	.23	.36	.46	*.30*	*1.35*
2016	*.18*	*.42*	*.60*	*.35*	*1.55*

Calendar	QUARTERLY DIVIDENDS PAID [B■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.1775	.1775	.1775	.1775	.71
2013	.1825	.1825	.1825	.1825	.73
2014	.1875	.1875	.1875	.1875	.75
2015	.1950	.1950	.1950	.1950	.78
2016					

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 229,000 connections with a total population of roughly one million people in the San Jose area and 12,000 connections that reaches about 36,000 residents in the region between San Antonio and Austin, Texas. The company also offers nonregulated water-related services and owns and operates commercial real estate investments. Has about 395 employees. Officers and directors (including Nancy O. Moss) own 27.9% of outstanding shares. Chairman: Charles J. Toeniskoetter. Incorporated: California. Address: 110 West Taylor Street, San Jose, CA 95110. Telephone: (408) 279-7800. Internet: www.sjwater.com.

Shares of SJW Corp. have badly underperformed both the company's peer group and the broader market averages since our mid-October report. During this span, the value of SJW has declined 5.0%, versus the 4.9% increase posted by the average water utility, and the gain of about 1.9% recorded by the S&P 500 Index.

We have reduced our full-year 2015 earnings estimate for the company. Share earnings for the third quarter came in at $0.46, $0.07 below our forecast. The disappointing results were mainly attributed to higher administrative costs, pension-related expenses, and a spike in the income tax rate. We should note that comparing figures from 2014 and 2015 is difficult, as 2014's income was bolstered by a one-time $45 million reimbursement for expenses incurred in past years. In any case, we have sliced $0.10 a share off of our prior estimate and now think SJW's earnings per share will only reach $1.35.

The profit picture looks much brighter next year. For starters, the utility operates in a thriving service area, which includes Silicon Valley. Moreover, the regulatory climate in California is actually constructive as authorities have been working with utilities to enable them to earn a reasonable rate of return on equity despite spending freely to replace old pipes and modernize other parts of the water distribution system. SJW has been investing heavily (and should continue to do so through late decade) on modernizing its entire water infrastructure. All told, we think share net can rise 15%, to $1.55. One caveat is that our assumption does not factor in a lengthy delay in recovering costs related to the drought.

Dividend growth prospects are decent. Even though we only project earnings to increase 1%-2% annually through to 2018-2020, we think the current dividend-to-net profit ratio is relatively low, which should enable dividends to increase a healthy 6% a year, over that time.

SJW stock is the lone equity in the water utility group expected to underperform the market averages in the year ahead. Furthermore, despite the recent price weakness, long-term total return prospects are also not appealing.

James A. Flood *January 15, 2016*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, $0.46. GAAP accounting as of 2013. Next earnings report due late February. Quarterly earnings may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	20
Earnings Predictability	50

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YORK WATER NDQ-YORW

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
24.84	25.6 (Trailing: 25.3 Median: 25.0)	1.48	2.5%	

TIMELINESS 2 Raised 12/18/15
SAFETY 3 Lowered 7/17/15
TECHNICAL 3 Raised 1/15/16
BETA .75 (1.00 = Market)

2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+20%)	7%
Low	20	(-20%)	-2%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	2	4	1	0	4	1	0	4
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	33	34	30
to Sell	29	31	27
Hld's(000)	3841	3769	3840

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
High:			14.0	17.9	21.0	18.5	16.5	18.0	18.0	18.1	18.5	22.0	24.3	26.7						
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						
Revenues per sh	--	--	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	*5.00*
"Cash Flow" per sh	--	--	.59	.57	.65	.65	.79	.77	.86	.88	.95	1.07	1.09	1.12	1.19	1.36	*1.45*	*1.55*	"Cash Flow" per sh	*1.75*
Earnings per sh A	--	--	.43	.40	.47	.49	.56	.58	.57	.57	.64	.71	.71	.72	.75	.89	*.93*	*1.00*	Earnings per sh A	*1.15*
Div'd Decl'd per sh B	--	--	.34	.35	.37	.39	.42	.45	.48	.49	.51	.52	.53	.54	.55	.57	.60	*.63*	Div'd Decl'd per sh B	*.80*
Cap'l Spending per sh	--	--	.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*
Book Value per sh	--	--	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	*8.40*	*8.40*	Book Value per sh	*9.50*
Common Shs Outst'g C	--	--	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*
Avg Ann'l P/E Ratio	--	--	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	*24.5*		Avg Ann'l P/E Ratio	*22.5*
Relative P/E Ratio	--	--	.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	*1.24*		Relative P/E Ratio	*1.40*
Avg Ann'l Div'd Yield	--	--	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%	2.6%		Avg Ann'l Div'd Yield	*3.2%*
Revenues ($mill)			26.8	28.7	31.4	32.8	37.0	39.0	40.6	41.4	42.4	45.9	*48.0*	*50.0*	Revenues ($mill)	*60.0*
Net Profit ($mill)			5.8	6.1	6.4	6.4	7.5	8.9	9.1	9.3	9.7	11.5	*12.0*	*12.5*	Net Profit ($mill)	*14.0*
Income Tax Rate			36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	35.3%	37.6%	37.6%	29.8%	*30.5%*	*24.5%*	Income Tax Rate	*32.5%*
AFUDC % to Net Profit			--	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%*
Long-Term Debt Ratio			44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	47.1%	46.0%	45.1%	44.8%	*45.0%*	*49.5%*	Long-Term Debt Ratio	*48.0%*
Common Equity Ratio			55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	52.9%	54.0%	54.9%	55.2%	*55.0%*	*52.5%*	Common Equity Ratio	*52.0%*
Total Capital ($mill)			90.3	126.5	125.7	153.4	160.1	176.4	180.2	184.8	188.4	189.4	*195*	*200*	Total Capital ($mill)	*220*
Net Plant ($mill)			155.3	174.4	191.6	211.4	222.0	228.4	233.0	240.3	244.2	253.2	*263*	*270*	Net Plant ($mill)	*280*
Return on Total Cap'l			8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	6.4%	6.4%	6.5%	7.4%	*7.5%*	*8.0%*	Return on Total Cap'l	*8.0%*
Return on Shr. Equity			11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	11.0%	*11.0%*	*12.0%*	Return on Shr. Equity	*12.0%*
Return on Com Equity			11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	11.0%	*11.0%*	*12.0%*	Return on Com Equity	*12.0%*
Retained to Com Eq			3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	2.5%	2.4%	2.4%	3.9%	*4.0%*	*4.5%*	Retained to Com Eq	*3.5%*
All Div'ds to Net Prof			74%	77%	82%	85%	78%	72%	73%	74%	74%	64%	*65%*	*63%*	All Div'ds to Net Prof	*69%*

CAPITAL STRUCTURE as of 9/30/15
Total Debt $87.3 mill. Due in 5 Yrs $30.5 mill.
LT Debt $87.3 mill. LT Interest $5.1 mill.
(45% of Cap'l)

Pension Assets 12/14 $30.6 mill.
Oblig. $40.9 mill.

Pfd Stock None

Common Stock 12,791,600 shs.
as of 11/5/15
MARKET CAP: $325 million (Small Cap)

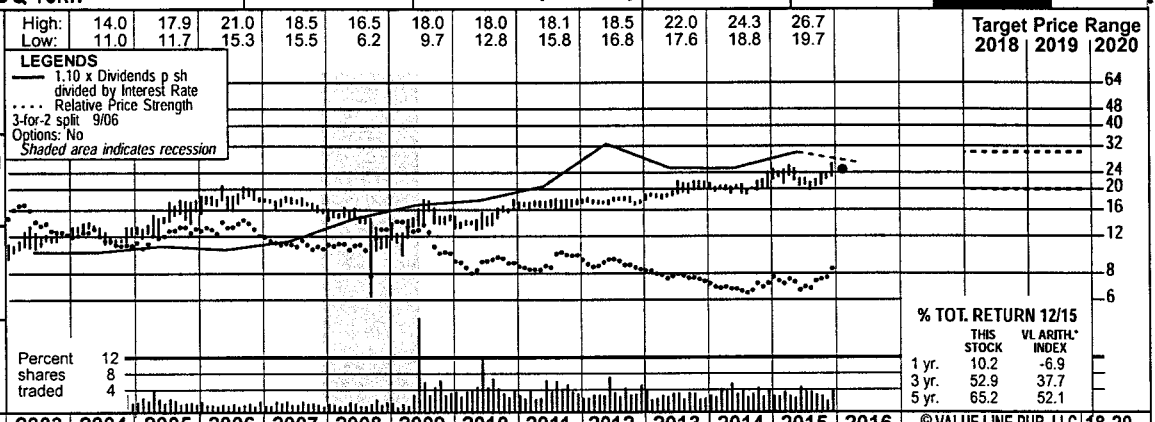
CURRENT POSITION ($MILL.)	2013	2014	9/30/15
Cash Assets	7.6	1.5	1.1
Accounts Receivable	3.8	4.0	4.3
Inventory (Avg. Cost)	.7	.8	.8
Other	3.1	4.9	4.0
Current Assets	15.2	11.2	10.2
Accts Payable	1.8	1.6	2.0
Debt Due	--	--	--
Other	6.0	4.3	4.3
Current Liab.	7.8	5.9	6.3

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	4.5%	3.0%	*7.0%*
"Cash Flow"	7.0%	6.5%	*6.0%*
Earnings	5.5%	6.0%	*6.5%*
Dividends	4.0%	2.5%	*6.5%*
Book Value	6.5%	4.5%	*3.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
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*

Calendar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2012	.15	.17	.22	.18	.72
2013	.17	.18	.19	.21	.75
2014	.16	.22	.23	.28	.89
2015	.20	.22	.28	*.23*	*.93*
2016	*.20*	*.26*	*.28*	*.26*	*1.00*

Calendar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.134	.134	.134	.134	.535
2013	.138	.138	.138	.138	.552
2014	.1431	.1431	.1431	.1431	.572
2015	.1495	.1495	.1495	.1555	.604
2016					



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; commercial and industrial (29%); other (8%). It also provides sewer billing services. Incorporated: PA. York had 106 full-time employees at 12/31/14. President/CEO: Jeffrey R. Hines. Officers/directors own 1.1% of the common stock (4/15 proxy). Address: 130 East Market Street, York, Pennsylvania 17401. Telephone: (717) 845-3601. Internet: www.yorkwater.com.

Shares of York Water have been stellar performers of late. Over the past three months, the price of this stock has surged roughly 13% in value versus the returns of only about 2% posted by the S&P 500 Index.

Fourth-quarter comparisons are likely to be negative. In the December, 2014 period, York's profits were boosted significantly by a large tax adjustment. Absent this factor, we expect the company's share net to reach only $0.23, well short of the $0.28 posted in the similar 2014 time frame. On the plus side, for the full year, York should be able to increase earnings per share by 4% against a difficult comparison.

The earnings outlook is relatively bright for this year. We think the company should continue to benefit to some degree from how the IRS values tangible property. The resulting low tax rate, along with about 2% less shares outstanding (due to a stock-repurchase program), and the utility's ability to earn a return on newly spent capital expenditures, should enable York's share net to rise to $1.00 a share, almost 8% higher than 2015's estimated level.

Over the long pull, we think York's dividends and earnings growth rates will be moderate, but be well-defined. The company doesn't operate in a service area that is experiencing rapid growth. Thus, with population increases projected to be marginal at best, revenue and profit expansion should come from mostly upgrading and replacing its aging water infrastructure. Since the need to replace the existing pipeline is obvious, we don't foresee any major disputes with state regulators. Therefore, any harsh regulatory rulings would make our earnings estimates through 2018-2020 too optimistic.

Our ranking system believes the stock of York still has some gas left in the tank. Despite the equity's recent run, we think York will outperform the broader market averages in the year ahead.

Long-term prospects are unattractive, however. We think the price of these shares now reflects almost all of the utility's positive attributes. Indeed, the stock is already trading well within our projected late-decade Target Price Range.

James A. Flood *January 15, 2016*

(A) Diluted earnings. Next earnings report due late February.
(B) Dividends historically paid in mid-January, April, July, and October.
(C) In millions, adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	95

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American States Water Company (AWR) - NYSE ★ Watchlist

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Analyst Estimates

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.30	0.33	1.59	1.69
No. of Analysts	4.00	2.00	6.00	6.00
Low Estimate	0.26	0.24	1.52	1.56
High Estimate	0.34	0.42	1.65	1.83
Year Ago EPS	0.35	0.32	1.57	1.59

Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	107.42M	118.27M	463.93M	482.01M
No. of Analysts	2	1	6	6
Low Estimate	102.40M	118.27M	450.93M	464.00M
High Estimate	112.44M	118.27M	493.00M	516.60M
Year Ago Sales	109.88M	100.93M	465.79M	463.93M
Sales Growth (year/est)	-2.20%	17.20%	-0.40%	3.90%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.26	0.29	0.41	0.56
EPS Actual	0.35	0.32	0.41	0.56
Difference	0.09	0.03	0.00	0.00
Surprise %	34.60%	10.30%	0.00%	0.00%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.30	0.33	1.59	1.69
7 Days Ago	0.30	0.33	1.59	1.69
30 Days Ago	0.30	0.33	1.59	1.69
60 Days Ago	0.30	0.33	1.59	1.69
90 Days Ago	0.30	0.33	1.59	1.69

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	AWR	Industry	Sector	S&P 500
Current Qtr.	-14.30%	50.00%	46.70%	2.70%
Next Qtr.	3.10%	22.40%	49.00%	13.00%
This Year	1.30%	-15.60%	22.90%	2.70%
Next Year	6.30%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	12.86%	N/A	N/A	N/A
Next 5 Years (per annum)	4.10%	8.09%	6.16%	4.88%

AWR 0.27% YORW 1.72%

AWR 0.27%
American States Wa...

46.28

+0.12 (0.27%)

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- NYSE Real Time Price

Analyst Estimates

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.55	0.46	2.63	2.82
No. of Analysts	13.00	9.00	16.00	17.00
Low Estimate	0.53	0.41	2.60	2.75
High Estimate	0.61	0.50	2.65	2.87
Year Ago EPS	0.52	0.44	2.47	2.63

Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	827.48M	742.94M	3.17B	3.34B
No. of Analysts	10	9	14	15
Low Estimate	760.98M	722.00M	3.14B	3.30B
High Estimate	1.24B	802.52M	3.22B	3.42B
Year Ago Sales	731.38M	698.08M	3.01B	3.17B
Sales Growth (year/est)	13.10%	6.40%	5.20%	5.40%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.51	0.41	0.67	0.94
EPS Actual	0.52	0.44	0.68	0.96
Difference	0.01	0.03	0.01	0.02
Surprise %	2.00%	7.30%	1.50%	2.10%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.55	0.46	2.63	2.82
7 Days Ago	0.55	0.46	2.63	2.82
30 Days Ago	0.55	0.47	2.63	2.82
60 Days Ago	0.55	0.46	2.63	2.82
90 Days Ago	0.55	0.46	2.62	2.82

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	1	0	2	1
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	AWK	Industry	Sector	S&P 500
Current Qtr.	5.80%	50.00%	46.70%	2.70%
Next Qtr.	4.50%	22.40%	49.00%	13.00%
This Year	6.50%	-15.60%	22.90%	2.70%
Next Year	7.20%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	12.25%	N/A	N/A	N/A
Next 5 Years (per annum)	7.72%	8.09%	6.16%	4.88%

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Analyst Estimates

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.29	0.28	1.27	1.34
No. of Analysts	6.00	3.00	10.00	10.00
Low Estimate	0.29	0.27	1.26	1.31
High Estimate	0.29	0.28	1.28	1.38
Year Ago EPS	0.28	0.27	1.20	1.27

Next Earnings Date: Feb 23, 2016 - Set a Reminder

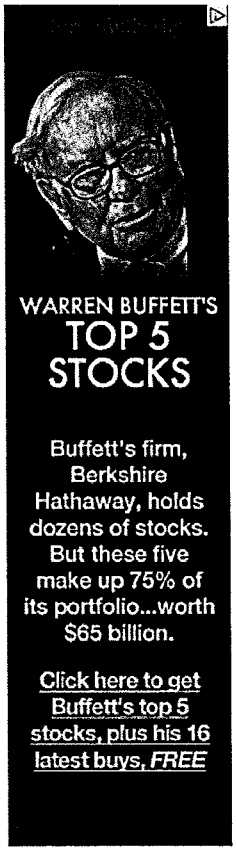
Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	199.79M	196.51M	817.73M	855.00M
No. of Analysts	5	3	8	8
Low Estimate	195.60M	194.60M	811.00M	842.00M
High Estimate	206.37M	197.94M	824.20M	874.50M
Year Ago Sales	191.39M	190.33M	779.90M	817.73M
Sales Growth (year/est)	4.40%	3.20%	4.90%	4.60%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.27	0.26	0.32	0.38
EPS Actual	0.28	0.27	0.32	0.38
Difference	0.01	0.01	0.00	0.00
Surprise %	3.70%	3.80%	0.00%	0.00%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.29	0.28	1.27	1.34
7 Days Ago	0.29	0.28	1.27	1.34
30 Days Ago	0.29	0.28	1.27	1.36
60 Days Ago	0.29	0.28	1.27	1.36
90 Days Ago	0.29	0.28	1.27	1.36

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	1	0	0	1
Down Last 30 Days	0	0	1	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	WTR	Industry	Sector	S&P 500
Current Qtr.	3.60%	50.00%	46.70%	2.70%
Next Qtr.	3.70%	22.40%	49.00%	13.00%
This Year	5.80%	-15.60%	22.90%	2.70%
Next Year	5.50%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	12.43%	N/A	N/A	N/A
Next 5 Years (per annum)	5.85%	8.09%	6.16%	4.88%



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ARTNA

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Artesian Resources Corp. (ARTNA) - NasdaqGS ★ Watchlist

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29.51 0.79(2.61%) 4:00PM EST

- Nasdaq Real Time Price

Analyst Estimates

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.24	N/A	1.29	1.29
No. of Analysts	1.00	N/A	2.00	2.00
Low Estimate	0.24	N/A	1.28	1.22
High Estimate	0.24	N/A	1.29	1.35
Year Ago EPS	0.24	0.28	1.07	1.29

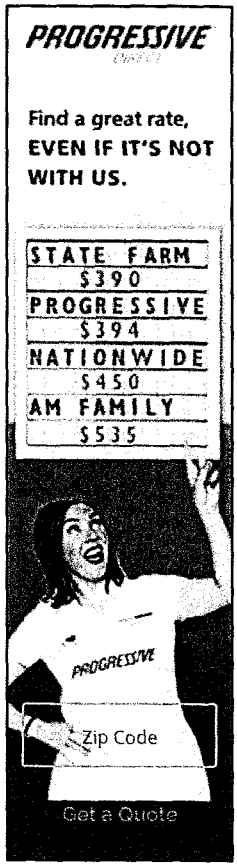
Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	18.69M	NaN	77.17M	79.44M
No. of Analysts	1		2	2
Low Estimate	18.69M	NaN	76.96M	77.70M
High Estimate	18.69M	NaN	77.38M	81.19M
Year Ago Sales	18.08M	NaN	72.46M	77.17M
Sales Growth (year/est)	3.40%	N/A	6.50%	2.90%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.21	0.30	0.29	0.35
EPS Actual	0.24	0.28	0.36	0.41
Difference	0.03	-0.02	0.07	0.06
Surprise %	14.30%	-6.70%	24.10%	17.10%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.24	N/A	1.29	1.29
7 Days Ago	0.24	N/A	1.29	1.29
30 Days Ago	0.24	N/A	1.29	1.29
60 Days Ago	0.24	N/A	1.29	1.29
90 Days Ago	0.24	N/A	1.29	1.29

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	N/A	0	0
Up Last 30 Days	0	N/A	0	0
Down Last 30 Days	0	N/A	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	ARTNA	Industry	Sector	S&P 500
Current Qtr.	0.00%	50.00%	46.70%	2.70%
Next Qtr.	N/A	22.40%	49.00%	13.00%
This Year	20.60%	-15.60%	22.90%	2.70%
Next Year	0.00%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	7.43%	N/A	N/A	N/A
Next 5 Years (per annum)	4.00%	8.09%	6.16%	4.88%



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CWT LEARN MORE TD Ameritrade

California Water Service Group (CWT) - NYSE

24.88 0.05(0.20%) 4:02PM EST

Analyst Estimates

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.21	0.07	1.00	1.23
No. of Analysts	4.00	1.00	5.00	5.00
Low Estimate	0.17	0.07	0.93	1.10
High Estimate	0.24	0.07	1.15	1.30
Year Ago EPS	0.24	0.03	1.19	1.00

Next Earnings Date: Feb 24, 2016 - Set a Reminder

Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	130.96M	126.86M	590.92M	619.90M
No. of Analysts	2	1	3	3
Low Estimate	130.52M	126.86M	580.46M	604.59M
High Estimate	131.40M	126.86M	611.00M	640.00M
Year Ago Sales	137.38M	121.98M	597.50M	590.92M
Sales Growth (year/est)	-4.70%	4.00%	-1.10%	4.90%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.17	0.01	0.34	0.67
EPS Actual	0.24	0.03	0.21	0.52
Difference	0.07	0.02	-0.13	-0.15
Surprise %	41.20%	200.00%	-38.20%	-22.40%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.21	0.07	1.00	1.23
7 Days Ago	0.21	0.07	1.00	1.23
30 Days Ago	0.22	0.07	1.01	1.23
60 Days Ago	0.22	0.07	1.01	1.23
90 Days Ago	0.22	0.07	1.01	1.23

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	CWT	Industry	Sector	S&P 500
Current Qtr.	-12.50%	50.00%	46.70%	2.70%
Next Qtr.	133.30%	22.40%	49.00%	13.00%
This Year	-16.00%	-15.60%	22.90%	2.70%
Next Year	23.00%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	14.03%	N/A	N/A	N/A
Next 5 Years (per annum)	5.00%	8.09%	6.16%	4.88%

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CTWS 0.54%

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Connecticut Water Service Inc. (CTWS) - NasdaqGS ★ Watchlist

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42.07 0.25(0.59%) 4:00PM EST

- Nasdaq Real Time Price

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.22	N/A	2.05	2.08
No. of Analysts	3.00	N/A	3.00	3.00
Low Estimate	0.22	N/A	2.05	2.04
High Estimate	0.22	N/A	2.06	2.15
Year Ago EPS	0.22	0.28	1.92	2.05

Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	22.44M	NaN	97.49M	102.68M
No. of Analysts	2		3	3
Low Estimate	21.47M	NaN	96.57M	100.85M
High Estimate	23.40M	NaN	98.50M	104.10M
Year Ago Sales	20.75M	NaN	94.02M	97.49M
Sales Growth (year/est)	8.20%	N/A	3.70%	5.30%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.21	0.33	0.69	0.80
EPS Actual	0.22	0.28	0.77	0.79
Difference	0.01	-0.05	0.08	-0.01
Surprise %	4.80%	-15.20%	11.60%	-1.30%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.22	N/A	2.05	2.08
7 Days Ago	0.22	N/A	2.05	2.08
30 Days Ago	0.22	N/A	2.05	2.08
60 Days Ago	0.22	N/A	2.05	2.08
90 Days Ago	0.23	N/A	2.07	2.05

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	N/A	0	0
Up Last 30 Days	0	N/A	0	0
Down Last 30 Days	0	N/A	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	CTWS	Industry	Sector	S&P 500
Current Qtr.	0.00%	50.00%	46.70%	2.70%
Next Qtr.	N/A	22.40%	49.00%	13.00%
This Year	6.80%	-15.60%	22.90%	2.70%
Next Year	1.50%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	11.73%	N/A	N/A	N/A
Next 5 Years (per annum)	5.00%	8.09%	6.16%	4.88%

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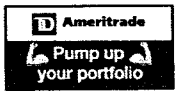

Middlesex Water Co. (MSEX) - NasdaqGS ★ Watchlist

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28.42 0.05(0.18%) 4:00PM EST

- Nasdaq Real Time Price

Analyst Estimates

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Earnings Est	Current Qtr. Dec 14	Next Qtr. Mar 15	Current Year Dec 14	Next Year Dec 15
Avg. Estimate	N/A	N/A	N/A	1.20
No. of Analysts	N/A	N/A	N/A	1.00
Low Estimate	N/A	N/A	N/A	1.20
High Estimate	N/A	N/A	N/A	1.20
Year Ago EPS	0.19	0.20	N/A	N/A

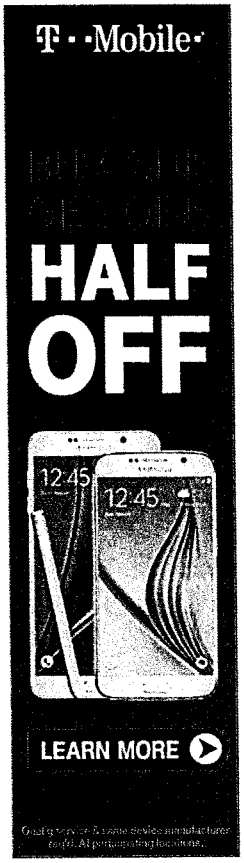
Revenue Est	Current Qtr. Dec 14	Next Qtr. Mar 15	Current Year Dec 14	Next Year Dec 15
Avg. Estimate	NaN	NaN	NaN	122.25M
No. of Analysts	1	1	1	1
Low Estimate	29.62M	29.62M	117.87M	122.25M
High Estimate	29.62M	29.62M	117.87M	122.25M
Year Ago Sales	27.42M	27.17M	114.85M	NaN
Sales Growth (year/est)	N/A	N/A	N/A	N/A

Earnings History	Dec 13	Mar 14	Jun 14	Sep 14
EPS Est	0.15	0.16	0.29	0.39
EPS Actual	0.19	0.20	0.29	0.42
Difference	0.04	0.04	0.00	0.03
Surprise %	26.70%	25.00%	0.00%	7.70%

EPS Trends	Current Qtr. Dec 14	Next Qtr. Mar 15	Current Year Dec 14	Next Year Dec 15
Current Estimate	N/A	N/A	N/A	1.20
7 Days Ago	0.28	0.26	1.09	1.20
30 Days Ago	0.28	0.26	1.09	1.20
60 Days Ago	0.28	0.26	1.09	1.20
90 Days Ago	0.28	0.26	1.09	1.20

EPS Revisions	Current Qtr. Dec 14	Next Qtr. Mar 15	Current Year Dec 14	Next Year Dec 15
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	MSEX	Industry	Sector	S&P 500
Current Qtr.	N/A	50.00%	46.70%	2.70%
Next Qtr.	N/A	22.40%	49.00%	13.00%
This Year	N/A	-15.60%	22.90%	2.70%
Next Year	N/A	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	9.57%	N/A	N/A	N/A
Next 5 Years (per annum)	2.70%	8.09%	6.16%	4.88%



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SJW Corp. (SJW) - NYSE ★ Watchlist

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33.01 0.03(0.09%) 4:02PM EST

Analyst Estimates

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.29	0.16	1.43	1.54
No. of Analysts	1.00	1.00	2.00	2.00
Low Estimate	0.29	0.16	1.35	1.43
High Estimate	0.29	0.16	1.50	1.65
Year Ago EPS	0.28	0.23	2.54	1.43

Next Earnings Date: Feb 18, 2016 - Set a Reminder

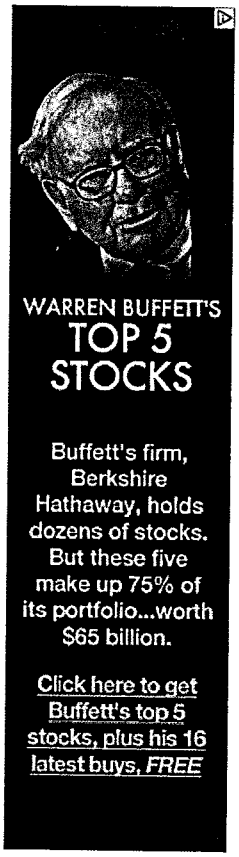
Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	73.70M	64.95M	291.08M	306.13M
No. of Analysts	1	1	2	2
Low Estimate	73.70M	64.95M	291.00M	303.26M
High Estimate	73.70M	64.95M	291.17M	309.00M
Year Ago Sales	69.29M	62.11M	319.67M	291.08M
Sales Growth (year/est)	6.40%	4.60%	-8.90%	5.20%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.26	0.06	0.42	0.57
EPS Actual	0.28	0.23	0.36	0.46
Difference	0.02	0.17	-0.06	-0.11
Surprise %	7.70%	283.30%	-14.30%	-19.30%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.29	0.16	1.43	1.54
7 Days Ago	0.29	0.16	1.43	1.54
30 Days Ago	0.29	0.16	1.43	1.54
60 Days Ago	0.29	0.16	1.43	1.54
90 Days Ago	0.29	0.16	1.43	1.54

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	SJW	Industry	Sector	S&P 500
Current Qtr.	3.60%	50.00%	46.70%	2.70%
Next Qtr.	-30.40%	22.40%	49.00%	13.00%
This Year	-43.70%	-15.60%	22.90%	2.70%
Next Year	7.70%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	9.49%	N/A	N/A	N/A
Next 5 Years (per annum)	14.00%	8.09%	6.16%	4.88%



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27.73 0.34(1.24%) 4:00PM EST

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Analyst Estimates

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Earnings Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	0.23	N/A	0.93	0.99
No. of Analysts	2.00	N/A	2.00	2.00
Low Estimate	0.20	N/A	0.90	0.98
High Estimate	0.26	N/A	0.95	1.00
Year Ago EPS	0.28	0.20	0.89	0.93

Revenue Est	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Avg. Estimate	11.71M	NaN	47.19M	48.86M
No. of Analysts	2		2	2
Low Estimate	11.60M	NaN	47.10M	48.80M
High Estimate	11.81M	NaN	47.28M	48.91M
Year Ago Sales	11.50M	NaN	45.90M	47.19M
Sales Growth (year/est)	1.80%	N/A	2.80%	3.50%

Earnings History	Dec 14	Mar 15	Jun 15	Sep 15
EPS Est	0.23	0.23	0.25	0.26
EPS Actual	0.28	0.20	0.22	0.28
Difference	0.05	-0.03	-0.03	0.02
Surprise %	21.70%	-13.00%	-12.00%	7.70%

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.23	N/A	0.93	0.99
7 Days Ago	0.23	N/A	0.93	0.99
30 Days Ago	0.23	N/A	0.93	0.99
60 Days Ago	0.23	N/A	0.93	0.99
90 Days Ago	0.20	N/A	0.93	0.99

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	N/A	0	0
Up Last 30 Days	0	N/A	0	0
Down Last 30 Days	0	N/A	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	YORW	Industry	Sector	S&P 500
Current Qtr.	-17.90%	50.00%	46.70%	2.70%
Next Qtr.	N/A	22.40%	49.00%	13.00%
This Year	4.50%	-15.60%	22.90%	2.70%
Next Year	6.50%	-1.50%	7.90%	9.30%
Past 5 Years (per annum)	6.74%	N/A	N/A	N/A
Next 5 Years (per annum)	4.90%	8.09%	6.16%	4.88%

% SJW 0.30% MSEX 0.0

YORW 1.53%
York Water Co

27.81

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ATTACHMENT 4

ARIZONA WATER COMPANY'S RESPONSES TO
RESIDENTIAL UTILITY CONSUMER OFFICE'S
FIFTH SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277
February 8, 2016

Company Response Number: RUCO 5.07

Q. **Equity Infusion – Please provide (a) the date the above $10,222,000 equity infusion was made, (b) detail as to the capital projects to be funded by the equity proceeds, and (c) an indication as to why AWC elected to fund those capital projects with equity capital as opposed to debt capital.**

A. a) October 29, 2010.

b) Paid-in capital is a component of total capitalization and as such, finances utility plant in service.

c) Arizona Water Company's stockholders made a cash equity infusion for the purpose of improving Arizona Water Company's equity ratio.

Response provided by:	Joseph D. Harris
Title:	Vice President and Treasurer
Address:	3805 N. Black Canyon Highway Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO
RESIDENTIAL UTILITY CONSUMER OFFICE'S
THIRD SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277

December 28, 2015

Company Response Number: RUCO 3.03

5) **In regard to question 4 above, to the extent the Company considered issuing, but elected not to issue, new lower cost debt, provide a detailed explanation as to all reasons why the Company elected not to avail itself of the opportunity to reduce its weighted average cost of debt; and**
6) **In regard to question 4 above, to the extent the Company did not consider the issuance of new lower cost debt, acknowledge that pursuant to the regulatory compact regulators typically set rates at a level which requires ratepayers to compensate the Company for its embedded cost of debt.**

A. 1) Arizona Water Company uses a combination of long-term debt, short-term debt, internally-generated funds (i.e. equity), and outside funds (e.g. grants, hook-up fees, advances and contributions) to fund capital projects. The choice of funds depends on a number of factors including the type of project and its timing, capital requirements, availability, terms, capital structure and financial/economic conditions. Arizona Water Company has issued traditional public utility-style bonds (i.e. long-term, non-sinking fund) because doing so is consistent with the permanent nature of the capital deployed in financing long-lived assets and provides cash flow to fund ongoing necessary system improvements and replacements, thereby maintaining a balanced capital structure without unnecessarily increasing customers' rates.

2) Arizona Water Company does not consider bonds with a sinking fund requirement to be a suitable option given the capital intensity of the water utility industry. Retiring debt through annual sinking fund payments significantly reduces the amount of cash flow available and can impair the utility's ability to make ongoing necessary system improvements and replacements. It is for this reason that public utilities have traditionally issued debt without sinking fund requirements.

3) Shortly after the issuance of the Company's Series M Bonds in August of 2008, the market for corporate bonds collapsed (i.e. bond investors began avoiding risky corporate bonds in favor of U.S. Treasury securities), resulting in dramatically higher borrowing costs for companies. While interest rates subsequently declined, so did Arizona Water Company's financial condition. Consequently, after Arizona Water Company filed an application with the Commission for financing approval on December 19, 2008 (Docket 08-0607), Staff concluded that Arizona Water Company's pro forma equity ratio was so poor that Staff could no longer assume that Arizona Water Company could refinance the debt, and recommended denial of over 50% of Arizona Water Company's financing request.

Response provided by: Joel M. Reiker
Title: Vice President – Rates and Revenues
Address: 3805 N. Black Canyon Highway
Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO
RESIDENTIAL UTILITY CONSUMER OFFICE'S
THIRD SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277

December 28, 2015

Company Response Number: RUCO 3.03

Q. Long-Term Debt – Pursuant to the Company's response to RUCO Data Request 2.05, information was provided for Arizona Water Company's long-term debt. A review of the Supplemental Indentures provided for the Company's Series K, Series L and Series M long-term debt indicates the following:

a) The Series K Bonds ($15,000,000) were issued April 1, 2001, at an interest rte of 8.04%;
b) The Series L Bonds ($25,000,000) were issued August 1, 2006, at an interest rate of 6.30%;
c) The Series M Bonds ($35,000,000) were issued August 1, 2008, at an interest rate of 6.67%;
d) The underlying debt for each Bond Series has a 30-year maturity;
e) The underlying debt for each Bond Series is non-amortizing, as the aggregate principal balance of the debt in each Bond Series is due and payable upon maturity;
f) Each Bond Series requires that interest be paid semi-annually; and
g) Contingent upon Article 2.04 of the Indenture, no portion of the debt in each Bond Series may be redeemed prior to 20 years of the 30-year Bond Series term having elapsed (excepting the sale or transfer of the assets to a municipality pursuant to a condemnation proceeding).

In light of the above, please respond to the following:

1) When making capital budgeting decisions as to the nature and type of debt to be used to fund the Company's utility plant, explain why the Company has historically relied upon the issuance of long-term, 30-year maturity non-amortizing debt;
2) To what extent, if any, has the Company considered issuing amortizing debt, rather than non-amortizing debt;
3) Acknowledge that subsequent to the issuance of the Company's 6.30% Series M Bonds in August of 2008, the market cost of debt fell appreciably, thanks in part to the accomodative monetary policy enacted by the Federal Reserve;
4) Subsequent to the issuance of its Series M Bonds, indicate to what extent, if any, the Company considered issuing additional new debt in order to avail itself of the opportunity to reduce its current 6.82% weighted average cost of debt;

Response provided by: Joel M. Reiker
Title: Vice President – Rates and Revenues
Address: 3805 N. Black Canyon Highway
Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO
RESIDENTIAL UTILITY CONSUMER OFFICE'S
THIRD SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277

December 28, 2015

Company Response Number: RUCO 3.03

4) See response to part 3 above.
5) In response to Arizona Water Company's worsening financial condition and economic conditions in the final weeks of 2008, Arizona Water Company's Board of Directors cut the 2009 capital budget from $19 million to $5 million, thereby eliminating the need for additional debt financing.
6) Arizona Water Company cannot acknowledge that regulators "typically set rates at a level which requires ratepayers to compensate the Company for its embedded cost of debt" because Arizona Water Company has not conducted, nor is it aware of, any such study. However, Arizona Water Company can acknowledge that under the regulatory compact, a regulated public utility is entitled to fair and reasonable compensation equal to the prudently incurred cost of providing service.

Response provided by:	Joel M. Reiker
Title:	Vice President – Rates and Revenues
Address:	3805 N. Black Canyon Highway Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO
RESIDENTIAL UTILITY CONSUMER OFFICE'S
SECOND SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277

November 30, 2015

Company Response Number: RUCO 2.08

Q. **PRPM™ Program and Data Inputs – Ms. Ahern recently testified as to cost of capital on behalf of EPCOR Water Arizona in a rate proceeding before the Arizona Corporation Commission (Docket No. WS-01303A-14-0010). In Decision No. 75268, dated September 8, 2015 (p. 41, lines 22-24), the Commission expressed concerns regarding the lack of access by other parties to Ms. Ahern's proprietary PRPM™ model and the data used therein, stating "[a]ccess to the model is critical for multiple reasons, ranging from the possibility of data input errors, to formula miscalculations, to manipulation of data." In light of the above, please provide RUCO with (i) the actual PRPM™ proprietary program utilized by Ms. Ahern in her PRPM™ cost of equity estimation analysis, and (ii) all data inputs employed by Ms. Ahern in the computation of the following PRPM™ derived cost of equity metrics:**

a) **The predicted equity risk premiums for each of her eight sample companies, as presented in column [5] of Exhibit PMA-7 (Page 2 of 11),**
b) **The 6.34% Ibbotson equity risk premium based on PRPM™, as presented on line 2 of Exhibit PMA-7 (Page 8 of 11) Exhibit PMA-7 (Page 2 of 11), and**
c) **The 4.47% forecasted equity risk premium based on PRPM™, as presented on line 4 of Exhibit PMA-7 (Page 11 of 11).**

To the extent mathematical operations have been performed on the data to obtain the above referenced PRPM™ derived cost of equity metrics, provide an electronic version of the files showing Ms. Ahern's calculations, in Excel format with formulas intact.

A. (i) Due to copyright laws, Ms. Ahern cannot provide RUCO with EViews®, the software used to derive the predicted risk premiums through the GARCH methodology. However, as discussed in response to discovery in Docket No. WS-01303A-14-0010, she can make herself, her staff, and EViews® available to RUCO in person or via webinar to replicate the derivation of the predicted risk premiums referenced in her testimony.

(ii) Please refer to Ms. Ahern's response to RUCO 2.01 Cost of Capital Work Papers.

Response provided by: Pauline Ahern
Title: Partner, Sussex Economic Advisors, LLC
Address: 1900 West Park Road, Suite 250
Westborough, MA 01581

Arizona Water Company
Test Year Ending December 31, 2014
Docket No. W-01445A-15-0277

SCHEDULE JAC - 1
Page 1 of 1

WEIGHTED AVERAGE COST OF CAPITAL

Line No	Description	Capitalization Per Company	RUCO Adjustments	RUCO Adjusted Capitalization	Capital Ratio	Cost	Weighed Cost
1	Long Term Debt	$ 75,000,000	$ -	$ 75,000,000	46.31%	5.43%	2.51%
2							
3	Common Equity	$ 86,959,196	$ -	$ 86,959,196	53.69%	8.95%	4.80%
4							
5	TOTAL CAPITALIZATION	$161,959,196	$ -	$161,959,196	100.00%		7.32%
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							

Arizona Water Company
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SCHEDULE JAC - 2
Page 1 of 1

Cost of Capital -- Common Equity

Line No			
1	Discounted Cash Flow Model ("DCF")	Schedule JAC - 3	8.63%
2			
3	Capital Asset Pricing Model ("CAPM")	Schedule JAC - 4	7.79%
4			
5	Comparable Earnings Model ("CE")	Schedule JAC - 5	10.42%
6			
7	Cost of Common Equity		8.95%
8			
9			
10			
11			
12			
13			
14			
15			
16			

Arizona Water Company
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Schedule JAC - 3
Page 1 of 4

PROXY GROUP -- DCF ANALYSIS

Line No	Proxy Group Companies	(A) Current Dividend Yield (D_0/P_0)	(B) Historic Retention Growth	(C) Projected Retention Growth	(D) Five Year Historic Growth Rate	(E) Projected Per Share Growth Rates	(F) Projected EPS Growth	(G) Average Growth	(H) Expected Dividend Yield (D_1/P_0)	(I) DCF Rates
1	American States Water Co.	2.1%	6.0%	5.8%	9.7%	5.5%	4.1%	6.2%	2.2%	8.4%
2	American Water Works Co., Inc	2.3%	3.8%	4.3%		7.0%	7.72%	5.7%	2.3%	8.0%
3	Aqua America, Inc.	2.4%	5.1%	5.7%	8.8%	7.5%	5.85%	6.6%	2.5%	9.1%
4	Artesian Rtesources Corp.	3.3%	1.5%		3.2%		4.0%	2.9%	3.3%	6.2%
5	California Water Service Group	2.9%	3.2%	3.3%	3.7%	6.0%	5.0%	4.2%	3.0%	7.2%
6	Connecticut Water Service, Inc.	2.8%	2.9%	4.7%	6.8%	4.3%	5.0%	4.7%	2.8%	7.6%
7	Middlesex Water	3.0%	2.0%	3.8%	3.0%	3.7%	2.7%	3.0%	3.0%	6.1%
8	SJW Corporation	2.6%	4.1%	3.3%	5.7%	4.5%	14.0%	6.3%	2.7%	9.0%
9	York Water Company	2.5%	2.8%	4.0%	4.3%	5.3%	4.9%	4.3%	2.6%	6.9%
10										
11										
12										
13	Mean	2.65%	3.49%	4.38%	5.65%	5.48%	5.92%	4.89%	2.71%	**7.61%**
14										
15										
16	Median	2.59%	3.24%	4.17%	5.00%	5.42%	5.00%	4.74%	2.67%	**7.58%**
17										
18										
19	Composite-Mean		6.21%	7.09%	8.36%	8.19%	**8.63%**	7.61%		
20										
21										
22	Composite-Median		5.91%	6.84%	7.67%	**8.09%**	7.67%	7.41%		
23										
24										
25										

References:
Column (A) - Schedule JAC - 3, page 3 of 4
Column (B) - Schedule JAC - 3, page 4 of 4
Column (C) - Schedule JAC - 3, page 4 of 4
Column (D) and Column (E) - Schedule JAC - 3, page 2 of 4
Column (F) See Yahoo Finance, Growth Estimates - Next 5 Years - Attachment 7
Column (G) - Average Columns (B) through (F)
Column (H) - Column (A) * [1 + Column (G)]
Column (I) - Column (G) + Column (H)

PROXY GROUP -- PER SHARE GROWTH RATES

Line No	Proxy Group Companies	5-Year Historic Growth Rates				Est'd '12-'14 to '18-'20 Growth Rates			
		EPS	DPS	BVPS	Average	EPS	DPS	BVPS	Average
1									
2	American States Water Co.	14.0%	8.5%	6.5%	9.7%	6.0%	7.5%	3.0%	5.5%
3	American Water Works Co., Inc					7.0%	8.5%	5.5%	7.0%
4	Aqua America, Inc.	13.0%	7.0%	6.5%	8.8%	7.5%	9.5%	5.5%	7.5%
5	Artesian Rtesources Corp.	3.0%	3.5%	3.0%	3.2%				
6	California Water Service Group	4.0%	2.0%	5.0%	3.7%	6.5%	7.0%	4.5%	6.0%
7	Connecticut Water Service, Inc.	9.0%	2.0%	9.5%	6.8%	4.5%	5.0%	3.5%	4.3%
8	Middlesex Water	4.5%	1.5%	3.0%	3.0%	5.0%	3.0%	3.0%	3.7%
9	SJW Corporation	10.5%	3.0%	3.5%	5.7%	1.5%	6.0%	6.0%	4.5%
10	York Water Company	6.0%	2.5%	4.5%	4.3%	6.5%	6.5%	3.0%	5.3%
9									
10									
11					5.6%				5.5%
12									

13 **Reference:**
14 Value Line Investment Survey - January 15, 2016 - Attachment 1
15
16
17

PROXY GROUP -- DIVIDEND YIELD

Line No	Proxy Group Companies	(A) DPS	(B) July - September, 2014 High	(C) July - September, 2014 Low	(D) July - September, 2014 Average	(E) Yield
1	American States Water Co.	$0.90	$45.47	$39.16	$42.32	2.1%
2	American Water Works Co., Inc	$1.36	$65.04	$55.13	$60.09	2.3%
3	Aqua America, Inc.	$0.71	$31.53	$28.05	$29.79	2.4%
4	Artesian Rtesources Corp.	$0.89	$30.34	$23.80	$27.07	3.3%
5	California Water Service Group	$0.67	$25.14	$21.01	$23.08	2.9%
6	Connecticut Water Service, Inc.	$1.07	$43.12	$34.15	$38.64	2.8%
7	Middlesex Water	$0.80	$29.01	$24.01	$26.51	3.0%
8	SJW Corporation	$0.78	$32.63	$27.60	$30.12	2.6%
9	York Water Company	$0.62	$26.67	$22.18	$24.43	2.5%
10						
11						
12	Average					**2.65%**

References:

Column (A) - Value Line Investment Survey January 15, 2016 - Fourth Quarter Dividends Annualized

Columns (B), (C), and (D) - Yahoo Finance

PROXY GROUP -- GROWTH RATES - RETAINED TO COMMON EQUITY

Line No	Proxy Group Companies	(A) 2010	(B) 2011	(C) 2012	(D) 2013	(E) 2014	Average	2015	2016	2018-'20	Average
1	American States Water Co.	5.8%	5.3%	6.6%	6.8%	5.7%	6.0%	5.5%	5.5%	6.5%	5.8%
2	American Water Works Co., Inc	2.8%	3.5%	3.6%	4.7%	4.3%	3.8%	4.5%	4.5%	4.0%	4.3%
3	Aqua America, Inc.	3.7%	4.6%	4.3%	6.7%	6.1%	5.1%	5.5%	6.0%	5.5%	5.7%
4	Artesian Rtesources Corp.	2.0%	0.5%	2.5%	0.9%	1.6%	1.5%				
5	California Water Service Group	3.0%	2.3%	3.4%	3.4%	4.1%	3.2%	2.5%	4.0%	3.5%	3.3%
6	Connecticut Water Service, Inc.	1.6%	1.4%	2.8%	3.8%	4.8%	2.9%	5.0%	5.0%	4.0%	4.7%
7	Middlesex Water	2.1%	1.0%	1.4%	2.4%	3.1%	2.0%	4.0%	4.0%	3.5%	3.8%
8	SJW Corporation	1.2%	3.1%	3.3%	2.8%	10.2%	4.1%	3.0%	4.0%	3.0%	3.3%
9	York Water Company	2.7%	2.5%	2.4%	2.4%	3.9%	2.8%	4.0%	4.5%	3.5%	4.0%
10											
11											
12	Average						**3.5%**				**4.4%**

13
14
15 Source: Value Line Investment Survey January 15, 2016
16
17
18
19
20

Arizona Water Company
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Schedule JAC - 4
Page 1 of 2

CAPITAL ASSET PRICING MODEL -- HISTORICAL MARKET RISK PREMIUM

Line No	Proxy Group Companies	[A] Risk Free Rate	[B] BETA		[C] Risk Premium		[D] CAPM Rates	[E] CAPM Cost of Equity Capital
1	American States Water Co.	2.95%	0.70	X	6.91%	=	4.84%	7.79%
2	American Water Works Co., Inc	2.95%	0.70	X	6.91%	=	4.84%	7.79%
3	Aqua America, Inc.	2.95%	0.75	X	6.91%	=	5.18%	8.13%
4	Artesian Resources Corp.	2.95%	0.55	X	6.91%	=	3.80%	6.75%
5	California Water Service Group	2.95%	0.75	X	6.91%	=	5.18%	8.13%
6	Connecticut Water Service, Inc.	2.95%	0.65	X	6.91%	=	4.49%	7.44%
7	Middlesex Water	2.95%	0.70	X	6.91%	=	4.84%	7.79%
8	SJW Corporation	2.95%	0.75	X	6.91%	=	5.18%	8.13%
9	York Water Company	2.95%	0.75	X	6.91%	=	5.18%	8.13%
10								
11	Average							7.79%

	20 year Treasury Bonds	30 year Treasury Bonds
November, 2015	2.69%	3.03%
December, 2015	2.61%	2.97%
January, 2016	2.49%	2.86%
Average	2.59%	2.95%

RUCO Risk-Free Rate 2.95%

REFERENCES

Column [A]: Federal Reserve Selected Interest Rates H.15 - Attachment 2
Column [B]: Value Line Investment Survey - January 15, 2016 - Attachment 1
Column [C]: JAC - 4, Page 2 of 2
Column [D]: [B] * [C]
Column [E]: [A] + [D]

STANDARD & POOR'S 500 COMPOSITE
20-YEAR U.S. TREASURY BOND YIELDS
RISK PREMIUMS

Line No.	Year	[A] EPS	[B] BVPS	[C] ROE	[D] 20-YEAR T-BOND	[E] RISK PREMIUM
1	1977		$79.07			
2	1978	$12.33	$85.35	15.00%	7.90%	7.10%
3	1979	$14.86	$94.27	16.55%	8.86%	7.69%
4	1980	$14.82	$102.48	15.06%	9.97%	5.09%
5	1981	$15.36	$109.43	14.50%	11.55%	2.95%
6	1982	$12.64	$112.46	11.39%	13.50%	-2.11%
7	1983	$14.03	$116.93	12.23%	10.38%	1.85%
8	1984	$16.64	$122.47	13.90%	11.74%	2.16%
9	1985	$14.61	$125.20	11.80%	11.25%	0.55%
10	1986	$14.48	$126.82	11.49%	8.98%	2.51%
11	1987	$17.50	$134.07	13.42%	7.92%	5.50%
12	1988	$23.75	$141.32	17.25%	8.97%	8.28%
13	1989	$22.87	$147.26	15.85%	8.81%	7.04%
14	1990	$21.73	$153.01	14.47%	8.19%	6.28%
15	1991	$16.29	$158.85	10.45%	8.22%	2.23%
16	1992	$18.86	$149.74	12.22%	7.29%	4.93%
17	1993	$21.89	$180.88	13.24%	7.17%	6.07%
18	1994	$30.60	$193.06	16.37%	6.59%	9.78%
19	1995	$33.96	$216.51	16.58%	7.60%	8.98%
20	1996	$38.73	$237.08	17.08%	6.18%	10.90%
21	1997	$39.72	$249.52	16.33%	6.64%	9.69%
22	1998	$37.71	$266.40	14.62%	5.83%	8.79%
23	1999	$48.17	$290.68	17.29%	5.57%	11.72%
24	2000	$50.00	$325.80	16.22%	6.50%	9.72%
25	2001	$24.70	$338.37	7.44%	5.53%	1.91%
26	2002	$27.59	$321.72	8.36%	5.59%	2.77%
27	2003	$48.73	$367.17	14.15%	4.80%	9.35%
28	2004	$58.55	$414.75	14.98%	5.02%	9.96%
29	2005	$69.93	$453.06	16.12%	4.69%	11.43%
30	2006	$81.51	$504.39	17.03%	4.68%	12.35%
31	2007	$66.18	$529.59	12.80%	4.86%	7.94%
32	2008	$14.88	$451.37	3.03%	4.45%	-1.42%
33	2009	$50.97	$513.58	10.56%	3.47%	7.09%
34	2010	$77.35	$579.14	14.16%	4.25%	9.91%
35	2011	$86.95	$613.14	14.59%	3.81%	10.78%
36	2012	$86.51	$666.97	13.52%	2.40%	11.12%
37	2013	$100.20	$715.84	14.49%	2.86%	11.63%
38	2014	$102.31	$726.96	14.18%	3.12%	11.06%
39	2015	$84.79	$744.68	11.52%	2.55%	8.98%
40	Average			**13.69%**	**6.78%**	**6.91%**

[A]: Diluted earnings per share on the S&P 500 Composite Index.
[B]: Book value per share on the S&P 500 Composite Index.
[C]: Average of current- and prior year [B] / current year [A].
[D]: Annual income returns on 20-year U.S. Treasury bonds.
[E]: [C] - [D]
Sources for [A] and [B]: Standard & Poor's 2015 Analysts' Handbook and
https://ycharts.com/indicators/reports/sp_500_earnings
Source for [D]: Morningstar 2015 Classic Yearbook (Table A-7) and
U.S. Department of the Treasury
https://www.treasury.gov/Pages/default.aspx
Note: Data for 2015 reflects EPS and BVPS as of the end of Q3. EPS is annualized over four quarters.

Arizona Water Company
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COMPARABLE EARNINGS ANALYSIS
RETURN ON COMMON EQUITY FOR RUCO'S PROXY GROUP OF COMPANIES

Company	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2018 - 2020	10-Year Historical Average 2005-2014	5-Year Historical Average 2010-2014	5-Year Projected Average 2015-2019
American States Water Co.	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	12.7%	12.0%	12.5%	12.5%	14.5%	10.1%	11.6%	13.2%
American Water Works					5.2%	6.5%	7.2%	8.4%	7.8%	8.7%	9.0%	9.0%	9.0%	7.3%	7.7%	9.0%
Aqua America, Inc.	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	13.0%	13.5%	14.0%	10.9%	11.9%	13.5%
Artesian Resources			7.4%	7.3%	8.0%	8.0%	6.0%	8.3%	6.8%	7.6%				7.4%	7.3%	
California Water Service Group	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	7.5%	9.0%	9.5%	8.6%	8.5%	8.7%
Connecticut Water Service, Inc.	7.6%	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	9.2%	10.2%	10.5%	10.0%	9.5%	8.6%	8.7%	10.0%
Middlesex Water	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.5%	7.8%	8.7%	9.3%	10.0%	10.0%	9.5%	8.3%	8.3%	9.8%
SJW Corporation	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	14.4%	7.0%	8.0%	7.5%	8.6%	8.8%	7.5%
York Water	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	9.3%	11.0%	11.0%	12.0%	12.0%	9.7%	9.8%	11.7%
Mean	9.6%	8.4%	8.7%	8.8%	7.9%	8.6%	8.5%	9.0%	9.2%	10.6%	10.1%	10.5%	10.7%	8.83%	9.18%	**10.42%**
Median	9.3%	8.1%	8.7%	9.0%	8.2%	8.6%	8.0%	8.4%	8.7%	10.2%	10.3%	10.0%	9.5%	8.63%	8.74%	**9.92%**
Average of Mean and Median																**10.17%**

Source: Value Line Investment Survey (January 15, 2016).

ECONOMIC INDICATORS

Line No	Year	Real GDP Growth	Industrial Production Growth	Unemployment Rate	Consumer Price Index	Producer Price Index
1	1975	-1.1%	-8.9%	8.5%	7.0%	6.6%
2	1976	5.4%	10.8%	7.7%	4.8%	3.7%
3	1977	5.5%	5.9%	7.0%	6.8%	6.9%
4	1978	5.0%	5.7%	6.0%	9.0%	9.2%
5	1979	2.8%	4.4%	5.8%	13.3%	12.8%
6	1980	-0.2%	-1.9%	7.0%	12.4%	11.8%
7	1981	1.8%	1.9%	7.5%	8.9%	7.1%
8	1982	-2.1%	-4.4%	9.5%	3.8%	3.6%
9	1983	4.0%	3.7%	9.5%	3.8%	0.6%
10	1984	6.8%	9.3%	7.5%	3.9%	1.7%
11	1985	3.7%	1.7%	7.2%	3.8%	1.8%
12	1986	3.1%	0.9%	7.0%	1.1%	-2.3%
13	1987	2.9%	4.9%	6.2%	4.4%	2.2%
14	1988	3.8%	4.5%	5.5%	4.4%	4.0%
15	1989	3.5%	1.8%	5.3%	4.6%	4.9%
16	1990	1.8%	-0.2%	5.6%	6.1%	5.7%
17	1991	-0.5%	-2.0%	6.8%	3.1%	-0.1%
18	1992	3.0%	3.1%	7.5%	2.9%	1.6%
19	1993	2.7%	3.4%	6.9%	2.7%	0.2%
20	1994	4.0%	5.5%	6.1%	2.7%	1.7%
21	1995	3.7%	4.8%	5.6%	2.5%	2.3%
22	1996	4.5%	4.3%	5.4%	3.3%	2.8%
23	1997	4.5%	7.3%	4.9%	1.7%	-1.2%
24	1998	4.2%	5.8%	4.5%	1.6%	0.0%
25	1999	3.7%	4.5%	4.2%	2.7%	2.9%
26	2000	4.1%	4.0%	4.0%	3.4%	3.6%
27	2001	1.1%	-3.4%	4.7%	1.6%	-1.6%
28	2002	1.8%	0.2%	5.8%	2.4%	1.2%
29	2003	2.8%	1.2%	6.0%	1.9%	4.0%
30	2004	3.8%	2.3%	5.5%	3.3%	4.2%
31	2005	3.3%	3.2%	5.1%	3.4%	5.4%
32	2006	2.7%	2.2%	4.6%	2.5%	1.1%
33	2007	1.8%	2.5%	4.6%	4.1%	6.2%
34	2008	-0.3%	-3.4%	5.8%	0.1%	-0.9%
35	2009	-2.8%	-11.3%	9.3%	2.7%	4.3%
36	2010	2.5%	5.7%	9.6%	1.5%	4.7%
37	2011	1.6%	3.3%	8.9%	3.0%	4.7%
38	2012	2.3%	3.8%	8.1%	1.7%	1.4%
39	2013	2.2%	2.9%	7.4%	1.5%	0.8%
40	2014	2.4%	4.1%	6.2%	0.8%	-1.2%
41	2015			5.3%		

Source: Council of Economic Advisors, Economic Indicators, various issues.

ECONOMIC INDICATORS

Line No	Year	Real GDP* Growth	Industrial Production Growth	Unemployment Rate	Consumer Price Index	Producer Price Index
1	**2003**					
2	1st Qtr.	1.2%	1.1%	5.8%	4.8%	5.6%
3	2nd Qtr.	3.5%	-0.9%	6.2%	0.0%	-0.5%
4	3rd Qtr.	7.5%	-0.9%	6.1%	3.2%	3.2%
5	4th Qtr.	2.7%	1.5%	5.9%	-0.3%	2.8%
6	**2004**					
7	1st Qtr.	3.0%	2.8%	5.6%	5.2%	5.2%
8	2nd Qtr.	3.5%	4.9%	5.6%	4.4%	4.4%
9	3rd Qtr.	3.6%	4.6%	5.4%	0.8%	0.8%
10	4th Qtr.	2.5%	4.3%	5.4%	3.6%	7.2%
11	**2005**					
12	1st Qtr.	4.1%	3.8%	5.3%	4.4%	5.6%
13	2nd Qtr.	1.7%	3.0%	5.1%	1.6%	-0.4%
14	3rd Qtr.	3.1%	2.7%	5.0%	8.8%	14.0%
15	4th Qtr.	2.1%	2.9%	4.9%	-2.0%	4.0%
16	**2006**					
17	1st Qtr.	5.4%	3.4%	4.7%	4.8%	-0.2%
18	2nd Qtr.	1.4%	4.5%	4.6%	4.8%	5.6%
19	3rd Qtr.	0.1%	5.2%	4.7%	0.4%	-4.4%
20	4th Qtr.	3.0%	3.5%	4.5%	0.0%	3.6%
21	**2007**					
22	1st Qtr.	0.9%	2.5%	4.5%	4.8%	6.4%
23	2nd Qtr.	3.2%	1.6%	4.5%	5.2%	6.8%
24	3rd Qtr.	2.3%	1.8%	4.6%	1.2%	1.2%
25	4th Qtr.	2.9%	1.7%	4.8%	0.6%	6.5%
26	**2008**					
27	1st Qtr.	-1.8%	1.9%	4.9%	2.8%	9.6%
28	2nd Qtr.	1.3%	0.2%	5.3%	7.6%	14.0%
29	3rd Qtr.	-3.7%	-3.0%	6.0%	2.8%	-0.4%
30	4th Qtr.	-8.9%	6.0%	6.9%	-13.2%	-28.4%
31	**2009**					
32	1st Qtr.	-5.3%	-11.6%	8.1%	2.4%	-0.4%
33	2nd Qtr.	-0.3%	-12.9%	9.3%	3.2%	9.2%
34	3rd Qtr.	1.4%	-9.3%	9.6%	2.0%	-0.8%
35	4th Qtr.	4.0%	-4.5%	10.0%	2.5%	8.8%
36	**2010**					
37	1st Qtr.	1.6%	2.7%	9.7%	0.9%	6.5%
38	2nd Qtr.	3.9%	6.5%	9.7%	-1.2%	-2.4%
39	3rd Qtr.	2.8%	6.9%	9.6%	2.8%	4.0%
40	4th Qtr.	2.8%	6.2%	9.6%	2.8%	9.2%
41	**2011**					
42	1st Qtr.	-1.5%	5.4%	9.0%	4.8%	9.6%
43	2nd Qtr.	2.9%	3.6%	9.0%	3.2%	3.6%
44	3rd Qtr.	0.8%	3.3%	9.1%	2.4%	6.4%
45	4th Qtr.	4.6%	4.0%	8.7%	0.4%	-1.2%
46	**2012**					
47	1st Qtr.	2.3%	4.5%	8.3%	3.2%	2.0%
48	2nd Qtr.	1.6%	4.7%	8.2%	0.0%	-2.8%
49	3rd Qtr.	2.5%	3.4%	8.1%	4.0%	9.6%
50	4th Qtr.	0.1%	2.8%	7.8%	0.0%	-3.6%
51	**2013**					
52	1st Qtr.	2.7%	2.5%	7.7%	2.0%	1.2%
53	2nd Qtr.	1.8%	2.0%	7.6%	1.2%	2.4%
54	3rd Qtr.	4.5%	2.6%	7.3%	1.6%	0.0%
55	4th Qtr.	3.5%	3.3%	7.0%	1.2%	0.3%
56	**2014**					
57	1st Qtr.	-2.1%	3.2%	6.6%	1.6%	0.3%
58	2nd Qtr.	4.6%	4.2%	6.2%	3.6%	0.2%
59	3rd Qtr.	5.0%	4.7%	6.1%	0.0%	0.0%
60	4th Qtr.	2.2%	4.5%	5.7%	-2.8%	-0.8%
61	**2015**					
62	1st Qtr.	0.6%	3.5%	5.6%	-0.1%	-0.7%
63	2nd Qtr.	3.9%	1.4%	5.4%	0.3%	0.5%
64	3rd Qtr.	1.5%	N/A	5.2%	-0.1%	-0.6%
65	4th Qtr.	N/A	N/A	5.0%	N/A	N/A

*GDP=Gross Domestic Product

Source: Council of Economic Advisors, Economic Indicators, various issues.

INTEREST RATES

Line No	Year	Prime Rate	US Treasury T Bills 3 Month	US Treasury T Bonds 10 Year	Utility Bonds Aaa		Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
1	1975	7.86%	5.84%	7.99%	9.03%		9.44%	10.09%	10.96%
2	1976	6.84%	4.99%	7.61%	8.63%		8.92%	9.29%	9.82%
3	1977	6.83%	5.27%	7.42%	8.19%		8.43%	8.61%	9.06%
4	1978	9.06%	7.22%	8.41%	8.87%		9.10%	9.29%	9.62%
5	1979	12.67%	10.04%	9.43%	9.86%		10.22%	10.49%	10.96%
6	1980	15.27%	11.51%	11.43%	12.30%		13.00%	13.34%	13.95%
7	1981	18.89%	14.03%	13.92%	14.64%		15.30%	15.95%	16.60%
8	1982	14.86%	10.69%	13.01%	14.22%		14.79%	15.86%	16.45%
9	1983	10.79%	8.63%	11.10%	12.52%		12.83%	13.66%	14.20%
10	1984	12.04%	9.58%	12.46%	12.72%		13.66%	14.03%	14.53%
11	1985	9.93%	7.48%	10.62%	11.68%		12.06%	12.47%	12.96%
12	1986	8.33%	5.98%	7.67%	8.92%		9.30%	9.58%	10.00%
13	1987	8.21%	5.82%	8.39%	9.52%		9.77%	10.10%	10.53%
14	1988	9.32%	6.69%	8.85%	10.05%		10.26%	10.49%	11.00%
15	1989	10.87%	8.12%	8.49%	9.32%		9.56%	9.77%	9.97%
16	1990	10.01%	7.51%	8.55%	9.45%		9.65%	9.86%	10.06%
17	1991	8.46%	5.42%	7.86%	8.85%		9.09%	9.36%	9.55%
18	1992	6.25%	3.45%	7.01%	8.19%		8.55%	8.69%	8.86%
19	1993	6.00%	3.02%	5.87%	7.29%		7.44%	7.59%	7.91%
20	1994	7.15%	4.29%	7.09%	8.07%		8.21%	8.31%	8.63%
21	1995	8.83%	5.51%	6.57%	7.68%		7.77%	7.89%	8.29%
22	1996	8.27%	5.02%	6.44%	7.48%		7.57%	7.75%	8.16%
23	1997	8.44%	5.07%	6.35%	7.43%		7.54%	7.60%	7.95%
24	1998	8.35%	4.81%	5.26%	6.77%		6.91%	7.04%	7.26%
25	1999	8.00%	4.66%	5.65%	7.21%		7.51%	7.62%	7.88%
26	2000	9.23%	5.85%	6.03%	7.88%		8.06%	8.24%	8.36%
27	2001	6.91%	3.44%	5.02%	7.47%		7.59%	7.78%	8.02%
28	2002	4.67%	1.62%	4.61%		[1]	7.19%	7.37%	8.02%
29	2003	4.12%	1.01%	4.01%			6.40%	6.58%	6.84%
30	2004	4.34%	1.38%	4.27%			6.04%	6.16%	6.40%
31	2005	6.19%	3.16%	4.29%			5.44%	5.65%	5.93%
32	2006	7.96%	4.73%	4.80%			5.84%	6.07%	6.32%
33	2007	8.05%	4.41%	4.63%			5.94%	6.07%	6.33%
34	2008	5.09%	1.48%	3.66%			6.18%	6.53%	7.25%
35	2009	3.25%	0.16%	3.26%			5.75%	6.04%	7.06%
36	2010	3.25%	0.14%	3.22%			5.24%	5.46%	5.96%
37	2011	3.25%	0.06%	2.78%			4.78%	5.04%	5.57%
38	2012	3.25%	0.09%	1.80%			3.83%	4.13%	4.86%
39	2013	3.25%	0.06%	2.35%			4.24%	4.47%	4.98%
40	2014	3.25%	0.03%	2.54%			4.19%	4.28%	4.80%
41	2015	3.27%	0.05%	2.14%					

[1] Note: Moody's has not published Aaa utility bond yields since 2001.

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

INTEREST RATES

Line No		Prime Rate	US Treasury T Bills 3 Month	US Treasury T Bonds 10 Year	Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
1	**2007**						
2	Jan	8.25%	4.96%	4.76%	5.78%	5.96%	6.16%
3	Feb	8.25%	5.02%	4.72%	5.73%	5.90%	6.10%
4	Mar	8.25%	4.97%	4.56%	5.66%	5.85%	6.10%
5	Apr	8.25%	4.88%	4.69%	5.83%	5.97%	6.24%
6	May	8.25%	4.77%	4.75%	5.86%	5.99%	6.23%
7	June	8.25%	4.63%	5.10%	6.18%	6.30%	6.54%
8	July	8.25%	4.84%	5.00%	6.11%	6.25%	6.49%
9	Aug	8.25%	4.34%	4.67%	6.11%	6.24%	6.51%
10	Sept	7.75%	4.01%	4.52%	6.10%	6.18%	6.45%
11	Oct	7.50%	3.97%	4.53%	6.04%	6.11%	6.36%
12	Nov	7.50%	3.49%	4.15%	5.87%	5.97%	6.27%
13	Dec	7.25%	3.08%	4.10%	6.03%	6.16%	6.51%
14	**2008**						
15	Jan	6.00%	2.86%	3.74%	5.87%	6.02%	6.35%
16	Feb	6.00%	2.21%	3.74%	6.04%	6.21%	6.60%
17	Mar	5.25%	1.38%	3.51%	5.99%	6.21%	6.68%
18	Apr	5.00%	1.32%	3.68%	5.99%	6.29%	6.82%
19	May	5.00%	1.71%	3.88%	6.07%	6.27%	6.79%
20	June	5.00%	1.90%	4.10%	6.19%	6.38%	6.93%
21	July	5.00%	1.72%	4.01%	6.13%	6.40%	6.97%
22	Aug	5.00%	1.79%	3.89%	6.09%	6.37%	6.98%
23	Sept	5.00%	1.46%	3.69%	6.13%	6.49%	7.15%
24	Oct	4.00%	0.84%	3.81%	6.95%	7.56%	8.58%
25	Nov	4.00%	0.30%	3.53%	6.83%	7.60%	8.98%
26	Dec	3.25%	0.04%	2.42%	5.93%	6.54%	8.13%
27	**2009**						
28	Jan	3.25%	0.12%	2.52%	6.01%	6.39%	7.90%
29	Feb	3.25%	0.31%	2.87%	6.11%	6.30%	7.74%
30	Mar	3.25%	0.25%	2.82%	6.14%	6.42%	8.00%
31	Apr	3.25%	0.17%	2.93%	6.20%	6.48%	8.03%
32	May	3.25%	0.15%	3.29%	6.23%	6.49%	7.76%
33	June	3.25%	0.17%	3.72%	6.13%	6.20%	7.30%
34	July	3.25%	0.19%	3.56%	5.63%	5.97%	6.87%
35	Aug	3.25%	0.18%	3.59%	5.33%	5.71%	6.36%
36	Sept	3.25%	0.13%	3.40%	5.15%	5.53%	6.12%
37	Oct	3.25%	0.08%	3.39%	5.23%	5.55%	6.14%
38	Nov	3.25%	0.05%	3.40%	5.33%	5.64%	6.18%
39	Dec	3.25%	0.07%	3.59%	5.52%	5.79%	6.26%
40	**2010**						
41	Jan	3.25%	0.06%	3.73%	5.55%	5.77%	6.16%
42	Feb	3.25%	0.10%	3.69%	5.69%	5.87%	6.25%
43	Mar	3.25%	0.15%	3.73%	5.64%	5.84%	6.22%
44	Apr	3.25%	0.15%	3.85%	5.62%	5.81%	6.19%
45	May	3.25%	0.16%	3.42%	5.29%	5.50%	5.97%
46	June	3.25%	0.12%	3.20%	5.22%	5.46%	6.18%
47	July	3.25%	0.16%	3.01%	4.99%	5.26%	5.98%
48	Aug	3.25%	0.15%	2.70%	4.75%	5.01%	5.55%
49	Sept	3.25%	0.15%	2.65%	4.74%	5.01%	5.53%
50	Oct	3.25%	0.13%	2.54%	4.89%	5.10%	5.62%
51	Nov	3.25%	0.13%	2.76%	5.12%	5.37%	5.85%
52	Dec	3.25%	0.15%	3.29%	5.32%	5.56%	6.04%

INTEREST RATES

Line No		Prime Rate	US Treasury T Bills 3 Month	US Treasury T Bonds 10 Year	Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
53	**2011**						
54	Jan	3.25%	0.15%	3.39%	5.29%	5.57%	6.06%
55	Feb	3.25%	0.14%	3.58%	5.42%	5.68%	6.10%
56	Mar	3.25%	0.11%	3.41%	5.33%	5.56%	5.97%
57	Apr	3.25%	0.06%	3.46%	5.32%	5.55%	5.98%
58	May	3.25%	0.04%	3.17%	5.08%	5.32%	5.74%
59	June	3.25%	0.04%	3.00%	5.04%	5.26%	5.67%
60	July	3.25%	0.03%	3.00%	5.05%	5.27%	5.70%
61	Aug	3.25%	0.05%	2.30%	4.44%	4.69%	5.22%
62	Sept	3.25%	0.02%	1.98%	4.24%	4.48%	5.11%
63	Oct	3.25%	0.02%	2.15%	4.21%	4.52%	5.24%
64	Nov	3.25%	0.01%	2.01%	3.92%	4.25%	4.93%
65	Dec	3.25%	0.02%	1.98%	4.00%	4.33%	5.07%
66	**2012**						
67	Jan	3.25%	0.02%	1.97%	4.03%	4.34%	5.06%
68	Feb	3.25%	0.08%	1.97%	4.02%	4.36%	5.02%
69	Mar	3.25%	0.09%	2.17%	4.16%	4.48%	5.13%
70	Apr	3.25%	0.08%	2.05%	4.10%	4.40%	5.11%
71	May	3.25%	0.09%	1.80%	3.92%	4.20%	4.97%
72	June	3.25%	0.09%	1.62%	3.79%	4.08%	4.91%
73	July	3.25%	0.10%	1.53%	3.58%	3.93%	4.85%
74	Aug	3.25%	0.11%	1.68%	3.65%	4.00%	4.88%
75	Sept	3.25%	0.10%	1.72%	3.69%	4.02%	4.81%
76	Oct	3.25%	0.10%	1.75%	3.68%	3.91%	4.54%
77	Nov	3.25%	0.11%	1.65%	3.60%	3.84%	4.42%
78	Dec	3.25%	0.08%	1.72%	3.75%	4.00%	4.56%
79	**2013**						
80	Jan	3.25%	0.07%	1.91%	3.90%	4.15%	4.66%
81	Feb	3.25%	0.10%	1.98%	3.95%	4.18%	4.74%
82	Mar	3.25%	0.09%	1.96%	3.90%	4.15%	4.66%
83	Apr	3.25%	0.06%	1.76%	3.74%	4.00%	4.49%
84	May	3.25%	0.05%	1.93%	3.91%	4.17%	4.65%
85	June	3.25%	0.05%	2.30%	4.27%	4.53%	5.08%
86	July	3.25%	0.04%	2.58%	4.44%	4.68%	5.21%
87	Aug	3.25%	0.04%	2.74%	4.53%	4.73%	5.28%
88	Sept	3.25%	0.02%	2.81%	4.58%	4.80%	5.31%
89	Oct	3.25%	0.06%	2.62%	4.48%	4.70%	5.17%
90	Nov	3.25%	0.07%	2.72%	4.56%	4.77%	5.24%
91	Dec	3.25%	0.07%	2.90%	4.59%	4.81%	5.25%
92	**2014**						
93	Jan	3.25%	0.05%	2.86%	4.44%	4.63%	5.09%
94	Feb	3.25%	0.06%	2.71%	4.38%	4.53%	5.01%
95	Mar	3.25%	0.05%	2.72%	4.40%	4.51%	5.00%
96	Apr	3.25%	0.04%	2.71%	4.30%	4.41%	4.85%
97	May	3.25%	0.03%	2.56%	4.16%	4.26%	4.69%
98	June	3.25%	0.03%	2.60%	4.23%	4.29%	4.73%
99	July	3.25%	0.03%	2.54%	4.16%	4.23%	4.66%
100	Aug	3.25%	0.03%	2.42%	4.07%	4.13%	4.65%
101	Sept	3.25%	0.02%	2.53%	4.18%	4.24%	4.79%
102	Oct	3.25%	0.02%	2.30%	3.96%	4.06%	4.67%
103	Nov	3.25%	0.02%	2.33%	4.03%	4.09%	4.75%
104	Dec	3.25%	0.04%	2.21%	3.90%	3.95%	4.70%
105	**2015**						
106	Jan	3.25%	0.03%	1.88%	3.52%	3.58%	4.39%
107	Feb	3.25%	0.02%	1.98%	3.62%	3.67%	4.44%
108	Mar	3.25%	0.03%	2.04%	3.67%	3.74%	4.51%
109	Apr	3.25%	0.02%	1.94%	3.63%	3.75%	4.51%

INTEREST RATES

Line No		Prime Rate	US Treasury T Bills 3 Month	US Treasury T Bonds 10 Year	Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
110	May	3.25%	0.02%	2.20%			
111	Jun	3.25%	0.02%	2.36%			
112	Jul	3.25%	0.03%	2.32%			
113	Aug	3.25%	0.07%	2.17%			
114	Sep	3.25%	0.02%	2.17%			
115	Oct	3.25%	0.02%	2.07%			
116	Nov	3.25%	0.13%	2.26%			
117	Dec	3.50%	0.23%	2.24%			
118	**2016**						
119	Jan	3.50%	0.26%	2.09%			

[1] Note: Moody's has not published Aaa utility bond yields since 2001.

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

STOCK PRICE INDICATORS

Line No	Year	S&P Composite	NASDAQ Composite	DJIA	S&P Dividend/Price Ratio	S&P Earnings/Price Ratio
1	1975			802.49	4.31%	9.15%
2	1976			974.92	3.77%	8.90%
3	1977			894.63	4.62%	10.79%
4	1978			820.23	5.28%	12.03%
5	1979			844.40	5.47%	13.46%
6	1980			891.41	5.26%	12.66%
7	1981			932.92	5.20%	11.96%
8	1982			884.36	5.81%	11.60%
9	1983			1,190.34	4.40%	8.03%
10	1984			1,178.48	4.64%	10.02%
11	1985			1,328.23	4.25%	8.12%
12	1986			1,792.76	3.49%	6.09%
13	1987			2,275.99	3.08%	5.48%
14	1988			2,060.82	3.64%	8.01%
15	1989	322.84		2,508.91	3.45%	7.41%
16	1990	334.59		2,678.94	3.61%	6.47%
17	1991	376.18	491.69	2,929.33	3.24%	4.79%
18	1992	415.74	$599.26	3,284.29	2.99%	4.22%
19	1993	451.21	715.16	3,522.06	2.78%	4.46%
20	1994	460.42	751.65	3,793.77	2.82%	5.83%
21	1995	541.72	925.19	4,493.76	2.56%	6.09%
22	1996	670.50	1,164.96	5,742.89	2.19%	5.24%
23	1997	873.43	1,469.49	7,441.15	1.77%	4.57%
24	1998	1,085.50	1,794.91	8,625.52	1.49%	3.46%
25	1999	1,327.33	2,728.15	10,464.88	1.25%	3.17%
26	2000	1,427.22	2,783.67	10,734.90	1.15%	3.63%
27	2001	1,194.18	2,035.00	10,189.13	1.32%	2.95%
28	2002	993.94	1,539.73	9,226.43	1.61%	2.92%
29	2003	965.23	1,647.17	8,993.59	1.77%	3.84%
30	2004	1,130.65	1,986.53	10,317.39	1.72%	4.89%
31	2005	1,207.06	2,099.03	10,547.67	1.83%	5.36%
32	2006	1,310.67	2,265.17	11,408.67	1.87%	5.78%
33	2007	1,476.66	2,577.12	13,169.98	1.86%	5.29%
34	2008	1,220.89	2,162.46	11,252.61	2.37%	3.54%
35	2009	946.73	1,841.03	8,876.15	2.40%	1.86%
36	2010	1,139.31	2,347.70	10,662.80	1.98%	6.04%
37	2011	1,268.89	2,680.42	11,966.36	2.05%	6.77%
38	2012	1,379.56	2,965.77	12,967.08	2.24%	6.20%
39	2013	1,462.51	3,537.69	14,999.67	2.14%	5.57%
40	2014	1,930.67	4,374.31	16,773.99	2.04%	5.25%
41	2015	2,061.20	4,940.49	17,590.61	2.10%	N/A

Source: Council of Economic Advisors, Economic Indicators, various issues.

STOCK PRICE INDICATORS

Line No		S&P Composite	NASDAQ Composite	DJIA	S&P Dividends/Price Ratio	S&P Earnings/Price Ratio
1	**2004**					
2	1st Qtr.	1,133.29	2,041.95	10,488.43	1.64%	4.62%
3	2nd Qtr.	1,122.87	1,984.13	10,289.04	1.71%	4.92%
4	3rd Qtr.	1,104.15	1,872.90	10,129.85	1.79%	5.18%
5	4th Qtr.	1,162.07	2,050.22	10,362.25	1.75%	4.83%
6						
7	**2005**					
8	1st Qtr.	1,191.98	2,056.01	10,648.48	1.77%	5.11%
9	2nd Qtr.	1,181.65	2,012.24	10,382.35	1.85%	5.32%
10	3rd Qtr.	1,225.91	2,144.61	10,532.24	1.83%	5.42%
11	4th Qtr.	1,262.07	2,246.09	10,827.79	1.86%	5.60%
12						
13	**2006**					
14	1st Qtr.	1,283.04	2,287.97	10,996.04	1.85%	5.61%
15	2nd Qtr.	1,281.77	2,240.46	11,188.84	1.90%	5.86%
16	3rd Qtr.	1,288.40	2,141.97	11,274.49	1.91%	5.88%
17	4th Qtr.	1,389.48	2,390.26	12,175.30	1.81%	5.75%
18						
19	**2007**					
20	1st Qtr.	1,425.30	2,444.85	12,470.97	1.84%	5.85%
21	2nd Qtr.	1,496.43	2,552.37	13,214.26	1.82%	5.65%
22	3rd Qtr.	1,490.81	2,609.68	13,488.43	1.86%	5.15%
23	4th Qtr.	1,494.09	2,701.59	13,502.95	1.91%	4.51%
24						
25	**2008**					
26	1st Qtr.	1,350.19	2,332.91	12,383.86	2.11%	4.55%
27	2nd Qtr.	1,371.65	2,426.26	12,508.59	2.10%	4.05%
28	3rd Qtr.	1,251.94	2,290.87	11,322.40	2.29%	3.94%
29	4th Qtr.	909.80	1,599.64	8,795.61	2.98%	1.65%
30						
31	**2009**					
32	1st Qtr.	809.31	1,485.14	7,774.06	3.00%	0.86%
33	2nd Qtr.	892.23	1,731.41	8,327.83	2.45%	0.82%
34	3rd Qtr.	996.68	1,985.25	9,229.93	2.16%	1.19%
35	4th Qtr.	1,088.70	2,162.33	10,172.78	1.99%	4.57%
36						
37	**2010**					
38	1st Qtr.	1,121.60	2,274.88	10,454.42	1.94%	5.21%
39	2nd Qtr.	1,135.25	2,343.40	10,570.54	1.97%	6.51%
40	3rd Qtr.	1,096.39	2,237.97	10,390.24	2.09%	6.30%
41	4th Qtr.	1,204.00	2,534.62	11,236.02	1.95%	6.15%
42						
43	**2011**					
44	1st Qtr.	1,302.74	2,741.01	12,024.62	1.85%	6.13%
45	2nd Qtr.	1,319.04	2,766.64	12,370.73	1.97%	6.35%
46	3rd Qtr.	1,237.12	2,613.11	11,671.47	2.15%	7.69%
47	4th Qtr.	1,225.65	2,600.91	11,798.65	2.25%	6.91%
48						
49	**2012**					
50	1st Qtr.	1,347.44	2,902.90	12,839.80	2.12%	6.29%
51	2nd Qtr.	1,350.39	2,928.62	12,765.58	2.30%	6.45%
52	3rd Qtr.	1,402.21	3,029.86	13,118.72	2.27%	6.00%
53	4th Qtr.	1,418.21	3,001.69	13,142.91	2.28%	6.07%
54						
55	**2013**					
56	1st Qtr.	1,514.41	3,177.10	14,000.30	2.21%	5.59%
57	2nd Qtr.	1,609.77	3,369.49	14,961.28	2.15%	5.66%
58	3rd Qtr.	1,675.31	3,643.63	15,255.25	2.14%	5.65%
59	4th Qtr.	1,770.45	3,960.54	15,751.96	2.06%	5.42%
60						
61	**2014**					
62	1st Qtr.	1,834.30	4,210.05	16,170.26	2.04%	5.39%
63	2nd Qtr.	1,900.37	4,195.81	16,603.50	2.06%	5.26%
64	3rd Qtr.	1,975.95	4,483.51	16,953.85	2.02%	5.38%
65	4th Qtr.	2012.04	4607.88	17368.36	2.03%	4.97%
66						
67	**2015**					
68	1st Qtr.	2063.46	4821.99	17806.47	2.02%	4.80%
69	2nd Qtr.	2102.03	5017.47	18007.48	2.05%	4.60%
70	3rd Qtr.	2,026.14	4,921.81	17,065.52	2.16%	4.72%
71	4th Qtr.	2,053.17	5,000.70	17,482.97	2.16%	N/A

Source: Council of Economic Advisors, Economic Indicators, various issues.

PROXY GROUP COMMON EQUITY RATIOS

	Company	2009	2010	2011	2012	2013	2014
1	American States Water Co.	54.1%	55.7%	54.6%	57.8%	60.2%	60.9%
2	American Water Works Co., Inc	43.1%	43.2%	44.2%	46.1%	47.6%	47.4%
3	Aqua America, Inc.	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%
4	Artesian Rtesources Corp.	46.2%	47.5%	51.5%	52.7%	53.6%	54.5%
5	California Water Service Group	52.9%	47.6%	48.3%	52.2%	58.4%	59.9%
6	Connecticut Water Service, Inc.	49.1%	50.2%	46.5%	50.8%	52.9%	54.1%
7	Middlesex Water	52.1%	55.8%	56.6%	57.4%	58.7%	58.8%
8	SJW Corporation	50.6%	46.3%	43.4%	45.0%	48.9%	48.4%
9	York Water Company	54.3%	51.7%	52.9%	54.0%	54.9%	55.2%
10							
11							
12	Average	49.6%	49.0%	49.5%	51.5%	54.0%	54.5%
13							
14							
15							
16	Source: Value Line January 15, 2016						
17							
18							
19							
20							
21							

EXHIBITS

Arizona Water Company
Docket No. W-01445A-15-0277
Test-Year Ended December 31, 2014

Exhibit JAC-A

Activity Year		Shares	Common Stock $10 par value	Additional Paid in Capital	Retained Earnings	Total Equity	AWC Annual Dividend Payout Ratio	Sample Average Annual Dividend Payout Ratio
	Analysis of Stockholders' Equity on a Total Company Basis, 2005-2014						Dividend Payout Ratios	
	Balance - December 31, 2004	270,000	$ 2,700,000	$ 9,087,347	$ 55,127,428	$ 66,914,775		
2005	Add: Net Income				6,102,184		65.00%	73.52%
	Less: Dividends Paid				(3,966,300)			
	Equity Infusion			-				
	Balance - December 31, 2005	270,000	$ 2,700,000	$ 9,087,347	$ 57,263,312	$ 69,050,659		
2006	Add: Net Income				6,465,743		63.85%	76.04%
	Less: Dividends Paid				(4,128,300)			
	Equity Infusion			-				
	Balance - December 31, 2006	270,000	$ 2,700,000	$ 9,087,347	$ 59,600,755	$ 71,388,102		
2007	Add: Net Income				3,880,116		109.60%	72.70%
	Less: Dividends Paid				(4,252,500)			
	Equity Infusion			-				
	Balance - December 31, 2007	270,000	$ 2,700,000	$ 9,087,347	$ 59,228,371	$ 71,015,718		
2008	Add: Net Income				2,943,571		145.66%	72.94%
	Less: Dividends Paid				(4,287,600)			
	Equity Infusion			-				
	Balance - December 31, 2008	270,000	$ 2,700,000	$ 9,087,347	$ 57,884,342	$ 69,671,689		
2009	Add: Net Income				2,901,166		147.79%	74.37%
	Less: Dividends Paid				(4,287,600)			
	Equity Infusion			-				
	Balance - December 31, 2009	270,000	$ 2,700,000	$ 9,087,347	$ 56,497,908	$ 68,285,255		
2010	Add: Net Income				3,755,683		114.16%	68.88%
	Less: Dividends Paid				(4,287,600)			
	Equity Infusion			10,222,000				
	Balance - December 31, 2010	270,000	$ 2,700,000	$ 19,309,347	$ 55,965,991	$ 77,975,338		
2011	Add: Net Income				4,911,456		94.99%	70.25%
	Less: Dividends Paid				(4,665,600)			
	Equity Infusion			-				
	Balance - December 31, 2011	270,000	$ 2,700,000	$ 19,309,347	$ 56,211,846	$ 78,221,193		
2012	Add: Net Income				6,336,366		111.73%	64.07%
	Less: Dividends Paid				(7,079,400)			
	Equity Infusion			-				
	Balance - December 31, 2012	270,000	$ 2,700,000	$ 19,309,347	$ 55,468,812	$ 77,478,159		
2013	Add: Net Income				8,239,155		29.53%	62.04%
	Less: Dividends Paid				(2,432,700)			
	Equity Infusion			-				
	Balance - December 31, 2013	270,000	$ 2,700,000	$ 19,309,347	$ 61,275,267	$ 83,284,614		
2014	Add: Net Income				8,669,582		57.62%	55.94%
	Less: Dividends Paid				(4,995,000)			
	Equity Infusion			-				
	Balance - December 31, 2014	270,000	$ 2,700,000	$ 19,309,347	$ 64,949,849	$ 86,959,196		
	Dividend Payout Ratios							
	10-Year Average (2005-2014)						93.99%	69.08%
	8-Year Average (2007-2014)						101.38%	67.65%
	7-Year Average (2008-2014)						100.21%	66.93%
	5-Year Average (2010-2014)						81.61%	64.23%

Sources: Schedule E-4 filed in this and prior AWC rate filings.
Value Line Investment Survey, January 15, 2016.

Arizona Water Company
Docket No. W-01445A-15-0277
Test-Year Ended December 31, 2014

Exhibit JAC-B

RUCO Sample Average Weighted Cost of Long-Term Debt

Line	Company	[A] Long-Term Debt O/S as of 12/31/2014	[B] Weighted Average Cost of Long-Term Debt 12/31/2014	[C] Annual Interest Expense	[D] L-T Debt Weighted Average Years to Maturity	[E] Percent Total L-T Debt Exceeding AWC 6.8248% Weighted Cost of Debt	[F] Weighted Avg. Cost of Debt Lower than AWC Lowest Cost Debt (i.e., 6.30% Series L Bonds)	[G] Employs Lower Cost Amortizing and/ or Sinking Fund Debt
1	Arizona Water Company	$ 75,000,000	**6.82%**	$ 5,118,614	21.43		6.30%	No
2								
3	American States Water	326,090,000	6.51%	21,214,950	15.98	30.08%	Higher	Yes
4	American Water Works	5,456,502,000	5.57%	303,883,125	25.46	12.40%	Lower	Yes
5	Aqua America	1,619,270,000	4.65%	75,296,055	14.36	6.70%	Lower	Yes
6	Artesian Resources	106,199,000	6.23%	6,613,286	12.32	19.06%	Lower	Yes
7	California Water	425,840,000	6.07%	25,863,151	12.40	23.19%	Lower	Yes
8	Connecticut Water	178,201,000	3.96%	7,063,289	13.10	6.31%	Lower	Yes
9	Middlesex Water	140,029,000	3.99%	5,587,157	18.37	3.94%	Lower	Yes
10	SJW Corp.	384,949,000	6.04%	23,254,507	16.95	24.68%	Lower	Yes
11	York Water	84,885,000	5.47%	4,647,175	15.20	29.45%	Lower	Yes
12								
13	Sample Totals	$ 8,721,965,000		$ 473,422,695				
14								
15	Sample Averages		**5.43%**			17.31%		
16								
17	Excess AWC Cost of Debt		**1.397%**					
18								
19								

Source: Sample company 2014 Form 10-K, U.S. Securities and Exchange Commission

Arizona Water Company
Docket No. W-01445A-15-0277
Test-Year Ended December 31, 2014

Exhibit JAC-C

RUCO Restatement of Ahern Exhibit PMA-5

Discounted Cash Flow (DCF) Cost of Equity Estimates
Updated to Reflect Changes in Value Line and Yahoo! Finance
5-Year EPS Growth Projections

Proxy Group of Eight Publicly Traded Water Companies	[1] Average Dividend Yield (1)	[2] Value Line Projected Five Year Growth in EPS (2)	[3] Reuters Mean Consensus Projected Five Year Growth Rate in EPS	[4] Zack's Five Year Projected Growth Rate in EPS	[5] Yahoo! Finance Projected Five Year Growth in EPS	[6] Average Projected Five Year Growth in EPS (3)	[7] Adjusted Dividend Yield (4)	[8] Indicated Common Equity Cost Rate (5)
American States Water Co.	2.16 %	6.00 %	5.00 %	5.00 %	4.10 %	5.03 %	2.21 %	7.24 %
American Water Works Co., Inc.	2.53	7.00	7.50	7.40	7.72	7.41	2.62	10.03
Aqua America, Inc.	2.49	7.50	5.00	5.30	5.85	5.91	2.56	8.47
California Water Service Group	2.74	6.50	5.00	5.00	5.00	5.38	2.81	8.19
Connecticut Water Service, Inc.	2.84	4.50	5.00	5.00	5.00	4.88	2.91	7.79
Middlesex Water Company	3.43	5.00	NA	NA	2.70	3.85	3.50	7.35
SJW Corporation	2.54	1.50	NA	NA	14.00	7.75	2.64	10.39
York Water Company	2.54	6.50	NA	NA	4.90	5.70	2.61	8.31
							Average	8.47 %
							Median	8.25 %
						Average of Mean and Median		8.36 %

Source of RUCO Updates: *Value Line* (January 16, 2016)
http://finance.yahoo.com

EXHIBIT
RUCO 4
admitted 5-12-16

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
CHAIRMAN
BOB STUMP
COMMISSIONER
BOB BURNS
COMMISSIONER
TOM FORESE
COMMISSIONER
ANDY TOBIN
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS.	Docket No. W-01445A-15-0277

NOTICE OF ERRATA

The RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO") hereby provides Notice of Errata to the Rate Design Schedules (Pinal Valley only) included in John Cassidy's Direct Testimony, in the above referenced matter. Attached are the revised schedules.

RESPECTFULLY SUBMITTED this 30th day of March, 2016.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES of the foregoing filed this 30th day of March, 2016 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing hand delivered/ mailed this 30th day of March, 2016 to:

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Ryley Carlock & Applewhite
One N. Central Ave.
Phoenix, Arizona 85004

By Cheryl Fraulob
Cheryl Fraulob

Arizona Water Company - Western Group - Pinal Valley
Docket No. W-01445A-15-0277
Test Year Ended December 31, 2014

Revised - RUCO Schedule JAC-1

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,781	$ 29.62	$ 38.22	$ 8.61	29.06%
Median Usage	5,700	25.24	33.15	$ 7.91	31.33%
RUCO Recommended					
Average Usage	7,781	$ 29.62	$ 34.38	$ 4.77	16.10%
Median Usage	5,700	25.24	29.39	$ 4.15	16.44%

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

Gallons	Present		Company Proposed		%	RUCO Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 16.00	Minimum Charge	$ 22.00		Minimum Charge	$ 18.83	
	1st Tier Rate	1.1879	1st Tier Rate	1.5246		1st Tier Rate	1.3600	
	1st Tier Breakover	3,000	1st Tier Breakover	2,000		1st Tier Breakover	3,000	
	2nd Tier Rate	2.1026	2nd Tier Rate	2.1891		2nd Tier Rate	2.4000	
	Incremental Tier 2 Rate	0.9147	Incremental Tier 2 Rate	0.6645		Incremental Tier 2 Rate	1.0400	
	2nd Tier Breakover	10,000	2nd Tier Breakover	7,000		2nd Tier Breakover	10,000	
	3rd Tier Rate	3.2590	3rd Tier Rate	2.8536		3rd Tier Rate	3.7083	
	Incremental Tier 3 Rate	1.1564	Incremental Tier 3 Rate	0.6645		Incremental Tier 3 Rate	1.3083	
	3rd Tier Breakover	9,999,999,999	3rd Tier Breakover	18,000		3rd Tier Breakover	99,999,999	
	4th Tier Rate	-	4th Tier Rate	4.1827		4th Tier Rate	-	
	Incremental Tier 4 Rate	-	Incremental Tier 4 Rate	1.3290		Incremental Tier 4 Rate	-	
	4th Tier Breakover	-	4th Tier Breakover	9,999,999,999		4th Tier Breakover	-	
	5th Tier Rate	-	5th Tier Rate	-		5th Tier Rate	-	
	Incremental Tier 5 Rate	-	Incremental Tier 5 Rate	-		Incremental Tier 5 Rate	-	
	5th Tier Breakover	-	5th Tier Breakover	-		5th Tier Breakover	-	
	6th Tier Rate	-	6th Tier Rate	-		6th Tier Rate	-	
	Incremental Tier 6 Rate	-	Incremental Tier 6 Rate	-		Incremental Tier 6 Rate	-	
	6th Tier Breakover	-	6th Tier Breakover	-		6th Tier Breakover	-	

Consumption	Rates	Rates	Increase	Rates	Increase
-	$ 16.00	$ 22.00	37.50%	$ 18.83	17.69%
1,000	$ 17.19	$ 23.52	36.87%	$ 20.19	17.47%
2,000	$ 18.38	$ 25.05	36.32%	$ 21.55	17.27%
3,000	$ 19.56	$ 27.24	39.23%	$ 22.91	17.10%
4,000	$ 21.67	$ 29.43	35.82%	$ 25.31	16.82%
5,000	$ 23.77	$ 31.62	33.02%	$ 27.71	16.58%
6,000	$ 25.87	$ 33.81	30.67%	$ 30.11	16.38%
7,000	$ 27.97	$ 35.99	28.67%	$ 32.51	16.21%
8,000	$ 30.08	$ 38.85	29.16%	$ 34.91	16.07%
9,000	$ 32.18	$ 41.70	29.59%	$ 37.31	15.94%
10,000	$ 34.28	$ 44.56	29.97%	$ 39.71	15.83%
11,000	$ 37.54	$ 47.41	26.29%	$ 43.42	15.66%
12,000	$ 40.80	$ 50.26	23.19%	$ 47.13	15.51%
13,000	$ 44.06	$ 53.12	20.56%	$ 50.83	15.38%
14,000	$ 47.32	$ 55.97	18.28%	$ 54.54	15.27%
15,000	$ 50.58	$ 58.82	16.31%	$ 58.25	15.17%
16,000	$ 53.84	$ 61.68	14.56%	$ 61.96	15.09%
17,000	$ 57.09	$ 64.53	13.02%	$ 65.67	15.02%
18,000	$ 60.35	$ 67.38	11.65%	$ 69.38	14.95%
19,000	$ 63.61	$ 71.57	12.50%	$ 73.08	14.89%
20,000	$ 66.87	$ 75.75	13.28%	$ 76.79	14.84%
25,000	$ 83.17	$ 96.66	16.23%	$ 95.33	14.63%
30,000	$ 99.46	$ 117.58	18.21%	$ 113.88	14.49%
35,000	$ 115.76	$ 138.49	19.64%	$ 132.42	14.39%
40,000	$ 132.05	$ 159.40	20.71%	$ 150.96	14.32%
45,000	$ 148.35	$ 180.32	21.55%	$ 169.50	14.26%
50,000	$ 164.64	$ 201.23	22.22%	$ 188.04	14.21%
75,000	$ 246.12	$ 305.80	24.25%	$ 280.75	14.07%
100,000	$ 327.59	$ 410.36	25.27%	$ 373.46	14.00%

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
Meter Size (Residential Class):			
5/8 x 3/4 Inch	$ 16.00	$ 22.00	$ 18.83
3/4 Inch	N/A	33.00	28.25
1 Inch	40.00	55.00	47.08
1 1/2 Inch	80.00	110.00	94.15
2 Inch	128.00	176.00	150.64
3 Inch	256.00	352.00	301.28
4 Inch	400.00	550.00	470.75
6 Inch	800.00	1,100.00	941.50
8 Inch	1,280.00	1,760.00	1,506.40
10 Inch	1,840.00	2,530.00	2,165.45
Meter Size (Commercial):			
5/8 x 3/4 Inch	$ 16.00	$ 25.00	$ 18.83
3/4 Inch	N/A	37.50	28.25
1 Inch	40.00	62.50	47.08
1 1/2 Inch	80.00	125.00	94.15
2 Inch	128.00	200.00	150.64
3 Inch	256.00	400.00	301.28
4 Inch	400.00	625.00	470.75
6 Inch	800.00	1,250.00	941.50
8 Inch	1,280.00	2,000.00	1,506.40
10 Inch	1,840.00	2,875.00	2,165.45
Meter Size (Industrial):			
5/8 x 3/4 Inch	$ 16.00	$ 35.00	$ 18.83
3/4 Inch	N/A	52.50	28.25
1 Inch	40.00	87.50	47.08
1 1/2 Inch	80.00	175.00	94.15
2 Inch	128.00	280.00	150.64
3 Inch	256.00	560.00	301.28
4 Inch	400.00	875.00	470.75
6 Inch	800.00	1,750.00	941.50
8 Inch	1,280.00	2,800.00	1,506.40
10 Inch	1,840.00	4,025.00	2,165.45
Meter Size (Construction):			
5/8 x 3/4 Inch	N/A	$ 25.00	$ 18.83
3/4 Inch	N/A	37.50	28.25
1 Inch	N/A	62.50	47.08
1 1/2 Inch	N/A	125.00	94.15
2 Inch	$ 128.00	200.00	150.64
3 Inch	256.00	400.00	301.28
4 Inch	400.00	625.00	470.75
6 Inch	N/A	1,250.00	941.50
8 Inch	N/A	2,000.00	1,506.40
10 Inch	N/A	2,875.00	2,165.45
Meter Size (Sales for Resale):			
5/8 x 3/4 Inch	$ 16.00	$ 25.00	$ 18.83
3/4 Inch	N/A	37.50	28.25
1 Inch	40.00	62.50	47.08
1 1/2 Inch	80.00	125.00	94.15
2 Inch	128.00	200.00	150.64
3 Inch	256.00	400.00	301.28
4 Inch	400.00	625.00	470.75
6 Inch	800.00	1,250.00	941.50
8 Inch	1,280.00	2,000.00	1,506.40
10 Inch	1,840.00	2,875.00	2,165.45
Private Fires	$ 25.00	$ 35.00	$ 35.00
Public Fire Hydrants	N/A	N/A	N/A
Coin Machine (Gallons per Quarter)	N/A	N/A	N/A

Monthly Usage Charge Commodity Charge - Per 1,000 Gallons	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	$ 1.1879	N/A	$ 1.3600
3,001 to 10,000 gallons	2.1026	N/A	2.4000
Over 10,000 gallons	3.2590	N/A	3.7083
First 2,000 gallons	N/A	$ 1.5246	N/A
2,001 to 7,000 gallons	N/A	2.1891	N/A
7,001 to 18,000 gallons	N/A	2.8536	N/A
Over 18,000 gallons	N/A	4.1827	N/A
3/4" Meter (Residential)			
First 4,000 gallons	N/A	$ 1.5246	N/A
4,001 to 10,000 gallons	N/A	2.1891	N/A
10,001 to 18,000 gallons	N/A	2.8536	N/A
Over 18,000 gallons	N/A	4.1827	N/A
First 3,000 gallons	N/A	N/A	1.3600
3,001 to 10,000 gallons	N/A	N/A	2.4000
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Residential)			
First 25,000 gallons	2.1026	N/A	2.4000
Over 25,000 gallons	3.2590	N/A	3.7083
First 5,000 gallons	N/A	2.1891	N/A
5,001 to 18,000 gallons	N/A	2.8536	N/A
Over 18,000 gallons	N/A	4.1827	N/A
1 1/2" Meter (Residential)			
First 55,000 gallons	N/A	N/A	2.4000
Over 55,000 gallons	N/A	N/A	3.7083
First 10,000 gallons	N/A	2.1891	N/A
5,001 to 35,000 gallons	N/A	2.8536	N/A
Over 35,000 gallons	N/A	4.1827	N/A
2" Meter (Residential)			
First 95,000 gallons	2.1026	N/A	2.4000
Over 95,000 gallons	3.2590	N/A	3.7083
First 16,000 gallons	N/A	2.1891	N/A
16,001 to 56,000 gallons	N/A	2.8536	N/A
Over 56,000 gallons	N/A	4.1827	N/A
3" Meter (Residential)			
First 195,000 gallons	2.1026	N/A	2.4000
Over 195,000 gallons	3.2590	N/A	3.7083
First 32,000 gallons	N/A	2.1891	N/A
32,001 to 112,000 gallons	N/A	2.8536	N/A
Over 112,000 gallons	N/A	4.1827	
4" Meter (Residential)			
First 315,000 gallons	2.1026	N/A	2.4000
Over 315,000 gallons	3.2590	N/A	3.7083
First 50,000 gallons	N/A	2.1891	N/A
50,001 to 175,000 gallons	N/A	2.8536	N/A
Over 175,000 gallons	N/A	4.1827	N/A
6" Meter (Residential)			
First 650,000 gallons	2.1026	N/A	2.4000
Over 650,000 gallons	3.2590	N/A	3.7083
First 100,000 gallons	N/A	2.1891	N/A
100,001 to 350,000 gallons	N/A	2.8536	N/A
Over 350,000 gallons	N/A	4.1827	N/A
8" Meter (Residential)			
First 1,000,000 gallons	2.1026	N/A	2.4000
Over 1,000,000 gallons	3.2590	N/A	3.7083
First 160,000 gallons	N/A	2.1891	N/A
160,001 to 560,000 gallons	N/A	2.8536	N/A
Over 560,000 gallons	N/A	4.1827	N/A
10" Meter (Residential)			
First 1,475,000 gallons	2.1026	N/A	2.4000
Over 1,475,000 gallons	3.2590	N/A	3.7083
First 230,000 gallons	N/A	2.1891	N/A
230,001 to 805,000 gallons	N/A	2.8536	N/A
Over 805,000 gallons	N/A	4.1827	N/A
5/8" x 3/4" Meter (Commercial)			
First 10,000 gallons	2.1026	N/A	2.4000
Over 10,000 gallons	3.2590	N/A	3.7083
First 3,000 gallons	N/A	2.1891	N/A
3,001 to 15,000 gallons	N/A	2.8536	N/A
Over 15,000 gallons	N/A	4.1827	N/A

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
3/4" Meter (Commercial)			
First 3,000 gallons	N/A	2.1891	N/A
3,001 to 15,000 gallons	N/A	2.8536	N/A
Over 15,000 gallons	N/A	4.1827	N/A
First 10,000 gallons	N/A	N/A	2.4000
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Commercial)			
First 25,000 gallons	2.1026	N/A	2.4000
Over 25,000 gallons	3.2590	N/A	3.7083
First 8,000 gallons	N/A	2.1891	N/A
8,001 to 38,000 gallons	N/A	2.8536	N/A
Over 38,000 gallons	N/A	4.1827	N/A
1 1/2" Meter (Commercial)			
First 55,000 gallons	2.1026	N/A	2.4000
Over 55,000 gallons	3.2590	N/A	3.7083
First 15,000 gallons	N/A	2.1891	N/A
15,001 to 75,000 gallons	N/A	2.8536	N/A
Over 75,000 gallons	N/A	4.1827	N/A
2" Meter (Commercial)			
First 95,000 gallons	2.1026	N/A	2.4000
Over 95,000 gallons	3.2590	N/A	3.7083
First 24,000 gallons	N/A	2.1891	N/A
24,001 to 120,000 gallons	N/A	2.8536	N/A
Over 120,000 gallons	N/A	4.1827	N/A
3" Meter (Commercial)			
First 195,000 gallons	2.1026	N/A	2.4000
Over 195,000 gallons	3.2590	N/A	3.7083
First 48,000 gallons	N/A	2.1891	N/A
48,001 to 240,000 gallons	N/A	2.8536	N/A
Over 240,000 gallons	N/A	4.1827	
4" Meter (Commercial)			
First 315,000 gallons	2.1026	N/A	2.4000
Over 315,000 gallons	3.2590	N/A	3.7083
First 75,000 gallons	N/A	2.1891	N/A
75,001 to 375,000 gallons	N/A	2.8536	N/A
Over 375,000 gallons	N/A	4.1827	N/A
6" Meter (Commercial)			
First 650,000 gallons	2.1026	N/A	2.4000
Over 650,000 gallons	3.2590	N/A	3.7083
First 150,000 gallons	N/A	2.1891	N/A
150,001 to 750,000 gallons	N/A	2.8536	N/A
Over 750,000 gallons	N/A	4.1827	N/A
8" Meter (Commercial)			
First 1,000,000 gallons	2.1026	N/A	2.4000
Over 1,000,000 gallons	3.2590	N/A	3.7083
First 240,000 gallons	N/A	2.1891	N/A
240,001 to 1,200,000 gallons	N/A	2.8536	N/A
Over 1,200,000 gallons	N/A	4.1827	N/A
10" Meter (Commercial)			
First 1,475,000 gallons	2.1026	N/A	2.4000
Over 1,475,000 gallons	3.2590	N/A	3.7083
First 345,000 gallons	N/A	2.1891	N/A
345,001 to 1,725,000 gallons	N/A	2.8536	N/A
Over 1,725,000 gallons	N/A	4.1827	N/A
5/8" x 3/4" Meter (Industrial)			
First 10,000 gallons	1.5500	N/A	2.4000
Over 10,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
3/4" Meter (Industrial)			
All Gallons	N/A	2.5000	N/A
First 10,000 gallons	N/A	N/A	2.4000
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Industrial)			
First 25,000 gallons	1.5500	N/A	2.4000
Over 25,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
1 1/2" Meter (Industrial)			
First 55,000 gallons	1.5500	N/A	2.4000
Over 55,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
2" Meter (Industrial)			
First 95,000 gallons	1.5500	N/A	2.4000
Over 95,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
3" Meter (Industrial)			
First 195,000 gallons	1.5500	N/A	2.4000
Over 195,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
4" Meter (Industrial)			
First 315,000 gallons	1.5500	N/A	2.4000
Over 315,000 gallons	2.4800	N/A	3.7083
All Gallons	N/A	2.5000	N/A
6" Meter (Industrial)			
All Gallons	1.5500	1.7500	1.7000
8" Meter (Industrial)			
All Gallons	1.5500	1.7500	1.7000
10" Meter (Industrial)			
All Gallons	1.5500	1.7500	1.7000
5/8" x 3/4" Meter (Construction)			
First 10,000 gallons	N/A	N/A	2.4000
Over 10,000 gallons	N/A	N/A	3.7083
First 3,000 gallons	N/A	2.1891	N/A
3,001 to 15,000 gallons	N/A	2.8536	N/A
Over 15,000 gallons	N/A	4.1827	N/A
3/4" Meter (Construction)			
First 5,000 gallons	N/A	2.1891	N/A
5,001 to 20,000 gallons	N/A	2.8536	N/A
Over 20,000 gallons	N/A	4.1827	N/A
First 10,000 gallons	N/A	N/A	2.4000
Over 10,000 gallons	N/A	N/A	3.7083
1" Meter (Construction)			
First 25,000 gallons	N/A	N/A	2.4000
Over 25,000 gallons	N/A	N/A	3.7083
First 8,000 gallons	N/A	2.1891	N/A
8,001 to 38,000 gallons	N/A	2.8536	N/A
Over 38,000 gallons	N/A	4.1827	N/A
1 1/2" Meter (Construction)			
First 55,000 gallons	N/A	N/A	2.4000
Over 55,000 gallons	N/A	N/A	3.7083
First 15,000 gallons	N/A	2.1891	N/A
15,001 to 75,000 gallons	N/A	2.8536	N/A
Over 75,000 gallons	N/A	4.1827	N/A
2" Meter (Construction)			
First 95,000 gallons	2.1026	N/A	2.4000
Over 95,000 gallons	3.2590	N/A	3.7083
First 24,000 gallons	N/A	2.1891	N/A
24,001 to 120,000 gallons	N/A	2.8536	N/A
Over 120,000 gallons	N/A	4.1827	N/A
3" Meter (Construction)			
First 195,000 gallons	2.1026	N/A	2.4000
Over 195,000 gallons	3.2590	N/A	3.7083
First 48,000 gallons	N/A	2.1891	N/A
48,001 to 240,000 gallons	N/A	2.8536	N/A
Over 240,000 gallons	N/A	4.1827	
4" Meter (Construction)			
First 315,000 gallons	2.1026	N/A	2.4000
Over 315,000 gallons	3.2590	N/A	3.7083
First 75,000 gallons	N/A	2.1891	N/A
75,001 to 375,000 gallons	N/A	2.8536	N/A
Over 375,000 gallons	N/A	4.1827	N/A
6" Meter (Construction)			
First 650,000 gallons	N/A	N/A	2.4000
Over 650,000 gallons	N/A	N/A	3.7083
First 150,000 gallons	N/A	2.1891	N/A
150,001 to 750,000 gallons	N/A	2.8536	N/A
Over 750,000 gallons	N/A	4.1827	N/A
8" Meter (Construction)			
First 1,000,000 gallons	N/A	N/A	2.4000
Over 1,000,000 gallons	N/A	N/A	3.7083
First 240,000 gallons	N/A	2.1891	N/A
240,001 to 1,200,000 gallons	N/A	2.8536	N/A
Over 1,200,000 gallons	N/A	4.1827	N/A
10" Meter (Construction)			
First 1,475,000 gallons	N/A	N/A	2.4000
Over 1,475,000 gallons	N/A	N/A	3.7083
First 345,000 gallons	N/A	2.1891	N/A
345,001 to 1,725,000 gallons	N/A	2.8536	N/A
Over 1,725,000 gallons	N/A	4.1827	N/A

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
5/8" x 3/4" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
3/4" Meter (Sale for Resale)			
All Gallons	N/A	2.1891	2.4000
1" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
1 1/2" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
2" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
3" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
4" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
6" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
8" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000
10" Meter (Sale for Resale)			
All Gallons	1.5500	2.1891	2.4000

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
CHAIRMAN
BOB STUMP
COMMISSIONER
BOB BURNS
COMMISSIONER
TOM FORESE
COMMISSIONER
ANDY TOBIN
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS.	Docket No. W-01445A-15-0277

RUCO'S NOTICE OF FILING

The RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO") hereby provides notice of filing the Direct Testimony of David P. Tenney in support of the Settlement Agreement, in the above referenced matter.

RESPECTFULLY SUBMITTED this 11th day of May, 2016.

Daniel W. Pozefsky
Chief Counsel

EXHIBIT
RUCO-5
admitted 5-12-16

AN ORIGINAL AND THIRTEEN COPIES of the foregoing filed this 11th day of May, 2016 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing e-mailed this 11th day of May, 2016 to:

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By Cheryl Fraulob
Cheryl Fraulob

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-15-0277

DIRECT TESTIMONY

OF

DAVID P. TENNEY

IN SUPPORT OF THE

SETTLEMENT AGREEMENT

ON BEHALF OF THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MAY 11, 2016

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EXECUTIVE SUMMARY

The Arizona Residential Utility Consumer Office ("RUCO") presents the direct testimony of Mr. David Tenney, Director of RUCO, in support of the Proposed Settlement Agreement ("Settlement" or "Agreement") on Arizona Water Company's (Western Region) request for a permanent rate increase. Mr. Tenney recommends that the Arizona Corporation Commission adopt the Proposed Settlement Agreement for the following reasons:

The Proposed Settlement Agreement reflects an outcome that is fair to both the ratepayer and Arizona Water Company and is in the public interest.

The Proposed Settlement Agreement is a comprehensive settlement agreement. Its terms settle a wide range of issues that were of interest to the parties.

RUCO supports the Proposed Settlement Agreement in its entirety because it contains numerous benefits to the consumer which will be discussed in Mr. Tenney's testimony.

The Proposed Settlement Agreement resolves several areas of importance to RUCO in the underlying rate case including; 1) Deferral of tank maintenance costs and Nitrate plant construction and operating costs for consideration of recovery in a future rate case; 2) Cost of Equity of 10.0 percent; 3) Company to adjust amortization period for M&I CAP charges from 20 years to 25 years; 4) AWC will maintain its accumulated depreciation balances and depreciation calculations in accordance with the Arizona Administrative Code; 5) The Company will maintain its account structure in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA"); and 6) AWC agreed that going forward it will use its best good faith efforts to reduce its cost of debt, and that any future debt will be prudently incurred under the most reasonable terms and lowest cost reasonably available. These issues were addressed satisfactorily in the Proposed Settlement Agreement and will be explained more fully in Mr. Tenney's testimony.

INTRODUCTION

Q. Please state your name, occupation and business address for the record.

A. My name David Tenney. I am Director for the Arizona Residential Utility Consumer Office ("RUCO"). My business address is 1110 W. Washington Street, Suite 220, Phoenix, Arizona 85007.

Q. Please state your background and qualifications for the record.

A. I joined RUCO in March of 2015. I served on the Navajo County Board of Supervisors, representing rural Arizona, from 2004 through 2015. I served as president of the County Supervisors Association of Arizona and was Chairman of the Navajo County Board of Supervisors. In addition, I have served on a number of local, state and national committees, including the Natural Resources Working Group, the Navajo County Regional Development Council, the Silver Creek Watershed Alliance Board, the County Supervisors' Association Legislative Policy Committee, Eastern Arizona Counties Organization, Environmental Economic Communities Organization and the Four Forest Restoration Initiative Steering Committee.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain RUCO's support of the Arizona Water Company's Western Region Settlement Agreement. ("Agreement").

Q. Have you participated in other settlement negotiations?

A. Yes. I have participated in settlement negotiations in other matters that have come before the Arizona Corporation Commission ("ACC" or "Commission"). These negotiations have resulted in reaching an accord with the utility and the other settling parties, leading to the signing and support of a settlement agreement.

THE SETTLEMENT PROCESS

Q. Was the negotiation process that resulted in the Settlement Agreement a proper and fair process?

A. Yes. The Agreement is the result of several hours of negotiation and a willingness among the parties to compromise. The negotiations were conducted in a fair and reasonable way that allowed each party the opportunity to participate. Furthermore, all parties were allowed to express their positions fully.

Q. Did all the parties sign the Agreement?

A. Yes. All parties in this case have agreed to this Settlement.

Q. Why is a negotiated settlement process an appropriate way to resolve this matter?

A. A settlement agreement, by its very nature, finds an acceptable middle ground that the parties can support. All parties that participated in the

settlement talks were sophisticated parties who participated fully in the ACC's regulatory processes.

Settlement negotiations began only after each party had the opportunity to analyze AWC's filing for its Western Region, file its direct and rebuttal testimonies, and read the direct testimony of other Interveners. Of course, the Agreement in no way eliminates the ACC's constitutional right and duty to review this matter and to make its own determination whether the Agreement is truly balanced and the rates are just and reasonable.

SUMMARY OF TESTIMONY

Q. Please summarize your testimony.

A. The Agreement reflects an outcome that is fair to both the consumer and AWC's Western Region and is in the public interest. Furthermore, this is a comprehensive agreement that by its very terms settle a wide range of issues that were of interest to the parties.

RUCO supports the Agreement because it contains numerous benefits to the consumer. Those benefits include; 1) deferral of tank maintenance expense and Nitrate plant construction costs and operating expenses to a future rate case for consideration of recovery; 2) cost of equity of 10.0 percent; 3) increasing the deferral period on M&I CAP charges from 20 years to 25 years; 4) requiring the Company to comply with the Arizona

Rules and Regulations in maintaining proper depreciation accounting records; 5) requiring the Company to comply with the proper version of Uniform System of Accounts ("USOA") as published by the National Association of Regulatory Utility Commissioners ("NARUC"); and 6) going forward AWC will use its best efforts to reduce its cost of debt.

These benefits are addressed satisfactorily in the Agreement and will be explained further in the following section in my testimony

SETTLEMENT PROVISIONS

Q. In summary, what are the benefits to the residential consumer?

A. Among the more significant benefits to the residential consumer:

- Deferral of tank maintenance costs and Nitrate plant construction costs and operating expense. AWC was requesting that tank maintenance costs be collected annually in even amounts for a period of fourteen years and recovery of nitrate plant construction costs and expenses as the plant was completed and placed in service but prior to the next rate case filing. The Company has agreed to defer these costs until the next rate case filing. (Section 5.0 and Section 6.2)
- Cost of Equity of 10.0% - In its initial filing AWC requested a 10.75% Cost of Equity. As per the Settlement, the parties agreed to a 10.0% Cost of Equity. (Section 3.1)

- The Company agreed to adjust the amortization period of the M&I CAP charges from 20 years to 25 years. (Section 6.4)
- Compliance with Arizona Administrative Code – Accumulated Depreciation balances will be maintained in accordance with the requirements as set forth in the Arizona Administrative Code. A depreciation study will be performed and accumulated depreciation balances will be maintained in accordance with Arizona's requirements and will be in place for all rate case filings with a test year ending in 2017 and thereafter. (Section 6.8)
- The Signatory Parties agree that AWC shall convert its Uniform System of Accounts ("USOA") to the 1996 version of NARUC USOA, but will continue using the current version until filing its next rate case that uses a 2017 test year.
- AWC agrees that going forward it will use its best good faith efforts to reduce its cost of debt, and that any future debt will be prudently incurred under the most reasonable terms and lowest cost reasonably available.

PUBLIC INTEREST

Q. How is the public interest satisfied by the Agreement?

A. The Agreement satisfies the public interest from RUCO's perspective in that it provides favorable terms and protections for residential consumers as defined above. The Agreement also satisfies the public interest by

providing a fair and balanced approach to addressing the Company's, and all intervening parties, concerns on required costs and revenue.

Q. Does this conclude your testimony on the Agreement?

A. Yes it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, INC. AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS	DOCKET NO. W-01445A-15-0277

DIRECT

TESTIMONY

OF

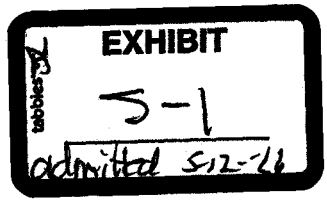
BRITON A. BAXTER

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 11, 2016



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EXECUTIVE SUMMARY
ARIZONA WATER COMPANY, INC.
WESTERN GROUP
DOCKET NO. W-01445A-15-0277

Arizona Water Company, Inc. ("AWC" or "Company") is a certificated Arizona public service corporation that provides water service throughout the State of Arizona. The Company's water systems are grouped into the Northern, Eastern, and Western Groups. The Northern group is comprised of the Navajo and Verde Valley Water Service Areas; the Eastern group is comprised of the Superstition, Cochise, and Falcon Valley Water Service Areas; and the Western group is comprised of the Pinal Valley, White Tank and Ajo Water Service Areas. The Company's last rate increase was approved in Decision No. 74081, dated September 23, 2013, for the Northern group.

On August 21, 2015, the Company filed an application[1] for a rate increase for its Western group: Pinal Valley Water Service Area (comprised of the Casa Grande, Coolidge, and Stanfield sub-systems); White Tank Water Service Area; and Ajo Water Service Area. The rates for the Western group were established in Decision No. 73144, dated May 1, 2012.

The testimony of Briton A. Baxter presents Staff's recommendations in the areas of rate base, operating income, revenue requirement, the arsenic cost recovery mechanism ("ACRM"), the nitrate cost recovery mechanism ("NCRM"), the various Central Arizona Project ("CAP") issues and the Purchased Power Adjustor Mechanism ("PPAM").

RATE APPLICATION:

Pinal Valley Water Service Area

The Company proposes rates that would increase operating revenue by $5,351,781, or 28.98 percent from $18,467,889 to $23,819,670. The proposed revenue increase would produce an operating income of $5,478,045 for an 8.93 percent rate of return on the Company proposed fair value rate base ("FVRB") of $61,344,294 which is also the proposed original cost rate base ("OCRB").

Staff recommends rates that would increase operating revenue by $3,398,668 or 18.40 percent from $18,467,889 to $21,866,557. Staff's recommended revenue increase would produce an operating income of $4,640,958 for an 8.02 percent rate of return on the Staff recommended FVRB and OCRB of $57,867,309.

White Tank Water Service Area

The Company proposes rates that would increase operating revenue by $561,725, or 24.31 percent from $2,310,991 to $2,872,716. The proposed revenue increase would produce an operating income of $456,122 for an 8.93 percent rate of return on the Company proposed FVRB of $5,107,754 which is also the proposed OCRB.

[1] On July 31, 2015 AWC filed a "Notice of Intent to File General Rate Case and Request for Accounting Order". On August 21, 2015 AWC filed its application and 12 amendments to its application.

Staff recommends rates that would increase operating revenue by $334,737 or 14.42 percent from $2,321,542 to $2,656,279. Staff's recommended revenue increase would produce an operating income of $405,691 for an 8.02 percent rate of return on the Staff recommended FVRB and OCRB of $5,058,486.

Ajo Water Service Area

The Company proposes rates that would increase operating revenue by $94,279, or 21.53 percent from $437,888 to $532,167. The proposed revenue increase would produce an operating income of $86,240 for an 8.93 percent rate of return on the Company proposed FVRB of $965,736 which is also the proposed OCRB.

Staff recommends rates that would increase operating revenue by $55,510 or 12.61 percent from $440,253 to $495,763. Staff's recommended revenue increase would produce an operating income of $76,108 for an 8.02 percent rate of return on the Staff recommended FVRB and OCRB of $948,972.

OTHER ITEMS:

The Company seeks Commission approval (1) for various regulatory treatments of CAP costs, (2) authorization to implement a System Improvement Benefit ("SIB") surcharge, (3) continuation of the ACRM, (4) creation of a NCRM, and (5) reinitiating a PPAM.

Staff recommends:

1. That the Company be ordered to start using the most current version of the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USoA"), at present the 1996 version, within 180 days of the effective date of the decision in this matter. That the Company's next rate case filing for any of its groups not be found sufficient if the Company is not using the most current version of the NARUC USoA.

2. That the Company be ordered to start maintaining accumulated depreciation reserve balances by plant property group on a going forward basis.

3. That the Company's 2015 CAP use plan be approved.

4. That the Commission authorize an accounting order that would allow the Company to defer $357,500 in 2015 CAP charges over a three year period or $119,167 per year.

5. That the Commission approve a CAP Surcharge mechanism under the following conditions:

    a. That the Company file in this Docket, a surcharge approval request once the CAP costs become known and measurable based on actual deliveries beyond what is included in base rates in this case.

b. That the Company recover any increased portion of the deferred CAP M&I capital charges found to be used and useful over a 20 year period consistent with prior treatment.

c. That any continuation of CAP surcharges be reviewed in the Company's next rate case.

6. That an off-site facilities fee be authorized using the specific tariff language contained in Exhibit A of the testimony of Mr. Frank Smaila, Staff's engineering witness.

7. Denial of the SIB mechanism.

8. That the Commission continue authorization for an ACRM that preserves eligibility for an ACRM surcharge limited to only the new arsenic treatment facilities at Wells No. 13 and 34 in the Pinal Valley Service area. Whether additional project specific ACRM surcharges are granted should be reserved and subject to further review upon each application by the Company for an ACRM surcharge.

9. That the Commission put the Company on notice that any additional arsenic treatment facilities that will be required at some unidentified point in the future, beyond the projects at Well Nos. 13 and 34, will be evaluated for possible inclusion in rate base through the normal rate case process.

10. Denial of the requested NCRM.

11. That the Commission approve a PPAM with the following conditions:

a. AWC is allowed to pass through to its customers the increase or decrease in purchased power costs that result from a rate change from any regulated electric service provider supplying retail service to AWC.

b. Within 90 days of the Decision for this rate filing, AWC must file a Plan of Administration ("POA") for the PPAM for Commission approval.

c. AWC will only recover increases or refund decreases that are due to changes in purchased power rates.

INTRODUCTION

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

A. My name is Briton A. Baxter. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst V.

A. I am responsible for the examination and verification of financial and statistical information included in utility rate applications. In addition, I develop revenue requirements, prepare written reports, testimonies, and schedules that include Staff recommendations to the Commission. I am also responsible for testifying at formal hearings on these matters.

Q. Please describe your educational background and professional experience.

A. In 2003, I graduated from Northern Arizona University, receiving a Bachelor of Science degree in Accountancy with a public accounting certificate. Prior to joining the Commission in 2013, I spent 10 years with the Arizona Office of the Auditor General. I have experience conducting performance audits of school districts and preparing statewide reports on classroom spending, which required a large amount of data collection, validation and analysis. Since joining the Commission, I have completed six water rate cases and a prudency review for a regulated natural gas utility to build an LNG facility as well as attended various trainings on rate making topics including the National Association of Regulatory Utility Commissioners ("NARUC") Utility Rate School in May of 2014.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff's analysis and recommendations in the areas of rate base and operating revenues, expenses, and rate design regarding the Arizona Water Company, Inc. ("AWC" or

"Company") application for a permanent rate increase. My rate design testimony will be filed separately at a later date. Staff witness, Mr. David Parcell, is presenting Staff's cost of capital recommendations. Staff witness, Mr. Frank Smaila, is presenting Staff's engineering analysis and recommendations.

Q. What is the basis of your recommendations?

A. I performed a regulatory audit of the Company's application to determine whether sufficient, relevant, and reliable evidence exists to support the Company's requested rate increase. The regulatory audit consisted of examining and testing the financial information, accounting records, and other supporting documentation and verifying that the accounting principles applied were in accordance with the Commission-adopted NARUC Uniform System of Accounts ("USoA") and Generally Accepted Accounting Principles.

BACKGROUND

Q. Please provide a brief description of AWC and the service it provides.

A. AWC is a certified Arizona public service company that provides water service throughout the state of Arizona. The Company's water service areas are grouped into the Northern, Eastern and Western Groups. The Northern Group is comprised of the Navajo and Verde Valley Water Service Areas; the Eastern Group is comprised of the Superstition, Cochise, and Falcon Valley Water Service Areas; and the Western Group is comprised of the Ajo, Pinal Valley, and White Tank Water Service Areas. The Company's last rate increase was approved in Decision No. 74081, dated September 23, 2013, for the Northern group.

On August 21, 2015, the Company filed an application[2] for a rate increase for its Western group: Pinal Valley Water Service Area (comprised of the Casa Grande, Coolidge, and

[2] On July 31, 2015 AWC filed a "Notice of Intent to File General Rate Case and Request for Accounting Order". On August 21, 2015 AWC filed its application and 12 amendments to its application.

Stanfield sub-service areas); White Tank Water Service Area; and Ajo Water Service Area. The rates for the Western group were established in Decision No. 73144, dated May 1, 2012.

Q. What is the primary reason for AWC's requested permanent rate increase?

A. The Company stated that the primary reason for filing this rate case was to make full use of the Western Group's Central Arizona Project ("CAP") allocations as well as to capture increases in utility plant investments, increased operating expenses and to update the cost of capital.

CONSUMER SERVICE

Q. Please provide a brief history of customer complaints received by the Commission regarding AWC.

A. Staff reviewed the Commission's records from January 1, 2013, to January 21, 2016, and found the following:

2016 – one complaint related to quality of service;

2015 – 41 complaints (16 billing, two deposits, two new service; eight quality of service; six disconnect/termination; three rates and tariffs; three company policy/procedures; and one rules and regulations question);

2014 – 22 complaints (nine billing, one new service; one service; two repair; eight disconnect/termination; and one company policy); and

2013 – 32 complaints (20 billing; two quality of service; one new service; five disconnect/termination; one construction; and three rates and tariffs)

One complaint remains open (pending investigation). All other complaints have been resolved and closed.

COMPLIANCE

Q. Please provide a summary of the compliance status of AWC.

A. A check of the Compliance database indicates that there are currently no delinquencies for AWC.

SUMMARY OF PROPOSED REVENUES

Q. Please summarize the Company's filing.

A. The Company proposed the following for each of its individual service areas in the Western Group:

Pinal Valley Water Service Area

The Company proposes rates that would increase operating revenue by $5,351,781, or 28.98 percent from $18,467,889 to $23,819,670. The proposed revenue increase would produce an operating income of $5,478,045 for an 8.93 percent rate of return on the Company proposed fair value rate base ("FVRB") of $61,344,294 which is also the proposed original cost rate base ("OCRB").

White Tank Water Service Area

The Company proposes rates that would increase operating revenue by $561,725, or 24.31 percent from $2,310,991 to $2,872,716. The proposed revenue increase would produce an operating income of $456,122 for an 8.93 percent rate of return on the Company proposed FVRB of $5,107,754 which is also the proposed OCRB.

Ajo Water Service Area

The Company proposes rates that would increase operating revenue by $94,279, or 21.53 percent from $437,888 to $532,167. The proposed revenue increase would produce an operating income of $86,240 for an 8.93 percent rate of return on the Company proposed FVRB of $965,736 which is also the proposed OCRB.

Q. Please summarize Staff's recommendations.

A. Staff recommends the following for each of the Company's service areas in the Western Group:

Pinal Valley Water Service Area

Staff recommends rates that would increase operating revenue by $3,398,668 or 18.40 percent from $18,467,889 to $21,866,557. Staff's recommended revenue increase would produce an operating income of $4,640,958 for an 8.02 percent rate of return on the Staff recommended FVRB and OCRB of $57,867,309 as shown on Schedule BAB-1.

White Tank Water Service Area

Staff recommends rates that would increase operating revenue by $334,737 or 14.42 percent from $2,321,542 to $2,656,279. Staff's recommended revenue increase would produce an operating income of $405,691 for an 8.02 percent rate of return on the Staff recommended FVRB and OCRB of $5,058,486 as shown on Schedule BAB-1.

Ajo Water Service Area

Staff recommends rates that would increase operating revenue by $55,510 or 12.61 percent from $440,253 to $495,763. Staff's recommended revenue increase would produce an operating income of $76,108 for an 8.02 percent rate of return on the Staff recommended FVRB and OCRB of $948,972 as shown on Schedule BAB-1.

Q. What test year did the Company utilize in this filing?

A. AWC's test year is the twelve months ended December 31, 2014.

Q. Please summarize Staff's rate base and operating income adjustments for AWC.

A. Staff's testimony discusses the following adjustments:

Pinal Valley Rate Base Adjustments

Post-Test Year Plant – This adjustment decreases rate base by a net $3,208,287 to reflect the post-test year plant additions found to be not used and useful and the updated costs of the completed projects.

Allowance for cash working capital – This adjustment decreases rate base by a net $268,698 to reflect the updated working cash requirement component of the allowance for cash working capital using Staff's recommended adjustments to operating revenues and expenses.

White Tank Rate Base Adjustments

Post-Test Year Plant – This adjustment decreases rate base by a net $72,481 to reflect the post-test year plant additions found to be not used and useful and the updated costs of the completed projects.

Allowance for cash working capital – This adjustment increases rate base by a net $23,213 to reflect the updated working cash requirement component of the allowance for cash working capital using Staff's recommended adjustments to operating revenues and expenses.

Ajo Rate Base Adjustments

Post-Test Year Plant – This adjustment decreases rate base by a net $12,585 to reflect the post-test year plant additions found to be not used and useful and the updated costs of the completed projects.

Allowance for cash working capital – This adjustment decreases rate base by a net $4,179 to reflect the updated working cash requirement component of the allowance for cash working capital using Staff's recommended adjustments to operating revenues and expenses.

Pinal Valley Operating Income Adjustments

Salaries and Wages – This adjustment decreases the level of salaries and wages proposed by the Company by a net of $231,579 to reflect Staff's recommended salaries and wage expense and to adjust for vacant post-test year positions that were included in the Company's pro forma salaries and wage expense but were not filled.

Vehicles – This adjustment decreases expenses associated with vehicle operating costs by a net of $18,154 because these vehicle costs related to the vacant post-test year positions just noted.

Life Insurance – This adjustment decreases administrative and general expenses to reflect an adjustment to reduce life insurance expenses by $16,013.

Rate Case Expense – This adjustment decreases administrative and general expenses to reflect an adjustment to reduce rate case expenses by $44,156.

Depreciation & Amortization Expense – This adjustment decreases depreciation & amortization expense by $305,199 to reflect Staff's recommended adjustments to plant in service.

Income Tax Expense – This adjustment increases federal income tax expenses by $232,155 and increases state income tax expenses by $39,881 to reflect Staff's recommended adjustments to taxable income.

Property Tax Expense – This adjustment increases property tax expense by $129 to reflect Staff's recommended adjustments to operating revenues.

White Tank Operating Income Adjustments

Weatherization and Declining Usage – This adjustment increases revenues by $10,551 and increases total operating expenses by $5,581 to reflect Staff's denial of the weatherization adjustment and revised declining usage adjustment.

Salaries and Wages – This adjustment decreases the level of salaries and wages proposed by the Company by a net of $89,282 to reflect Staff's recommended salaries and wage expense and to adjust for vacant post-test year positions that were included in the Company's pro forma salaries and wage expense but were not filled.

Vehicles – This adjustment decreases expenses associated with vehicle operating costs by a net of $5,899 because these vehicle costs related to the vacant post-test year positions just noted.

Life Insurance – This adjustment decreases administrative and general expenses to reflect an adjustment to reduce life insurance expenses by $1,237.

Rate Case Expense – This adjustment decreases administrative and general expenses to reflect an adjustment to reduce rate case expenses by $5,272.

Depreciation & Amortization Expense – This adjustment decreases depreciation & amortization expense by $34,678 to reflect Staff's recommended adjustments to plant in service.

Income Tax Expense – This adjustment increases federal income tax expenses by $35,392 and increases state income tax expenses by $7,832 to reflect Staff's recommended adjustments to taxable income.

Property Tax Expense – This adjustment increases property tax expense by $518 to reflect Staff's recommended adjustments to operating revenues.

Ajo Operating Income Adjustments

Weatherization and Declining Usage – This adjustment increases revenues by $2,365 and increases total operating expenses by $1,950 to reflect Staff's denial of the weatherization adjustment and revised declining usage adjustment.

Salaries and Wages – This adjustment decreases the level of salaries and wages proposed by the Company by a net of $2,179 to reflect Staff's recommended salaries and wage expense and to adjust for vacant post-test year positions that were included in the Company's pro forma salaries and wage expense but were not filled.

Life Insurance – This adjustment decreases administrative and general expenses to reflect an adjustment to reduce life insurance expenses by $447.

Rate Case Expense – This adjustment decreases administrative and general expenses to reflect an adjustment to reduce rate case expenses by $958.

Depreciation & Amortization Expense – This adjustment decreases depreciation & amortization expense by $1,947 to reflect Staff's recommended adjustments to plant in service.

Income Tax Expense – This adjustment increases federal income tax expenses by $1,451 and increases state income tax expenses by $351 to reflect Staff's recommended adjustments to taxable income.

Property Tax Expense – This adjustment increases property tax expense by $106 to reflect Staff's recommended adjustments to operating revenues.

RATE BASE

Fair Value Rate Base

Q. Did the Company prepare schedules showing the elements of Reconstruction Cost New Rate Base?

A. No, the Company did not. The Company's filing treats the OCRB the same as the FVRB.

PINAL VALLEY RATE BASE

Rate Base Summary

Q. Please summarize Staff's adjustments to Pinal Valley's rate base shown on Schedules BAB-3 and BAB-4.

A. Staff's adjustments to Pinal Valley's rate base resulted in a net decrease of $3,476,985, from $61,344,294 to $57,867,309 due to various adjustments as discussed in Staff's testimony.

Rate Base Adjustment No. 1 – Post-Test Year Plant

Q. How much Post-Test Year Plant is the Company proposing to include in rate base?

A. For Pinal Valley, the Company is proposing inclusion of $9,122,637 in post-test year plant additions.

Q. What issues did Staff identify with the Company's post-test year plant additions?

A. Staff identified two issues with the Company's post-test year plant additions. First, as shown on Schedules B-2 Appendix pages 1 through 4, AWC captured the majority of the post-test year plant projects using cost estimates. Second Staff identified several projects that were not used and useful because they were not in service by December 31, 2015, the cut-off Staff is

applying to post-test year plant additions. This cutoff date coincides with the site visits as detailed in the Engineering Report.

Q. What did Staff do to address the cost estimate issue?

A. In Staff Data Requests ("DR") BAB 4.1, BAB 5.1 and BAB 8.1[3], Staff requested the actual costs of the post-test year plant projects and the in-service dates. Using the Company's responses, Staff made adjustments to reflect the actual costs booked to date for each listed project.

Q. What are the resulting adjustments for Pinal Valley due to estimated costs?

A. As shown on Schedule BAB-5, Staff is recommending a total decrease to rate base for Pinal Valley of $608,176 for the correction of estimated costs.

Q. Are there any other projects that might still require an adjustment?

A. Yes. The adjustments Staff is recommending for cost estimates are as of November 30, 2015. The following projects were determined by Staff to be in service but according to the Company, costs were not yet finalized due to outstanding invoices: 5164, 5165, 5260, 5296, 5299, 5304, 5326, 5332, 5345, 5348, 5359, and 5362. As the costs for these projects are updated additional adjustments may be necessary.

Q. What projects were found to be Not Used and Useful?

A. Staff compared the full list of post-test year projects listed on Schedule B-2 Appendix, to information provided in response to Staff DR BAB 1.13, and the list of completed projects as verified and noted in the Staff Engineering Report, projects 4806, 5166, 5324, 5325, and 5327

[3] See Attachment A

were found to be not used and useful. In addition, the projects described as "Blanket" projects were found to be not used and useful.

Q. What adjustments were made to rate base to reflect the post-test year plant that Staff is recommending be found Not Used and Useful?

A. As shown on Schedule BAB-5 Staff is recommending adjustments based on a not used and useful determination. Staff recommends a decrease to rate base of $2,600,111 for Pinal Valley.

Q. Please discuss projects 4806 and 5166.

A. Projects 4806 and 5166 are for arsenic treatment facilities/devices. As of the December 2015, on site visits conducted by the Staff engineer, these projects were not completed. Therefore, Staff has found them to be not used and useful.

Q. Please discuss projects 5324, 5325 and 5327.

A. These are post-test year projects planned for the Company's Phoenix office. Project 5324 is for upgrades to the Company's phone system. Project 5325 is to upgrade the building signs, and project 5327 is to update the Company's website. None of these projects had been completed as of Staff's December 31, 2015, cutoff date for post-test year plant.

Q. How did AWC allocate the Phoenix office post-test year plant additions to Pinal Valley?

A. The Company used a 3-factor allocation approach that is based on the ratios of each service area's number of customers, gross plant less intangibles, and payroll to the companywide total for each of these measures, to add the post-test year Phoenix office plant additions to the Western Group. The allocation rate for Pinal Valley was 0.3317 percent.

Q. Please further discuss the "Blanket" projects.

A. In Staff DR BAB 8.1, Staff requested additional information related to the projects listed as "Blanket" projects on the Company's Schedule B-2 Appendix page 1 Column A, page 3 Column B for Pinal Valley. Based on the amounts, and the plant accounts used to record these post-test year plant additions, Staff was unable to verify that these additions are used and useful during the site visits. Staff intends to address these blanket projects further in surrebuttal testimony, at which time Staff will be able to either confirm that these projects are or are not used and useful and will make any necessary adjustments.

Q. What is Staff's recommendation?

A. Staff recommends a total decrease to rate base for the Pinal Valley Service Area of $3,208,287 for post-test year adjustments as shown on Schedules BAB-4 and BAB-5.

Rate Base Adjustment No. 2 – Allowance for Working Capital

Q. What components are included in the Company's proposed allowance for working capital?

A. The Company's proposed allowance for working capital consists of four components. They are working cash requirement, materials and supply inventory, required bank balances, and payments & special deposits.

Q. Please describe Staff's working capital adjustment to rate base.

A. Staff made no adjustments to the materials and supply inventory, required bank balances, and payments & special deposits components. The Staff adjustments relate to the working cash requirement component of the allowance for working capital only. The calculation of a working cash requirement quantifies the amount of cash that a Company needs to operate. Staff's recommended adjustments are based on Staff recommended revenue and expense

levels in the schedules. As expenses were increased or decreased in the revenue requirement these were also increased or decreased in the working cash requirement.

Q. What basis did the Company use for its proposed allowance for cash working capital?

A. The Company's proposed allowance for working capital is based on a lead-lag study.

Q. What is the net result of the lead-lag factors?

A. The timing of the collection of revenues was compared to the timing of each expense line item the Company proposed. If the expense took longer to pay than to collect the revenue, the Company receives the benefit of cash working capital and the opposite is true if the expense is to be paid prior to the revenues being received. A net lead-lag factor for each expense item was multiplied by the proposed expense to calculate the positive or negative working capital required.

Q. Did the Company's lead-lag study include all of the necessary components?

A. No. The Company's lead-lag study does not include interest expense.

Q. Has the Company proposed to exclude interest expense in any of its prior rate cases?

A. Yes. Interest expense was excluded from the Company's proposed lead-lag study in the 2012 Eastern Group rate case, but was included in the settlement agreement adopted by the Commission.[4] Also in a prior Northern Group rate case in Decision No. 64282,[5] the Company's proposal to exclude interest expense from its lead-lag study was denied. The Commission stated:

> "The Company collects cash used to make interest payments prior to the interest due date and, during the time Arizona Water has possession of these

[4] Decision No. 74081.
[5] Dated December 20, 2000.

> funds, they are a source of cost-free cash that can be used by the Company until making payments to creditors. Therefore, in accordance with the NARUC methodology, Staff claims that its lead-lag study properly included interest expense."

The Commission agreed that interest expense, which is a cash item available to the Company for payment to creditors prior to the interest due date should be included in a lead-lag study.

Q. Is Staff recommending including interest expense as a component of the lead-lag calculation in this case?

A. Yes, Staff's adjustment includes synchronized interest expense, using the interest rate recommended by Staff's Cost of Capital witness Mr. David Parcell.

Q. What is Staff's recommendation?

A. Staff recommends a reduction of the allowance for working capital for Pinal Valley of $268,698 as shown on Schedule BAB-6.

WHITE TANK RATE BASE

Rate Base Summary

Q. Please summarize Staff's adjustments to White Tank's rate base shown on Schedules BAB-3 and BAB-4.

A. Staff's adjustments to White Tank's rate base resulted in a net decrease of $49,268, from $5,107,754 to $5,058,486 due to various adjustments as discussed in Staff's testimony.

Rate Base Adjustment No. 1 – Post-Test Year Plant

Q. How much Post-Test Year Plant is the Company proposing to include in rate base?

A. For White Tank, the Company is proposing inclusion of $541,050 in post-test year plant additions.

Q. What issues did Staff identify with the Company's post-test year plant additions?

A. Staff identified two issues with the Company's post-test year plant additions. First, as shown on Schedules B-2 Appendix page 5, AWC captured the post-test year plant projects using cost estimates. Second Staff identified several projects that were not used and useful because they were not in service by December 31, 2015, the cut-off Staff is applying to post-test year plant additions. This cutoff date coincides with the site visits as detailed in the Engineering Report.

Q. What did Staff do to address the cost estimate issue?

A. In DRs BAB 4.1, BAB 5.1 and BAB 8.1, Staff requested the actual costs of the post-test year plant projects and the in-service dates. Using the Company's responses, Staff made adjustments to reflect the actual costs booked to date for each listed project.

Q. What are the resulting adjustments for the White Tank Service Areas due to estimated costs?

A. As shown on Schedule BAB-5, Staff is recommending a total increase of $20,955 for White Tank for the correction of estimated costs.

Q. Are there any other projects that might still require an adjustment?

A. Yes. The adjustments Staff is recommending for cost estimates are as of November 30, 2015. Project 5326 was determined by Staff to be in service but according to the Company, costs were not yet finalized due to outstanding invoices. As the cost for this project is updated an additional adjustment may be necessary.

Q. What projects were found to be Not Used and Useful?

A. Staff compared the full list of post-test year projects listed on Schedule B-2 Appendix, to information provided in response to Staff DR BAB 1.13, and the list of completed projects as verified and noted in the Staff Engineering Report, projects 5324, 5325, and 5327 were found to be not used and useful. In addition, the projects described as "Blanket" projects were found to be not used and useful.

Q. What adjustments were made to rate base to reflect the post-test year plant that Staff is recommending be found Not Used and Useful?

A. As shown on Schedule BAB-5 Staff is recommending adjustments based on a not used and useful determination. Staff recommends a decrease to rate base of $93,436 for White Tank.

Q. Please discuss projects 5324, 5325 and 5327.

A. These are post-test year projects planned for the Company's Phoenix office. Project 5324 is for upgrades to the Company's phone system. Project 5325 is to upgrade the building signs, and project 5327 is to update the Company's website. None of these projects had been completed as of Staff's December 31, 2015, cutoff date for post-test year plant.

Q. How did AWC allocate the Phoenix office post-test year plant additions to the White Tank service area?

A. The Company used a 3-factor allocation approach that is based on the ratios of each service area's number of customers, gross plant less intangibles, and payroll to the companywide total for each of these measures, to add the post-test year Phoenix office plant additions to the Western Group. The allocation rate for White Tank was 0.0396 percent.

Q. Please further discuss the "Blanket" projects.

A. In Staff DR BAB 8.1, Staff requested additional information related to the projects listed as "Blanket" projects on the Company's Schedule B-2 Appendix page 5 Column A for White Tank. Based on the amounts, and the plant accounts used to record these post-test year plant additions, Staff was unable to verify that these additions are used and useful during the site visits. Staff intends to address these blanket projects further in surrebuttal testimony, at which time Staff will be able to either confirm that these projects are or are not used and useful and will make any necessary adjustments.

Q. What is Staff's recommendation?

A. Staff recommends a total decrease of $72,481 for the White Tank Service Area for post-test year adjustments as shown on Schedules BAB-4 and BAB-5.

Rate Base Adjustment No. 2 – Allowance for Working Capital

Q. What components are included in the Company's proposed allowance for working capital?

A. The Company's proposed allowance for working capital consists of four components. They are working cash requirement, materials and supply inventory, required bank balances, and payments & special deposits.

Q. Please describe Staff's working capital adjustment to rate base.

A. Staff made no adjustments to the materials and supply inventory, required bank balances, and payments & special deposits components. The Staff adjustments relate to the working cash requirement component of the allowance for working capital only. The calculation of a working cash requirement quantifies the amount of cash that a Company needs to operate. Staff's recommended adjustments are based on Staff recommended revenue and expense

levels in the schedules. As expenses were increased or decreased in the revenue requirement these were also increased or decreased in the working cash requirement.

Q. What basis did the Company use for its proposed allowance for cash working capital?

A. The Company's proposed allowance for working capital is based on a lead-lag study.

Q. What is the net result of the lead-lag factors?

A. The timing of the collection of revenues was compared to the timing of each expense line item the Company proposed. If the expense took longer to pay than to collect the revenue, the Company receives the benefit of cash working capital and the opposite is true if the expense is to be paid prior to the revenues being received. A net lead-lag factor for each expense item was multiplied by the proposed expense to calculate the positive or negative working capital required.

Q. Did the Company's lead-lag study include all of the necessary components?

A. No. The Company's lead-lag study ignores interest expense.

Q. Has the Company proposed to exclude interest expense in any of its prior rate cases?

A. Yes. Interest expense was excluded from the Company's proposed lead-lag study in the 2012 Eastern Group rate case, but was included in the settlement agreement adopted by the Commission.[6] Also in a prior Northern Group rate case in Decision No. 64282,[7] the Company's proposal to exclude interest expense from its lead-lag study was denied. The Commission stated:

> "The Company collects cash used to make interest payments prior to the interest due date and, during the time Arizona Water has possession of these

[6] Decision No. 74081.
[7] Dated December 20, 2000.

> funds, they are a source of cost-free cash that can be used by the Company until making payments to creditors. Therefore, in accordance with the NARUC methodology, Staff claims that its lead-lag study properly included interest expense."

The Commission agreed that interest expense, which is a cash item available to the Company for payment to creditors prior to the interest due date should be included in a lead-lag study.

Q. Is Staff recommending including interest expense as a component of the lead-lag calculation in this case?

A. Yes, Staff's adjustment includes synchronized interest expense, using the interest rate recommended by Staff's Cost of Capital witness Mr. David Parcell.

Q. What is Staff's recommendation?

A. Staff recommends an increase for White Tank of $23,213 as shown on Schedule BAB-6.

AJO RATE BASE

Rate Base Summary

Q. Please summarize Staff's adjustments to Ajo's rate base shown on Schedules BAB-3 and BAB-4.

A. Staff's adjustments to Ajo's rate base resulted in a net decrease of $16,764, from $965,736 to $948,972 due to various adjustments as discussed in Staff's testimony.

Rate Base Adjustment No. 1 – Post-Test Year Plant

Q. How much Post-Test Year Plant is the Company proposing to include in rate base?

A. For Ajo, the Company is proposing inclusion of $11,650 in post-test year plant additions.

Q. What issues did Staff identify with the Company's post-test year plant additions?

A. Staff identified two issues with the Company's post-test year plant additions. First, as shown on Schedules B-2 Appendix page 6, AWC captured the post-test year plant projects using cost estimates. Second Staff identified several projects that were not used and useful because they were not in service by December 31, 2015, the cut-off Staff is applying to post-test year plant additions. This cutoff date coincides with the site visits as detailed in the Engineering Report.

Q. What did Staff do to address the cost estimate issue?

A. In DRs BAB 4.1, BAB 5.1 and BAB 8.1, Staff requested the actual costs of the post-test year plant projects and the in-service dates. Using the Company's responses, Staff made adjustments to reflect the actual costs booked to date for each listed project.

Q. What are the resulting adjustments for the Ajo Service Area due to estimated costs?

A. As shown on Schedule BAB-5, Staff is recommending a total increase for Ajo of $44 for the correction of estimated costs.

Q. Are there any other projects that might still require an adjustment?

A. Yes. The adjustments Staff is recommending for cost estimates are as of November 30, 2015. Project 5326 was determined by Staff to be in service but according to the Company, costs were not yet finalized due to outstanding invoices. As the cost for this project is updated an additional adjustment may be necessary.

Q. What projects were found to be Not Used and Useful?

A. Staff compared the full list of post-test year projects listed on Schedule B-2 Appendix, to information provided in response to Staff DR BAB 1.13, and the list of completed projects as

verified and noted in the Staff Engineering Report, projects 5324, 5325, and 5327 were found to be not used and useful. In addition, the projects described as "Blanket" projects were found to be not used and useful.

Q. What adjustments were made to rate base to reflect the post-test year plant that Staff is recommending be found Not Used and Useful?

A. As shown Schedule BAB-5 Staff is recommending adjustments based on a not used and useful determination. Staff recommends a decrease of $12,629 for Ajo.

Q. Please discuss projects 5324, 5325 and 5327.

A. These are post-test year projects planned for the Company's Phoenix office. Project 5324 is for upgrades to the Company's phone system. Project 5325 is to upgrade the building signs, and project 5327 is to update the Company's website. None of these projects had been completed as of Staff's December 31, 2015, cutoff date for post-test year plant.

Q. How did AWC allocate the Phoenix office post-test year plant additions to the Western Group service areas?

A. The Company used a 3-factor allocation approach that is based on the ratios of each service area's number of customers, gross plant less intangibles, and payroll to the companywide total for each of these measures, to add the post-test year Phoenix office plant additions to the Western Group. The allocation rate for Ajo was 0.0072 percent.

Q. Please further discuss the "Blanket" projects.

A. In Staff DR BAB 8.1, Staff requested additional information related to the projects listed as "Blanket" projects on the Company's Schedule B-2 Appendix page 6 Column A for Ajo. Based on the amounts, and the plant accounts used to record these post-test year plant

additions, Staff was unable to verify that these additions are used and useful during the site visits. Staff intends to address these blanket projects further in surrebuttal testimony, at which time Staff will be able to either confirm that these projects are or are not used and useful and will make any necessary adjustments.

Q. What is Staff's recommendation?

A. Staff recommends a total decrease of $12,585 for the Ajo Service Area for post-test year adjustments as shown on Schedules BAB-4 and BAB-5.

Rate Base Adjustment No. 2 – Allowance for Working Capital

Q. What components are included in the Company's proposed allowance for working capital?

A. The Company's proposed allowance for working capital consists of four components. They are working cash requirement, materials and supply inventory, required bank balances, and payments & special deposits.

Q. Please describe Staff's working capital adjustment to rate base.

A. Staff made no adjustments to the materials and supply inventory, required bank balances, and payments & special deposits components. The Staff adjustments relate to the working cash requirement component of the allowance for working capital only. The calculation of a working cash requirement quantifies the amount of cash that a Company needs to operate. Staff's recommended adjustments are based on Staff recommended revenue and expense levels in the schedules. As expenses were increased or decreased in the revenue requirement these were also increased or decreased in the working cash requirement.

Q. What basis did the Company use for its proposed allowance for cash working capital?

A. The Company's proposed allowance for working capital is based on a lead-lag study.

Q. What is the net result of the lead-lag factors?

A. The timing of the collection of revenues was compared to the timing of each expense line item the Company proposed. If the expense took longer to pay than to collect the revenue, the Company receives the benefit of cash working capital and the opposite is true if the expense is to be paid prior to the revenues being received. A net lead-lag factor for each expense item was multiplied by the proposed expense to calculate the positive or negative working capital required.

Q. Did the Company's lead-lag study include all of the necessary components?

A. No. The Company's lead-lag study does not include interest expense.

Q. Has the Company proposed to exclude interest expense in any of its prior rate cases?

A. Yes. Interest expense was excluded from the Company's proposed lead-lag study in the 2012 Eastern Group rate case, but was included in the settlement agreement adopted by the Commission.[8] Also in a prior Northern Group rate case in Decision No. 64282,[9] the Company's proposal to exclude interest expense from its lead-lag study was denied. The Commission stated:

> "The Company collects cash used to make interest payments prior to the interest due date and, during the time Arizona Water has possession of these funds, they are a source of cost-free cash that can be used by the Company until making payments to creditors. Therefore, in accordance with the NARUC methodology, Staff claims that its lead-lag study properly included interest expense."

[8] Decision No. 74081.
[9] Dated December 20, 2000.

The Commission agreed that interest expense, which is a cash item available to the Company for payment to creditors prior to the interest due date should be included in a lead-lag study.

Q. Is Staff recommending including interest expense as a component of the lead-lag calculation in this case?

A. Yes, Staff's adjustment includes synchronized interest expense, using the interest rate recommended by Staff's Cost of Capital witness Mr. David Parcell.

Q. What is Staff's recommendation?

A. Staff recommends a reduction of the allowance for working capital for Ajo of $4,179, as shown on Schedule BAB-6.

PINAL VALLEY OPERATING INCOME

Operating Income Summary

Q. What are the results of Staff's analysis of test year revenues, expenses and operating income?

A. As shown on Schedules BAB-10 and BAB-11 Staff's analysis resulted in test year revenues of $18,467,889, adjusted test year expenses of $15,909,593 and an operating income of $2,558,296 for Pinal Valley.

Operating Income Adjustment No. 1 – No adjustment for Weather Normalization and Declining Usage

Q. What pro forma adjustment is the Company proposing regarding test year revenues and expenses?

A. The Company's witness, asserts that weather conditions in the test year were slightly wetter and cooler than normal, resulting in lower residential usage than usual for the Pinal Valley

Service Area. Therefore the Company proposes that a pro-forma adjustment is necessary to reflect more normal revenues and expenses related to weather patterns.

Q. Has AWC proposed a weather normalization adjustment to revenues in prior filings?

A. Yes. In the most recent rate case for the Northern Group[10] the Company proposed a weather normalization adjustment to revenues.

Q. Was the Company's weather normalization adjustment request approved in that case?

A. No. Per Decision No. 74081[11] in the Commission approved settlement agreement the Company's weather normalization adjustment was reversed and in its place the parties agreed to a 5 percent downward adjustment to the billing determinants to reflect declines in customer usage that continued post-test year.

Q. Do water companies usually request weather normalization adjustments?

A. No. Staff is not aware of any recent rate case in which a weather normalization adjustment to revenues was proposed for a water company outside of the Company's most recent Northern Group rate case, as discussed.

Q. Please describe the methodology employed by the Company for its proposed Weather Normalization and Declining Usage adjustment?

A. The Company performed a regression analysis, where a base 10 logarithm of sales per customer was used as the dependent variable and the Palmer Drought Severity Index ("PDSI"), and coded monthly indicators to represent the twelve months of the year were used as independent variables. The Company attempted to use the regression models to quantify the estimated effects of weather and rate increases over time on use per customer.

[10] Docket Number W-01445A-12-0348
[11] Dated September 23, 2013

The estimated effects were then used by the Company to calculate its proposed weather normalization and declining usage adjustment.

Q. What is Staff's major concern with the use of statistics to justify revenue and expense pro-forma adjustments?

A. That the results can vary significantly simply by such steps as re-running statistical models using different time periods, or identifying and using different variables to achieve the desired outcome. Staff does not believe that weather normalization analysis results are truly linear so results will change if the analysis timeframe is changed.

Q. Does Staff believe that a weatherization and usage adjustment is necessary in this filing?

A. Staff believes that given the unpredictable nature of the weather, making an additional normalization adjustment to test year revenues to reflect a continuation post-test year of anticipated weather patterns based on five years of historical data is not reasonable. However, Staff recommends adoption of a declining usage adjustment on the basis that average usage continued to decline post-test year. As a post-test year event, this adjustment is based on a known and measurable change to test year activity.

Q. What are the results of Staff's analysis of declining usage for the Pinal Valley Service Area?

A. The Company's proposed weather normalization and declining usage adjustment for Pinal Valley residential customers is -2.05 percent, as reflected in the adjustment shown on Schedule C-2 Appendix page 9. Staff has calculated a declining usage rate of -2.11 percent which includes nine months (January through September of 2015) of post-test year consumption for the residential customer class, using data provided to Staff in response to

DR BAB 2.12c[12]. The slight difference in calculations would result in an immaterial adjustment for Pinal Valley, therefore Staff recommends accepting the Company's proposed adjustment for this service area.

Operating Income Adjustment No. 2 – Salaries and Wages

Q. What adjustment to salaries and wages is the Company proposing?

A. The Company is proposing to capture an increase to salary and wage expense to account for a three percent pay increase across all positions from 2015 to 2016, and the Company included costs for six vacant positions that were expected to be filled post-test year, as shown on Schedules C-1, page 2; C-2 page 4; and C-2 Appendix page 12.

Q. Does Staff agree with the three percent increase to pay?

A. No. In Staff DR BAB 4.5c[13], the Company provided the actual percentage increases since 2010 (the test year in the last rate case). Based on the information provided, Staff has calculated and applied an average increase of 1.6 percent.

Q. What about the vacant test year positions?

A. In addition, per the Company's response to Staff's DR BAB 4.5b, only two of the six vacant positions were actually filled by the Company as of December 31, 2015. The Company stated that they hired five employees to fill newly created positions that did not serve test year customers. Therefore, Staff recommends only including the two employees that were hired to serve test year customers.

[12] See Attachment B
[13] See Attachment C

Q. Did Staff make any other adjustments to salaries and wages?

A. Yes. One of the five new hires to fill a position created post-test year identified in the Company's response to Staff's DR BAB 4.5b, was included in the salaries and wages pro forma adjustment. Therefore, Staff made an adjustment to remove the salary for this position because the position did not provide service to test year customers.

Q. What is Staff's recommendation?

A. Staff recommends decreasing salaries and wages for Pinal Valley by $231,579 as shown on Schedules BAB-11 and BAB-13.

Operating Income Adjustment No. 3 – Vehicles

Q. What adjustment for vehicle expenses is the Company proposing?

A. The Company is proposing to increase expenses for the increased cost to operate its vehicles along with the costs of six additional vehicles associated with the vacant test year positions that were expected to be filled post-test year, by a total of $83,507 for Pinal Valley as shown on Schedules C-1, page 2; C-2 page 5; and C-2 Appendix page 23.

Q. Does Staff agree with the Company's proposed increases for vehicles for Pinal Valley?

A. No. Similar to the salaries and wages adjustment recommended by Staff, based on the information provided by the Company in Staff DR BAB 4.5c, Staff believes that a similar adjustment for the vehicles that would be associated with the four positions that were not filled is necessary to be consistent.

Q. What is Staff's recommendation?

A. Staff recommends decreasing expenses associated with vehicles for Pinal Valley by $18,154 as shown on Schedules BAB-11 and BAB-14a.

Operating Income Adjustment No. 4 – Life Insurance

Q. Did AWC propose an adjustment to life insurance expense?

A. Yes. As part of proposed adjustment IS-9, as shown on Schedule C-2 Appendix, page 16 of 38, the Company proposes an adjustment to insurance expense which includes the cost of life insurance.

Q. Does Staff accept the Company's life insurance adjustment?

A. No. Staff reviewed the Company's proposed insurance adjustment and found an error in the pro forma calculation in the class 1 volumes which resulted in a doubling of the life insurance expense when it should not have been adjusted at all. In DR BAB 4.10, Staff requested the 2015 life insurance invoices which verified the error and supported that an adjustment should not have been made.

Q. What is Staff's recommendation?

A. Staff recommends declining the life insurance portion of the insurance adjustment, which results in a decrease of administrative & general expenses for Pinal Valley of $16,013 as shown on Schedules BAB-11 and BAB-14b.

Operating Income Adjustment No. 5 – Rate Case Expense

Q. How much does the Company propose to recover in rate case expenses?

A. The Company proposes to collect $486,274 in rate cases expenses for the Western Group in this filing, allocated between the three service areas and normalized over three years, as shown on each service area's Schedule BAB-14c.

Q. How did the Company develop its proposed level of total rate case expense?

A. AWC used cost estimates provided by their legal counsel and their cost of capital witness. These estimates were then combined with various other rate case expenses, such as costs associated with public notice, assistance with preparing their 2015 CAP usage plan, printing, etc., using the most recent Eastern Group rate case[14] expenses adjusted for inflation.

Q. Does Staff agree with the methodology that the Company used to estimate its proposed rate case expense?

A. Staff agrees with the allocation percentages and the three year normalization period, but disagrees with the total amount of rate case expense.

Q. How did Staff develop its recommended rate case expenses?

A. In response to RUCO's DR 1.20, AWC provided the actual rate case expenses for this proceeding as of September 24, 2015, and in response to Staff's DR BAB 4.9a, the Company provided the actual rate case expenses for the most recently adjudicated rate case, which was for its Northern Group[15]. Staff then determined a reasonable amount of rate case expenses using this combined information.

Q. Please identify how Staff's recommended rate case expense differs from the Company?

A. As shown on Schedule BAB-14c, lines 22-31, Staff is recommending a net reduction in rate case expenses of $151,157 which is primarily due to Staff's recommendation of $175,000 less in legal expenses, along with various other adjustments as reflected on the schedules from what the Company has proposed.

[14] Arizona Water docket W-01445A-11-0310, using a 2010 test year.
[15] Arizona Water docket W-01445A-12-0348, using a 2011 test year.

Q. What is Staff's recommendation?

A. Staff recommends a total rate case expense of $335,117, which is $151,157 less than the Company's proposed rate case expense of $486,274, to be normalized over a three year period and allocated using the Company's proposed allocation rates. Staff's recommended rate case expense results in an adjustment from $142,049 to $97,894 or a decrease of $44,156 for Pinal Valley as shown on Schedules BAB-11 and BAB-14c.

Operating Income Adjustment No. 6 – Depreciation Expense

Q. What is AWC proposing for depreciation expense for the Pinal Valley Service Area?

A. The Company is proposing depreciation expenses of $3,963,576 for Pinal Valley as shown on Schedule C-2 Appendix page 27.

Q. What adjustment did Staff make to depreciation expense?

A. Staff adjusted depreciation expense to reflect Staff's calculation of depreciation expense using Staff's recommended depreciation rates, plant balances, and CIAC balances.

Q. What is Staff's recommendation?

A. Staff recommends decreasing depreciation expense by $305,199, from $3,963,576 to $3,658,377 for Pinal Valley as shown on Schedules BAB-10 and BAB-15.

Operating Income Adjustment No. 7 – Income Tax Expense

Q. What is AWC proposing for test year income tax expense for Pinal Valley?

A. The Company is proposing federal income taxes of $143,745 and state income taxes of $24,465 for Pinal Valley as shown on Schedule C-2 Appendix page 37.

Q. Did Staff make any adjustments to test year income tax expense?

A. Yes. Staff's adjustment reflects Staff's calculation of the income tax expense based upon Staff's adjusted test year taxable income.

Q. What is Staff's recommendation?

A. Staff recommends increasing federal income tax expense by $232,155 and state income tax expense by $39,881 for Pinal Valley as shown on Schedules BAB-10 and BAB-16.

Operating Income Adjustment No. 8 – Property Tax Expense

Q. What is AWC proposing for test year property tax expense for Pinal Valley?

A. The Company is proposing property tax expenses of $969,214 for Pinal Valley as shown on Schedule C-2 Appendix page 34.

Q. Did Staff make any adjustments to test year income tax expense?

A. Yes. Staff's adjustment reflects Staff's calculation of the property tax expense based upon Staff's adjusted test year revenues.

Q. What is Staff's recommendation?

A. Staff recommends increasing property tax expense by $129 for Pinal Valley as shown on Schedules BAB-10 and BAB-17. This is a small adjustment but capturing this adjustment is necessary to synchronize property tax expense with Staff's other adjustments.

White Tank Operating Income Summary

Q. What are the results of Staff's analysis of test year revenues, expenses and operating income?

A. As shown on Schedules BAB-10 and BAB-11, Staff's analysis resulted in adjusted test year revenues of $2,321,542, expenses of $2,110,820 and an operating income of $210,722 for White Tank.

Operating Income Adjustment No. 1 – Weather Normalization and Declining Usage

Q. What pro forma adjustment is the Company proposing regarding test year revenues and expenses?

A. The Company's witness, claims that weather conditions in the test year were slightly wetter and cooler than normal, resulting in lower residential usage than usual for the White Tank Service Area. Therefore the Company proposes that a pro-forma adjustment is necessary to reflect more normal revenues and expenses related to weather patterns.

Q. Has AWC proposed a weather normalization adjustment to revenues in prior filings?

A. Yes. In the most recent rate case for the Northern Group[16] the Company proposed a weather normalization adjustment to revenues.

Q. Was the Company's weather normalization adjustment request approved in that case?

A. No. Per Decision No. 74081[17] in the Commission approved settlement agreement the Company's weather normalization adjustment was reversed and in its place the parties agreed to a 5 percent downward adjustment to the billing determinants to reflect declines in customer usage that continued post-test year.

[16] Docket Number W-01445A-12-0348
[17] Dated September 23, 2013

Q. Do water companies usually request weather normalization adjustments?

A. No. Staff is not aware of any recent rate case in which a weather normalization adjustment to revenues was proposed for a water company outside of the Company's most recent Northern Group rate case, as discussed.

Q. Please describe the methodology employed by the Company for its proposed Weather Normalization and Declining Usage adjustment?

A. The Company performed a regression analysis, where a base 10 logarithm of sales per customer was used as the dependent variable and the Palmer Drought Severity Index ("PDSI"), and coded monthly indicators to represent the twelve months of the year were used as independent variables. The Company attempted to use the regression models to quantify the estimated effects of weather and rate increases over time on use per customer. The estimated effects were then used by the Company to calculate its proposed weather normalization and declining usage adjustment.

Q. What is Staff's major concern with the use of statistics to justify revenue and expense pro-forma adjustments?

A. That the results can vary significantly simply by such steps as re-running statistical models using different time periods, or identifying and using different variables to achieve the desired outcome. Staff does not believe that weather normalization analysis results are truly linear so results will change if the analysis timeframe is changed.

Q. Does Staff believe that a weatherization and usage adjustment is necessary in this filing?

A. Staff believes that given the unpredictable nature of the weather, making an additional normalization adjustment to test year revenues to reflect a continuation post-test year of

anticipated weather patterns based on five years of historical data is not reasonable. However, Staff recommends adoption of a declining usage adjustment on the basis that average usage continued to decline post-test year. As a post-test year event, this adjustment is based on a known and measurable change to test year activity.

Q. What are the results of Staff's analysis of declining usage for the White Tank Service Area?

A. The Company's proposed weather normalization and declining usage adjustment for White Tank residential customers is -3.46 percent, as reflected in the adjustments shown on Schedule C-2 Appendix page 10. Staff has calculated a declining usage rate of -2.44 percent which includes nine months (January through September of 2015) of post-test year consumption for the residential customer class, using data provided to Staff in response to DR BAB 2.12c. Staff recommends an adjustment which would increase the residential customer class revenues by $10,551 and increases source of supply expenses by $162; pumping expenses by $3,662; and water treatment expenses by $1,757 as shown on Schedules BAB-11 and BAB-12.

Q. Staff's recommended adjustments are only for the residential customer class. Did Staff analyze the other customer classes?

A. Yes. In Staff DR BAB 4.3 the Company provided the customer counts and sales information for all other customer classes. Staff analyzed this information and found that the average usage for the other customer classes fluctuated widely from year to year, with increases in some years and decreases in other years and overall did not show a downward trend in average usage. For example, the commercial class saw a 16.97 percent increase from 2010 to 2011, an additional increase of 9.69 percent from 2011 to 2012, then a decrease of 8.48 percent between 2012 and 2013 before seeing an increase of 15.93 percent between 2013 and

2014. Based on this analysis, Staff determined that the data did not support making a declining usage adjustment for any other customer class other than residential.

Q. What is Staff's recommendation?

A. Staff recommends denial of the Company's proposed weather normalization and declining usage pro-forma adjustment and implementing instead a declining usage adjustment which would increase revenue for White Tank by $10,551; and increase expenses by a total of $5,581.

Operating Income Adjustment No. 2 – Salaries and Wages

Q. What adjustment to salaries and wages is the Company proposing?

A. The Company is proposing to capture an increase to salary and wage expense to account for a three percent pay increase across all positions from 2015 to 2016, and the Company included costs for six vacant positions that were expected to be filled post-test year, as shown on Schedules C-1, page 2; C-2 page 7; and C-2 Appendix page 12.

Q. Does Staff agree with the three percent increase to pay?

A. No. In Staff DR BAB 4.5c, the Company provided the actual percentage increases since 2010 (the test year in the last rate case). Based on the information provided, Staff has calculated and applied an average increase of 1.6 percent.

Q. What about the vacant test year positions?

A. In addition, per the Company's response to Staff's DR BAB 4.5b, only two of the six vacant positions were actually filled by the Company as of December 31, 2015. The Company stated that they hired five employees to fill newly created positions that did not serve test year

customers. Therefore, Staff recommends only including the two employees that were hired to serve test year customers.

Q. Did Staff make any other adjustments to salaries and wages?

A. Yes. One of the five new hires to fill a position created post-test year identified in the Company's response to Staff's DR BAB 4.5b, was included in the salaries and wages pro forma adjustment. Therefore, Staff made an adjustment to remove the salary for this position because the position did not provide service to test year customers.

Q. What is Staff's recommendation?

A. Staff recommends decreasing salaries and wages for White Tank by $89,282 as shown on Schedules BAB-11 and BAB-13.

Operating Income Adjustment No. 3 – Vehicles

Q. What adjustment for vehicle expenses is the Company proposing?

A. The Company is proposing to increase expenses for the increased cost to operate its vehicles along with the costs of six additional vehicles associated with the vacant test year positions that were expected to be filled post-test year, by a total of $11,874 for White Tank as shown on Schedules C-1, page 2; C-2 page 8; and C-2 Appendix page 23.

Q. Does Staff agree with the Company's proposed increases for vehicles for White Tank?

A. No. Similar to the salaries and wages adjustment recommended by Staff, based on the information provided by the Company in Staff DR BAB 4.5c, Staff believes that a similar adjustment for the vehicles that would be associated with the four positions that were not filled is necessary to be consistent.

Q. What is Staff's recommendation?

A. Staff recommends decreasing expenses associated with vehicles for White Tank by $5,899 as shown on Schedules BAB-11 and BAB-14a.

Operating Income Adjustment No. 4 – Life Insurance

Q. Did AWC propose an adjustment to life insurance expense?

A. Yes. As part of proposed adjustment IS-9, as shown on Schedule C-2 Appendix, page 16 of 38, the Company proposes an adjustment to insurance expense which includes the cost of life insurance.

Q. Does Staff accept the Company's life insurance adjustment?

A. No. Staff reviewed the Company's proposed insurance adjustment and found an error in the pro forma calculation in the class 1 volumes which resulted in a doubling of the life insurance expense when it should not have been adjusted at all. In DR BAB 4.10, Staff requested the 2015 life insurance invoices which verified the error and supported that an adjustment should not have been made.

Q. What is Staff's recommendation?

A. Staff recommends declining the life insurance portion of the insurance adjustment, which results in a decrease of administrative & general expenses for White Tank of $1,237 as shown on Schedules BAB-11 and BAB-14b.

Operating Income Adjustment No. 5 – Rate Case Expense

Q. How much does the Company propose to recover in rate case expenses?

A. The Company proposes to collect $486,274 in rate cases expenses for the Western Group in this filing, allocated between the three service areas and normalized over three years, as shown on each service area's Schedule BAB-14c.

Q. How did the Company develop its proposed level of total rate case expense?

A. AWC used cost estimates provided by their legal counsel and their cost of capital witness. These estimates were then combined with various other rate case expenses, such as costs associated with public notice, assistance with preparing their 2015 CAP usage plan, printing, etc., using the most recent Eastern Group rate case[18] expenses adjusted for inflation.

Q. Does Staff agree with the methodology that the Company used to estimate its proposed rate case expense?

A. Staff agrees with the allocation percentages and the three year normalization period, but disagrees with the total amount of rate case expense.

Q. How did Staff develop its recommended rate case expenses?

A. In response to RUCO's DR 1.20, AWC provided the actual rate case expenses for this proceeding as of September 24, 2015, and in response to Staff's DR BAB 4.9a, the Company provided the actual rate case expenses for the most recently adjudicated rate case, which was for its Northern Group[19]. Staff then determined a reasonable amount of rate case expenses using this combined information.

[18] Arizona Water docket W-01445A-11-0310, using a 2010 test year.
[19] Arizona Water docket W-01445A-12-0348, using a 2011 test year.

Q. Please identify how Staff's recommended rate case expense differs from the Company?

A. As shown on Schedule BAB-14c, lines 22-31, Staff is recommending a net reduction in rate case expenses of $151,157 which is primarily due to Staff's recommendation of $175,000 less in legal expenses, along with various other adjustments as reflected on the schedules from what the Company has proposed.

Q. What is Staff's recommendation?

A. Staff recommends a total rate case expense of $335,117, which is $151,157 less than the Company's proposed rate case expense of $486,274, to be normalized over a three year period and allocated using the Company's proposed allocation rates. Staff's recommended rate case expense results in an adjustment from $16,959 to $11,687 or a decrease of $5,272 for White Tank as shown on Schedules BAB-11 and BAB-14c.

Operating Income Adjustment No. 6 – Depreciation Expense

Q. What is AWC proposing for depreciation expense for the White Tank Service Area?

A. The Company is proposing a depreciation expense of $788,523 for White Tank as shown on Schedule C-2 Appendix page 28.

Q. What adjustment did Staff make to depreciation expense?

A. Staff adjusted depreciation expense to reflect Staff's calculation of depreciation expense using Staff's recommended depreciation rates, plant balances, and CIAC balances.

Q. What is Staff's recommendation?

A. Staff recommends decreasing depreciation expense by $34,678 for White Tank as shown on Schedules BAB-10 and BAB-15.

Operating Income Adjustment No. 7 – Income Tax Expense

Q. What is AWC proposing for test year income tax expense for White Tank?

A. The Company is proposing federal income taxes of negative $25,101 and state income taxes of negative $4,272 for White Tank as shown on Schedule C-2 Appendix page 37.

Q. Did Staff make any adjustments to test year income tax expense?

A. Yes. Staff's adjustment reflects Staff's calculation of the income tax expense based upon Staff's adjusted test year taxable income.

Q. What is Staff's recommendation?

A. Staff recommends increasing federal income tax expense by $35,392 and state income tax expense by $7,832 for White Tank as shown on Schedules BAB-10 and BAB-16.

Operating Income Adjustment No. 8 – Property Tax Expense

Q. What is AWC proposing for test year property tax expense?

A. The Company is proposing property tax expenses of $109,635 for White Tank as shown on Schedule C-2 Appendix page 34.

Q. Did Staff make any adjustments to test year income tax expense?

A. Yes. Staff's adjustment reflects Staff's calculation of the property tax expense based upon Staff's adjusted test year revenues.

Q. What is Staff's recommendation?

A. Staff recommends increasing property tax expense by $518 for White Tank as shown on Schedules BAB-10 and BAB-17. This is a small adjustment but capturing this adjustment is necessary to synchronize property tax expense with Staff's other adjustments.

Ajo Operating Income Summary

Q. What are the results of Staff's analysis of test year revenues, expenses and operating income?

A. As shown on Schedules BAB-10 and BAB-11 Staff's analysis resulted in adjusted test year revenues of $440,253, expenses of $407,570 and an operating income of $32,684 for Ajo.

Operating Income Adjustment No. 1 – Weather Normalization and Declining Usage

Q. What pro forma adjustment is the Company proposing regarding test year revenues and expenses?

A. The Company's witness, claims that weather conditions in the test year were drier and hotter than normal, resulting in higher residential usage than usual for the Ajo Service Area. Therefore the Company proposes that a pro-forma adjustment is necessary to reflect more normal revenues and expenses related to weather patterns.

Q. Has AWC proposed a weather normalization adjustment to revenues in prior filings?

A. Yes. In the most recent rate case for the Northern Group[20] the Company proposed a weather normalization adjustment to revenues.

Q. Was the Company's weather normalization adjustment request approved in that case?

A. No. Per Decision No. 74081[21] in the Commission approved settlement agreement the Company's weather normalization adjustment was reversed and in its place the parties agreed to a 5 percent downward adjustment to the billing determinants to reflect declines in customer usage that continued post-test year.

[20] Docket Number W-01445A-12-0348
[21] Dated September 23, 2013

Q. Do water companies usually request weather normalization adjustments?

A. No. Staff is not aware of any recent rate case in which a weather normalization adjustment to revenues was proposed for a water company outside of the Company's most recent Northern Group rate case, as discussed.

Q. Please describe the methodology employed by the Company for its proposed Weather Normalization and Declining Usage adjustment?

A. The Company performed a regression analysis, where a base 10 logarithm of sales per customer was used as the dependent variable and the Palmer Drought Severity Index ("PDSI"), and coded monthly indicators to represent the twelve months of the year were used as independent variables. The Company attempted to use the regression models to quantify the estimated effects of weather and rate increases over time on use per customer. The estimated effects were then used by the Company to calculate its proposed weather normalization and declining usage adjustment.

Q. What is Staff's major concern with the use of statistics to justify revenue and expense pro-forma adjustments?

A. The results can vary significantly simply by such steps as re-running statistical models using different time periods, or identifying and using different variables to achieve the desired outcome. Staff does not believe that weather normalization analysis results are truly linear so results will change if the analysis timeframe is changed.

Q. Does Staff believe that a weatherization and usage adjustment is necessary in this filing?

A. Staff believes that given the unpredictable nature of the weather, making an additional normalization adjustment to test year revenues to reflect a continuation post-test year of

anticipated weather patterns based on five years of historical data is not reasonable. However, Staff recommends adoption of a declining usage adjustment on the basis that average usage continued to decline post-test year. As a post-test year event, this adjustment is based on a known and measurable change to test year activity.

Q. What are the results of Staff's analysis of declining usage for the Ajo Service Area?

A. The Company's proposed weather normalization and declining usage adjustment for Ajo residential customers is -5.44 percent, as reflected in the adjustments shown on Schedule C-2 Appendix page 11. Staff has calculated a declining usage rate of -3.76 percent which includes nine months (January through September of 2015) of post-test year consumption for the residential customer class, using data provided to Staff in response to DR BAB2.12c. Staff recommends an adjustment that would increase the residential customer class revenues by $2,365 and increases source of supply expenses by $1,416; pumping expenses by $250; and water treatment expenses by $283 as shown on Schedules BAB-11 and BAB-12.

Q. Staff's recommended adjustments are only for the residential customer class. Did Staff analyze the other customer classes?

A. Yes. In Staff DR BAB 4.3 the Company provided the customer counts and sales information for all other customer classes. Staff analyzed this information and found that the average usage for the other customer classes fluctuated widely from year to year, with increases in some years and decreases in other years and overall did not show a downward trend in average usage. For example, the commercial class saw a 9.27 percent increase from 2010 to 2011, an increase of 2.69 percent from 2011 to 2012, then decreases of 4.02 and 5.46 percent between 2012, 2013, and 2014. Based on this analysis, Staff determined that the data did not support making a declining usage adjustment for any other customer class other than residential.

Q. What is Staff's recommendation?

A. Staff recommends denial of the Company's proposed weather normalization and declining usage pro-forma adjustment and implementing instead a declining usage adjustment which would increase revenue by $2,365; and increase expenses by a total of $1,950.

Operating Income Adjustment No. 2 – Salaries and Wages

Q. What adjustment to salaries and wages is the Company proposing?

A. The Company is proposing to capture an increase to salary and wage expense to account for a three percent pay increase across all positions from 2015 to 2016, and the Company included costs for six vacant positions that were expected to be filled post-test year, as shown on Schedules C-1, page 3; C-2 page 10; and C-2 Appendix page 12.

Q. Does Staff agree with the three percent increase to pay?

A. No. In Staff DR BAB 4.5c, the Company provided the actual percentage increases since 2010 (the test year in the last rate case). Based on the information provided, Staff has calculated and applied an average increase of 1.6 percent.

Q. What about the vacant test year positions?

A. In addition, per the Company's response to Staff's DR BAB 4.5b, only two of the six vacant positions were actually filled by the Company as of December 31, 2015. The Company stated that they hired five employees to fill newly created positions that did not serve test year customers. Therefore, Staff recommends only including the two employees that were hired to serve test year customers.

Q. Did Staff make any other adjustments to salaries and wages?

A. Yes. One of the five new hires to fill a position created post-test year identified in the Company's response to Staff's DR BAB 4.5b, was included in the salaries and wages pro forma adjustment. Therefore, Staff made an adjustment to remove the salary for this position because the position did not provide service to test year customers.

Q. What is Staff's recommendation?

A. Staff recommends decreasing salaries and wages for Ajo by $2,179 as shown on Schedules BAB-11 and BAB-13.

Operating Income Adjustment No. 4 – Life Insurance

Q. Did AWC propose an adjustment to life insurance expense?

A. Yes. As part of proposed adjustment IS-9, as shown on Schedule C-2 Appendix, page 16 of 38, the Company proposes an adjustment to insurance expense which includes the cost of life insurance.

Q. Does Staff accept the Company's life insurance adjustment?

A. No. Staff reviewed the Company's proposed insurance adjustment and found an error in the pro forma calculation in the class 1 volumes which resulted in a doubling of the life insurance expense when it should not have been adjusted at all. In DR BAB 4.10, Staff requested the 2015 life insurance invoices which verified the error and supported that an adjustment should not have been made.

Q. What is Staff's recommendation?

A. Staff recommends declining the life insurance portion of the insurance adjustment, which results in a decrease of administrative & general expenses for Ajo of $447 as shown Schedules BAB-11 and BAB-14b.

Operating Income Adjustment No. 5 – Rate Case Expense

Q. How much does the Company propose to recover in rate case expenses?

A. The Company proposes to collect $486,274 in rate cases expenses for the Western Group in this filing, allocated between the three service areas and normalized over three years, as shown on each service area's Schedule BAB-14c.

Q. How did the Company develop its proposed level of total rate case expense?

A. AWC used cost estimates provided by their legal counsel and their cost of capital witness. These estimates were then combined with various other rate case expenses, such as costs associated with public notice, assistance with preparing their 2015 CAP usage plan, printing, etc., using the most recent Eastern Group rate case[22] expenses adjusted for inflation.

Q. Does Staff agree with the methodology that the Company used to estimate its proposed rate case expense?

A. Staff agrees with the allocation percentages and the three year normalization period, but disagrees with the total amount of rate case expense.

Q. How did Staff develop its recommended rate case expenses?

A. In response to RUCO's DR 1.20, AWC provided the actual rate case expenses for this proceeding as of September 24, 2015, and in response to Staff's DR BAB 4.9a, the Company

[22] Arizona Water docket W-01445A-11-0310, using a 2010 test year.

provided the actual rate case expenses for the most recently adjudicated rate case, which was for its Northern Group[23]. Staff then determined a reasonable amount of rate case expenses using this combined information.

Q. Please identify how Staff's recommended rate case expense differs from the Company?

A. As shown on Schedule BAB-14c, lines 22-31, Staff is recommending a net reduction in rate case expenses of $151,157 which is primarily due to Staff's recommendation of $175,000 less in legal expenses, along with various other adjustments as reflected on the schedules from what the Company has proposed.

Q. What is Staff's recommendation?

A. Staff recommends a total rate case expense of $335,117, which is $151,157 less than the Company's proposed rate case expense of $486,274, to be normalized over a three year period and allocated using the Company's proposed allocation rates. Staff's recommended rate case expense results in an adjustment from $3,083 to $2,125 or a decrease of $958 for Ajo as shown on Schedules BAB-11 and BAB-14c.

Operating Income Adjustment No. 6 – Depreciation Expense

Q. What is AWC proposing for depreciation expense for the Ajo Service Area?

A. The Company is proposing depreciation expenses of $66,337 for Ajo as shown on Schedule C-2 Appendix page 29.

[23] Arizona Water docket W-01445A-12-0348, using a 2011 test year.

Q. What adjustment did Staff make to depreciation expense?

A. Staff adjusted depreciation expense to reflect Staff's calculation of depreciation expense using Staff's recommended depreciation rates, plant balances, and CIAC balances.

Q. What is Staff's recommendation?

A. Staff recommends decreasing depreciation expense by $1,947 for Ajo as shown on Schedules BAB-10 and BAB-15.

Operating Income Adjustment No. 7 – Income Tax Expense

Q. What is AWC proposing for test year income tax expense for Ajo?

A. The Company is proposing federal income taxes of negative $975 and state income taxes of negative $166 for Ajo as shown on Schedule C-2 Appendix page 37.

Q. Did Staff make any adjustments to test year income tax expense?

A. Yes. Staff's adjustment reflects Staff's calculation of the income tax expense based upon Staff's adjusted test year taxable income.

Q. What is Staff's recommendation?

A. Staff recommends increasing federal income tax expense by $1,451 and state income tax expense by $351 for Ajo as shown on Schedules BAB-10 and BAB-16.

Operating Income Adjustment No. 8 – Property Tax Expense

Q. What is AWC proposing for test year property tax expense?

A. The Company is proposing property tax expenses of $20,086 for Ajo as shown on Schedule C-2 Appendix page 34.

Q. Did Staff make any adjustments to test year income tax expense?

A. Yes. Staff's adjustment reflects Staff's calculation of the property tax expense based upon Staff's adjusted test year revenues.

Q. What is Staff's recommendation?

A. Staff recommends increasing property tax expense by $106 for Ajo as shown on Schedules BAB-10 and BAB-17. This is a small adjustment but capturing this adjustment is necessary to synchronize property tax expense with Staff's other adjustments.

UNIFORM SYSTEM OF ACCOUNTS

Q. Is the Company using a version of the NARUC USoA for Class A water utilities to record expenses?

A. Yes.

Q. Which version of the NARUC USoA for Class A water utilities is the Company using?

A. AWC is using the version of the USoA from 1976.

Q. Is there a more current version that the Company should be using?

A. Yes. The USoA was updated most recently in 1996.

Q. Please provide an example of some differences between the 1976 and 1996 versions of the USoA.

A. A prime example that illustrates the differences between the two versions is salaries and wages. In the 1996 version, there are two account numbers, 601 and 603 that are used to record salaries and wages. In the 1976 version there are at least 50 account numbers: 600, 601, 603, 610 - 617, 620, 622, 624, 626, 630 - 633, 640, 642, 643, 650 - 652, 660 - 665, 670 -

678, 901 - 903, 905, 907, 910, 920, 930.1, 930.2, and 932 that are used at least in part to record salaries and wages. For the Western Group service areas in this filing, the Company is using 28 of these codes for the Pinal Valley Service Area ("Pinal Valley"), 27 of these codes for the White Tank Service Area ("White Tank"), and 25 of these codes for the Ajo Service Area ("Ajo").

Q. Is this the only issue related to salaries and benefits?

A. No. In addition to the much higher number of accounts that include salaries and wages, many of the 1976 accounts also include other imbedded expenses. For example, account number 611 is the "Maintenance of Structures and Improvement" account, whose description states in part that "this account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements."[24] This increases the amount of work necessary for Staff and the other parties to differentiate the salaries and wages from other expenses.

Q. What is the result of the Company using an outdated System of Accounts?

A. As demonstrated with the salaries and wages example, by using an older version of the NARUC account codes, it has increased the amount of time and resources necessary to conduct the audit for this rate case. Staff and the other parties have had to spend additional time evaluating a far larger number of account codes and unraveling and cross-referencing expenses in order to be able to analyze them in a format consistent with how other regulated utilities keep their books.

[24] Uniform System of Accounts for Class A and B Water Utilities 1976, page 111

Q. What are some other potential benefits to the Company of transitioning to the more current version of the System of Accounts?

A. In addition to simplifying the rate case analysis and processing, other added benefits to the Company include simplifying the recording and reporting of expenses. With fewer account codes it should be less burdensome to record expenses than it currently is for the Company. Also, it should take the Company less time and effort to compile and fill out the annual report. At present, the Company has to drastically modify the annual report template provided by the Commission in order to get it to work with their current coding. An additional benefit to the Commission and investors with the annual report is that it will allow for a comparison to other regulated companies in Arizona.

Q. Are there other ACC-regulated water companies that also are using the 1976 version of the USoA?

A. As far as Staff is aware Arizona Water is the only water company using the 1976 version of the USofA.

Q. Does the Company have any plans to transition to using a newer version of the USoA?

A. No. In response to Staff's DR BAB 1.17[25], the Company stated that because the ACC has never taken any action in prior rate cases, nor through rulemaking, that there are currently no plans to convert.

Q. Will there be costs associated with any transition ordered by the Commission?

A. Yes; however, as indicated in response to Staff's DR BAB 1.17, the Company stated because there are currently no plans to convert they have not evaluated potential costs, but Staff realizes that there will be costs associated with this transition.

[25] See Attachment D.

Q. What is Staff's recommendation?

A. Staff strongly recommends that the Company be required to start using the most current version of the NARUC USoA, at present the 1996 version, within 180 days of the effective date of the decision in this matter. Further, Staff recommends that any reasonable costs associated with this transition be deferred by the Company for cost recovery consideration in the next rate case. Staff would note the total cost of this conversion should be allocated across all of the AWC operating groups and service areas.

ACCUMULATED DEPRECIATION

Q. Has Staff identified any additional accounting issues?

A. Yes, in addition to the NARUC USoA version issue, the Company is also not keeping their accumulated depreciation reserve accounts in compliance with Arizona Administrative Code[26].

Q. How is the Company accounting for Accumulated Depreciation?

A. In response to Staff DR BAB 2.2[27], the Company stated that they do not maintain accumulated depreciation reserve balances by plant account. Further, in response to Residential Utility Consumer Office ("RUCO") DR 4.01[28], the Company provided clarification stating that per Decision No. 64282[29] dated December 28th, 2001, the Company was granted a waiver from the administrative code requiring them to keep accumulated depreciation reserve balances by plant account.

[26] A.A.C. R14-2-102(B)
[27] See Attachment E
[28] See Attachment F
[29] Docket W-01445A-00-0962, page 12, lines 10-16

Q. Does Staff agree with the Company's interpretation of the waiver granted in Decision No. 64282?

A. No. The Decision stated "although we are granting the Company's waiver in this case, in order to give effect to the requirements set forth in our rules we believe it is appropriate for Arizona Water to develop component depreciation rates for all 18 of its systems. Therefore, the Company should file in its next rate case application, a schedule of component depreciation rates for all of its systems."[30].

Q. Why is it important for the Company to track depreciation by component plant account?

A. As noted in response to Staff DR BAB 2.3[31], the Company stated that it "uses a group depreciation accounting methodology under which a property group is depreciated at a Commission-approved rate, based on the average service life of all property units/investment in the group." Under this depreciation methodology, it is important for the Company to track depreciation by component plant account for several reasons. First is to support that the total depreciation booked for any specific property group stops when that investment is fully recovered. Next is that in order to effectively use the group method, a Company should periodically conduct a depreciation study with the end result being that the actual useful life of each property group asset is used to adjust the depreciation rate for that group. This will ensure that the Company isn't over or under recovering its investments. Finally, tracking depreciation by each property group allows Staff and other parties during rate cases to better verify the accumulated depreciation reserve balance and that the Commission authorized depreciation rates are being used.

[30] Page 12 lines 10-13. Note, at the time of this Decision, the Company had 18 service areas, in later rate cases some of the service areas have been consolidated.
[31] See Attachment G

Q. What is Staff's recommendation?

A. Staff recommends that the Company be ordered to start maintaining accumulated depreciation reserve balances by plant property group on a going forward basis.

CENTRAL ARIZONA PROJECT TREATMENTS

Water Use Plan

Q. Did AWC file an updated CAP water use plan?

A. Yes, on August 7, 2015, the Company filed an updated CAP water use plan for its Pinal Valley and White Tank Service Areas.

Q. How does the Company's updated CAP Water Use Plan differ from the CAP Water Use Plan filed by the Company in 2006?

A. The primary difference between the two plans is that the Company has determined that it is more economical to build Underground Storage Facilities ("USF"), by which the Company would use its CAP allocations through groundwater recharge, storage and recovery as opposed to Surface Treatment Facilities. They calculate that using USF's would save rate payers in Pinal Valley $24 per month or 89 percent and the ratepayers in White Tank $33 per month or 77 percent.

Q. What is Staff's recommendation?

A. Staff recommends approval of the Company's proposed 2015 CAP Water Use Plan.

Accounting order

Q. Is the Company requesting an accounting order to address 2015 CAP Municipal and Industrial ("M&I") costs?

A. Yes, as discussed on page 27 of Mr. Reiker's testimony, the Company is seeking an accounting order that would allow the Company to defer the costs of delivering CAP water to customers in 2015.

Q. What are the specifics in the Company's request?

A. The Company incurred $715,000 in 2015 for the delivery of CAP water to general service customers. The Company received a Water Management Assistance Program grant from the Arizona Department of Water Resources that covered half or $357,500 of this expense. AWC is seeking recovery of the remaining half of their 2015 CAP expenses through an accounting order that would allow them to recover these expenses over a three year period.

Q. What is Staff's recommendation?

A. Staff recommends approving an accounting order that would allow the Company to defer $357,500 in 2015 CAP charges over a three year period or $119,167 per year.

CAP Surcharge

Q. Has the Company proposed a CAP surcharge mechanism in this case?

A. Yes. The Company proposes a CAP surcharge mechanism that would recover the difference in the cost of CAP water for recharge and recovery and the adjusted test year 2014 costs as approved in this case.

Q. Have you reviewed the Company's CAP surcharge mechanism?

A. Yes. The Company proposes the following six components be included in its CAP surcharge mechanism:

1. Prior year Under/Over Recovery
2. Estimated Payments/Expense for the Applicable Year
3. Amortization of Additional Deferred CAP M&I Charges
4. CAP Water Surcharge Revenue
5. Current Year Surcharge Calculation
6. Monthly CAP Water Surcharge per Average Residential Customer

Q. Does Staff recommend that the Estimated Payments/Expense (component 2) be included in the CAP surcharge mechanism?

A. No. While the CAP M&I delivery charges are set in advance, the total amount the Company is charged may vary depending on the actual deliveries. While the Company can plan for a certain level of usage based on their revised 2015 CAP plan, the actual amount may not be known and measurable until after the year is complete. Therefore, Staff recommends that the actual CAP M&I delivery charges be used for the water that the Company actually used.

Q. Does Staff agree with the Company's treatment of the Amortization of Additional Deferred CAP M&I Charges (component 3) which includes a return of investment plus income taxes as proposed by the Company in the CAP surcharge mechanism?

A. No. While Staff agrees that as the Company's usage of their CAP allocation increases, their recovery of the deferred CAP M&I capital charges should increase proportionally, the historic treatment of this recovery has been to amortize the recovery over 20 years. In the Company's proposed treatment, they would recover the full increased used and useful

portion, including a return on along with taxes of the deferred M&I capital charges in the year they become used and useful. Staff believes this treatment is inconsistent with how the deferred CAP M&I capital charges were treated in previous decisions and recommends that any additional deferred CAP M&I capital costs that become used and useful in between rate cases also be amortized over 20 years.

Q. What does Staff recommend related to the CAP surcharge mechanism?

A. Staff recommends:

1. Approval of the mechanism. However, the Company must file, in this Docket, a surcharge initiative request once CAP costs become known and measurable based on actual deliveries beyond what is included in base rates in this rate case.

2. That the Company recover any increased portion of the used and useful deferred CAP M&I capital charges over a 20 year period consistent with prior treatment.

3. That any continuation of CAP surcharges be reviewed in the Company's next rate case.

Off-Site Facility Fee

Q. Has the Company proposed an off-site facilities fee for the White Tank Service Area in this case?

A. Yes. The Company proposes an off-site facilities fee to help offset the costs of constructing additional plant to provide for water production, treatment, delivery, storage, and pressure facilities in the White Tank Service Area. This fee would only be applicable to new service connections in the service area. The proposed fee is $2,500 for a 5/8 x 3/4-inch metered

customer, and it increases by the American Water Works Association capacity multipliers for larger meter sizes.

Q. What is Staff's recommendation?

A. Staff concludes that the proposed off-site facilities fees are reasonable, and recommends the adoption of the specific tariff language contained in Exhibit A of the Staff engineering witness' testimony.

SYSTEM IMPROVEMENT BENEFIT ("SIB") SURCHARGE

Q. Has the Company requested a SIB Surcharge?

A. Yes, as discussed on pages 5-8 of Mr. Harris' testimony, this surcharge would allow the Company to replace aging and failing infrastructure, to maintain the integrity of its water distribution system and provide safe reliable and adequate water service.

Q. What is a SIB?

A. A SIB is a surcharge mechanism that enables the Company to implement and/or change a surcharge to recover the cost of certain items of plant between rate cases.

Q. According to the Company, what are the benefits of a SIB?

A. The Company states that a SIB will benefit customers in older service areas such as the Pinal Valley and Coolidge Airport where infrastructure is reaching the end of its useful life and larger levels of capital investment, coupled with the lag associated with the use of historic test years, will result in larger step increases in rates at the time new rates are approved by the Commission. The Company further states that, with the SIB, once reinvestments are made in qualifying infrastructure, rates would be raised gradually and in smaller steps.

Q. Has a SIB been approved in any other cases for AWC?

A. Yes, the Commission has approved a SIB mechanism for the Company's Eastern[32] and Northern[33] Groups but a recent court decision vacated the Commission's previous approval of the SIB mechanism. On August 18, 2015, the Arizona Court of Appeals concluded that the SIB mechanism does not comply with the Arizona Constitution's mandate that the Commission determine a public service corporation's fair value when setting rates[34]. The Commission stayed all approve SIB mechanisms pending the outcome of the appeal. This appeal is currently pending at the Arizona Supreme Court.

Q. What steps did Staff undertake in evaluating the Company's SIB filing approval request in this Docket?

A. The step undertaken and Staff's findings are addressed in the testimony of the Engineering Testimony sponsored by Staff witness Mr. Frank Smaila.

Q. What is Staff's recommendation?

A. Staff recommends the Commission deny the SIB filing due to a lack of project prioritization and cost schedules, the inability of the Company to complete proposed projects within a reasonable timeframe and water loss of less than 10 percent for all water systems. Details of this Staff recommendation are addressed in the testimony of Staff witness Mr. Frank Smaila. Staff recommends that this SIB approval request be denied due to uncertainties accompanying the pending Supreme Court appeal.

[32] Docket Number W-01445A-11-0310
[33] Docket Number W-01445A-12-0348
[34] Arizona Court of Appeals Case No. 1 CA-CC 13-0002

ARSENIC COST RECOVERY MECHANISM ("ACRM")

Q. Please describe the Company's history with the ACRM surcharge.

A. In November of 2000, the Company filed a rate case for its Northern Group in which the Company requested among other rate making treatments, recovery of arsenic treatment costs arising from rules established by the United States Environmental Protection Agency ("EPA") that required the maximum contaminants levels ("MCL") for arsenic in potable water be reduced from 50 parts per billion ("ppb") to 10 ppb, effective January 2006. In Decision Nos. 66400[35] for the Northern Group, 66849[36] for the Eastern Group and 68302[37] for the Western Group, the Company was authorized to request the use of the ACRM to recover the costs of adding arsenic treatment plant in between rate cases through the use of a surcharge, and this approval has been renewed in multiple cases since.

Q. Has the Company specifically asked in this Docket to be allowed to continue to request the use of the ACRM mechanism?

A. Yes.

Q. What is the reason behind the Company's request?

A. The Company stated that they continue to face significant costs to build treatment plant to meet safe drinking water standards, and that "the ACRM has proven to be an effective mechanism to facilitate recovery of federally mandated costs to construct and operate water treatment plants for the purpose of complying with safe drinking water standards.[38]"

[35] Dated October 14, 2003.
[36] Dated March 9, 2004.
[37] Dated November 14, 2005.
[38] In Mr. Garfield's testimony in Section II, starting on page 6.

Q. Does the Company have any immediate plans to add additional arsenic treatment plants?

A. Yes. In Mr. Harris' testimony, in Section II, starting on page 4, and in Mr. Schneider's testimony in Section VI, starting on page 46, the Company indicates that additional arsenic treatment plant is necessary at Well No. 34 in the Pinal Valley service area. The Company indicated that it has already started to plan and design the plant and estimates that it will cost approximately $3.4 million. The Company anticipates having this treatment plant online by December 31, 2016.

Q. Has the Company requested specific rate making consideration in this Docket for any additional arsenic treatment plant?

A. Yes. The Company included as a post-test year addition a project for arsenic treatment plant at Well No. 13 in the Pinal Valley service area. However, due to test year cut-off considerations, Staff found that this plant was not used and useful in this Docket because it was not in service by December 31, 2015, the cut-off date Staff is applying to all post-test year plant additions. This project is estimated to cost $1.5 million and similar to the treatment plant at Well No. 34 is anticipated to be placed in service by December 31, 2016.

Q. Does Staff agree that the Company has the need for arsenic treatment plant at Wells No. 13 and 34?

A. Yes. As noted in the Engineer's Report, Staff agrees that there is a need to in the near future treat the water at Well Nos. 13 and 34 in the Pinal Valley service area, for arsenic and that work is expected to be completed by the end of 2016.

Q. What is Staff's recommendation related to these two specific projects?

A. Staff recommends that the Commission continue authorization for an ACRM that preserves eligibility for an ACRM surcharge limited to only the new arsenic treatment facilities at Wells No. 13 and 34 in the Pinal Valley Service area. Whether additional project specific ACRM surcharges are granted should be reserved and subject to further review upon each application by the Company for an ACRM surcharge.

Q. What is Staff's recommendation related to any additional unspecified future projects?

A. For future projects beyond the Well Nos. 13 and 34 projects, Staff recommends that due to the length of time that has passed since the EPA changed the arsenic MCLs, the Commission put the Company on notice that any additional arsenic treatment facilities that will be required at some unidentified point in the future will be evaluated for possible inclusion in rate base through the normal rate case process.

NITRATE COST RECOVERY MECHANISM ("NCRM")

Q. Has the Company requested approval of a cost recovery mechanism that would be used to pay for the cost of Nitrate water quality compliance?

A. Yes. In Mr. Garfield's testimony in Section VI, starting on page 29, in Mr. Harris' testimony in Section IV, starting on page 8, and in Mr. Schneider's testimony in Section X, starting on page 97, the Company makes its case for approval of a NCRM.

Q. What is the reason behind the Company's request?

A. The Company stated that to meet safe drinking water standards it is necessary to build four nitrate treatment facilities in the Pinal Valley Service Area, in addition to the three facilities they have already placed in service.

Q. Does Staff agree that the Company has the need for nitrate treatment?

A. Yes. As noted in the Staff Engineer's Report, Staff agrees that there is a need to in the near future treat the water at four of the Company's Pinal Valley wells.

Q. Has the Commission approved a NCRM before?

A. No. Staff is not aware of any rate cases where the Commission has approved a NCRM.

Q. How does AWC propose the NCRM would work?

A. The Company proposes that the NRCM would work exactly like the ACRM as approved in Decision No. 66400, dated October 14, 2003. This includes a two-step process, with step-one being the recovery of the capital costs, and step-two being the recovery of specific operating expenses. There are also specific reports required to be filed that show the Company's current financial position at the time they request a step-one ACRM surcharge.[39]

Q. Has there been a change to the nitrate standards in providing safe drinking water?

A. No.

Q. Would there be such an extreme financial hardship for the four facilities planned in the Pinal Valley Service Area?

A. No. The Company's engineers estimate that it will cost $26 million to construct these four facilities.[40] As shown on Pinal Valley Schedule BAB-3 the total Staff adjusted plant in service is $125 million and the total rate base is $57.8 million.

[39] Decision No. 66400, page 14, lines 9-16.
[40] Direct Testimony of Mr. Joe Harris, page 9 lines 4-5.

Q. What is Staff's recommendation?

A. Staff recommends that the Commission deny the Company's request for an NCRM. While Staff agrees that the Company needs treatment facilities to address this compliance issue, it can be handled like it is being handled for the facilities already placed in service by the Company, and that is through recognition of nitrate treatment investments in rate base during the normal rate case process.

PURCHASED POWER ADJUSTMENT MECHANISM ("PPAM")

Q. Has the Company requested a PPAM?

A. Yes.

Q. What is a PPAM?

A. A PPAM is a mechanism that allows the Company to pass through increases or decreases in power expenses to customers without coming in for a full rate case. By definition, adjustor mechanisms are for expenses that routinely fluctuate widely. In AWC's case, purchased power expenses have not fluctuated drastically. Power costs for electric utility companies such as Arizona Public Service that buy electricity on a daily basis will usually see wide fluctuations in buying its power. By comparison, water utilities power expenses are much less volatile.

Q. What reasons did AWC give for justifying a PPAM?

A. The Company stated in Mr. Reiker's testimony (page 48, line 8) "*.....electric power has become increasingly volatile in recent years, particularly as a result of the number of surcharges and adjustor mechanisms authorized for and used by the Company's electric providers.*" Further, the Company stated that the Commission had previously approved a PPAM for AWC that was deactivated in

Decision No. 71845. They propose to update their AM-253 tariff which defines how the PPAM would function.

Q. Did Staff analyze the Company's purchased power expense?

A. Yes. Staff reviewed the purchased power invoices/statements provided by the Company as part of their application and the additional information provided by the Company in response to Staff DR BAB 4.6. Based on this review and a review of the electricity adjustor mechanisms listed in the Company's testimony, Staff's agrees with the Company that purchased power has been and is likely to be volatile.

Q. What is Staff's recommendation?

A. Staff recommends approval of the Company's proposed PPAM with the following conditions:

(1) AWC is allowed to pass through to its customers the increase or decrease in purchased power costs that result from a rate change from any regulated electric service provider supplying retail service to AWC.

(2) Within 90 days of the Decision for this rate filing, AWC must file a Plan of Administration ("POA") for the PPAM for Commission approval.

(3) AWC will only recover increases or refund decreases that are due to changes in purchased power rates.

Q. Does this conclude Staff's direct testimony?

A. Yes, it does.

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DIRECT TESTIMONY OF BRITON BAXTER

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Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield) Schedule BAB-1
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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Adjusted Rate Base	$61,344,294	$57,867,309
2	Adjusted Operating Income (Loss)	$2,215,361	$2,558,296
3	Current Rate of Return (L2 / L1)	3.61%	4.42%
4	Required Rate of Return	8.93%	8.02%
5	Required Operating Income (L4 * L1)	$5,478,045	$4,640,958
6	Operating Income Deficiency (L5 - L2)	$3,262,684	$2,082,662
7	Gross Revenue Conversion Factor	1.6403	1.6319
8	Required Revenue Increase (L7 * L6)	$5,351,781	$3,398,668
9	Adjusted Test Year Revenue	$18,467,889	$18,467,889
10	Proposed Annual Revenue (L8 + L9)	$23,819,670	$21,866,557
11	Required Increase in Revenue (%)	28.98%	18.40%

References:
Column [A]: Company Schedule B-1
Column [B]: Staff Schedules BAB-2, BAB-4, BAB-10, BAB-11 and David Parcell Testimony

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield) Schedule BAB-2
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GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	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 Tax Rate (L17) + Property Tax Factor (L22)	38.7212%		
5	Subtotal (L3 - L4)	61.2788%		
6	**Revenue Conversion Factor (L1 / L5)**	1.6319		
	Calculation of Uncollectible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	37.6300%		
9	One Minus Combined Income Tax Rate (L7 - L8)	62.3700%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0		
	Calculation of Effective Tax Rate:			
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)	34.0000%		
16	Effective Federal Income Tax Rate (L14 * L15)	32.1300%		
17	Combined Federal and State Income Tax Rate (L13 + L16)	37.6300%		
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Tax Rate (L17)	37.6300%		
20	One Minus Combined Income Tax Rate (L18 - L19)	62.3700%		
21	Property Tax Factor (BAB-17, L24)	1.7496%		
22	Effective Property Tax Factor (L21 * L22)	0.010912255		
23	Combined Federal and State Tax and Property Tax Rate (L17 + L22)		38.7212%	
24	Required Operating Income (Schedule BAB-1, L5)	$4,640,958		
25	Adjusted Test Year Operating Income (Loss) (Schedule BAB-10, L28)	2,558,296		
26	Required Increase in Operating Income (L24 - L25)		$2,082,662	
27	Income Taxes on Recommended Revenue (Col. [D], L52)	$1,696,790		
28	Income Taxes on Test Year Revenue (Col. [B], L52)	440,247		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$1,256,543	
30	Recommended Revenue Requirement (Schedule BAB-1, L10)	$21,866,557		
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 (BAB-17, L19)	$1,028,806		
36	Property Tax on Test Year Revenue (BAB-17, L20)	969,343		
37	Increase in Property Tax Due to Increase in Revenue (BAB-17, L21)		$59,463	
38	Total Required Increase in Revenue (L26 + L30 + L34 + L37)		$3,398,668	

	Calculation of Income Tax:	Test Year	STAFF Recommended
39	Revenue (Schedule BAB-10, Col.[C], L8 & Sch. BAB-1, Col. [B], L10)	$18,467,889	$21,866,557
40	Operating Expenses Excluding Income Taxes	15,469,346	15,528,809
41	Synchronized Interest (L47)	1,828,607	1,828,607
42	Arizona Taxable Income (L36 - L37 - L38)	$1,169,936	$4,509,141
43	Arizona State Income Tax Rate	5.5000%	5.5000%
44	Arizona Income Tax (L39 * L40)	$64,346	$248,003
45	Federal Taxable Income (L33 - L35)	1,105,590	4,261,138
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	7,500	7,500
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	6,250	6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	8,500	8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	91,650	91,650
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	262,000	1,334,887
51	Total Federal Income Tax	375,900	1,448,787
52	Combined Federal and State Income Tax (L35 + L42)	$440,247	$1,696,790
53	Applicable Federal Income Tax Rate (Col. [D], L42 - Col. [B], L42] / [Col. [C], L36 - Col. [A], L36)		34.00%
	Calculation of Interest Synchronization:		
54	Rate Base (Schedule BAB-3, Col. [C], L28)	$57,867,309	
55	Weighted Average Cost of Debt	3.16%	
56	Synchronized Interest (L45 * L46)	$1,828,607	

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield) Schedule BAB-3
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RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	REF	[C] STAFF AS ADJUSTED
1	Plant in Service	$172,895,727	($3,208,287)	1	$169,687,440
2	Less: Accumulated Depreciation	44,260,678	0		44,260,678
3	Net Plant in Service	$128,635,049	($3,208,287)		$125,426,762
4					
5	*LESS:*				
6					
7	Net Contribution in Aid-of Construction (CIAC)	$24,300,021	$0		$24,300,021
8					
9	Advances in Aid of Construction (AIAC)	36,540,428	0		36,540,428
10					
11	Customer Deposits	422,585	0		422,585
12					
13	Deferred Income Tax Credits	12,343,427	0		12,343,427
14					
15	Total Deductions	$73,606,461	$0		$73,606,461
16					
17	*ADD:*				
18	Unamortized Finance Charges	$0	$0		$0
19					
20	Deferred Tax Assets	0	0		0
21					
22	Allowance for Working Capital	1,561,902	(268,698)	2	1,293,204
23					
24	Net Regulatory Asset / (Liability)	4,753,804	0		4,753,804
25					
26	Total Additions	$6,315,706	($268,698)		$6,047,008
27					
28	**Original Cost Rate Base**	**$61,344,294**	**($3,476,985)**		**$57,867,309**

References:
Column [A]: Company Schedule B-1
Column [B]: Schedule BAB-4
Column [C]: Column [A] + Column [B]

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield)
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Schedule BAB-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Post Test Year ADJ No. 1 Ref: Sch BAB-5	[C] Allowance for Working Capital ADJ No. 2 Ref: Sch BAB-6	[D] STAFF ADJUSTED
		PLANT IN SERVICE:				
1	301	Organization Costs	$216	$0	$0	$216
2	302	Franchise Costs	82,969	0	0	82,969
3	303	Other Intangibles	1,906,112	0	0	1,906,112
4	310.1	Water Rights	366,071	0	0	366,071
5	310.3	Other Source of Supply Land	298,575	0	0	298,575
6	310.4	Wells - Other	0	0	0	0
7	314	Wells	6,982,428	0	0	6,982,428
8	320	Pumping Plant Land	31,897	0	0	31,897
9	321	Pumping Plant Structures & Improvements	366,670	(83,072)	0	283,598
10	325	Electric Pumping Equipment	16,229,982	(588,262)	0	15,641,720
11	328	Gas Engine Equipment	20,026	0	0	20,026
12	330	Water Treatment Plant - Land	680,718	0	0	680,718
13	331	Water Treatment Structures and Improvements	1,898,025	0	0	1,898,025
14	332	Water Treatment Equipment	11,483,233	(1,525,225)	0	9,958,008
15	340	Transmission and Distribution - Land	1,653,038	0	0	1,653,038
16	341	Transmission and Distribution - Structures	1,333	0	0	1,333
17	342	Storage Tanks	4,515,209	4,340	0	4,519,549
18	343	Transmission and Distribution Mains	77,682,294	(215,706)	0	77,466,588
19	344	Fire Sprinkler Taps	2,775,607	0	0	2,775,607
20	345	Services	25,122,555	(187,301)	0	24,935,254
21	346	Meters	3,922,237	(530,000)	0	3,392,237
22	348	Hydrants	9,647,072	(20,000)	0	9,627,072
23	389	General Plant Land	8,772	0	0	8,772
24	390	General Plan Structures	513,967	0	0	513,967
25	390.1	Leasehold Improvements	582,132	(10,283)	0	571,849
26	391	Office Furniture & Equipment	2,227,891	(12,584)	0	2,215,307
27	393	Warehouse Equipment	26,750	0	0	26,750
28	394	Tools, Shops, and Garage Equipment	532,770	(12,000)	0	520,770
29	395	Laboratory Equipment	107,876	0	0	107,876
30	396	Power Operated Equipment	103,403	0	0	103,403
31	397	Communications Equipment	2,912,697	(28,195)	0	2,884,502
32	398	Miscellaneous Equipment	213,202	0	0	213,202
33						
34						
35		Gross Utility Plant in Service	$172,895,727	($3,208,287)	$0	$169,687,440
36		Less: Accumulated Depreciation	44,260,678	0	0	44,260,678
37		Net Utility Plant in Service (L29 - L30)	$128,635,049	($3,208,287)	$0	$125,426,762
38						
39		*DEDUCTIONS*				
40		Contributions in Aid of Construction (CIAC)	$29,481,326	$0	$0	$29,481,326
41		Less: Accumulated Amortization	5,181,305	0	0	5,181,305
42		Net CIAC (L32 - L33)	$24,300,021	$0	$0	$24,300,021
43		Advances in Aid of Construction (AIAC)	36,540,428	0	0	36,540,428
44		Customer Meter Deposits	422,585	0	0	422,585
45		Deferred Income Tax Credits	12,343,427	0	0	12,343,427
46		Total Deductions	$73,606,461	$0	$0	$73,606,461
47						
48		*ADDITIONS:*				
49		Unamortized Finance Charges	$0	$0	$0	$0
50		Deferred Tax Assets	0	0	0	0
51		Allowance for Working Capital	1,561,902	0	(268,698)	1,293,204
52		Net Regulatory Asset / (Liability)	4,753,804	0	0	4,753,804
53		Total Additions	$6,315,706	$0	($268,698)	$6,047,008
54						
55		**ORIGINAL COST RATE BASE**	$61,344,294	($3,208,287)	($268,698)	$57,867,309

RATE BASE ADJUSTMENT NO. 1 - POST TEST YEAR ADDITIONS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	321	Pumping Plant Structures & Improvements	$366,670	($83,072)	$283,598
2	325	Electric Pumping Equipment	16,229,982	(588,262)	15,641,720
3	332	Water Treatment Equipment	11,483,233	(1,525,225)	9,958,008
4	342	Storage Tanks	4,515,209	4,340	4,519,549
5	343	Transmission and Distribution Mains	77,682,294	(215,706)	77,466,588
6	345	Services	25,122,555	(187,301)	24,935,254
7	346	Meters	3,922,237	(530,000)	3,392,237
8	348	Hydrants	9,647,072	(20,000)	9,627,072
9	390.1	Leasehold Improvements	582,132	(10,283)	571,849
10	391	Office Furniture & Equipment	2,227,891	(12,584)	2,215,307
11	394	Tools, Shops, and Garage Equipment	532,770	(12,000)	520,770
12	397	Communications Equipment	2,912,697	(28,195)	2,884,502
13			$155,224,742	($3,208,287)	$152,016,455
14					

Adjustments based on costs as of 11/30/15

Acct. No.	Project Title	Project No.	Estimated Cost	Updated Cost	Adjustment
321	Coolidge 9 & 10 Nitrate	5299	$100,000	$16,928	($83,072)
325	Coolidge 9 and 10 BPS	5164	175,000	82,530	(92,470)
325	Cottonwood BPS & Tank	5170	1,200,000	1,267,173	67,173
325	Electrical	5173	106,065	103,598	(2,467)
325	PV 33 Pump	5251	245,552	245,968	416
325	PV Well No. 19	5296	175,000	149,382	(25,618)
325	PV Well 27	5304	175,000	6,244	(168,756)
325	Stanfield BPS	5306	43,000	42,857	(143)
325	PV Well No. 26	5358	115,000	115,775	775
325	PV Well No. 27	5359	200,000	6,554	(193,446)
325	PV Well No. 31	5362	117,000	3,272	(113,728)
332	Valley Farms	5167	1,250,000	1,309,763	59,763
332	PV Well No. 29	5260	25,000	19,275	(5,725)
332	PV 32 & 33 Nitrate	5303	174,000	173,112	(888)
332	Coolidge 9 & 10 Strainer	5307	40,000	41,625	1,625
342	Coolidge Tank	5361	70,000	74,340	4,340
343	Hwy 84 Gate Valves	5168	110,000	115,529	5,529
343	Overfield Road	5169	392,000	407,891	15,891
343	Cottonwood & Peart	5171	517,000	551,402	34,402
343	PV 33 Flush Line	5301	180,000	194,840	14,840
343	Cameron & Morrison	5329	24,000	19,402	(4,598)
343	CG Mountain	5332	300,000	191,545	(108,455)
343	2nd St & Morrison	5344	27,000	23,685	(3,315)
345	SR 87 & AZ Blvd Ashpalt	5339	62,000	57,535	(4,465)
345	Cholla St Asphalt	5341	43,000	35,165	(7,835)
				Subtotal	($610,226)

Adjustments based on costs as of 11/30/15

Acct. No.	Project Title	Project No.	Estimated Cost	Updated Cost	Allocation	Adjustment
391	Server Replacement	5326	$14,000	$20,180	0.3317	$2,050
					Subtotal	$2,050
					Total adjustment to plant based on costs	($608,176)

RATE BASE ADJUSTMENT NO. 1 - POST TEST YEAR ADDITIONS CON'T

Not Used and Useful - Pinal Valley

Acct. No.	Project Title	Project No.	Estimated Cost	Final Cost	Adjustment
325	Blanket Projects	Blankets	$60,000	$0	($60,000)
332	Coolidge Well No. 13 ARF	4806	1,500,000	0	(1,500,000)
332	Coolidge Airport	5166	80,000	0	(80,000)
343	Blanket Projects	Blankets	170,000	0	(170,000)
345	Blanket Projects	Blankets	175,000	0	(175,000)
346	Blanket Projects	0076	120,000	0	(120,000)
346	Blanket Projects	Blankets	410,000	0	(410,000)
348	Blanket Projects	Blankets	20,000	0	(20,000)
391	Blanket Projects	Blankets	8,000	0	(8,000)
394	Blanket Projects	Blankets	12,000	0	(12,000)
				Subtotal	($2,555,000)

Not Used and Useful - Phoenix Office

Acct. No.	Project Title	Project No.	Estimated Cost	3-Factor Allocation	Adjustment
390.1	Office Signs	5325	$31,000	0.3317	($10,283)
391	Company Website	5327	20,000	0.3317	(6,634)
397	Phone System	5324	85,000	0.3317	(28,195)
				Subtotal	($45,111)

Total adjustment for not used and useful plant ($2,600,111)

REFERENCES:
Column [A]: Company Schedule B-2, page 2 and B-2 Appendix pages 1-4, 7 and 11
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]

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Schedule BAB-6

RATE BASE ADJUSTMENT NO. 2 - ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED	[D] REVENUE LAG DAYS	[E] EXPENSE LAG DAYS	[F] NET LAG DAYS	[G] LEAD/LAG FACTOR	[H] WORKING CASH REQUIREMENT
1	Purchased Power	$2,071,310	$0	$2,071,310	29.50	30.87	(1.37)	(0.0038)	($7,775)
2	Payroll	3,869,443	(216,819)	3,652,624	29.50	14.00	15.50	0.0425	155,111
3	Purchased Water	715,000	0	715,000	29.50	(57.84)	87.34	0.2393	171,091
4	Chemicals	407,363	0	407,363	29.50	(18.11)	47.61	0.1304	53,136
5	Property & Liability Insurance	215,569	0	215,569	29.50	(45.27)	74.77	0.2048	44,159
6	Worker's Compensation Insurance	56,136	0	56,136	29.50	(46.50)	76.00	0.2082	11,689
7	Medical, Vision, Dental, LTD & Life Insurance	868,512	(16,013)	852,499	29.50	(8.92)	38.42	0.1053	89,734
8	Other O & M (Excluding Rate Case Expense)	1,999,287	(44,156)	1,955,131	29.50	(9.27)	38.77	0.1062	207,672
9	Federal Income Taxes	1,839,977	(391,190)	1,448,787	29.50	37.00	(7.50)	(0.0205)	(29,770)
10	State Income Taxes	313,163	(65,160)	248,003	29.50	37.00	(7.50)	(0.0205)	(5,096)
11	FICA Taxes	267,606	(1,958)	265,648	29.50	14.00	15.50	0.0425	11,281
12	FUTA & SUTA Taxes	3,202	0	3,202	29.50	83.10	(53.60)	(0.1468)	(470)
13	Property Taxes	1,062,879	(93,536)	969,343	29.50	212.00	(182.50)	(0.5000)	(484,671)
14	Registration, Svc. Contracts, & Misc. Fees	86,918	0	86,918	29.50	(98.83)	128.33	0.3516	30,559
15	Retirement Annuities (401K)	296,049	(12,802)	283,247	29.50	34.72	(5.22)	(0.0143)	(4,051)
16	Total Operating Expenses	$14,072,414	($841,635)	$13,230,779					$242,600
17									
18	Interest Expense			1,828,607	29.50	91.25	(61.75)	(0.17)	(309,360)
19									
20	Total	$14,072,414	($841,635)	$15,059,386					($66,760)
21									

		COMPANY AS FILED	ADJUSTMENT	STAFF ADJUSTED
22				
23				
24	Working Cash Requirement	$201,938	($268,698)	($66,760)
25	Materials and Supplies Inventory	119,556	0	119,556
26	Required Bank Balances	799,112	0	799,112
27	Prepayments & Special Deposits	441,295	0	441,295
28	Allowance for Working Capital	$1,561,901	($268,698)	$1,293,203

REFERENCES:
Column [A]: Company Schedule B-5 and B-5 Appendix page 1
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]
Column [D]: Company Schedule B-5 Appendix page 1
Column [E]: Company Schedule B-5 Appendix page 1
Column [F]: Column [D] + Column [E]
Column [G]: Column [F] / 365
Column [H]: Column [C] X Column [G]

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NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield) Schedule BAB-8
Docket No. W-01445A-15-0277
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NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield)
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Schedule BAB-10

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$11,298,361	$0	$11,298,361	$2,132,497	$13,430,858
3	Commercial	5,412,782	0	5,412,782	1,021,630	6,434,412
4	Industrial	957,969	0	957,969	180,811	1,138,780
5	Private Fire Service	121,650	0	121,650	22,961	144,611
6	Other Water Revenues	216,003	0	216,003	40,769	256,772
7	Miscellaneous	461,124	0	461,124	0	461,124
8	**Total Operating Revenues**	$18,467,889	$0	$18,467,889	$3,398,668	$21,866,557
9						
10	*OPERATING EXPENSES:*					
11	Purchased Water	$1,085,544	$0	$1,085,544	$0	$1,085,544
12	Other source of supply expense	75,424	(232)	75,192	0	75,192
13	Purchased Power	2,071,310	0	2,071,310	0	2,071,310
14	Purchased Gas	878	0	878	0	878
15	Other pumping expense	892,848	(96,763)	796,085	0	796,085
16	Water Treatment Expenses	1,404,743	(27,594)	1,377,149	0	1,377,149
17	Transmission & Distribution Expenses	1,661,471	(80,570)	1,580,901	0	1,580,901
18	Customer Accounting Expenses	1,239,559	(10,113)	1,229,446	0	1,229,446
19	Customer Service & Sales Expense	2,093	0	2,093	0	2,093
20	Administrative & General Expenses	2,543,213	(92,672)	2,450,541	0	2,450,541
21	Depreciation & Amortization Expenses	3,963,576	(305,199)	3,658,377	0	3,658,377
22	Federal Income Taxes	143,745	232,155	375,900	1,072,887	1,448,787
23	State Income Taxes	24,465	39,881	64,346	183,656	248,003
24	Property Taxes	969,214	129	969,343	59,463	1,028,806
25	Other Taxes	174,445	(1,958)	172,487	0	172,487
26	**Total Operating Expenses**	$16,252,528	($342,935)	$15,909,593	$1,316,006	$17,225,599
27						
28	**Operating Income (Loss)**	$2,215,361	$342,935	$2,558,296	$2,082,662	$4,640,958

References:
Column [A]: Company Schedule C-1 Page 2 of 3
Column [B]: Schedule BAB-11
Column [C]: Column [A] + Column [B]
Column [D]: Schedules BAB-1, BAB-2 and BAB-17
Column [E]: Column [C] + Column [D]

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Schedule BAB-11

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] NOT USED ADJ No. 1 Ref: Sch BAB-12	[C] Salaries & Wages ADJ No. 2 Ref: Sch BAB-13	[D] Vehicles ADJ No. 3 Ref: Sch BAB-14a	[E] Life Insurance ADJ No. 4 Ref: Sch BAB-14b	[F] Rate Case ADJ No. 5 Ref: Sch BAB-14c	[G] Depr. Exp. ADJ No. 6 Ref: Sch BAB-15	[H] Income Tax ADJ No. 7 Ref: Sch BAB-16	[I] Prop. Tax ADJ No. 8 Ref: Sch BAB-17	[J] STAFF ADJUSTED
1	*REVENUES:*										
2	Residential	$11,298,361	$0	$0	$0	$0	$0	$0	$0	$0	$11,298,361
3	Commercial	5,412,782	0	0	0	0	0	0	0	0	5,412,782
4	Industrial	957,969	0	0	0	0	0	0	0	0	957,969
5	Private Fire Service	121,650	0	0	0	0	0	0	0	0	121,650
6	Other Water Revenues	216,003	0	0	0	0	0	0	0	0	216,003
7	Miscellaneous	461,124	0	0	0	0	0	0	0	0	461,124
8	**Total Operating Revenues**	$18,467,889	$0	$0	$0	$0	$0	$0	$0	$0	$18,467,889
9											
10	*OPERATING EXPENSES:*										
11	Purchased Water	$1,085,544	$0	$0	$0	$0	$0	$0	$0	$0	$1,085,544
12	Other source of supply expense	75,424	0	(142)	(90)	0	0	0	0	0	75,192
13	Purchased Power	2,071,310	0	0	0	0	0	0	0	0	2,071,310
14	Purchased Gas	878	0	0	0	0	0	0	0	0	878
15	Other pumping expense	892,848	0	(92,050)	(4,713)	0	0	0	0	0	796,085
16	Water Treatment Expenses	1,404,743	0	(26,264)	(1,330)	0	0	0	0	0	1,377,149
17	Transmission & Distribution Expenses	1,661,471	0	(71,643)	(8,927)	0	0	0	0	0	1,580,901
18	Customer Accounting Expenses	1,239,559	0	(7,270)	(2,843)	0	0	0	0	0	1,229,446
19	Customer Service & Sales Expense	2,093	0	0	0	0	0	0	0	0	2,093
20	Administrative & General Expenses	2,543,213	0	(32,252)	(251)	(16,013)	(44,156)	0	0	0	2,450,541
21	Depreciation & Amortization Expenses	3,963,576	0	0	0	0	0	(305,199)	0	0	3,658,377
22	Federal Income Taxes	143,745	0	0	0	0	0	0	232,155	0	375,900
23	State Income Taxes	24,465	0	0	0	0	0	0	39,881	0	64,346
24	Property Taxes	969,214	0	0	0	0	0	0	0	129	969,343
25	Other Taxes	174,445	0	(1,958)	0	0	0	0	0	0	172,487
	Total Operating Expenses	$16,252,528	$0	($231,579)	($18,154)	($16,013)	($44,156)	($305,199)	$272,037	$129	$15,909,593
	Operating Income (Loss)	$2,215,361	$0	$231,579	$18,154	$16,013	$44,156	$305,199	($272,037)	($129)	$2,558,296

OPERATING INCOME ADJUSTMENT NO. 1 - NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED

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Schedule BAB-13

OPERATING INCOME ADJUSTMENT NO. 2 - SALARIES & WAGES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Source of Supply	$10,514	($142)	$10,372
2	Pumping	136,801	(92,050)	44,751
3	Water Treatment	47,740	(26,264)	21,476
4	Transmission & Distribution	103,167	(71,643)	31,524
5	Customer Accounting	30,062	(7,270)	22,792
6	Administrative & General	91,623	(19,450)	72,173
7	Administrative & General - 401K	31,289	(12,802)	18,487
8	Taxes Other	27,016	(1,958)	25,058
9	**Total**	**$478,212**	**($231,579)**	**$246,633**

References:
Column [A]: Company Schedule C-2 Appendix pages 12 and 13 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

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OPERATING INCOME ADJUSTMENT NO. 3 - VEHICLES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Source of Supply	$416	($90)	$326
2	Pumping	21,679	(4,713)	16,966
3	Water Treatment	6,115	(1,330)	4,785
4	Transmission & Distribution	41,066	(8,927)	32,139
5	Customer Accounting	13,076	(2,843)	10,233
6	Administrative & General	1,155	(251)	904
	Total	$83,507	($18,154)	$65,353

References:
Column [A]: Company Schedule C-2 Appendix page 23 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield) Schedule BAB-14b
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OPERATING INCOME ADJUSTMENT NO. 4 - LIFE INSURANCE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Administrative & General - Life Insurance	$16,013	($16,013)	$0

References:
Column [A]: Company Schedule C-2 Appendix, page 16 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

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Schedule BAB-14c

OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Administrative & General - Rate Case Expense	$142,049	($44,156)	$97,894

	Company Proposed Service Area	Total	[a] Allocation Rate	[b] Allocated Expense	[c] Normalizaion Period	[d] Annual Expense
7	Pinal Valley	$486,274	87.64%	$426,148	3	$142,049
8	White Tank	486,274	10.46%	50,876	3	16,959
9	Ajo	486,274	1.90%	9,250	3	3,083

	Staff Recommended Service Area	Total	[a] Allocation Rate	[b] Allocated Expense	[c] Normalizaion Period	[d] Annual Expense
15	Pinal Valley	$335,117	87.64%	$293,681	3	$97,894
16	White Tank	335,117	10.46%	35,061	3	11,687
17	Ajo	335,117	1.90%	6,375	3	2,125

	Rate Case Expense Category	**Company Proposed Amount**	**Staff Recommended Amount**	**Difference**
22	Cost of Capital	$63,617	$63,617	$0
23	Legal	375,000	200,000	(175,000)
24	Public notice	8,225	8,000	(225)
25	Transcripts	6,109	4,500	(1,609)
26	Supplies	5,305	12,000	6,695
27	ACC site visits	816	1,000	184
28	Courier Service	1,954	500	(1,454)
29	Over time and temporary services	24,560	45,000	20,440
30	Hearings	689	500	(189)
31	Total	$486,274	$335,117	($151,157)

References:
Column [A]: Company Schedule C-2 Appendix page 21 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]
Column [a]: Testimony BAB
Column [b]: Column [a] x Column [b]
Column [c]: Testimony BAB
Column [d]: Column [b] / Column [c]

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Schedule BAB-15

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] GROSS UTILITY PLANT IN SERVICE	[B] FULLY/NON DEPRECIABLE	[C] DEPRECIABLE PLANT	[D] DEPREC. RATE	[E] EXPENSE
		Plant In Service					
1	301	Organization Costs	$216		$216	0.00%	$0
2	302	Franchise Costs	82,969		82,969	0.00%	0
3	303	Other Intangibles - 15 Years	171,081		171,081	6.67%	11,406
4	303	Other Intangibles - 20 Years	1,732,213		1,732,213	5.00%	86,611
5	310.1	Water Rights	366,071		366,071	0.00%	0
6	310.3	Other Source of Supply Land	298,575		298,575	0.00%	0
7	310.4	Wells - Other	0		0	0.00%	0
8	314	Wells	6,982,428		6,982,428	3.13%	218,550
9	320	Pumping Plant Land	31,897		31,897	0.00%	0
10	321	Pumping Plant Structures & Improvements	283,598		283,598	2.86%	8,111
11	325	Electric Pumping Equipment	15,641,720		15,641,720	5.88%	919,733
12	328	Gas Engine Equipment	20,026		20,026	4.00%	801
13	330	Water Treatment Plant - Land	680,718		680,718	0.00%	0
14	331	Water Treatment Structures and Improvements	1,898,025		1,898,025	2.50%	47,451
15	332	Water Treatment Equipment	9,958,008		9,958,008	2.86%	284,799
16	340	Transmission and Distribution - Land	1,653,038		1,653,038	0.00%	0
17	341	Transmission and Distribution - Structures	1,333		1,333	3.33%	44
18	342	Storage Tanks	4,519,549		4,519,549	2.00%	90,391
19	343	Transmission and Distribution Mains	77,466,588		77,466,588	1.79%	1,386,652
20	344	Fire Sprinkler Taps	2,775,607		2,775,607	2.00%	55,512
21	345	Services	24,935,254		24,935,254	2.38%	593,459
22	346	Meters	3,392,237		3,392,237	4.55%	154,347
23	348	Hydrants	9,627,072		9,627,072	1.82%	175,213
24	389	General Plant Land	8,772		8,772	0.00%	0
25	390	General Plan Structures	513,967		513,967	2.50%	12,849
26	390.1	Leasehold Improvements	571,849		571,849	0.00%	0
27	391	Office Furniture & Equipment	2,215,307		2,215,307	6.67%	147,761
28	393	Warehouse Equipment	26,750		26,750	5.00%	1,337
29	394	Tools, Shops, and Garage Equipment	520,770		520,770	4.00%	20,831
30	395	Laboratory Equipment	107,876		107,876	5.00%	5,394
31	396	Power Operated Equipment	103,403		103,403	6.67%	6,897
32	397	Communications Equipment	2,884,502		2,884,502	6.67%	192,396
33	398	Miscellaneous Equipment	213,202		213,202	3.33%	7,100
34							
35		Subtotal General	$169,684,622		$169,684,622		$4,427,644
36							
37		Contribution(s) in Aid of Construction (Gross)	$29,481,326				
38		Less: Non Amortizable Contribution(s)	0				
39		Fully Amortized Contribution(s)	0				
40		Amortizable Contribution(s)	$29,481,326				
41		Times: Staff Proposed Amortization Rate	2.61%				
42		**Amortization of CIAC**	$769,267				$769,267
43		Less: Amortization of Contributions					
44							
45		Staff Recommended Depreciation Expense					$3,658,377
46		Company Proposed Depreciation Expense					3,963,576
47		Increase/(Decrease) to Depreciation Expense					($305,199)

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield) Schedule BAB-16
Docket No. W-01445A-15-0277
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OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Federal Income Taxes	$143,745	$232,155	$375,900
2	State Income Taxes	24,465	39,881	64,346
3				
4	Total	$168,210	$272,037	$440,247

References:
Column [A]: Company Schedule C-2 Appendix page 37
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield)
Docket No. W-01445A-15-0277
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Schedule BAB-17

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$18,467,889	$18,467,889
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$36,935,778	$36,935,778
4	Staff Recommended Revenue	18,467,889	21,866,557
5	Subtotal (Line 4 + Line 5)	$55,403,667	$58,802,335
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$18,467,889	$19,600,778
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$36,935,778	$39,201,557
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles	0	0
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$36,935,778	$39,201,557
13	Assessment Ratio	18.00%	18.00%
14	Assessment Value (Line 12 * Line 13)	$6,648,440	$7,056,280
15	Composite Property Tax Rate - Obtained from ADOR	14.58000%	14.58000%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$969,343	
17	Company Proposed Property Tax	969,214	
18	Staff Test Year Adjustment (Line 16 - Line 17)	$129	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$1,028,806
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		969,343
21	Increase in Property Tax Due to Increase in Revenue Requirement		$59,463
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		$59,463
23	Increase in Revenue Requirement		$3,398,668
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		**1.749600%**

REFERENCES:
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 2
Line 21: Line 19 - Line 20

Arizona Water Company - White Tank
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DIRECT TESTIMONY OF BRITON BAXTER

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Arizona Water Company - White Tank
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Schedule BAB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Adjusted Rate Base	$5,107,754	$5,058,486
2	Adjusted Operating Income (Loss)	$113,126	$210,722
3	Current Rate of Return (L2 / L1)	2.21%	4.17%
4	Required Rate of Return	8.93%	8.02%
5	Required Operating Income (L4 * L1)	$456,122	$405,691
6	Operating Income Deficiency (L5 - L2)	$342,996	$194,969
7	Gross Revenue Conversion Factor	1.6377	1.7169
8	Required Revenue Increase (L7 * L6)	$561,725	$334,737
9	Adjusted Test Year Revenue	$2,310,991	$2,321,542
10	Proposed Annual Revenue (L8 + L9)	$2,872,716	$2,656,279
11	Required Increase in Revenue (%)	24.31%	14.42%

References:
Column [A]: Company Schedule B-1
Column [B]: Staff Schedules BAB-2, BAB-4, BAB-10, BAB-11 and David Parcell Testimony

Arizona Water Company - White Tank
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	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 Tax Rate (L17) + Property Tax Factor (L22)	41.7547%		
5	Subtotal (L3 - L4)	58.2453%		
6	**Revenue Conversion Factor (L1 / L5)**	1.716876379		
	Calculation of Uncollectible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	40.8187%		
9	One Minus Combined Income Tax Rate (L7 - L8)	59.1813%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0		
	Calculation of Effective Tax Rate:			
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)	37.3743%		
16	Effective Federal Income Tax Rate (L14 * L15)	35.3187%		
17	Combined Federal and State Income Tax Rate (L13 + L16)	40.8187%		
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Tax Rate (L17)	40.8187%		
20	One Minus Combined Income Tax Rate (L18 - L19)	59.1813%		
21	Property Tax Factor (BAB-17, L24)	1.5816%		
22	Effective Property Tax Factor (L21 * L22)	0.9360%		
23	Combined Federal and State Tax and Property Tax Rate (L17 + L22)		41.7547%	
24	Required Operating Income (Schedule BAB-1, L5)	$405,691		
25	Adjusted Test Year Operating Income (Loss) (Schedule BAB-10, L28)	210,722		
26	Required Increase in Operating Income (L24 - L25)		$194,969	
27	Income Taxes on Recommended Revenue (Col. [D], L52)	$148,325		
28	Income Taxes on Test Year Revenue (Col. [B], L52)	13,851		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$134,474	
30	Recommended Revenue Requirement (Schedule BAB-1, L10)	$2,656,279		
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 (BAB-17, L19)	$115,447		
36	Property Tax on Test Year Revenue (BAB-17, L20)	110,153		
37	Increase in Property Tax Due to Increase in Revenue (BAB-17, L21)		$5,294	
38	Total Required Increase in Revenue (L26 + L30 + L34 + L37)		$334,737	

	Calculation of Income Tax:	Test Year	STAFF Recommended
39	Revenue (Schedule BAB-10, Col.[C], L8 & Sch. BAB-1, Col. [B], L10)	$2,321,542	$2,656,279
40	Operating Expenses Excluding Income Taxes	2,096,969	2,102,263
41	Synchronized Interest (L47)	159,848	159,848
42	Arizona Taxable Income (L36 - L37 - L38)	$64,725	$394,168
43	Arizona State Income Tax Rate	5.5000%	5.5000%
44	Arizona Income Tax (L39 * L40)	$3,560	$21,679
45	Federal Taxable Income (L33 - L35)	61,165	372,489
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	7,500	7,500
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	2,791	6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	0	8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	0	91,650
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	0	12,746
51	Total Federal Income Tax	10,291	126,646
52	Combined Federal and State Income Tax (L35 + L42)	$13,851	$148,325
53	Applicable Federal Income Tax Rate (Col. [D], L42 - Col. [B], L42] / [Col. [C], L36 - Col. [A], L36)		37.37%
	Calculation of Interest Synchronization:		
54	Rate Base (Schedule BAB-3, Col. [C], L28)	$5,058,486	
55	Weighted Average Cost of Debt	3.16%	
56	Synchronized Interest (L45 * L46)	$159,848	

Arizona Water Company - White Tank
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Schedule BAB-3

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	REF	[C] STAFF AS ADJUSTED
1	Plant in Service	$31,633,214	($72,481)	1	$31,560,733
2	Less: Accumulated Depreciation	5,425,555	0		5,425,555
3	Net Plant in Service	$26,207,659	($72,481)		$26,135,178
4					
5	*LESS:*				
6					
7	Net Contribution in Aid-of Construction (CIAC)	$3,547,721	$0		$3,547,721
8					
9	Advances in Aid of Construction (AIAC)	16,185,732	0		16,185,732
10					
11	Customer Deposits	34,152	0		34,152
12					
13	Deferred Income Tax Credits	1,473,620	0		1,473,620
14					
15	Total Deductions	$21,241,225	$0		$21,241,225
16					
17	*ADD:*				
18	Unamortized Finance Charges	$0	$0		$0
19					
20	Deferred Tax Assets	0	0		0
21					
22	Allowance for Working Capital	141,320	23,213	2	164,533
23					
24	Net Regulatory Asset / (Liability)	0	0		0
25					
26	Total Additions	$141,320	$23,213		$164,533
27					
28	**Original Cost Rate Base**	**$5,107,754**	**($49,268)**		**$5,058,486**

References:
Column [A]: Company Schedule B-1
Column [B]: Schedule BAB-4
Column [C]: Column [A] + Column [B]

Arizona Water Company - White Tank
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Schedule BAB-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Post Test Year ADJ No. 1 Ref: Sch BAB-5	[C] Allowance for Working Capital ADJ No. 2 Ref: Sch BAB-6	[D] STAFF ADJUSTED
		PLANT IN SERVICE:				
1	301	Organization Costs	$26	$0	$0	$26
2	302	Franchise Costs	0	0	0	0
3	303	Other Intangibles	14,418	0	0	14,418
4	310.1	Water Rights	27,316	0	0	27,316
5	310.3	Other Source of Supply Land	71,613	0	0	71,613
6	310.4	Wells - Other	0	0	0	0
7	314	Wells	1,833,513	0	0	1,833,513
8	320	Pumping Plant Land	0	0	0	0
9	321	Pumping Plant Structures & Improvements	285,891	0	0	285,891
10	325	Electric Pumping Equipment	2,998,256	(12,000)	0	2,986,256
11	328	Gas Engine Equipment	0	0	0	0
12	330	Water Treatment Plant - Land	0	0	0	0
13	331	Water Treatment Structures and Improvements	56,895	0	0	56,895
14	332	Water Treatment Equipment	8,755,846	(342)	0	8,755,504
15	340	Transmission and Distribution - Land	93,833	0	0	93,833
16	341	Transmission and Distribution - Structures	0	0	0	0
17	342	Storage Tanks	1,186,904	(3,190)	0	1,183,714
18	343	Transmission and Distribution Mains	12,327,508	(3,292)	0	12,324,216
19	344	Fire Sprinkler Taps	76,923	0	0	76,923
20	345	Services	2,076,707	(25,000)	0	2,051,707
21	346	Meters	306,779	(38,800)	0	267,979
22	348	Hydrants	639,059	(5,000)	0	634,059
23	389	General Plant Land	0	0	0	0
24	390	General Plan Structures	38,022	0	0	38,022
25	390.1	Leasehold Improvements	63,298	(1,228)	0	62,071
26	391	Office Furniture & Equipment	256,521	(1,547)	0	254,974
27	393	Warehouse Equipment	1,759	0	0	1,759
28	394	Tools, Shops, and Garage Equipment	50,022	(1,250)	0	48,772
29	395	Laboratory Equipment	8,393	0	0	8,393
30	396	Power Operated Equipment	2,270	0	0	2,270
31	397	Communications Equipment	445,122	19,168	0	464,291
32	398	Miscellaneous Equipment	16,319	0	0	16,319
33						
34						
35		Gross Utility Plant in Service	$31,633,214	($72,481)	$0	$31,560,733
36		Less: Accumulated Depreciation	5,425,555	0	0	5,425,555
37		Net Utility Plant in Service (L29 - L30)	$26,207,659	($72,481)	$0	$26,135,178
38						
39		*DEDUCTIONS*				
40		Contributions in Aid of Construction (CIAC)	$4,006,138	$0	$0	$4,006,138
41		Less: Accumulated Amortization	458,417	0	0	458,417
42		Net CIAC (L32 - L33)	$3,547,721	$0	$0	$3,547,721
43		Advances in Aid of Construction (AIAC)	16,185,732	0	0	16,185,732
44		Customer Meter Deposits	34,152	0	0	34,152
45		Deferred Income Tax Credits	1,473,620	0	0	1,473,620
46		Total Deductions	$21,241,225	$0	$0	$21,241,225
47						
48		*ADDITIONS:*				
49		Unamortized Finance Charges	$0	$0	$0	$0
50		Deferred Tax Assets	0	0	0	0
51		Allowance for Working Capital	141,320	0	23,213	164,533
52		Net Regulatory Asset / (Liability)	0	0	0	0
53		Total Additions	$141,320	$0	$23,213	$164,533
54						
55		**ORIGINAL COST RATE BASE**	$5,107,754	($72,481)	$23,213	$5,058,486

Arizona Water Company - White Tank **Schedule BAB-5**
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RATE BASE ADJUSTMENT NO. 1 - POST TEST YEAR ADDITIONS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	325	Electric Pumping Equipment	$2,998,256	($12,000)	$2,986,256
2	332	Water Treatment Equipment	8,755,846	(342)	8,755,504
3	342	Storage Tanks	1,186,904	(3,190)	1,183,714
4	343	Transmission and Distribution Mains	12,327,508	(3,292)	12,324,216
5	345	Services	2,076,707	(25,000)	2,051,707
6	346	Meters	306,779	(38,800)	267,979
7	348	Hydrants	639,059	(5,000)	634,059
8	390.1	Leasehold Improvements	63,298	(1,228)	62,071
9	391	Office Furniture & Equipment	256,521	(1,547)	254,974
10	394	Tools, Shops, and Garage Equipment	50,022	(1,250)	48,772
11	397	Communications Equipment	445,122	19,168	464,291
12			$26,107,766	($72,481)	$29,033,542
13					
14					

15 Adjustments based on costs as of 11/30/15

16 Acct. No.	Project Title	Project No.	Estimated Cost	Final Cost	Adjustment
17 332	Blue Horizon Chem Injec	5309	$54,000	$53,658	($342)
18 342	BAE Tank	5360	20,000	16,810	(3,190)
19 343	Citrus & I-10	5263	52,000	53,708	1,708
20 397	White Tank SCADA	5032	327,000	349,534	22,534
21				Subtotal	$20,710
22					

23 Adjustments based on costs as of 11/30/15

24 Acct. No.	Project Title	Project No.	Estimated Cost	Updated Cost	Allocation	Adjustment
25 391	Server Replacement	5326	$14,000	$20,180	0.0396	$245
26					Subtotal	$245
27						
28				Total adjustment to plant based on costs		$20,955
29						
30						

31 Not Used and Useful - White Tank

32 Acct. No.	Project Title	Project No.	Estimated Cost	Final Cost	Adjustment
33 325	Blanket Projects	Blankets	$12,000	$0	($12,000)
34 343	Blanket Projects	Blankets	5,000	0	(5,000)
35 345	Blanket Projects	Blankets	25,000	0	(25,000)
36 346	Blanket Projects	Blankets	38,800	0	(38,800)
37 348	Blanket Projects	Blankets	5,000	0	(5,000)
38 391	Blanket Projects	Blankets	1,000	0	(1,000)
39 394	Blanket Projects	Blankets	1,250	0	(1,250)
40				Subtotal	($88,050)
41					

42 Not Used and Useful

43 Acct. No.	Project Title	Project No.	Estimated Cost	3-Factor Allocation	Adjustment
44 390.1	Office Signs	5325	$31,000	0.0396	($1,228)
45 391	Company Website	5327	20,000	0.0396	(792)
46 397	Phone System	5324	85,000	0.0396	(3,366)
47				Subtotal	($5,386)
48					
49			Total adjustment for not used and useful plant		($93,436)

REFERENCES:
Column [A]: Company Schedule B-2, page 3 and B-2 Appendix pages 5, 7 and 11
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]

Arizona Water Company - White Tank
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Schedule BAB-6

RATE BASE ADJUSTMENT NO. 2 - ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED	[D] REVENUE LAG DAYS	[E] EXPENSE LAG DAYS	[F] NET LAG DAYS	[G] LEAD/LAG FACTOR	[H] WORKING CASH REQUIREMENT
1	Purchased Power	$286,661	$0	$286,661	31.50	30.87	0.63	0.0017	$495
2	Payroll	476,932	(88,820)	388,112	31.50	14.00	17.50	0.0479	18,608
3	Purchased Water	0	0	0	31.50	41.88	(10.38)	(0.0284)	0
4	Chemicals	47,058	0	47,058	31.50	(18.11)	49.61	0.1359	6,396
5	Property & Liability Insurance	25,736	0	25,736	31.50	(45.27)	76.77	0.2103	5,413
6	Worker's Compensation Insurance	4,335	0	4,335	31.50	(46.50)	78.00	0.2137	926
7	Medical, Vision, Dental, LTD & Life Insurance	67,130	(1,237)	65,893	31.50	(8.92)	40.42	0.1107	7,297
8	Other O & M (Excluding Rate Case Expense)	354,699	(5,272)	349,427	31.50	(9.27)	40.77	0.1117	39,031
9	Federal Income Taxes	153,203	(142,912)	10,291	31.50	37.00	(5.50)	(0.0151)	(155)
10	State Income Taxes	26,075	(22,515)	3,560	31.50	37.00	(5.50)	(0.0151)	(54)
11	FICA Taxes	28,684	526	29,210	31.50	14.00	17.50	0.0479	1,400
12	FUTA & SUTA Taxes	319	0	319	31.50	83.00	(51.50)	(0.1411)	(45)
13	Property Taxes	118,521	(8,368)	110,153	31.50	212.00	(180.50)	(0.4945)	(54,473)
14	Registration, Svc. Contracts, & Misc. Fees	10,342	0	10,342	31.50	(98.83)	130.33	0.3571	3,693
15	Retirement Annuities (401K)	22,863	(988)	21,875	31.50	34.72	(3.22)	(0.0088)	(193)
16	Total Operating Expenses	$1,622,558	($269,586)	$1,352,972					$28,340
17									
18	Interest Expense			159,848	31.50	91.25	(59.75)	(0.16)	(26,167)
19									
20	Total	$1,622,558	($269,586)	$1,512,820					$2,173
21									

		COMPANY AS FILED	ADJUSTMENT	STAFF ADJUSTED
22				
23				
24	Working Cash Requirement	($21,040)	$23,213	$2,173
25	Materials and Supplies Inventory	14,273	0	14,273
26	Required Bank Balances	95,402	0	95,402
27	Prepayments & Special Deposits	52,684	0	52,684
28	Allowance for Working Capital	$141,319	$23,213	$164,532

REFERENCES:
Column [A]: Company Schedule B-5 and B-5 Appendix page 1
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]
Column [D]: Company Schedule B-5 Appendix page 1
Column [E]: Company Schedule B-5 Appendix page 1
Column [F]: Column [D] + Column [E]
Column [G]: Column [F] / 365
Column [H]: Column [C] X Column [G]

Arizona Water Company - White Tank
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Schedule BAB-7

NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

Arizona Water Company - White Tank
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Schedule BAB-8

NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

Arizona Water Company - White Tank
Docket No. W-01445A-15-0277
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Schedule BAB-9

NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

Arizona Water Company - White Tank
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Schedule BAB-10

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$1,791,645	$10,551	$1,802,196	$264,946	$2,067,143
3	Commercial	421,627	0	421,627	61,985	483,612
4	Industrial	15,992	0	15,992	2,351	18,343
5	Private Fire Service	1,800	0	1,800	265	2,065
6	Other Water Revenues	35,306	0	35,306	5,190	40,496
7	Miscellaneous	44,621	0	44,621	0	44,621
8	**Total Operating Revenues**	$2,310,991	$10,551	$2,321,542	$334,737	$2,656,279
9						
10	*OPERATING EXPENSES:*					
11	Purchased Water	$0	$0	$0	$0	$0
12	Other source of supply expense	26,216	(9,467)	16,749	0	16,749
13	Purchased Power	286,661	0	286,661	0	286,661
14	Purchased Gas	0	0	0	0	0
15	Other pumping expense	178,709	(32,662)	146,047	0	146,047
16	Water Treatment Expenses	231,997	(31,426)	200,571	0	200,571
17	Transmission & Distribution Expenses	171,716	(11,975)	159,741	0	159,741
18	Customer Accounting Expenses	154,650	(2,088)	152,562	0	152,562
19	Customer Service & Sales Expense	2,636	0	2,636	0	2,636
20	Administrative & General Expenses	260,129	(9,017)	251,112	0	251,112
21	Depreciation & Amortization Expenses	788,523	(34,678)	753,845	0	753,845
22	Federal Income Taxes	(25,101)	35,392	10,291	116,355	126,646
23	State Income Taxes	(4,272)	7,832	3,560	18,119	21,679
24	Property Taxes	109,635	518	110,153	5,294	115,447
25	Other Taxes	16,366	526	16,892	0	16,892
26	**Total Operating Expenses**	$2,197,865	($87,045)	$2,110,820	$139,768	$2,250,589
27						
28	**Operating Income (Loss)**	$113,126	$97,596	$210,722	$194,969	$405,691
29						

References:
Column [A]: Company Schedule C-1 Page 2 of 3
Column [B]: Schedule BAB-11
Column [C]: Column [A] + Column [B]
Column [D]: Schedules BAB-1, BAB-2 and BAB-17
Column [E]: Column [C] + Column [D]

Arizona Water Company - White Tank
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Schedule BAB-11

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Revenues ADJ No. 1 Ref: Sch BAB-12	[C] Salaries & Wages ADJ No. 2 Ref: Sch BAB-13	[D] Vehicles ADJ No. 3 Ref: Sch BAB-14a	[E] Life Insurance ADJ No. 4 Ref: Sch BAB-14b	[F] Rate Case ADJ No. 5 Ref: Sch BAB-14c	[G] Depr. Exp. ADJ No. 6 Ref: Sch BAB-15	[H] Income Tax ADJ No. 7 Ref: Sch BAB-16	[I] Prop. Tax ADJ No. 8 Ref: Sch BAB-17	[J] STAFF ADJUSTED
1	*REVENUES:*										
2	Residential	$1,791,645	$10,551	$0	$0	$0	$0	$0	$0	$0	$1,802,196
3	Commercial	421,627	0	0	0	0	0	0	0	0	421,627
4	Industrial	15,992	0	0	0	0	0	0	0	0	15,992
5	Private Fire Service	1,800	0	0	0	0	0	0	0	0	1,800
6	Other Water Revenues	35,306	0	0	0	0	0	0	0	0	35,306
7	Miscellaneous	44,621	0	0	0	0	0	0	0	0	44,621
8	Total Operating Revenues	$2,310,991	$10,551	$0	$0	$0	$0	$0	$0	$0	$2,321,542
9											
10	*OPERATING EXPENSES:*										
11	Purchased Water	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
12	Other source of supply expense	26,216	162	(9,472)	(157)	0	0	0	0	0	16,749
13	Purchased Power	286,661	0	0	0	0	0	0	0	0	286,661
14	Purchased Gas	0	0	0	0	0	0	0	0	0	0
15	Other pumping expense	178,709	3,662	(33,880)	(2,444)	0	0	0	0	0	146,047
16	Water Treatment Expenses	231,997	1,757	(32,883)	(300)	0	0	0	0	0	200,571
17	Transmission & Distribution Expenses	171,716	0	(10,194)	(1,781)	0	0	0	0	0	159,741
18	Customer Accounting Expenses	154,650	0	(889)	(1,199)	0	0	0	0	0	152,562
19	Customer Service & Sales Expense	2,636	0	0	0	0	0	0	0	0	2,636
20	Administrative & General Expenses	260,129	0	(2,490)	(18)	(1,237)	(5,272)	0	0	0	251,112
21	Depreciation & Amortization Expenses	788,523	0	0	0	0	0	(34,678)	0	0	753,845
22	Federal Income Taxes	(25,101)	0	0	0	0	0	0	35,392	0	10,291
23	State Income Taxes	(4,272)	0	0	0	0	0	0	7,832	0	3,560
24	Property Taxes	109,635	0	0	0	0	0	0	0	518	110,153
25	Other Taxes	16,366	0	526	0	0	0	0	0	0	16,892
26	**Total Operating Expenses**	$2,197,865	$5,581	($89,282)	($5,899)	($1,237)	($5,272)	($34,678)	$43,224	$518	$2,110,820
27											
28	**Operating Income (Loss)**	$113,126	$4,970	$89,282	$5,899	$1,237	$5,272	$34,678	($43,224)	($518)	$210,722

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Schedule BAB-12

OPERATING INCOME ADJUSTMENT NO. 1 - WEATHER NORMALIZATION AND DECLINING USAGE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Residential	$1,791,645	$10,551	$1,802,196
2	Other source of supply expense	178,709	162	178,871
3	Other pumping expense	178,709	3,662	182,371
4	Water Treatment Expenses	231,997	1,757	233,754

	[a]	[b]	[c]	[d]	[e]	[f]	[g]
Class of Service	Actual Gallons Sold Per Customer	Normalized Gallons Sold Per Customer	Increase / (Decrease) [b - a]	Year-End Number of Customers	Additional Gallons To Be Sold [c x d]	Commodity Rate Revenue Per Gallon	Increase / (Decrease) in Revenue [e x f]
Residential 5/8 x 3/4 -inch	137,695	134,330	(3,365)	1,818	(6,116,983)	$0.0032	($19,359.93)
Residential 1-inch	100,505	98,049	(2,456)	476	(1,169,016)	0.0032	(3,748)
Residential 1.5-inch	0	0	0	0	0	0.0000	0
Residential 2-inch	6,200,000	6,048,498	(151,502)	1	(151,502)	0.0048	(732)
Residential 3-inch	0	0	0	0	0	0.0000	0
Residential 4-inch	0	0	0	0	0	0.0000	0
Residential 6-inch	0	0	0	0	0	0.0000	0
Residential 8-inch	0	0	0	0	0	0.0000	0
Residential 10-inch	0	0	0	0	0	0.0000	0
Total Residential	6,438,200	6,280,877	(157,323)	2,295	(7,437,501)		

Staff's adjustment	($23,840)
Company's adjustment	(34,391)
Difference	$10,551

Class of Expense	Average Cost Per Gallon Sold	Additional Gallons To Be Sold	Staff Increase / (Decrease) in Expenses	Company Increase / (Decrease) in Expenses	Difference Increase / (Decrease) in Expenses
Source of Supply	$0.00004	(7,437,501)	($298)	($460)	$162
Pumping	0.00109	(7,437,501)	(8,107)	(11,769)	3,662
Water Treatment	0.00054	(7,437,501)	(4,016)	(5,773)	1,757
			($12,421)	($18,002)	$5,581

References:
Column [A]: Company Schedule C-2 Appendix page 10 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]
Column [a]: Company Schedule H-2, Column B times 12 months
Column [b]: Column [a] x -2.44%
Column [c]: Column [b] - Column [a]
Column [d]: Company Schedule C-2 Appendix page 7
Column [e]: Column [c] x Column [d]
Column [f]: Company Schedule H-5
Column [g]: Column [e] x Column [f]

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Schedule BAB-13

OPERATING INCOME ADJUSTMENT NO. 2 - SALARIES & WAGES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Source of Supply	$9,641	($9,472)	$169
2	Pumping	36,761	(33,880)	2,881
3	Water Treatment	33,262	(32,883)	379
4	Transmission & Distribution	12,547	(10,194)	2,353
5	Customer Accounting	3,686	(889)	2,797
6	Administrative & General	3,286	(1,502)	1,784
7	Administrative & General - 401K	2,416	(988)	1,428
8	Taxes Other	6,896	526	7,422
9	**Total**	$108,495	($89,282)	$19,213

References:
Column [A]: Company Schedule C-2 Appendix pages 12 and 13 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

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Schedule BAB-14a

OPERATING INCOME ADJUSTMENT NO. 3 - VEHICLES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Source of Supply	$316	($157)	$159
2	Pumping	4,919	(2,444)	2,475
3	Water Treatment	605	(300)	305
4	Transmission & Distribution	3,584	(1,781)	1,803
5	Customer Accounting	2,413	(1,199)	1,214
6	Administrative & General	36	(18)	18
	Total	$11,873	($5,899)	$5,974

References:
Column [A]: Company Schedule C-2 Appendix page 23 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

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Schedule BAB-14b

OPERATING INCOME ADJUSTMENT NO. 4 - LIFE INSURANCE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Administrative & General - Life Insurance	$1,237	($1,237)	$0

References:
Column [A]: Company Schedule C-2 Appendix, page 16 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

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Schedule BAB-14c

OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Administrative & General - Rate Case Expense	$16,959	($5,272)	$11,687

	Company Proposed Service Area	Total	[a] Allocation Rate	[b] Allocated Expense	[c] Normalizaion Period	[d] Annual Expense
7	Pinal Valley	$486,274	87.64%	$426,148	3	$142,049
8	White Tank	486,274	10.46%	50,876	3	16,959
9	Ajo	486,274	1.90%	9,250	3	3,083

	Staff Recommended Service Area	Total	[a] Allocation Rate	[b] Allocated Expense	[c] Normalizaion Period	[d] Annual Expense
15	Pinal Valley	$335,117	87.64%	$293,681	3	$97,894
16	White Tank	335,117	10.46%	35,061	3	11,687
17	Ajo	335,117	1.90%	6,375	3	2,125

	Rate Case Expense Category	**Company Proposed Amount**	**Staff Recommended Amount**	**Difference**
22	Cost of Capital	$63,617	$63,617	$0
23	Legal	375,000	200,000	(175,000)
24	Public notice	8,225	8,000	(225)
25	Transcripts	6,109	4,500	(1,609)
26	Supplies	5,305	12,000	6,695
27	ACC site visits	816	1,000	184
28	Courier Service	1,954	500	(1,454)
29	Over time and temporary services	24,560	45,000	20,440
30	Hearings	689	500	(189)
31	Total	$486,274	$335,117	($151,157)

References:
Column [A]: Company Schedule C-2 Appendix page 21 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]
Column [a]: Testimony BAB
Column [b]: Column [a] x Column [b]
Column [c]: Testimony BAB
Column [d]: Column [b] / Column [c]

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Schedule BAB-15

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] GROSS UTILITY PLANT IN SERVICE	[B] FULLY/NON DEPRECIABLE	[C] DEPRECIABLE PLANT	[D] DEPREC. RATE	[E] EXPENSE
		Plant In Service					
1	301	Organization Costs	$26		$26	0.00%	$0
2	302	Franchise Costs	0		0	0.00%	0
3	303	Other Intangibles	14,418		14,418	0.00%	0
4	310.1	Water Rights	27,316		27,316	0.00%	0
5	310.3	Other Source of Supply Land	71,613		71,613	0.00%	0
6	310.4	Wells - Other	0		0	0.00%	0
7	314	Wells	1,833,513		1,833,513	3.13%	57,389
8	320	Pumping Plant Land	0		0	0.00%	0
9	321	Pumping Plant Structures & Improvements	285,891		285,891	2.86%	8,176
10	325	Electric Pumping Equipment	2,986,256		2,986,256	5.88%	175,592
11	328	Gas Engine Equipment	0		0	4.00%	0
12	330	Water Treatment Plant - Land	0		0	0.00%	0
13	331	Water Treatment Structures and Improvements	56,895		56,895	2.50%	1,422
14	332	Water Treatment Equipment	8,755,504		8,755,504	2.86%	250,407
15	340	Transmission and Distribution - Land	93,833		93,833	0.00%	0
16	341	Transmission and Distribution - Structures	0		0	3.33%	0
17	342	Storage Tanks	1,183,714		1,183,714	2.00%	23,674
18	343	Transmission and Distribution Mains	12,324,216		12,324,216	1.79%	220,603
19	344	Fire Sprinkler Taps	76,923		76,923	2.00%	1,538
20	345	Services	2,051,707		2,051,707	2.38%	48,831
21	346	Meters	267,979		267,979	4.55%	12,193
22	348	Hydrants	634,059		634,059	1.82%	11,540
23	389	General Plant Land	0		0	0.00%	0
24	390	General Plan Structures	38,022		38,022	2.50%	951
25	390.1	Leasehold Improvements	62,071		62,071	0.00%	0
26	391	Office Furniture & Equipment	254,974		254,974	6.67%	17,007
27	393	Warehouse Equipment	1,759		1,759	5.00%	88
28	394	Tools, Shops, and Garage Equipment	48,772		48,772	4.00%	1,951
29	395	Laboratory Equipment	8,393		8,393	5.00%	420
30	396	Power Operated Equipment	2,270		2,270	6.67%	151
31	397	Communications Equipment	464,291		464,291	6.67%	30,968
32	398	Miscellaneous Equipment	16,319		16,319	3.33%	543
33							
34		Subtotal General	$31,560,733		$31,560,733		$863,446
35							
36		Contribution(s) in Aid of Construction (Gross)	$4,006,138				
37		Less: Non Amortizable Contribution(s)	0				
38		Fully Amortized Contribution(s)	0				
39		Amortizable Contribution(s)	$4,006,138				
40		Times: Staff Proposed Amortization Rate	2.74%				
41		**Amortization of CIAC**	$109,601				$109,601
42		Less: Amortization of Contributions					
43							
44		Staff Recommended Depreciation Expense					$753,845
45		Company Proposed Depreciation Expense					788,523
46		Increase/(Decrease) to Depreciation Expense					($34,678)

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Schedule BAB-16

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Federal Income Taxes	($25,101)	$35,392	$10,291
2	State Income Taxes	(4,272)	7,832	3,560
3				
4	Total	($29,373)	$43,224	$13,851

References:
Column [A]: Company Schedule C-2 Appendix page 37
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

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Schedule BAB-17

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$2,321,542	$2,321,542
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$4,643,085	$4,643,085
4	Staff Recommended Revenue	2,321,542	2,656,279
5	Subtotal (Line 4 + Line 5)	$6,964,627	$7,299,364
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$2,321,542	$2,433,121
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$4,643,085	$4,866,243
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles	0	0
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$4,643,085	$4,866,243
13	Assessment Ratio	18.00%	18.00%
14	Assessment Value (Line 12 * Line 13)	$835,755	$875,924
15	Composite Property Tax Rate - Obtained from ADOR	13.18000%	13.18000%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$110,153	
17	Company Proposed Property Tax	109,635	
18	Staff Test Year Adjustment (Line 16 - Line 17)	$518	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$115,447
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		110,153
21	Increase in Property Tax Due to Increase in Revenue Requirement		$5,294
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		$5,294
23	Increase in Revenue Requirement		$334,737
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		**1.581600%**

REFERENCES:
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 2
Line 21: Line 19 - Line 20

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DIRECT TESTIMONY OF BRITON BAXTER

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BAB-5	RATE BASE ADJUSTMENT NO. 1 - POST TEST YEAR ADDITIONS
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Schedule BAB-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Adjusted Rate Base	$965,736	$948,972
2	Adjusted Operating Income (Loss)	$28,644	$32,684
3	Current Rate of Return (L2 / L1)	2.97%	3.44%
4	Required Rate of Return	8.93%	8.02%
5	Required Operating Income (L4 * L1)	$86,240	$76,108
6	Operating Income Deficiency (L5 - L2)	$57,596	$43,424
7	Gross Revenue Conversion Factor	1.6369	1.2783
8	Required Revenue Increase (L7 * L6)	$94,279	$55,510
9	Adjusted Test Year Revenue	$437,888	$440,253
10	Proposed Annual Revenue (L8 + L9)	$532,167	$495,763
11	Required Increase in Revenue (%)	21.53%	12.61%

References:
Column [A]: Company Schedule B-1
Column [B]: Staff Schedules BAB-2, BAB-4, BAB-10, BAB-11 and David Parcell Testimony

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Schedule BAB-2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	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 Tax Rate (L17) + Property Tax Factor (L22)	21.7725%		
5	Subtotal (L3 - L4)	78.2275%		
6	**Revenue Conversion Factor (L1 / L5)**	1.2783		
	Calculation of Uncollectible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	20.5580%		
9	One Minus Combined Income Tax Rate (L7 - L8)	79.4420%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0		
	Calculation of Effective Tax Rate:			
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)	15.9344%		
16	Effective Federal Income Tax Rate (L14 * L15)	15.0580%		
17	Combined Federal and State Income Tax Rate (L13 + L16)	20.5580%		
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Tax Rate (L17)	20.5580%		
20	One Minus Combined Income Tax Rate (L18 - L19)	79.4420%		
21	Property Tax Factor (BAB-17, L24)	1.5288%		
22	Effective Property Tax Factor (L21 * L22)	1.2145%		
23	Combined Federal and State Tax and Property Tax Rate (L17 + L22)		21.7725%	
24	Required Operating Income (Schedule BAB-1, L5)	$76,108		
25	Adjusted Test Year Operating Income (Loss) (Schedule BAB-10, L28)	32,684		
26	Required Increase in Operating Income (L24 - L25)		$43,424	
27	Income Taxes on Recommended Revenue (Col. [D], L52)	$11,898		
28	Income Taxes on Test Year Revenue (Col. [B], L52)	660		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$11,237	
30	Recommended Revenue Requirement (Schedule BAB-1, L10)	$495,763		
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 (BAB-17, L19)	$21,040		
36	Property Tax on Test Year Revenue (BAB-17, L20)	20,192		
37	Increase in Property Tax Due to Increase in Revenue (BAB-17, L21)		$849	
38	Total Required Increase in Revenue (L26 + L30 + L34 + L37)		$55,510	

	Calculation of Income Tax:	Test Year	STAFF Recommended
39	Revenue (Schedule BAB-10, Col.[C], L8 & Sch. BAB-1, Col. [B], L10)	$440,253	$495,763
40	Operating Expenses Excluding Income Taxes	406,909	407,758
41	Synchronized Interest (L47)	29,988	29,988
42	Arizona Taxable Income (L36 - L37 - L38)	$3,357	$58,018
43	Arizona State Income Tax Rate	5.5000%	5.5000%
44	Arizona Income Tax (L39 * L40)	$185	$3,191
45	Federal Taxable Income (L33 - L35)	3,172	54,827
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	476	7,500
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	0	1,207
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	476	8,707
52	Combined Federal and State Income Tax (L35 + L42)	$660	$11,898
53	Applicable Federal Income Tax Rate (Col. [D], L42 - Col. [B], L42] / [Col. [C], L36 - Col. [A], L36)		0.159344198
	Calculation of Interest Synchronization:		
54	Rate Base (Schedule BAB-3, Col. [C], L28)	$948,972	
55	Weighted Average Cost of Debt	3.16%	
56	Synchronized Interest (L45 * L46)	$29,988	

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Schedule BAB-3

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	REF	[C] STAFF AS ADJUSTED
1	Plant in Service	$2,574,666	($12,585)	1	$2,562,081
2	Less: Accumulated Depreciation	1,186,266	0		1,186,266
3	Net Plant in Service	$1,388,400	($12,585)		$1,375,815
4					
5	*LESS:*				
6					
7	Net Contribution in Aid-of Construction (CIAC)	$139,155	$0		$139,155
8					
9	Advances in Aid of Construction (AIAC)	35,084	0		35,084
10					
11	Customer Deposits	9,501	0		9,501
12					
13	Deferred Income Tax Credits	267,931	0		267,931
14					
15	Total Deductions	$451,671	$0		$451,671
16					
17	*ADD:*				
18	Unamortized Finance Charges	$0	$0		$0
19					
20	Deferred Tax Assets	0	0		0
21					
22	Allowance for Working Capital	29,007	(4,179)	2	24,828
23					
24	Net Regulatory Asset / (Liability)	0	0		0
25					
26	Total Additions	$29,007	($4,179)		$24,828
27					
28	**Original Cost Rate Base**	**$965,736**	**($16,764)**		**$948,972**

References:
Column [A]: Company Schedule B-1
Column [B]: Schedule BAB-4
Column [C]: Column [A] + Column [B]

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Schedule BAB-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Post Test Year ADJ No. 1 Ref: Sch BAB-5	[C] Allowance for Working Capital ADJ No. 2 Ref: Sch BAB-6	[D] STAFF ADJUSTED
		PLANT IN SERVICE:				
1	301	Organization Costs	$5	$0	$0	$5
2	302	Franchise Costs	0	0	0	0
3	303	Other Intangibles	4,573	0	0	4,573
4	310.1	Water Rights	10,434	0	0	10,434
5	310.3	Other Source of Supply Land	1	0	0	1
6	310.4	Wells - Other	0	0	0	0
7	314	Wells	802	0	0	802
8	320	Pumping Plant Land	3,208	0	0	3,208
9	321	Pumping Plant Structures & Improvements	10,946	0	0	10,946
10	325	Electric Pumping Equipment	89,314	0	0	89,314
11	328	Gas Engine Equipment	0	0	0	0
12	330	Water Treatment Plant - Land	0	0	0	0
13	331	Water Treatment Structures and Improvements	0	0	0	0
14	332	Water Treatment Equipment	4,305	0	0	4,305
15	340	Transmission and Distribution - Land	6,065	0	0	6,065
16	341	Transmission and Distribution - Structures	0	0	0	0
17	342	Storage Tanks	160,595	0	0	160,595
18	343	Transmission and Distribution Mains	1,390,331	(2,000)	0	1,388,331
19	344	Fire Sprinkler Taps	31,151	0	0	31,151
20	345	Services	327,085	(5,000)	0	322,085
21	346	Meters	60,860	(4,200)	0	56,660
22	348	Hydrants	81,826	0	0	81,826
23	389	General Plant Land	0	0	0	0
24	390	General Plan Structures	47,207	0	0	47,207
25	390.1	Leasehold Improvements	11,509	(223)	0	11,286
26	391	Office Furniture & Equipment	57,781	(300)	0	57,482
27	393	Warehouse Equipment	275	0	0	275
28	394	Tools, Shops, and Garage Equipment	12,537	(250)	0	12,287
29	395	Laboratory Equipment	35,643	0	0	35,643
30	396	Power Operated Equipment	3,244	0	0	3,244
31	397	Communications Equipment	224,009	(612)	0	223,397
32	398	Miscellaneous Equipment	959	0	0	959
33						
34						
35		Gross Utility Plant in Service	$2,574,666	($12,585)	$0	$2,562,081
36		Less: Accumulated Depreciation	1,186,266	0	0	1,186,266
37		Net Utility Plant in Service (L29 - L30)	$1,388,400	($12,585)	$0	$1,375,815
38						
39		*DEDUCTIONS*				
40		Contributions in Aid of Construction (CIAC)	$167,252	$0	$0	$167,252
41		Less: Accumulated Amortization	28,097	0	0	28,097
42		Net CIAC (L32 - L33)	$139,155	$0	$0	$139,155
43		Advances in Aid of Construction (AIAC)	35,084	0	0	35,084
44		Customer Meter Deposits	9,501	0	0	9,501
45		Deferred Income Tax Credits	267,931	0	0	267,931
46		Total Deductions	$451,671	$0	$0	$451,671
47						
48		*ADDITIONS:*				
49		Unamortized Finance Charges	$0	$0	$0	$0
50		Deferred Tax Assets	0	0	0	0
51		Allowance for Working Capital	29,007	0	(4,179)	24,828
52		Net Regulatory Asset / (Liability)	0	0	0	0
53		Total Additions	$29,007	$0	($4,179)	$24,828
54						
55		**ORIGINAL COST RATE BASE**	$965,736	($12,585)	($4,179)	$948,972

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Schedule BAB-5

RATE BASE ADJUSTMENT NO. 1 - POST TEST YEAR ADDITIONS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	343	Transmission and Distribution Mains	$1,390,331	($2,000)	$1,388,331
2	345	Services	327,085	(5,000)	322,085
3	346	Meters	60,860	(4,200)	56,660
4	390.1	Leasehold Improvements	11,509	(223)	11,286
5	391	Office Furniture & Equipment	57,781	(300)	57,482
6	394	Tools, Shops, and Garage Equipment	12,537	(250)	12,287
7	397	Communications Equipment	224,009	(612)	223,397
8			$2,084,112	($12,585)	$2,071,527
9					
10					

Adjustments based on costs as of 11/30/15

Acct. No.	Project Title	Project No.	Estimated Cost	Updated Cost	3-Factor	Adjustment
391	Server Replacement	5326	$14,000	$20,180	0.0072	$44
				Total adjustment to plant based on costs		$44

Not Used and Useful - Ajo

Acct. No.	Project Title	Project No.	Estimated Cost	Final Cost	Adjustment
343	Blanket Projects	Blankets	$2,000	$0	($2,000)
345	Blanket Projects	Blankets	5,000	0	(5,000)
346	Blanket Projects	Blankets	4,200	0	(4,200)
391	Blanket Projects	Blankets	200	0	(200)
394	Blanket Projects	Blankets	250	0	(250)
				Total adjustment	($11,650)

Not Used and Useful - Phoenix Office

Acct. No.	Project Title	Project No.	Estimated Cost	3-Factor Allocation	Adjustment
390.1	Office Signs	5325	$31,000	0.0072	($223)
391	Company Website	5327	20,000	0.0072	(144)
397	Phone System	5324	85,000	0.0072	(612)
				Total adjustment	($979)
			Total adjustment for not used and useful plant		($12,629)

REFERENCES:
Column [A]: Company Schedule B-2, page 4 and B-2 Appendix pages 6-7 and 11
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]

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Schedule BAB-6

RATE BASE ADJUSTMENT NO. 2 - ALLOWANCE FOR WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED	[D] REVENUE LAG DAYS	[E] EXPENSE LAG DAYS	[F] NET LAG DAYS	[G] LEAD/LAG FACTOR	[H] WORKING CASH REQUIREMENT
1	Purchased Power	$4,903	$0	$4,903	28.91	30.87	(1.96)	(0.0054)	($26)
2	Payroll	118,010	(1,696)	116,314	28.91	14.00	14.91	0.0408	4,751
3	Purchased Water	117,312	0	117,312	28.91	35.95	(7.04)	(0.0193)	(2,263)
4	Chemicals	502	0	502	28.91	(18.11)	47.02	0.1288	65
5	Property & Liability Insurance	4,679	0	4,679	28.91	(45.27)	74.18	0.2032	951
6	Worker's Compensation Insurance	1,568	0	1,568	28.91	(46.50)	75.41	0.2066	324
7	Medical, Vision, Dental, LTD & Life Insurance	24,173	(447)	23,726	28.91	(8.92)	37.83	0.1036	2,459
8	Other O & M (Excluding Rate Case Expense)	36,170	(958)	35,212	28.91	(9.27)	38.18	0.1046	3,683
9	Federal Income Taxes	28,967	(20,260)	8,707	28.91	37.00	(8.09)	(0.0222)	(193)
10	State Income Taxes	4,930	(1,739)	3,191	28.91	37.00	(8.09)	(0.0222)	(71)
11	FICA Taxes	8,841	(125)	8,716	28.91	14.00	14.91	0.0408	356
12	FUTA & SUTA Taxes	99	0	99	28.91	83.10	(54.19)	(0.1485)	(15)
13	Property Taxes	21,529	(1,337)	20,192	28.91	212.00	(183.09)	(0.5016)	(10,129)
14	Registration, Svc. Contracts, & Misc. Fees	1,893	0	1,893	28.91	(98.83)	127.74	0.3500	662
15	Retirement Annuities (401K)	8,270	(358)	7,912	28.91	34.72	(5.81)	(0.0159)	(126)
16	Total Operating Expenses	$381,846	($26,921)	$354,925					$430
17									
18	Interest Expense			29,988	28.91	91.25	(62.34)	(0.17)	(5,122)
19									
20	Total	$381,846	($26,921)	$384,912					($4,692)
21									

22		COMPANY		STAFF
23		AS FILED	ADJUSTMENT	ADJUSTED
24	Working Cash Requirement	($513)	($4,179)	($4,692)
25	Materials and Supplies Inventory	2,595	0	2,595
26	Required Bank Balances	17,346	0	17,346
27	Prepayments & Special Deposits	9,579	0	9,579
28	Allowance for Working Capital	$29,007	($4,179)	$24,828

REFERENCES:
Column [A]: Company Schedule B-5 and B-5 Appendix page 2
Column [B]: Testimony, BAB
Column [C]: Column [A] + Column [B]
Column [D]: Company Schedule B-5 Appendix page 2
Column [E]: Company Schedule B-5 Appendix page 2
Column [F]: Column [D] + Column [E]
Column [G]: Column [F] / 365
Column [H]: Column [C] X Column [G]

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Schedule BAB-7

NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

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Schedule BAB-8

NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

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Schedule BAB-9

NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED

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Schedule BAB-10

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Residential	$306,895	$2,365	$309,260	$39,360	$348,620
3	Commercial	125,128	0	125,128	15,925	141,053
4	Industrial	0	0	0	0	0
5	Private Fire Service	1,200	0	1,200	153	1,353
6	Other Water Revenues	564	0	564	72	636
7	Miscellaneous	4,101	0	4,101	0	4,101
8	**Total Operating Revenues**	$437,888	$2,365	$440,253	$55,510	$495,763
9						
10	*OPERATING EXPENSES:*					
11	Purchased Water	$117,312	$0	$117,312	$0	$117,312
12	Other source of supply expense	(3,893)	1,411	(2,482)	0	(2,482)
13	Purchased Power	4,903	0	4,903	0	4,903
14	Purchased Gas	0	0	0	0	0
15	Other pumping expense	18,038	100	18,138	0	18,138
16	Water Treatment Expenses	23,870	27	23,897	0	23,897
17	Transmission & Distribution Expenses	58,757	(422)	58,335	0	58,335
18	Customer Accounting Expenses	38,982	(321)	38,661	0	38,661
19	Customer Service & Sales Expense	46	0	46	0	46
20	Administrative & General Expenses	59,465	(2,305)	57,160	0	57,160
21	Depreciation & Amortization Expenses	66,337	(1,947)	64,390	0	64,390
22	Federal Income Taxes	(975)	1,451	476	8,231	8,707
23	State Income Taxes	(166)	351	185	3,006	3,191
24	Property Taxes	20,086	106	20,192	849	21,040
25	Other Taxes	6,482	(125)	6,357	0	6,357
26	**Total Operating Expenses**	$409,244	($1,674)	$407,570	$12,086	$419,656
27						
28	**Operating Income (Loss)**	$28,644	$4,040	$32,684	$43,424	$76,108

References:
Column [A]: Company Schedule C-1 Page 3 of 3
Column [B]: Schedule BAB-11
Column [C]: Column [A] + Column [B]
Column [D]: Schedules BAB-1, BAB-2 and BAB-17
Column [E]: Column [C] + Column [D]

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Schedule BAB-11

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Revenues ADJ No. 1	[C] Salaries & Wages ADJ No. 2	[D] NOT USED ADJ No. 3	[E] Life Insurance ADJ No. 4	[F] Rate Case ADJ No. 5	[G] Depr. Exp. ADJ No. 6	[H] Income Tax ADJ No. 7	[I] Prop. Tax ADJ No. 8	[J] STAFF ADJUSTED
			Ref: Sch BAB-12	Ref: Sch BAB-13	Ref: Sch BAB-14a	Ref: Sch BAB-14b	Ref: Sch BAB-14c	Ref: Sch BAB-15	Ref: Sch BAB-16	Ref: Sch BAB-17	
1	*REVENUES:*										
2	Residential	$306,895	$2,365	$0	$0	$0	$0	$0	$0	$0	$309,260
3	Commercial	125,128	0	0	0	0	0	0	0	0	125,128
4	Industrial	0	0	0	0	0	0	0	0	0	0
5	Private Fire Service	1,200	0	0	0	0	0	0	0	0	1,200
6	Other Water Revenues	564	0	0	0	0	0	0	0	0	564
7	Miscellaneous	4,101	0	0	0	0	0	0	0	0	4,101
8	Total Operating Revenues	$437,888	$2,365	$0	$0	$0	$0	$0	$0	$0	$440,253
9											
10	*OPERATING EXPENSES:*										
11	Purchased Water	$117,312	$0	$0	$0	$0	$0	$0	$0	$0	$117,312
12	Other source of supply expense	(3,893)	1,416	(5)	0	0	0	0	0	0	(2,482)
13	Purchased Power	4,903	0	0	0	0	0	0	0	0	4,903
14	Purchased Gas	0	0	0	0	0	0	0	0	0	0
15	Other pumping expense	18,038	250	(150)	0	0	0	0	0	0	18,138
16	Water Treatment Expenses	23,870	283	(256)	0	0	0	0	0	0	23,897
17	Transmission & Distribution Expenses	58,757	0	(422)	0	0	0	0	0	0	58,335
18	Customer Accounting Expenses	38,982	0	(321)	0	0	0	0	0	0	38,661
19	Customer Service & Sales Expense	46	0	0	0	0	0	0	0	0	46
20	Administrative & General Expenses	59,465	0	(900)	0	(447)	(958)	0	0	0	57,160
21	Depreciation & Amortization Expenses	66,337	0	0	0	0	0	(1,947)	0	0	64,390
22	Federal Income Taxes	(975)	0	0	0	0	0	0	1,451	0	476
23	State Income Taxes	(166)	0	0	0	0	0	0	351	0	185
24	Property Taxes	20,086	0	0	0	0	0	0	0	106	20,192
25	Other Taxes	6,482	0	(125)	0	0	0	0	0	0	6,357
26	**Total Operating Expenses**	$409,244	$1,950	($2,179)	$0	($447)	($958)	($1,947)	$1,801	$106	$407,570
27											
28	**Operating Income (Loss)**	$28,644	$416	$2,179	$0	$447	$958	$1,947	($1,801)	($106)	$32,684

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Schedule BAB-12

OPERATING INCOME ADJUSTMENT NO. 1 - WEATHER NORMALIZATION AND DECLINING USAGE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Residential	$306,895	$2,365	$309,260
2	Other source of supply expense	(3,893)	1,416	(2,477)
3	Other pumping expense	18,038	250	18,288
4	Water Treatment Expenses	23,870	283	24,153

	Class of Service	[a] Actual Gallons Sold Per Customer	[b] Normalized Gallons Sold Per Customer	[c] Increase / (Decrease) [b - a]	[d] Year-End Number of Customers	[e] Additional Gallons To Be Sold [c x d]	[f] Commodity Rate Revenue Per Gallon	[g] Increase / (Decrease) in Revenue [e x f]
12	Residential 5/8 x 3/4 -inch	47,558	45,768	(1,789)	563	(1,007,395)	$0.0050	($5,077)
13	Residential 1-inch	52,951	50,959	(1,992)	9	(17,930)	0.0062	(110)
14	Residential 1.5-inch	0	0	0	0	0	0.0000	0
15	Residential 2-inch	0	0	0	0	0	0.0000	0
16	Residential 3-inch	0	0	0	0	0	0.0000	0
17	Residential 4-inch	0	0	0	0	0	0.0000	0
18	Residential 6-inch	0	0	0	0	0	0.0000	0
19	Residential 8-inch	0	0	0	0	0	0.0000	0
20	Residential 10-inch	0	0	0	0	0	0.0000	0
22	Total Residential	100,509	96,727	(3,782)	572	(1,025,325)		

Staff's adjustment	($5,187)
Company's adjustment	(7,552)
Difference	$2,365

	Class of Expense	Average Cost Per Gallon Sold	Additional Gallons To Be Sold	Staff Increase / (Decrease) in Expenses	Company Increase / (Decrease) in Expenses	Difference Increase / (Decrease) in Expenses
33	Source of Supply	$0.00303	(1,025,325)	($3,107)	($4,523)	$1,416
34	Pumping	0.00055	(1,025,325)	(564)	(814)	250
35	Water Treatment	0.00062	(1,025,325)	(636)	(919)	283
				($4,306)	($6,256)	$1,950

References:
Column [A]: Company Schedule C-2 Appendix page 11 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]
Column [a]: Company Schedule H-2, Column B times 12 months
Column [b]: Column [a] x -2.44%
Column [c]: Column [b] - Column [a]
Column [d]: Company Schedule C-2 Appendix page 7
Column [e]: Column [c] x Column [d]
Column [f]: Company Schedule H-5
Column [g]: Column [e] x Column [f]

Arizona Water Company - Ajo
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-13

OPERATING INCOME ADJUSTMENT NO. 2 - SALARIES & WAGES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Source of Supply	$16	($5)	$11
2	Pumping	470	(150)	320
3	Water Treatment	800	(256)	544
4	Transmission & Distribution	1,315	(422)	893
5	Customer Accounting	1,072	(321)	751
6	Administrative & General	1,190	(542)	648
7	Administrative & General - 401K	874	(358)	516
8	Taxes Other	2,178	(125)	2,053
9	**Total**	$7,915	($2,179)	$5,736

References:
Column [A]: Company Schedule C-2 Appendix pages 12 and 13 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

Arizona Water Company - Ajo **Schedule BAB-14a**
Docket No. W-01445A-15-0277
Test Year December 31, 2014

OPERATING INCOME ADJUSTMENT NO. 3 - NOT USED

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED

References:
Column [A]: Company Schedule C-2 Appendix page 23 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

Arizona Water Company - Ajo
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-14b

OPERATING INCOME ADJUSTMENT NO. 4 - LIFE INSURANCE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Administrative & General - Life Insurance	$447	($447)	$0

References:
Column [A]: Company Schedule C-2 Appendix, page 16 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

Arizona Water Company - Ajo
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-14c

OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Administrative & General - Rate Case Expense	$3,083	($958)	$2,125

	Company Proposed Service Area	Total	[a] Allocation Rate	[b] Allocated Expense	[c] Normalizaion Period	[d] Annual Expense
7	Pinal Valley	$486,274	87.64%	$426,148	3	$142,049
8	White Tank	486,274	10.46%	50,876	3	16,959
9	Ajo	486,274	1.90%	9,250	3	3,083

	Staff Recommended Service Area	Total	[a] Allocation Rate	[b] Allocated Expense	[c] Normalizaion Period	[d] Annual Expense
15	Pinal Valley	$335,117	87.64%	$293,681	3	$97,894
16	White Tank	335,117	10.46%	35,061	3	11,687
17	Ajo	335,117	1.90%	6,375	3	2,125

	Rate Case Expense Category	**Company Proposed Amount**	**Staff Recommended Amount**	**Difference**
22	Cost of Capital	$63,617	$63,617	$0
23	Legal	375,000	200,000	(175,000)
24	Public notice	8,225	8,000	(225)
25	Transcripts	6,109	4,500	(1,609)
26	Supplies	5,305	12,000	6,695
27	ACC site visits	816	1,000	184
28	Courier Service	1,954	500	(1,454)
29	Over time and temporary services	24,560	45,000	20,440
30	Hearings	689	500	(189)
31	Total	$486,274	$335,117	($151,157)

References:
Column [A]: Company Schedule C-2 Appendix page 21 and Workpapers
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]
Column [a]: Testimony BAB
Column [b]: Column [a] x Column [b]
Column [c]: Testimony BAB
Column [d]: Column [b] / Column [c]

Arizona Water Company - Ajo
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-15

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] GROSS UTILITY PLANT IN SERVICE	[B] FULLY/NON DEPRECIABLE	[C] DEPRECIABLE PLANT	[D] DEPREC. RATE	[E] EXPENSE
	Plant In Service						
1	301	Organization Costs	$5		$5	0.00%	$0
2	302	Franchise Costs	0		0	0.00%	0
3	303	Other Intangibles	4,573		4,573	6.67%	305
4	310.1	Water Rights	10,434		10,434	0.00%	0
5	310.3	Other Source of Supply Land	1		1	0.00%	0
6	310.4	Wells - Other	0		0	0.00%	0
7	314	Wells	802		802	3.13%	25
8	320	Pumping Plant Land	3,208		3,208	0.00%	0
9	321	Pumping Plant Structures & Improvements	10,946		10,946	2.86%	313
10	325	Electric Pumping Equipment	89,314		89,314	5.88%	5,252
11	328	Gas Engine Equipment	0		0	4.00%	0
12	330	Water Treatment Plant - Land	0		0	0.00%	0
13	331	Water Treatment Structures and Improvements	0		0	2.50%	0
14	332	Water Treatment Equipment	4,305		4,305	2.86%	123
15	340	Transmission and Distribution - Land	6,065		6,065	0.00%	0
16	341	Transmission and Distribution - Structures	0		0	3.33%	0
17	342	Storage Tanks	160,595		160,595	2.00%	3,212
18	343	Transmission and Distribution Mains	1,388,331		1,388,331	1.79%	24,851
19	344	Fire Sprinkler Taps	31,151		31,151	2.00%	623
20	345	Services	322,085		322,085	2.38%	7,666
21	346	Meters	56,660		56,660	4.55%	2,578
22	348	Hydrants	81,826		81,826	1.82%	1,489
23	389	General Plant Land	0		0	0.00%	0
24	390	General Plan Structures	47,207		47,207	2.50%	1,180
25	390.1	Leasehold Improvements	11,286		11,286	0.00%	0
26	391	Office Furniture & Equipment	57,482		57,482	6.67%	3,834
27	393	Warehouse Equipment	275		275	5.00%	14
28	394	Tools, Shops, and Garage Equipment	12,287		12,287	4.00%	491
29	395	Laboratory Equipment	35,643		35,643	5.00%	1,782
30	396	Power Operated Equipment	3,244		3,244	6.67%	216
31	397	Communications Equipment	223,397		223,397	6.67%	14,901
32	398	Miscellaneous Equipment	959		959	3.33%	32
33							
34		Subtotal General	$2,562,081		$2,562,081		$68,887
35							
36		Contribution(s) in Aid of Construction (Gross)	$167,252				
37		Less: Non Amortizable Contribution(s)	0				
38		Fully Amortized Contribution(s)	0				
39		Amortizable Contribution(s)	$167,252				
40		Times: Staff Proposed Amortization Rate	2.69%				
41		**Amortization of CIAC**	$4,497				$4,497
42		Less: Amortization of Contributions					
43							
44		Staff Recommended Depreciation Expense					$64,390
45		Company Proposed Depreciation Expense					66,337
46		Increase/(Decrease) to Depreciation Expense					($1,947)

Arizona Water Company - Ajo
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-16

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Federal Income Taxes	($975)	$1,451	$476
2	State Income Taxes	(166)	351	185
3				
4	Total	($1,141)	$1,801	$660

References:
Column [A]: Company Schedule C-2 Appendix page 37
Column [B]: Testimony BAB
Column [C]: Column [A] + Column [B]

Arizona Water Company - Ajo
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-17

OPERATING INCOME ADJUSTMENT NO. 8 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$440,253	$440,253
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$880,507	$880,507
4	Staff Recommended Revenue	440,253	495,763
5	Subtotal (Line 4 + Line 5)	$1,320,760	$1,376,270
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$440,253	$458,757
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$880,507	$917,513
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles	0	0
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$880,507	$917,513
13	Assessment Ratio	18.00%	18.00%
14	Assessment Value (Line 12 * Line 13)	$158,491	$165,152
15	Composite Property Tax Rate - Obtained from ADOR	12.74000%	12.74000%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$20,192	
17	Company Proposed Property Tax	20,086	
18	Staff Test Year Adjustment (Line 16 - Line 17)	$106	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$21,040
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		20,192
21	Increase in Property Tax Due to Increase in Revenue Requirement		$849
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		$849
23	Increase in Revenue Requirement		$55,510
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		**1.528800%**

REFERENCES:
Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule C-1 Page 2
Line 21: Line 19 - Line 20

ARIZONA WATER COMPANY'S RESPONSES TO
ARIZONA CORPORATION COMMISSION
STAFF'S FOURTH SET OF DATA REQUESTS TO
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-15-0277
December 31, 2015

Arizona Water Company Response Number: BAB 4.1

Q. Post-test year plant -- Please provide the updated, actual year-to-date costs for the following projects: 5032, 5076, 5164, 5165, 5167, 5168, 5169, 5170, 5171, 5173, 5251, 5296, 5299, 5301, 5303, 5304, 5324, 5332, 5358, 5359, and 5362. In addition, please identify which projects have outstanding invoices that have yet to be booked and which have been fully booked.

A. Please see the electronic attachment \BAB 4.1 Post-Test Year Plant.xlsx\ provided on the enclosed CD.

Response provided by: Jamie R. Moe
Title: Manager – Rates & Regulatory Accounting
Address: 3805 North Black Canyon Highway
Phoenix, AZ 85015

JRM:hac | 12/31/2015 12:01 PM

SYSTEM	WA	DESCRIPTION	BEGINNING BALANCE	YTD 11/30/2015	BALANCE AT 11/30/2015	
41	5164	Replace Electrical Panels w/VFD Controls at Vacuum Tank Site (Ph 2 of 2)	76,055.79	6,474	82,530	Invoices Outstanding
41	5165	Construct Block Wall around Wells #21, 30 and 31	395,357.46	22,088	417,446	Invoices Outstanding
41	5167	Arsenic Removal Faciltiy at Valley Farms	272,719.36	1,037,044	1,309,763	Fully Booked
41	5168	Replace broken 16" butterfly valves w/16" gate valves on Highway 84	-	115,529	115,529	Fully Booked
41	5169	Replace 4,000' of 6" PVC with 12" DIP along Overfield	197,248.31	210,643	407,891	Fully Booked
41	5170	Rehabilitate Cottonwood Storage Tank and replace BPS	86,746.44	1,180,427	1,267,173	Fully Booked
41	5171	Replace 2,640' of failing 12" along Cottonwood from Arizola to Peart	297,889.98	253,512	551,402	Fully Booked
41	5173	Electrical Panel Safety Improvements - PV	7,761.89	95,836	103,598	Fully Booked
41	5296	Replace pump at CG Well 19	-	149,382	149,382	Invoices Outstanding
41	5299	Construct access road to Wells 9, 10 and CL Nitrate Plant	-	16,928	16,928	Invoices Outstanding
41	5301	Construct 12" DIP flush line for Well 33	-	194,840	194,840	Fully Booked
41	5303	Install nitrate analyzers at Wells 21 & 33	-	173,112	173,112	Fully Booked
41	5304	Modify pumping and add additional booster pump at Well 27 for red & rel	-	6,244	6,244	Invoices Outstanding
41	5332	Replace 60' of 36" CLC (w/DIP) on Casa Grande Mountain Peart Rd & I-8	-	191,545	191,545	Invoices Outstanding
41	5358	Replace pump and pipe at Well 26 in CG	-	115,775	115,775	Fully Booked
41	5359	Replace pump and pipe at Well 27 in CG	-	6,554	6,554	Invoices Outstanding
41	5362	Replace pump at Well #31 in Casa Grande	-	3,272	3,272	Invoices Outstanding
44	5032	Install SCADA at BAE Tank, Wells #7 & #8 and Monte Vista ARF	64,374.26	285,160	349,534	Fully Booked
300	5324	Replace obsolete Phone System	-	-	-	Invoices Outstanding
41	5076	Lower & replace 460' of 6" DIP along UPRR Spur to serve Arizona Grain in CG	125100.34	70,474	195,574	Fully Booked
41	5251	Replace pump at PV Well #33	199455.96	46,512	245,968	Fully Booked

ARIZONA WATER COMPANY'S RESPONSES TO
ARIZONA CORPORATION COMMISSION STAFF'S
FIFTH SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277
January 22, 2016

Arizona Water Company Response Number: BAB 5.1

Q. **Post-test year plant -- Please provide the updated, actual year-to-date costs for the following projects: 5260, 5263, 5306, 5307, 5309, 5325, 5326, 5327, 5329, 5339, 5341, 5344, 5345, 5348, 5360, and 5361. In addition, please identify which projects have outstanding invoices that have yet to be booked and which have been fully booked. Also provide the actual in service date for all post-test year projects.**

A. Please see the electronic attachment \BAB 5.1 Post-Test Year Plant.xlsx\ provided on the enclosed CD.

Response provided by:	Fredrick K. Schneider, P. E.
Title:	Vice President – Engineering
Address:	3805 North Black Canyon Highway Phoenix, AZ 85015

JRM:HAC | 1/22/2016 10:35 AM

SYSTEM	WA	DESCRIPTION	BEGINNING BALANCE	YTD 11/30/2015	BALANCE AT 11/30/2015	STATUS
041	5260	Replace sodium hypochlorite tank PV Well 29 ARF	$ 297	$ 18,979	$ 19,275	Outstanding
044	5263	Install 230' of 6" DIP along Citrus Rd, S of I-10	$ -	$ 53,708	$ 53,708	Fully Booked
041	5306	30 HP Booster Pump at ST BPS	$ -	$ 42,857	$ 42,857	Fully Booked
041	5307	Auto Strainer Wells #9 & 10 CL	$ -	$ 41,625	$ 41,625	Fully Booked
044	5309	Replace pipe at Blue Horizon ARF	$ -	$ 53,658	$ 53,658	Fully Booked
300	5325	Replace office building signs	$ -	$ -	$ -	Outstanding
300	5326	Replace patch & anti-virus servers	$ -	$ 20,180	$ 20,180	Outstanding
300	5327	Design & implement AWC website	$ -	$ 37	$ 37	Outstanding
041	5329	Replace 85' CI w/DIP on 4th St - CG	$ -	$ 19,402	$ 19,402	Fully Booked
041	5339	Replace leaking service AZ Blvd s of Verde Ln CL	$ -	$ 57,535	$ 57,535	Fully Booked
041	5341	Replace service Pinal Ave & Cholla St in CG	$ -	$ 35,165	$ 35,165	Fully Booked
041	5344	Install 25' of 8" DIP 2nd St & Morrison CL	$ -	$ 23,685	$ 23,685	Fully Booked
041	5345	Replace 13' leaking 8" CA with 8" DIP 1955 N CG Av	$ -	$ 62,000	$ 62,000	Outstanding
041	5348	Install radio system at Burgess Peak SCADA	$ -	$ 20,000	$ 20,000	Outstanding
044	5360	Replace ladder & add 12" overflow BAE water tank	$ -	$ 16,810	$ 16,810	Fully Booked
041	5361	Improvements to Coolidge Warehouse tank	$ -	$ 74,340	$ 74,340	Fully Booked

2014 Western Group Rate Case
Post-Test Year Utility Plant Projects

		Date Placed in Service
1-4806	Coolidge Well No. 13 ARF	2016
1-5076	Arizona Grain Depot	December 23, 2014
1-5164	Coolidge 9 & 10 Motors	December 8, 2015
1-5165	Block Walls Well Nos. 21, 30 & 31	January 12, 2015
1-5167	Valley Farms ARF Well No. 2	July 8, 2015
1-5168	Hwy 84 Gate & Butterfly Valves	July 20, 2015
1-5169	Overfield Road 12" Replacement	May 21, 2015
1-5170	Cottonwood Lane Storage Tank	July 23, 2015
1-5171	Cottonwood Lane 12" Replacement	April 15, 2015
1-5173	Pinal Valley Electrical Panel Safety	December 31, 2014
1-5251	PV Well No. 33 Pump & Column	January 22, 2015
1-5260	PV Well No. 29 Sodium Hypochlorite	September 28, 2015
1-5296	PV Well No. 19 Pump	September 14, 2015
1-5299	Coolidge 9 & 10 Access Road	December 14, 2015
1-5301	PV Well No. 33 12" to Hacienda Road	June 6, 2015
1-5303	PV Well Nos. 32 & 33 Nitrate Analyzers	June 5, 2015
1-5304	PV Well No. 27 Booster Pump Station	December 31, 2015
1-5307	Coolidge Well Nos. 9 & 10 Strainer	July 1, 2015
1-5329	Cameron and Morrison Replacements	February 12, 2015
1-5332	Casa Grande Mountain 36" Trans Main	May 5, 2015
1-5339	Arizola Blvd Service Line Replacement	May 21, 2015
1-5341	Pinal Avenue Service Line Replacement	June 20, 2015
1-5344	Second St Gate Valve Replacement	June 18, 2015
1-5345	1955 North Casa Grande Ave Replacement	August 4, 2015
1-5348	Burgess Peak Radio System	July 23, 2015
1-5358	PV Well No. 26 Pump	August 10, 2015
1-5359	PV Well No. 27 Pump	December 16, 2015
1-5361	Elevated Tank in Coolidge Cathodic Protection	July 8, 2015
1-5362	PV Well No. 31 Pump	November 26, 2015
1-5166	Coolidge Airport POU	February 29, 2016
1-5173	Coolidge Airport Electrical Panel Safety	December 31, 2014
1-5173	Tierra Grande Electrical Panel Safety	December 31, 2014
1-5173	Stanfield Electrical Panel Safety	December 31, 2014
1-5306	Stanfield BPS Upgrade Transformers	June 30, 2015
1-5032	White Tank SCADA System	June 1, 2015
1-5263	Citrus Road Air Relief Valve	February 3, 2015
1-5309	Blue Horizon ARF Butterfly Valves	April 21, 2015
1-5360	Beautiful Az Estates Tank	April 13, 2015
1-5324	Phone System	2016
1-5325	Office Building Signs	2016
1-5326	Anti Virus Patch	November 20, 2015
1-5327	Company Website	2016

ARIZONA WATER COMPANY'S RESPONSES TO
ARIZONA CORPORATION COMMISSION STAFF'S
SEVENTH SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277
February 16, 2016

Arizona Water Company Response Number: BAB 8.1

Q. **Post-test year plant – Please provide the following information for the "Blankets" projects for all Western Group service areas, the Phoenix office and Meter Shop and for project 0076:**

a. Updated, actual year-to-date costs including plant account information.
b. Confirm that the updated costs have been booked.
c. Work authorization information.
d. The actual in service date for all projects and a detailed description of where the item was installed.

A. a. Please see the electronic attachments in folder \BAB 8.1 Post-Test Year Plant\ on the enclosed CD.

b. Please see the electronic attachments in folder \BAB 8.1 Post-Test Year Plant\ on the enclosed CD.

c. Please see the electronic attachments in folder \BAB 8.1 Post-Test Year Plant\ on the enclosed CD.

d. Please see the electronic attachments in folder \BAB 8.1 Post-Test Year Plant\ on the enclosed CD. Because providing a detailed description of where the items were installed is unduly burdensome, such a list is not included. Blanket accounts involve numerous locations and are placed in service in the month in which the charge is recorded. The attached invoicing may provide evidence in regards to location. Invoices for all amounts over $1,000 are included with the attachments. Arizona Water Company has also used this opportunity to provide Staff with additional general ledger and invoice support for its post-test year projects.

Response provided by:	Jamie R. Moe
Title:	Manager – Rates and Regulatory Accounting
Address:	3805 North Black Canyon Highway Phoenix, AZ 85015

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ARIZONA WATER COMPANY'S RESPONSES TO ARIZONA CORPORATION COMMISSION STAFF'S SECOND SET OF DATA REQUESTS TO ARIZONA WATER COMPANY DOCKET NO. W-01445A-15-0277 October 23, 2015

Arizona Water Company Response Number: BAB 2.12

Q. Weatherization revenue adjustment – As a follow up to DR BAB 1.21 please answer/provide the following:

a. Explain the reason(s) why the Company used a five year period to establish a "normal" weather pattern.

b. A list of the other weather indices that the Company considered using in its analysis and the reason why the Palmer Drought Severity Index was chosen over any others.

c. Any Company data and/or analysis that supports that this trend is continuing post test year.

d. Can the Company state with 100 percent certainty that the proposed test year reduction in usage tied to weather will continue past the test year? If less than 100 percent, what percentage of certainty can the Company provide?

e. A list of cases with Docket numbers where the Commission has approved adjustments based on events that predated the test year, if any. Also describe those adjustments and the Company's understanding regarding the reasons that the adjustment(s) were accepted.

A. a. The decision to normalize revenues based on five years of monthly data was made prior to filing the Arizona Water Company's 2011 Test Year Northern Group general rate case. In prior rate case proceedings where Arizona Water Company utilized ten years of data, parties suggested that the continued pervasive decline in per customer sales was a result of economic conditions, with the implication being that per customer sales would eventually increase. That never happened. Despite the fact that evidence shows that past declines in per customer sales were *not* an artifact of any economic recession (*see* "Insights into Declining Single-Family Residential Water Demands." Journal – AWWA, June 2012), Arizona Water Company has continued to rely on five years of monthly data in subsequent general rate cases, with statistically significant results.

Response provided by:	Joel M. Reiker
Title:	Vice President – Rates & Revenues
Address:	3805 North Black Canyon Highway Phoenix, AZ 85015

b. In past studies, Arizona Water Company has used the independent variables of total monthly precipitation and average monthly temperature, but has found the statistical relationship between these variables and per customer sales to be inconsistent. Other published studies have found no statistically significant relationship between monthly precipitation and water sales, but have found a significant relationship between drought effects and monthly water sales. (*See* "North America Residential Water Usage Trends Since 1992." Water Research Foundation. 2010.) For these reasons Arizona Water Company has continued to use the Palmer Drought Severity Index.

c. See the pre-filed direct testimony of Joel M. Reiker, Section VIII, and Arizona Water Company's response to BAB 2.13.

d. Arizona Water Company is unable to predict future weather conditions. It is for this reason that Arizona Water Company proposes an adjustment to reflect normalized weather and usage based on five years of historical data. In terms of weather, Arizona Water Company believes a five year average is far superior to simply assuming that future weather conditions will mimic those of 2014, which the evidence shows does not represent average weather conditions.

e. Arizona Water Company has not conducted such a study or survey. However, it is routine practice for regulators, including the Commission, to weather normalize sales for ratemaking purposes and to adopt reasonable pro forma adjustments to actual test year results to the extent they represent future conditions. These adjustments commonly reflect events that predate the test year, with examples being the normalization of expenses based on historical averages, or the updating of rate base to reflect various changes that have occurred during intervening years.

Response provided by: Joel M. Reiker
Title: Vice President – Rates & Revenues
Address: 3805 North Black Canyon Highway
Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO
ARIZONA CORPORATION COMMISSION
STAFF'S SECOND SET OF DATA REQUESTS TO
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-15-0277
October 23, 2015

Arizona Water Company Response Number: BAB 2.13

Q. <u>Declining usage revenue adjustment</u> – Please provide the available year to date (2015) customer counts and total sales by month.

A. Please see the Excel file \BAB 2.13 - Declining Usage Revenue Adjustment.xlsx\ provided on the enclosed CD.

Response provided by:	Jamie R. Moe
Title:	Manager – Rates & Regulation
Address:	3805 North Black Canyon Highway Phoenix, AZ 85015

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Staff Data Request BAB 2.13 - Declining Usage Revenue Adjustment

	2015								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Pinal Valley									
Customer Count									
Residential	26,370	26,359	26,412	26,448	26,484	26,519	26,619	26,597	26,596
Commercial	2,035	2,020	2,019	2,023	2,055	2,048	2,065	2,046	2,035
Industrial	24	24	24	24	24	24	24	24	23
Other	454	453	452	452	455	453	457	460	467
Total	28,883	28,856	28,907	28,947	29,018	29,044	29,165	29,127	29,121
Total Sales (M Gallons)									
Residential	189,280	178,762	176,639	218,079	243,447	240,199	298,004	277,969	260,023
Commercial	74,331	64,844	67,995	91,604	138,435	126,548	167,394	166,576	153,577
Industrial	40,758	42,337	41,451	42,399	46,484	27,531	36,843	33,587	28,900
Other	9,757	3,293	3,799	4,926	10,564	5,598	5,816	5,771	5,434
Total	314,127	289,235	289,884	357,008	438,930	399,876	508,055	483,903	447,933
White Tank									
Customer Count									
Residential	2,291	2,303	2,314	2,337	2,347	2,373	2,395	2,396	2,403
Commercial	58	56	58	58	58	59	58	58	58
Industrial	1	1	1	1	1	1	1	1	1
Other	11	11	12	13	15	17	15	15	19
Total	2,361	2,371	2,385	2,409	2,421	2,450	2,469	2,470	2,481
Total Sales (M Gallons)									
Residential	19,374	19,684	19,706	24,142	26,865	30,979	33,986	34,231	33,738
Commercial	3,828	5,061	3,770	4,865	6,135	6,358	7,495	8,561	10,063
Industrial	24	25	35	41	72	130	106	141	119
Other	42	75	26	523	153	95	32	383	247
Total	23,268	24,845	23,538	29,571	33,225	37,563	41,618	43,316	44,167
Ajo									
Customer Count									
Residential	577	584	583	592	584	587	585	581	579
Commercial	70	73	72	72	72	71	71	71	71
Industrial	-	-	-	-	-	-	-	-	-
Other	5	5	5	5	5	5	5	5	5
Total	652	662	660	669	661	663	661	657	655
Total Sales (M Gallons)									
Residential	2,383	2,125	1,899	2,512	2,127	2,726	2,624	2,844	2,164
Commercial	764	1,052	924	1,033	865	1,017	980	1,096	851
Industrial	-	-	-	-	-	-	-	-	-
Other	3	3	10	2	10	2	7	2	3
Total	3,150	3,181	2,832	3,546	3,002	3,745	3,611	3,942	3,018

ARIZONA WATER COMPANY'S RESPONSES TO ARIZONA CORPORATION COMMISSION STAFF'S FOURTH SET OF DATA REQUESTS TO ARIZONA WATER COMPANY DOCKET NO. W-01445A-15-0277 December 31, 2015

Arizona Water Company Response Number: BAB 4.5

Q. Employee Salary and Wages – **Please describe/provide the following:**

a. The process for how labor costs/overhead is calculated and included as part of any capital project.

b. A list of the employees that have been hired post-test year to fill any test-year vacancies, the positions they were hired to fill, and the date they were hired.

c. The actual annual percentage changes in pay from year to year, from the 2010 test year in the last Western Group rate case (Docket No. W-01445A-10-0517) to the current 2014 test year.

d. All test year time sheets for employee numbers 1561, 2550, 3171, 3342, and 5318 that breaks out the hours worked, the rate of pay, the account code used and for which district and/or group the work was performed.

e. If the pay is not based on time sheets, please explain how you determined the level of salary for each employee, and how their pay was allocated among the different account codes and districts/affiliates.

A.

a. Employees that work on capital projects charge hours to those projects on their time sheet by writing the capital project number under the account code column and then writing the number of hours worked under the column that indicates the day that they worked on this capital project. At the end of each pay period computer operators enter each time sheet into the payroll system. The payroll system then calculates the total wages charged to a particular account code including capital projects by multiplying the employee's wage rate times the number of hours for each account code. The system also calculates any overtime or other pay adjustment. The payroll system then totals all wages by account code, including capital projects, to create a posting file. Accounting then posts this file at month-end. Payroll taxes, insurance and benefits costs are allocated to each account code charged based on the total wages charged to that account code.

b. Please see the electronic attachment \BAB 4.5 Employee Salary and Wages.xlsx\ provided on the enclosed CD.

c. Please see the electronic attachment \BAB 4.5 Employee Salary and Wages.xlsx\ provided on the enclosed CD.

d. Please see the electronic attachment \BAB 4.5 Employee Salary and Wages.xlsx\ provided on the enclosed CD. The file contains all of the information requested. Original employee time sheets are available for review at Arizona Water Company's Phoenix Office.

e. All employee pay is based on time sheets as described in the response to 4.5(a).

Response provided by: Jamie R. Moe
Title: Manager – Rates & Regulatory Accounting
Address: 3805 North Black Canyon Highway
Phoenix, AZ 85015

Data Request BAB 4.5

b. new hires

Post-test year hires

CG	MARQUEZ	MICHAEL	METER READER	06/15/15
CL	CLEMANS	TRE J	METER READER	07/27/15

Not hired to fill **test-year** vacancies

PX	MOE	JAMIE R	MANAGER - RATES & REGULATORY ACC	08/31/15	additional position
PX	STONE	VICTORIA T	SECRETARY - OPERATIONS	07/02/15	position vacant March 2015 (Sheehan term)
PX	SESMAS	GLORIA	SECRETARY - ENGINEERING	06/29/15	position vacant March 2015 (Heil promotion)
PX	ANTHONY	GARRETT R	DRAFTSMAN/MESSENGER PART-TIME	05/06/15	additional position
PX	WALSH	JAMES P	RATE ANALYST	01/05/15	additional position

c. percentage pay changes

	Non-union	Union
2014	1.3	1.2
2013	2.5	1.7
2012	2.0	1.3
2011	1.5	0.9
2010	0.0	0.0

ARIZONA WATER COMPANY'S RESPONSES TO ARIZONA CORPORATION COMMISSION STAFF'S FIRST SET OF DATA REQUESTS TO ARIZONA WATER COMPANY DOCKET NO. W-01445A-15-0277 September 25, 2015

Company Response Number: BAB 1.17

Q. NARUC Uniform System of Accounts – Please explain the reasoning behind why the Company is still using the 1976 NARUC Uniform System of Accounts rather than the more current 1996 version. In this explanation include any cost estimates, anticipated difficulties, and if the Company has a plan to transition to the more current version of the Uniform System of Accounts.

A. For over 35 years the Company has consistently maintained its accounting books and records in conformity with the 1976 NARUC USOA for Class A and B Water Utilities. Using the 1976 USOA has not created a problem for either the ACC Staff or RUCO, as evidenced by the Company's numerous rate case filings over the years.

The Arizona Corporation Commission's (ACC) rule on accounts and records states in part: "Each utility shall maintain its books and records in conformity with the NARUC Uniform System of Accounts (USOA) for Class A, B, C and D Water Utilities." *See* A.A.C. R14-2-411 D. 2. NARUC has modified and reissued its USOA for water utilities three times over the last 40 year period: 1976, 1984 and 1996. Each of these modifications in NARUC's USOA was issued with the following language:

> ***"Pursuant to action by the National Association of Regulatory Utility Commissioners, this system of Accounts is recommended to the commissions represented in the membership of this Association for consideration and for adoption in their respective jurisdictions with such modifications only as they may deem necessary in the public interest." (Emphasis added.)***

The ACC has not established any forum to consider the recommended 1984 or 1996 NARUC USOA. The ACC has never taken any action, whether by decision or rulemaking, to specifically adopt either the 1984 or 1996 NARUC USOA. Therefore, the Company has continued to use the 1976 NARUC USOA.

The Company has not evaluated the costs and difficulties of a transition to a more current version of the USOA because there are no plans to convert.

Response provided by:	Joel M. Reiker
Title:	Vice President – Rates & Revenues
Address:	3805 North Black Canyon Highway Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO ARIZONA CORPORATION COMMISSION STAFF'S SECOND SET OF DATA REQUESTS TO ARIZONA WATER COMPANY DOCKET NO. W-01445A-15-0277 October 23, 2015

Arizona Water Company Response Number: BAB 2.2

Q. <u>Accumulated depreciation</u> – Please provide a sub ledger or schedule of the accumulated depreciation by line item (e.g., 314 Wells) that was approved in the Company's prior rate case (test year ending December 31, 2010).

A. Please see the attachment \ BAB 1.8 Plant Additions & Retirements.xlsx\ provided in Arizona Water Company's Response to Staff's First Set of Data Requests. Arizona Water Company does not maintain accumulated depreciation balances by plant account.

Response provided by: Jamie R. Moe
Title: Manager – Rates & Regulation
Address: 3805 North Black Canyon Highway
Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO
RESIDENTIAL UTILITY CONSUMER OFFICE'S
FOURTH SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277
January 19, 2016

Company Response Number: RUCO 4.01

Q. Accumulated Depreciation – In RUCO Data Request 1.13(b) the Company was asked to provide a schedule showing the Accumulated Depreciation balances by account, as authorized in the most recent rate case. In response, the Company stated that Arizona Water "does not maintain accumulated depreciation balances by plant account." Subsequently, in RUCO Data Request 3.06 the Company was asked to provide accumulated depreciation balances by function. In response, the Company stated that Arizona Water "does not maintain accumulated depreciation balances by function" (emphasis added).

In light of the above, please indicate if the Company agrees, or disagrees, with the following statements; to the extent the Company disagrees with a particular statement, provide a detailed explanation as to the reasons for the Company's disagreement:

1. Title 14, Chapter 2, Section 102, Parts A-D of the Arizona Administrative Code is controlling as regards the treatment of depreciation by public service corporations subject to regulation by the Arizona Corporation Commission (ACC);
2. Pursuant to R14-2-102(B) of the Arizona Administrative Code, all public service corporations are required to maintain adequate accounts and records related to depreciation practices;
3. Pursuant to R14-2-102(B.2) of the Arizona Administrative Code, public service corporations are required to maintain a separate depreciation reserve (i.e., accumulated depreciation) account for depreciable plant assets, either on an individual account or functional account basis;
4. Pursuant to R14-2-102(B.4) of the Arizona Administrative Code, only those public service corporations having less than $250,000 in annual revenue are not required to maintain depreciation records by separate accounts;
5. Pursuant to R14-2-102(D) of the Arizona Administrative Code, upon a showing of good cause the ACC can grant a waiver to a public service corporation from one or more of the requirements of Section 102 (i.e., R14-2-102).

Response provided by: Jamie R. Moe
Title: Manager – Rates and Regulatory Accounting
Address: 3805 N. Black Canyon Highway
Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO
RESIDENTIAL UTILITY CONSUMER OFFICE'S
FOURTH SET OF DATA REQUESTS
WESTERN GROUP RATE APPLICATION
DOCKET NO. W-01445A-15-0277
January 19, 2016

Company Response Number: RUCO 4.01

A. 1. Arizona Water Company acknowledges that R14-2-102 of the Arizona Administrative Code is controlling in regards to the treatment of depreciation.

2. Arizona Water Company acknowledges that R14-2-102(B) of the Arizona Administrative Code states, "All public service corporations shall maintain adequate accounts and records related to depreciation practices."

3. Arizona Water Company acknowledges that R-14-2-102(B.2) of the Arizona Administrative Code states, "A separate reserve for each account or functional account shall be maintained."

4. Arizona Water Company acknowledges that R-14-2-102(B.4) of the Arizona Administrative Code states, "Public service corporations having less than $250,000 in annual revenue shall not be required to maintain depreciation records by separate accounts but shall make annual composite accruals to accumulated depreciation for total depreciable plant."

5. Arizona Water Company acknowledges that R-14-2-102(D) of the Arizona Administrative Code states, "Upon the motion of any party or upon its own motion, the Commission may determine that good cause exists for granting a waiver from one or more of the requirements of this Section."

Response provided by: Jamie R. Moe
Title: Manager – Rates and Regulatory Accounting
Address: 3805 N. Black Canyon Highway
Phoenix, AZ 85015

ARIZONA WATER COMPANY'S RESPONSES TO ARIZONA CORPORATION COMMISSION STAFF'S SECOND SET OF DATA REQUESTS TO ARIZONA WATER COMPANY DOCKET NO. W-01445A-15-0277 October 23, 2015

Arizona Water Company Response Number: BAB 2.3

Q. **Fully depreciated plant – Please provide a sub ledger or schedule of the plant accounts with fully depreciated assets by line item (e.g., 314 Wells) or indicate if there is no fully depreciated plant still in service.**

A. No such schedule or sub ledger exists. Arizona Water Company uses a group depreciation accounting methodology under which a property group is depreciated at a Commission-approved rate, based on the average service life of all property units/investments in the group. Under this method, the recovery of capital occurs over the life of the asset group (as opposed to each individual asset), and a unit of property is assumed to be fully depreciated only at the time it is retired and removed from service. As a result, there are no fully depreciated assets that remain in service.

Response provided by: Joel M. Reiker
Title: Vice President – Rates & Revenues
Address: 3805 North Black Canyon Highway
Phoenix, AZ 85015

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS	DOCKET NO. W-01445A-15-0277

(RATE DESIGN)

DIRECT

TESTIMONY

OF

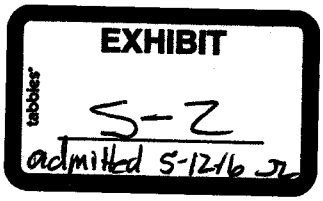
BRITON A. BAXTER

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 18, 2016



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EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
WESTERN GROUP
DOCKET NO. W-01445A-15-0277

Arizona Water Company ("Company" or "AWC") is a certificated Arizona public service corporation that provides water service throughout the State of Arizona. The Company's water systems are grouped into the Northern, Eastern, and Western Groups. The Northern group is comprised of the Navajo and Verde Valley Water Systems; the Eastern group is comprised of the Superstition, Cochise, and Falcon Valley Water Systems; and the Western group is comprised of the Pinal Valley, White Tank and Ajo Water Systems. The Company's last rate increase was approved in Decision No. 74081, dated September 23, 2013, for the Northern group.

On August 21, 2015, the Company filed an application[1] for a rate increase for its Western group: Pinal Valley Water Service Area (comprised of the Casa Grande, Coolidge, and Stanfield sub-systems); White Tank Water Service Area; and Ajo Water Service Area. The rates for the Western group were established in Decision No. 73144, dated May 1, 2012.

This testimony of Briton A. Baxter presents Staff's recommendations in the area of rate design.

Rate application:

Pinal Valley Water System

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,700 gallons from $25.24 to $33.15, for an increase of $7.91 or 31.33 percent.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,700 gallons from $25.24 to $30.04, for an increase of $4.80 or 19.01 percent.

White Tank Water System

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 7,681 gallons from $40.04 to $52.24, for an increase of $12.19 or 30.45 percent.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 7,681 gallons from $40.04 to $46.71, for an increase of $6.67 or 16.65 percent.

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[1] On July 31, 2015 AWC filed a "Notice of Intent to File General Rate Case and Request for Accounting Order". On August 21, 2015 AWC filed its application and 12 amendments to its application.

Ajo Water System

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 2,680 gallons from $34.01 to $41.10, for an increase of $7.09 or 20.84 percent.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 2,680 gallons from $34.01 to $39.11, for an increase of $5.10 or 15.00 percent.

Staff recommends approval of its recommended rates and charges for the Western Group service areas of Arizona Water Company as shown on the attached schedules.

INTRODUCTION

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

A. My name is Briton A. Baxter. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Briton Baxter who previously filed testimony pertaining to rate base, operating revenues and expenses and revenue requirement on behalf of Staff in this docket for Arizona Water Company's ("AWC" or "Company") permanent rate application?

A. Yes, I am.

Q. What is the basis of your recommendations?

A. Based on the adjustments and revenue requirement recommended by Staff, I am presenting Staff's recommended rate design.

BACKGROUND

Q. Please provide a brief description of Arizona Water Company and the service it provides.

A. AWC is a certified Arizona public service company that provides water service throughout the state of Arizona. The Company's water service areas are grouped into the Northern, Eastern and Western Groups. The Northern Group is comprised of the Navajo and Verde Valley Water Service Areas; the Eastern Group is comprised of the Superstition, Cochise, and Falcon Valley Water Service Areas; and the Western Group is comprised of the Ajo, Pinal Valley, and White Tank Water Service Areas. The Company's last rate increase was approved in Decision No. 74081, dated September 23, 2013, for the Northern group.

On August 21, 2015, the Company filed an application[2] for a rate increase for its Western group: Pinal Valley Water Service Area (comprised of the Casa Grande, Coolidge, and Stanfield sub-service areas); White Tank Water Service Area; and Ajo Water Service Area. The rates for the Western group were established in Decision No. 73144, dated May 1, 2012.

RATE DESIGN

Q. Has Staff prepared schedules summarizing the present, Company proposed, and Staff recommended rates and service charges for each service area?

A. Yes. Schedule BAB-1 for each service area provides a summary of the Company's present, Company's proposed, and Staff's recommended rates.

Q. Please briefly describe the Company's proposed changes to rates.

A. Across all three service areas, the Company proposes different monthly usage charges by customer class. Further, the Company proposes adding a tier to the existing inverted commodity rate structure for all customer classes. This will result in three-tiers for all meter sizes of the commercial, construction, and the residential 1-inch meter and larger customer classes. The typical 5/8 x 3/4-inch residential customer meter will now have a fourth-tier, with the first-tier being what the Company considers a lifeline tier. The Company also proposes a flat commodity rate for all industrial meter sizes, with a lower rate for 6-inch and larger meters. To account for the new tiers, the Company has proposed modifying and/or removing the existing break-over points. Further, the Company proposes adding a 3/4-inch meter size to all customer classes, and is proposing to add meter sizes to the construction customer class to be consistent with the existing meter sizes in the other customer classes.

[2] On July 31, 2015 AWC filed a "Notice of Intent to File General Rate Case and Request for Accounting Order". On August 21, 2015 AWC filed its application and 12 amendments to its application.

Q. Please briefly describe the Staff recommended rates.

A. Staff's recommended rates are designed to produce revenues that cover the overall cost of providing service as established in prior testimony filed in this Docket. These rates employed inverted block structures, where the price per unit for the commodity component of the bill increases as usage increases. This is designed specifically to send a pricing signal that encourages the efficient use of scarce water resources. Staff also considered the Company's cost-of-service in setting recommended rates. Staff agrees with, and has incorporated the Company's proposed number of tiers, break-over points and additions of 3/4-inch and various construction meter sizes in its recommended rate design.

Q. Besides setting rates to earn the revenue requirement as determined by previous testimony did Staff consider any other factors in setting rates?

A. Yes. Staff's recommended rates include Staff's "normalization" of the billing determinants. This normalization is intended to adjust rates to reflect the reduction in sales due to the declining average usage-per-customer in the residential classes' across all three service areas. To accomplish this, Staff adjusted the target revenue for the residential class in each service area.

Pinal Valley Service Area ("Pinal Valley")

Q. Please summarize the monthly minimum portion of the Company's present rate design for Pinal Valley.

A. The present monthly minimum charges by meter size for all customer classes are as follows: 5/8 x 3/4-inch, $16.00; 1-inch, $40.00; 1 1/2-inch, $80.00; 2-inch, $128.00; 3-inch, $256.00; 4-inch, $400.00; 6-inch, $800.00; 8-inch, $1,280.00; and 10-inch $1,840.00. The current private fire service is $25.00 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of the Company's present rate design for Pinal Valley.

A. The commodity rate for the 5/8 x 3/4-inch residential customers is $1.1879 per thousand gallons for zero to 3,000 gallons, $2.1026 per thousand gallons for 3,001 to 10,000 gallons, and $3.2590 per thousand gallons for any consumption over 10,000 gallons. The 1-inch and larger residential, commercial, and construction classes' commodity break-over points vary by meter size with a $2.1026 per thousand gallons first-tier commodity rate and a $3.2590 per thousand gallons commodity rate for any consumption over the first-tier. The industrial meters (up to 4-inches) have commodity break-over points that vary by meter size with a $1.5500 per thousand gallons first-tier commodity rate and a $2.4800 per thousand gallons commodity rate for any consumption over the first-tier. The present commodity rate for sales for resale water and industrial meters 6-inches and larger is a flat $1.5500 per thousand gallons.

Q. Please summarize the monthly minimum charges portion of the Company's proposed rate design for Pinal Valley.

A. The Company is proposing different monthly minimum charges by customer class and meter size. The Company's proposed monthly minimum charges for residential customers are as follows: 5/8 x 3/4-inch, $22.00; 3/4-inch, $33.00; 1-inch, $55.00; 1 1/2-inch, $110.00; 2-inch, $176.00; 3-inch, $352.00; 4-inch, $550.00; 6-inch, $1,100.00; 8-inch, $1,760.00; and 10-inch $2,530.00. The Company's proposed monthly minimum charges for commercial, construction and sales for resale customers are as follows: 5/8 x 3/4-inch, $25.00; 3/4-inch, $37.50; 1-inch, $62.50; 1 1/2-inch, $125.00; 2-inch, $200.00; 3-inch, $400.00; 4-inch, $625.00; 6-inch, $1,250.00; 8-inch, $2,000.00; and 10-inch $2,875.00. The Company's proposed monthly minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, $35.00; 3/4-inch, $52.50; 1-inch, $87.50; 1 1/2-inch, $175.00; 2-inch, $280.00; 3-inch, $560.00; 4-inch,

\$875.00; 6-inch, \$1,750.00; 8-inch, \$2,800.00; and 10-inch \$4,025.00. The Company's proposed private fire service is \$35.00 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of the Company's proposed rate design for Pinal Valley.

A. The Company proposes a four-tier inverted-block commodity rate for 5/8 x 3/4-inch residential customers with a \$1.5246 per thousand gallons lifeline first-tier (zero to 2,000 gallons) commodity rate, a \$2.1891 per thousand gallons second-tier (2,001 to 7,000 gallons) commodity rate, a \$2.8536 per thousand gallons third-tier (7,001 to 18,000 gallons) commodity rate, and a \$4.1827 per thousand gallons fourth-tier for any consumption over 18,000 gallons. The Company also proposes a four-tier inverted-block commodity rate for 3/4-inch residential customers with the same commodity rates per thousand gallons for each tier but with break-over points at 4,000, 10,000, and 18,000 gallons respectively. The 1-inch and larger residential, commercial and construction classes' commodity break-over points vary by meter size using a three-tier inverted-block commodity rate with a \$2.1891 per thousand gallons first-tier commodity rate, a \$2.8536 per thousand gallons second-tier commodity rate, and a \$4.1827 per thousand gallons for any consumption over the second-tier. The Company proposes a flat commodity rate for 4-inch and smaller industrial meters of \$2.5000 and for 6-inch and larger meters of \$1.7500 per thousand gallons. The Company proposed a flat rate of \$2.1891 for all sales for resale meter sizes.

Q. Please summarize the monthly minimum portion of Staff's recommended rate design for Pinal Valley.

A. Staff is recommending different monthly minimum charges by customer class and by meter size. Staff's recommended monthly minimum charges for residential customers are as

follows: 5/8 x 3/4-inch, $20.00; 3/4-inch, $30.00; 1-inch, $50.00; 1 1/2-inch, $100.00; 2-inch, $160.00; 3-inch, $320.00; 4-inch, $500.00; 6-inch, $1,000.00; 8-inch, $1,600.00; and 10-inch $2,300.00. Staff's recommended monthly minimum charges for commercial, construction and sales for resale customers are as follows: 5/8 x 3/4-inch, $21.55; 3/4-inch, $32.33; 1-inch, $53.88; 1 1/2-inch, $107.75; 2-inch, $172.40; 3-inch, $344.80; 4-inch, $538.75; 6-inch, $1,077.50; 8-inch, $1,724.00; and 10-inch $2,478.25. Staff's recommended monthly minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, $31.82; 3/4-inch, $47.73; 1-inch, $79.55; 1 1/2-inch, $159.09; 2-inch, $254.55; 3-inch, $509.09; 4-inch, $795.45; 6-inch, $1,590.91; 8-inch, $2,545.45; and 10-inch $3,659.09. Staff's recommended private fire service is $31.82 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of Staff's recommended rate design for Pinal Valley.

A. Staff recommends a four-tier inverted-block commodity rate for 5/8 x 3/4-inch and 3/4-inch residential customers using the Company's proposed break-over points but with a $1.4350 per thousand gallons first-tier, a $1.9390 per thousand gallons second-tier, a $2.7223 per thousand gallons third-tier, and a $3.9613 per thousand gallons fourth-tier commodity rate. The 1-inch and larger residential, commercial, and construction classes' commodity break-over points vary by meter size with a $1.9390 per thousand gallons first-tier, a $2.7223 per thousand gallons second-tier, and a $3.9613 per thousand gallons commodity rate for any consumption over the second-tier. Staff recommends a flat commodity rate for industrial meters 4-inches and smaller of $2.4500 and a flat commodity rate for industrial meters 6-inches and larger of $1.7150. Staff also recommends a flat rate for all meter sizes of the sales for resale customer class of $1.9175 per thousand gallons.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter Pinal Valley residential customer?

A. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill with median usage of 5,700 gallons from $25.24 to $33.15 for an increase of $7.91 or 31.33 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with median usage of 5,700 gallons from $25.24 to $30.04, for an increase of $4.80 or 19.01 percent.

Q. What is the Company's rate structure under present, Company's proposed and Staff's recommended rates for Pinal Valley?

A. Under present rates, approximately 40.36 percent of revenue is coming from the monthly minimum and 59.64 percent is from the commodity charges. Under the Company's proposed rates, approximately 44.50 percent of revenue is coming from monthly minimum and 55.50 percent of revenue is from commodity charges. Under Staff's recommended rates, approximately 43.40 percent is coming from monthly minimum and 56.60 percent is from commodity charges.

White Tank Service Area ("White Tank")

Q. Please summarize the monthly minimum portion of the Company's present rate design for White Tank.

A. The present monthly minimum charges by meter size for all customer classes are as follows: 5/8 x 3/4-inch, $23.00; 1-inch, $57.50; 1 1/2-inch, $115.00; 2-inch, $184.00; 3-inch, $368.00; 4-inch, $575.00; 6-inch, $1,150.00; 8-inch, $1,840.00; and 10-inch $2,645.00. The current private fire service is $25.00 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of the Company's present rate design for White Tank.

A. The commodity rate for the 5/8 x 3/4-inch residential customers is $1.8000 per thousand gallons for zero to 5,000 gallons, $3.0000 per thousand gallons for 5,001 to 15,000 gallons, and $5.1664 per thousand gallons for any consumption over 15,000 gallons. The 1-inch and larger residential, commercial, industrial (up to 4-inch meter size) and construction classes' commodity break-over points vary by meter size with a $3.0000 per thousand gallons first-tier commodity rate and a $5.1664 per thousand gallons commodity rate for any consumption over the first-tier. The present commodity rate for industrial meters 6-inch and larger and all sales for resale water is a flat rate of $3.0000 per thousand gallons.

Q. Please summarize the monthly minimum portion of the Company's proposed rate design for White Tank.

A. The Company is proposing different monthly minimum charges by customer class and meter size. The Company's proposed monthly minimum charges for residential customers are as follows: 5/8 x 3/4-inch, $30.00; 3/4-inch, $45.00; 1-inch, $75.00; 1 1/2-inch, $150.00; 2-inch, $240.00; 3-inch, $480.00; 4-inch, $750.00; 6-inch, $1,500.00; 8-inch, $2,400.00; and 10-inch $3,450.00. The Company's proposed monthly minimum charges for commercial and industrial customers are as follows: 5/8 x 3/4-inch, $35.00; 3/4-inch, $52.50; 1-inch, $87.50; 1 1/2-inch, $175.00; 2-inch, $280.00; 3-inch, $560.00; 4-inch, $875.00; 6-inch, $1,750.00; 8-inch, $2,800.00; and 10-inch $4,025.00. The Company's proposed monthly minimum charges for construction and sales for resale customers are as follows: 5/8 x 3/4-inch, $25.00; 3/4-inch, $37.50; 1-inch, $62.50; 1 1/2-inch, $125.00; 2-inch, $200.00; 3-inch, $400.00; 4-inch, $625.00; 6-inch, $1,250.00; 8-inch, $2,000.00; and 10-inch $2,875.00. The Company's proposed private fire service is $35.00 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of the Company's proposed rate design for White Tank.

A. The Company proposes a four-tier inverted-block commodity rate for 5/8 x 3/4-inch residential customers with a $2.2531 per thousand gallons lifeline first-tier (zero to 3,000 gallons) commodity rate, a $3.3065 per thousand gallons second-tier (3,001 to 10,000 gallons) commodity rate, a $4.3599 per thousand gallons third-tier (10,001 to 30,000 gallons) commodity rate, and a $6.4668 per thousand gallons fourth-tier for any consumption over 30,000 gallons. The Company also proposes a four-tier inverted-block commodity rate for 3/4-inch residential customers with the same commodity rates per thousand gallons for each tier but with break-over points at 5,000, 15,000, and 30,000 gallons respectively. The 1-inch and larger residential, commercial and construction classes' commodity break-over points vary by meter size with a $3.3065 per thousand gallons first-tier commodity rate, a $4.3599 per thousand gallons second-tier rate and a $6.4668 per thousand gallons for any consumption over the second-tier. The Company proposes a flat commodity rate for 4-inch and smaller industrial meters of $4.3599 and for 6-inch and larger meters of $3.5000 per thousand gallons. The Company proposed a flat rate of $3.3065 for all sales for resale meter sizes.

Q. Please summarize the monthly minimum portion of Staff's recommended rate design for White Tank.

A. Staff is recommending different monthly minimum charges by customer class and by meter size. Staff's recommended monthly minimum charges for residential customers are as follows: 5/8 x 3/4-inch, $28.00; 3/4-inch, $42.00; 1-inch, $70.00; 1 1/2-inch, $140.00; 2-inch, $224.00; 3-inch, $448.00; 4-inch, $700.00; 6-inch, $1,400.00; 8-inch, $2,240.00; and 10-inch $3,220.00. Staff's recommended monthly minimum charges for commercial and industrial customers are as follows: 5/8 x 3/4-inch, $31.36; 3/4-inch, $47.04; 1-inch, $78.40;

1 1/2-inch, $156.80; 2-inch, $250.88; 3-inch, $501.76; 4-inch, $784.00; 6-inch, $1,568.00; 8-inch, $2,508.80; and 10-inch $3,606.40. Staff's recommended monthly minimum charges for construction and sales for resale customers are as follows: 5/8 x 3/4-inch, $24.64; 3/4-inch, $36.96; 1-inch, $61.60; 1 1/2-inch, $123.20; 2-inch, $197.12; 3-inch, $394.24; 4-inch, $616.00; 6-inch, $1,232.00; 8-inch, $1,971.20; and 10-inch $2,833.60. Staff's recommended private fire service is $31.36 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of Staff's recommended rate design for White Tank.

A. Staff recommends a four-tier inverted-block commodity rate for 5/8 x 3/4-inch and 3/4-inch residential customers using the Company's proposed break-over points but with a $1.9150 per thousand gallons first-tier, a $2.7700 per thousand gallons second-tier, a $4.4090 per thousand gallons third-tier, and a $6.2400 per thousand gallons fourth-tier commodity rate. The 1-inch and larger residential, commercial, and construction classes' commodity break-over points vary by meter size with a $2.7700 per thousand gallons first-tier, a $4.4090 per thousand gallons second-tier, and a $6.2400 per thousand gallons commodity rate for any consumption over the second-tier. Staff recommends a flat commodity rate for industrial meters 4-inches and smaller of $4.4090 and a flat commodity rate for industrial meters 6-inches and larger of $3.5394. Staff also recommends a flat rate for all meter sizes of the sales for resale customer class of $2.7700 per thousand gallons.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter White Tank residential customer?

A. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill with median usage of 7,681 gallons from $40.04 to $52.24 for an increase of $12.19 or

30.45 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with median usage of 7,681 gallons from $40.04 to $46.71, for an increase of $6.67 or 16.65 percent.

Q. What is the Company's rate structure under present, Company's proposed and Staff's recommended rates for White Tank?

A. Under present rates, approximately 40.81 percent of revenue is coming from the monthly minimum and 59.19 percent is from the commodity charges. Under the Company's proposed rates, approximately 43.26 percent of revenue is coming from monthly minimum and 56.74 percent of revenue is from commodity charges. Under Staff's recommended rates, approximately 43.10 percent is coming from monthly minimum and 56.90 percent is from commodity charges.

Ajo Service Area ("Ajo")

Q. Please summarize the Company's present rate design for Ajo.

A. The present monthly minimum charges by meter size for all customer classes are as follows: 5/8 x 3/4-inch, $25.00; 1-inch, $62.50; 1 1/2-inch, $125.00; 2-inch, $200.00; 3-inch, $400.00; 4-inch, $625.00; 6-inch, $1,250.00; 8-inch, $2,000.00; and 10-inch $2,875.00. The current private fire service is $25.00 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of the Company's present rate design for Ajo.

A. The commodity rate for the 5/8 x 3/4-inch residential customers is $3.3617 per thousand gallons for zero to 3,000 gallons, $5.9502 per thousand gallons for 3,001 to 10,000 gallons, and $9.2228 per thousand gallons for any consumption over 10,000 gallons. The 1-inch and

larger residential, commercial, industrial (up to 4-inch meters) and construction classes' commodity break-over points vary by meter size with a $5.9502 per thousand gallons first-tier commodity rate and a $9.2228 per thousand gallons commodity rate for any consumption over the first-tier. The present commodity rate for sales for resale water and industrial meters 6-inches and larger is a flat rate of $5.9502 per thousand gallons.

Q. Please summarize the monthly minimum portion of the Company's proposed rate design for Ajo.

A. The Company is proposing different monthly minimum charges by customer class and meter size. The Company's proposed residential monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch, $28.00; 3/4-inch, $42.00; 1-inch, $70.00; 1 1/2-inch, $140.00; 2-inch, $224.00; 3-inch, $448.00; 4-inch, $700.00; 6-inch, $1,400.00; 8-inch, $2,240.00; and 10-inch $3,220.00. The Company's proposed monthly minimum charges for commercial, construction, and sales for resale customers are as follows: 5/8 x 3/4-inch, $33.00; 3/4-inch, $49.50; 1-inch, $82.50; 1 1/2-inch, $165.00; 2-inch, $264.00; 3-inch, $528.00; 4-inch, $825.00; 6-inch, $1,650.00; 8-inch, $2,640.00; and 10-inch $3,795.00. The Company's proposed monthly minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, $35.00; 3/4-inch, $52.50; 1-inch, $87.50; 1 1/2-inch, $175.00; 2-inch, $280.00; 3-inch, $560.00; 4-inch, $875.00; 6-inch, $1,750.00; 8-inch, $2,800.00; and 10-inch $4,025.00. The Company's proposed private fire service is $35.00 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of the Company's proposed rate design for Ajo.

A. The Company proposes a four-tier inverted-block commodity rate for 5/8 x 3/4-inch residential customers with a $4.4007 per thousand gallons lifeline first-tier (zero to 2,000

gallons) commodity rate, a $6.3189 per thousand gallons second-tier (2,001 to 5,000 gallons) commodity rate, a $8.2370 per thousand gallons third-tier (5,001 to 10,000 gallons) commodity rate, and a $12.0733 per thousand gallons fourth-tier for any consumption over 10,000 gallons. The Company also proposes a four-tier inverted-block commodity rate for 3/4-inch residential customers with the same commodity rates per thousand gallons for each tier but with break-over points at 3,000, 7,000, and 11,000 gallons respectively. The 1-inch and larger residential, commercial, and construction classes' commodity break-over points vary by meter size with a $6.3189 per thousand gallons first-tier commodity rate, a $8.2370 per thousand gallons second-tier rate and a $12.0733 per thousand gallons for any consumption over the second-tier. The Company proposes a flat commodity rate for 4-inch and smaller industrial meters of $8.2370 and for 6-inch and larger meters of $2.2500 per thousand gallons. The Company also proposed a flat rate of $6.3189 for all sales for resale meter sizes.

Q. Please summarize the monthly minimum portion of Staff's recommended rate design for Ajo.

A. Staff is recommending different monthly minimum charges by customer class and by meter size. Staff's recommended monthly minimum charges for residential customers are as follows: 5/8 x 3/4-inch, $26.93; 3/4-inch, $40.40; 1-inch, $67.33; 1 1/2-inch, $134.65; 2-inch, $215.44; 3-inch, $430.88; 4-inch, $673.25; 6-inch, $1,346.50; 8-inch, $2,154.40; and 10-inch $3,096.95. Staff's recommended monthly minimum charges for commercial, construction and sales for resale customers are as follows: 5/8 x 3/4-inch, $31.74; 3/4-inch, $47.61; 1-inch, $79.35; 1 1/2-inch, $158.69; 2-inch, $253.91; 3-inch, $507.82; 4-inch, $793.47; 6-inch, $1,586.95; 8-inch, $2,539.11; and 10-inch $3,649.98. Staff's recommended monthly minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, $33.66; 3/4-inch, $50.49; 1-inch, $84.16; 1 1/2-inch, $168.31; 2-inch, $269.30; 3-inch, $538.60; 4-inch, $841.56;

6-inch, $1,683.13; 8-inch, $2,693.00; and 10-inch $3,871.19. Staff's recommended private fire service is $33.99 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of Staff's recommended rate design for Ajo.

A. Staff recommends a four-tier inverted-block commodity rate for 5/8 x 3/4-inch and 3/4-inch residential customers using the Company's proposed break-over points but with a $4.1650 per thousand gallons first-tier, a $5.6650 per thousand gallons second-tier, a $7.3100 per thousand gallons third-tier, and a $10.5930 per thousand gallons fourth-tier commodity rate. The 1-inch and larger residential, commercial, and construction classes' commodity break-over points vary by meter size with a $5.6650 per thousand gallons first-tier, a $7.3100 per thousand gallons second-tier, and a $10.5930 per thousand gallons commodity rate for any consumption over the second-tier. Staff recommends a flat commodity rate for industrial meters 4-inches and smaller of $7.3100 and a flat commodity rate for industrial meters 6-inches and larger of $1.9968. Staff also recommends a flat rate for all meter sizes of the sales for resale customer class of $5.6650 per thousand gallons.

Q. What is the rate impact on a typical 5/8 x 3/4-inch meter Ajo residential customer?

A. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential bill with median usage of 2,680 gallons from $34.01 to $41.10 for an increase of $7.09 or 20.84 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 2,680 gallons from $34.01 to $39.11, for an increase of $5.10 or 15.00 percent.

Q. What is the Company's rate structure under present, Company's proposed and Staff's recommended rates for Ajo?

A. Under present rates, approximately 48.90 percent of revenue is coming from the monthly minimum and 51.10 percent is from the commodity charges. Under the Company's proposed rates, approximately 46.44 percent of revenue is coming from monthly minimum and 53.56 percent of revenue is from commodity charges. Under Staff's recommended rates, approximately 48.21 percent is coming from monthly minimum and 51.79 percent is from commodity charges.

ARSENIC COST RECOVERY MECHANISM

Q. Is the Company currently collecting a surcharge for an Arsenic Cost Recovery Mechanism ("ACRM")?

A. Yes. Decision No. 75412, dated January 19, 2016, authorized the Company to start collecting step 1 of the ACRM for the arsenic treatment plant that was added in the Company's Valley Farm system, part of the Pinal Valley service area.[3] The step 1 surcharge that was approved increased the typical 5/8 x 3/4-inch meter residential monthly minimum by $0.15 and added $0.0160 to the commodity rate for each tier. The Decision was effective immediately.

Q. What treatment does Staff recommend for the ACRM surcharge approved in Decision No. 75412?

A. Staff recommends that the ACRM surcharge approved in Decision No. 75412, cease when the rates in this proceeding become effective, because the arsenic treatment plant has been included in rate base as a post-test year addition in this Docket.

[3] Decision No. 75449, dated February 11, 2016, corrects nunc pro tunc, an error in an attached schedule in Decision No. 75412.

OTHER CHARGES

Service Line and Meter Installation Charges

Q. Did the Company propose any changes to the service line and meter installation charges for the Western Group Systems?

A. Yes.

Q. Does Staff agree with the Company's proposed changes to the service line and meter installation charges?

A. Yes, and Staff recommends approval. Both the Company-proposed and the Staff-recommended changes are shown on Schedule BAB-1 for each service area and are discussed in greater detail in prior testimony filed in this Docket by Staff witness, Mr. Frank Smaila.

Miscellaneous Service Charges

Q. Did the Company propose any changes to the miscellaneous service charges for the Western Group Service Areas?

A. No.

Q. Does Staff agree that no changes to the service charges is appropriate?

A. Yes. Staff agrees with the Company that no changes are necessary at this time.

Q. Does this conclude Staff's rate design direct testimony?

A. Yes, it does.

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates			Staff Recommended Rates		
			Commercial, Construction & Sales for			Commercial, Construction & Sales for	
	All Meters	Residential	Resale	Industrial	Residential	Resale	Industrial
5/8 x 3/4" Meter	$16.00	$22.00	$25.00	$35.00	$20.00	$21.55	$31.82
3/4" Meter	n/a	33.00	37.50	52.50	30.00	32.33	47.73
1" Meter	40.00	55.00	62.50	87.50	50.00	53.88	79.55
1½" Meter	80.00	110.00	125.00	175.00	100.00	107.75	159.09
2" Meter	128.00	176.00	200.00	280.00	160.00	172.40	254.55
3" Meter	256.00	352.00	400.00	560.00	320.00	344.80	509.09
4" Meter	400.00	550.00	625.00	875.00	500.00	538.75	795.45
6" Meter	800.00	1,100.00	1,250.00	1,750.00	1,000.00	1,077.50	1,590.91
8" Meter	1,280.00	1,760.00	2,000.00	2,800.00	1,600.00	1,724.00	2,545.45
10" Meter	1,840.00	2,530.00	2,875.00	4,025.00	2,300.00	2,478.25	3,659.09
Private Fire Service (all connection sizes)	25.00			35.00			31.82
Commodity Rates							
5/8 x 3/4" Meter - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	$1.1879						
From 3,001 to 10,000 Gallons	2.1026						
Over 10,000 Gallons	3.2590						
From 1 to 2,000 Gallons		$1.5246			$1.4350		
From 2,001 to 7,000 Gallons		2.1891			1.9390		
From 7,001 to 18,000 Gallons		2.8536			2.7223		
Over 18,000 Gallons		4.1827			3.9613		
5/8 x 3/4" Meter - Commercial							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	$2.1026						
Over 10,000 Gallons	3.2590						
From 1 to 3,000 Gallons			$2.1891			$1.9390	
From 3,001 to 15,000 Gallons			2.8536			2.7223	
Over 15,000 Gallons			4.1827			3.9613	
5/8 x 3/4" Meter - Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	n/a		$2.1891			$1.9390	
From 3,001 to 15,000 Gallons	n/a		2.8536			2.7223	
Over 15,000 Gallons	n/a		4.1827			3.9613	
5/8 x 3/4" Meter - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	$1.5500						
Over 10,000 Gallons	2.4800						
All Gallons				$2.5000			$2.4500
3/4" - Residential							
Gallons Included in Minimum	n/a	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 4,000 Gallons	n/a	$1.5246			$1.4350		
From 4,001 to 10,000 Gallons	n/a	2.1891			1.9390		
From 10,001 to 18,000 Gallons	n/a	2.8536			2.7223		
Over 18,000 Gallons	n/a	4.1827			3.9613		
3/4" - Commercial & Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	n/a		$2.1891			$1.9390	
From 5,001 to 20,000 Gallons	n/a		2.8536			2.7223	
Over 20,000 Gallons	n/a		4.1827			3.9613	
3/4" - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
All Gallons	n/a			$2.5000			$2.4500

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates		Staff Recommended Rates	
1" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 25,000 Gallons	$2.1026				
Over 25,000 Gallons	3.2590				
From 1 to 5,000 Gallons		$2.1891		$1.9390	
From 5,001 to 18,000 Gallons		2.8536		2.7223	
Over 18,000 Gallons		4.1827		3.9613	
1" - Commercial					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 25,000 Gallons	$2.1026				
Over 25,000 Gallons	3.2590				
From 1 to 8,000 Gallons		$2.1899		$1.9390	
From 8,001 to 38,000 Gallons		2.8536		2.7223	
Over 38,000 Gallons		4.1827		3.9613	
1" - Industrial					
Gallons Included in Minimum	0		0		0
Excess of Minimum - per 1,000 Gallons					
From 1 to 25,000 Gallons	$1.5500				
Over 25,000 Gallons	2.4800				
All Gallons			$2.5000		$2.4500
1" - Construction					
Gallons Included in Minimum	n/a	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 8,000 Gallons	n/a	$2.1899		$1.9390	
From 8,001 to 38,000 Gallons	n/a	2.8536		2.7223	
Over 38,000 Gallons	n/a	4.1827		3.9613	
1½" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 55,000 Gallons	$2.1026				
Over 55,000 Gallons	3.2590				
From 1 to 10,000 Gallons		$2.1891		$1.9390	
From 10,001 to 35,000 Gallons		2.8536		2.7223	
Over 35,000 Gallons		4.1827		3.9613	
1½" - Commercial					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 55,000 Gallons	$2.1026				
Over 55,000 Gallons	3.2590				
From 1 to 15,000 Gallons		$2.1891		$1.9390	
From 15,001 to 75,000 Gallons		2.8536		2.7223	
Over 75,000 Gallons		4.1827		3.9613	
1½" - Industrial					
Gallons Included in Minimum	0		0		0
Excess of Minimum - per 1,000 Gallons					
From 1 to 55,000 Gallons	$1.5500				
Over 55,000 Gallons	2.4800				
All Gallons			$2.5000		$2.4500
1½" - Construction					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 15,000 Gallons		$2.1891		$1.9390	
From 15,001 to 75,000 Gallons		2.8536		2.7223	
Over 75,000 Gallons		4.1827		3.9613	
2" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 95,000 Gallons	$2.1026				
Over 95,000 Gallons	3.2590				
From 1 to 16,000 Gallons		$2.1891		$1.9390	
From 16,001 to 56,000 Gallons		2.8536		2.7223	
Over 56,000 Gallons		4.1827		3.9613	

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
2" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 95,000 Gallons	$2.1026		
Over 95,000 Gallons	3.2590		
From 1 to 24,000 Gallons		$2.1891	$1.9390
From 24,001 to 120,000 Gallons		2.8536	2.7223
Over 120,000 Gallons		4.1827	3.9613
2" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 95,000 Gallons	$1.5500		
Over 95,000 Gallons	2.4800		
All Gallons		$2.5000	$2.4500
3" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 195,000 Gallons	$2.1026		
Over 195,000 Gallons	3.2590		
From 1 to 32,000 Gallons		$2.1891	$1.9390
From 32,001 to 112,000 Gallons		2.8536	2.7223
Over 112,000 Gallons		4.1827	3.9613
3" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 195,000 Gallons	$2.1026		
Over 195,000 Gallons	3.2590		
From 1 to 48,000 Gallons		$2.1891	$1.9390
From 48,001 to 240,000 Gallons		2.8536	2.7223
Over 240,000 Gallons		4.1827	3.9613
3" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 195,000 Gallons	$1.5500		
Over 195,000 Gallons	2.4800		
All Gallons		$2.5000	$2.4500
4" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 315,000 Gallons	$2.1026		
Over 315,000 Gallons	3.2590		
From 1 to 50,000 Gallons		$2.1891	$1.9390
From 50,001 to 175,000 Gallons		2.8536	2.7223
Over 175,000 Gallons		4.1827	3.9613
4" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 315,000 Gallons	$2.1026		
Over 315,000 Gallons	3.2590		
From 1 to 75,000 Gallons		$2.1891	$1.9390
From 75,001 to 375,000 Gallons		2.8536	2.7223
Over 375,000 Gallons		4.1827	3.9613
4" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 315,000 Gallons	$1.5500		
Over 315,000 Gallons	2.4800		
All Gallons		$2.5000	$2.4500

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
6" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 650,000 Gallons	$2.1026		
Over 650,000 Gallons	3.2590		
From 1 to 100,000 Gallons		$2.1891	$1.9390
From 100,001 to 350,000 Gallons		2.8536	2.7223
Over 350,000 Gallons		4.1827	3.9613
6" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 650,000 Gallons	$2.1026		
Over 650,000 Gallons	3.2590		
From 1 to 150,000 Gallons		$2.1891	$1.9390
From 150,001 to 750,000 Gallons		2.8536	2.7223
Over 750,000 Gallons		4.1827	3.9613
6" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 150,000 Gallons	n/a	$2.1891	$1.9390
From 150,001 to 750,000 Gallons	n/a	2.8536	2.7223
Over 750,000 Gallons	n/a	4.1827	3.9613
6" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$1.5500	$1.7500	$1.7150
8" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,000,000 Gallons	$2.1026		
Over 1,000,000 Gallons	3.2590		
From 1 to 160,000 Gallons		$2.1891	$1.9390
From 160,001 to 560,000 Gallons		2.8536	2.7223
Over 560,000 Gallons		4.1827	3.9613
8" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,000,000 Gallons	$2.1026		
Over 1,000,000 Gallons	3.2590		
From 1 to 240,000 Gallons		$2.1891	$1.9390
From 240,001 to 1,200,000 Gallons		2.8536	2.7223
Over 1,200,000 Gallons		4.1827	3.9613
8" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 240,000 Gallons	n/a	$2.1891	$1.9390
From 240,001 to 1,200,000 Gallons	n/a	2.8536	2.7223
Over 1,200,000 Gallons	n/a	4.1827	3.9613
8" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$1.5500	$1.7500	$1.7150
10" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,475,000 Gallons	$2.1026		
Over 1,475,000 Gallons	3.2590		
From 1 to 230,000 Gallons		$2.1891	$1.9390
From 230,001 to 805,000 Gallons		2.8536	2.7223
Over 805,000 Gallons		4.1827	3.9613

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
10" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,475,000 Gallons	$2.1026		
Over 1,475,000 Gallons	3.2590		
From 1 to 345,000 Gallons		$2.1891	$1.9390
From 345,001 to 1,725,000 Gallons		2.8536	2.7223
Over 1,725,000 Gallons		4.1827	3.9613
10" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 345,000 Gallons	n/a	$2.1891	$1.9390
From 345,001 to 1,725,000 Gallons	n/a	2.8536	2.7223
Over 1,725,000 Gallons	n/a	4.1827	3.9613
10" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons	$1.5500	$1.7500	$1.7150
Sales for Resale - All Meters			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$1.5500	$2.1891	$1.9175
Coin Machine			
Number of gallons	109.00	105.00	105.00

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
Serice Line	Service Line[1]	Meter Charge	Total Charge	Service Line[2]	Meter Charge	Total Charge	Service Line[2]	Meter Charge	Total Charge
5/8" x 3/4" Meter	$445	$155	$600	$565	Actual Cost	Varies	$565	Actual Cost	Varies
3/4" Meter	n/a	n/a	n/a	565	Actual Cost	Varies	565	Actual Cost	Varies
1" Meter	495	315	810	629	Actual Cost	Varies	629	Actual Cost	Varies
1½" Meter	n/a	n/a	n/a	699	Actual Cost	Varies	699	Actual Cost	Varies
2" Turbine Meter	830	1,045	1,875	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
2" Compound Meter	830	1,890	2,720	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
3" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
3" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
4" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
4" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
6" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
6" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
8" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
8" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
10" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
10" Compound Meter		Actual Cost			Actual Cost			Actual Cost	

Service Charges			
Establishment	$32.00	$32.00	$32.00
Guarantee Deposit	(a)	(a)	(a)
Reconnection for Delinquency	32.00	32.00	32.00
Re-establishment	(b)	(b)	(b)
After Hours Service Call out[3]	35.00	35.00	35.00
Returned payment for insufficient funds	25.00	25.00	25.00
Meter Re-Read	25.00	25.00	25.00
Meter Test	(c)	(c)	(c)
Late Charge	(d)	(d)	(d)

[1] Actual cost of service line if boring under roadway is required.
[2] Actual cost of service line if boring under, or cutting roadway/sidewalk is required.
[3] After regular working hours, on Saturdays, Sundays or holidays.
(a) Residential - maximum: Two (2) times average customer class bill.
Non-Residential - maximum: Two and one-half (2 1/2) times that customers estimated maximum monthly bill.
(b) Eight (8) times the Customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
(c) No charge for the first test; for the second test for the same customer within any twelve (12) month period, $25.00, or actual time and material whichever is greater.
(d) 1.5 percent after 15 days.

Arizona Water Company - Pinal Valley (Casa Grande, Coolidge, Stanfield) **Schedule BAB-2**
Docket No. W-01445A-15-0277
Test Year December 31, 2014

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,781	$29.62	$38.22	$8.61	29.06%
Median Usage	5,700	$25.24	$33.15	$7.91	31.33%
Staff Recommended					
Average Usage	7,781	$29.62	$34.69	$5.07	17.14%
Median Usage	5,700	$25.24	$30.04	$4.80	19.01%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$16.00	$22.00	37.50%	$20.00	25.00%
1,000	$17.19	$23.52	36.87%	$21.44	24.71%
2,000	$18.38	$25.05	36.32%	$22.87	24.46%
3,000	$19.56	$27.24	39.23%	$24.81	26.81%
4,000	$21.67	$29.43	35.82%	$26.75	23.45%
5,000	$23.77	$31.62	33.02%	$28.69	20.69%
6,000	$25.87	$33.81	30.67%	$30.63	18.38%
7,000	$27.97	$35.99	28.67%	$32.57	16.41%
8,000	$30.08	$38.85	29.16%	$35.29	17.32%
9,000	$32.18	$41.70	29.59%	$38.01	18.12%
10,000	$34.28	$44.56	29.97%	$40.73	18.81%
11,000	$37.54	$47.41	26.29%	$43.45	15.75%
12,000	$40.80	$50.26	23.19%	$46.18	13.18%
13,000	$44.06	$53.12	20.56%	$48.90	10.99%
14,000	$47.32	$55.97	18.28%	$51.62	9.09%
15,000	$50.58	$58.82	16.31%	$54.34	7.45%
16,000	$53.84	$61.68	14.57%	$57.07	6.00%
17,000	$57.09	$64.53	13.02%	$59.79	4.72%
18,000	$60.35	$67.38	11.65%	$62.51	3.57%
19,000	$63.61	$71.57	12.50%	$66.47	4.49%
20,000	$66.87	$75.75	13.28%	$70.43	5.33%
25,000	$83.17	$96.66	16.23%	$90.24	8.50%
30,000	$99.46	$117.58	18.21%	$110.05	10.64%
35,000	$115.76	$138.49	19.64%	$129.85	12.18%
40,000	$132.05	$159.40	20.71%	$149.66	13.33%
45,000	$148.35	$180.32	21.55%	$169.47	14.24%
50,000	$164.64	$201.23	22.22%	$189.27	14.96%
75,000	$246.12	$305.80	24.25%	$288.30	17.14%
100,000	$327.59	$410.37	25.27%	$387.34	18.24%

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates			Staff Recommended Rates		
	All Meters	Residential	Commercial & Industrial	Construction & Sale for Resale	Residential	Commercial & Industrial	Construction & Sale for Resale
5/8 x 3/4" Meter	$23.00	$30.00	$35.00	$25.00	$28.00	$31.36	$24.64
3/4" Meter	n/a	45.00	52.50	37.50	42.00	47.04	36.96
1" Meter	57.50	75.00	87.50	62.50	70.00	78.40	61.60
1½" Meter	115.00	150.00	175.00	125.00	140.00	156.80	123.20
2" Meter	184.00	240.00	280.00	200.00	224.00	250.88	197.12
3" Meter	368.00	480.00	560.00	400.00	448.00	501.76	394.24
4" Meter	575.00	750.00	875.00	625.00	700.00	784.00	616.00
6" Meter	1,150.00	1,500.00	1,750.00	1,250.00	1,400.00	1,568.00	1,232.00
8" Meter	1,840.00	2,400.00	2,800.00	2,000.00	2,240.00	2,508.80	1,971.20
10" Meter	2,645.00	3,450.00	4,025.00	2,875.00	3,220.00	3,606.40	2,833.60
Private Fire Service (all connection sizes)	25.00			35.00			31.36
Commodity Rates							
5/8 x 3/4" Meter - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	$1.8000						
From 5,001 to 15,000 Gallons	3.0000						
Over 15,000 Gallons	5.1664						
From 1 to 3,000 Gallons		$2.2531			$1.9150		
From 3,001 to 10,000 Gallons		3.3065			2.7700		
From 10,001 to 30,000 Gallons		4.3599			4.4090		
Over 30,000 Gallons		6.4668			6.2400		
5/8 x 3/4" Meter - Commercial							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	$3.0000						
Over 10,000 Gallons	5.1664						
From 1 to 5,000 Gallons			$3.3065			$2.7700	
From 5,001 to 20,000 Gallons			4.3599			4.4090	
Over 20,000 Gallons			6.4668			6.2400	
5/8 x 3/4" Meter - Construction							
Gallons Included in Minimum	n/a			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	n/a			$3.3065			$2.7700
From 5,001 to 20,000 Gallons	n/a			4.3599			4.4090
Over 20,000 Gallons	n/a			6.4668			6.2400
5/8 x 3/4" Industrial							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	$3.0000						
Over 10,000 Gallons	5.1664						
All Gallons			$4.3599			$4.4090	
3/4" - Residential							
Gallons Included in Minimum	n/a	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	n/a	$2.2531			$1.9150		
From 5,001 to 15,000 Gallons	n/a	3.3065			2.7700		
From 15,001 to 30,000 Gallons	n/a	4.3599			4.4090		
Over 30,000 Gallons	n/a	6.4668			6.2400		
3/4" - Commercial & Construction							
Gallons Included in Minimum	n/a			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 8,000 Gallons	n/a			$3.3065			$2.7700
From 8,001 to 25,000 Gallons	n/a			4.3599			4.4090
Over 25,000 Gallons	n/a			6.4668			6.2400
3/4" - Industrial							
Gallons Included in Minimum	n/a		0			0	
Excess of Minimum - per 1,000 Gallons							
All Gallons	n/a		$4.3599			$4.4090	
1" - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 25,000 Gallons	$3.0000						
Over 25,000 Gallons	5.1664						
From 1 to 8,000 Gallons		$3.3065			$2.7700		
From 8,001 to 20,000 Gallons		4.3599			4.4090		
Over 20,000 Gallons		6.4668			6.2400		

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
1" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 20,000 Gallons	$3.0000		
Over 20,000 Gallons	5.1664		
From 1 to 13,000 Gallons		$3.3065	$2.7700
From 13,001 to 35,000 Gallons		4.3599	4.4090
Over 35,000 Gallons		6.4668	6.2400
1" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 13,000 Gallons	n/a	$3.3065	$2.7700
From 13,001 to 35,000 Gallons	n/a	4.3599	4.4090
Over 35,000 Gallons	n/a	6.4668	6.2400
1" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 20,000 Gallons	$3.0000		
Over 20,000 Gallons	5.1664		
All Gallons		$4.3599	$4.4090
1½" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 50,000 Gallons	$3.0000		
Over 50,000 Gallons	5.1664		
From 1 to 15,000 Gallons		$3.3065	$2.7700
From 15,001 to 35,000 Gallons		4.3599	4.4090
Over 35,000 Gallons		6.4668	6.2400
1½" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 45,000 Gallons	$3.0000		
Over 45,000 Gallons	5.1664		
From 1 to 25,000 Gallons		$3.3065	$2.7700
From 25,001 to 50,000 Gallons		4.3599	4.4090
Over 50,000 Gallons		6.4668	6.2400
1½" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 25,000 Gallons	n/a	$3.3065	$2.7700
From 25,001 to 50,000 Gallons	n/a	4.3599	4.4090
Over 50,000 Gallons	n/a	6.4668	6.2400
1½" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 45,000 Gallons	$3.0000		
Over 45,000 Gallons	5.1664		
All Gallons		$4.3599	$4.4090
2" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 80,000 Gallons	$3.0000		
Over 80,000 Gallons	5.1664		
From 1 to 24,000 Gallons		$3.3065	$2.7700
From 24,001 to 60,000 Gallons		4.3599	4.4090
Over 60,000 Gallons		6.4668	6.2400
2" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 75,000 Gallons	$3.0000		
Over 75,000 Gallons	5.1664		
From 1 to 40,000 Gallons		$3.3065	$2.7700
From 40,001 to 75,000 Gallons		4.3599	4.4090
Over 75,000 Gallons		6.4668	6.2400
2" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 75,000 Gallons	$3.0000		
Over 75,000 Gallons	5.1664		
All Gallons		$4.3599	$4.4090

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
3" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 160,000 Gallons	$3.0000		
Over 160,000 Gallons	5.1664		
From 1 to 48,000 Gallons		$3.3065	$2.7700
From 48,001 to 120,000 Gallons		4.3599	4.4090
Over 120,000 Gallons		6.4668	6.2400
3" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 155,000 Gallons	$3.0000		
Over 155,000 Gallons	5.1664		
From 1 to 80,000 Gallons		$3.3065	$2.7700
From 80,001 to 150,000 Gallons		4.3599	4.4090
Over 150,000 Gallons		6.4668	6.2400
3" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 155,000 Gallons	$3.0000		
Over 155,000 Gallons	5.1664		
All Gallons		$4.3599	$4.4090
4" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 250,000 Gallons	$3.0000		
Over 250,000 Gallons	5.1664		
From 1 to 75,000 Gallons		$3.3065	$2.7700
From 75,001 to 200,000 Gallons		4.3599	4.4090
Over 200,000 Gallons		6.4668	6.2400
4" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 245,000 Gallons	$3.0000		
Over 245,000 Gallons	5.1664		
From 1 to 125,000 Gallons		$3.3065	$2.7700
From 125,001 to 240,000 Gallons		4.3599	4.4090
Over 200,000 Gallons		6.4668	6.2400
4" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 245,000 Gallons	$3.0000		
Over 245,000 Gallons	5.1664		
All Gallons		$4.3599	$4.4090
6" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 500,000 Gallons	$3.0000		
Over 500,000 Gallons	5.1664		
From 1 to 150,000 Gallons		$3.3065	$2.7700
From 150,001 to 425,000 Gallons		4.3599	4.4090
Over 425,000 Gallons		6.4668	6.2400
6" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 500,000 Gallons	$3.0000		
Over 500,000 Gallons	5.1664		
From 1 to 250,000 Gallons		$3.3065	$2.7700
From 250,001 to 1,000,000 Gallons		4.3599	4.4090
Over 1,000,000 Gallons		6.4668	6.2400
6" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 250,000 Gallons	n/a	$3.3065	$2.7700
From 250,001 to 1,000,000 Gallons	n/a	4.3599	4.4090
Over 1,000,000 Gallons	n/a	6.4668	6.2400
6" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$3.0000	$3.5000	$3.5394

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates		Staff Recommended Rates	
8" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 800,000 Gallons	$3.0000				
Over 800,000 Gallons	5.1664				
From 1 to 240,000 Gallons		$3.3065		$2.7700	
From 240,001 to 800,000 Gallons		4.3599		4.4090	
Over 800,000 Gallons		6.4668		6.2400	
8" - Commercial					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 800,000 Gallons	$3.0000				
Over 800,000 Gallons	5.1664				
From 1 to 400,000 Gallons		$3.3065		$2.7700	
From 400,001 to 1,600,000 Gallons		4.3599		4.4090	
Over 1,600,000 Gallons		6.4668		6.2400	
8" - Construction					
Gallons Included in Minimum	n/a		0		0
Excess of Minimum - per 1,000 Gallons					
From 1 to 400,000 Gallons	n/a		$3.3065		$2.7700
From 400,001 to 1,600,000 Gallons	n/a		4.3599		4.4090
Over 1,600,000 Gallons	n/a		6.4668		6.2400
8" - Industrial					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
All Gallons	$3.0000	$3.5000		$3.5394	
10" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 1,150,000 Gallons	$3.0000				
Over 1,150,000 Gallons	5.1664				
From 1 to 345,000 Gallons		$3.3065		$2.7700	
From 345,001 to 1,150,000 Gallons		4.3599		4.4090	
Over 1,150,000 Gallons		6.4668		6.2400	
10" - Commercial					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 1,150,000 Gallons	$3.0000				
Over 1,150,000 Gallons	5.1664				
From 1 to 575,000 Gallons		$3.3065		$2.7700	
From 575,001 to 2,300,000 Gallons		4.3599		4.4090	
Over 2,300,000 Gallons		6.4668		6.2400	
10" - Construction					
Gallons Included in Minimum	n/a		0		0
Excess of Minimum - per 1,000 Gallons					
From 1 to 575,000 Gallons	n/a		$3.3065		$0.0000
From 575,001 to 2,300,000 Gallons	n/a		4.3599		0.0000
Over 2,300,000 Gallons	n/a		6.4668		0.0000
10" - Industrial					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
All Gallons	$3.0000	$3.5000		$3.5394	
Sales for Resale - All Meters					
Gallons Included in Minimum	0		0		0
Excess of Minimum - per 1,000 Gallons					
All Gallons	$3.0000		$3.3065		$2.7700

RATE DESIGN CON'T

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
Serice Line	Service Line[1]	Meter Charge	Total Charge	Service Line[2]	Meter Charge	Total Charge	Service Line[2]	Meter Charge	Total Charge
5/8" x 3/4" Meter	$445	$155	$600	$565	Actual Cost	Varies	$565	Actual Cost	Varies
3/4" Meter	n/a	n/a	n/a	565	Actual Cost	Varies	565	Actual Cost	Varies
1" Meter	495	315	810	629	Actual Cost	Varies	629	Actual Cost	Varies
1½" Meter	n/a	n/a	n/a	699	Actual Cost	Varies	699	Actual Cost	Varies
2" Turbine Meter	830	1,045	1,875	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
2" Compound Meter	830	1,890	2,720	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
3" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
3" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
4" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
4" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
6" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
6" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
8" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
8" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
10" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
10" Compound Meter		Actual Cost			Actual Cost			Actual Cost	

Service Charges			
Establishment	$32.00	$32.00	$32.00
Guarantee Deposit	(a)	(a)	(a)
Reconnection for Delinquency	32.00	32.00	32.00
Re-establishment	(b)	(b)	(b)
After Hours Service Call out[3]	35.00	35.00	35.00
Returned payment for insufficient funds	25.00	25.00	25.00
Meter Re-Read	25.00	25.00	25.00
Meter Test	(c)	(c)	(c)
Late Charge	(d)	(d)	(d)

[1] Actual cost of service line if boring under roadway is required.
[2] Actual cost of service line if boring under, or cutting roadway/sidewalk is required.
[3] After regular working hours, on Saturdays, Sundays or holidays.

(a) Residential - maximum: Two (2) times average customer class bill.
Non-Residential - maximum: Two and one-half (2 1/2) times that customers estimated maximum monthly bill.
(b) Eight (8) times the Customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
(c) No charge for the first test; for the second test for the same customer within any twelve (12) month period, $25.00, or actual time and material whichever is greater.
(d) 1.5 percent after 15 days.

Arizona Water Company - White Tank **Schedule BAB-2**
Docket No. W-01445A-15-0277
Test Year December 31, 2014

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	11,733	$52.20	$67.46	$15.26	29.24%
Median Usage	7,681	$40.04	$52.24	$12.19	30.45%
Staff Recommended					
Average Usage	11,733	$52.20	$60.78	$8.58	16.43%
Median Usage	7,681	$40.04	$46.71	$6.67	16.65%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$23.00	$30.00	30.43%	$28.00	21.74%
1,000	$24.80	$32.25	30.05%	$29.92	20.63%
2,000	$26.60	$34.51	29.72%	$31.83	19.66%
3,000	$28.40	$36.76	29.43%	$33.75	18.82%
4,000	$30.20	$40.07	32.67%	$36.52	20.91%
5,000	$32.00	$43.37	35.54%	$39.29	22.77%
6,000	$35.00	$46.68	33.37%	$42.06	20.16%
7,000	$38.00	$49.99	31.54%	$44.83	17.96%
8,000	$41.00	$53.29	29.98%	$47.60	16.09%
9,000	$44.00	$56.60	28.63%	$50.37	14.47%
10,000	$47.00	$59.90	27.46%	$53.14	13.05%
11,000	$50.00	$64.26	28.53%	$57.54	15.09%
12,000	$53.00	$68.62	29.48%	$61.95	16.89%
13,000	$56.00	$72.98	30.33%	$66.36	18.50%
14,000	$59.00	$77.34	31.09%	$70.77	19.95%
15,000	$62.00	$81.70	31.78%	$75.18	21.26%
16,000	$67.17	$86.06	28.14%	$79.59	18.50%
17,000	$72.33	$90.42	25.01%	$84.00	16.13%
18,000	$77.50	$94.78	22.30%	$88.41	14.07%
19,000	$82.67	$99.14	19.93%	$92.82	12.28%
20,000	$87.83	$103.50	17.84%	$97.23	10.69%
25,000	$113.66	$125.30	10.24%	$119.27	4.93%
30,000	$139.50	$147.10	5.45%	$141.32	1.30%
35,000	$165.33	$179.44	8.53%	$172.52	4.35%
40,000	$191.16	$211.77	10.78%	$203.72	6.57%
45,000	$216.99	$244.10	12.49%	$234.92	8.26%
50,000	$242.82	$276.44	13.84%	$266.12	9.59%
75,000	$371.98	$438.11	17.78%	$422.12	13.48%
100,000	$501.14	$599.78	19.68%	$578.12	15.36%

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates			Staff Recommended Rates		
	All Meters	Residential	Commercial, Construction & Sales for Resale	Industrial	Residential	Commercial, Construction & Sales for Resale	Industrial
5/8 x 3/4" Meter	$25.00	$28.00	$33.00	$35.00	$26.93	$31.74	$33.66
3/4" Meter	n/a	42.00	49.50	52.50	40.40	47.61	50.49
1" Meter	62.50	70.00	82.50	87.50	67.33	79.35	84.16
1½" Meter	125.00	140.00	165.00	175.00	134.65	158.69	168.31
2" Meter	200.00	224.00	264.00	280.00	215.44	253.91	269.30
3" Meter	400.00	448.00	528.00	560.00	430.88	507.82	538.60
4" Meter	625.00	700.00	825.00	875.00	673.25	793.47	841.56
6" Meter	1,250.00	1,400.00	1,650.00	1,750.00	1,346.50	1,586.95	1,683.13
8" Meter	2,000.00	2,240.00	2,640.00	2,800.00	2,154.40	2,539.11	2,693.00
10" Meter	2,875.00	3,220.00	3,795.00	4,025.00	3,096.95	3,649.98	3,871.19
Private Fire Service (all connection sizes)	25.00			35.00			33.66
Commodity Rates							
5/8 x 3/4" Meter - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	$3.3617						
From 3,001 to 10,000 Gallons	5.9502						
Over 10,000 Gallons	9.2228						
From 1 to 2,000 Gallons		$4.4007			$4.1650		
From 2,001 to 5,000 Gallons		6.3189			5.6650		
From 5,001 to 10,000 Gallons		8.2370			7.3100		
Over 10,000 Gallons		12.0733			10.5930		
5/8 x 3/4" Meter - Commercial							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	$5.9502						
Over 10,000 Gallons	9.2228						
From 1 to 2,000 Gallons			$6.3189			$5.6650	
From 2,001 to 18,000 Gallons			8.2370			7.3100	
Over 18,000 Gallons			12.0733			10.5930	
5/8 x 3/4" Meter - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	$5.9502						
Over 10,000 Gallons	9.2228						
All Gallons				$8.2370			$7.3100
5/8 x 3/4" Meter - Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 2,000 Gallons	n/a		$6.3189			$5.6650	
From 2,001 to 18,000 Gallons	n/a		8.2370			7.3100	
Over 18,000 Gallons	n/a		12.0733			10.5930	
3/4" - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	n/a	$4.4007			$4.1650		
From 3,001 to 7,000 Gallons	n/a	6.3189			5.6650		
From 7,001 to 11,000 Gallons	n/a	8.2370			7.3100		
Over 11,000 Gallons	n/a	12.0733			10.5930		
3/4" - Commercial & Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	n/a		$6.3189			$5.6650	
From 3,001 to 20,000 Gallons	n/a		8.2370			7.3100	
Over 20,000 Gallons	n/a		12.0733			10.5930	
3/4" - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
All Gallons	n/a			$8.2370			$7.3100

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
1" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 15,000 Gallons	$5.9502		
Over 15,000 Gallons	9.2228		
From 1 to 5,000 Gallons		$6.3189	$5.6650
From 5,001 to 13,000 Gallons		8.2370	7.3100
Over 13,000 Gallons		12.0733	10.5930
1" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 15,000 Gallons	$5.9502		
Over 15,000 Gallons	9.2228		
From 1 to 5,000 Gallons		$6.3189	$5.6650
From 5,001 to 25,000 Gallons		8.2370	7.3100
Over 25,000 Gallons		12.0733	10.5930
1" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 15,000 Gallons	$5.9502		
Over 15,000 Gallons	9.2228		
All Gallons		$8.2370	$7.3100
1" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 5,000 Gallons	n/a	$6.3189	$5.6650
From 5,001 to 25,000 Gallons	n/a	8.2370	7.3100
Over 25,000 Gallons	n/a	12.0733	10.5930
1½" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 30,000 Gallons	$5.9502		
Over 30,000 Gallons	9.2228		
From 1 to 10,000 Gallons		$6.3189	$5.6650
From 10,001 to 25,000 Gallons		8.2370	7.3100
Over 25,000 Gallons		12.0733	10.5930
1½" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 30,000 Gallons	$5.9502		
Over 30,000 Gallons	9.2228		
From 1 to 10,000 Gallons		$6.3189	$5.6650
From 10,001 to 40,000 Gallons		8.2370	7.3100
Over 40,000 Gallons		12.0733	10.5930
1½" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 30,000 Gallons	$5.9502		
Over 30,000 Gallons	9.2228		
All Gallons		$8.2370	$7.3100
1½" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 10,000 Gallons	n/a	$6.3189	$5.6650
From 10,001 to 40,000 Gallons	n/a	8.2370	7.3100
Over 40,000 Gallons	n/a	12.0733	10.5930
2" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 50,000 Gallons	$5.9502		
Over 50,000 Gallons	9.2228		
From 1 to 16,000 Gallons		$6.3189	$5.6650
From 16,001 to 40,000 Gallons		8.2370	7.3100
Over 40,000 Gallons		12.0733	10.5930

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates		Staff Recommended Rates	
2" - Commercial & Construction					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 50,000 Gallons	$5.9502				
Over 50,000 Gallons	9.2228				
From 1 to 16,000 Gallons		$6.3189		$5.6650	
From 16,001 to 60,000 Gallons		8.2370		7.3100	
Over 60,000 Gallons		12.0733		10.5930	
2" - Industrial					
Gallons Included in Minimum	0		0		0
Excess of Minimum - per 1,000 Gallons					
From 1 to 100,000 Gallons	$5.9502				
Over 100,000 Gallons	9.2228				
All Gallons			$8.2370		$7.3100
3" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 100,000 Gallons	$5.9502				
Over 100,000 Gallons	9.2228				
From 1 to 32,000 Gallons		$6.3189		$5.6650	
From 32,001 to 80,000 Gallons		8.2370		7.3100	
Over 80,000 Gallons		12.0733		10.5930	
3" - Commercial & Construction					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 100,000 Gallons	$5.9502				
Over 100,000 Gallons	9.2228				
From 1 to 32,000 Gallons		$6.3189		$5.6650	
From 32,001 to 120,000 Gallons		8.2370		7.3100	
Over 120,000 Gallons		12.0733		10.5930	
3" - Industrial					
Gallons Included in Minimum	0		0		0
Excess of Minimum - per 1,000 Gallons					
From 1 to 50,000 Gallons	$5.9502				
Over 50,000 Gallons	9.2228				
All Gallons			$8.2370		$7.3100
4" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 150,000 Gallons	$5.9502				
Over 150,000 Gallons	9.2228				
From 1 to 50,000 Gallons		$6.3189		$5.6650	
From 50,001 to 125,000 Gallons		8.2370		7.3100	
Over 125,000 Gallons		12.0733		10.5930	
4" - Commercial & Construction					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 150,000 Gallons	$5.9502				
Over 150,000 Gallons	9.2228				
From 1 to 50,000 Gallons		$6.3189		$5.6650	
From 50,001 to 185,000 Gallons		8.2370		7.3100	
Over 185,000 Gallons		12.0733		10.5930	
4" - Industrial					
Gallons Included in Minimum	0		0		0
Excess of Minimum - per 1,000 Gallons					
From 1 to 150,000 Gallons	$5.9502				
Over 150,000 Gallons	9.2228				
All Gallons			$8.2370		$7.3100
6" - Residential					
Gallons Included in Minimum	0	0		0	
Excess of Minimum - per 1,000 Gallons					
From 1 to 330,000 Gallons	$5.9502				
Over 330,000 Gallons	9.2228				
From 1 to 100,000 Gallons		$6.3189		$5.6650	
From 100,001 to 250,000 Gallons		8.2370		7.3100	
Over 250,000 Gallons		12.0733		10.5930	

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
6" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 330,000 Gallons	$5.9502		
Over 330,000 Gallons	9.2228		
From 1 to 100,000 Gallons		$6.3189	$5.6650
From 100,001 to 300,000 Gallons		8.2370	7.3100
Over 300,000 Gallons		12.0733	10.5930
6" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$5.9502	$2.2500	$1.9968
6" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 100,000 Gallons	n/a	$6.3189	$5.6650
From 100,001 to 300,000 Gallons	n/a	8.2370	$7.3100
Over 300,000 Gallons	n/a	12.0733	10.5930
8" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 525,000 Gallons	$5.9502		
Over 525,000 Gallons	9.2228		
From 1 to 160,000 Gallons		$6.3189	$5.6650
From 160,001 to 400,000 Gallons		8.2370	7.3100
Over 400,000 Gallons		12.0733	10.5930
8" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 525,000 Gallons	$5.9502		
Over 525,000 Gallons	9.2228		
From 1 to 160,000 Gallons		$6.3189	$5.6650
From 160,001 to 500,000 Gallons		8.2370	7.3100
Over 500,000 Gallons		12.0733	10.5930
8" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$5.9502	$2.2500	$1.9968
8" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 160,000 Gallons	n/a	$6.3189	$5.6650
From 160,001 to 500,000 Gallons	n/a	8.2370	7.3100
Over 500,000 Gallons	n/a	12.0733	10.5930
10" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 775,000 Gallons	$5.9502		
Over 775,000 Gallons	9.2228		
From 1 to 230,000 Gallons		$6.3189	$5.6650
From 230,001 to 575,000 Gallons		8.2370	7.3100
Over 575,000 Gallons		12.0733	10.5930
10" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 775,000 Gallons	$5.9502		
Over 775,000 Gallons	9.2228		
From 1 to 230,000 Gallons		$6.3189	$5.6650
From 230,001 to 750,000 Gallons		8.2370	7.3100
Over 750,000 Gallons		12.0733	10.5930
10" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$5.9502	$2.2500	$1.9968

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
10" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 230,000 Gallons	n/a	$6.3189	$5.6650
From 230,001 to 750,000 Gallons	n/a	8.2370	7.3100
Over 750,000 Gallons	n/a	12.0733	10.5930
Sales for Resale - All Meters			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$5.9502	$6.3189	$5.6650

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
Serice Line	Service Line[1]	Meter Charge	Total Charge	Service Line[2]	Meter Charge	Total Charge	Service Line[2]	Meter Charge	Total Charge
5/8" x 3/4" Meter	$445	$155	$600	$565	Actual Cost	Varies	$565	Actual Cost	Varies
3/4" Meter	n/a	n/a	n/a	565	Actual Cost	Varies	565	Actual Cost	Varies
1" Meter	495	315	810	629	Actual Cost	Varies	629	Actual Cost	Varies
1½" Meter	n/a	n/a	n/a	699	Actual Cost	Varies	699	Actual Cost	Varies
2" Turbine Meter	830	1,045	1,875	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
2" Compound Meter	830	1,890	2,720	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
3" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
3" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
4" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
4" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
6" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
6" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
8" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
8" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
10" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
10" Compound Meter		Actual Cost			Actual Cost			Actual Cost	

Service Charges			
Establishment	$32.00	$32.00	$32.00
Guarantee Deposit	(a)	(a)	(a)
Reconnection for Delinquency	32.00	32.00	32.00
Re-establishment	(b)	(b)	(b)
After Hours Service Call out[3]	35.00	35.00	35.00
Returned payment for insufficient funds	25.00	25.00	25.00
Meter Re-Read	25.00	25.00	25.00
Meter Test	(c)	(c)	(c)
Late Charge	(d)	(d)	(d)

[1] Actual cost of service line if boring under roadway is required.

[2] Actual cost of service line if boring under, or cutting roadway/sidewalk is required.

[3] After regular working hours, on Saturdays, Sundays or holidays.

(a) Residential - maximum: Two (2) times average customer class bill.
Non-Residential - maximum: Two and one-half (2 1/2) times that customers estimated maximum monthly bill.

(b) Eight (8) times the Customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.

(c) No charge for the first test; for the second test for the same customer within any twelve (12) month period, $25.00, or actual time and material whichever is greater.

(d) 1.5 percent after 15 days.

Arizona Water Company - Ajo
Docket No. W-01445A-15-0277
Test Year December 31, 2014

Schedule BAB-2

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	3,991	$40.98	$49.38	$8.40	20.50%
Median Usage	2,680	$34.01	$41.10	$7.09	20.84%
Staff Recommended					
Average Usage	3,991	$40.98	$46.54	$5.56	13.56%
Median Usage	2,680	$34.01	$39.11	$5.10	15.00%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$25.00	$28.00	12.00%	$26.93	7.72%
1,000	$28.36	$32.40	14.24%	$31.10	9.64%
2,000	$31.72	$36.80	16.01%	$35.26	11.15%
3,000	$35.09	$43.12	22.90%	$40.93	16.64%
4,000	$41.04	$49.44	20.48%	$46.59	13.54%
5,000	$46.99	$55.76	18.67%	$52.26	11.22%
6,000	$52.94	$64.00	20.89%	$59.57	12.52%
7,000	$58.89	$72.23	22.66%	$66.88	13.57%
8,000	$64.84	$80.47	24.11%	$74.19	14.42%
9,000	$70.79	$88.71	25.32%	$81.50	15.13%
10,000	$76.74	$96.94	26.33%	$88.81	15.73%
11,000	$85.96	$109.02	26.82%	$99.40	15.63%
12,000	$95.18	$121.09	27.22%	$109.99	15.56%
13,000	$104.40	$133.16	27.54%	$120.58	15.50%
14,000	$113.63	$145.24	27.82%	$131.18	15.44%
15,000	$122.85	$157.31	28.05%	$141.77	15.40%
16,000	$132.07	$169.38	28.25%	$152.36	15.36%
17,000	$141.30	$181.46	28.42%	$162.96	15.33%
18,000	$150.52	$193.53	28.57%	$173.55	15.30%
19,000	$159.74	$205.60	28.71%	$184.14	15.27%
20,000	$168.96	$217.68	28.83%	$194.74	15.25%
25,000	$215.08	$278.04	29.27%	$247.70	15.17%
30,000	$261.19	$338.41	29.56%	$300.67	15.11%
35,000	$307.31	$398.78	29.76%	$353.63	15.07%
40,000	$353.42	$459.14	29.91%	$406.60	15.05%
45,000	$399.53	$519.51	30.03%	$459.56	15.02%
50,000	$445.65	$579.88	30.12%	$512.53	15.01%
75,000	$676.22	$881.71	30.39%	$777.35	14.96%
100,000	$906.79	$1,183.54	30.52%	$1,042.18	14.93%

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS	DOCKET NO. W-01445A-15-0277

DIRECT

TESTIMONY

OF

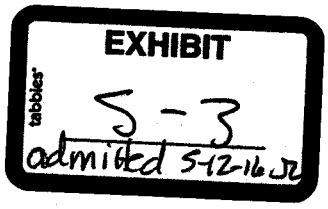
FRANK M. SMAILA

WATER/WASTEWATER ENGINEER

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

MARCH 11, 2016



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INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Frank M. Smaila. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Water/Wastewater Engineer.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since January 2015.

Q. Please list your duties and responsibilities.

A. As a Water/Wastewater Engineer, specializing in water and wastewater engineering, I inspect and evaluate water and wastewater systems; obtain data, prepare reports; suggest corrective action, provide technical recommendations on water and wastewater system deficiencies; and provide written and oral testimony on rate and other cases before the Commission.

Q. How many cases have you analyzed for the Utilities Division?

A. I have analyzed 9 cases to date covering various responsibilities for the Utilities Division plus over a dozen mainline extension agreements.

Q. What is your educational background?

A. I have a Bachelor of Science degree in Civil Engineering from the University of Pittsburgh at Johnstown and a Master of Science degree from Pennsylvania State University with a concentration in Mineral Processing.

Q. Briefly describe your pertinent work experience.

A. Prior to my employment with the Commission, I was an environmental engineering specialist with the Arizona Department of Environmental Quality ("ADEQ") for nine years. My responsibilities with ADEQ included review of projects for the construction of water facilities. Prior to that, I worked in the Federal Projects Section at ADEQ where I reviewed and developed engineering plans and specifications for proposed remediation of hazardous substances at Federal and State Superfund sites, and the Department of Defense sites. Prior to that, I worked as a project manager with the Arizona Department of Administration ("ADOA") providing administration management of Inmate Construction Program ("ICP"). Prior to that, I worked as a project manager at an environmental consulting firm, Brown and Caldwell, where I provided management of soil remediation and water supply rehabilitation projects. Prior to that, I worked as the chief engineer at the Pinto Valley Copper Mine, Magma Copper Company and later Broken Hills Proprietary, where I managed the Company's engineering department.

PURPOSE OF TESTIMONY

Q. Were you assigned to provide the Utilities Division Staff's ("Staff") engineering analysis and recommendations for this Arizona Water Company ("AWC" or "Company") rate case proceeding?

A. Yes. I reviewed the Company's application and responses to data requests, and I visited AWC Western Group water systems. This testimony and its attachment present Staff's engineering evaluation.

ENGINEERING REPORT

Q. Please describe the attached Engineering Report, Exhibit FMS.

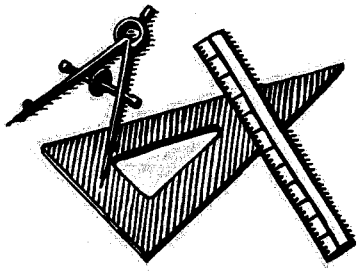
A. Exhibit FMS presents AWC water systems' details and Staff's analysis and findings, and is attached to this direct testimony. Exhibit FMS contains the following major topics: (1) a description and analysis of each water system, (2) water use, (3) growth, (4) compliance with the rules of the ADEQ and Arizona Department of Water Resources ("ADWR"), (5) depreciation rates (6) post test-year plant installations, (7) off-site facilities fees and (8) Staff's conclusions and recommendations.

Q. Please summarize Staff's engineering conclusions and recommendations.

A. Such a summary is provided at the front of Exhibit FMS.

Q. Does this conclude your direct testimony?

A. Yes, it does.



Engineering Report For
Arizona Water Company (Western Group)
Docket No. W-01445A-15-0277 (RATES)
By: Frank M. Smaila
Utilities Engineer
February 1, 2016

SUMMARY

CONCLUSIONS

1. The Arizona Department of Environmental Quality ("ADEQ") or its formally delegated agent, the Maricopa County Environmental Services Department ("MCESD"), has reported that all six Arizona Water Company ("AWC" or "Company") Western Group water systems have no deficiencies and these systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

2. Based on the Company's water use data sheets for the test year in the rate application and responses to data requests, all six AWC Western Group water systems have a water loss within acceptable limit of 10 percent.

3. Based on the Company's water use data sheets for the test year in the rate application, all AWC Western Group water systems have adequate production and storage capacities to serve their respective present customer base and a reasonable level of growth.

4. Coolidge Airport water system, Public Water System Number 11-707, is classified as a non-transient non-community water system and therefore is not regulated by Arizona Department of Water Resources ("ADWR").

5. The ADWR has determined that all five of the Company's ADWR regulated water systems are in compliance with ADWR requirements governing community water systems.

6. According to the Arizona Corporation Commission ("ACC" or "Commission") Utilities Division compliance database, the Company has no delinquent Commission compliance items.

7. The Company has nine approved Best Management Practices Tariffs.

8. Staff concludes that the Post-Test Year Installations ("PTY") capital improvement project costs, totaling $7,219,397, were in-service and used and useful to the water systems provision of service at the time of Staff's inspections.

9. The Company has approved curtailment plan and a backflow prevention tariffs.

10. Staff concludes that Nitrate Removal Facilities are necessary for four Wells in the Pinal Valley water system, Well Nos. 7, 27, 32 & 33.

11. Staff concludes that Arsenic Removal Facilities are necessary for the Pinal Valley water system Valley Farms facility, Well Nos. 34 & 13 and Point of Use devices at the Coolidge Airport.

RECOMMENDATIONS

1. Staff recommends that the Company's reported annual water testing expense of $114,082 (which excludes the ADEQ Monitoring Assistance Program ("MAP") expense of $8,144) be accepted for this proceeding, as presented in Table B.

2. Staff recommends the adoption of the previously approved depreciation rates developed by the Company, as presented in Table C.

3. Staff recommends the acceptance of the Company's requested service line and meter installation charges, as delineated in Table D.

4. Staff recommends that the Company requested System Improvement Benefits Mechanism ("SIB") not be approved at this time due to the lack of project prioritization and cost schedule, the inability of the Company to complete proposed projects within a reasonable timeframe and water loss being less than 10 percent for all water systems.

5. Staff recommends adoption of the White Tank 2015 CAP Use Plan and Off-site Facilities Fee Tariff for the Central Arizona Project ("CAP") water allocation to White Tank water system as discussed in Section VII and shown in the attached Exhibit A of this report.

   Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, an off-site facilities fee status report each January 31st for the prior twelve (12) month period, beginning January 31, 2017, until the off-site facilities fee tariff is no longer in effect.

6. Staff recommends adoption of the Pinal Valley 2015 CAP Use Plan and revised Off-site Facilities Fee Tariff for the CAP water allocation to Pinal Valley water system as discussed in Section VII and shown in the attached Exhibit B of this report.

   Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, an off-site facilities fee status report each January 31st for the prior twelve (12) month period, beginning January 31, 2017, until the off-site facilities fee tariff is no longer in effect.

7. Staff recommends adoption of the proposed fire sprinkler systems change to the Pinal Valley water system Off-Site Facilities Fee Schedule as discussed in Section VII and depicted in Exhibit B to this report.

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Pinal Valley Revised Off-site Facilities Fee Tariff ..... B

I. GENERAL INTRODUCTION AND LOCATION OF COMPANY

On August 21, 2015, Arizona Water Company ("AWC" or "Company") filed an Amended[1] Application with the Arizona Corporation Commission ("ACC" or "Commission") for a rate increase for its Western Group, using a test year ending December 31, 2014. The Commission's Utilities Division Staff ("Staff") engineering review and analysis of the amended application is presented in this report.

The Company's Western Group supplies water to approximately 31,825 customers in Pinal, Maricopa and Pima counties. The Western Group is comprised of the Ajo, Pinal Valley and White Tank service areas. The Pinal Valley service area is comprised of the Casa Grande, Coolidge Airport, Tierra Grande and Stanfield public water systems ("Pinal Valley Group"), and were consolidated for rate making purposes in Decision No. 71845. The Pinal Valley Group is located in Pinal County while the White Tank and Ajo water systems are located in Maricopa and Pima Counties respectively.

Figure 1 shows the location of the Company's Western Group water systems within Arizona and delineates the Company's approximately 240,000 acres of existing certificated area. Each system is named after the community where the system is located. Figure 2 shows the location of the Company's Pinal Valley Group within Pinal County.

Each water system was visited by Frank Smaila, Staff Utilities Engineer, accompanied by Company representatives Fred Schneider, Joseph Harris, Ray Murrieta, Jessie Madrid and the respective water system operations manager.

[1] On July 31, 2015 AWC filed a "Notice of Intent to File General Rate Case and Request for Accounting Order". On August 21, 2015 AWC filed its applications and 12 amendments.

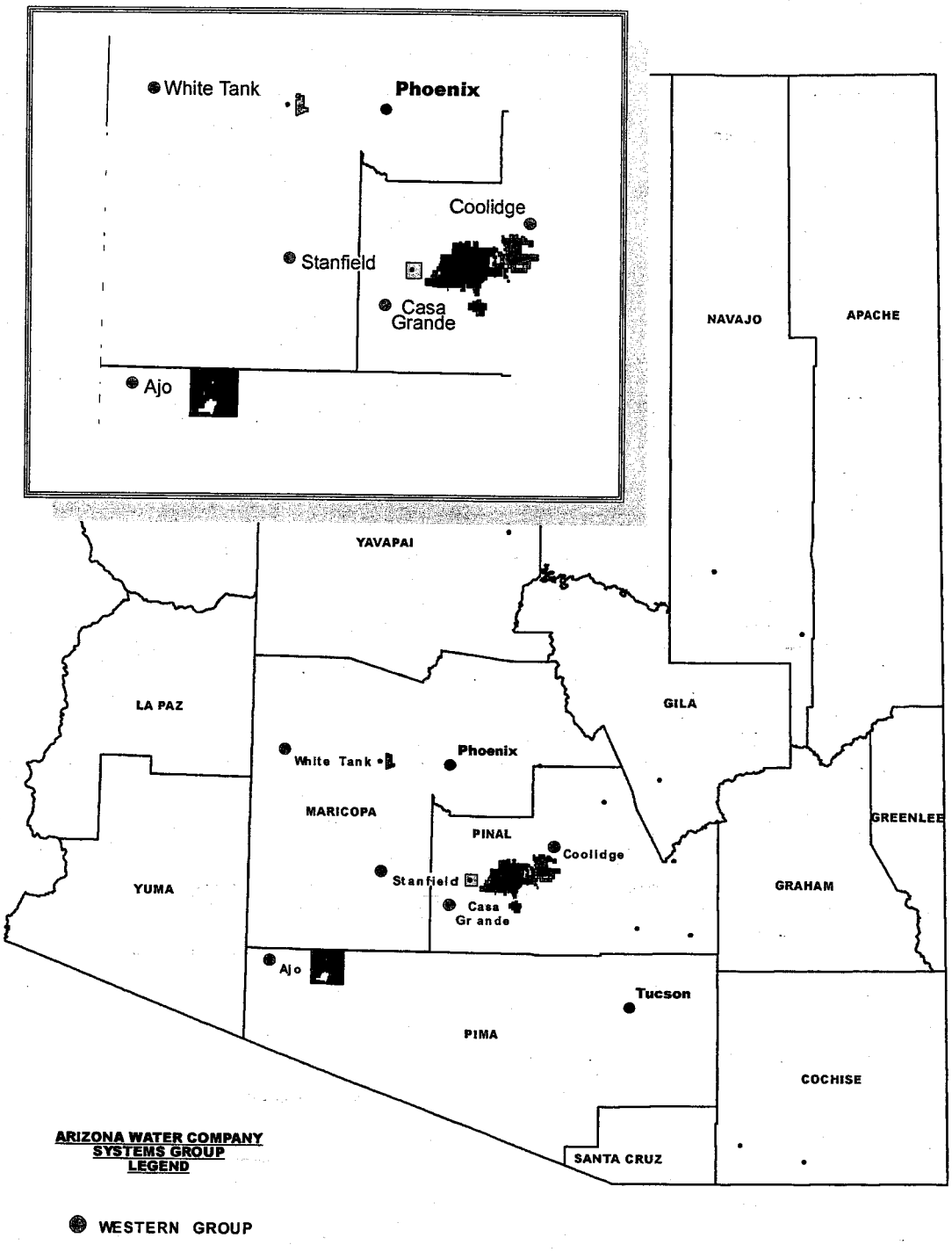

Figure 1. AWC Western Group within Arizona

Pinal County

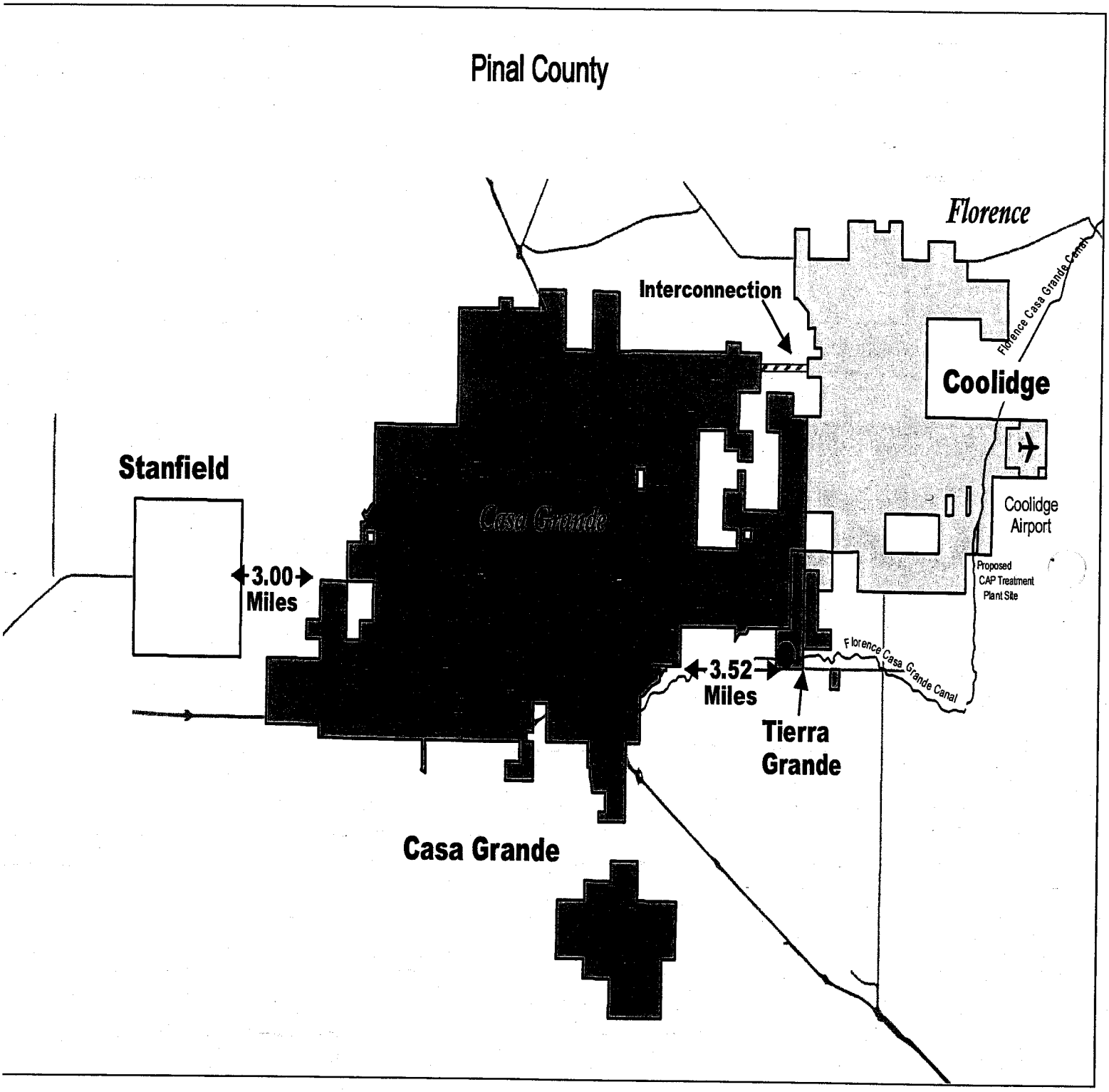

Figure 2. Pinal Valley Group within Pinal County

II. WATER SYTEMS

Summary

Statistical information for the Western Group's six systems is tabulated below:

Table A. Western Group Information

	Pinal Valley Group					
System Name	Tierra Grande	Pinal Valley	Stanfield	Coolidge Airport	White Tank	Ajo
County	Pinal	Pinal	Pinal	Pinal	Maricopa	Pima
PWS No[2]	11-076	11-009	11-012	11-707	07-128	10-003
ADEQ compliant?[3]	Yes	Yes	Yes	Yes	Yes	Yes
ADWR compliant?[4]	Yes	Yes	Yes	Yes	Yes	Yes
AMA	Yes/Pinal	Yes/Pinal	Yes/Pinal	Yes/Pinal	Yes/Phoenix	No
Number of Approximate Connections at the end of test year	360	28,250	195	9	2,360	650
Adequate Production Capacity?	Yes	Yes	Yes	Yes	Yes	Yes
Adequate Storage Capacity?	Yes	Yes	Yes	Yes	Yes	Yes
Water Loss	4.0%	9.3%	6.2%	5.1%	4.3%	6.0%
MAP Fees[5]	Yes	No	Yes	No	Yes	No
Number of Arsenic Treatment Plants	None	6	1	None	2	None
Number of Nitrate Treatment Plants	None	1		None	1	None
Purchased Potable Water	No	No	No	No	Yes	Yes
CAP M&I Fees[6]	N/A	Yes[7]	N/A	N/A	Yes[7]	N/A

[2] Public Water System Number. ("PWS No").
[3] Arizona Department of Environmental Quality ("ADEQ").
[4] Arizona Department of Water Resources ("ADWR").
[5] Monitoring Assistance Program ("MAP").
[6] The Central Arizona Project Municipal and Industrial ("CAP M&I") fee was originally named "CAP Hook-Up Fee". The name was changed to "CAP M&I" fee in Decision No. 73144. The Commission approved these fees for the purpose of recovering ongoing and deferred CAP M&I subcontract capital charges. Decision No. 73144 approved that the CAP [hook-up fees] for the Casa Grande, Coolidge and White Tank systems should be continued, without change. The Company requests that the Commission authorize the continuation of CAP M&I fees for Pinal Valley and White Tank services areas.
[7] Decision No. 68302 authorized AWC to implement CAP Hook-Up Fee ("HUF") tariffs for its Western Group. Decision No. 71845 authorized AWC to continue charging the CAP HUFs for the Casa Grande, Coolidge, and White Tank systems until its next Western Group rate case or December 31,2012, whichever came first. Separate fees were approved for the Casa Grande ($208), Coolidge ($150) and White Tank ($500) water systems.

Proposed Off-Site Facilities Fee	N/A	Yes	Yes	N/A	N/A	N/A
Date of Site Inspection	12/10/15	12/10/15 & 12/11/15	12/10/15	12/11/15	12/08/15	11/12/15
Follow-up Site Inspection[8]	N/A	2/1/2016	N/A	N/A	N/A	N/A

1. Tierra Grande PWS # 11-076

A. Location and Description of the System

The water system serves an eastern part of Casa Grande area in Pinal County. The water system consists of two wells, two storage tanks, two pressure tanks, three booster pumps, chlorination system and a distribution system serving approximately 360 connections. A detailed plant facility listing is as follows:

Table 1TG. Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Pump Motor Type	Year Drilled	Water Treatment Systems
Well # 1	55-616682	75	420	496	20	6	Turbine	1972	Chlorination System
Well # 3	55-801030	10	145	379	14	2	Submersible	N/A	
TOTALS		**85**	**565**						

Table 2TG. Storage & Pressure Tanks and Booster Pumps

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
10,000	1	2,000	1	10	2
250,000	1	5,000	1	50	1
TOTAL 260,000		**7,000**		**70**	

[8] Follow-up Site Inspection to inspect Post Test-Year Plant Installations that were not complete or in-service during initial inspection of 12/11/2015.

Table 3TG. Water Mains

Size (inches)	Material Type	Approximate Length (feet)[9]
4	Various	1,530
6	Various	22,100
8	Various	20,550
12	Various	4,920
TOTAL		**49,100**

Table 4TG. Customer Meters

Size	Quantity
5/8 x ¾ inch	347
1 inch	7
Compound 2 inch	4
Turbo 3 inch	1
TOTAL	**359**

Table 5TG. Fire Hydrants

Size	Quantity
Standard	8
Non-Standard	0
TOTAL	**8**

B. Water Use

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2014, provided by the Company in its annual report to the ACC. Customer consumption included a high monthly water use of 398 gallons per day ("GPD") per connection in May, and the low water use was 248 GPD per connection in December. The average annual use was 339 GPD per connection.

[9] Amassed from the ACC 2014 Annual Report.

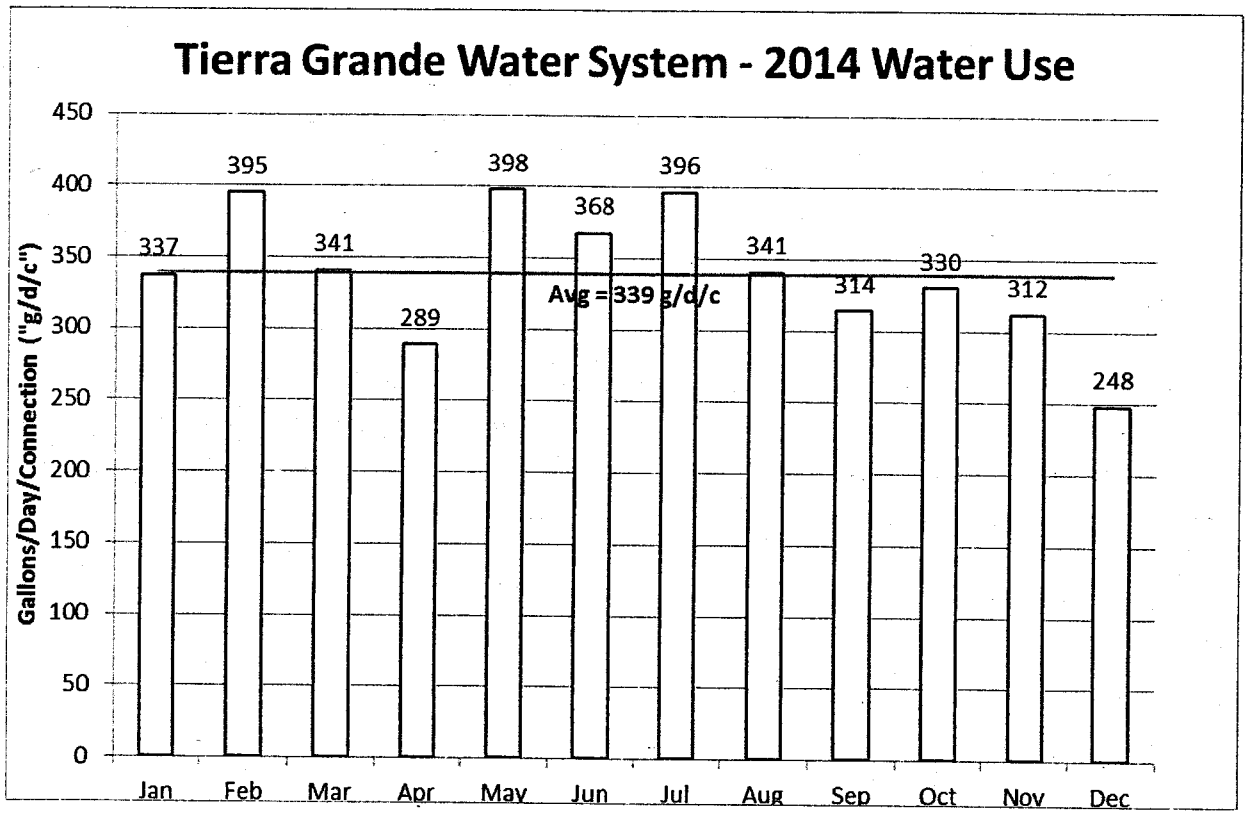

Figure 1TG. Water Use

Non-account Water

The Company reported 46,465,300 gallons pumped, 44,304,300 gallons sold and 1,759,200 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 4.0 percent. This percentage is within acceptable limit of 10 percent.

C. System Analysis

Based on the data provided by the Company for the Test Year, Staff concludes that the Tierra Grande water system source production capacity of 565 GPM and storage capacity of 260,000 gallons is adequate to serve the present customer base and reasonable growth. A system schematic is shown as Figure 2TG.

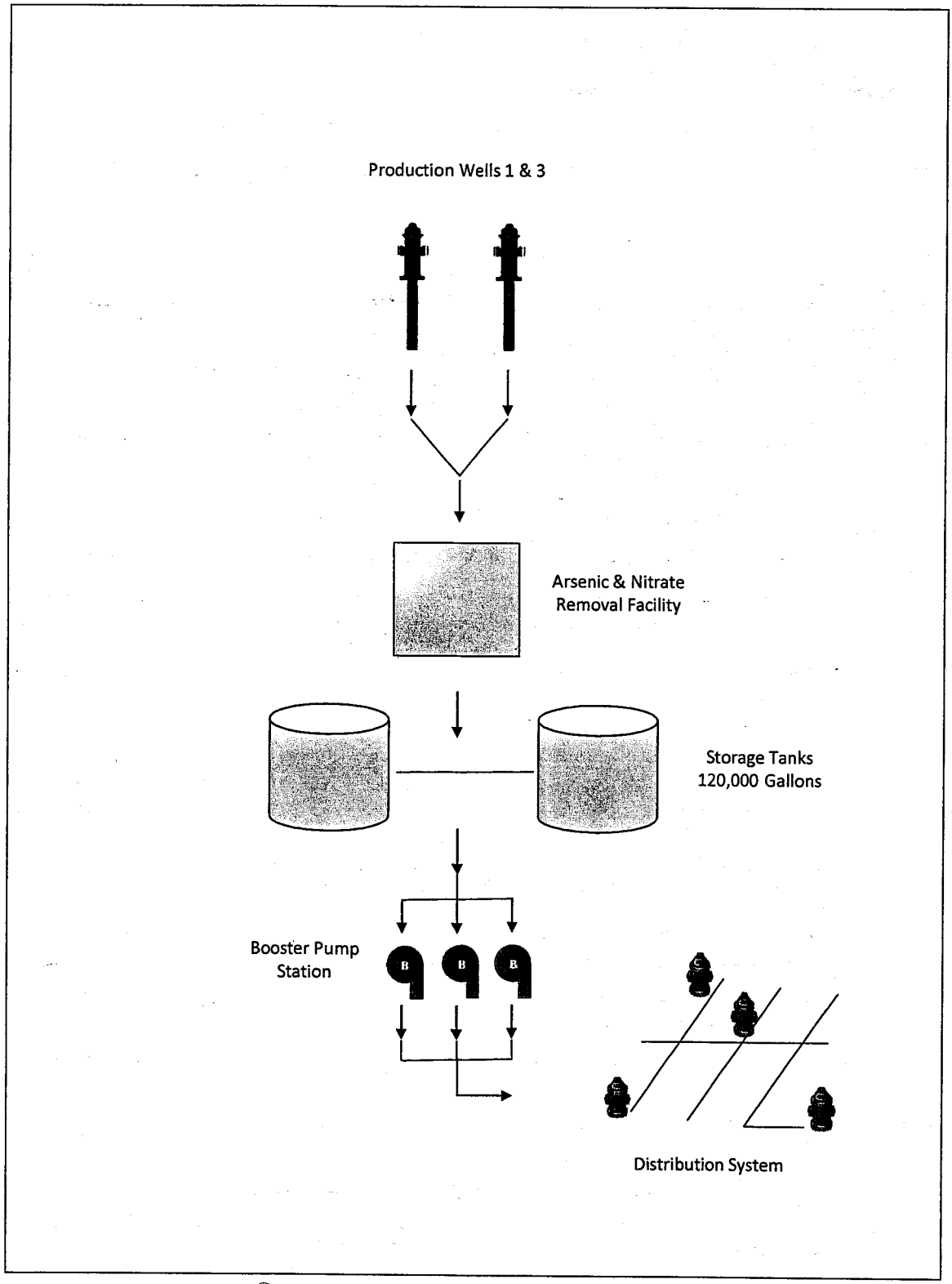

Figure 2TG. System Schematic

D. Growth

Based on customer data provided by the Company in their annual reports, from 2008 to 2012, Tierra Grande water system lost customers, but have increased the number of customers the past two years. Figure 2TG depicts actual customers from 2008 to 2014, and projects that the number of connections in the service area will decrease in the next five years using linear regression analysis. The Company stated "For Tierra Grande we expect little if any gain in connections."[10]

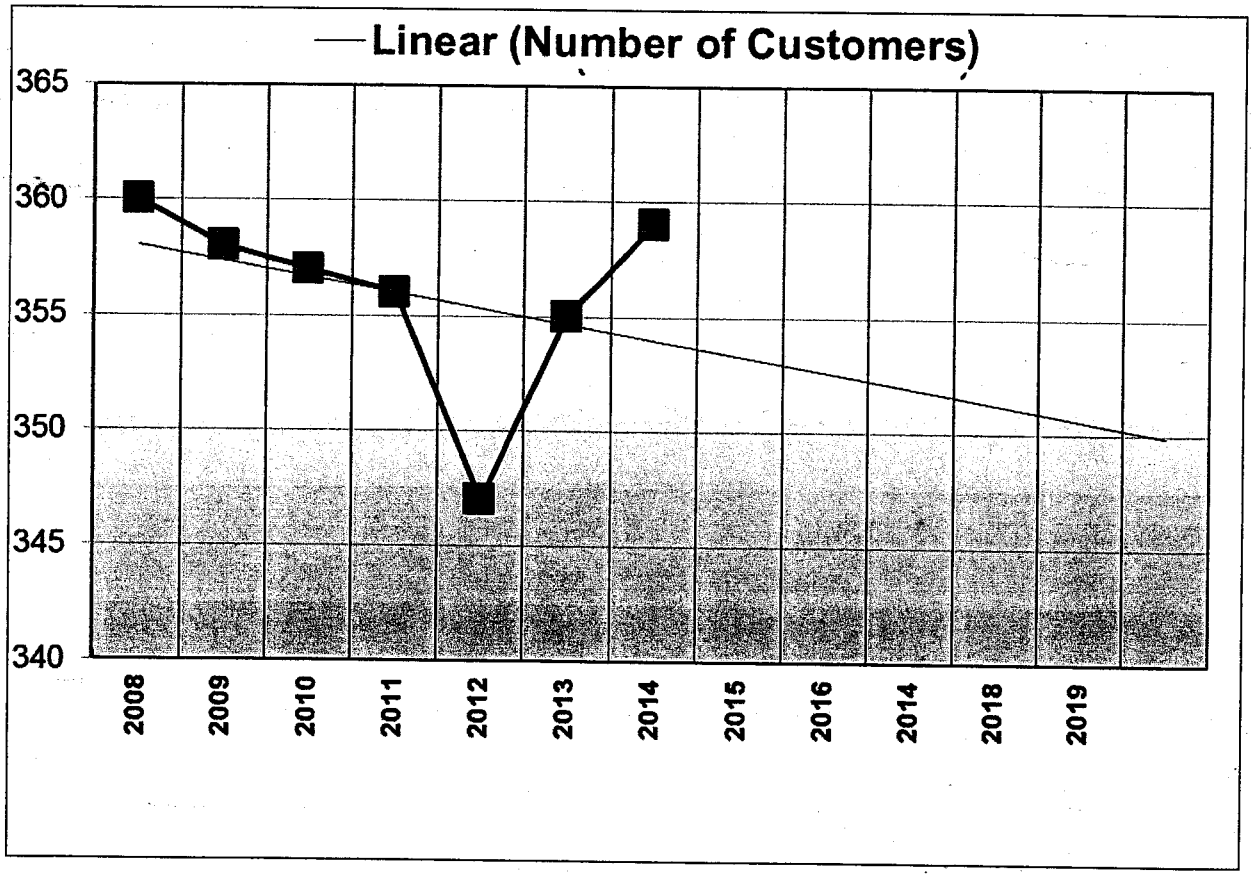

Figure 3TG. Growth Projection

2. Pinal Valley (Casa Grande & Coolidge) PWS # 11-009

A. Location and Description of the System

In 2010, the Company merged its interconnected Casa Grande and Coolidge water systems and renamed the combined system Pinal Valley water system. This system serves the Casa Grande and Coolidge areas in Pinal County. Major plant in service includes 22 active wells, six arsenic treatment plants, one nitrate treatment plant, ten chlorination systems, one Supervisory Control and

[10] Email from Fred Schneider ("Mr. Schneider"), AWC Vice President of Engineering, to Staff. December 17, 2015.

Data Acquisition ("SCADA") system[11], 15 storage tanks, 34 booster pumps, and distribution systems serving approximately 28,250 connections. A breakdown of the plant facilities is tabulated below:

Table 1PV. Wells

AWC Well ID	ADWR Well ID, 55-	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Pump Motor Type	Water Treatment Systems
Well # 19	616603	300	1500	1000	20	10	1980	Turbine	Arsenic Treatment (Henness Road) Chlorination Systems
Well # 21	506809	250	680	696	20	6	1983	Turbine	
Well # 24	540306	300	920	1000	18	8	1993	Turbine	
Well # 30	208822	200	720	1000	18	8	2006	Turbine	
Well # 29	595284	250	1280	1120	18	10	2004	Turbine	Arsenic Treatment (Mission Royale) Chlorination System
Well # 27	568553	200	455	1110	18	4	1998	Turbine	Arsenic Treatment (Lake in the Desert) Chlorination System
Well # 28	571205	350	1350	1210	18	10	1999	Turbine	Arsenic Treatment (Arizona City) Chlorination System
Well # 23	522319	300	1500	1005	18	8	1989	Turbine	Arsenic Treatment (Cottonwood Lane) Chlorination Systems
Well # 25	546719	300	1230	1074	18	8	1995	Turbine	
Well # 26	560803	300	1360	1240	18	10	1997	Turbine	
Well # 10	616595	200	840	1025	20	8	1960	Turbine	
Well # 14	616598	40	160	600	20	4	1982	Submersible	
Well # 17	616601	200	700	739	16	6	1975	Turbine	
Well # 20[12]	616604	300	950	1000	20	8 & 10	1977	Turbine	
Well# 31	210294	250	1045	1500	18	10	2006	Turbine	
Well# 32	214248	300	1470	1200	18	10	2007	Turbine	Chlorination System
Well# 33	212523	300	1370	1000	18	10	2007	Turbine	Chlorination System
Well #7	616606	200	1100	1100	20	8	1956	Turbine	Chlorination System
Well #9	616608	200	1240	470	20	10	1961	Turbine	Nitrate Treatment (Coolidge) Chlorination System
Well #10	616609	200	1430	980	20	12	1978	Turbine	
Well #2	616687	50	250	542	8	4	1971	Submersible	Arsenic Treatment

[11] SCADA is a system that operates with coded signals over communication channels so as to provide control of remote equipment (using typically one communication channel per remote station).
[12] Excess water from Well #20 that is not purchased by Abbot Labs is treated at the Cottonwood ATP.

Well #1	616686	15	140	N/A	10	4	1930	Submersible	(Valley Farms) Chlorination System
Well #13[13]	212419	200	1250	2000	18	10	2007	Turbine	Presently Evaluating Treatment Technologies
TOTALS		**4,905**	**22,940**						

Table 2PV. Treatment Plants

Wells Treated	Type of Treatment	Plant Name	Maximum Capacity (GPM)	Manufacturer	Plant Placed in Operation
# 19, #21, #24 & #30	Arsenic	Henness Road	4,050	Layne	2007
#29	Arsenic	Mission Royale	1,500	Layne	2007
#27	Arsenic	Lake in the Desert	400	Layne	2008
#28	Arsenic	Arizona City	1,500	Layne	2008
#10, #14, #17, #20, #23, #25, #26 & #31	Arsenic	Cottonwood Lane	5,800	Layne	2007
#1 & #2	Arsenic	Valley Farms	250	Severn Trent	2015
#9 & #10	Nitrate	Coolidge	1,000	Layne	2008

Table 3PV. Storage & Pressure Tanks and Booster Pumps

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
16,000	1	5,000	3	7.5	1
35,000	1	6,000	2	10	3
100,000	1			15	1
110,000	1			20	1
116,000	1			25	3
250,000	1			40	7
500,000	1			60	3
650,000	1			75	4
1,000,000	2			100	1

[13] Per Direct Testimony of Fredrick K. Schneider, pages 11 & 12, Arsenic level in Well #13 has increased from 8 to 14 ppb and was removed from service in December 2010. The Company is evaluating arsenic treatment technologies to be constructed at Well #13.

1,100,000	1			125	2
2,000,000	2			150	7
5,000,000	2			300	1
TOTAL 18,877,000		**11,000**		**2,607.5**	

Table 4PV. Water Mains

Size (inches)	Material Type	Approximate Length (feet)[14]
2	Various	50,600
3	Various	25,200
4	Various	328,100
6	Various	1,583,000
8	Various	775,300
10	Various	57,000
12	Various	602,300
14	Various	1,200
16	Various	154,900
20	Various	1,200
24	Various	45,000
36	Various	1,600
TOTAL		**3,625,400**

Table 5PV. Customer Meters

Size	Quantity
5/8 x ¾ inch	26,247
1 inch	947
2 inch	12
Compound 2 inch	561
Compound 3 inch	40
Compound 4 inch	21
Compound 6 inch	3
Turbo 2 inch	17
Turbo 2 inch	2
Turbo 2 inch	16
Turbo 2 inch	27
Turbo 2 inch	2
TOTAL	**27,895**

[14] Amassed from the ACC 2014 Annual Report.

Table 6PV. Fire Hydrants

Size	Quantity
Standard	3,374
Non-Standard	0
TOTAL	**3,374**

B. Water Use

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2014, provided by the Company in its annual report to the ACC for its combined Pinal Valley system. Customer consumption included a high monthly water use of 585 GPD per connection in August, and the low water use was 338 GPD per connection in March. The average annual use was 454 GPD per connection.

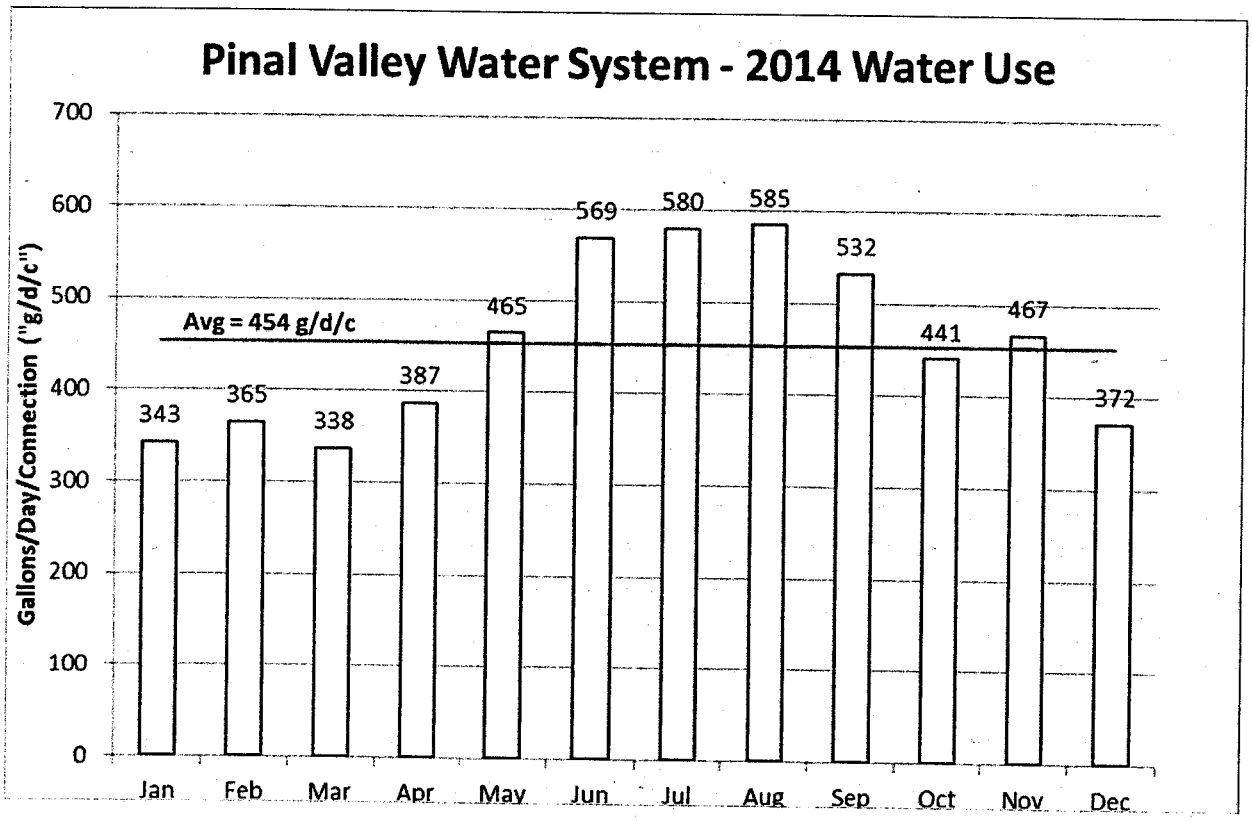

Figure 1PV. Water Use

Non-account Water

The Company reported 5,236,228,600 gallons pumped, 4,683,191,300 gallons sold and 184,361,800 gallons of authorized and non-authorized non-revenue uses for the test year for its Pinal Valley water system, resulting in a water loss of 9.3 percent. This percentage is within acceptable limit of 10 percent.

C. System Analysis

Based on the water use data sheet provided by the Company for the Test Year, Staff concludes that the Pinal Valley water system's total source capacity of 21,690[15] GPM and total storage capacity of 18,877,000 gallons is adequate to serve the present customer base and reasonable growth. A system schematic is shown as Figures 2PV-A, 2PV-B & 2PV-C.

[15] Does not include Well #13

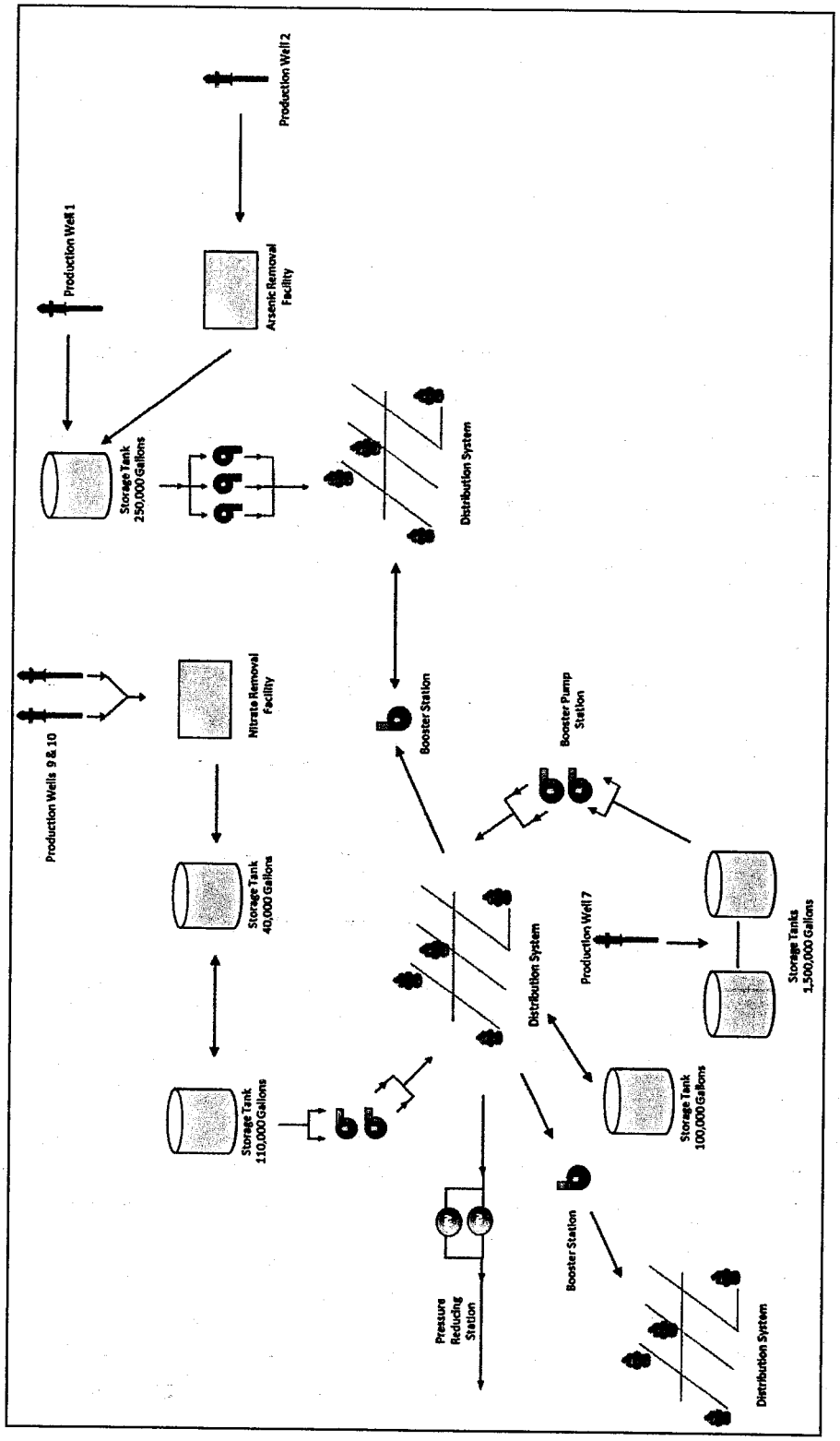

Figure 2PV-A. System Schematic

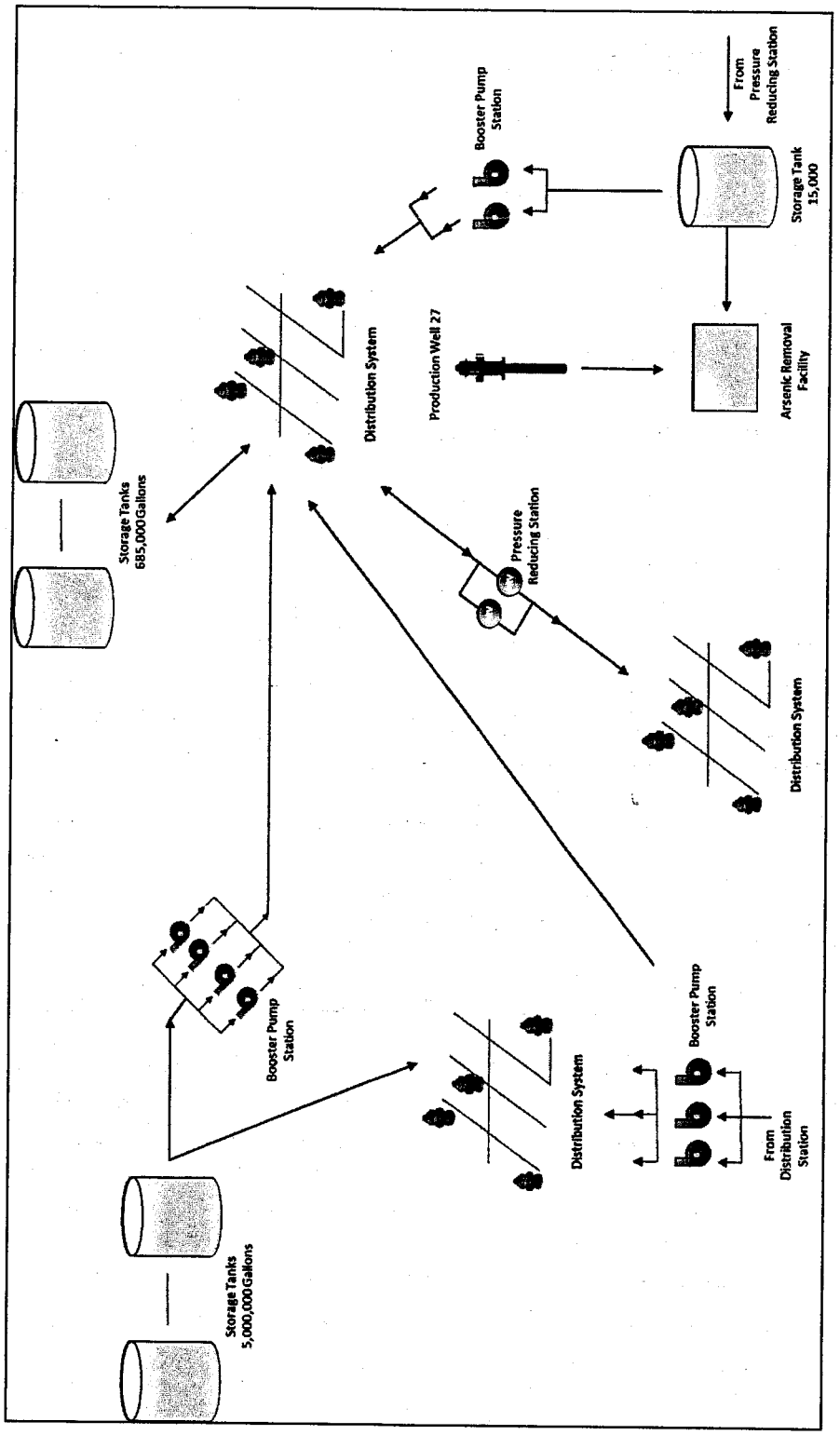

Figure 2PV-B. System Schematic

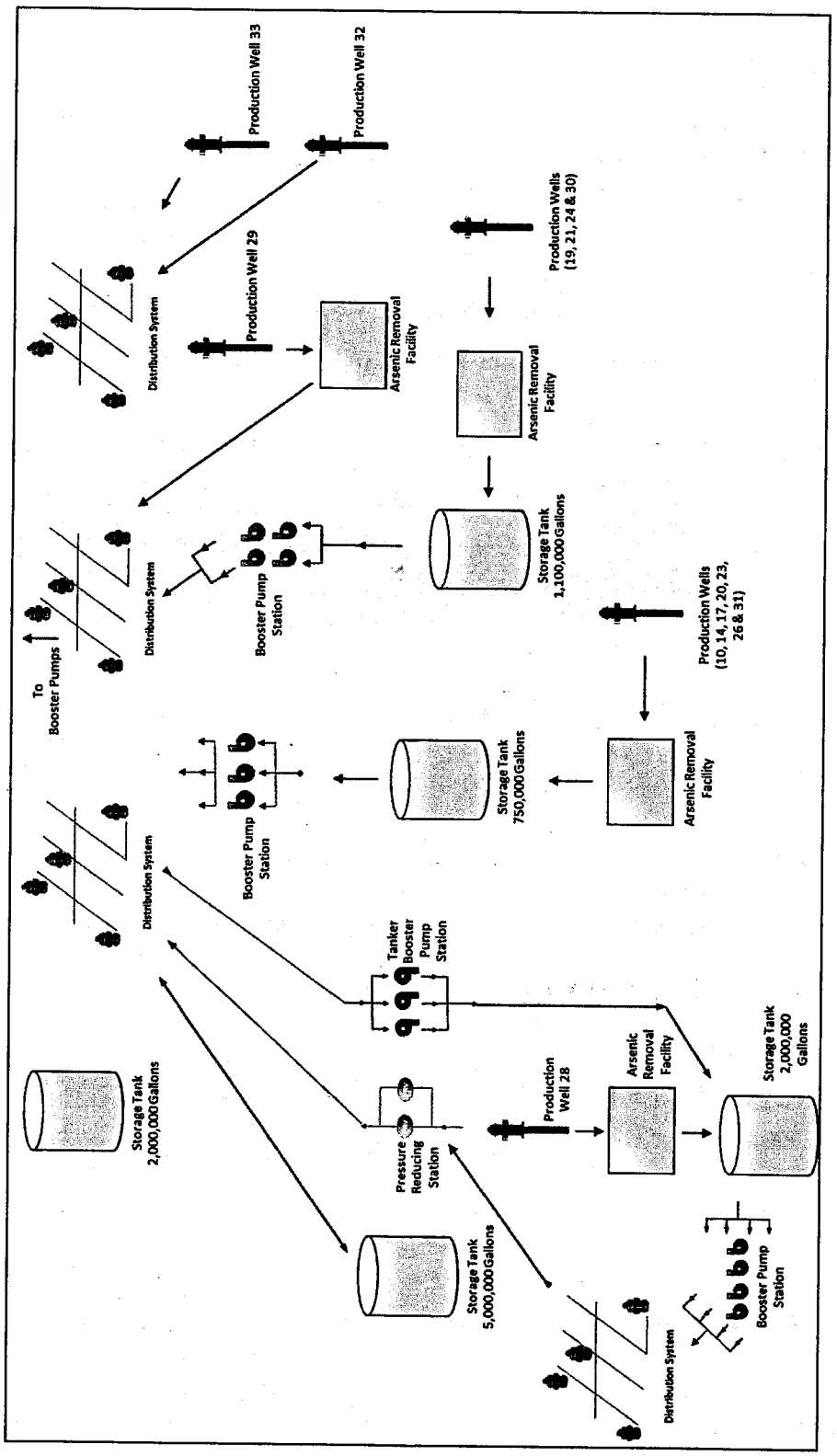

Figure 2PV-C. System Schematic

D. Growth

Based on customer data provided by the Company in their ACC annual reports, it is projected that this system's customer base will remain relatively flat through the next 3 to 5 years. The Figure below depicts actual growth from 2005 to 2014 and projects an estimated growth in the service area for the next five years using Moving Average Technical Analysis.

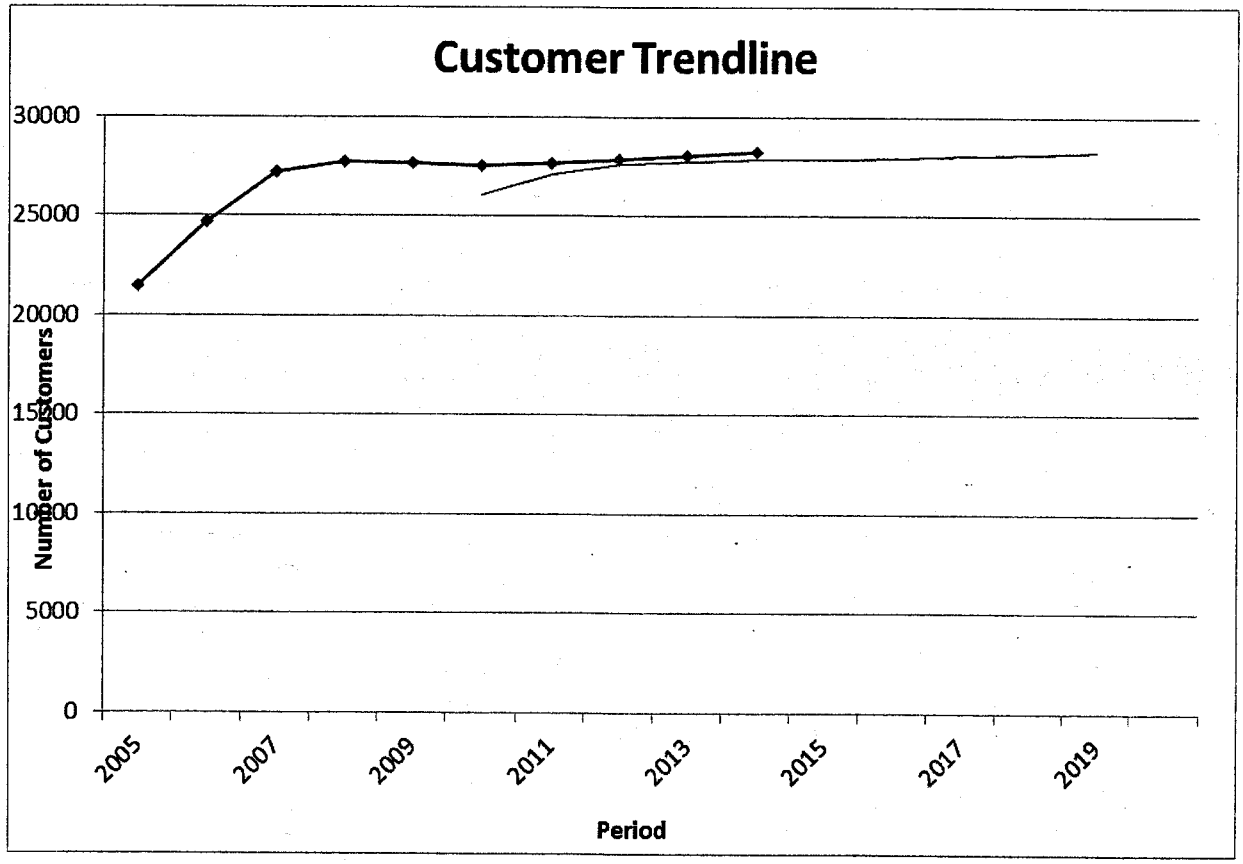

Figure 3PV. Growth Projection

3. Coolidge Airport PWS # 11-707

A. Location and Description of the System

According to the Company, AWC has operated the Coolidge Airport water system since November 2007. The City of Coolidge leases the Coolidge Airport water system to AWC pursuant to a Water System Lease and Operation Agreement dated November 1, 2007.

This system serves the Coolidge Airport area in Pinal County. Major plant in service includes two active wells, one storage tank, one pressure tank, five booster pumps, chlorination system and a distribution system serving nine connections. A breakdown of the plant facilities are tabulated below:

Table 1CA. Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Pump Motor Type	Year Drilled	Water Treatment Systems
Well # 1	55-620899	50	350	475	12	4	Turbine	1942	Chlorination System
Well # 2	55-620900	50	320	435	16	4	Submersible	1942	
TOTALS		**100**	**670**						

Table 2CA. Storage & Pressure Tanks and Booster Pumps

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
15,000	1	5,000	1	2	2
				10	1
				40	2
TOTAL 15,000		**5,000**		**94**	

Table 3CA. Water Mains

Size (inches)	Material Type	Approximate Length (feet)
3	Various	2,900
6	Various	540
12	Various	3,430
TOTAL		**6,870**

Table 4CA. Customer Meters

Size	Quantity
5/8 x ¾ inch	0
1 inch	3
Compound 2 inch	4
Turbo 2 inch	1
Compound 3 inch	1
TOTAL	**9**

Table 5CA. Fire Hydrants

Size	Quantity
Standard	3
Non-Standard	0
TOTAL	**3**

B. Water Use

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2014, provided by the Company in its annual report to the ACC. Customer consumption included a high monthly water use of 1,376 GPD per connection in August, and the low water use was 402 GPD per connection in December.[16] The average annual use was 919 GPD per connection.

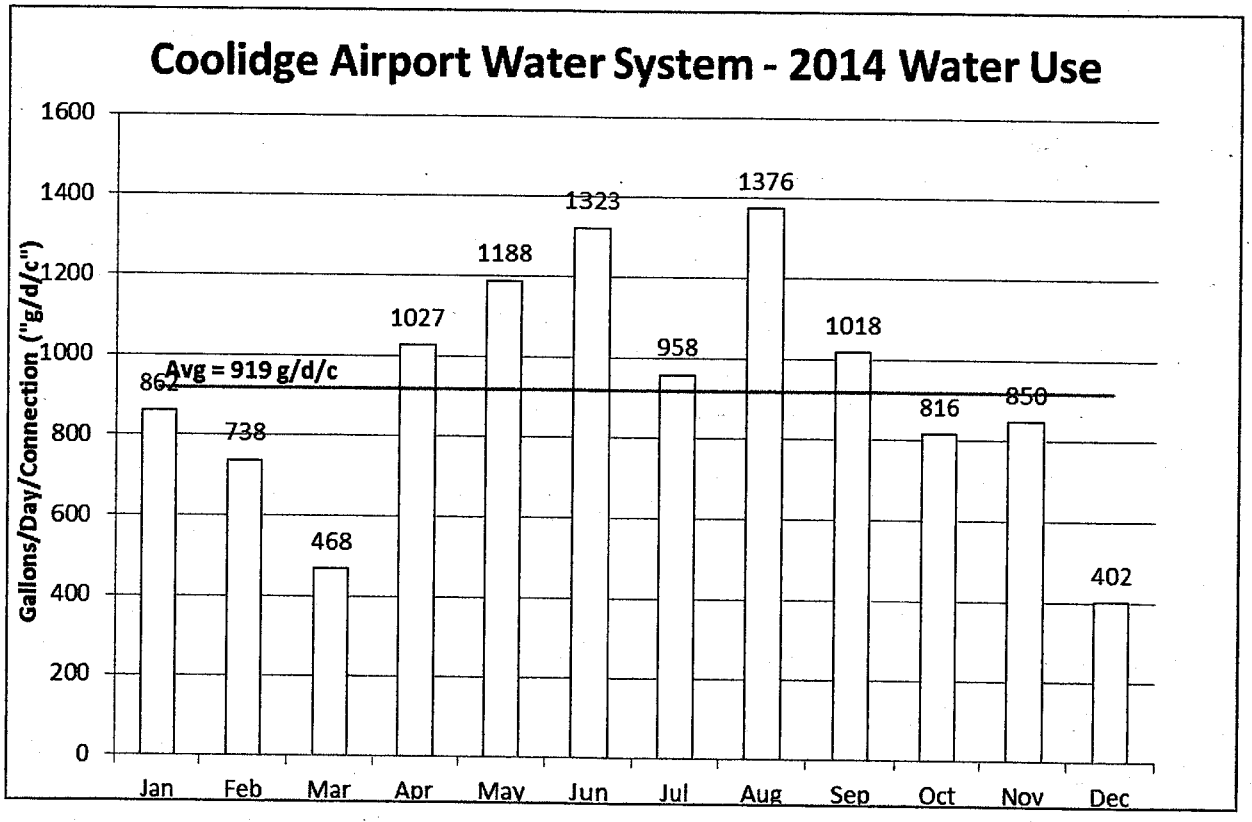

Figure 1CA. Water Use

[16] Staff requested an explanation why Coolidge Airport water usage was so great. Mr. Schneider responded "They are all commercial users and Complete Parachute Solutions performs military training. They have a kitchen, showers, etc. They can have large training events with people flown in from all over the USA, email dated January 7, 2016.

Non-account Water

The Company reported 3,798,000 gallons pumped, 3,018,500 gallons sold and 585,300 gallons of authorized non-revenue uses for the test year, resulting in a water loss of 5.1 percent. This percentage is within acceptable limit of 10 percent.

C. System Analysis

Based on the data provided by the Company for the Test Year, Staff concludes that the Coolidge Airport water system source production capacity of 670 GPM and storage capacity of 15,000 gallons is adequate to serve the present customer base and reasonable growth. A system schematic is shown as Figure 2CA.

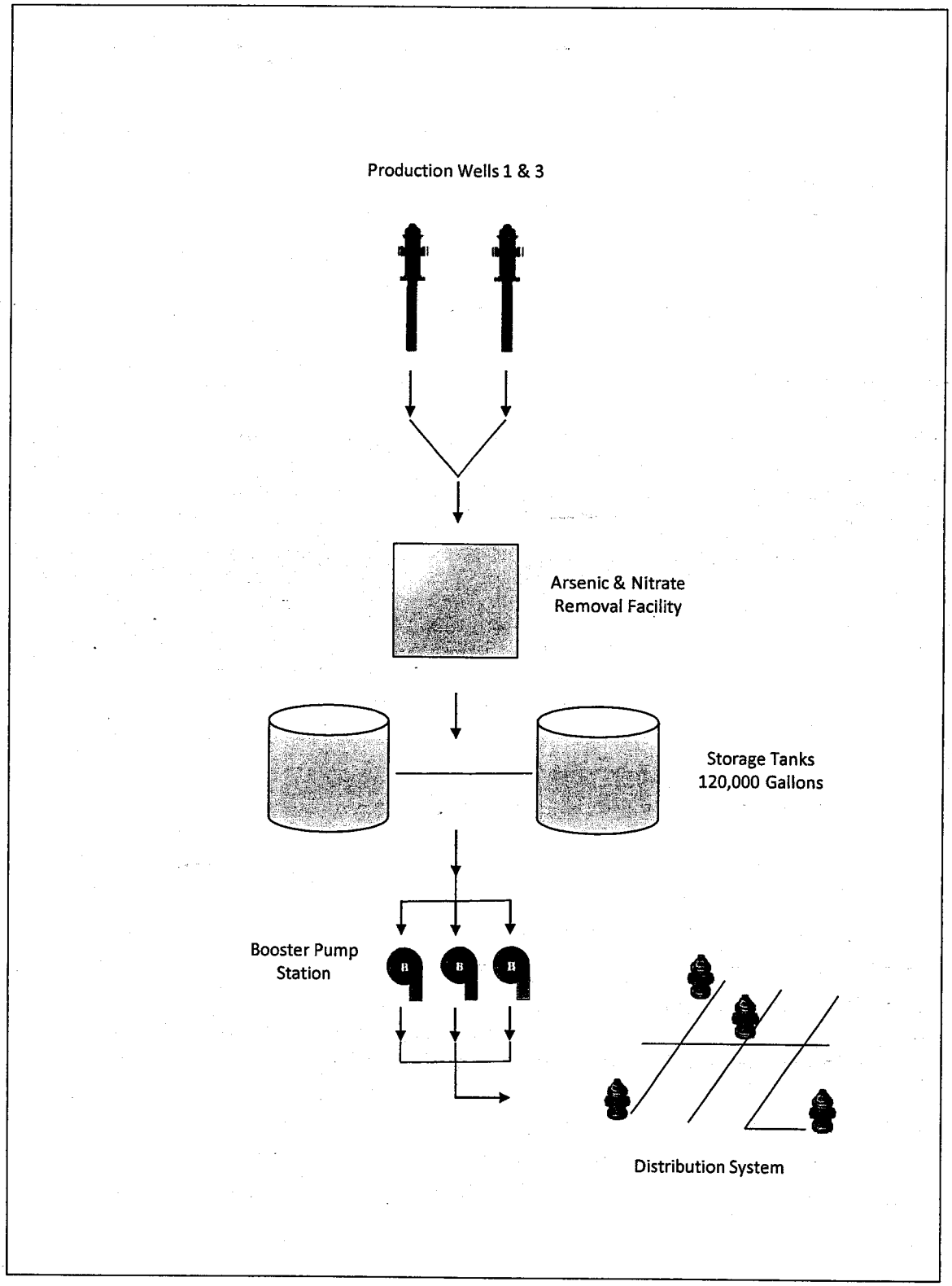

Figure 2CA. System Schematic

D. Growth

Based on customer data provided by the Company in their ACC annual reports, it appears that the Coolidge Airport water system's number of customers will remain fairly constant. Figure 2CA depicts actual customers from 2008 to 2014 and projects an estimated number of connections in the service area for the next five years using linear regression analysis.

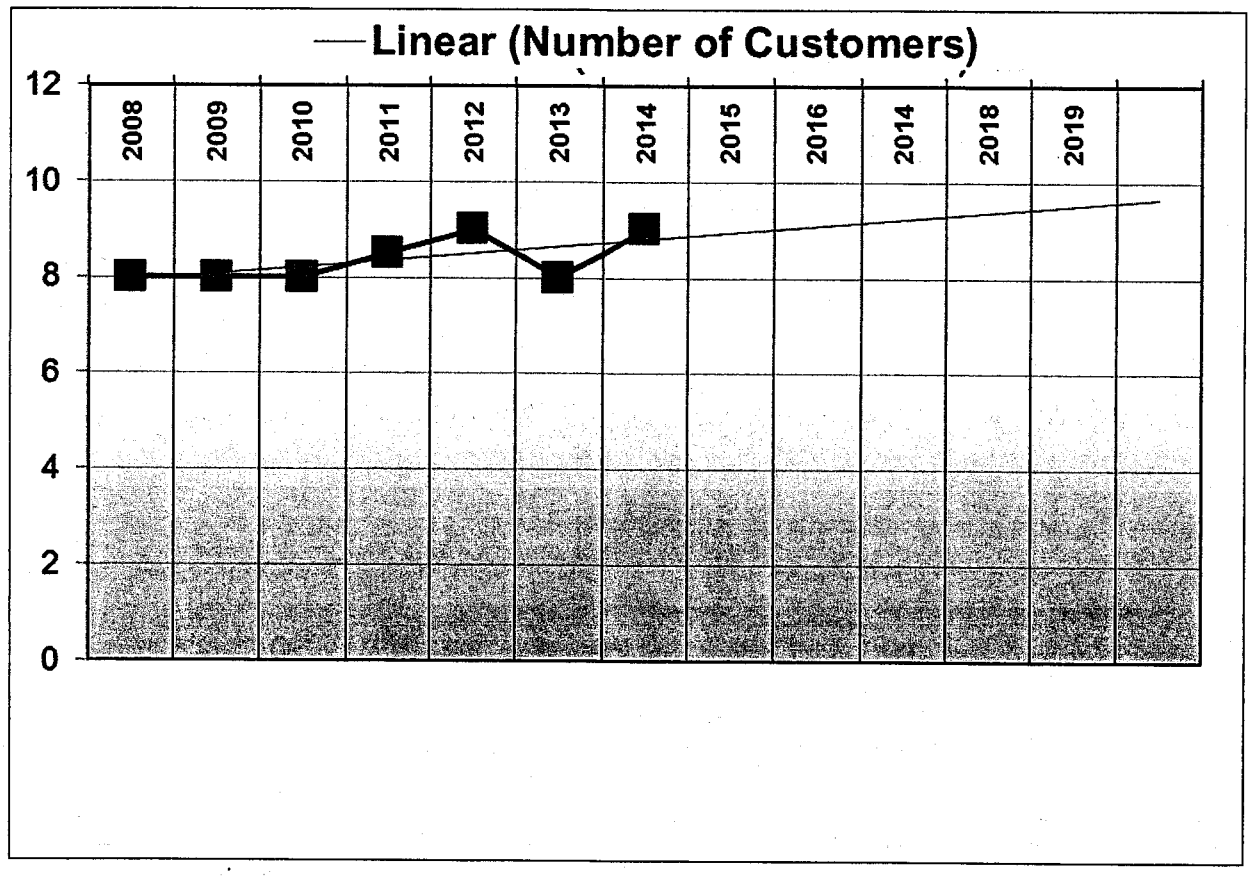

Figure 3CA. Growth Projection

4. Stanfield PWS # 11-012

A. Location and Description of the System

This system serves the Stanfield area in Pinal County. The water system consists of two wells, one arsenic/nitrate treatment plant, two storage tanks, two booster pumps, one pressure tank, chlorination system and a distribution system serving approximately 195 connections. A breakdown of the plant facilities is tabulated below:

Table 1SF. Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Pump Motor Type	Year Drilled	Water Treatment Systems
Well # 1	55-616684	100	280	811	16	4	Turbine	1963	Arsenic/Nitrate Treatment & Chlorination System
Well # 3	55-526586	60	195	1002	18	3	Submersible	1990	
TOTALS		**160**	**475**						

Table 2SF. Stanfield Arsenic/Nitrate Treatment Plant[17]

Treated Wells	Plant Site	Maximum Capacity (GPM)	Manufacturer/ Vendor	Plant Placed in Operation
Wells #1 & #3	Stanfield	350	Basin	April 2008

Table 3SF. Storage & Pressure Tanks and Booster Pumps

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
20,000	1	5,000	1	10	1
100,000	1			15	1
				30	1
TOTAL 120,000		**5,000**		**55**	

Table 4SF. Water Mains

Size (inches)	Material Type	Length (feet)
2	Various	420
4	Various	7,680
6	Various	17,280
TOTAL		**25,380**

[17] Arsenic/Nitrate Treatment Plant - Ion Exchange Filter Vessels & Sodium Chloride regenerate for Arsenic/Nitrate Removal.

Table 5SF. Customer Meters

Size	Quantity
5/8 x ¾ inch	186
¾ inch	0
1 inch	5
Compound 2 inch	4
TOTAL	**195**

Table 6SF. Fire Hydrants

Size	Quantity
Standard	12
Non-Standard	0
TOTAL	**12**

B. Water Use

Water Sold

Figure 1SF represents the water consumption data for the test year ending December 31, 2014, provided by the Company in its annual report to the ACC. Customer consumption included a high monthly water use of 540 GPD per connection in October, and the low water use was 247 GPD per connection in January. The average annual use was 411 GPD per connection.

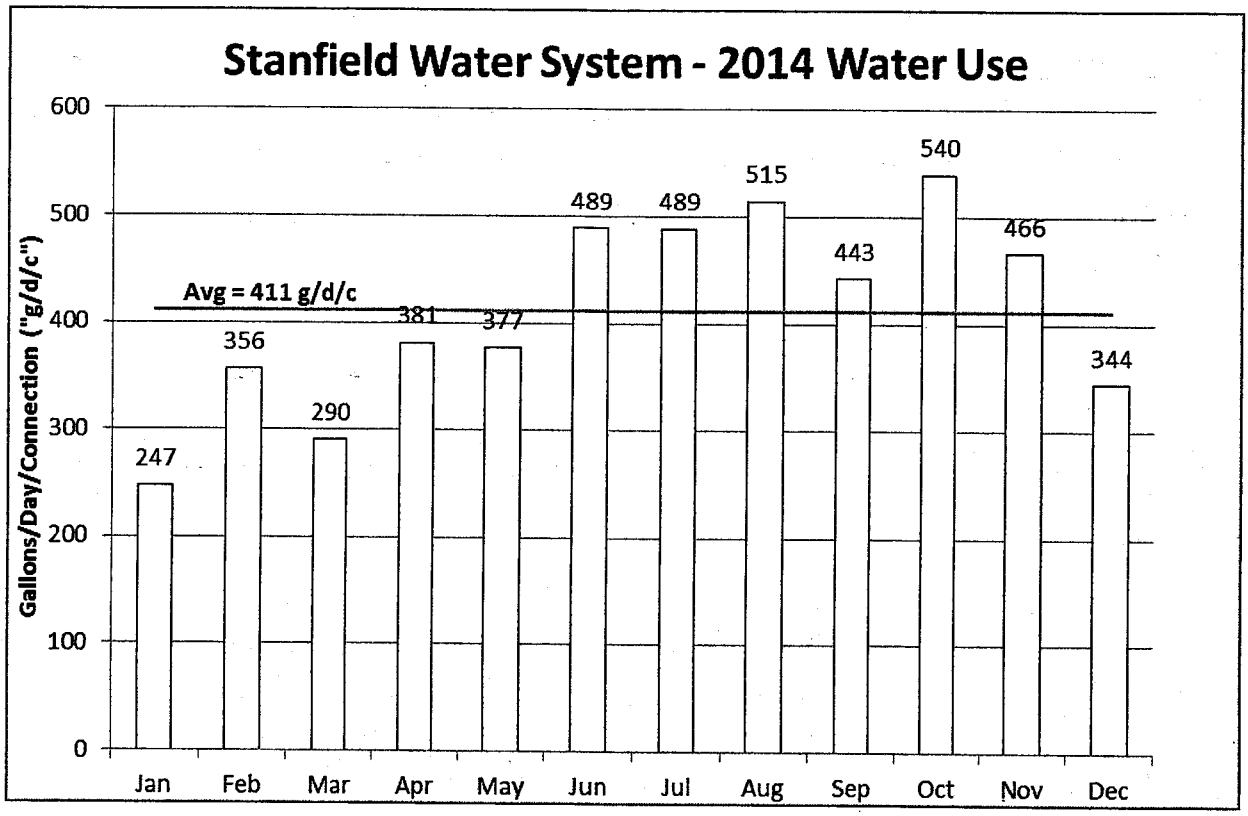

Figure 1SF. Water Use

Non-account Water

The Company reported 32,227,400 gallons pumped, 29,363,100 gallons sold and 1,651,500 gallons of authorized and non-authorized non-revenue uses for the test year, resulting in a water loss of 6.2 percent. This percentage is within acceptable limit of 10 percent.

C. System Analysis

Based on the data provided by the Company for the Test Year, Staff concludes that the Stanfield water system has adequate water production and storage capacity to serve its customer base and reasonable growth. A system schematic is shown as Figure 2SF.

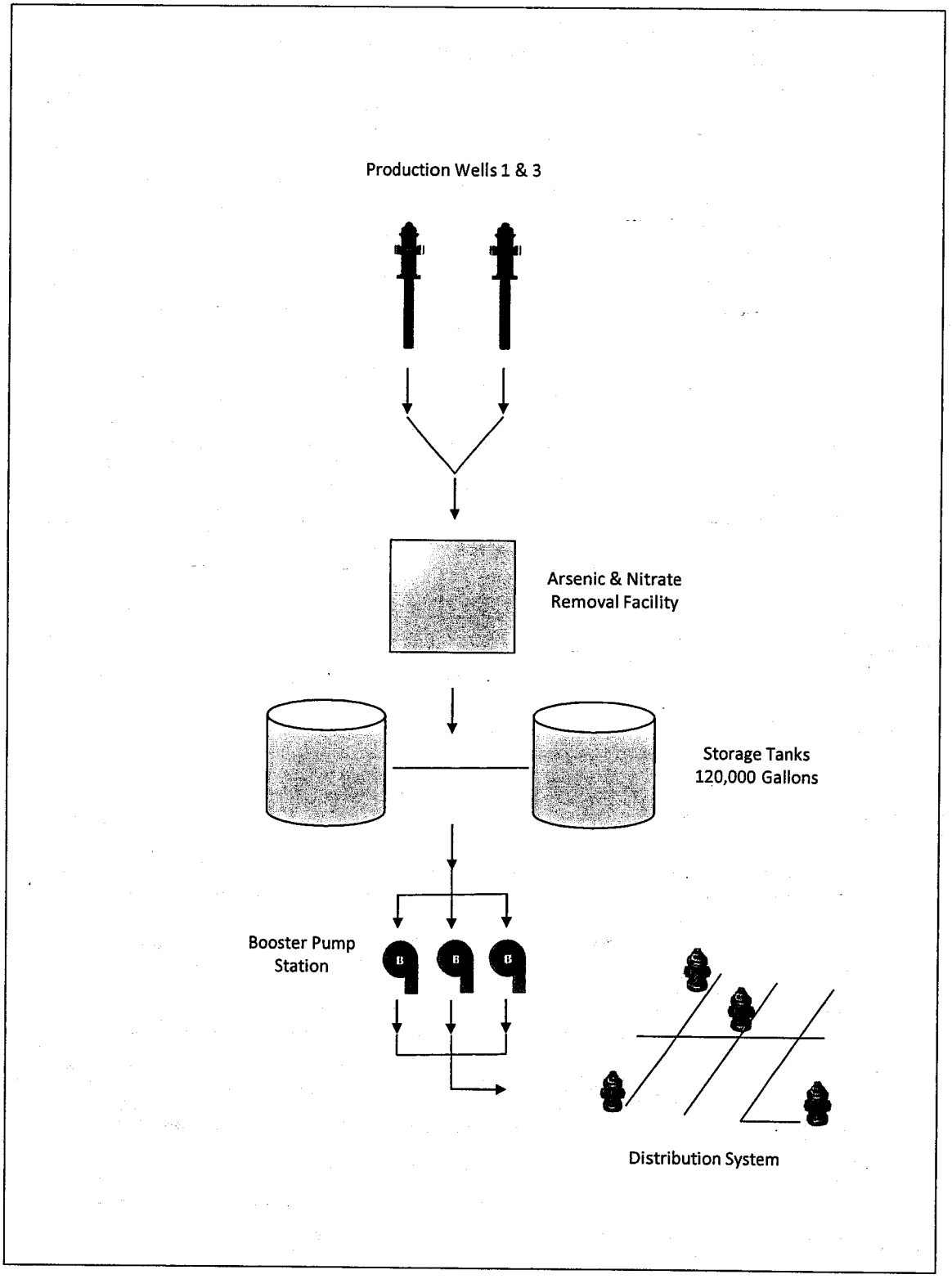

Figure 2SF. System Schematic

D. Growth

Based on customer data provided by the Company in its annual reports, it is projected that the Stanfield water system number of connections will continue to decline and is projected to have less than 190 connections by 2019. Figure 2SF depicts actual customer decline from 2002 to 2014 and projects an estimated number of connections in the service area for the next five years using linear regression analysis.

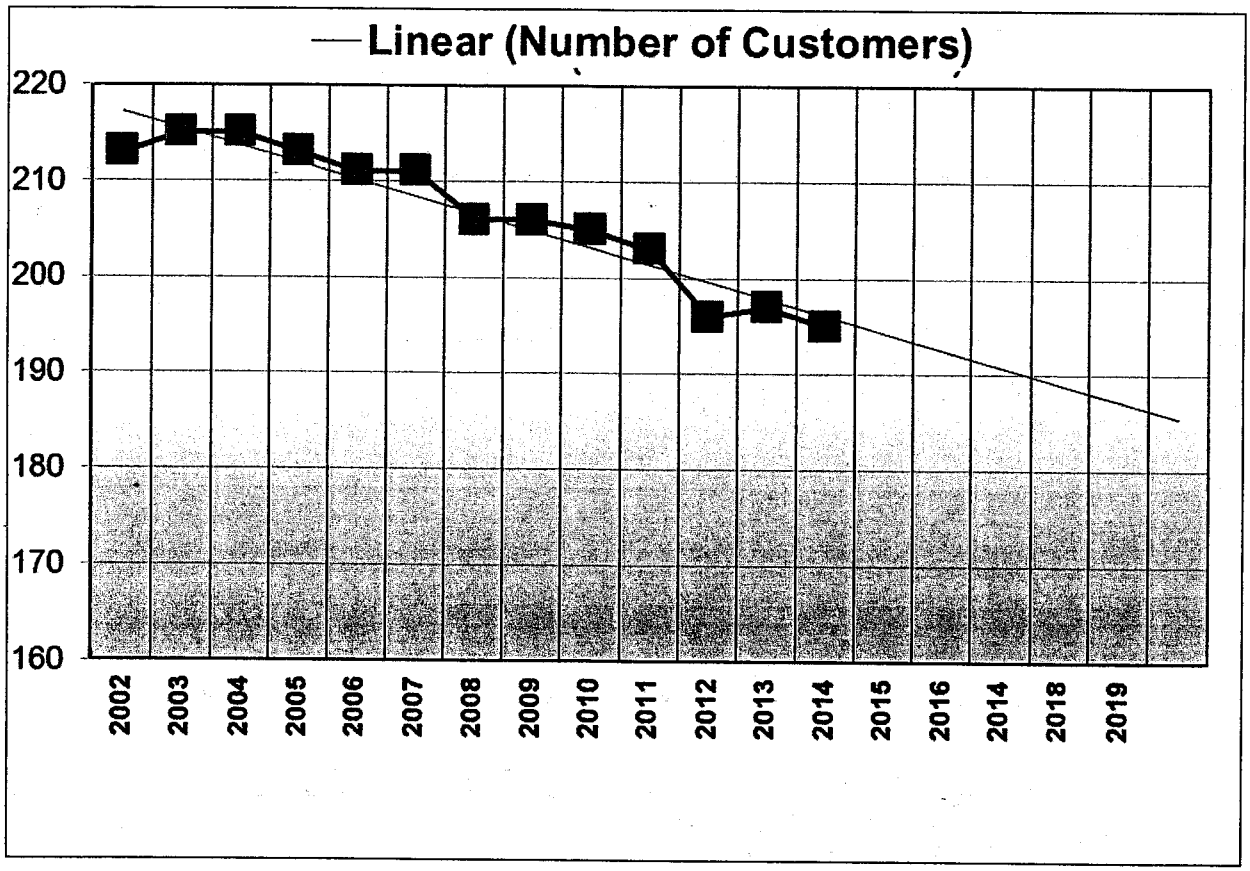

Figure 3SF. Growth Projection

5. White Tank PWS No. 07-128

A. Location and Description of the System

The White Tank ("WT") system serves the White Tank area northwest of Phoenix in Maricopa County. In addition to groundwater pumped from six wells, WT supplements its water supply by purchasing water from the Edmonton Power Corporation Water Utility Company ("EPCOR Water Arizona") during peak summer demand periods. The water system consists of six active wells, two arsenic treatment facilities, one nitrate treatment facility, one raw water cooling system, five storage tanks, nine booster pumps, five chlorination systems, one SCADA system and a

distribution system serving approximately 2,360 connections. A detailed plant facility listing is as follows:

Table 1WT. Wells

AWC Well ID	ADWR Well ID	Pump (HP)	Pump Yield (GPM)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Pump Motor Type	Year Drilled	Water Treatment Systems
Well # 2	55-616689	30	155	477	6	3	Submersible	-	Arsenic Treatment Chlorination systems
Well # 4	55-616691	75	390	604	12	4	Submersible	1969	
Well # 8	55-584393	75	160	1000	12	4	Submersible	2001	
Well # 7	55-616693	100	410	858	20	4	Turbine	-	Nitrate Treatment
Well # 9	55-203266	250	1490	1418	16	10	Turbine	2004	Arsenic Treatment Chlorination systems
Well # 10	55-201426	200	1060	1288	16	8	Turbine	2004	
TOTALS		**730**	**3665**						

Table 2WT. Other Water Source

Description	Meter Size (inches)	Capacity (GPM)	Gallons Purchased	Water Treatment
Epcor Water Arizona Emergency Interconnect-primary (Indian School)	3	350	2,000	none
Epcor Water Arizona Emergency Interconnect – back-up (Citrus)	2	160	none	none

Table 3WT. Monte Vista Arsenic Treatment Plant[18]

Treated Wells	Plant Site	Maximum Capacity (GPM)	Manufacturer/ Vendor	Plant Placed in Operation
Wells #2, #4 & #8	Monte Vista	1,450	Layne	March 2008

Table 4WT. Blue Horizons Arsenic Treatment Plant[19]

Treated Wells	Plant Site	Maximum Capacity (GPM)	Manufacturer/ Vendor	Plant Placed in Operation
Wells #9 & #10	Blue Horizons	2,800	Siemens	2012

[18] Arsenic Treatment Plant - Coagulation/Filtration Filter Vessels and Ferric Chloride for Arsenic Removal.
[19] Arsenic Treatment Plant - Coagulation/Filtration Filter Vessels and Ferric Chloride for Arsenic Removal

Table 5WT. Nitrate Treatment Plant[20]

Treated Well	Plant Site	Maximum Capacity (GPM)	Manufacturer/ Vendor	Plant Placed in Operation
Well #7	Go Lightly	550	Layne	June 2007

Table 6WT. Storage & Pressure Tanks and Booster Pumps

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
50,000	1	5,000	3	3	1
100,000	1			5	2
500,000	1			50	3
1,000,000 1,000,000	1 1			100	3
TOTAL 2,650,000		**15,000**		**463**	

Table 7WT. Water Mains

Size (inches)	Material Type	Length (feet)
2	Various	1,610
4	Various	14,490
6	Various	170,760
8	Various	160,120
12	Various	57,990
16	Various	6,430
20	Various	380
24	Various	75
TOTAL		**411,855**

[20] Nitrate Treatment System (Pre-filter included) - Ion Exchange Filter Vessels & Sodium Chloride regenerate for Nitrate Removal.

Table 8WT. Customer Meters

Size	Quantity
5/8 x ¾ inch	1,846
¾ inch	0
1 inch	491
Compound 2 inch	20
Compound 3 inch	2
Turbo 6 inch	1
TOTAL	**2,360**

Table 9WT. Fire Hydrants

Size	Quantity
Standard	256
Non-Standard	0
TOTAL	**256**

B. Water Use

Water Sold

The Figure below represents the water consumption data for the test year ending December 31, 2014, provided by the Company in its annual report to the ACC. Customer consumption included a high monthly water use of 651 GPD per connection in July, and the low water use was 313 GPD per connection in January. The average annual use was 454 GPD per connection.

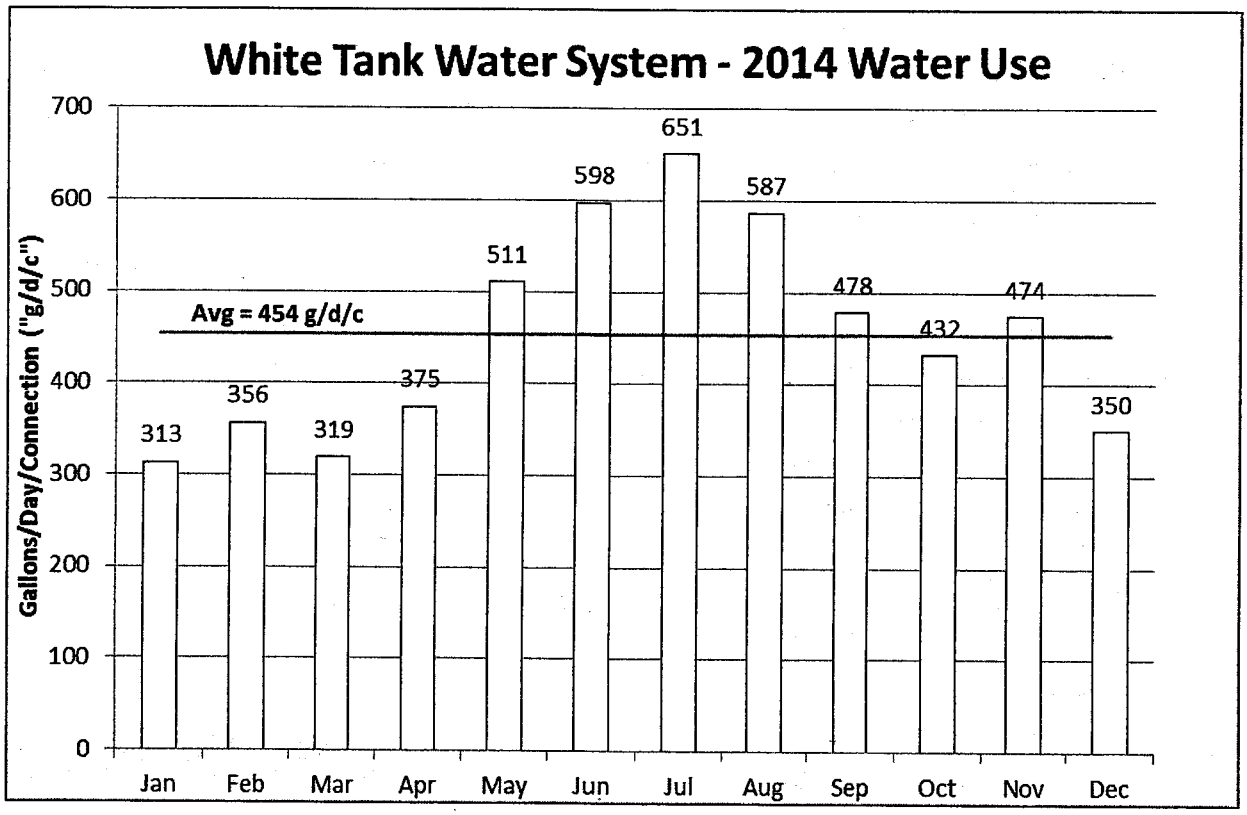

Figure 1WT. Water Use

Non-account Water

The Company reported 429,751,000 gallons pumped/purchased, 386,159,800 gallons sold and 36,736,600 gallons of authorized and non-authorized non-revenue uses for the test year, resulting in a water loss of 4.3 percent. This percentage is within the acceptable limit of 10 percent.

C. System Analysis

Based on the data provided by the Company for the Test Year, Staff concludes that the White Tank system has adequate water production and storage capacity to serve its customer base and reasonable growth. A system schematic is shown as Figure 2WT.

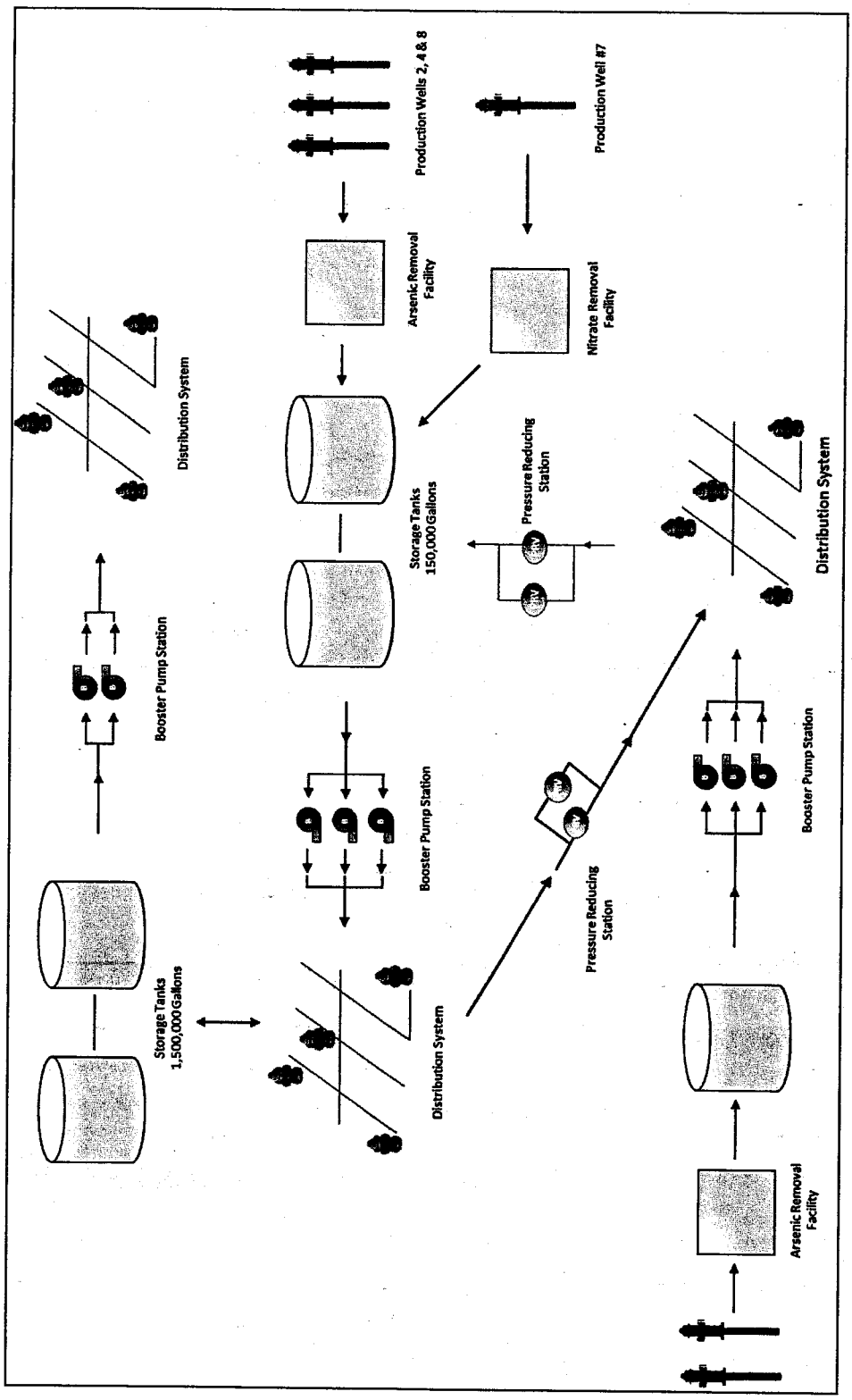

Figure 2WT. System Schematic

D. Growth

Based on customer data provided by the Company, it is projected that this system could have approximately 2,700 connections by 2019. The Figure below depicts actual growth from 2002 to 2014 and projects an estimated growth in the service area for the next five years using linear regression analysis. Staff calculations confirm that additional water production or storage capacity will not be required to meet the anticipated growth.

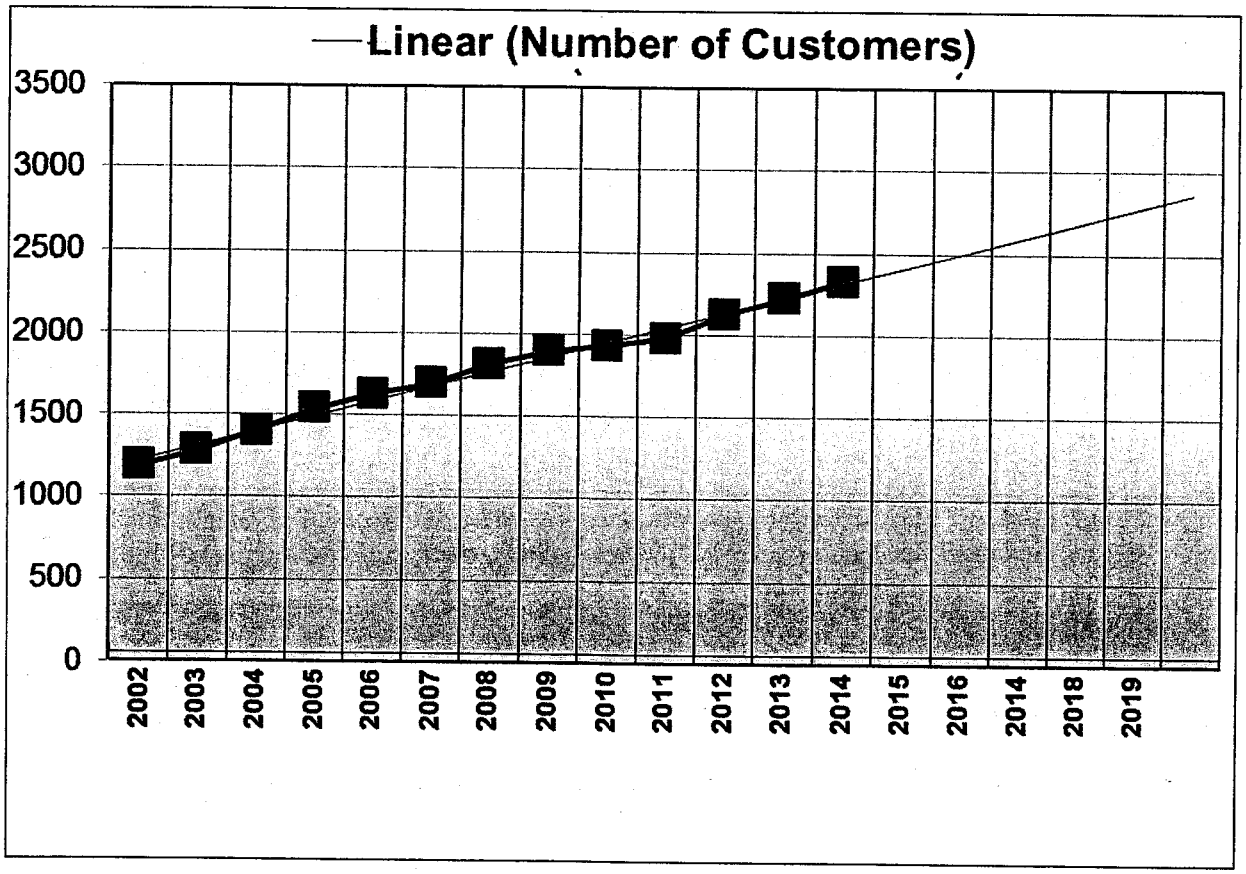

Figure 3WT. Growth Projection

6. Ajo PWS No. 10-003

A. Location and Description of the System

This system serves the Ajo area in Pima County. The Ajo system has no wells and is purchasing water from the Ajo Improvement Company[21]. The Ajo system is served by a 3-inch master-meter. The water system consists of two storage tanks, three booster pumps, upgraded chlorination system, one SCADA system and a distribution system serving approximately 650 connections. A breakdown of the plant facilities is tabulated below:

[21] Ajo is consecutive system to ACC regulated Ajo Improvement Company (PWS # 10-001).

Table 1Ajo. Wells

Wells	none

Table 2Ajo. Other Water Sources

Description	Meter Size (in inches)	Capacity (GPM)	Gallons Purchased in Test-Year	Water Treatment
Ajo Improvement Company water system	3	270	42,777,000	Chlorination System

Table 3Ajo. Storage & Pressure Tanks and Booster Pumps

Storage Tank		Pressure Tank		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
500,000*	1	-	none	15	2
250,000*	1			10	1
TOTAL 750,000				**40**	

Note*: Storage Tanks are tied together and tops of the tanks are equal in height resulting in the availability of the total capacity of 750,000 gallons. Each tank has a separate shutoff valve for maintenance purposes.

Table 4Ajo. Water Mains

Size (inches)	Material Type	Length (feet)
2	Various	4,130
3	Various	290
4	Various	41,960
6	Various	35,230
8	Various	3,090
TOTAL		**84,700**

Table 5Ajo. Customer Meters

Size	Quantity
5/8 x ¾ inch	614
¾ inch	0
1 inch	29
Compound 2 inch	4
TOTAL	**647**

Table 6Ajo. Fire Hydrants

Size	Quantity
Standard	47
Non-Standard	0
TOTAL	**47**

B. Water Use

Water Sold

Figure 1Ajo represents the water consumption data for the test year ending December 31, 2014, provided by the Company in its annual report to the ACC. Customer consumption included a high monthly water use of 202 GPD per connection in June, and the low water use was 126 GPD per connection in December. The average annual use was 163 GPD per connection.

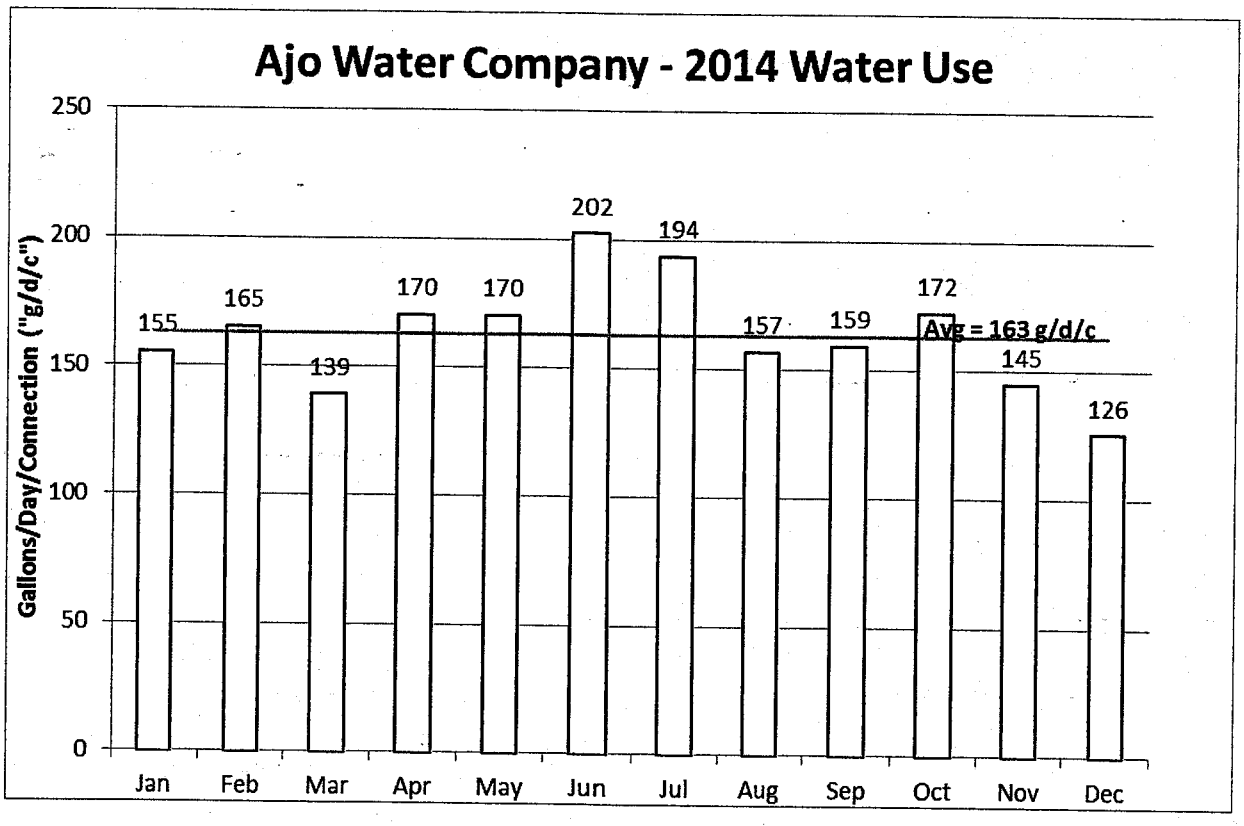

Figure 1Ajo. Water Use

Non-account Water

The Company reported 42,777,000 gallons purchased, 38,873,400 gallons sold and 2,266,400 gallons of authorized and non-authorized non-revenue uses for the test year, resulting in a water loss of 6.0 percent. This percentage is within acceptable limit of 10 percent.

C. System Analysis

Based on the data provided by the Company for the Test Year, Staff concludes that the Ajo system has adequate water supply and storage capacities to serve its customer base and reasonable growth. A system schematic is shown as Figure 2Ajo.

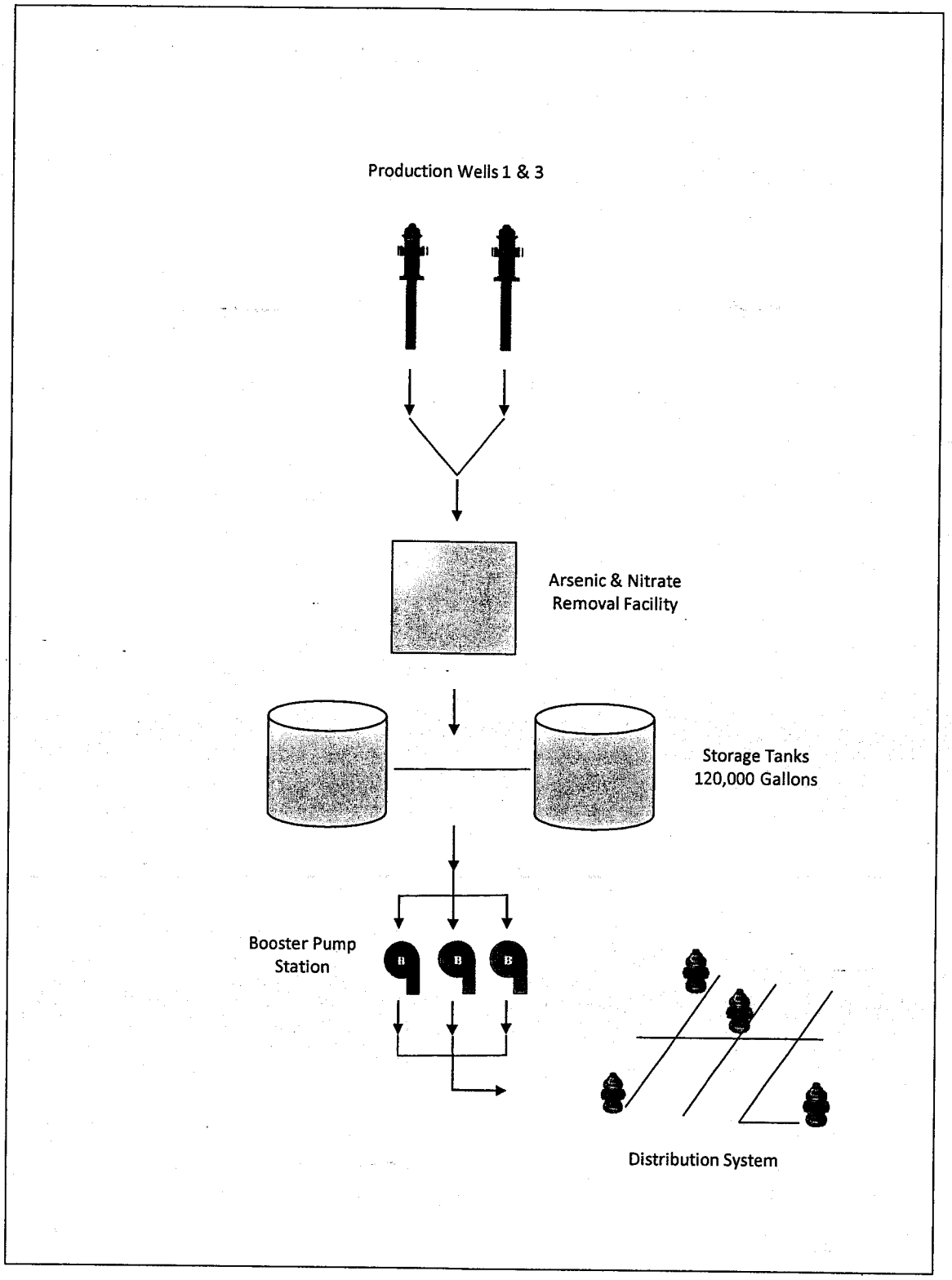

Figure 2Ajo. System Schematic

D. Growth

The Company provides water service to approximately 654 residential and commercial customers during the test year 2014. Growth has declined over the past 13 years. The Company reported serving 654 customers in 2014, historic low, and 693 customers in 2003, historic high. The Company does not anticipate any significant growth to its customer base and therefore will not require additional water purchases or storage capacity. Figure 6 depicts the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission.

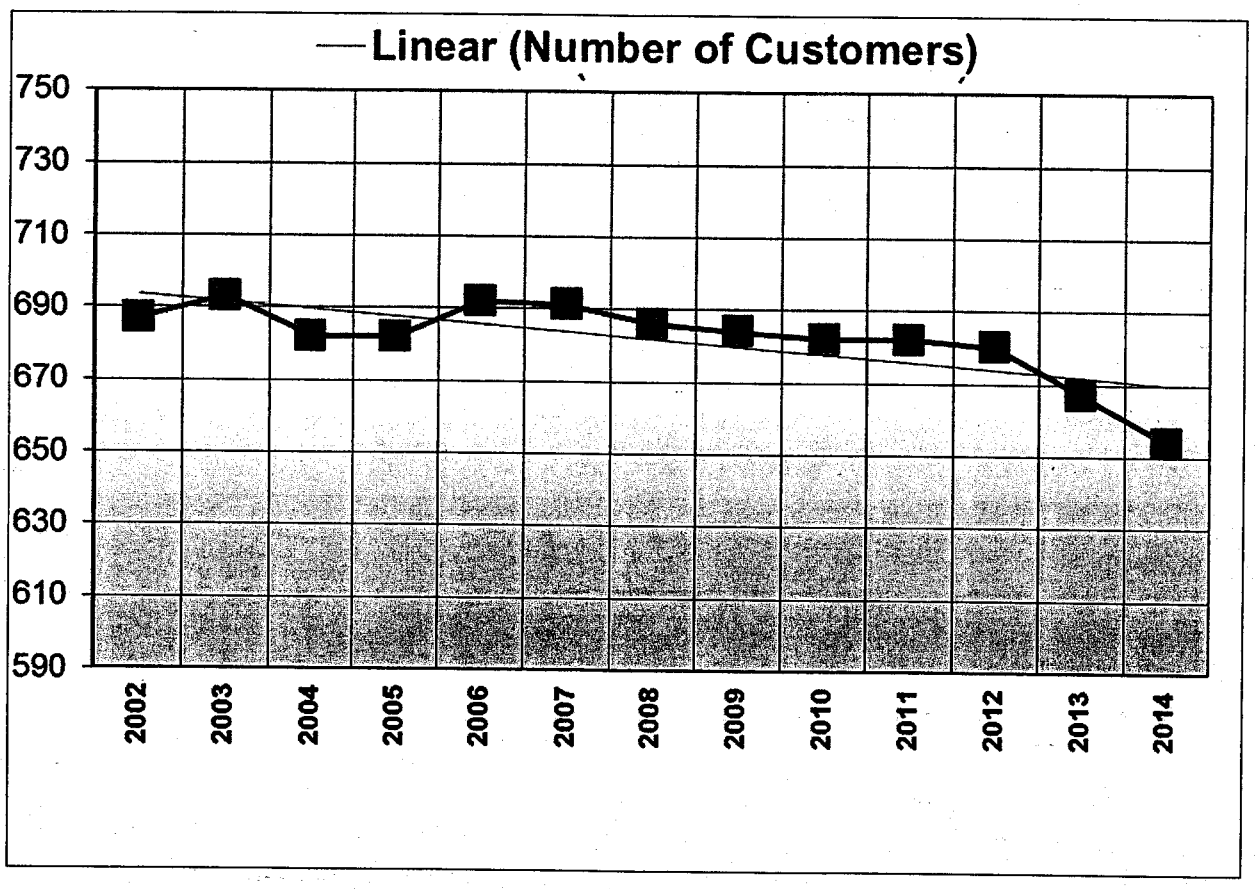

Figure 3Ajo. Growth Projection

III. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance Status

According to the Compliance Status Reports received from ADEQ and its delegated agent, the Maricopa County Environmental Services Department ("MCESD"), who monitor community water systems for compliance, all six AWC community water systems have no major deficiencies and

have determined that these water systems are currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.[22]

Water Testing Expense

Participation in the ADEQ Monitoring Assistance Program ("MAP") is mandatory for community water systems, which serve less than 10,000 persons (approximately 3,300 service connections). Because the Company is able to monitor its systems at a lower cost than the MAP, the Company has chosen not to participate in the MAP for Pinal Valley, its largest system (with more than 3,300 service connections). The Company's consecutive system, Ajo, is not required to participate in the MAP. All other AWC community systems participate in the MAP. The Company's MAP surcharge tariff has been approved in prior rate cases. The Company reported MAP surcharge revenues of $7,569 collected in 2014 and MAP expenses of $7,887, recorded in 2014 for the Western Group.[23]

The Company reported its total annual water testing expenses as $122,226, including MAP expenses, for the test year.[24] The water testing expenses were included in the "Water Treatment" operating expenses account. The Company reported its required water testing expenses for the test year at $71,417 (this amount does not include 2014 MAP costs). Staff reviewed the Company's water testing data and recommends that the Company's reported annual water testing expense of $114,082 be accepted for this proceeding as shown in Table B below.

Table B. Water Testing Expense

Water Testing	Cost
Samples taken in the distribution system.*	$22,643
Samples taken at the Entry Point to the Distribution System.*	$48,774
Special samples taken for process control or for monitoring purposes.**	$42,665
MAP	$8,144
TOTAL COST OF REQUIRED WATER TESTING (w/o MAP)	$71,417
TOTAL COST OF ALL WATER TESTING	$122,226
TOTAL COST OF WATER TESTING (w/o MAP)	**$114,082**

Note*: Samples required by the Safe Drinking Water Act/EPA/ADEQ.
Note**: Special samples not required by ADEQ/EPA. The Company conducted additional sampling/analysis for process control and monitoring purposes to insure that drinking water meets water quality standards.

[22] Per ADEQ/MCED Compliance Status Reports dated December 2015 and January 2016.
[23] Per Mr. Reiker's direct testimony on page 21. ADEQ records show that AWC paid $8,144 in MAP invoices, while Mr. Reiker testimony indicated that AWC MAP expenses were $7,887.
[24] In Data Request FS 6.1 Water Testing, Company revised its response to Data Request BAB 1.18.

IV. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Ajo system is not located in an ADWR Active Management Area ("AMA"). The Tierra Grande, Pinal Valley, Coolidge Airport and Stanfield systems are located in the Pinal AMA, and the White Tank system is located in the Phoenix AMA. According to ADEQ, the Coolidge Airport water system is categorized as non-transient non-community and therefore is not regulated by ADWR.

The ADWR has determined that all of the Company's Western Group water systems that are regulated by ADWR are currently compliant with departmental requirements governing water provider and/or community water systems[25].

V. ACC COMPLIANCE

On January 28, 2016, the Utilities Division Compliance Section stated that a check of the compliance database indicates that there are currently no delinquent compliance items for the Company.

VI. DEPRECIATION RATES

In the previous rate proceeding for the Western Group, the individual component depreciation rates developed by the Company were approved per Commission Decision Nos. 66849, 68303, 71845 and 73144. Those depreciation rates have been carried forward and proposed in this rate application. Staff recommends the adoption of the previously approved depreciation rates developed by the Company in this Western Group rate case. These rates are presented in Table C.

[25] Per ADWR Compliance Reports dated December 24, 2015.

Table C. Component Depreciation Rates

Plant Account No.	Depreciable Plant	Average Service Life (years)	AWC Developed Rates (%)
314	Wells & Springs	32	3.13
321	Pumping Plant Structures & Improvements	35	2.86
325	Electric Pumping Equipment	17	5.88
328	Gas Engines	25	4.00
331	Water Treatment Structures & Improvements	40	2.50
332	Water Treatment Equipment	35	2.86
341	Transmission/Distribution Structures	30	3.33
342	Storage Tanks	50	2.00
343	Transmission/Distribution Mains	56	1.79
344	Fire Sprinkler Taps	50	2.00
345	Services	42	2.38
346	Meters	22	4.55
348	Hydrants	55	1.82
390	General Plant Structures	40	2.50
391	Office Furniture & Equipment	15	6.67
393	Warehouse Equipment	20	5.00
394	Tools, Shop & Garage Equipment	25	4.00
395	Laboratory Equipment	20	5.00
396	Power Operated Equipment	15	6.67
397	Communication Equipment	15	6.67
398	Miscellaneous Equipment	30	3.33

VII. OTHER ISSUES

Service Line and Meter Installation Charges

The Company has requested changes in its service line and meter installation charges. These charges are refundable advances. According to the Company, its current general service tariff does not offer a rate for a 3/4-inch or 1-1/2-inch size meters. Also, the Company proposes to update its refundable charges for service lines two inches and smaller to reflect the service line installation charges recommended by Staff.[26] The Company also proposes to add clarifying language to the existing footnote stating that parties are required to pay the actual cost of 5/8-inch through 2-inch service lines when cutting a roadway or sidewalk is required. Lastly, in order to more equitably apportion the cost of deploying the Company's automated meter reading ("AMR") program, the Company proposes to charge the actual cost of meter installations of all sizes. The requested service

[26] Staff memorandum "UPDATE OF STAFF'S TYPICAL SERVICE LINE AND METER INSTALLATION CHARGES", dated November 26, 2013.

line charges are at the high end of Staff's recommended range for service line charges. Staff recommends the acceptance of the Company's requested installation charges as shown in Table D.

Table D. Service Line and Meter Installation Charges

Company's Current Charges[27]				Company's Requested/Staff Recommended Charges		
Meter Size	Service Line Charges**	Meter Charges	Total Charges**	Service Line Charges**	Meter Charges	Total Charges**
5/8"x 3/4"	$445	$155	$600	$565	Actual Cost	Varies
¾"	N/A	N/A	N/A	$565	Actual Cost	Varies
1"	$495	$315	$810	$629	Actual Cost	Varies
1-1/2"	N/A	N/A	N/A	$699	Actual Cost	Varies
2"- Turbine 2"- Compound	$830 $830	$1,045 $1,890	$1,875 $2,720	$1,054 $1,054	Actual Cost	Varies Varies
3"- Turbine 3"- Compound	$1,045 $1,165	$1,670 $2,545	$2,715 $3,710	Actual Cost	Actual Cost	Actual Cost
4"- Turbine 4"- Compound	$1,490 $1,670	$2,670 $3,645	$4,160 $5,315	Actual Cost	Actual Cost	Actual Cost
6"- Turbine 6"- Compound	$2,210 $2,330	$5,025 $6,920	$7,235 $9,250	Actual Cost	Actual Cost	Actual Cost
8"- Turbine 8"- Compound	$2,210 $2,330	$5,025 $6,920	$7,235 $9,250	Actual Cost	Actual Cost	Actual Cost
10"- Turbine 10"- Compound	$2,210 $2,330	$5,025 $6,920	$7,235 $9,250	Actual Cost	Actual Cost	Actual Cost
				**Note: Amount will be adjusted to include the actual cost incurred when boring under a road or highway is required.		

Curtailment Plan Tariff

The Company has an approved curtailment tariff with an effective date of July 23, 2004.

Backflow Prevention Tariff

The Company has an approved backflow prevention tariff with an effective date of October 12, 2015.

[27] Decision No. 73144

Best Management Practices ("BMPs")

In Commission Decision No. 71845, dated August 24, 2010, the Company was ordered to submit BMPs for its water systems. In compliance with the Commission's Decision the Company submitted its proposed BMPs with an effective date of May 1, 2013. Table E lists the approved BMP tariffs applicable to the Company's systems.

Table E. Approved Bmp Tariffs

Tariff No.	Tariff Description
BMP-101	Public Education Program
BMP-2.3	New Homeowner Landscape Information
BMP-3.1	Residential Audit Program
BMP-3.2	Landscape Consultations (Residential/Non-Residential
BMP-3.6	Customer High Water Use Inquiry Resolution
BMP-3.7	Customer High Water Use Notification
BMP-3.8	Water Waste Investigations and Information
BMP-4.1	Leak Detection Program
BMP-4.2	Meter Repair or Replacement

Post-Test Year Installations ("PTY")

The Company proposes to include PTY utility plant additions in rate base for the Tierra Grande, Pinal Valley, Coolidge Airport, Stanfield and White Tank water systems as well as for the Company's Phoenix Office. According to the Company the utility plant additions include revenue-neutral projects which provide for the provision of service to existing customers and do not include projects for the purpose of serving future customers or expansion of system capacity. In order for a PTY project to be accepted into the current rate application the project must be completed and in-service by December 31, 2015[28]. The following table shows the proposed PTY projects with costs and project status.

[28] Staff agreed to consider the Company's proposed PTY addition if the addition was completed and in-service by December 31, 2015.

Table F. Used and Useful Post-Test Year Plant Installations

WS/Project Title	Project No.	Project Description	Total Cost, $	In-Service Date
All/Electrical	5173	Relocate motor saver displays, well timers & other controls from panel interior to exterior doors. Repair starter reset plungers, install shielding over exposed conductors & switches. Electrical Safety Improvements.	103,598[29]	12/31/14
PV/Arizona Grain	5076	Lower and replace ~460 LF of 6" CA w/6" DIP and related fittings along the UPRR rail line.	195,574	12/23/14
PV/Wells No. 9 & 10 BPS	5164	Design and construct vertical Booster Pump Station (2 motor/pumps) at Vacuum Tank Site.	126,887	12/8/15
PV/Security Block Walls	5165	Design, permit and construct security blocks walls at wells 21, 30 & 31. Construct retention basins at well 26 & 31.	417,446	1/12/15
PV/Valley Farms ARF	5167	Design and construct an ARF at Valley Farms for wells 1 & 2.	1,332,446	7/8/15
PV/Highway 84 Gate Valves	5168	Install 3 line stops & construct 4-16" gate valves along Gila Bend Highway 84 between VIP Blvd & Thornton Rd.	115,552	7/20/15
PV/Overfield Road	5169	Replace ~3,900 LF of 6" PVC along Overfield Rd. w/4,000 LF of 12" DIP.	408,414	5/21/15
PV/Cottonwood BPS & Tank	5170	Reconstruct the Cottonwood Lane ST & BPS.	1,270,570	7/23/15
PV/Cottonwood & Peart	5171	Replace ~2,800 LF of 12" along Cottonwood Ln. from Arizola to Peart Rds. w/~2,800 LF of 12" DIP.	551,402	4/15/15
PV/Well 33 Pump	5251	Pull & replace well 33 pump, column pipe, tube/shaft & lower pump ~100 ft.	245,968	1/22/15
PV/Well 29 Disinfection Tank	5260	Replace leaking sodium hypochlorite tank.	20,645	9/28/15
PV/Well 19 Pump	5296	Replace well pump & related equipment	242,450	9/14/15
PV/Wells 9 & 10 Access Road	5299	Construct new access road to well 9 & 10 and BPS and 90 LF of chain-link fencing.	76,569	12/14/15
PV/Well 33 Flush Piping	5301	Construct ~1,500 LF of 12" DIP along Hancock Trail from Well 33 to Hacienda Rd.	194,840	6/6/15

[29] According to Mr. Schneider, "Electrical Panel Safety Improvements were completed in 2014 but the payment for the work was paid in mid-2015. Therefore, it was considered post year plant." Email from Mr. Schneider to Staff, December 17, 2015.

PV/Wells 32 & 33 Nitrate Analyzers	5303	Design & install online nitrate analyzers & electrical controls at wells 32 & 33.	173,112	6/5/15
PV/Well 27 Booster Pump	5304	Install an additional 60 hp 500 gpm booster pump, starter panel & new suction & discharge headers at well 27 BPS.	107,751	12/31/15
PV/Wells 9 & 10 Auto Strainer	5307	Construct a 3rd auto strainer for wells 9 & 10. Both wells produce a large amount of sand exceeding current sand removal capacity.	42,163	7/1/15
PV/Cameron & Morrison Ave WL Replacement	5329	Construct 85 LF of 4" WL, replace 3-4" gate valves, 2-4"tees & 1-fire hydrant on 4th street between Cameron & Morrison Ave's in Casa Grande.	20,780	2/12/15
PV/Casa Grande Mountain	5332	Replace 140 LF of 36" CLC Transmission main w/140 LF of 36" DIP on Casa Grande Mountain south of I-8 at Peart Rd.	299,926	5/5/15
PV/SR 87 & AZ Blvd Asphalt Replacement	5339	Replace leaking water service and construct 110 ft x 11 ft asphalt patch to replace temp patch on AZ blvd (SR-87) south of Verde Lane in Coolidge.	57,381	5/21/15
PV/Cholla Str Asphalt Replacement	5341	Replace leaking water service and construct 110 ft x 11 ft asphalt patch & 1-concrete sidewalk to replace temp patch on Pinal Ave (SR-387) & Cholla Str in Casa Grande.	35,165	6/20/15
PV/Replace WL at 2nd & Morrison Ave	5344	Construct ~25 LF of 8" DIP WL, 1-4" gate valve & 1-6" gate valve to replace 25 LF of 8" CL WL at 2nd Str & alley west of Morrison Ave.	25,368	6/18/15
PV/Casa Grande Asphalt	5345	Construct 13 LF of 8" DIP to replace 8" CA & 44 ft x 78 ft asphalt & 28 LF of sidewalk & curb at 1955 North Casa Grande Ave.	56,452	8/4/15
PV/Burgess Peak Radio	5348	Install redundant radio system, solar shield, fan & filter kit and surge arrestor at Burgess Peak SCADA radio repeater.	19,377	7/23/15
PV/Well 26 Pump Replacement	5358	Replace well pump & related equipment, also perform brushing & bailing well 26.	124,002	8/10/15
PV/Well 27 Pump Replacement	5359	Replace well pump & related equipment, also perform brushing & bailing well & install packing at well 27.	134,254	12/16/15
PV/Coolidge Tank	5361	Construct 16" overflow & replace cathodic protection on the elevated storage tank in Coolidge.	79,622	7/8/15
PV/Well 31 Pump	5362	Replace well pump & related equipment, also perform brushing & bailing well 31.	74,910	11/26/15

Replacement				
Pinal Valley	Blanket Projects	Replacement of Electric Pumping Equipment, Transmission & Distribution Mains, Service Lines, Meters, Fire Hydrants, Office Furniture & Equipment, Tools, Shop & Garage Equipment.	630,270	Unknown
SF/Booster Pump Station	5306	Install an additional 30 HP Booster Pump and Starter and Upgrade Transformers.	40,759	6/30/15
WT/SCADA	5032	Construct Phase 1 of White Tank SCADA system. Install SCADA System at the Monte Vista ARF.	345,165	6/1/15
WT/Citrus & I-10	5263	Install ~230 LF of 6" DIP & Relief Valve along Citrus Road.	57,524	2/3/15
WT/Blue Horizon Chemical Injection	5309	Replace 16" DIP fittings and valves at the chemical injection point in the Blue Horizon ARF.	54,187	4/21/15
WT/BAE Tank	5360	Replace the interior ladder and construct 12" overflow pipe to replace a 6" overflow pipe at the 500,000 gal BAE Storage Tank.	18,004	4/13/15
White Tank	Blanket Projects	Replacement of Electric Pumping Equipment, Transmission & Distribution Mains, Service Lines, Meters, Fire Hydrants, Office Furniture & Equipment, Tools, Shop & Garage Equipment.	89,956	Unknown
Ajo	Blanket Projects	Replacement of Transmission & Distribution Mains, Service Lines, Meters, Office Furniture & Equipment, Tools, Shop & Garage Equipment.	15,951	Unknown
Tierra Grande	0076	Pilot study to test the efficiency of Automatic Meter Reading ("AMR") devices.[30]	125,690	5/31/15
Phx/Server Replacement	5326	Replace the anti-virus and patch servers and migrate Active Directory to new server.	25,444*	11/20/15
Phoenix Office	Blanket Projects	Replacement of Office Furniture & Equipment.	42,397	Unknown
Meter Shop	Blanket Projects	Replacement of Office Furniture & Equipment and Tools, Shop & Garage Equipment.	2,099	Unknown
TOTAL POST-TEST YEAR COST			**$7,219,397****	

Note: feet ("ft."), horsepower ("hp"), gallon ("gal."), gallon per minute ("gpm"), Polyvinyl Chloride ("PVC"), Water System ("WS"), Not Available ("N/A"), Lineal Feet ("LF"), inch ("), Arsenic Removal Facility ("ARF"),

[30] The Company is testing AMR devices manufactured by Sensus, Neptune and Badger.

Cement Asbestos ("CA"), Ductile Iron Pipe ("DIP"), Booster Pump Station ("BPS"), Storage Tank ("ST"), approximately ("~"), Union Pacific Railroad ("UPRR"), Road ("Rd"), Waterline ("WL"), Avenue ("Ave"), Concrete Lined Cylinder ("CLC"), State Route ("SR"), Street ("Str"), temporary ("temp"), Cast Iron ("CI"), Beautiful Arizona Estates ("BAE"), Phoenix Office ("Phx"), Internet Protocol ("IP"),
Note*: Unknown total cost. Invoices outstanding.
Note**: Does not include Blanket Projects

Total cost of $103,598 for electrical safety improvements completed for the Pinal Valley Group (Tierra Grande, Pinal Valley, Coolidge Airport and Stanfield water systems) only. Each water system had different amounts of electrical improvements completed and therefore total cost of work per water system is unknown and not available as AWC did not complete an account breakdown per water system.[31] Staff concludes that the PTY capital improvement projects listed in above Table F, totaling $8,000,070, are currently in operation and are used and useful to the water systems provision of service. Also, the projects were completed and in-service by December 31, 2015.

System Improvement Benefits Mechanism ("SIB")

In Decision 71845 the ACC ordered the Company to reduce water loss for each of its water systems to less than 10 percent. The Company has complied with the order and all water systems in the Wester Group have water loss less than ten percent. The Company has approved SIBs for its Eastern and Northern Groups and is proposing a SIB for its Western Group. According to the Company a SIB is required because the water loss in the Western Group is trending upward in the Pinal Valley and White Tank water systems and the aging water mains and service lines are increasingly failing and causing water loss beyond the Company's ability to control solely through repair or maintenance efforts. In its application the Company stated that it is more efficient and cost effective to keep water loss below 10 percent by replacing aging infrastructure in a timely fashion rather than let water loss increase above 10 percent before beginning to replace failing infrastructure. The Company's plan identifies the need to increase the rate of replacing aging infrastructure, however the Company believes that the level of investment will have a significant negative effect on the Company's financial performance without the SIB mechanism.

The Western Group has approximately 4.2 million feet of water mains in service and variety of piping materials have been used. In the 1920s cast iron ("CI") water mains were predominate while cement asbestos ("CA") was first used in the 1930s with ductile iron ("DI") and polyvinyl chloride ("PVC") were first used in the 1980s and are mostly used in the Western Group for new water main construction since 1986.[32] The Company has developed an aging infrastructure replacement plan that includes 88 specific projects which included estimated costs per project. However the Company did not provide a project prioritization schedule or propose a 3 or 5 year cost expenditure schedule. The Company also expressed to Staff the Company's inability to complete the proposed projects within 5 years.[33] Table G displays the proposed SIB aging

[31] Total cost for Western Group Electrical Safety Improvements was $103,598. Mr. Schneider email to Staff, dated December 29, 2015, stated "Since it is one rate system for Pinal Valley, we do not have the accounting breakdown for each water system. For economies of scale and to get better pricing, the work was bid as a package."
[32] Mr. Schneider testimony, Exhibit FKS-13 Executive Summary.
[33] Staff discussion with the Company at the Company's office on January 15, 2016.

infrastructure replacements costs per water system. Table H shows and compares the water losses between 2013 and test-year 2014.

Table G. Infrastructure Replacement Costs

Water System	Cost Estimate
Pinal Valley	$48,110,000
White Tank	$7,141,000
Ajo	$559,000
TOTAL ESTIMATED COST	$55,810,000

Table H. Water Loss Per Water System

Water System	Water Loss	
	2013	2014
Tierra Grande	5.59%	4.01%
Pinal Valley	8.53%	9.48%
Coolidge Airport	6.33%	5.11%
Stanfield	7.29%	6.52%
White Tank	3.53%	4.54%
Ajo	6.21%	7.67%

Staff recommends that the Company requested SIB not be approved at this time due to the lack of project prioritization and cost schedule, the inability of the Company to complete proposed projects within a reasonable timeframe and water loss being less than 10 percent for all water systems.

Nitrate Cost Recovery Mechanism ("NCRM")

The Pinal Valley water system has four Wells (Well Nos. 7, 27, 32 & 33) that produce water with high levels of nitrates. At this time Well No. 27 is over the Maximum Contaminant Level ("MCL") while Wells 7, 32 & 33 are approaching the nitrate MCL. The White Tank water system is the only other Western Group water system that has nitrate issues at this time. The Company is closely monitoring four other Pinal Valley water system wells (10, 14, 19 & 24). Each well is being blended with other non-nitrate or low nitrate water quality wells and the Company does not know when or if additional NRF's will be required. In order to comply with the Safe Drinking Water Act

("SDWA") standards, the Company plans on constructing four nitrate removal facilities ("NRF") for the Pinal Valley wells that are high in nitrates.

The Company estimates the four NRFs will cost $18.9 million[34]. Initially the Company is planning to construct a NRF beginning in 2016 at Well No. 33. This facility's estimated cost is $6.5 million and will cost $1.8 million each year to operate and maintain. According to the Company an NCRM is needed due to constructing, operating and maintaining four NRFs that require high capital investment and significant operating expense and without an NCRM will divert capital from other critical projects. From an engineering point of view, Staff believes that the NRF installations are necessary. See Briton Baxter testimony, ACC Public Utilities Analyst IV, for Staff's recommendation of the requested NCRM. Table I shows the anticipated construction schedule and cost for each NSF.

Table I. Proposed Nitrate Removal Facilities

Well No.	Nitrate Level (As-of April 2015), mg/L	Proposed Construction Start	Proposed In-Service	Estimated Cost, $
7	9.13	2019	2020	3,470,000
27	12.30	2018	2019	2,380,000
32	9.92	2017	2018	6,529,000
33	9.72	2016	2017	6,529,000
			TOTAL ESTIMATED COST	**18,908,000**

Arsenic Cost Recovery Mechanism ("ACRM") Continuation

Currently, the Arizona City portion of the Pinal Valley water system has only one source (Well No. 28) and if that source fails the Tanger booster pump station does not have the capacity to supply the max day demand. Therefore the Company concludes an additional source of supply to Arizona City is required. The Company plans on utilizing Well No. 34 as an additional source. Well No. 34 is located within Arizona City, however the water quality does not meet SDWA standards for arsenic.[35] The Company plans on constructing an arsenic removal facility ("ARF") for Pinal Valley water system Well No. 34 to reduce arsenic levels to comply with SDWA standards. The Company anticipates the project will be completed by the end of 2016 at an estimated cost of $3.4 million.

In Decision No. 73144 the Commission authorized the Company to make new ACRM filings for new arsenic treatment plants and upgrades to existing plants in its Western Group. The Company requests continuation of the ACRM to recover the costs to construct and operate the ARF at Well No. 34. The Company also requests continuation of the ACRM to recover the cost of other arsenic removal facilities. Specifically, the ARF's at Valley Farms Well No. 2 and at Pinal Valley Well No. 13 and the Point of Use ("POU") devices at the Coolidge Airport. The ARF at Valley Farms was completed and in service July 2015. The ARF at Well No. 13 and POU devices are not complete but the Company anticipates completion by the end of 2016. From an engineering point of view, Staff believes that the installations of the ARF's and POU devices are necessary. See

[34] Direct Testimony of Mr. Schneider, page 107.
[35] The arsenic level of Well No. 34 is approximately 50 ppb.

Briton Baxter testimony, ACC Public Utilities Analyst IV, for Staff's recommendation of the ACRM continuance.

VII. OFF-SITE FACILITIES FEE TARIFF

White Tank water system

In its White Tank 2015 CAP Use Plan ("WT 2015 CAP Plan") filed on August 7, 2015 in this docket, the Company outlines its plan to deliver CAP water to its customers through the White Tank Underground Recharge and Recovery Facility ("URRF") the Company plans on constructing. In the rate application, the Company requested an Off-Site Facilities Fee ("OSFF") of $2,500 for each new residential service connection with a 5/8 x 3/4-inch meter and 3/4-inch meter in its White Tank water system. The fee increases for larger meter sizes. The OSFF will equitably apportion the costs of constructing off-site facilities needed to provide water production, treatment, delivery, recharge and recovery, storage and pressure facilities among all new White Tank customers whose water supply requirements make these facilities necessary. More specifically, the fee will be used to fund the Company's White Tank URRF. The Company holds a Central Arizona Project ("CAP") water allocation totaling 968 acre-feet per year. The Company's estimated cost to construct the URRF is $2.641 million and anticipate to be in-service by late 2018. The fee will be applicable to all new service connections in the White Tank service area.[36] The Company based the OSFF on the following table.

Table J. Estimated New Customers Required

Year	No. of Customers	Customers Added/Year	Annual Fees	Cumulative Fees
2016	2,657	329*	340,000	340,000
2017	2,800	143	357,500	697,500
2018	2,951	151	377,500	1,075,000
2019	3,110	159	397,500	1,472,500
2020	3,278	168	420,000	1,892,500
2021	3,455	177	442,500	2,335,000
2022	3,642	187	467,500	2,805,500
Number of New Connections added since 2014		**1,314 or 43%**		

Note*: Company estimates that the water system will add 329 new connections by the end of 2016 over the 2014 total.

Based on the Company's estimated cost of $2.641 million to fund the Company's White Tank URRF, Staff concludes that the proposed Facilities Fee of $2,500 for a 5/8" x 3/4" meter is

[36] Direct Testimony of Mr. Joseph D. Harris ("Mr. Harris"), AWC Vice President and Treasurer, page 10. Exhibit JDH-4 shows the estimated funds needed by meter size and a projection of the amount to be collected and expended to construct the necessary off-site facilities.

reasonable. Staff recommends adoption of the White Tank 2015 CAP Use Plan and Off-site Facilities Fee Tariff attached as Exhibit A.

Pinal Valley water system (CAP Water)

In Decision No. 73144 the Company was granted an Off-Site Facilities Fee ("Facilities Fee") of $3,500 for each new service connection with a 5/8 x 3/4-inch meter in its Pinal Valley water system to fund the Pinal Valley regional surface water treatment plant ("PV CAP Plant") and the necessary transmission and distribution mains, storage tanks and booster systems needed to treat, store and pump water in order to meet the needs of future growth in this area. The Company estimated cost to design and construct Pinal Valley CAP treatment Plant, with a treatment capacity of the 10 million gallon per day[37], and all related infrastructure facilities is $94 million.[38]

In its Pinal Valley 2015 CAP Use Plan ("2015 CAP Plan") filed on August 7, 2015 in this docket the Company updated the 2006 CAP Use Plan. The 2015 CAP Plan outlines the Company's plan to deliver CAP water to its customers through its Pinal Valley Recharge and Recovery Facility ("PVRRF") it plans on constructing beginning in 2016. Prior to constructing the PVRRF the Company will store CAP water on an interim basis at groundwater savings facilities operated by Central Arizona Irrigation and Drainage District, Hohokam Irrigation and Drainage District and Maricopa-Stanfield Irrigation and Drainage District. The Company will utilize recovery wells to deliver CAP water to general service customers throughout the Pinal Valley service area. The estimated cost of the PVRRF is approximately $6 million. The Company plans on funding the design and construction of the PVRRF primarily with OSFF. The Company requests that the OSFF approved in Decision 73144 be revised to include PVRRF instead of the PV CAP Plant.

Based on the Company's design change from CAP water treatment to CAP water recharge and recovery and the huge cost savings of approximately $88 million. Staff recommends the adoption of the Pinal Valley 2015 CAP Use Plan and revised specific tariff language contained in Exhibit B of this report.

Pinal Valley water system (Fire Sprinklers)

The Company is also requesting a change to the OSFF approved tariff in Decision 73144. To accommodate residential homes with fire sprinkler systems the Company is proposing the same OSFF for residential customers with a 3/4-inch meter as a residential customer with a 5/8 x 3/4-inch meter ($3,500).[39] Staff concludes that the proposed OSFF change for the residential 3/4-inch meter is reasonable as proposed and included in Exhibit B.

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[37]The Company's Pinal Valley service area has a combined annual CAP allocation of 10,884 acre-feet.
[38] The Company's 2014 cost estimate is $94 million and $82 million in its 2010 test year Western Group rate case, the initial 2006 cost estimate ranged from $34 to $66 million.
[39] Direct Testimony of Mr. Harris, page 13 and DRAFT Off-Site Water Facilities Fee Table, page 2 of 4, Section JDH-7.

TARIFF SCHEDULE

UTILITY: Arizona Water Company
(White Tank water system)
DOCKET NO. W-01445A-15-0277

DECISION NO. _____
EFFECTIVE DATE: _____

OFF-SITE FACILITIES FEE

I. Purpose and Applicability

The purpose of the off-site facilities fees payable to Arizona Water Company ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, treatment, delivery, recharge, recovery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

"CAP Water" means water from the Central Arizona Project provided directly or indirectly to the Company.

"Company" means Arizona Water Company.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities necessary to the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means water treatment facilities, including treatment of CAP Water and other available water supplies, recharge and recovery facilities, storage tanks and related appurtenances and equipment necessary for proper operation of such water treatment facilities, including engineering and design costs. Offsite facilities may also include booster pumps, wells for recovery of stored CAP water or other groundwater supplies, pressure tanks, transmission mains and related

appurtenances and equipment necessary for proper operation of such facilities if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential or commercial, industrial other uses, regardless of meter size.

III. Off-Site Water Facilities Fee

For each new service connection, the Company shall collect an off-site facilities fee derived from the following table:

OFF-SITE FACILITIES FEE TABLE			
		Total Fee	
Meter Size	Size Factor	Residential	All Other Classes
5/8" x 3/4 "	1	$2,500	$2,500
3/4"	1.5	$2,500	$3,750
1"	2.5	$6,250	$6,250
1-1/2 "	5	$12,500	$12,500
2"	8	$20,000	$20,000
3"	16	$40,000	$40,000
4"	25	$62,500	$62,500
6" or larger	50	$125,000	$125,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Facilities Fee: The off-site facilities fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge). These charges are not applicable to additional service connections that are established as back-up connections, under the condition that these service connections are not to be used at the same time

(B) Use of Off-Site Facilities Fee: Off-site facilities fees may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site facilities fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under tariff as Contributions in Aid of Construction ("CIAC"); however, such amounts shall not be deducted from rate base until such amounts have been expended for utility plant.

(C) Time of Payment:

1) For those requiring a Main Extension Agreement: In the event that the Applicant is required to enter into a Main Extension Agreement, whereby the Applicant agrees to advance the

costs of installing mains, valves, fittings, hydrants and other on-site improvements or construct such improvements in order to extend service in accordance with R-14-2-406(B), payment of the facilities fees required hereunder shall be made by the Applicant no later than 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

2) For those connecting to an existing main: In the event that the Applicant is not required to enter into a Main Extension Agreement, the facilities fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant may agree to construction of off-site facilities necessary to serve a particular development by Applicant, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site facilities fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant and conveyed to Company is less than the applicable off-site facilities fees under this Tariff, Applicant shall pay the remaining amount of off-site facilities fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant and conveyed to Company is more than the applicable off-site facilities fees under this Tariff, Applicant shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Applicant in the event that the Applicant has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision and/or Development Projects: In the event that the Applicant is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site facilities fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's construction schedule and water service requirements. In the alternative, the Applicant shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and facilities schedule for the subdivision and/or development.

(G) Off-Site Facilities Fees Non-refundable: The amounts collected by the Company as off-site facilities fees pursuant to the off-site facilities fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Facilities Fees Received: All funds collected by the Company as off-site facilities fees shall be deposited into a separate interest bearing bank account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Facilities Fee in Addition to On-site Facilities: The off-site facilities fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to this tariff, or if the off-site facilities fee tariff has been terminated by order of the Arizona Corporation Commission, any funds remaining in the bank account shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the Applicant for service has fire flow requirements that require additional facilities not covered by this tariff, such additional facilities shall be constructed under a separate Main Extension Agreement as a non-refundable contribution and shall be in addition to the off-site facilities fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year off-site facilities fee status report each January 31st to Docket Control for the prior twelve (12) month period, beginning January 31, 2017, until the off-site facilities fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the off-site facilities fee, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

TARIFF SCHEDULE

UTILITY: Arizona Water Company
Pinal Valley (Casa Grande, Coolidge & Stanfield) DECISION NO. _____
DOCKET NO. W-01445A-15-0277 EFFECTIVE DATE: _____

OFF-SITE FACILITIES FEE

I. Purpose and Applicability

The purpose of the off-site facilities fees payable to Arizona Water Company ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, treatment, delivery, recharge, recovery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

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1"	2.5	$8,750	$8,750
1-1/2 "	5	$17,500	$17,500
2"	8	$28,000	$28,000
3"	16	$56,000	$56,000
4"	25	$87,500	$87,500
6" or larger	50	$175,000	$175,000

IV. Terms and Conditions

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(K) Fire Flow Requirements: In the event the Applicant for service has fire flow requirements that require additional facilities not covered by this tariff, such additional facilities shall be constructed under a separate Main Extension Agreement as a non-refundable contribution and shall be in addition to the off-site facilities fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year off-site facilities fee status report each January 31st to Docket Control for the prior twelve (12) month period, beginning January 31, 2017, until the facilities fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the off-site facilities fee, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS	DOCKET NO. W-01445A-15-0277

DIRECT

TESTIMONY

OF

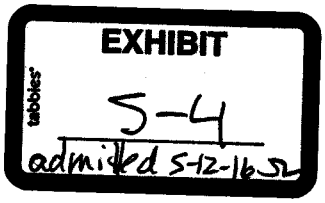
FRANK M. SMAILA

WATER/WASTEWATER ENGINEER

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

MARCH 18, 2016



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EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-15-0277

Frank Smaila's testimony discusses Utilities Division Staff's ("Staff") review of Arizona Water Company's ("AWC" or "Company") Western Group Cost of Service Study ("COSS") for the rate case filed with the Arizona Corporation Commission ("Commission"), and presents the results of Staff's analysis.

Based on its review of AWC's COSS, Staff's conclusions and recommendations are as follows:

1. It is Staff's conclusion that AWC performed the COSS consistent with the methodology generally accepted in the industry, and developed all of the allocation factors appropriately.

2. Staff further concludes that, based on the evaluation of the COSS model utilized by AWC, the results of the COSS are satisfactory.

3. Staff recommends that AWC's COSS allocations and factors be accepted as reasonable in the pending case. The G-1 and G-2 schedules for Pinal Valley, White Tank and Ajo water systems are listed under the attached Exhibit 1.

I. INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Frank M. Smaila. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Water/Wastewater Engineer.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since January 2015.

Q. Please list your duties and responsibilities.

A. As a Water/Wastewater Engineer, specializing in water and wastewater engineering, I inspect and evaluate water and wastewater systems; obtain data, prepare reports; suggest corrective action, provide technical recommendations on water and wastewater system deficiencies; and provide written and oral testimony on rate and other cases before the Commission.

Q. How many cases have you analyzed for the Utilities Division?

A. I have analyzed 9 cases to date covering various responsibilities for the Utilities Division plus over a dozen mainline extension agreements.

Q. What is your educational background?

A. I have a Bachelor of Science degree in Civil Engineering from the University of Pittsburgh at Johnstown and a Master of Science degree in Mineral Processing from Pennsylvania State University. I attended the National Association of Regulatory Utility Commissioners ("NARUC") Utilities Rate School. I also attended the American Water Works Association ("AWWA") Financial Management Seminar.

Q. Briefly describe your pertinent work experience.

A. Prior to my employment with the Commission, I was an environmental engineering specialist with the Arizona Department of Environmental Quality ("ADEQ") for nine years. My responsibilities with ADEQ included review of projects for the construction of water facilities. Prior to that, I worked in the Federal Projects Section at ADEQ where I reviewed and developed engineering plans and specifications for proposed remediation of hazardous substances at Federal and State Superfund sites, and the Department of Defense sites. Prior to that, I worked as a project manager with the Arizona Department of Administration ("ADOA") providing administration management of Inmate Construction Program ("ICP"). Prior to that, I worked as a project manager at an environmental consulting firm, Brown and Caldwell, where I provided management of soil remediation and water supply rehabilitation projects. Prior to that, I worked as the chief engineer at the Pinto Valley Copper Mine, Magma Copper Company and later Broken Hills Proprietary, where I managed the Company's engineering department.

Q. Did Staff perform an analysis of the application that is the subject of this proceeding?

A. Yes, Staff reviewed the Company's Cost of Service Study ("COSS").

Q. What is the purpose of this Direct Testimony?

A. The purpose is to discuss Staff's review of Arizona Water Company ("AWC" or "Company") Western Group COSS for the rate case, and present the results of this review for the Pinal Valley, White Tank and Ajo water systems.

II. COST OF SERVICE STUDY – REVIEW PROCESS

Q. What does the COSS signify?

A. There are three steps in performing the COSS. They are: 1) Functionalization; 2) Classification; and 3) Allocation. First, the COSS enables us to determine the system cost of service by classifying the utility's costs (investments and expenses) by function, such as commodity-related, demand-related, customer-related, and direct fire-related functions. Customer-related functions are further broken down into customers and customer services. Second, the study breaks down these costs by customer classes to reflect as closely as possible the cost causation by respective customer classes. Third, the results of the COSS provide a benchmark for the revenues needed from each customer category by appropriately allocating the revenue requirement for each customer class.

Q. Is there a standard COSS Model?

A. There is no standard methodology for designing a COSS, but it is generally advisable to follow a range of alternatives to identify which allocations are more reasonable than others. For that reason, the COSS should be used as a general guide only and as one of many considerations in designing rates.

Q. Did Staff conduct a separate independent COSS?

A. No, Staff did not conduct a separate independent COSS.

Q. What was the process Staff used in reviewing the Company's COSS?

A. Staff reviewed AWC's overall COSS methodology, which is the Commodity-Demand methodology as outlined in the American Water Works Association Manual M1, "Principles of Water Rates, Fees, and Charges". The Commodity-Demand Method breaks down the costs of providing water service into four primary cost components: commodity costs (costs

that tend to vary with the amount of water used by the customers), demand costs (costs associated with peak use/demand), customers costs (costs not associated with water use, such as billing), and direct fire protection costs. Staff then reviewed the Cost of Service G Schedules reflecting various allocation factors (for Commodity, Demand, Customer, and Direct Private Fire) in COSS. Next, staff reviewed the Company's Test Year data ending December 31, 2014, and incorporated Staff's rate base, revenues, and expense adjustments in its filing of March 18, 2016. Staff adjustments to rate base, revenues, and expenses were incorporated in the appropriate G Schedules in this filing. The modified G Schedules G-1 and G-2 are attached under Exhibit 1 for each District. The G-1 Schedules represent present rates using Staff's adjusted test year amounts, and the G-2 Schedules include the impacts of Staff's recommended revenue increase.

Q. In previous rate cases, did the Company complete a COSS?

A. Yes. For their Northern, Eastern and Western Groups.

Q. Were there any differences between the previous COSS's and current COSS?

A. Yes. Plant Accounts such as Water Rights, Source of Supply Land, General Plant Land, General Plant Structures and Intangible Plant; and Operating Expenses such as Other Source of Supply Expenses and Customer Accounting Expenses were allocated differently than previous COSS's. The Company provided explanations to all changes and the explanations seem reasonable.

Q. Did the Company change any other factors from previous COSS's?

A. Yes. In the Company's previous cases for the Northern, Eastern and Western Groups the Company used meter capacity ratios to calculate Demand Allocation Factors ("DAF"). The Company believes that using meter capacity ratios can be misleading if customers do not use

the full capacity of their meter/service connection size[1]. In this case, the Company used Coincident Peak ("CP") to calculate DAF which the Company believes better represent the actual peak demands. The Company calculated CP based on the percentage of total water sales to each customer class. Staff believes that utilizing CP to calculate DAF is reasonable.

III. CONCLUSIONS AND RECOMMENDATIONS

Q. Based upon your testimony, what are Staff's conclusions and recommendations regarding the Cost of Service Study?

A. Based on the review of AWC's COSS, Staff's conclusions and recommendations are as follows:

1. It is Staff's conclusion that AWC performed the COSS consistent with the methodology generally accepted in the industry, and developed the allocation factors appropriately.

2. Staff further concludes that, based on the evaluation of the COSS model utilized by AWC, the results of the COSS are satisfactory.

3. Staff recommends that AWC's COSS allocations and factors be accepted as reasonable in the pending case. The G-1 and G-2 schedules for Pinal Valley, White Tank and Ajo water systems are listed under the attached Exhibit 1.

Staff's conclusions are limited to the specific facts of this case and do not create any precedent regarding Cost of Service Studies generally. Staff may make different recommendations in other cases.

[1] Explanation of COS functionalization, email from Joel Reiker, dated February 23, 2016.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Rate of Return by Customer Class - Present Rates

Line No.		[A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Large Industrial	[F] Other	[G] Direct Private Fire
				Pinal Valley				
1								
2	Operating Revenues							
3	Water Revenues (Sch. H-1)	$ 18,006,765	$ 11,298,361	$ 5,412,782	$ 161,824	$ 796,145	$ 216,003	$ 121,650
4	Miscellaneous Revenues[1] (Sch. H-1)	461,124	289,333	138,613	4,144	20,388	5,531	3,115
5	Total Operating Revenues	$ 18,467,889	$ 11,587,694	$ 5,551,395	$ 165,968	$ 816,533	$ 221,534	$ 124,765
6								
7	Operating Expenses							
8	Operations & Maintenance Expense	10,669,138	7,048,315	2,808,611	105,150	553,404	101,705	51,953
9	Depreciation & Amortization Expense	3,658,377	2,451,289	997,237	33,595	78,200	32,688	65,366
10	Income Taxes	440,247	90,019	306,681	(1,212)	32,309	19,588	(7,138)
11	Property Taxes	969,343	608,215	291,382	8,711	42,858	11,628	6,549
12	Other Taxes	172,487	113,950	45,407	1,700	8,947	1,644	840
13	Total Operating Expenses	$ 15,909,593	$ 10,311,789	$ 4,449,318	$ 147,945	$ 715,718	$ 167,253	$ 117,570
14								
15	Taxable Income	1,169,685	239,170	814,815	(3,219)	85,840	52,044	(18,965)
16								
17	Net Operating Income	$ 2,558,296	$ 1,275,905	$ 1,102,077	$ 18,023	$ 100,814	$ 54,281	$ 7,196
18								
19	Interest Expense	1,828,858	1,126,754	593,943	20,031	47,283	21,826	19,023
20								
21								
22								
23	Rate Base	$ 57,867,308	$ 35,651,862	$ 18,793,072	$ 633,791	$ 1,496,087	$ 690,594	$ 601,902
24								
25	Rate of Return (Ln. 17 ÷ Ln. 23)	4.42%	3.58%	5.86%	2.84%	6.74%	7.86%	1.20%
26								
27	Required Rate of Return (Sch. A-1, Ln. 12)	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%
28								
29	Required Operating Income (Ln. 23 X Ln. 27)	$ 4,640,958	$ 2,859,279	$ 1,507,204	$ 50,830	$ 119,986	$ 55,386	$ 48,273
30								
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	$ 2,082,662	$ 1,583,375	$ 405,127	$ 32,807	$ 19,172	$ 1,104	$ 41,077
32								
33	Additional Taxes & Uncollectibles at Proposed Rates							
34	(Sch. G-4)	$ 1,327,471	$ 834,711	$ 398,547	$ 18,671	$ 50,596	$ 15,890	$ 9,056
35								
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	$ 3,410,132	$ 2,418,086	$ 803,674	$ 51,478	$ 69,768	$ 16,994	$ 50,133
37								
38	% Required Increase in Gross Revenues (Ln. 36 ÷ Ln. 5)	18.47%	20.87%	14.48%	31.02%	8.54%	7.67%	40.18%
39								
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	$ 21,878,021	$ 14,005,779	$ 6,355,069	$ 217,446	$ 886,300	$ 238,529	$ 174,898
41								
42	Less: Miscellaneous Revenues at Proposed Rates	$ (461,124)	$ (289,371)	$ (138,631)	$ (4,495)	$ (19,978)	$ (5,532)	$ (3,116)
43								
44	Revenue Requirement - Metered Water Revenues	$ 21,416,897	$ 13,716,408	$ 6,216,438	$ 212,950	$ 866,322	$ 232,997	$ 171,782
45								
46								
47								
48	% of Revenues Required from Fixed Charge	58%	62%	55%	50%	26%	52%	100%
49	% of Revenues Required from Commodity Charge	42%	38%	45%	50%	74%	48%	0%
50								
51								
52								
53								
54	[1]Allocated to customer classes based on							
55	percentage of total water revenues							

Supporting Schedules:
G-3, G-4, H-1

E:\ACC G1 & G2 Model G1
Processing Date: 16 8:54 AM

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost Distribution to Customer Classes

Exhibit
Schedule G-1
Page 2 of 2
Witness: Reiker

Pinal Valley

Line No.		[A] Total Cost of Service	[B] Commodity	[C] Demand	[D] Customer Accounting & Billing	[E] Customer Meters & Services	[F] Direct Private Fire	[G] Monthly Cost of Service Metering - Per 5/8" Equiv.	[H] Monthly Cost of Service Billing - Per Bill	[I] Monthly Cost of Service Commodity - Per M Gal
1										
2										
3										
4										
5	Total System Cost of Service	$ 21,878,021	$ 6,242,653	$ 11,033,907	$ 3,719,135	$ 707,428	$ 174,898			
6										
7	Residential	$ 14,005,779	$ 3,632,620	$ 6,597,070	$ 3,246,709	$ 529,381	n/a	$ 16.33	$ 10.29	$ 1.8837
8										
9	Commercial	$ 6,355,069	$ 1,864,383	$ 3,903,984	$ 426,595	$ 160,106	n/a	$ 30.45	$ 17.56	$ 2.0737
10										
11	Industrial	$ 217,446	$ 75,727	$ 131,410	$ 7,205	$ 3,104	n/a	$ 51.71	$ 32.02	$ 1.8272
12										
13	Large Industrial	$ 886,300	$ 590,612	$ 265,179	$ 25,315	$ 5,194	n/a	$ 62.03	$ 436.46	$ 1.3695
14										
15	Other	$ 238,529	$ 79,311	$ 136,264	$ 13,311	$ 9,643	n/a	$ 18.31	$ 33.36	$ 2.0016
16										
17	Direct Private Fire	$ 174,898	n/a	n/a	n/a	n/a	$ 174,898			
18										
19										
20	Total System Cost of Service	$ 21,878,021	$ 6,242,653	$ 11,033,907	$ 3,719,135	$ 707,428	$ 174,898			
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Supporting Schedules:
G-3, G-4, H-1

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Rate of Return by Customer Class - Present Rates

White Tank

Line No.		[A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Large Industrial	[F] Other	[G] Direct Private Fire
1								
2	Operating Revenues							
3	Water Revenues (Sch. H-1)	$ 2,276,922	$ 1,802,196	$ 421,627	$ -	$ 15,992	$ 35,306	$ 1,800
4	Miscellaneous Revenues[1] (Sch. H-1)	44,621	35,317	8,263	-	313	692	35
5	Total Operating Revenues	$ 2,321,542	$ 1,837,513	$ 429,890	$ -	$ 16,305	$ 35,998	$ 1,835
6								
7	Operating Expenses							
8	Operations & Maintenance Expense	1,216,079	997,096	208,011	-	2,271	7,658	1,043
9	Depreciation & Amortization Expense	753,845	589,165	156,606	-	1,827	4,349	1,897
10	Income Taxes	13,851	6,943	(257)	-	2,461	4,712	(7)
11	Property Taxes	110,153	87,187	20,398	-	774	1,708	87
12	Other Taxes	16,892	13,850	2,889	-	32	106	14
13	Total Operating Expenses	$ 2,110,821	$ 1,694,241	$ 387,647	$ -	$ 7,364	$ 18,534	$ 3,035
14								
15	Taxable Income	64,702	32,431	(1,201)	-	11,496	22,010	(33)
16								
17	Net Operating Income	$ 210,721	$ 143,272	$ 42,243	$ -	$ 8,941	$ 17,464	$ (1,200)
18								
19	Interest Expense	159,870	117,784	43,187	-	(94)	186	(1,174)
20								
21								
22								
23	Rate Base	$ 5,058,488	$ 3,726,843	$ 1,366,505	$ -	$ (2,974)	$ 5,266	$ (37,152)
24								
25	Rate of Return (Ln. 17 ÷ Ln. 23)	4.17%	3.84%	3.09%	n/a	n/a	331.64%	n/a
26								
27	Required Rate of Return (Sch. A-1, Ln. 12)	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%
28								
29	Required Operating Income (Ln. 23 X Ln. 27)	$ 405,691	$ 298,893	$ 109,594	$ -	$ (239)	$ 422	$ (2,980)
30								
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	$ 194,969	$ 155,620	$ 67,350	$ -	$ (9,180)	$ (17,042)	$ (1,779)
32								
33	Additional Taxes & Uncollectibles at Proposed Rates							
34	(Sch. G-4)	$ 141,033	$ 108,662	$ 23,914	$ -	$ 2,775	$ 5,581	$ 100
35								
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	$ 336,002	$ 264,282	$ 91,265	$ -	$ (6,405)	$ (11,461)	$ (1,679)
37								
38	% Required Increase in Gross Revenues (Ln. 36 ÷ Ln. 5)	14.47%	14.38%	21.23%	n/a	-39.28%	-31.84%	-91.49%
39								
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	$ 2,657,544	$ 2,101,795	$ 521,155	$ -	$ 9,901	$ 24,537	$ 156
41								
42	Less: Miscellaneous Revenues at Proposed Rates	$ (44,621)	$ (35,317)	$ (8,263)	$ -	$ (313)	$ (692)	$ (35)
43								
44	Revenue Requirement - Metered Water Revenues	$ 2,612,923	$ 2,066,478	$ 512,892	$ -	$ 9,587	$ 23,845	$ 121
45								
46								
47								
48	% of Revenues Required from Fixed Charge	57%	58%	55%	n/a	51%	47%	100%
49	% of Revenues Required from Commodity Charge	43%	42%	45%	n/a	49%	53%	0%
50								
51								
52								
53								
54	[1]Allocated to customer classes based on							
55	percentage of total water revenues							

Supporting Schedules:
G-3, G-4, H-1

E:\ACC G1 & G2 Model G1
Processing Date: 116 8:53 AM

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost Distribution to Customer Classes

Exhibit
Schedule G-1
Page 2 of 2
Witness: Reiker

White Tank

Line No.		[A] Total Cost of Service	[B] Commodity	[C] Demand	[D] Customer Accounting & Billing	[E] Customer Meters & Services	[F] Direct Private Fire	[G] Monthly Cost of Service Metering - Per 5/8" Equiv.	[H] Monthly Cost of Service Billing - Per Bill	[I] Monthly Cost of Service Commodity - Per M Gal
1										
2										
3										
4										
5	Total System Cost of Service	$ 2,657,544	$ 706,161	$ 1,721,240	$ 337,149	$ (107,162)	$ 156			
6										
7	Residential	$ 2,101,795	$ 559,073	$ 1,309,557	$ 327,875	$ (94,710)	n/a	$ 24.99	$ 11.91	$ 2.8484
8										
9	Commercial	$ 521,155	$ 135,325	$ 387,526	$ 6,381	$ (8,078)	n/a	$ 93.30	$ 9.50	$ 3.0495
10										
11	Industrial	$ -	$ -	$ -	$ -	$ -	n/a	$ -	$ -	$ -
12										
13	Large Industrial	$ 9,901	$ 2,855	$ 7,821	$ 825	$ (1,600)	n/a	$ 7.11	$ 68.73	$ 6.5834
14										
15	Other	$ 24,537	$ 8,908	$ 16,335	$ 2,069	$ (2,774)	n/a	$ 9.11	$ 31.82	$ 3.8005
16										
17	Direct Private Fire	$ 156	n/a	n/a	n/a	n/a	$ 156			
18										
19										
20	Total System Cost of Service	$ 2,657,544	$ 706,161	$ 1,721,240	$ 337,149	$ (107,162)	$ 156			
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Supporting Schedules:
G-3, G-4, H-1

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Rate of Return by Customer Class - Present Rates

Line No.		[A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Large Industrial	[F] Other	[G] Direct Private Fire
1								
2	Operating Revenues							
3	Water Revenues (Sch. H-1)	$ 436,184	$ 309,292	$ 125,128	$ -	$ -	$ 564	$ 1,200
4	Miscellaneous Revenues[1] (Sch. H-1)	4,101	2,908	1,177	-	-	5	11
5	Total Operating Revenues	$ 440,286	$ 312,200	$ 126,304	$ -	$ -	$ 570	$ 1,211
6								
7	Operating Expenses							
8	Operations & Maintenance Expense	315,970	235,469	78,980	-	-	929	593
9	Depreciation & Amortization Expense	64,390	48,136	15,101	-	-	244	909
10	Income Taxes	661	(2,415)	3,385	-	-	(161)	(149)
11	Property Taxes	20,192	14,318	5,793	-	-	26	56
12	Other Taxes	6,357	4,737	1,589	-	-	19	12
13	Total Operating Expenses	$ 407,570	$ 300,246	$ 104,847	$ -	$ -	$ 1,058	$ 1,420
14								
15	Taxable Income	3,385	(12,371)	17,344	-	-	(825)	(764)
16								
17	Net Operating Income	$ 32,716	$ 11,955	$ 21,457	$ -	$ -	$ (488)	$ (208)
18								
19	Interest Expense	29,992	21,911	7,499	-	-	176	407
20								
21								
22								
23	Rate Base	$ 948,971	$ 693,280	$ 237,262	$ -	$ -	$ 5,560	$ 12,869
24								
25	Rate of Return (Ln. 17 ÷ Ln. 23)	3.45%	1.72%	9.04%	n/a	n/a	-8.77%	-1.62%
26								
27	Required Rate of Return (Sch. A-1, Ln. 12)	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%
28								
29	Required Operating Income (Ln. 23 X Ln. 27)	$ 76,107	$ 55,601	$ 19,028	$ -	$ -	$ 446	$ 1,032
30								
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	$ 43,392	$ 43,646	$ (2,429)	$ -	$ -	$ 934	$ 1,241
32								
33	Additional Taxes & Uncollectibles at Proposed Rates							
34	(Sch. G-4)	$ 12,304	$ 8,464	$ 3,759	$ -	$ -	$ (9)	$ 90
35								
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	$ 55,696	$ 52,110	$ 1,330	$ -	$ -	$ 925	$ 1,331
37								
38	% Required Increase in Gross Revenues (Ln. 36 ÷ Ln. 5)	12.65%	16.69%	1.05%	n/a	n/a	162.26%	109.87%
39								
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	$ 495,982	$ 364,311	$ 127,635	$ -	$ -	$ 1,494	$ 2,542
41								
42	Less: Miscellaneous Revenues at Proposed Rates	$ (4,101)	$ (2,904)	$ (1,180)	$ -	$ -	$ (5)	$ (13)
43								
44	Revenue Requirement - Metered Water Revenues	$ 491,880	$ 361,407	$ 126,455	$ -	$ -	$ 1,490	$ 2,529
45								
46								
47								
48	% of Revenues Required from Fixed Charge	54%	56%	48%	n/a	n/a	65%	100%
49	% of Revenues Required from Commodity Charge	46%	44%	52%	n/a	n/a	35%	0%
50								
51								
52								
53								

54 [1]Allocated to customer classes based on
55 percentage of total water revenues

Supporting Schedules:
G-3, G-4, H-1

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost Distribution to Customer Classes

Exhibit
Schedule G-1
Page 2 of 2
Witness: Reiker

Ajo

Line No.		[A] Total Cost of Service	[B] Commodity	[C] Demand	[D] Customer Accounting & Billing	[E] Customer Meters & Services	[F] Direct Private Fire	[G] Monthly Cost of Service Metering - Per 5/8" Equiv.	[H] Monthly Cost of Service Billing - Per Bill	[I] Monthly Cost of Service Commodity - Per M Gal
1										
2										
3										
4										
5	Total System Cost of Service	$ 495,982	$ 170,922	$ 222,488	$ 83,575	$ 16,454	$ 2,542			
6										
7	Residential	$ 364,311	$ 119,241	$ 159,382	$ 72,354	$ 13,334	n/a	$ 18.94	$ 10.54	$ 5.7951
8										
9	Commercial	$ 127,635	$ 51,387	$ 62,180	$ 11,130	$ 2,937	n/a	$ 32.09	$ 13.06	$ 5.8720
10										
11	Industrial	$ -	$ -	$ -	$ -	$ -	n/a	$ -	$ -	$ -
12										
13	Large Industrial	$ -	$ -	$ -	$ -	$ -	n/a	$ -	$ -	$ -
14										
15	Other	$ 1,494	$ 295	$ 926	$ 91	$ 183	n/a	$ 9.14	$ 7.56	$ 6.1380
16										
17	Direct Private Fire	$ 2,542	n/a	n/a	n/a	n/a	$ 2,542			
18										
19										
20	Total System Cost of Service	$ 495,982	$ 170,922	$ 222,488	$ 83,575	$ 16,454	$ 2,542			
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Supporting Schedules:
G-3, G-4, H-1

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost of Service Summary - Proposed Rates

Exhibit
Schedule G-2
Page 1 of 1
Witness: Reiker

Line No.		Pinal Valley [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Large Industrial	[F] Other	[G] Direct Private Fire
1								
2	Operating Revenues							
3	Water Revenues (Sch. H-1)	$ 21,402,561	$ 13,430,858	$ 6,434,412	$ 208,652	$ 927,256	$ 256,772	$ 144,611
4	Miscellaneous Revenues[1] (Sch. H-1)	461,124	289,371	138,631	4,495	19,978	5,532	3,116
5	Total Operating Revenues	$ 21,863,685	$ 13,720,229	$ 6,573,043	$ 213,148	$ 947,234	$ 262,304	$ 147,727
6								
7	Operating Expenses							
8	Operations & Maintenance Expense	10,669,138	7,048,315	2,808,611	105,150	553,404	101,705	51,953
9	Depreciation & Amortization Expense	3,658,377	2,451,289	997,237	33,595	78,200	32,688	65,366
10	Income Taxes	1,696,790	879,009	684,794	16,057	80,895	34,681	1,353
11	Property Taxes	1,028,806	645,612	309,298	10,030	44,573	12,343	6,951
12	Other Taxes	172,487	113,950	45,407	1,700	8,947	1,644	840
13	Total Operating Expenses	$ 17,225,598	$ 11,138,176	$ 4,845,346	$ 166,532	$ 766,019	$ 183,061	$ 126,464
14								
15	Taxable Income	4,506,019	2,334,310	1,818,548	42,642	214,827	92,098	3,593
16								
17	Net Operating Income	$ 4,638,087	$ 2,582,054	$ 1,727,697	$ 46,615	$ 181,215	$ 79,244	$ 21,263
18								
19	Interest Expense	1,828,858	1,126,754	593,943	20,031	47,283	21,826	19,023
20								
21								
22	Rate Base	$ 57,867,308	$ 35,651,862	$ 18,793,072	$ 633,791	$ 1,496,087	$ 690,594	$ 601,902
23								
24	Rate of Return[2] (Ln. 17 ÷ Ln. 22)	8.02%	7.24%	9.19%	7.36%	12.11%	11.47%	3.53%
25								
26	Increase in Gross Revenues	$ 3,395,796	$ 2,132,536	$ 1,021,649	$ 47,180	$ 130,701	$ 40,770	$ 22,961
27								
28	% Increase in Gross Revenues	18.4%	18.4%	18.4%	28.4%	16.0%	18.4%	18.4%
29								
30								
31	% of Revenues Generated from Fixed Charge	2%	2%	2%	2%	2%	2%	2%
32	% of Revenues Generated from Commodity Charge	98%	98%	98%	98%	98%	98%	98%
33								
34								
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37								
38								
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52	[1]Allocated to customer classes based on							
53	percentage of total water revenues.							
54	[2]Rate of return at proposed rates includes							
55	the effect of any proposed rate consolidation.							

Supporting Schedules:
H-1, G-3, G-4

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Processing Date: 116 8:56 AM

Cap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost of Service Summary - Proposed Rates

Exhibit
Schedule G-2
Page 1 of 1
Witness: Reiker

White Tank

Line No.		[A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Large Industrial	[F] Other	[G] Direct Private Fire
1								
2	Operating Revenues							
3	Water Revenues (Sch. H-1)	$ 2,611,659	$ 2,067,143	$ 483,612	$ -	$ 18,343	$ 40,496	$ 2,065
4	Miscellaneous Revenues[1] (Sch. H-1)	44,621	35,317	8,263	-	313	692	35
5	Total Operating Revenues	$ 2,656,280	$ 2,102,460	$ 491,875	$ -	$ 18,656	$ 41,188	$ 2,100
6								
7	Operating Expenses							
8	Operations & Maintenance Expense	1,216,079	997,096	208,011	-	2,271	7,658	1,043
9	Depreciation & Amortization Expense	753,845	589,165	156,606	-	1,827	4,349	1,897
10	Income Taxes	148,325	110,332	22,505	-	5,197	10,205	86
11	Property Taxes	115,447	91,377	21,378	-	811	1,790	91
12	Other Taxes	16,892	13,850	2,889	-	32	106	14
13	Total Operating Expenses	$ 2,250,588	$ 1,801,821	$ 411,389	$ -	$ 10,137	$ 24,109	$ 3,132
14								
15	Taxable Income	394,146	293,188	59,803	-	13,810	27,118	228
16								
17	Net Operating Income	$ 405,691	$ 300,640	$ 80,485	$ -	$ 8,519	$ 17,079	$ (1,032)
18								
19	Interest Expense	159,870	117,784	43,187	-	(94)	166	(1,174)
20								
21								
22	Rate Base	$ 5,058,488	$ 3,726,843	$ 1,366,505	$ -	$ (2,974)	$ 5,266	$ (37,152)
23								
24	Rate of Return[2] (Ln. 17 ÷ Ln. 22)	8.02%	8.07%	5.89%	0.00%	-286.42%	324.33%	2.78%
25								
26	Increase in Gross Revenues	$ 334,737	$ 264,947	$ 61,985	$ -	$ 2,351	$ 5,190	$ 265
27								
28	% Increase in Gross Revenues	14.4%	14.4%	14.4%	0.0%	14.4%	14.4%	14.4%
29								
30								
31	% of Revenues Generated from Fixed Charge	2%	2%	2%	0%	2%	2%	2%
32	% of Revenues Generated from Commodity Charge	98%	98%	98%	0%	98%	98%	98%
33								
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52 [1]Allocated to customer classes based on
53 percentage of total water revenues.
54 [2]Rate of return at proposed rates includes
55 the effect of any proposed rate consolidation.

Supporting Schedules:
H-1, G-3, G-4

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost of Service Summary - Proposed Rates

Exhibit
Schedule G-2
Page 1 of 1
Witness: Reiker

Line No.		[A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Large Industrial	[F] Other	[G] Direct Private Fire
1								
2	Operating Revenues							
3	Water Revenues (Sch. H-1)	$ 491,669	$ 348,090	$ 141,399	$ -	$ -	$ 564	$ 1,616
4	Miscellaneous Revenues[1] (Sch. H-1)	4,101	2,904	1,180	-	-	5	13
5	Total Operating Revenues	$ 495,770	$ 350,994	$ 142,579	$ -	$ -	$ 569	$ 1,629
6								
7	Operating Expenses							
8	Operations & Maintenance Expense	315,970	235,469	78,980	-	-	929	593
9	Depreciation & Amortization Expense	64,390	48,136	15,101	-	-	244	909
10	Income Taxes	11,898	5,300	6,841	-	-	(169)	(74)
11	Property Taxes	21,040	14,896	6,051	-	-	24	69
12	Other Taxes	6,357	4,737	1,589	-	-	19	12
13	Total Operating Expenses	$ 419,655	$ 308,538	$ 108,561	$ -	$ -	$ 1,048	$ 1,509
14								
15	Taxable Income	58,022	25,845	33,360	-	-	(824)	(360)
16								
17	Net Operating Income	$ 76,115	$ 42,456	$ 34,018	$ -	$ -	$ (479)	$ 121
18								
19	Interest Expense	29,992	21,911	7,499	-	-	176	407
20								
21								
22	Rate Base	$ 948,971	$ 693,280	$ 237,262	$ -	$ -	$ 5,560	$ 12,869
23								
24	Rate of Return[2] (Ln. 17 ÷ Ln. 22)	8.02%	6.12%	14.34%	0.00%	0.00%	-8.61%	0.94%
25								
26	Increase in Gross Revenues	$ 55,485	$ 38,793	$ 16,274	$ -	$ -	$ (1)	$ 418
27								
28	% Increase in Gross Revenues	12.6%	12.4%	12.9%	0.0%	0.0%	-0.2%	34.5%
29								
30								
31	% of Revenues Generated from Fixed Charge	51%	57%	37%	0%	0%	1%	104%
32	% of Revenues Generated from Commodity Charge	49%	43%	63%	0%	0%	99%	-4%
33								
34								
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48								
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51								
52	[1]Allocated to customer classes based on							
53	percentage of total water revenues.							
54	[2]Rate of return at proposed rates includes							
55	the effect of any proposed rate consolidation.							

Supporting Schedules:
H-1, G-3, G-4

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, INC. AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS	DOCKET NO. W-01445A-15-0277

DIRECT

TESTIMONY

OF

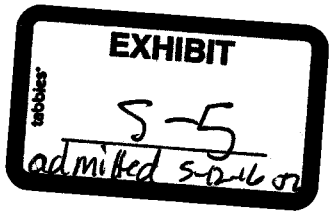
DAVID C. PARCELL

ON BEHALF OF

UTILITIES DIVISION STAFF

ARIZONA CORPORATION COMMISSION

MARCH 11, 2016



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EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-15-0277

Mr. Parcell's Direct Testimony provides an estimate of the cost of capital for Arizona Water Company's Western Group. His cost of capital recommendation is as follows:

	Percent	Cost	Return
Long-Term Debt	46.31%	6.82%	3.16%
Common Equity	53.69%	8.6-9.5%	4.62-5.10%
Total	100.00%		7.78-8.26% (8.02% Midpoint)

The only difference between Mr. Parcell's cost of capital recommendations and the recommendations of Arizona Water Company's cost of capital witness (Pauline Ahern) is the cost of common equity. Mr. Parcell recommends a cost of equity of 8.6 percent to 9.5 percent whereas Ms. Ahern recommends a 10.75 percent cost of equity.

Mr. Parcell's cost of equity recommendation is based upon his application of the following three cost of equity models:

	Range	Midpoint
Discounted Cash Flow ("DCF")	8.1-8.6%	8.35%
Capital Asset Pricing Model ("CAPM")	6.6%	6.6%
Comparable Earnings ("CE")	9.0-10.0%	9.50%

Mr. Parcell's 8.6 percent to 9.5 percent cost of equity recommendation reflects the midpoint results of his DCF and CE analyses. His recommendation does not directly incorporate the CAPM results, which are lower; however, the CAPM results are an appropriate indicator of the continuing decline in the costs of capital, including the cost of equity.

Mr. Parcell's testimony also demonstrates that Ms. Ahern's cost of equity analyses significantly over-state the cost of equity for water utilities, including Arizona Water Co. Most of her analyses are shown to systematically upward bias the cost of equity at the current time. In addition, Mr. Parcell shows that Ms. Ahern's proposed "credit" risk and business risk adjustments are not proper and should not be applied to or incorporated in the cost of equity for Arizona Water Co.

INTRODUCTION

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

A. My name is David C. Parcell. I am President and Senior Economist of Technical Associates, Inc. My business address is 1503 Santa Rosa Rd., Suite 130, Richmond, Virginia 23229.

Q. Please describe your educational background and professional experience.

A. I hold B.A. (1969) and M.A. (1970) degrees in economics from Virginia Polytechnic Institute and State University (Virginia Tech) and a M.B.A. (1985) from Virginia Commonwealth University. I have been a consulting economist with Technical Associates since 1970. I have provided cost of capital testimony in public utility ratemaking proceedings, dating back to 1972. In connection with this, I have previously filed testimony and/or testified in over 525 utility proceedings before more than 50 regulatory agencies in the United States and Canada. Attachment 1 provides a more complete description of my education and relevant work experience.

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

A. I have been retained by the Arizona Corporation Commission ("Commission") Utilities Division ("Staff") to evaluate the cost of capital aspects of the current filing of Arizona Water Company ("AWC" or "Company"). I have performed independent studies and am making recommendations of the current cost of capital for AWC. In addition, since AWC is a subsidiary of Utility Investment Company ("UIC"), I have also evaluated this entity in my analyses.

Q. Have you prepared an exhibit in support of your testimony?

A. Yes, I have prepared one exhibit, made up of fourteen schedules, identified as Schedule 1 through Schedule 14. These schedules were prepared either by me or under my direction.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. What are your recommendations in this proceeding?

A. My overall cost of capital recommendation for AWC is shown on Schedule 1 and is summarized as follows:

Item	%	Cost	Weighted Cost
Long-Term Debt	46.31%	6.82%	3.16%
Common Equity	53.69%	8.6-9.5%	4.62-5.10%
Total	100.00%		7.78-8.26%
			(8.02% Midpoint)

Q. Please summarize your analyses and conclusions.

A. This proceeding is concerned with AWC's regulated water utility operations in its Western Group Service areas. My analyses concern the Company's total cost of capital ("COC"). The first step in performing these analyses is to develop the appropriate capital structure. AWC proposes use of its actual December 31, 2014 test year capital structure, which contains 53.69 percent common equity. I also use this capital structure.

The second step in a cost of capital calculation is to determine the embedded cost rate of debt. I use AWC's proposed 6.82 percent cost rate for long-term debt (i.e., test year).

The third step in the COC calculation is to estimate the return on common equity ("ROE"). I employ three recognized methodologies to estimate AWC's ROE, each of which I apply to a proxy group of water utilities. These three methodologies and my findings are:

Methodology	Range
Discounted Cash Flow ("DCF")	8.1%-8.6% (8.35% mid-point)
Capital Asset Pricing Model ("CAPM")	6.6%
Comparable Earnings ("CE")	9.0%-10.0% (9.50% mid-point)

Based upon these finding, I conclude that AWC's ROE is within a range of 8.6 percent to 9.5 percent (9.05 percent mid-point), which is based upon the range of the results for the DCF and CE models.[1] I recommend the mid-point of this range, of 9.05 percent, as the AWC's ROE.

Combining these three steps into the weighted COC results in an overall rate of return range of 7.78 percent to 8.26 percent (8.02 percent mid-point which incorporates a 9.05 percent ROE).

ECONOMIC/LEGAL PRINCIPLES AND METHODOLOGIES

Q. What are the primary economic and legal principles that establish the standards for determining a fair rate of return for a regulated utility?

A. Public utility rates are normally established in a manner designed to allow the recovery of their costs, including capital costs. This is frequently referred to as "cost of service" ratemaking. Rates for regulated public utilities traditionally have been primarily established using the "rate base – rate of return" concept. Under this method, utilities are allowed to recover a level of operating expenses, taxes, and depreciation deemed reasonable for rate-setting purposes, and are granted an opportunity to earn a fair rate of return on the assets utilized (i.e. rate base) in providing service to their customers.

The rate base is derived from the asset side of the utility's balance sheet as a dollar amount and the rate of return is developed form the liabilities/owners' equity side of the balance sheet as a percentage. Thus, the revenue impact of the cost of capital is derived by multiplying the rate base by the rate of return, including income taxes.

[1] As I indicate in a later section, my ROE recommendation does not directly incorporate the CAPM results, which I believe to be somewhat low at this time, relative to the DCF and CE results.

The rate of return is developed from the cost of capital, which is estimated by weighting the capital structure components (i.e. debt, preferred stock, and common equity) by their percentages in the capital structure and multiplying these values by their cost rates. This is also known as the weighted cost of capital.

Technically, "fair rate of return" is a legal and accounting concept that refers to an ex post (after the fact) earned return on an asset base, while the cost of capital is an economic and financial concept which refers to an ex ante (before the fact) expected, or required, return on a capital base. In regulatory proceedings, however, the two terms are often used interchangeably, and I have equated the two concepts in my testimony.

From an economic standpoint, a fair rate of return is normally interpreted to mean that an efficient and economically managed utility will be able to maintain its financial integrity, attract capital, and establish comparable returns for similar risk investments. These concepts are derived from economic and financial theory and are generally implemented using financial models and economic concepts.

Although I am not a lawyer and I do not offer a legal opinion, my testimony is based on my understanding that two United States Supreme Court decisions provide the controlling standards for a fair rate of return. The first decision is Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of West Virginia, 262 U.S. 679 (1923). In this decision, the Court stated:

> The annual rate that will constitute just compensation depends upon many circumstances and must be determined by the exercise of fair and enlightened judgment, having regard to all relevant facts. 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 in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. 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 the 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.

It is generally understood that the Bluefield decision established the following standards for a fair rate of return: comparable earnings, financial integrity, and capital attraction. It also noted that required returns change over time, and there is an underlying assumption that the utility be operated efficiently.

The second decision is Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1942). In that decision, the Court stated:

> The rate-making process under the [Natural Gas] Act, i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests . . . From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By this standard the 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.

The three economic and financial parameters in the Bluefield and Hope decisions – comparable earnings, financial integrity, and capital attraction – reflect the economic criteria encompassed in the "opportunity cost" principle of economics. The opportunity cost principle provides that a utility and its investors should be afforded an opportunity (not a guarantee) to earn a return commensurate with returns they could expect to achieve on

investments of similar risk. The opportunity cost principle is consistent with the fundamental premise on which regulation rests, namely, that it is intended to act as a surrogate for competition.

I understand that because Arizona is a "Fair Value" state, Hope and Bluefield do not set forth the legal requirements applicable to determining fair rate of return in Arizona. In Simms v. Round Valley Light & Power Company, 294 P.2d 378 (1956), the Arizona Supreme Court took exception to application of the following principle in Arizona since the Constitution mandates consideration of fair value:

> "In the Hope case the court, in testing the reasonableness of rates fixed by the Federal Power Commission under the Natural Gas Act, 15 U.S.C.A. Section 717 et seq., after holding that Congress had provided no formula by which just and reasonable rates were to be determined, ruled that it was the final result reached and not the method used in reaching the result that was controlling and that it was unimportant to 'determine the various permissible ways in which any rate base on which the return is computed might be arrived at'."

My testimony does not advocate that the Commission ignore the Simms holding in this regard, or the fair value of AWC property, which it is required to consider under Article 15, Section of the Arizona Constitution. Rather, I find the Hope and Bluefield decisions can be helpful in their discussion of comparable earnings, financial integrity and capital attraction. I note that AWC Witness Ahern also cites the Hope and Bluefield cases as guidelines for evaluating the cost of capital for the Company.

Q. Is AWC requesting a "fair value" increment to this proceeding?

A. No, it is not. It is my understanding that AWC maintains that its original cost rate base and its fair value rate base are the same for the purposes of establishing rates.

Q. How can the Bluefield and Hope parameters be employed to estimate the cost of capital for a utility?

A. Neither the courts nor economic/financial theory has developed exact and mechanical procedures for precisely determining the cost of capital. This is the case because the cost of capital is an opportunity cost and is prospective-looking, which dictates that it must be estimated. However, there are several useful models that can be employed to assist in estimating the ROE, which is the capital structure item that is the most difficult to determine. These include the DCF, CAPM, CE and risk premium ("RP") methods. I have not directly employed a RP model in my analyses although, as discussed later, my CAPM analysis is a form of the RP methodology. Each of these methodologies will be described in more detail later in my testimony.

GENERAL ECONOMIC CONDITIONS

Q. Are economic and financial conditions important in determining the costs of capital for a public utility?

A. Yes. The costs of capital, for both fixed-cost (debt and preferred stock) components and common equity, are determined in part by current and prospective economic and financial conditions. At any given time, each of the following factors has an influence on the costs of capital:

- The level of economic activity (i.e., growth rate of the economy);
- The stage of the business cycle (i.e., recession, expansion, or transition);
- The level of inflation;
- The level and trend of interest rates; and,
- Current and expected economic conditions.

My understanding is that this position is consistent with the Bluefield decision that noted "[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." Bluefield, 262 U.S. at 693.

Q. What indicators of economic and financial activity did you evaluate in your analyses?

A. I examined several sets of economic statistics from 1975 to the present. I chose this time period because it permits the evaluation of economic conditions over four full business cycles, allowing for an assessment of changes in long-term trends. Consideration of economic/financial conditions over a relatively long period of time allows me to assess how such conditions have had impacts on the level and trends of the costs of capital. This period also approximates the beginning and continuation of active rate case activities by public utilities, which generally began in the mid-1970s.

A business cycle is commonly defined as a complete period of expansion (recovery and growth) and contraction (recession). A full business cycle is a useful and convenient period over which to measure levels and trends in long-term capital costs because it incorporates the cyclical (i.e., stage of business cycle) influences and, thus, permits a comparison of structural (or long-term) trends.

Q. Please describe the timeframes of the four prior business cycles and the current cycle.

A. The four prior complete cycles and current cycle cover the following periods:

Business Cycle	Expansion Cycle	Contraction Period
1975-1982	Mar. 1975-July 1981	Aug. 1981-Oct. 1982
1982-1991	Nov. 1982-July 1990	Aug. 1990-Mar. 1991
1991-2001	Mar. 1991-Mar. 2001	Apr. 2001-Nov. 2001
2001-2009	Nov. 2001-Nov. 2007	Dec. 2007-June 2009
Current	July 2009-	

Source: National Bureau of Economic Research, "Business Cycle Expansions and Contractions.[2]

Q. Do you have any general observations concerning the recent trends in economic conditions and their impact on capital costs over this broad period?

A. Yes, I do. From the early 1980s until the end of 2007, the United States economy had enjoyed general prosperity and stability. This period had been characterized by longer economic expansions, relatively tame contractions, low and declining inflation, and declining interest rates and other capital costs.

However, in 2008 and 2009, the economy declined significantly, initially as a result of the 2007 collapse of the "sub-prime" mortgage market and the related liquidity crisis in the financial sector of the economy. Subsequently, this financial crisis intensified with a more broad-based decline which resulted in a dramatic decline in the U.S. financial sector, as well as many other components of the economy.

This decline has been described as the worst financial crisis since the Great Depression and has been referred to as the "Great Recession." Beginning in 2008, the U.S. and other governments implemented unprecedented actions to attempt to correct or minimize the scope and effects of this recession.

The recession reached its low point in mid-2009, when the economy began to expand again, although at a slow and uneven rate. However, the length and severity of the recession, as well

[2] http://www.nber.org/cycles/cyclesmain.html.

as a relatively slow and uneven recovery, indicate that the impacts of the recession have been and will be felt for an extended period of time.

Q. Please describe recent and current economic and financial conditions and their impact on the cost of capital.

A. One impact of the Great Recession has been a reduction in actual and expected investment returns and a corresponding reduction in the costs of capital. This decline is evidenced by a decline in both short-term and long-term interest rates and the expectations of investors and is reflected in ROE model results (such as DCF, CAPM and CE). Regulatory agencies throughout the U.S. have recognized the decline in capital costs by authorizing lower ROEs for regulated utilities.

Schedule 2 shows several sets of relevant economic and financial statistics for the cited time periods. Pages 1 and 2 contain general macroeconomic statistics; pages 3 and 4 show interest rates; and pages 5 and 6 contain equity market statistics.

Pages 1 and 2 show that in 2007 the economy entered a significant decline, as indicated by the growth in real (i.e., adjusted for inflation) Gross Domestic Product ("GDP"), industrial production, and an increase in the unemployment rate. This recession lasted until mid-2009, making it a longer-than-normal recession, as well as a much deeper recession. Since then, economic growth has been somewhat erratic and the economy has grown slower than the prior expansions.

Pages 1 and 2 also show the rate of inflation. As reflected in the Consumer Price Index ("CPI"), for example, inflation rose significantly during the 1975-1982 business cycle and reached double-digit levels in 1979-1980. The rate of inflation has declined substantially since

1981. Since 2008, the CPI has been 3 percent or lower, with 2013 being only 1.5 percent and 2014-2015 being below 1 percent. It is thus apparent that the rate of inflation has generally been declining over the past several business cycles. Recent and current levels of inflation are at the lowest levels of the past 35 years, which is reflective of lower capital costs.[3]

Q. What have been the trends in interest rates over the four prior business cycles and at the current time?

A. Pages 3 and 4 of Schedule 2 show several series of interest rates. Both short-term and long-term rates rose sharply to record levels in 1975-1981 when the inflation rate was high. Interest rates have declined substantially in conjunction with inflation since the early 1980's.

From 2008 to late 2015, the Federal Reserve System ("Federal Reserve") maintained the Federal Funds rate (i.e., short-term interest rate) at 0.25 percent, an all-time low. The Federal Reserve recently raised it slightly to 0.50 percent. The Federal Reserve also purchased U.S. Treasury securities to stimulate the economy.[4] As seen on page 4 of Schedule 2, both U.S. and corporate bond yields have declined to their lowest levels in the past four business cycles and in more than 35 years. Even with the 2013-2014 "tapering" and eventual ending of the Federal Reserve's Quantitative Easing program, interest rates have remained low. Currently, both government and corporate lending rates remain at historically low levels, again reflective of lower capital costs.

[3] The rate of inflation is one component of interest rate expectations of investors, who generally expect to receive a return in excess of the rate of inflation. Thus, a lower rate of inflation has a downward impact on interest rates and other capital costs.

[4] This is referred to as Quantitative Easing, in which the Federal Reserve initially purchased some $85 billion of U.S. Treasury Securities per month in order to stimulate the economy. The Federal Reserve eventually "tapered" its purchase of U.S. Treasury securities through October 2014, at which time Quantitative Easing ended.

Q. What does this schedule show for trends of common share prices?

A. Pages 5 and 6 of Schedule 2 show several series of common stock prices and ratios. These indicate that stock prices were essentially stagnant during the high inflation/high interest rate environment of the late 1970s and early 1980s. The 1983-1991 business cycle and the more recent cycles witnessed a significant upward trend in stock prices. The beginning of the recent financial crisis saw stock prices decline precipitously, as stock prices in 2008 and early 2009 were down significantly from peak 2007 levels, reflecting the financial/economic crisis. Beginning in the second quarter of 2009, prices recovered substantially and ultimately reached and exceeded the levels achieved prior to the "crash". On the other hand, recent equity markets have been somewhat volatile.

Q. What conclusions do you draw from your discussion of economic and financial conditions?

A. Recent economic and financial circumstances have differed from any that have prevailed since at least the 1930s. The late 2008-early 2009 deterioration in stock prices, the decline in U.S. Treasury bond yields, and an increase in corporate bond yields were evidenced in the then-evident "flight to safety." Concurrently, there was a decline in capital costs and returns, which significantly reduced the value of most retirement accounts, investment portfolios and other assets. One significant aspect of this has been a decline in investor expectations of returns,[5] even with the return of stock prices to levels achieved prior to the "crash". This evident in several ways: 1) lower interest rates on bank deposits; 2) lower interest rates on U.S. Treasury and corporate bonds; 3), lower increases in social security cost of living benefits;[6] and 4), lower authorized ROEs by regulatory commissions. Finally, as noted above,

[5] *See*, for example, Kiplinger's Personal Finance, "Investors Brace for Smaller Gains, Focus on Long-Term," August 30, 2015.

[6] The 2015 increase in Social Security benefits was 1.70 percent – near an all-time. There is no increase in 2016 Social Security benefits.

utility bond interest rates are currently at levels below those prevailing prior to the financial crisis of late 2008 to early 2009 and are near the lowest levels in the past 35 years.

Q. How do these economic/financial conditions impact the determination of a return on equity for regulated utilities?

A. The costs of capital for regulated utilities have declined in recent years. For example, the current interest costs that utilities pay on new debt remain near the low point of the last several decades. In addition, the results of the traditional ROE models (i.e., DCF, CAPM and CE) are lower than was the case prior to the Great Recession. In light of this, it is not surprising that the average ROE authorized by state regulatory agencies have declined and continue to decline through 2015, as follows:

Year	Electric[7]	Natural Gas
2012	10.01%	9.94%
2013	9.94%	9.68%
2014	9.76%	9.78%
2015	9.58%	9.60%

AWC'S OPERATIONS AND RISKS

Q. Please describe AWC.

A. AWC, the applicant in this proceeding, serves approximately 87,000 customers in 19 water systems in Arizona. AWC operates its Arizona water systems through three "groups" – Western (service areas covered in this proceeding) Eastern and Northern. The Western Group provides services to some 32,000 customers.

AWC, along with San Gabriel Valley Water Company (a California utility), is a subsidiary of UIC, which in turn is a subsidiary of United Resources, Inc.[8] ("URI").

[7] Average ROE values for electric utilities exclude Virginia surcharge/rider generation cases that incorporate plan-specific ROE premiums. *See* Regulatory Research Associates, Regulatory Focus, January 16, 2016, page 1.

Q. Please describe UIC and URI.

A. WIC owns AWC and San Gabriel Valley Water Co. WIC is, in turn, a subsidiary of URI.

Q. How is AWC financed?

A. All of AWC's debt capital is issued by the Company. Apparently, neither UIC nor URI have issued any debt.[9] I also note that, even though AWC operates three groups, it is financed on a total company basis.

Q. Is it feasible to directly assess the perceived risk of AWC relative to other water utilities?

A. No. AWC does not have rated debt, so it is not possible to compare its debt ratings with other water utilities. In addition, neither AWC's nor its parent companies' stock is followed by Value Line, so it is not possible to compare AWC's beta, safety, or financial strength with other water utilities.

Q. Is AWC requesting any new regulatory mechanisms in this proceeding that may impact its risk?

A. Yes. AWC is requesting a new regulatory mechanism – a System Improvements Benefits ("SIB") mechanism – in this proceeding. According to AWC's application, the Company currently has a SIB in its Eastern and Northern Group service areas. However, it is my understanding that the Commission has stayed all of these mechanisms pending the outcome of an appeal by the Residential Utility Consumer Office that is currently at the Arizona Supreme Court.

[8] Source: Response to Request DCP 3.1.
[9] Source: Response to Request DCP 3.3.

Q. Are you proposing a lower ROE for AWC in this proceeding as a result of the Company's proposed implementation of SIB?

A. No, I am not. Staff is recommending against approval of this mechanism at this time due to the uncertainty of the legality of the mechanism while an the appeal is pending in the Arizona Supreme Court. Regardless, I recommend that AWC be awarded a ROE no greater than the mid-point ROE derived from the proxy group results.

CAPITAL STRUCTURE AND COST OF DEBT

Q. What is the importance of determining a proper capital structure in a regulatory framework?

A. A utility's capital structure is important because the concept of rate base – rate of return regulation requires the capital structure to be utilized in estimating the total cost of capital. Within this framework, it is proper to ascertain whether the utility's capital structure is appropriate relative to its level of business risk and relative to other utilities.

As discussed in Section III of my testimony, the purpose of determining the proper capital structure for a utility is to ascertain its capital costs. The rate base – rate of return concept recognizes the assets employed in providing utility services and provides for a return on these assets by identifying the liabilities and common equity (and their cost rates) used to finance the assets. In this process, the rate base is derived from the asset side of the balance sheet and the cost of capital is derived from the liabilities/owners' equity side of the balance sheet. The inherent assumption in this procedure is that the dollar values of the capital structure and the rate base are approximately equal and the former is utilized to finance the latter.

The common equity ratio (i.e. the percentage of common equity in the capital structure) is the capital structure item which normally receives the most attention. This is the case because common equity: (1) usually commands the highest cost rate; (2) generates associated income

tax liabilities; and (3) causes the most controversy since its cost cannot be precisely determined.

Q. What are the historic capital structure ratios of AWC?

A. I have examined the historic (2010-2014) capital structure ratios of AWC. See Schedule 3. AWC's common equity ratios[10] have been:

	Including S-T Debt	Excluding S-T Debt
2010	51.0%	51.0%
2011	51.1%	51.1%
2012	50.8%	50.8%
2013	52.6%	52.6%
2014	53.7%	53.7%

This indicates that AWC's equity ratios have risen slightly over this period.

Q. How do these capital structures compare to those of investor-owned water utilities?

A. Schedule 4 shows the common equity ratios (including short-term debt in capitalization) for the group of proxy water utilities identified in a following section of my testimony. These are:

	Value Line Water Group
2011	47.3%
2012	48.9%
2013	51.9%
2014	52.6%
2015	52.3%

These common equity ratio ranges are similar to AWC's ratios.

[10] On a consolidated basis.

Q. Have you also conducted analyses of the historic and projected common equity ratios of your water proxy group?

A. Yes, I have. Schedule 5 shows the five-year historic (2011-2015) and estimated 2018-20 common equity ratios (excluding short-term debt) for my water utility proxy group. The summary results are as follows:

	Five-Year Historic		2018-20 Estimated	
Group	Average	Median	Average	Median
Proxy Group	52.7%	52.6%	52.8%	52.5%

These results indicate a common equity ratio of between 52 percent and 53 percent.

Q. What capital structure ratio has AWC requested in this proceeding?

A. AWC requests use of its consolidated test year capital structure as of December 31, 2014:

Capital Item	Percent
Long-Term Debt	46.31%
Common Equity	53.69%

Q. What capital structure do you propose to use in this proceeding?

A. I have also used AWC's proposed capital structure. This capital structure contains a common equity ratio that has risen over a period in which debt costs were at historic lows, indicating that this entity has engaged in the most expensive type of financing during a period in which the less expensive capital was readily available. On the other hand, AWC's parent companies do not issue any debt, such that its capital structure likely reflects its own operations. As a result, I also use the test year capital structure in my analyses.

Q. Does your proposed capital structure include short-term debt?

A. No, it does not. I normally prefer to include short-term debt in capitalization for cost of capital estimation. However, as Schedule 3 indicates, AWC has not employed short-term debt in recent years.

Q. What is the cost rate of debt in the Company's application?

A. AWC's filing requests a cost of long term debt of 6.82 percent, which is the Company's actual cost rate at December 31, 2014. I also use this rate in my cost of capital analyses.

Q. Can the ROE be determined with the same degree of precision as the cost of debt?

A. No. The cost rates of debt are largely determined by interest payments, issue prices, and related expenses. The ROE, on the other hand, cannot be precisely quantified, primarily because this cost is an opportunity cost. As mentioned previously, there are several models that can be employed to estimate the ROE. Three of the primary methods – DCF, CAPM, and CE – are developed in the following sections of my testimony.

SELECTION OF PROXY GROUP

Q. How have you estimated the ROE for AWC?

A. AWC is not a publicly-traded company. Its parent companies (UIC and URI) also are not publicly-traded. Consequently, it is not possible to directly apply ROE models to either AWC, UIC, or URI. However, in COC analyses, it is customary to analyze groups of comparison, or "proxy," companies as a substitute for AWC to determine its ROE.

I have accordingly selected such a group for comparison to AWC. This proxy group is selected from the group of nine water utilities included in Value Line Investment Survey and using the criteria listed on Schedule 6. This is a similar proxy group to the proxy group

employed by AWC witness Ahern in her ROE analyses. The only difference between our respective proxy groups is my inclusion of Artesian Resources, which she does not include in her proxy group.

DISCOUNTED CASH FLOW ANALYSIS

Q. What is the theory and methodological basis of the DCF model?

A. The DCF model is one of the oldest and most commonly-used models for estimating the ROE for public utilities. The DCF model is based on the "dividend discount model" of financial theory, which maintains that the value (price) of any security or commodity is the discounted present value of all future cash flows.

The most common variant of the DCF model assumes that dividends are expected to grow at a constant rate (the "constant growth" or "Gordon DCF model"). In this framework, the ROE is derived from the following formula:

$$K = \frac{D}{P} + g$$

where: P = current price

D = current dividend rate

K = discount rate (cost of capital)

G = constant rate of expected growth

This formula essentially recognizes that the return expected or required by investors is comprised of two factors: the dividend yield (current income) and expected growth in dividends (future income).

Q. Please explain how you employ the DCF model.

A. I use the constant growth DCF model. In doing so, I combine the current dividend yield for each of the proxy water utility stocks described in the previous section with several indicators of expected dividend growth.

Q. How did you derive the dividend yield component of the DCF equation?

A. Several methods can be used to calculate the dividend yield component. These methods generally differ in the manner in which the dividend rate is employed (i.e., current versus future dividends or annual versus quarterly compounding variant, which is expressed as follows:

$$Yield = \frac{D_0(1 + 0.5g)}{P_0}$$

This dividend yield component recognizes the timing of dividend payments and dividend increases.

The P_0 in my yield calculation is the average of the high and low stock price for each proxy company for the most recent three month period (November 2015 – January 2016). The D_0 is the current annualized dividend rate for each proxy company.

Q. How do you estimate the dividend growth component of the DCF equation?

A. The DCF model's dividend growth rate component is usually the most crucial and controversial element involved in using this methodology. The objective of estimating the dividend growth component is to reflect the growth expected by investors that is embodied in the price (and yield) of a company's stock. As such, it is important to recognize that individual investors have different expectations and consider alternative indicators in deriving

their expectations. This is evidenced by the fact that every investment decision resulting in the purchase of a particular stock is matched by another investment decision to sell that stock.

A wide array of indicators exists for estimating investors' growth expectations. As a result, it is evident that investors do not always use one single indicator of growth. It therefore is necessary to consider alternative dividend growth indicators in deriving the growth component of the DCF model. I have considered five indicators of growth in my DCF analyses. These are:

1. Years 2011-2015 (5-year average) earnings retention, or fundamental growth;
2. Five-year average of historic growth in earnings per share ("EPS"), dividends per share ("DPS"), and book value per share ("BVPS");
3. Years 2016 and 2018-2020 projections of earnings retention growth (per Value Line);
4. Years 2012-2014 to 2018-2020 projections of EPS, DPS, and BVPS (per Value Line); and,
5. Five-year projections of EPS growth (per First Call).

I believe this combination of growth indicators is a representative and appropriate set with which to begin the process of estimating investor expectations of dividend growth for the group of proxy companies. I also believe that these growth indicators reflect the types of information that investors consider in making their investment decisions. As I indicated previously, investors have an array of information available to them, all of which would be expected to have some impact on their decision-making process.

Q. Please describe your DCF calculations.

A. Schedule 7 presents my DCF analysis. Page 1 shows the calculation of the "raw" (i.e. prior to adjustment for growth) dividend yield for each proxy company. Pages 2 and 3 show the growth rates for the group of proxy companies. Page 4 shows the DCF calculations, which are presented on several bases: mean, median, and high values. These results can be summarized as follows:

	Mean	Median	Mean High[11]	Median High[11]
Value Line Water Group	7.7%	7.7%	8.6%	8.1%

I note that the individual DCF calculations shown on Schedule 7 should not be interpreted to reflect the expected cost of capital for individual companies in the proxy group; rather, the individual values shown should be interpreted as alternative information considered by investors.

Q. What do you conclude from your DCF analyses?

A. The DCF rates resulting from the analysis of the proxy group falls into a range between 7.7 percent and 8.6 percent. The highest DCF rates are 8.1 percent to 8.6 percent (8.35 percent mid-point). I believe an 8.6 percent represents the current DCF-derived ROE for the proxy group. I recommend a cost of equity of 8.6 percent for AWC, which focuses on the upper portion of the DCF range. I focus on the higher DCF results since recent financial conditions have had the effect of driving many of the DCF results to low levels relative to those of recent years. As such, my recommendation can be viewed as conservative.

[11] Using only the highest growth rate.

CAPITAL ASSET PRICING MODEL ANALYSIS

Q. Please describe the theory and methodological basis of the CAPM.

A. CAPM was developed in the 1960s and 1970s as an extension of modern portfolio theory ("MPT"), which studies the relationships among risk, diversification, and expected returns. The CAPM describes and measures the relationship between a security's investment risk and its market rate of return.

Q. How is the CAPM derived?

A. The general form of the CAPM is:

$$K = R_f + \beta(R_m - R_f)$$

where: K = cost of equity

R_f = risk free rate

Rm = return on market

β = beta

R_m-R_f = market risk premium

The CAPM is a variant of the RP method. I believe the CAPM is generally superior to the simple RP method because the CAPM specifically recognizes the risk of a particular company or industry (i.e., beta), whereas the simple RP method assumes the same ROE for all companies exhibiting similar bond ratings or other characteristics.

Q. What value do you use for the risk-free rate?

A. The first input of the CAPM is the risk-free rate (R_f). The risk-free rate reflects the level of return that can be achieved without accepting any risk.

In CAPM applications, the risk-free rate is generally recognized by use of U.S. Treasury securities. Two general types of U.S. Treasury securities are often utilized as the Rf component: short-term U.S. Treasury bills and long-term U.S. Treasury bonds.

I have performed CAPM calculations using the three-month average yield (November 2015-January 2016) for 20-year U.S. Treasury bonds. I use the yields on long-term Treasury bonds since this matches the long-term perspective of ROE analyses. Over this three month period, these bonds had an average yield of 2.60 percent.

Q. What is beta and what betas do you employ in your CAPM?

A. Beta is a measure of the relative volatility (and thus risk) of a particular stock in relation to the overall market. Betas less than 1.0 are considered less risky than the market, whereas betas greater than 1.0 are more risky. Utility stocks traditionally have had betas below 1.0. I utilize the most recent Value Line betas for each company in my proxy group.

Q. How do you estimate the market risk premium component?

A. The market risk premium component (R_m-R_f) represents the investor-expected premium of common stocks over the risk-free rate, or long-term government bonds. For the purpose of estimating the market risk premium, I considered alternative measures of returns of the S&P 500 (a broad-based group of large U.S. companies) and 20-year U.S. Treasury bonds (i.e., same timeframe as sources used to develop risk premiums).

First, I compared the actual annual returns on equity of the S&P 500 with the actual annual yields of U.S. Treasury bonds. Schedule 8 shows the ROE for the S&P 500 group for the period 1978-2014 (all available years reported by S&P). This schedule also indicates the annual yields on 20-year U.S. Treasury bonds and the annual differentials (i.e. risk premiums)

between the S&P 500 and U.S. Treasury 20-year bonds. Based upon these returns, I conclude that the risk premium from this analysis is 6.85 percent.

I next considered the total returns (i.e. dividends/interest plus capital gains/losses) for the S&P 500 group as well as for long-term (i.e., 20-year) government bonds, as tabulated by Morningstar (formerly Ibbotson Associates), using both arithmetic and geometric means. I considered the total returns for the entire 1926-2014 period, which are as follows:

	S&P 500	L-T Gov't Bonds	Risk Premium
Arithmetic	12.1%	6.1%	6.0%
Geometric	10.1%	5.7%	4.4%

I conclude from this analysis that the expected risk premium is about 5.75 percent (i.e. average of all three risk premiums (6.85 percent from Schedule 8; 6.0 percent arithmetic and 4.4 percent geometric from Morningstar). I believe that a combination of arithmetic and geometric means is appropriate since investors have access to both types of means[12] and presumably, both types are reflected in investment decisions and thus, stock prices and the ROE.

Q. What are your CAPM results?

A. Schedule 9 shows my CAPM calculations. The results are:

	Mean	Median
Value Line Water Group	6.6%	6.6%

[12] For example, Value Line uses compound (i.e., geometric) growth rates in its projection. In addition, mutual funds report growth rates on a compound basis.

Q. What is your conclusion concerning the CAPM ROE?

A. The CAPM results collectively indicate a ROE of 6.6 percent for the group of proxy utilities. I conclude that an appropriate CAPM ROE estimation for AWC is 6.6 percent.

COMPARABLE EARNINGS ANALYSIS

Q. Please describe the basis of the CE methodology.

A. The CE method is derived from the "corresponding risk" concept discussed in the Bluefield and Hope cases. This method is thus based upon the economic concept of opportunity cost. As previously noted, the ROE is an opportunity cost: the prospective return available to investors from alternative investments of similar risk.

The CE method is designed to measure the returns expected to be earned on the original cost book value of similar risk enterprises. Thus, it provides a direct measure of the fair return, since it translates into practice the competitive principle upon which regulation rests.

The CE method normally examines the experienced and/or projected return on book common equity. The logic for examining returns on book equity follows from the use of original cost rate base regulation for public utilities, which uses a utility's book common equity to determine the cost of capital. This cost of capital is, in turn, used as the fair rate of return which is then applied (multiplied) to the book value of rate base to establish the dollar level of capital costs to be recovered by the utility. This technique is thus consistent with the rate base-rate of return methodology used to set utility rates.

Q. How do you apply the CE methodology in your analysis of AWC's ROE?

A. I apply the CE methodology by examining realized returns on equity for the group of proxy water companies, as well as unregulated companies, and evaluating investor acceptance of

these returns by reference to the resulting market-to-book ratios ("M/B"). In this manner it is possible to assess the degree to which a given level of return equates to the COC. It is generally recognized for utilities that M/B of greater than one (i.e. 100 percent) reflects a situation where a company is able to attract new equity capital without dilution (i.e. above book value). As a result, one objective of a fair cost of equity is the maintenance of stock prices at or above book value. There is no regulatory obligation to set rates designed to maintain a M/B significantly above one.

I further note that my CE analysis based upon market data (through the use of M/B) and is thus essentially a market test. As a result, my CE analysis is not subject to the criticisms occasionally made by some who maintain that past earned returns do not represent the cost of capital. In addition, my CE analysis also uses prospective returns and thus is not backward looking.

Q. What time periods do you examine in your CE analysis?

A. My CE analysis first considers the experienced ROEs of the proxy group of utilities for the period 2002-2015 (i.e. the last fourteen years). The CE analysis requires that I examine a relatively long period of time in order to determine trends in earnings over at least a full business cycle. Further, in estimating a fair level of return for a future period, it is important to examine earnings over a diverse period of time in order to avoid any undue influence from unusual or abnormal conditions that may occur in a single year or shorter period. Therefore, in forming my judgment of the current ROE, I focused on two periods: 2009-2015 (the current business cycle) and 2002-2008 (the most recent business cycle). I have also considered projected ROEs for 2016 and 2018-2020.

Q. Please describe your CE analysis.

A. Schedules 10 and 11 contain summaries of experienced ROEs for two groups of companies, while Schedule 12 presents a risk comparison of utilities versus unregulated firms.

Schedule 10 shows the ROEs and M/B for the group of proxy utilities. These can be summarized as follows:

	Value Line Water Group
Historic ROE	
Mean	9.8-9.9%
Median	9.3-9.7%
Historic M/B	
Mean	198-232%
Median	182-219%
Prospective ROE	
Mean	10.5-10.7%
Median	9.5-10.0%

These results indicate that historic ROEs of 9.3 percent to 9.9 percent have been adequate to produce M/Bs of 182 percent to 232 percent for the group of utilities. Furthermore, projected returns on equity for 2016 and 2018-2020 are within a range of 9.5 percent to 10.7 percent for the utility group. These relate to 2015 M/Bs of 200 percent or greater.

Q. Do you also review the ROEs of unregulated firms?

A. Yes. As an alternative, I also examine the S&P's 500 Composite group. This is a well recognized group of firms that is widely utilized in the investment community and is indicative of the competitive sector of the economy. Schedule 11 presents the earned ROEs and M/Bs for the S&P 500 group over the past thirteen years (i.e., 2002-2014). As this schedule indicates, over the two business cycle periods, this group's average ROEs ranged

from 12.4 percent to 13.6 percent, with average M/B ranging between 220 percent and 275 percent.

Q. How can the above information be used to estimate AWC's ROE?

A. The recent ROE of the proxy utilities and S&P 500 groups can be viewed as an indication of the level of return realized and expected in the regulated and competitive sectors of the economy. In order to apply these returns to the ROE for the proxy utilities, however, it is necessary to compare the risk levels of the water utilities and the competitive companies. I do this in Schedule 12, which compares several risk indicators for the S&P 500 group and the water utility group. The information in Schedule 12 indicates that the S&P 500 group is more risky than the water utility proxy group.

Q. What ROE is indicated by your CE analysis?

A. Based on recent ROEs and M/Bs, my CE analysis indicates that the ROE for the proxy utilities is no more than 9.0 percent to 10.0 percent (9.5 percent mid-point). Recent ROEs of 9.3 percent to 9.9 percent have resulted in M/Bs more than 180 percent. Prospective ROEs of 9.5 percent to 10.7 percent have been accompanied by M/B over 200 percent. As a result, it is apparent that authorized ROEs below this level would continue to result in M/B of well above 100 percent. An ROE return of 9.5 percent should thus result in an M/Bs well above 100 percent. As I indicated earlier, the fact that M/Bs substantially exceeds 100 percent indicates that historic and prospective ROE of 9.5 percent reflect earning levels that are well above the actual cost of equity for those regulated companies. I also note that a company whose stock sells above book value can attract capital in a way that enhances the book value of existing stockholders, thus creating a favorable environment for financial integrity. Finally, I note that my 9.0 percent to 10.0 percent CE ROE recommendation generally reflects the

actual and prospective ROEs for the water proxy group. I have made no adjustments to these return levels to reflect the high level of M/Bs.

RETURN ON EQUITY RECOMMENDATION

Q. Please summarize the results of your three ROE analyses.

A. My three ROE analyses produced the following:

DCF 8.60%

CAPM 6.60%

CE 9.50%

These results indicate an overall broad range of 6.60 percent to 9.50 percent, which focuses on the respective individual model results. I recommend a ROE range of 8.6 percent to 9.50 percent for AWC. This range includes my DCF result (8.6 percent), and my CE result (9.50 percent). For the purposes of this proceeding, I recommend the average of these values, which is 9.05 percent.

Q. It appears that your CAPM results are less than your DCF and CE results. Does this imply that the CAPM results should not be considered in determining the ROE for AWC?

A. No. It is apparent that the CAPM results are less than the DCF and CE results. There are two reasons for the lower CAPM results. First, risk premiums are lower currently than was the case in prior years. This is the result of lower equity returns that have been experienced over the past several years. This is also reflective of a decline in investor expectations of equity returns and risk premiums. Second, the level of interest rates on U.S. Treasury bonds (i.e., the risk free rate) has been lower in recent years. This is partially the result of the actions

of the Federal Reserve System to stimulate the economy. This also impacts investor expectations of returns in a negative fashion. I note that, initially, investors may have believed that the decline in Treasury yields was a temporary factor that would soon be replaced by a rise in interest rates. However, this has not been the case as interest rates have remained low and continued to decline for the past five-plus years. As a result, it cannot be maintained that low interest rates (and low CAPM results) are temporary and do not reflect investor expectations. Consequently, the CAPM results should be considered as one factor in determining the cost of equity for AWC.

TOTAL COST OF CAPITAL

Q. What is the total cost of capital for AWC?

A. Schedule 1 reflects the COC for AWC using the test year capital structure and embedded cost of debt, as well as my ROE recommendations. The resulting total COC is a range of 7.78 percent to 8.22 percent with an 8.02 percent midpoint. I recommend an 8.02 percent total COC for AWC.

COMMENTS ON COMPANY TESTIMONY

Q. What cost of capital has AWC requested in its application?

A. The Company's filing requests a COC of 8.93 percent, which incorporates a ROE of 10.75 percent. The 10.75 percent requested ROE is developed in the testimony of AWC witness Pauline M. Ahern.

	Ahern Group of Eight AUS Water Utility Companies
DCF Model	8.64%
Risk Premium Model	10.76%
CAPM	9.58%
Indicated Median Cost of Equity	9.60%
Credit Risk Adjustment	0.63%
Business Risk Adjustment	0.50%
Indicated ROE	10.73%
Recommended ROE	10.75%

Q. Do you have any disagreements with any or all of Ms. Ahern's methodologies and recommendations?

A. Yes. I have disagreements with several of her cost of equity methodologies and conclusions, as well as her proposed 0.63 percent "credit risk adjustment" and 0.50 percent "business risk adjustment" for AWC.

Q. Please begin with her DCF model and conclusions.

A. Ms. Ahern's 8.64 percent DCF conclusion is shown on Exhibit PMA-5. This is similar to my DCF results.

Q. Please describe Ms. Ahern's risk premium approach and conclusions.

A. Ms. Ahern performs two types of risk premium analyses. First, she employs a Predictive Risk Premium Model™ ("PRPM™") which produces an 11.59 percent ROE. Second, she develops her Adjusted Total Market Approach risk premium methodology to arrive at a risk premium ROE of 9.93 percent. Her risk premium method conclusion and recommendation is 10.76 percent (Exhibit PMA-7), which gives equal weighting to the PRPM™ approach and the Adjusted Total Market Approach.

Q. What is Ms. Ahern's first risk premium methodology?

A. Ms. Ahern first performs a relatively new type of risk premium approach, which is her PRPM™ approach. This approach is new and untried. Significantly, the result of this methodology is an 11.59 percent ROE conclusion, which greatly exceeds (i.e., over 165 basis points) the results of her Adjusted Total Market Approach risk premium approach. I again note that, not only does her PRPM™ approach produce a much higher cost of equity result; the approach is also a component in her Adjusted Total Market Approach methodologies and has the effect of raising the results of this methodology as well.

Q. Do you agree with her adjusted total market approach methodology and conclusions?

A. No, I do not. Ms. Ahern's Adjusted Total Market Return approach incorporates a risk premium of 4.87 percent, derived as follows:

Calculated equity risk premium based	
On total market using beta approach:	
Ibbotson Equity Risk Premium	5.89%
Ibbotson Equity Risk Premium based on PRPM	6.34%
Equity Risk Premium Based on Value Line	5.05%
Equity Risk Premium Based on S&P 500 Cos	8.47%
Average	6.44%
Adjusted Beta	0.77
Forecasted Risk Premium	**4.96%**
Arithmetic mean Holding Period Returns on S&P 500	10.69%
Arithmetic mean Yield on A rated utility bonds	-6.48%
Historic Equity Risk Premium	4.21%
Forecasted Equity risk Premium based on PRPM	4.47%
Forecasted Equity Risk Premium based on projected Total return on S&P Utilities Index	5.62%
Average of Historical and PRPM Equity Risk Premia	**4.77%**
Average Equity Risk Premium	**4.87%**

Of the seven risk premia shown above, two are based on the PRPM Approach, which I have shown above to be improper. In addition, the 8.47 percent risk premium based on the S&P

500 companies is clearly an outlier, and is based upon an assumed total return of 13.22 percent for this index (well above its historical returns of 12 percent or less). The remaining four risk premium measures form a range of 4.21 percent to 5.62 percent (5.19 percent average) which is similar to my risk premium indicators in my CAPM analyses.

Furthermore, there are several problems with her methodologies. Her use of total stock returns over the 1926-2014 period, in connection with bond yields over the same long period, seems to imply that investors in 2016 expect such relationships to be the same. There is no demonstration that current investors expect such relationships to exist at the current time. Her methodology is also a mismatch since it compares holding period returns (i.e., capital gains/losses plus income) with yields on bonds (i.e., only income return). In addition, the 1926-2014 period was heavily influenced by the Great Depression, World War II, the high inflation/interest rate environment of the 1970s/1980s, etc. Such factors are not prevalent currently and have the effect of inflating risk premiums over those expected by investors. I believe Ms. Ahern's analyses over-state the required risk premiums at the present time. In addition, I find it inconsistent on her part to defend use of historic data going back to 1926 in her risk premium and CAPM analyses, and to then ignore historic data in her DCF analyses. I do not see how an investor would place equal weight between returns in 1926 and 2015 in one type of analysis (i.e., risk premium and CAPM) and then give no weight whatsoever to recent (i.e., 5 years) experience in DCF analysis. I also disagree with Ms. Ahern's use of projected equity returns, which are largely dependent on assumed stock market values. This is speculative.

Q. You indicate that Ms. Ahern's risk premium and CAPM analyses use forecasted yields on U.S. treasury and utility bonds. Why do you disagree with this?

A. It is proper to use the current yield, rather than a projected yield, as the risk-free rate in a risk premium and CAPM context. This is the case since the current yield is known and measurable and reflects investors' collective assessment of all relevant capital market conditions. Prospective interest rates, in contrast, are not measurable and not achievable. For example, if the current yield on 20-year U.S. Treasury Bonds is 2.5 percent, this reflects the rate that investors can actually receive on their investment. Investors cannot receive a prospective yield on their investments since such a yield is not actual but rather speculative.

Use of the current yield in a DCF context is similar to using the current risk-free rate in a CAPM context. Analysts do not use prospective stock prices as the basis for the dividend yield in a DCF analysis, as use of prospective stock prices is speculative. Use of current stock prices is appropriate as this is consistent with the efficient market hypothesis that Ms. Ahern cites in her testimony. Likewise, current levels of interest rates reflect all current information (i.e., the efficient market hypothesis) and should be used as the risk-free rate in the CAPM.

Q. Please describe Ms. Ahern's CAPM analyses.

A. Ms. Ahern performs two sets of CAPM analyses. Her first CAPM is a "traditional" CAPM, where she concludes that 9.31-9.40 percent is the CAPM cost. This uses a risk free rate of 3.69 percent (projected yield on 30-year U.S. Treasury bonds), Value Line betas and a risk premium of 7.41 percent. I note that current 30-year Treasury bonds currently yield well below 3.69 percent, which indicates that her prospective yield is excessive.

I also disagree with the 7.41 percent market risk premium Ms. Ahern employs in her CAPM analyses. This market risk premium is developed in a similar fashion to those in her risk

premium analyses. For the same reasons cited above, Ms. Ahern's risk premium values are over-stated.

Ms. Ahern also performs an "empirical" CAPM analysis, wherein she assigns 75 percent weight to actual betas for the proxy groups of water utilities and a 25 percent weight to an assumed beta of 1.0 (i.e., the market beta). I disagree with this empirical CAPM, since it arbitrarily ignores the actual betas of the proxy utilities and, instead, assigns hypothetical betas to them.

Q. Ms. Ahern concludes that the "indicated cost of equity" for her proxy group is 9.60 percent, which she increases by some 0.63 percent to reflect her perception of a required "financial risk adjustment" for AWC. What is your response to this proposed adjustment?

A. I disagree with Ms. Ahern's proposed financial risk adjustment for AWC. She makes this financial risk, or credit risk, adjustment due to her perception that AWC, if it had a rated debt, it would have a triple-B credit rating, which is slightly lower than the average credit rating of the proxy water utilities. Her proposed 0.63 percent financial risk adjustment reflects her estimate of the differential yield between a Baa2 and A2/A3 rated utilities. This adjustment is not warranted. AWC's cost of debt is fully recoverable through its COC and there is no justification for inflating its ROE.

Q. Do you agree with the proposition that AWC should be entitled to a size or credit risk adjustment?

A. No, I do not. AWC's ratepayers should not be charged water rates which reflect in incremental return to reflect the size of the Company. Such an increment is not justified and not appropriate.

Q. Is it proper to compare the size of AWC to the water proxy companies and make risk comparisons based upon the size differentials between them?

A. No, it is not proper. Most of the proxy water utilities have multiple subsidiaries that operate in different jurisdictions. Following Ms. Ahern's reasoning, each of the subsidiaries of the proxy water utilities should be considered as more risky than the proxy group since, by definition, they would have to be smaller. This reasoning is flawed, since these individual water company subsidiaries do not raise their equity capital directly from investors, but rather do so as a consolidated entity.

Q. Are there other reasons why a size adjustment is improper?

A. Yes. There are other compelling reasons why a small size adjustment is not proper for regulated utilities. Ms. Ahern's proposed size adjustment is based upon her reference to the Morningstar/Ibbotson studies. However, the small size adjustment in the Morningstar/Ibbotson studies is based on the analysis of all stocks, the majority of which are unregulated and include industries that are much more risky than utilities. While it may or may not be true that on an overall market basis, smaller publicly-traded firms exhibit more risk than larger firms, these smaller companies stocks tend to be engaged in riskier businesses as a whole than do larger businesses. Such is not the case for regulated utilities.

Indeed, an academic study conducted by Professor Annie Wong found that:

> "**utility and industrial stocks do not share the same characteristics.** First, given firm size, utility stocks are consistently less risky than industrial stocks. Second, industrial bets tend to decrease with firm size but utility betas do not. These findings may be attributed to the fact that all public utilities operate in an environment with regional monopolistic power than regulated financial structure. As a result, the business and financial risks are very similar among the utilities regardless of their sizes. Therefore, utility betas would not necessarily be expected to be related to firm size.

> . . .
> This implies that although the price phenomenon has been strongly documented for the industrials, the **findings suggest that there is no need to adjust for the firm size in utility rate regulation."**[13] **[Emphasis Added.]**

Q. Can you provide any evidence that "size" or "business risk" adjustments are not generally recognized as risk factors in regulatory proceedings such as this one?

A. Yes, I can. The following table reflects the average size (as measured by net plant) and currently authorized returns on equity or various types of regulated utilities:

Industry	Average Net Plant (000)	Average Authorized ROE[14]
Electric	$18,285	10.42%
Combination Electric-Gas	$17,856	10.30%
Natural Gas	$3,519	10.28%
Water	$2,604	9.65%

Source: AUS Utility Reports, January 2016.

As shown here the smallest utilities (i.e., water utilities) have the lowest authorized ROEs.

Q. Is there any evidence that small water companies are not perceived as more risky than larger water utilities?

A. Yes, there is. Schedule 13 indicates that this is the case. As this schedule indicates, there are no apparent risk-indicator differentials as one looks at the water proxy group members sorted according to size.

[13] Wong, Annie, "Utility Stocks and the Size Effect: An Empirical Analysis," Journal of the Midwest Finance Association, 1993, pp. 95-101.

[14] Note that "Authorized" ROEs do not necessarily indicate "recently authorized" ROEs, since some ROEs were established in prior periods. Moreover, AUS reports each utility's most recent explicitly-authorized ROE even where that result is aged and has been superseded by a more recent "black box" rate settlement.

Q. Can you provide any direct comparisons of electric utilities that demonstrates that smaller utilities are not more risky than larger ones?

A. Yes. Implicit in Ms. Ahern's proposal is an assumption that any perceived small size risk adjustment for unregulated companies (i.e., source of information cited in Morningstar/Ibbotson source Ms. Ahern relies on for small size adjustment) applies to regulated public utilities. Schedule 14 demonstrates objectively that this is not the case. As this exhibit shows, there is no significant difference, and even more to the point that there is no discernible pattern of increase, among the risk indicators of publicly-traded electric utilities of different sizes.[15] The table below summarizes the information contained in this schedule:

Cap Size	Safety	Beta	Financial Strength	S&P Rank	S&P Rating	Moody's Rating
Under $2 B	2.0	.81	B++	B+	A-/BBB+	A3/Baa1
$2 - $5 B	2.2	.79	B++	A-/B+	BBB+	Baa1
$5-$10 B	1.9	.76	A/B++	B+	BBB+	A3/Baa1
$10-$20 B	1.8	.69	A/B++	B+	A-/BBB+	A3/Baa1
$20 B Plus	2.1	.68	A/B++	B+	A-/BBB+	A3/Baa1

The safety rank, beta values, financial strength and S&P stock ranking are about the same for all sizes of electric utilities. These risk indicators do not reflect any risk differential as the size of the electric utilities decrease from large to small. To the contrary, this data indicates that regulated monopoly utility providers have approximately the same risk regardless of size. As a result, the logic Ms. Ahern uses to justify his proposed small size adjustment is not justified.

Q. Does this conclude your direct testimony?

A. Yes, it does.

[15] I also consider electric utilities in this "size risk" analysis since there is a larger population of electric utilities, relative to water utilities.

Exhibit DCP-1
Schedule 1

ARIZONA WATER COMPANY
TOTAL COST OF CAPITAL

Item	Percent 1/	Cost			Weighted Cost		
Long-Term Debt	46.31%		6.82% 1/			3.16%	
Equity	53.69%	8.60%	9.05%	9.50%	4.62%	4.86%	5.10%
Total	100.00%				7.78%		8.26%
						8.02%	
						(Mid-point)	

1/ As contained in Company filing.

ECONOMIC INDICATORS

Year	Real GDP* Growth	Industrial Production Growth	Unemploy-ment Rate	Consumer Price Index
		1975 - 1982 Cycle		
1975	-1.1%	-8.9%	8.5%	7.0%
1976	5.4%	10.8%	7.7%	4.8%
1977	5.5%	5.9%	7.0%	6.8%
1978	5.0%	5.7%	6.0%	9.0%
1979	2.8%	4.4%	5.8%	13.3%
1980	-0.2%	-1.9%	7.0%	12.4%
1981	1.8%	1.9%	7.5%	8.9%
1982	-2.1%	-4.4%	9.5%	3.8%
		1983 - 1991 Cycle		
1983	4.0%	3.7%	9.5%	3.8%
1984	6.8%	9.3%	7.5%	3.9%
1985	3.7%	1.7%	7.2%	3.8%
1986	3.1%	0.9%	7.0%	1.1%
1987	2.9%	4.9%	6.2%	4.4%
1988	3.8%	4.5%	5.5%	4.4%
1989	3.5%	1.8%	5.3%	4.6%
1990	1.8%	-0.2%	5.6%	6.1%
1991	-0.5%	-2.0%	6.8%	3.1%
		1992 - 2001 Cycle		
1992	3.0%	3.1%	7.5%	2.9%
1993	2.7%	3.4%	6.9%	2.7%
1994	4.0%	5.5%	6.1%	2.7%
1995	3.7%	4.8%	5.6%	2.5%
1996	4.5%	4.3%	5.4%	3.3%
1997	4.5%	7.3%	4.9%	1.7%
1998	4.2%	5.8%	4.5%	1.6%
1999	3.7%	4.5%	4.2%	2.7%
2000	4.1%	4.0%	4.0%	3.4%
2001	1.1%	-3.4%	4.7%	1.6%
		2002 - 2009 Cycle		
2002	1.8%	0.2%	5.8%	2.4%
2003	2.8%	1.2%	6.0%	1.9%
2004	3.8%	2.3%	5.5%	3.3%
2005	3.4%	3.2%	5.1%	3.4%
2006	2.7%	2.2%	4.6%	2.5%
2007	1.8%	2.5%	4.6%	4.1%
2008	-0.3%	-3.4%	5.8%	0.1%
2009	-2.8%	-11.3%	9.3%	2.7%
		Current Cycle		
2010	2.5%	5.7%	9.6%	1.5%
2011	1.6%	3.3%	8.9%	3.0%
2012	2.3%	3.8%	8.1%	1.7%
2013	2.2%	2.9%	7.4%	1.5%
2014	2.4%	4.1%	6.2%	0.8%
2015	2.4%		5.3%	

*GDP=Gross Domestic Product

Source: Council of Economic Advisors, Economic Indicators, various issues

ECONOMIC INDICATORS

Year	Real GDP* Growth	Industrial Production Growth	Unemployment Rate	Consumer Price Index
2004				
1st Qtr.	3.0%	2.8%	5.6%	5.2%
2nd Qtr.	3.5%	4.9%	5.6%	4.4%
3rd Qtr.	3.6%	4.6%	5.4%	0.8%
4th Qtr.	2.5%	4.3%	5.4%	3.6%
2005				
1st Qtr.	4.1%	3.8%	5.3%	4.4%
2nd Qtr.	1.7%	3.0%	5.1%	1.6%
3rd Qtr.	3.1%	2.7%	5.0%	8.8%
4th Qtr.	2.1%	2.9%	4.9%	-2.0%
2006				
1st Qtr.	5.4%	3.4%	4.7%	4.8%
2nd Qtr.	1.4%	4.5%	4.6%	4.8%
3rd Qtr.	0.1%	5.2%	4.7%	0.4%
4th Qtr.	3.0%	3.5%	4.5%	0.0%
2007				
1st Qtr.	0.9%	2.5%	4.5%	4.8%
2nd Qtr.	3.2%	1.6%	4.5%	5.2%
3rd Qtr.	2.3%	1.8%	4.6%	1.2%
4th Qtr.	2.9%	1.7%	4.8%	6.4%
2008				
1st Qtr.	-1.8%	1.9%	4.9%	2.8%
2nd Qtr.	1.3%	0.2%	5.3%	7.6%
3rd Qtr.	-3.7%	-3.0%	6.0%	2.8%
4th Qtr.	-8.9%	6.0%	6.9%	-13.2%
2009				
1st Qtr.	-5.3%	-11.6%	8.1%	2.4%
2nd Qtr.	-0.3%	-12.9%	9.3%	3.2%
3rd Qtr.	1.4%	-9.3%	9.6%	2.0%
4th Qtr.	4.0%	-4.5%	10.0%	2.5%
2010				
1st Qtr.	1.6%	2.7%	9.7%	0.9%
2nd Qtr.	3.9%	6.5%	9.7%	-1.2%
3rd Qtr.	2.8%	6.9%	9.6%	2.8%
4th Qtr.	2.8%	6.2%	9.6%	2.8%
2011				
1st Qtr.	-1.5%	5.4%	9.0%	4.8%
2nd Qtr.	2.9%	3.6%	9.0%	3.2%
3rd Qtr.	0.8%	3.3%	9.1%	2.4%
4th Qtr.	4.6%	4.0%	8.7%	0.4%
2012				
1st Qtr.	2.3%	4.5%	8.3%	3.2%
2nd Qtr.	1.6%	4.7%	8.2%	0.0%
3rd Qtr.	2.5%	3.4%	8.1%	4.0%
4th Qtr.	0.1%	2.8%	7.8%	0.0%
2013				
1st Qtr.	1.9%	2.5%	7.7%	2.0%
2nd Qtr.	1.1%	2.0%	7.6%	1.2%
3rd Qtr.	3.0%	2.6%	7.3%	1.6%
4th Qtr.	3.9%	3.3%	7.0%	1.2%
2014				
1st Qtr.	-0.9%	3.2%	6.6%	1.6%
2nd Qtr.	4.6%	4.2%	6.2%	3.6%
3rd Qtr.	4.3%	4.2%	6.1%	0.0%
4th Qtr.	2.1%	4.5%	5.7%	-2.8%
2015				
1st Qtr.	0.6%	3.5%	5.6%	-1.2%
2nd Qtr.	3.9%	1.5%	5.4%	3.2%
3rd Qtr.	2.0%	1.2%	5.2%	-0.1%
4th Qtr.			5.0%	

*GDP=Gross Domestic Product

Source: Council of Economic Advisors, Economic Indicators, various issues.

INTEREST RATES

Year	Prime Rate	US Treasury T Bills 3 Month	US Treasury T Bonds 10 Year	Utility Bonds Aaa	Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
			1975 - 1982 Cycle				
1975	7.86%	5.84%	7.99%	9.03%	9.44%	10.09%	10.96%
1976	6.84%	4.99%	7.61%	8.63%	8.92%	9.29%	9.82%
1977	6.83%	5.27%	7.42%	8.19%	8.43%	8.61%	9.06%
1978	9.06%	7.22%	8.41%	8.87%	9.10%	9.29%	9.62%
1979	12.67%	10.04%	9.44%	9.86%	10.22%	10.49%	10.96%
1980	15.27%	11.51%	11.46%	12.30%	13.00%	13.34%	13.95%
1981	18.89%	14.03%	13.93%	14.64%	15.30%	15.95%	16.60%
1982	14.86%	10.69%	13.00%	14.22%	14.79%	15.86%	16.45%
			1983 - 1991 Cycle				
1983	10.79%	8.63%	11.10%	12.52%	12.83%	13.66%	14.20%
1984	12.04%	9.58%	12.44%	12.72%	13.66%	14.03%	14.53%
1985	9.93%	7.48%	10.62%	11.68%	12.06%	12.47%	12.96%
1986	8.33%	5.98%	7.68%	8.92%	9.30%	9.58%	10.00%
1987	8.21%	5.82%	8.39%	9.52%	9.77%	10.10%	10.53%
1988	9.32%	6.69%	8.85%	10.05%	10.26%	10.49%	11.00%
1989	10.87%	8.12%	8.49%	9.32%	9.56%	9.77%	9.97%
1990	10.01%	7.51%	8.55%	9.45%	9.65%	9.86%	10.06%
1991	8.46%	5.42%	7.86%	8.85%	9.09%	9.36%	9.55%
			1992 - 2001 Cycle				
1992	6.25%	3.45%	7.01%	8.19%	8.55%	8.69%	8.86%
1993	6.00%	3.02%	5.87%	7.29%	7.44%	7.59%	7.91%
1994	7.15%	4.29%	7.09%	8.07%	8.21%	8.31%	8.63%
1995	8.83%	5.51%	6.57%	7.68%	7.77%	7.89%	8.29%
1996	8.27%	5.02%	6.44%	7.48%	7.57%	7.75%	8.16%
1997	8.44%	5.07%	6.35%	7.43%	7.54%	7.60%	7.95%
1998	8.35%	4.81%	5.26%	6.77%	6.91%	7.04%	7.26%
1999	8.00%	4.66%	5.65%	7.21%	7.51%	7.62%	7.88%
2000	9.23%	5.85%	6.03%	7.88%	8.06%	8.24%	8.36%
2001	6.91%	3.44%	5.02%	7.47%	7.59%	7.78%	8.02%
			2002 - 2009 Cycle				
2002	4.67%	1.62%	4.61%	[1]	7.19%	7.37%	8.02%
2003	4.12%	1.01%	4.01%		6.40%	6.58%	6.84%
2004	4.34%	1.38%	4.27%		6.04%	6.16%	6.40%
2005	6.19%	3.16%	4.29%		5.44%	5.65%	5.93%
2006	7.96%	4.73%	4.80%		5.84%	6.07%	6.32%
2007	8.05%	4.41%	4.63%		5.94%	6.07%	6.33%
2008	5.09%	1.48%	3.66%		6.18%	6.53%	7.25%
2009	3.25%	0.16%	3.26%		5.75%	6.04%	7.06%
			Current Cycle				
2010	3.25%	0.14%	3.22%		5.24%	5.46%	5.96%
2011	3.25%	0.06%	2.78%		4.78%	5.04%	5.57%
2012	3.25%	0.09%	1.80%		3.83%	4.13%	4.86%
2013	3.25%	0.06%	2.35%		4.24%	4.47%	4.98%
2014	3.25%	0.03%	2.54%		4.19%	4.28%	4.80%
2015	3.26%	0.60%	2.14%		4.00%	4.12%	5.03%

[1] Note: Moody's has not published Aaa utility bond yields since 2001.

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

INTEREST RATES

	Prime Rate	US Treasury T Bills 3 Month	US Treasury T Bonds 10 Year	Utility Bonds Aaa [1]	Utility Bonds Aa	Utility Bonds A	Utility Bonds Baa
2010							
Jan	3.25%	0.06%	3.73%		5.55%	5.77%	6.16%
Feb	3.25%	0.10%	3.69%		5.69%	5.87%	6.25%
Mar	3.25%	0.15%	3.73%		5.64%	5.84%	6.22%
Apr	3.25%	0.15%	3.85%		5.62%	5.81%	6.19%
May	3.25%	0.16%	3.42%		5.29%	5.50%	5.97%
June	3.25%	0.12%	3.20%		5.22%	5.46%	6.18%
July	3.25%	0.16%	3.01%		4.99%	5.26%	5.98%
Aug	3.25%	0.15%	2.70%		4.75%	5.01%	5.55%
Sept	3.25%	0.15%	2.65%		4.74%	5.01%	5.53%
Oct	3.25%	0.13%	2.54%		4.89%	5.10%	5.62%
Nov	3.25%	0.13%	2.76%		5.12%	5.37%	5.85%
Dec	3.25%	0.15%	3.29%		5.32%	5.56%	6.04%
2011							
Jan	3.25%	0.15%	3.39%		5.29%	5.57%	6.06%
Feb	3.25%	0.14%	3.58%		5.42%	5.68%	6.10%
Mar	3.25%	0.11%	3.41%		5.33%	5.56%	5.97%
Apr	3.25%	0.06%	3.46%		5.32%	5.55%	5.98%
May	3.25%	0.04%	3.17%		5.08%	5.32%	5.74%
June	3.25%	0.04%	3.00%		5.04%	5.26%	5.67%
July	3.25%	0.03%	3.00%		5.05%	5.27%	5.70%
Aug	3.25%	0.05%	2.30%		4.44%	4.69%	5.22%
Sept	3.25%	0.02%	1.98%		4.24%	4.48%	5.11%
Oct	3.25%	0.02%	2.15%		4.21%	4.52%	5.24%
Nov	3.25%	0.01%	2.01%		3.92%	4.25%	4.93%
Dec	3.25%	0.02%	1.98%		4.00%	4.33%	5.07%
2012							
Jan	3.25%	0.02%	1.97%		4.03%	4.34%	5.06%
Feb	3.25%	0.08%	1.97%		4.02%	4.36%	5.02%
Mar	3.25%	0.09%	2.17%		4.16%	4.48%	5.13%
Apr	3.25%	0.08%	2.05%		4.10%	4.40%	5.11%
May	3.25%	0.09%	1.80%		3.92%	4.20%	4.97%
June	3.25%	0.09%	1.62%		3.79%	4.08%	4.91%
July	3.25%	0.10%	1.53%		3.58%	3.93%	4.85%
Aug	3.25%	0.11%	1.68%		3.65%	4.00%	4.88%
Sept	3.25%	0.10%	1.72%		3.69%	4.02%	4.81%
Oct	3.25%	0.10%	1.75%		3.68%	3.91%	4.54%
Nov	3.25%	0.11%	1.65%		3.60%	3.84%	4.42%
Dec	3.25%	0.08%	1.72%		3.75%	4.00%	4.56%
2013							
Jan	3.25%	0.07%	1.91%		3.90%	4.15%	4.66%
Feb	3.25%	0.10%	1.98%		3.95%	4.18%	4.74%
Mar	3.25%	0.09%	1.96%		3.90%	4.15%	4.66%
Apr	3.25%	0.06%	1.76%		3.74%	4.00%	4.49%
May	3.25%	0.05%	1.93%		3.91%	4.17%	4.65%
June	3.25%	0.05%	2.30%		4.27%	4.53%	5.08%
July	3.25%	0.04%	2.58%		4.44%	4.68%	5.21%
Aug	3.25%	0.04%	2.74%		4.53%	4.73%	5.28%
Sept	3.25%	0.02%	2.81%		4.58%	4.80%	5.31%
Oct	3.25%	0.06%	2.62%		4.48%	4.70%	5.17%
Nov	3.25%	0.07%	2.72%		4.56%	4.77%	5.24%
Dec	3.25%	0.07%	2.90%		4.59%	4.81%	5.25%
2014							
Jan	3.25%	0.05%	2.86%		4.44%	4.63%	5.09%
Feb	3.25%	0.06%	2.71%		4.38%	4.53%	5.01%
Mar	3.25%	0.05%	2.72%		4.40%	4.51%	5.00%
Apr	3.25%	0.04%	2.71%		4.30%	4.41%	4.85%
May	3.25%	0.03%	2.56%		4.16%	4.26%	4.69%
June	3.25%	0.03%	2.60%		4.23%	4.29%	4.73%
July	3.25%	0.03%	2.54%		4.16%	4.23%	4.66%
Aug	3.25%	0.03%	2.42%		4.07%	4.13%	4.65%
Sept	3.25%	0.02%	2.53%		4.18%	4.24%	4.79%
Oct	3.25%	0.02%	2.30%		3.95%	4.06%	4.67%
Nov	3.25%	0.02%	2.33%		4.03%	4.09%	4.75%
Dec	3.25%	0.04%	2.21%		3.90%	3.95%	4.70%
2015							
Jan	3.25%	0.03%	1.88%		3.52%	3.58%	4.39%
Feb	3.25%	0.02%	1.98%		3.62%	3.67%	4.44%
Mar	3.25%	0.02%	2.04%		3.67%	3.74%	4.51%
Apr	3.25%	0.03%	1.94%		3.63%	3.75%	4.51%
May	3.25%	0.02%	2.20%		4.05%	4.17%	4.91%
June	3.25%	0.02%	2.36%		4.29%	4.39%	5.13%
July	3.25%	0.03%	2.32%		4.27%	4.40%	5.22%
Aug	3.25%	0.09%	2.17%		4.13%	4.25%	5.23%
Sept	3.25%	0.06%	2.17%		4.25%	4.39%	5.42%
Oct	3.25%	0.01%	2.07%		4.13%	4.29%	5.47%
Nov	3.25%	0.13%	2.26%		4.22%	4.40%	5.57%
Dec	3.50%	0.20%	2.24%		4.16%	4.35%	5.55%
2016							
Jan	3.50%	0.26%	2.09%				

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

STOCK PRICE INDICATORS

	S&P Composite [1]	NASDAQ Composite [1]	DJIA	S&P D/P	S&P E/P
		1975 - 1982 Cycle			
1975			802.49	4.31%	9.15%
1976			974.92	3.77%	8.90%
1977			894.63	4.62%	10.79%
1978			820.23	5.28%	12.03%
1979			844.40	5.47%	13.46%
1980			891.41	5.26%	12.66%
1981			932.92	5.20%	11.96%
1982			884.36	5.81%	11.60%
		1983 - 1991 Cycle			
1983			1,190.34	4.40%	8.03%
1984			1,178.48	4.64%	10.02%
1985			1,328.23	4.25%	8.12%
1986			1,792.76	3.49%	6.09%
1987			2,275.99	3.08%	5.48%
1988	[1]	[1]	2,060.82	3.64%	8.01%
1989	322.84		2,508.91	3.45%	7.41%
1990	334.59		2,678.94	3.61%	6.47%
1991	376.18	491.69	2,929.33	3.24%	4.79%
		1992 - 2001 Cycle			
1992	415.74	$599.26	3,284.29	2.99%	4.22%
1993	451.21	715.16	3,522.06	2.78%	4.46%
1994	460.42	751.65	3,793.77	2.82%	5.83%
1995	541.72	925.19	4,493.76	2.56%	6.09%
1996	670.50	1,164.96	5,742.89	2.19%	5.24%
1997	873.43	1,469.49	7,441.15	1.77%	4.57%
1998	1,085.50	1,794.91	8,625.52	1.49%	3.46%
1999	1,327.33	2,728.15	10,464.88	1.25%	3.17%
2000	1,427.22	2,783.67	10,734.90	1.15%	3.63%
2001	1,194.18	2,035.00	10,189.13	1.32%	2.95%
		2002 - 2009 Cycle			
2002	993.94	1,539.73	9,226.43	1.61%	2.92%
2003	965.23	1,647.17	8,993.59	1.77%	3.84%
2004	1,130.65	1,986.53	10,317.39	1.72%	4.89%
2005	1,207.23	2,099.32	10,547.67	1.83%	5.36%
2006	1,310.46	2,263.41	11,408.67	1.87%	5.78%
2007	1,477.19	2,578.47	13,169.98	1.86%	5.29%
2008	1,220.04	2,161.65	11,252.62	2.37%	3.54%
2009	948.05	1,845.38	8,876.15	2.40%	1.86%
		Current Cycle			
2010	1,139.97	2,349.89	10,662.80	1.98%	6.04%
2011	1,268.89	2,677.44	11,966.36	2.05%	6.77%
2012	1,379.35	2,965.56	12,967.08	2.24%	6.20%
2013	1,462.51	3,537.69	14,999.67	2.14%	5.57%
2014	1,930.67	4,374.31	16,773.99	2.04%	5.25%
2015	2,061.20	4,943.49	17,590.61	2.10%	

[1] Note: this source did not publish the S&P Composite prior to 1988 and the NASDAQ Composite prior to 1991.

Source: Council of Economic Advisors, Economic Indicators, various issues.

STOCK PRICE INDICATORS

	S&P Composite	NASDAQ Composite	DJIA	S&P D/P	S&P E/P
2004					
1st Qtr.	1,133.29	2,041.95	10,488.43	1.64%	4.62%
2nd Qtr.	1,122.87	1,984.13	10,289.04	1.71%	4.92%
3rd Qtr.	1,104.15	1,872.90	10,129.85	1.79%	5.18%
4th Qtr.	1,162.07	2,050.22	10,362.25	1.75%	4.83%
2005					
1st Qtr.	1,191.98	2,056.01	10,648.48	1.77%	5.11%
2nd Qtr.	1,181.65	2,012.24	10,382.35	1.85%	5.32%
3rd Qtr.	1,225.91	2,144.61	10,532.24	1.83%	5.42%
4th Qtr.	1,262.07	2,246.09	10,827.79	1.86%	5.60%
2006					
1st Qtr.	1,283.04	2,287.97	10,996.04	1.85%	5.61%
2nd Qtr.	1,281.77	2,240.46	11,188.84	1.90%	5.86%
3rd Qtr.	1,288.40	2,141.97	11,274.49	1.91%	5.88%
4th Qtr.	1,389.48	2,390.26	12,175.30	1.81%	5.75%
2007					
1st Qtr.	1,425.30	2,444.85	12,470.97	1.84%	5.85%
2nd Qtr.	1,496.43	2,552.37	13,214.26	1.82%	5.65%
3rd Qtr.	1,490.81	2,609.68	13,488.43	1.86%	5.15%
4th Qtr.	1,494.09	2,701.59	13,502.95	1.91%	4.51%
2008					
1st Qtr.	1,350.19	2,332.91	12,383.86	2.11%	4.55%
2nd Qtr.	1,371.65	2,426.26	12,508.59	2.10%	4.05%
3rd Qtr.	1,251.94	2,290.87	11,322.40	2.29%	3.94%
4th Qtr.	909.80	1,599.64	8,795.61	2.98%	1.65%
2009					
1st Qtr.	809.31	1,485.14	7,774.06	3.00%	0.86%
2nd Qtr.	892.23	1,731.41	8,327.83	2.45%	0.82%
3rd Qtr.	996.68	1,985.25	9,229.93	2.16%	1.19%
4th Qtr.	1,088.70	2,162.33	10,172.78	1.99%	4.57%
2010					
1st Qtr.	1,121.60	2,274.88	10,454.42	1.94%	5.21%
2nd Qtr.	1,135.25	2,343.40	10,570.54	1.97%	6.51%
3rd Qtr.	1,096.39	2,237.97	10,390.24	2.09%	6.30%
4th Qtr.	1,204.00	2,534.62	11,236.02	1.95%	6.15%
2011					
1st Qtr.	1,302.74	2,741.01	12,024.62	1.85%	6.13%
2nd Qtr.	1,319.04	2,766.64	12,370.73	1.97%	6.35%
3rd Qtr.	1,237.12	2,613.11	11,671.47	2.15%	7.69%
4th Qtr.	1,225.65	2,600.91	11,798.65	2.25%	6.91%
2012					
1st Qtr.	1,347.44	2,902.90	12,839.80	2.12%	6.29%
2nd Qtr.	1,350.39	2,928.62	12,765.58	2.30%	6.45%
3rd Qtr.	1,402.21	3,029.86	13,118.72	2.27%	6.00%
4th Qtr.	1,418.21	3,001.69	13,142.91	2.28%	6.07%
2013					
1st Qtr.	1,514.41	3,177.10	14,000.30	2.21%	5.59%
2nd Qtr.	1,609.77	3,369.49	14,961.28	2.15%	5.66%
3rd Qtr.	1,675.31	3,643.63	15,255.25	2.14%	5.61%
4th Qtr.	1,770.45	3,960.54	15,751.96	2.06%	5.42%
2014					
1st Qtr.	1,834.30	4,210.05	16,170.26	2.04%	5.38%
2nd Qtr.	1,900.37	4,195.81	16,603.50	2.06%	5.26%
3rd Qtr.	1,975.95	4,483.51	16,953.85	2.02%	5.38%
4th Qtr.	2,012.04	4,607.88	17,368.36	2.03%	4.97%
2015					
1st Qtr.	2,063.46	4,821.99	17,806.47	2.02%	4.80%
2nd Qtr.	2,094.37	5,029.47	18,007.48	2.05%	4.60%
3rd Qtr.	2,026.14	4,921.81	17,065.52	2.16%	4.72%
4th Qtr.	2,053.17	5,000.70	17,482.97	2.16%	

Source: Council of Economic Advisors, Economic Indicators, various issues.

ARIZONA WATER COMPANY
CAPITAL STRUCTURE RATIOS
2010 - 2014
($000)

YEAR	COMMON EQUITY	LONG-TERM DEBT	SHORT-TERM DEBT
2010	$77,975	$75,000	$0
	51.0%	49.0%	0.0%
	51.0%	49.0%	
2011	$78,221	$75,000	$0
	51.1%	48.9%	0.0%
	51.1%	48.9%	
2012	$77,478	$75,000	$0
	50.8%	49.2%	0.0%
	50.8%	49.2%	
2013	$83,285	$75,000	$0
	52.6%	47.4%	30.0%
	52.6%	47.4%	
2014	$86,959	$75,000	$0
	53.7%	46.3%	10.0%
	53.7%	46.3%	

Note: Percentages may not total 100.0% due to rounding.

Source: Response to DCP 3.3.

Exhibit DCP-4
Schedule 4

AUS UTILITY REPORTS
WATER UTILITY GROUP
AVERAGE COMMON EQUITY RATIOS

Year	Common Equity Ratio
2011	47.3%
2012	48.9%
2013	51.9%
2014	52.6%
2015	52.3%
Average	**50.6%**

Note: Averages include short-term debt.

Source: AUS Utility Reports.

Exhibit DCP-5
Schedule 5

PROXY COMPANIES
COMMON EQUITY RATIOS

	2011	2012	2013	2014	2015	2011-15 Average	Est'd 2018-20
Value Line Water Group							
American States Water Co.	54.6%	57.8%	60.2%	60.9%	59.5%	58.6%	58.0%
American Water Works	44.2%	46.1%	47.6%	47.4%	46.5%	46.4%	47.0%
Aqua America Inc.	47.3%	47.3%	51.1%	51.5%	50.5%	49.5%	50.0%
Artesian Resources	51.5%	52.7%	53.6%	54.5%		52.6%	
California Water Service Group	48.3%	52.2%	58.4%	59.5%	60.0%	55.7%	58.5%
Connecticut Water Service, Inc.	46.5%	50.8%	52.9%	54.1%	56.0%	52.1%	53.0%
Middlesex Water	56.6%	57.4%	58.7%	58.8%	59.5%	58.2%	56.5%
SJW Corporation	43.4%	45.0%	48.9%	48.4%	49.0%	46.9%	47.5%
York Water Company	52.9%	54.0%	54.9%	55.2%	55.0%	54.4%	52.0%
Average						52.7%	52.8%
Median						52.6%	52.5%

Note: Common equity ratios exclude short-term debt.

Source: Value Line Investment Survey.

Exhibit DCP-6
Schedule 6

PROXY COMPANIES

Company	Market Capitalization ($ thousands)	Percent Reg Water Revenues	Common Equity Ratio	Value Line Safety	S&P Stock Ranking	S&P Bond Rating
Value Line Water Group						
American States Water Co.	$1,500,000	72%	58.0%	2	A	A+
American Water Works	$10,800,000	87%	44.8%	3	NR	A+/A
Aqua America Inc.	$5,200,000	95%	49.6%	2	A+	AA-
Artesian Resources	$238,966	94%	52.2%	3	A-	NR
California Water Service Group	$1,100,000	98%	53.4%	3	A-	AA-
Connecticut Water Service, Inc.	$425,000	100%	53.9%	3	A-	A/A-
Middlesex Water	$425,000	86%	55.9%	2	A-	A
SJW Corporation	$600,000	95%	47.8%	3	B	A
York Water Company	$325,000	100%	55.1%	3	A	A-

Sources: AUS Utility Reports, Value Line.

PROXY COMPANIES
DIVIDEND YIELD

COMPANY	Qtr DPS	November 2015 - January 2016 DPS	HIGH	LOW	AVERAGE	YIELD
Value Line Water Group						
American States Water Co.	$0.224	$0.90	$45.47	$39.16	$42.32	2.1%
American Water Works	$0.340	$1.36	$65.04	$55.13	$60.09	2.3%
Aqua America Inc.	$0.178	$0.71	$31.53	$28.05	$29.79	2.4%
Artesian Resources	$0.222	$0.89	$30.34	$23.80	$27.07	3.3%
California Water Service Group	$0.168	$0.67	$25.14	$21.01	$23.08	2.9%
Connecticut Water Service, Inc.	$0.268	$1.07	$43.12	$34.15	$38.64	2.8%
Middlesex Water	$0.199	$0.80	$29.01	$24.01	$26.51	3.0%
SJW Corporation	$0.195	$0.78	$32.63	$27.60	$30.12	2.6%
York Water Company	$0.156	$0.62	$26.67	$22.18	$24.43	2.6%
Average						**2.7%**

Source: Yahoo! Finance.

PROXY COMPANIES
RETENTION GROWTH RATES

COMPANY	2011	2012	2013	2014	2015	Average	2016	2018-'20	Average
Value Line Water Group									
American States Water Co.	5.3%	6.6%	6.8%	5.7%	5.5%	6.0%	5.5%	6.5%	6.0%
American Water Works	3.5%	3.6%	4.7%	4.3%	4.5%	4.1%	4.5%	4.0%	4.3%
Aqua America Inc.	4.6%	4.3%	6.7%	6.1%	5.5%	5.4%	6.0%	5.5%	5.8%
Artesian Resources	0.5%	2.5%	0.9%	1.6%		1.4%			
California Water Service Group	2.3%	3.4%	3.4%	4.1%	2.5%	3.1%	4.0%	3.5%	3.8%
Connecticut Water Service, Inc.	1.4%	2.8%	3.8%	4.8%	5.0%	3.6%	5.0%	4.0%	4.5%
Middlesex Water	1.0%	1.4%	2.4%	3.1%	4.0%	2.4%	4.0%	3.5%	3.8%
SJW Corporation	3.1%	3.3%	2.8%	10.2%	3.0%	4.5%	4.0%	3.0%	3.5%
York Water Company	2.5%	2.4%	2.4%	3.9%	4.0%	3.0%	4.5%	3.5%	4.0%
Average						**3.7%**			**4.4%**

Source: Value Line Investment Survey.

PROXY COMPANIES
PER SHARE GROWTH RATES

COMPANY	5-Year Historic Growth Rates				Est'd '12-'14 to '18-'20 Growth Rates			
	EPS	DPS	BVPS	Average	EPS	DPS	BVPS	Average
Value Line Water Group								
American States Water Co.	14.0%	8.5%	6.5%	9.7%	6.0%	7.5%	3.0%	5.5%
American Water Works					7.0%	8.5%	5.5%	7.0%
Aqua America Inc.	13.0%	7.0%	6.5%	8.8%	7.5%	9.5%	5.5%	7.5%
Artesian Resources	3.0%	3.5%	3.0%	3.2%				
California Water Service Group	4.0%	2.0%	5.0%	3.7%	6.5%	7.0%	4.5%	6.0%
Connecticut Water Service, Inc.	9.0%	2.0%	9.5%	6.8%	4.5%	5.0%	3.5%	4.3%
Middlesex Water	4.5%	1.5%	3.0%	3.0%	5.0%	3.0%	3.0%	3.7%
SJW Corporation	10.5%	3.0%	3.5%	5.7%	1.5%	6.0%	6.0%	4.5%
York Water Company	6.0%	2.5%	4.5%	4.3%	6.5%	6.5%	3.0%	5.3%
Average				**5.6%**				**5.5%**

Source: Value Line Investment Survey.

PROXY COMPANIES
DCF COST RATES

COMPANY	ADJUSTED YIELD	HISTORIC RETENTION GROWTH	PROSPECTIVE RETENTION GROWTH	HISTORIC PER SHARE GROWTH	PROSPECTIVE PER SHARE GROWTH	FIRST CALL EPS GROWTH	AVERAGE GROWTH	DCF RATES
Value Line Water Group								
American States Water Co.	2.2%	6.0%	6.0%	9.7%	5.5%	4.1%	6.2%	8.4%
American Water Works	2.3%	4.1%	4.3%		7.0%	7.7%	5.8%	8.1%
Aqua America Inc.	2.5%	5.4%	5.8%	8.8%	7.5%	5.9%	6.7%	9.1%
Artesian Resources	3.3%	1.4%		3.2%		4.0%	2.8%	6.2%
California Water Service Group	3.0%	3.1%	3.8%	3.7%	6.0%	5.0%	4.3%	7.3%
Connecticut Water Service, Inc.	2.8%	3.6%	4.5%	6.8%	4.3%	5.0%	4.8%	7.7%
Middlesex Water	3.0%	2.4%	3.8%	3.0%	3.7%	2.7%	3.1%	6.1%
SJW Corporation	2.7%	4.5%	3.5%	5.7%	4.5%	14.0%	6.4%	9.1%
York Water Company	2.6%	3.0%	4.0%	4.3%	5.3%	4.9%	4.3%	6.9%
Mean	2.7%	3.7%	4.4%	5.6%	5.5%	5.9%	5.0%	**7.7%**
Median	2.7%	3.6%	4.1%	5.0%	5.4%	5.0%	4.8%	**7.7%**
mposite - Mean		**6.4%**	7.2%	8.4%	8.2%	**8.6%**	7.7%	
Composite - Median		**6.2%**	6.8%	7.7%	**8.1%**	7.7%	7.5%	

Note: negative values not used in calculations.

Sources: Prior pages of this schedule.

Exhibit DCP-8
Schedule 8

STANDARD & POOR'S 500 COMPOSITE
20-YEAR U.S. TREASURY BOND YIELDS
RISK PREMIUMS

Year	EPS	BVPS	ROE	20-YEAR T-BOND INCOME	RISK PREMIUM
1977		$79.07			
1978	$12.33	$85.35	15.00%	7.90%	7.10%
1979	$14.86	$94.27	16.55%	8.86%	7.69%
1980	$14.82	$102.48	15.06%	9.97%	5.09%
1981	$15.36	$109.43	14.50%	11.55%	2.95%
1982	$12.64	$112.46	11.39%	13.50%	-2.11%
1983	$14.03	$116.93	12.23%	10.38%	1.85%
1984	$16.64	$122.47	13.90%	11.74%	2.16%
1985	$14.61	$125.20	11.80%	11.25%	0.55%
1986	$14.48	$126.82	11.49%	8.98%	2.51%
1987	$17.50	$134.07	13.42%	7.92%	5.50%
1988	$23.75	$141.32	17.25%	8.97%	8.28%
1989	$22.87	$147.26	15.85%	8.81%	7.04%
1990	$21.73	$153.01	14.47%	8.19%	6.28%
1991	$16.29	$158.85	10.45%	8.22%	2.23%
1992	$18.86	$149.74	12.22%	7.29%	4.93%
1993	$21.89	$180.88	13.24%	7.17%	6.07%
1994	$30.60	$193.06	16.37%	6.59%	9.78%
1995	$33.96	$216.51	16.58%	7.60%	8.98%
1996	$38.73	$237.08	17.08%	6.18%	10.90%
1997	$39.72	$249.52	16.33%	6.64%	9.69%
1998	$37.71	$266.40	14.62%	5.83%	8.79%
1999	$48.17	$290.68	17.29%	5.57%	11.72%
2000	$50.00	$325.80	16.22%	6.50%	9.72%
2001	$24.70	$338.37	7.44%	5.53%	1.91%
2002	$27.59	$321.72	8.36%	5.59%	2.77%
2003	$48.73	$367.17	14.15%	4.80%	9.35%
2004	$58.55	$414.75	14.98%	5.02%	9.96%
2005	$69.93	$453.06	16.12%	4.69%	11.43%
2006	$81.51	$504.39	17.03%	4.68%	12.35%
2007	$66.17	$529.59	12.80%	4.86%	7.94%
2008	$14.88	$451.37	3.03%	4.45%	-1.42%
2009	$50.97	$513.58	10.56%	3.47%	7.09%
2010	$77.35	$579.14	14.16%	4.25%	9.91%
2011	$86.95	$613.14	14.59%	3.81%	10.78%
2012	$86.51	$666.97	13.52%	2.40%	11.12%
2013	$100.20	$715.84	14.49%	2.86%	11.63%
2014	$102.31	$726.96	14.18%	3.33%	10.85%
Average					**6.85%**

Source: Standard & Poor's Analysts' Handbook, Ibbotson Associates Handbook.

Exhibit DCP-9
Schedule 9

PROXY COMPANIES
CAPM COST RATES

COMPANY	RISK-FREE RATE	BETA	RISK PREMIUM	CAPM RATES
Value Line Water Group				
American States Water Co.	2.60%	0.70	5.75%	6.6%
American Water Works	2.60%	0.70	5.75%	6.6%
Aqua America Inc.	2.60%	0.75	5.75%	6.9%
Artesian Resources	2.60%	0.55	5.75%	5.8%
California Water Service Group	2.60%	0.75	5.75%	6.9%
Connecticut Water Service, Inc.	2.60%	0.65	5.75%	6.3%
Middlesex Water	2.60%	0.70	5.75%	6.6%
SJW Corporation	2.60%	0.75	5.75%	6.9%
York Water Company	2.60%	0.75	5.75%	6.9%
Mean				**6.6%**
Median				**6.6%**

Sources: Value Line Investment Survey, Standard & Poor's Analysts' Handbook, Federal Reserve.

20-year Treasury Bonds	
Month	Rate
Nov. 2015	2.69%
Dec., 2015	2.61%
Jan. , 2016	2.49%
Average	2.60%

PROXY COMPANIES
RATES OF RETURN ON AVERAGE COMMON EQUITY

COMPANY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2002-2008 Average	2009-2015 Average	2016	2018-20
Value Line Water Group																		
American States Water Co.	9.6%	5.6%	8.0%	10.4%	8.2%	9.3%	7.2%	8.8%	9.0%	11.7%	12.5%	13.2%	12.2%	12.7%	8.3%	11.4%	12.5%	14.5%
American Water Works									9.6%	15.8%	8.2%	8.1%	8.8%	9.3%		10.0%	9.0%	9.0%
Aqua America Inc.	13.9%	12.3%	11.4%	11.5%	11.0%	10.0%	9.6%	9.6%	10.9%	11.8%	14.9%	15.2%	14.6%	14.4%	11.4%	13.1%	13.5%	14.0%
Artesian Resources	9.6%	7.4%	7.6%	8.9%	10.2%	8.5%	7.4%	8.1%	8.2%	6.5%	8.5%	6.9%	7.7%	9.2%	8.5%	7.9%		
California Water Service Group	9.6%	8.7%	9.8%	9.3%	7.6%	4.9%	10.1%	7.4%	8.8%	8.5%	10.6%	8.8%	9.3%	7.6%	8.6%	8.7%	9.0%	9.5%
Connecticut Water Service, Inc.	11.6%	11.2%	11.4%	12.0%	7.5%	8.9%	9.2%	9.7%	8.8%	9.7%	9.1%	9.7%	10.4%	10.5%	10.3%	9.7%	10.0%	9.5%
Middlesex Water	9.8%	8.2%	8.3%	8.4%	8.6%	8.8%	8.8%	7.0%	9.0%	7.6%	7.9%	8.9%	9.5%	9.5%	8.7%	8.5%	10.0%	9.5%
SJW Corporation	9.4%	9.8%	11.3%	11.5%	18.2%	8.3%	11.2%	6.0%	9.6%	8.0%	8.3%	7.5%	15.2%	7.5%	11.4%	8.9%	8.0%	7.5%
York Water Company	16.7%	11.7%	12.2%	11.8%	10.5%	9.7%	9.4%	9.6%	10.0%	9.7%	9.5%	9.5%	11.0%	11.9%	11.7%	10.2%	12.0%	12.0%
Average	11.3%	9.4%	10.0%	10.5%	10.2%	8.6%	9.1%	8.3%	9.3%	9.9%	9.9%	9.8%	11.0%	10.3%	9.9%	9.8%	10.5%	10.7%
Median	9.7%	9.3%	10.6%	11.0%	9.4%	8.9%	9.3%	8.5%	9.0%	9.7%	9.1%	8.9%	10.4%	9.5%	9.7%	9.3%	10.0%	9.5%

Source: AUS Utility Report, Value Line.

PROXY COMPANIES
MARKET TO BOOK RATIOS

COMPANY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2002-2008 Average	2009-2015 Average
Value Line Water Group																
American States Water Co.	176%	178%	181%	230%	205%	219%	210%	189%	167%	162%	234%	244%	295%	324%	200%	231%
American Water Works								90%	117%	138%	166%	172%	196%	206%		155%
Aqua America Inc.	304%	280%	321%	436%	332%	259%	238%	221%	264%	243%	332%	292%	285%	308%	310%	278%
Artesian Resources	159%	207%	214%	215%	198%	150%	117%	150%	154%	131%	148%	147%	138%	161%	180%	147%
California Water Service Group	199%	189%	218%	264%	223%	219%	222%	190%	172%	163%	174%	182%	194%	174%	219%	178%
Connecticut Water Service, Inc.	275%	266%	233%	216%	211%	199%	173%	185%	194%	204%	173%	182%	189%	189%	225%	188%
Middlesex Water	225%	265%	214%	214%	178%	184%	141%	174%	162%	160%	168%	175%	187%	203%	203%	175%
SJW Corporation	199%	189%	218%	264%	307%	236%	175%	225%	167%	166%	174%	180%	163%	164%	227%	177%
York Water Company	277%	335%	275%	367%	309%	266%	190%	203%	235%	234%	233%	260%	285%	290%	288%	249%
Average	227%	239%	234%	276%	245%	217%	183%	181%	181%	178%	200%	204%	215%	224%	**232%**	**198%**
Median	212%	236%	218%	247%	217%	219%	183%	189%	167%	163%	174%	182%	194%	203%	**219%**	**182%**

Source: AUS Utility Report, Value Line.

Exhibit DCP-11
Schedule 11

STANDARD & POOR'S 500 COMPOSITE RETURNS AND MARKET-TO-BOOK RATIOS 2002 - 2014

YEAR	RETURN ON AVERAGE EQUITY	MARKET-TO BOOK RATIO
2002	8.4%	296%
2003	14.2%	278%
2004	15.0%	291%
2005	16.1%	278%
2006	17.0%	277%
2007	12.8%	284%
2008	3.0%	224%
2009	10.6%	187%
2010	14.2%	208%
2011	14.6%	208%
2012	13.5%	214%
2013	14.5%	237%
2014	14.2%	268%
Averages:		
2002-2008	**12.4%**	**275%**
2009-2014	**13.6%**	**220%**

Source: Standard & Poor's Analyst's Handbook, 2015 edition.

RISK INDICATORS

COMPANY	VALUE LINE SAFETY	VALUE LINE BETA	VALUE LINE FINANCIAL STRENGTH		S& P STOCK RANKING	
Value Line Water Group						
American States Water Co.	2	0.70	A	4.00	A	4.00
American Water Works	3	0.70	B+	3.33	NR	
Aqua America Inc.	2	0.75	A	4.00	A+	4.33
Artesian Resources	3	0.55	B	3.00	A-	3.67
California Water Service Group	3	0.75	B++	3.67	A-	3.67
Connecticut Water Service, Inc.	3	0.65	B+	3.33	A-	3.67
Middlesex Water	2	0.70	B++	3.67	A-	3.67
SJW Corporation	3	0.75	B+	3.33	B	3.00
York Water Company	2	0.75	B+	3.33	A	4.00
	2.6	0.70	B+/B++	3.52	A-	3.75

Schedule 13

PROXY COMPANIES
SIZE AND RISK INDICATORS

Company	Market Capitalization ($ 000)	Common Equity Ratio	Value Line Safety	S&P Stock Ranking	S&P Bond Rating
Parcell Proxy Group					
Artesian Resources	$238,966	52.2%	3	A-	NR
York Water Company	$325,000	55.1%	3	A	A-
Middlesex Water	$425,000	55.9%	2	A-	A
Connecticut Water Service, Inc.	$425,000	53.9%	3	A-	A/A-
SJW Corporation	$600,000	47.8%	3	B	A
California Water Service, Inc.	$1,100,000	53.4%	3	A-	AA-
American States Water Co.	$1,500,000	58.0%	2	A	A+
Aqua America Inc.	$5,200,000	49.6%	2	A+	AA-
American Water Works	$10,800,000	44.8%	3	NR	A+/A

Sources: AUS Utility Reports, Value Line.

Exhibit DCP-14
Schedule 14

COMPARISON OF SIZE AND RISK INDICATORS FOR PUBLICLY-TRADED ELECTRIC UTILITIES

COMPANY	CAP ($000) Value Line	VALUE LINE SAFETY	VALUE LINE BETA	VALUE LINE FIN STR	S&P STOCK RANKING S&P	S&P BOND RATING AUS	MOODY'S BOND RATING AUS
Empire District Electric Company	975,000	2	0.70	B++	B+	A-	Baa1
Otter Tail Corp	975,000	3	0.90	B+	B	BBB-	Baa2
MGE Energy Inc.	1,300,000	1	0.75	A	A-	AA-	Aa2
El Paso Electric Co.	1,400,000	2	0.75	B++	B	BBB+	Baa1
Black Hills Corp.	1,800,000	2	0.95	B++	B	BBB	A3/Baa1
Average		**2.0**	**0.81**	**B++**	**B+**	**A-/BBB+**	**A3/Baa1**
Avista Corp.	2,000,000	2	0.80	A	A-	A-	Baa1
PNM Resources	2,000,000	3	0.85	B	B	BBB	Baa2
ALLETE	2,400,000	2	0.80	A	A-	A-	A3
NorthWestern	2,400,000	3	0.75	B+	A+	NR	A3
Portland General	2,700,000	2	0.80	B++	NR	A-	A3
UIL Holdings	2,700,000	2	0.75	B++	B+	BBB	Baa1/Baa2
IDACORP	2,900,000	2	0.80	B++	A	A-	A3
Hawaiian Electric Industries, Inc.	3,200,000	2	0.80	A	B+	BBB-	Baa2
Cleco Corp.	3,300,000	1	0.75	A	B	BBB/BBB-	Baa1/Baa2
Vectren	3,300,000	2	0.80	A	B+	A/A-	A2
Great Plains Energy Inc.	3,800,000	3	0.85	B+	B	BBB	Baa2
Westar Energy, Inc.	4,500,000	2	0.75	B++	A-	A-	A3/Baa1
Average		**2.2**	**0.79**	**B++**	**B+/A-**	**BBB+**	**Baa1**
ITC Holdings Corp.	5,100,000	2	0.70	B++	A+		
TECO Energy, Inc.	5,200,000	2	0.80	B++	B	BBB+/BBB	A3
Integrys Energy Group	5,500,000	2	0.80	A	B	A-	A3
OGE Energy Corp.	5,800,000	1	0.90	A+	A-	BBB+	A3
Alliant Energy	6,500,000	2	0.80	A	B+	A-	A2/A3
Pinnacle West Capital Corp.	6,600,000	1	0.70	A+	B+	BBB	A3/Baa1
Pepco Holdings, Inc.	6,800,000	3	0.65	B+	B	A-/BBB+	Baa2
SCANA Corp.	8,000,000	2	0.75	B++	A	BBB+	Baa1/Baa2
CenterPoint Energy, Inc.	8,300,000	2	0.80	B++	B	A-/BBB+	A3/Baa1
CMS Energy Corp.	8,800,000	2	0.75	B++	B	BBB+/BBB	A3/Baa1
Ameren Corp.	9,200,000	2	0.75	A	B	BBB+/BBB	Baa1
Average		**1.9**	**0.76**	**A/B++**	**B+**	**BBB+**	**A3/Baa1**
Wisconsin Energy Corp.	10,000,000	1	0.70	A+	A	A-/BBB+	A1/A2
DTE Energy Company	13,000,000	2	0.75	B++	A-	A-/BBB+	A2/A3
Entergy Corp.	13,000,000	3	0.70	B++	A-	BBB+/BBB	Baa2/Baa3
FirstEnergy Corp.	14,000,000	3	0.65	B+	B	BBB	Baa2
Eversource Energy	16,000,000	1	0.75	A	A-	A-	A3/Baa1
Xcel Energy Inc.	17,000,000	1	0.65	A	A-	A-	A3
Consolidated Edison, Inc.	19,000,000	1	0.60	A+	B+	A-/BBB+	A3
Edison International	19,000,000	2	0.75	A	B	BBB+	A2/A3
Average		**1.8**	**0.69**	**A/B++**	**A-/B+**	**A-/BBB+**	**A3/Baa1**
Public Service Enterprise Group, Inc.	21,000,000	1	0.75	A++	B+	A-/BBB+	A2
PPL Corp	22,000,000	2	0.65	B++	B+	A-	Baa1/Baa2
PG&E Corp.	24,000,000	3	0.65	B+	B	BBB/BBB-	A3/Baa1
Sempra Energy	25,000,000	2	0.80	A	B+	A/A-	A2/A3
American Electric Power Company	26,000,000	2	0.70	A	A-	BBB/BBB-	Baa1
Exelon Corp.	28,000,000	3	0.65	B++	B	BBB+/BBB	Baa1
Southern Company	42,000,000	2	0.55	A	A-	A	A3/Baa1
Dominion Resources	43,000,000	2	0.70	B++	B	A-	A3/Baa1
NextEra Energy, Inc.	47,000,000	2	0.70	A	A	A -/BBB+	A2/A3
Duke Energy Corp.	52,000,000	2	0.60	A	B	BBB+	A3
Average		**2.1**	**0.68**	**A/B++**	**B+**	**A-/BBB+**	**A3/Baa1**

Sources:

Value Line Investment Survey
East – August 21, 2015
Central – June 19, 2015
West – July 1, 2015

AUS Utility Reports, May, 2015

S&P Stock Guide, May, 2015

BACKGROUND AND EXPERIENCE PROFILE
DAVID C. PARCELL, MBA, CRRA
PRESIDENT/SENIOR ECONOMIST

EDUCATION

1985	M.B.A., Virginia Commonwealth University
1970	M.A., Economics, Virginia Polytechnic Institute and State University, (Virginia Tech)
1969	B.A., Economics, Virginia Polytechnic Institute and State University, (Virginia Tech)

POSITIONS

2007-Present	President, Technical Associates, Inc.
1995-2007	Executive Vice President and Senior Economist, Technical Associates, Inc.
1993-1995	Vice President and Senior Economist, C. W. Amos of Virginia
1972-1993	Vice President and Senior Economist, Technical Associates, Inc.
1969-1972	Research Economist, Technical Associates, Inc.
1968-1969	Research Associate, Department of Economics, Virginia Polytechnic Institute and State University

ACADEMIC HONORS

Omicron Delta Epsilon - Honor Society in Economics
Beta Gamma Sigma - National Scholastic Honor Society of Business Administration
Alpha Iota Delta - National Decision Sciences Honorary Society
Phi Kappa Phi - Scholastic Honor Society

PROFESSIONAL DESIGNATIONS

Certified Rate of Return Analyst - Founding Member

RELEVANT EXPERIENCE

Financial Economics -- Advised and assisted many Virginia banks and savings and loan associations on organizational and regulatory matters. Testified approximately 25 times before the Virginia State Corporation Commission and the Regional Administrator of National Banks on matters related to branching and organization for banks, savings and loan associations, and consumer finance companies. Advised financial institutions on interest rate structure and loan maturity. Testified before Virginia State Corporation Commission on maximum rates for consumer finance companies.

Testified before several committees and subcommittees of Virginia General Assembly on numerous banking matters.

Clients have included First National Bank of Rocky Mount, Patrick Henry National Bank, Peoples Bank of Danville, Blue Ridge Bank, Bank of Essex, and Signet Bank.

Published articles in law reviews and other periodicals on structure and regulation of banking/financial services industry.

Utility Economics -- Performed numerous financial studies of regulated public utilities. Testified in over 300 cases before some thirty state and federal regulatory agencies.

Prepared numerous rate of return studies incorporating cost of equity determination based on DCF, CAPM, comparable earnings and other models. Developed procedures for identifying differential risk characteristics by nuclear construction and other factors.

Conducted studies with respect to cost of service and indexing for determining utility rates, the development of annual review procedures for regulatory control of utilities, fuel and power plant cost recovery adjustment clauses, power supply agreements among affiliates, utility franchise fees, and use of short-term debt in capital structure.

Presented expert testimony before federal regulatory agencies Federal Energy Regulatory Commission, Federal Power Commission, and National Energy Board (Canada), state regulatory agencies in Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Ontario (Canada), Pennsylvania, South Carolina, Texas, Utah, Vermont, Virginia, West Virginia, Washington, Wisconsin, and Yukon Territory (Canada).

Published articles in law reviews and other periodicals on the theory and purpose of regulation and other regulatory subjects.

Clients served include state regulatory agencies in Alaska, Arizona, Delaware, Missouri, North Carolina, Ontario (Canada), and Virginia; consumer advocates and attorneys general in Alabama, Arizona, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Maryland, Nevada, New Mexico, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah, Vermont, Virginia, and West Virginia; federal agencies including Defense Communications Agency, the Department of Energy, Department of the Navy, and General Services Administration; and various organizations such as Bath Iron Works, Illinois Citizens' Utility Board, Illinois Governor's Office of Consumer Services, Illinois Small Business Utility Advocate, Wisconsin's Environmental Decade, Wisconsin's Citizens Utility Board, and Old Dominion Electric Cooperative.

Insurance Economics -- Conducted analyses of the relationship between the investment income earned by insurance companies on their portfolios and the premiums charged for insurance. Analyzed impact of diversification on financial strength of Blue Cross/Blue Shield Plans in Virginia.

Conducted studies of profitability and cost of capital for property/casualty insurance industry. Evaluated risk of and required return on surplus for various lines of insurance business.

Presented expert testimony before Virginia State Corporation Commission concerning cost of capital and expected gains from investment portfolio. Testified before insurance bureaus of Maine, New Jersey, North Carolina, Rhode Island, South Carolina and Vermont concerning cost of equity for insurance companies.

Prepared cost of capital and investment income return analyses for numerous insurance companies concerning several lines of insurance business. Analyses used by Virginia Bureau of Insurance for purposes of setting rates.

Special Studies -- Conducted analyses which evaluated the financial and economic implications of legislative and administrative changes. Subject matter of analyses include returnable bottles, retail beer sales, wine sales regulations, taxi-cab taxation, and bank regulation. Testified before several Virginia General Assembly subcommittees.

Testified before Virginia ABC Commission concerning economic impact of mixed beverage license.
Clients include Virginia Beer Wholesalers, Wine Institute, Virginia Retail Merchants Association, and Virginia Taxicab Association.

Franchise, Merger & Anti-Trust Economics -- Conducted studies on competitive impact on market structures due to joint ventures, mergers, franchising and other business restructuring. Analyzed the costs and benefits to parties involved in mergers. Testified in federal courts and before banking and other regulatory bodies concerning the structure and performance of markets, as well as on the impact of restrictive practices.

Clients served include Dominion Bankshares, asphalt contractors, and law firms.

Transportation Economics -- Conducted cost of capital studies to assess profitability of oil pipelines, trucks, taxicabs and railroads. Analyses have been presented before the Federal Energy Regulatory Commission and Alaska Pipeline Commission in rate proceedings. Served as a consultant to the Rail Services Planning Office on the reorganization of rail services in the U.S.
Economic Loss Analyses -- Testified in federal courts, state courts, and other adjudicative forums regarding the economic loss sustained through personal and business injury whether due to bodily harm, discrimination, non-performance, or anticompetitive practices. Testified on economic loss to a commercial bank resulting from publication of adverse information

concerning solvency. Testimony has been presented on behalf of private individuals and business firms.

MEMBERSHIPS

American Economic Association
Virginia Association of Economists
Richmond Society of Financial Analysts
Financial Analysts Federation
Society of Utility and Regulatory Financial Analysts

Board of Directors	1992-2000
Secretary/Treasurer	1994-1998
President	1998-2000

RESEARCH ACTIVITY

Books and Major Research Reports

"Stock Price As An Indicator of Performance," Master of Arts Thesis, Virginia Tech, 1970

"Revision of the Property and Casualty Insurance Ratemaking Process Under Prior Approval in the Commonwealth of Virginia," prepared for the Bureau of Insurance of the Virginia State Corporation Commission, with Charles Schotta and Michael J. Ileo, 1971

"An analysis of the Virginia Consumer Finance Industry to Determine the Need for Restructuring the Rate and Size Ceilings on Small Loans in Virginia and the Process by which They are Governed," prepared for the Virginia Consumer Finance Association, with Michael J. Ileo, 1973

State Banks and the State Corporation Commission: A Historical Review, Technical Associates, Inc., 1974

"A Study of the Implications of the Sale of Wine by the Virginia Department of Alcoholic Beverage Control", prepared for the Virginia Wine Wholesalers Association, Virginia Retail Merchants Association, Virginia Food Dealers Association, Virginia Association of Chain Drugstores, Southland Corporation, and the Wine Institute, 1983.

"Performance and Diversification of the Blue Cross/Blue Shield Plans in Virginia: An Operational Review", prepared for the Bureau of Insurance of the Virginia State Corporation Commission, with Michael J. Ileo and Alexander F. Skirpan, 1988.

The Cost of Capital - A Practitioners' Guide, Society of Utility and Regulatory Financial

Analysts, 1997 (previous editions in 1991, 1992, 1993, 1994, and 1995).

Papers Presented and Articles Published

"The Differential Effect of Bank Structure on the Transmission of Open Market Operations," Western Economic Association Meeting, with Charles Schotta, 1971

"The Economic Objectives of Regulation: The Trend in Virginia," (with Michael J. Ileo), William and Mary Law Review, Vol. 14, No. 2, 1973

"Evolution of the Virginia Banking Structure, 1962-1974: The Effects of the Buck-Holland Bill", (with Michael J. Ileo), William and Mary Law Review, Vol. 16, No. 3, 1975

"Banking Structure and Statewide Branching: The Potential for Virginia", William and Mary Law Review, Vol. 18, No. 1, 1976

"Bank Expansion and Electronic Banking: Virginia Banking Structure Changes Past, Present, and Future," William and Mary Business Review," Vol. 1, No. 2, 1976

"Electronic Banking - Wave of the Future?" (with James R. Marchand), Journal of Management and Business Consulting, Vol. 1, No. 1, 1976

"The Pricing of Electricity" (with James R. Marchand), Journal of Management and Business Consulting, Vol. 1, No. 2, 1976

"The Public Interest - Bank and Savings and Loan Expansion in Virginia" (with Richard D. Rogers), University of Richmond Law Review, Vol. 11, No. 3, 1977

"When Is It In the 'Public Interest' to Authorize a New Bank?", University of Richmond Law Review, Vol. 13, No. 3, 1979

"Banking Deregulation and Its Implications on the Virginia Banking Structure," William and Mary Business Review, Vol. 5, No. 1, 1983

"The Impact of Reciprocal Interstate Banking Statutes on The Performance of Virginia Bank Stocks", with William B. Harrison, Virginia Social Science Journal, Vol. 23, 1988

"The Financial Performance of New Banks in Virginia", Virginia Social Science Journal, Vol. 24, 1989

"Identifying and Managing Community Bank Performance After Deregulation", with William B. Harrison, Journal of Managerial Issues, Vol. II, No. 2, Summer 1990

"The Flotation Cost Adjustment To Utility Cost of Common Equity - Theory, Measurement and Implementation," presented at Twenty-Fifth Financial Forum, National Society of Rate of Return Analysts, Philadelphia, Pennsylvania, April 28, 1993.

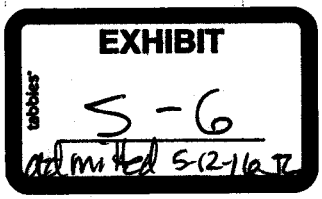
Biography of Myon Edison Bristow, Dictionary of Virginia Biography, Volume 2, 2001.

ARIZONA WATER COMPANY

WESTERN GROUP GENERAL RATE CASE

SETTLEMENT AGREEMENT

Docket No. W-01445A-15-0277



SETTLEMENT AGREEMENT

AND

LIST OF SIGNATORY PARTIES

The purpose of this Settlement Agreement ("Agreement") is to settle identified disputed issues related to Docket No. W-01445A-15-0277, Arizona Water Company's ("AWC" or "Company") application to increase rates for its Western Group of systems as identified in its August 21, 2015 application ("Rate Case"). This Agreement is entered into by the following entities, which together comprise the entirety of the parties to this proceeding, including all intervenors:

Arizona Water Company
Arizona Corporation Commission Utilities Division ("Staff")
Residential Utility Consumer Office ("RUCO")
Abbott Laboratories ("Abbott")
Western Infrastructure Sustainability Effort ("WISE")

These entities shall be referred to collectively as the "Signatory Parties."

TERMS AND CONDITIONS

In consideration of the promises and agreements contained in this Agreement, the Signatory Parties agree that the following numbered sections and subsections, including attached exhibits and schedules, comprise the Signatory Parties' Agreement.

1.0 RECITALS

1.1 Docket No. W-01445A-15-0277 was commenced by the filing of a notice of intent to file a general rate application by AWC on July 31, 2015. AWC subsequently filed its general rate application on August 21, 2015. AWC's general rate application ("Application") requested a total proposed revenue increase of $6,010,408, or approximately 28.33%, and a Fair Value Rate Base ("FVRB") of $67,417,785.

1.2 Following a sufficiency finding by Staff on September 14, 2015, RUCO filed an Application to Intervene on September 15, 2015. Abbott filed an Application to Intervene on September 30, 2015. WISE filed an Application to Intervene on December 16, 2015.

1.3 The Administrative Law Judge granted the applications to intervene filed by RUCO, Abbott and WISE ("Intervenors"). No other persons or entities have intervened in this proceeding.

1.4 The Administrative Law Judge scheduled an evidentiary hearing on the Application to commence on May 9, 2016.

1.5 The parties' litigation positions for hearing associated with the total proposed revenue increase and FVRB[1], together with the amount proposed in settlement,[2] are as follows:

	Revenue Increase	% Increase	FVRB
Company	$6,007,339	29.16%	$64,367,950
Staff	$3,788,915	17.85%	$63,874,767
RUCO	$3,189,426	14.92%	$61,693,221
Agreement	**$4,572,937**	**21.55%**	**$63,422,861**

1.6 The parties' litigation positions for hearing included varying rate design proposals. Abbott offered evidence that the revenue requirement for Abbott's 6-inch nonpotable service connection at the Company's proposed rates was 37.62% less than current annual billings to Abbott. Abbott requested that its 6-inch nonpotable service connection be recognized as a

[1] Reflects the Company's position as filed on 4/13/2016, in rebuttal, and Staff and RUCO's position as filed on 3/18/2016, in direct testimony.

[2] WISE and Abbott did not advocate for a particular amount of revenue increase or FVRB, but rather focused on issues specific to their interests, the resolution of which are set forth in other sections of this Agreement.

separate rate class due to the unique service characteristics and non-typical cost of service profile.

1.7 Staff filed a notice of settlement discussions on April 11, 2016. The Signatory Parties were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate. Pursuant to a notice, formal settlement discussions between the Signatory Parties were held on April 25, 2016, at the Commission's offices, with a settlement reached on all issues in the Rate Case by the Signatory Parties.

1.8 The Signatory Parties agree that the negotiation process undertaken in this matter was open, transparent and inclusive of all Signatory Parties, with each such party having an equal opportunity to participate. All Signatory Parties, including their counsel and principal witnesses and representatives, attended and actively participated in all phases of the settlement discussions. This Agreement is a result of those meetings and the Signatory Parties' good faith efforts to settle all of the issues presented in this Rate Case. A material consideration by AWC in compromising its positions is the ability to quickly move its Application to final determination by the Commission, so that the new rates as set forth in this Agreement and ordered by the Commission may be implemented at the earliest possible date. To this end, the Signatory Parties agree to expedite their efforts in advancing this matter before the Commission consistent with the Procedural Orders made in the Rate Case and Commission Rules.

1.9 The purpose of this Agreement is to settle all issues presented in the Rate Case in a manner that will promote the public interest, provide for a prompt resolution of the issues, and allow expeditious implementation of the new rates as ordered by the Commission.

1.10 The Signatory Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by the Rate Case, establishing just and reasonable rates for AWC's customers, and promoting the health, welfare and safety of AWC's customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation.

1.11 The Signatory Parties agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with all other necessary findings, and (2) approve the Agreement and order that the Agreement and the rates contained therein shall become effective at the earliest practicable date.

2.0 REVENUE REQUIREMENT, RATE BASE, INCOME STATEMENTS AND ADJUSTMENTS TO SAME

2.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that:

2.2 AWC will receive an annual increase in revenues of $4,572,937 for an annual revenue requirement of $25,789,706;

2.3 The FVRB, which is determined based on the Original Cost Less Depreciation Rate Base for purposes of this Rate Case, is $63,422,861.

2.4 The breakdown of test year revenues of the Western Group among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems is set forth in Schedule A-1 attached and incorporated into the Agreement by this reference.

2.5 The breakdown of FVRB of the Western Group among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems is set forth in Schedule B-1 attached and incorporated into the Agreement by this reference.

2.6 The Pro Forma Adjustments applicable to FVRB for the Western Group and the breakdown of such adjustments among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems and the Phoenix Office and Meter Shop are set forth in Schedule B-2, including its appendix attached, which are incorporated into the Agreement by this reference.

2.7 The Adjusted Test Year Operating Income applicable to the Western Group and the breakdown of same among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems are set forth in Schedule C-1 attached and incorporated into the Agreement by this reference.

2.8 The Income Statement Pro Forma Adjustments applicable to the Western Group and the breakdown of such adjustments among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems are set forth in Schedule C-2, including its appendix attached, which are incorporated into the Agreement by this reference.

2.9 The computation of the Gross Revenue Conversion Factor applicable to the Western Group and the breakdown of such factor among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems are set forth in Schedule C-3 attached and incorporated into the Agreement by this reference.

3.0 COST OF CAPITAL

3.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that an appropriate return on common equity shall be 10.0%, an appropriate cost of long-term debt shall be 6.82%, and that a capital structure comprised of 46.31% long-term debt and 53.69% common equity shall be adopted, which equates to a weighted cost of debt of 3.16%, a weighted cost of common equity of 5.37%, and an overall Weighted Average Cost of Capital of 8.53%, as set forth in Schedule D-1 attached and incorporated into the Agreement by this reference.

3.2 RUCO raised a concern in prefiled testimony that AWC's cost of debt was high compared to that of publicly traded water utilities and current interest rates. For the purposes of settlement AWC agrees that going forward it will use its best good faith efforts to reduce its cost of debt, and that any future debt will be prudently incurred under the most reasonable terms and lowest cost reasonably available.

4.0 RATE DESIGN

4.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that:

4.2 The summary of revenues by customer classification for the Western Group and the breakdown of such revenues by classification among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems shall be as set forth in Schedule H-1 attached and incorporated into the Agreement by this reference.

4.3 The specific revenues by customer classification for the Western Group and the breakdown of such specific revenues by classification among the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems are set forth in Schedule H-2 attached and incorporated into the Agreement by this reference.

4.4 The summary of changes in representative rate schedules by customer classification for the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems is set forth in Schedule H-3 attached and incorporated into the Agreement by this reference.

4.5 The summary of a typical bill analysis, showing impact on bills from the settlement set forth in this Agreement for the Pinal Valley (Casa Grande, Coolidge, Stanfield), White Tank and Ajo systems is set forth in Schedule H-4 attached and incorporated into the Agreement by this reference.

4.6 Abbott Laboratories' 6-inch nonpotable service connection shall be served under a special tariffed rate, as set forth in Schedule H-3 attached and incorporated into the Agreement by this reference.

5.0 NITRATE DEFERRAL

5.1 The Signatory Parties agree that AWC is authorized to defer its incurred costs associated with the installation and operation of the nitrate treatment facilities set forth on the attached Schedule. Support for all elements of these deferred costs shall be maintained by the Company. These deferrals should be subject to the following ratemaking treatment:

5.1.1 All costs should be recorded on AWC's books and records as incurred.

5.1.2 An allowance for funds used during construction ("AFUDC") should be recorded during construction in the ordinary and customary manner for such construction projects.

5.1.3 AWC shall depreciate the nitrate treatment plant additions at the current Commission approved depreciation rates.

5.1.4 AWC shall defer the depreciation expense, cost of media replacement or regeneration, cost of chemicals, and waste media disposal for these facilities once they are placed

in service and operating, and may record post-in service AFUDC for consideration of recovery in AWC's next Western Group rate case. Such deferred cost shall be recorded as a regulatory asset.

5.1.5 The Signatory parties acknowledge that the cost of constructing and operating these nitrate treatment facilities can only be estimated at this time. The Signatory parties agree that the actual, total amount of deferred costs, including depreciation expense, the cost of media replacement or regeneration, cost of chemicals, waste media disposal, and post in-service AFUDC, shall not exceed $21,738,368.

6.0 OTHER SETTLEMENT ISSUES

6.1 The Signatory Parties agree to a rate case expense amount for AWC of $360,000 to be amortized over three (3) years as shown on Schedule C-2 Settlement Appendix, page 3 of 16.

6.2 The Signatory Parties agree that AWC may defer tank maintenance costs for possible recovery in a future rate case, and that AWC is authorized to record such deferral of costs. Further AWC shall keep and maintain adequate records to support the deferred costs.

6.3 The Signatory Parties agree on AWC's proposal to continue its Arsenic Cost Recovery Mechanism ("ACRM"). AWC's General Service Tariff shall be amended to provide limited exceptions to the ACRM surcharge to exclude Abbott Laboratories' dedicated 6-inch service connection from the calculation and application of the surcharge.

6.4 The Signatory Parties agree that the deferral period on the used and useful portion of the deferred M&I Central Arizona Project ("CAP") water charges is extended from twenty to twenty five years as shown on Schedule C-2 Settlement Appendix, page 6 of 16.

6.5 The Signatory Parties agree that AWC shall file a plan of administration for its CAP surcharge within 90 days of a decision in this matter for review and approval by Staff.

6.6 The Signatory Parties agree that AWC shall convert its Uniform System of Accounts ("USOA") to the 1996 version of the National Association of Regulatory Utility Commissioners' ("NARUC") USOA, but will continue using the current version until filing a rate case that uses a 2017 or later test year.

6.7 AWC's next Western Group general rate case filing, or rate case filed for any individual system of the Western Group, shall use a test year including at least twelve months of actual experience with the rates approved in this Rate Case.

6.8 AWC agrees to begin recording its accumulated depreciation reserve by individual utility plant account. In addition, AWC agrees to conduct a comprehensive depreciation study in order to develop a reasonable methodology for allocating its existing accumulated depreciation reserve account to the appropriate utility plant accounts for all service areas. The Company will have completed such depreciation study by the time of filing its next

rate case using a 2017 or later test year. The cost for this study will be deferred for consideration of recovery in a future rate case.

6.9 The Signatory Parties agree on AWC's Off-site Facilities Fee for the White Tank service area, as proposed in its Application.

6.10 The Signatory Parties agree on AWC's proposal to continue its Off-site Facilities Fee tariff schedule for the Pinal Valley (Casa Grande, Coolidge and Stanfield) service area.

6.11 The Signatory Parties agree on AWC's proposal to continue its CAP M&I Fee tariff schedules for the Pinal Valley (Casa Grande and Coolidge only) and White Tank service areas.

6.12 Given the current procedural standing of judicial review of the System Improvement Benefits (SIB) mechanism in the Arizona courts, the Signatory Parties have agreed not to include terms of a SIB mechanism in this Agreement. Should the Supreme Court uphold the Commission's authority to create the SIB by finding that the SIB is a legal ratemaking mechanism, any Signatory Party may use appropriate procedural mechanisms to seek to add a SIB mechanism and shall not be deemed to have waived its right to do so by entering into this Agreement.

7.0 COMMISSION EVALUATION OF PROPOSED SETTLEMENT

7.1 This Agreement shall serve as a procedural device by which the Signatory Parties will submit their proposed settlement of AWC's Rate Case Docket No. W-01445A-15-0277 to the Commission.

7.2 All currently-filed testimony and exhibits, as well as the testimony in support of this Agreement shall be offered into the Commission's record as evidence.

7.3 The Signatory Parties recognize that the Commission will independently consider and evaluate the terms of this Agreement.

7.4 If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatory Parties shall abide by the terms as approved by the Commission.

7.5 The Signatory Parties agree to support and defend this Agreement, including filing testimony in support of the Agreement and presenting evidence in support of the Agreement at the hearing scheduled to begin on May 12, 2016, and will not oppose any provision of the Agreement in pre-filed or live testimony or otherwise. The parties agree to waive their rights to appeal a Commission Decision approving the same, provided that the Commission approves all material provisions of the Agreement. The Signatory Parties shall take reasonable steps to expedite consideration of the settlement, entry of a Decision adopting the settlement, and implementation of the rates anticipated in this Agreement and shall not seek any delay in the schedules set for consideration of the Agreement or for the Administrative Law Judge's or Commission's consideration of the settlement embodied in the Agreement. If the

Commission adopts an order approving all material terms of this Agreement, the Signatory Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue, except that no Party will be required to hire an attorney or otherwise expend money in demonstrating such support.

7.6 Consistent with any order of the Commission, AWC shall file compliance tariffs for Staff review and approval. Such compliance tariffs, however, will become effective upon the effective date of the rate increase stated in the Commission's Order.

7.7 If the Commission fails to issue an order adopting all material terms of this Agreement or adds new or different material terms to this Agreement, any or all of the Signatory Parties may withdraw from this Agreement, and such Signatory Party or Parties may pursue without prejudice their respective remedies at law. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw from the Agreement. If a Signatory Party files an application for rehearing before the Commission, Staff shall not be obligated to file any document or take any position regarding the withdrawing Signatory Party's application for rehearing.

7.8 The Signatory parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

8.0 MISCELLANEOUS PROVISIONS

8.1 The provisions set forth in the Agreement are made for purposes of settlement only and shall not be construed as admissions against interest or waivers of litigation positions of the Signatory parties in this Rate Case or related to other or future rate cases.

8.2 This Agreement represents the Signatory Parties' mutual desire to settle disputed issues in a manner consistent with the public interest. None of the positions taken in this Agreement by any of the Signatory Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.

8.3 This case presents a unique set of circumstances and to achieve consensus for settlement, participants may be accepting positions that, in other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.

8.4 No Signatory Party is bound by any position asserted in negotiations, except as expressly stated otherwise in this Agreement. No Signatory Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, or any other regulatory agency, or any court.

8.5 Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

8.6 The Signatory Parties warrant and represent that each person whose signature appears below is fully authorized and empowered to execute this Agreement.

8.7 The Signatory Parties acknowledge that they are represented by competent legal counsel and that they understand all of the terms of this Agreement and have had an opportunity to participate in the drafting of this Agreement and to fully review it with their counsel before signing, and that they execute this Agreement with full knowledge of the terms of the Agreement.

8.8 This Agreement may be executed in any number of counterparts and by each individual Signatory Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

8.9 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.

8.10 Nothing in this Agreement shall prevent AWC from requesting a change to its rates in the event of conditions or circumstances that constitute an emergency. For purposes of this Agreement, the term "emergency" is limited to an extraordinary event that, in the Commission's judgment, requires rate relief in order to protect the public interest. This provision is not intended to preclude Staff or any Intervenor from opposing an application for rate relief filed by AWC pursuant to this paragraph. Nothing in this Agreement is intended to limit the Commission's ability to change rates at any time pursuant to its lawful authority.

Executed this 6th day of May, 2016.

ARIZONA WATER COMPANY

By: William M Garfield
Name: William M. Garfield
Its: President and COO

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

for ~~By:~~ Thomas J. Broderick
Name: Thomas Broderick
Its: Director Utilities Division

RESIDENTIAL UTILITY CONSUMER OFFICE

By: David Emery

Name:

Its:

ABBOTT LABORATORIES

By: _____
Name: Troy D. Rosenow
Its: Site Director

WESTERN INFRASTRUCTURE
SUSTAINABILITY EFFORT

By: Doug Patterson
Name: Doug Patterson
Its: _____

ARIZONA WATER COMPANY

TARIFF SCHEDULE – OFF-SITE FACILITIES FEE (WATER)

Filed by: William M. Garfield
Title: President
Date of Original Filing: April 30, 2012
System(s): **PINAL VALLEY (CASA GRANDE, COOLIDGE, STANFIELD)**

A.C.C. No.
Cancelling A.C.C. No. 527
Tariff or Schedule No. FF-101
Filed:
Effective:

I. Purpose and Applicability

The purpose of the off-site facilities fees payable to Arizona Water Company ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, treatment, delivery, recharge, recovery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, including Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

"CAP Water" means water from the Central Arizona Project provided directly or indirectly to the Company.

"Company" means Arizona Water Company.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities necessary for the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means water treatment facilities, including treatment of CAP Water and other available water supplies, recharge and recovery facilities, storage tanks and related appurtenances and equipment necessary for proper operation of such water treatment facilities, including engineering and design costs. Off-site facilities may also include booster pumps, wells for recovery of stored CAP water or other groundwater supplies, pressure tanks, transmission mains and related appurtenances and equipment necessary for proper operation of such facilities if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential or commercial, industrial other uses, regardless of meter size.

III. Off-Site Water Facilities Fee

For each new service connection, the Company shall collect an off-site facilities fee derived from the following table:

OFF-SITE FACILITIES FEE TABLE

Meter Size	Size Factor	Total Fee	
		Residential	All Other Classes
5/8" x 3/4 "	1	$3,500	$3,500
3/4"	1.5	$3,500	$5,250
1"	2.5	$8,750	$8,750
1-1/2 "	5	$17,500	$17,500
2"	8	$28,000	$28,000
3"	16	$56,000	$56,000
4"	25	$87,500	$87,500
6" or larger	50	$175,000	$175,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Facilities Fee: The off-site facilities fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge). These charges are not applicable to additional service connections that are established as back-up connections, under the condition that these service connections are not to be used at the same time.

(B) Use of Off-Site Facilities Fee: Off-site facilities fees may only be used to pay for capital items of off-site facilities or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site facilities fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under tariff as Contributions in Aid of Construction ("CIAC"); however, such amounts shall not be deducted from rate base until such amounts have been expended for utility plant.

(C) Time of Payment:

1) For those requiring a Main Extension Agreement: In the event that the Applicant is required to enter into a Main Extension Agreement, whereby the Applicant agrees to advance the

costs of installing mains, valves, fittings, hydrants and other on-site improvements or construct such improvements in order to extend service in accordance with R-14-2-406(B), payment of the off-site facilities fees required hereunder shall be made by the Applicant no later than 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

2) For those connecting to an existing main: In the event that the Applicant is not required to enter into a Main Extension Agreement, the off-site facilities fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant may agree to construction of off-site facilities necessary to serve a particular development by Applicant, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site facilities fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant and conveyed to Company is less than the applicable off-site facilities fees under this Tariff, Applicant shall pay the remaining amount of off-site facilities fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant and conveyed to Company is more than the applicable off-site facilities fees under this Tariff, Applicant shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Applicant in the event that the Applicant has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision and/or Development Projects: In the event that the Applicant is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site facilities fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's construction schedule and water service requirements. In the alternative, the Applicant shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Facilities Fees Non-refundable: The amounts collected by the Company as off-site facilities fees shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Facilities Fees Received: All funds collected by the Company as off-site facilities fees shall be deposited into a separate interest bearing bank account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Facilities Fee in Addition to On-site Facilities: The off-site facilities fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to this tariff, or if the off-site facilities fee tariff has been terminated by order of the Arizona Corporation Commission, any funds remaining in the bank account shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the Applicant for service has fire flow requirements that require additional facilities not covered by this tariff, such additional facilities shall be constructed under a separate Main Extension Agreement as a non- refundable contribution and shall be in addition to the off-site facilities fees.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year off-site facilities fee status report each January 31st to Docket Control for the prior twelve (12) month period, beginning January 31, 2017, until the off-site facilities fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the off-site facilities fee, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

ARIZONA WATER COMPANY

TARIFF SCHEDULE – OFF-SITE FACILITIES FEE (WATER)

Filed by: William M. Garfield
Title: President
Date of Original Filing: August 7, 2015
System(s): **WHITE TANK**

A.C.C. No.
Cancelling A.C.C. No.
Tariff or Schedule No.
Filed: August 7, 2015
Effective:

I. Purpose and Applicability

The purpose of the off-site facilities fees payable to Arizona Water Company ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, treatment, delivery, recharge, recovery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, including Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

"CAP Water" means water from the Central Arizona Project provided directly or indirectly to the Company.

"Company" means Arizona Water Company.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities necessary for the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means water treatment facilities, including treatment of CAP Water and other available water supplies, recharge and recovery facilities, storage tanks and related appurtenances and equipment necessary for proper operation of such water treatment facilities, including engineering and design costs. Off-site facilities may also include booster pumps, wells for recovery of stored CAP water or other groundwater supplies, pressure tanks, transmission mains and related appurtenances and equipment necessary for proper operation of such facilities if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential or commercial, industrial other uses, regardless of meter size.

III. Off-Site Water Facilities Fee

For each new service connection, the Company shall collect an off-site facilities fee derived from the following table:

OFF-SITE FACILITIES FEE TABLE

		Total Fee	
Meter Size	**Size Factor**	**Residential**	**All Other Classes**
5/8" x 3/4 "	1	$2,500	$2,500
3/4"	1.5	$2,500	$3,750
1"	2.5	$6,250	$6,250
1-1/2 "	5	$12,500	$12,500
2"	8	$20,000	$20,000
3"	16	$40,000	$40,000
4"	25	$62,500	$62,500
6" or larger	50	$125,000	$125,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Facilities Fee: The off-site facilities fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge). These charges are not applicable to additional service connections that are established as back-up connections, under the condition that these service connections are not to be used at the same time.

(B) Use of Off-Site Facilities Fee: Off-site facilities fees may only be used to pay for capital items of off-site facilities or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site facilities fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under tariff as Contributions in Aid of Construction ("CIAC"); however, such amounts shall not be deducted from rate base until such amounts have been expended for utility plant.

(C) Time of Payment:

1) For those requiring a Main Extension Agreement: In the event that the Applicant is required to enter into a Main Extension Agreement, whereby the Applicant agrees to advance the

costs of installing mains, valves, fittings, hydrants and other on-site improvements or construct such improvements in order to extend service in accordance with R-14-2-406(B), payment of the off-site facilities fees required hereunder shall be made by the Applicant no later than 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

2) For those connecting to an existing main: In the event that the Applicant is not required to enter into a Main Extension Agreement, the off-site facilities fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant may agree to construction of off-site facilities necessary to serve a particular development by Applicant, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site facilities fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant and conveyed to Company is less than the applicable off-site facilities fees under this Tariff, Applicant shall pay the remaining amount of off-site facilities fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant and conveyed to Company is more than the applicable off-site facilities fees under this Tariff, Applicant shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Applicant in the event that the Applicant has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision and/or Development Projects: In the event that the Applicant is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site facilities fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's construction schedule and water service requirements. In the alternative, the Applicant shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Facilities Fees Non-refundable: The amounts collected by the Company as off-site facilities fees shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Facilities Fees Received: All funds collected by the Company as off-site facilities fees shall be deposited into a separate interest bearing bank account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Facilities Fee in Addition to On-site Facilities: The off-site facilities fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to this tariff, or if the off-site facilities fee tariff has been terminated by order of the Arizona Corporation Commission, any funds remaining in the bank account shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the Applicant for service has fire flow requirements that require additional facilities not covered by this tariff, such additional facilities shall be constructed under a separate Main Extension Agreement as a non- refundable contribution and shall be in addition to the off-site facilities fees.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year off-site facilities fee status report each January 31st to Docket Control for the prior twelve (12) month period, beginning January 31, 2017, until the off-site facilities fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the off-site facilities fee, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Increase in Gross Revenue Requirement

Line No.	Description	Western Group [A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
		Company - As Filed				Settlement			
4	Adjusted Rate Base	$ 67,417,785				$ 63,422,861			
6	Adjusted Operating Income	$ 2,357,130				$ 2,621,423			
8	Current Rate of Return (Ln. 6 ÷ Ln. 4)	3.50%				4.13%			
10	Required Operating Income (Ln. 4 X Ln. 12)	$ 6,021,978				$ 5,409,741			
12	Required Rate of Return	8.93%				8.53%			
14	Operating Income Deficiency (Ln. 10 - Ln. 6)	$ 3,664,848				$ 2,788,318			
16	Gross Revenue Conversion Factor	1.6400				1.6400			
18	Required Increase in Gross Revenue (Ln. 14 X Ln. 16)	$ 6,010,408				$ 4,572,937			

Line No.	Customer Classification	Revenue - Present Rates	Revenue - Proposed Rates	Dollar Increase	Percent Increase	Revenue - Present Rates	Revenue - Proposed Rates	Dollar Increase	Percent Increase
31	Residential	$ 13,396,945	$ 17,069,179	$ 3,672,234	27.41%	$ 13,396,945	$ 16,286,196	$ 2,889,251	21.57%
32	Commercial	5,959,602	7,935,581	1,975,979	33.16%	5,959,602	7,465,458	1,505,857	25.27%
33	Industrial	161,824	217,366	55,542	34.32%	161,824	218,971	57,147	35.31%
34	Large Industrial	225,896	306,103	80,206	35.51%	225,896	309,009	83,113	36.79%
35	Abbott Laboratories	586,240	672,045	85,805	14.64%	586,240	498,034	(88,207)	-15.05%
36	Private Fire Service	124,650	174,510	49,860	40.00%	124,650	174,510	49,860	40.00%
37	Other Water Revenues	251,834	342,551	90,717	36.02%	251,834	327,686	75,852	30.12%
39	Total Water Revenues	$ 20,706,991	$ 26,717,335	$ 6,010,343	29.03%	$ 20,706,991	$ 25,279,864	$ 4,572,873	22.08%
41	Miscellaneous Revenues	509,842	509,842	-	0.00%	509,842	509,842	-	0.00%
43	Total Operating Revenues	$ 21,216,833	$ 27,227,177	6,010,343	28.33%	$ 21,216,833	$ 25,789,706	$ 4,572,873	21.55%

Supporting Schedules:
B-1 Settlement, C-1 Settlement, C-3 Settlement, H-1 Settlement

Recap Schedules:

Pinal Valley

Line No.	Description	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
		Company - As Filed				Settlement			
4	Adjusted Rate Base	$ 61,344,294				$ 57,511,994			
6	Adjusted Operating Income	$ 2,215,360				$ 2,403,430			
8	Current Rate of Return (Ln. 6 ÷ Ln. 4)	3.61%				4.18%			
10	Required Operating Income (Ln. 4 X Ln. 12)	$ 5,479,474				$ 4,905,565			
12	Required Rate of Return	8.93%				8.53%			
14	Operating Income Deficiency (Ln. 10 - Ln. 6)	$ 3,264,114				$ 2,502,135			
16	Gross Revenue Conversion Factor	1.6403				1.6403			
18	Required Increase in Gross Revenue								
19	(Ln. 14 X Ln. 16)	$ 5,354,172				$ 4,104,288			

Line No.	Customer Classification	Revenue - Present Rates	Revenue - Proposed Rates	Dollar Increase	Percent Increase	Revenue - Present Rates	Revenue - Proposed Rates	Dollar Increase	Percent Increase
31	Residential	$ 11,298,423	$ 14,478,782	$ 3,180,359	28.15%	$ 11,298,423	$ 13,837,510	$ 2,539,087	22.47%
32	Commercial	5,412,847	7,237,593	1,824,746	33.71%	5,412,847	6,812,239	1,399,392	25.85%
33	Industrial	161,824	217,366	55,542	34.32%	161,824	218,971	57,147	35.31%
34	Large Industrial	209,904	282,545	72,641	34.61%	209,904	285,452	75,548	35.99%
35	Abbott Laboratories	586,240	672,045	85,805	14.64%	586,240	498,034	(88,207)	-15.05%
36	Private Fire Service	121,650	170,310	48,660	40.00%	121,650	170,310	48,660	40.00%
37	Other Water Revenues	215,938	302,299	86,361	39.99%	215,938	288,542	72,604	33.62%
39	Total Water Revenues	$ 18,006,827	$ 23,360,941	$ 5,354,114	29.73%	$ 18,006,827	$ 22,111,057	$ 4,104,231	22.79%
41	Miscellaneous Revenues	461,120	461,120	-	0.00%	461,120	461,120	-	0.00%
43	Total Operating Revenues	$ 18,467,946	$ 23,822,061	$ 5,354,114	28.99%	$ 18,467,946	$ 22,572,177	$ 4,104,231	22.22%

White Tank

Line No.	Description	[A] Company - As Filed	[E] Settlement
4	Adjusted Rate Base	$ 5,107,756	$ 4,964,851
6	Adjusted Operating Income	$ 113,125	$ 176,365
8	Current Rate of Return (Ln. 6 ÷ Ln. 4)	2.21%	3.55%
10	Required Operating Income (Ln. 4 X Ln. 12)	$ 456,242	$ 423,484
12	Required Rate of Return	8.93%	8.53%
14	Operating Income Deficiency (Ln. 10 - Ln. 6)	$ 343,116	$ 247,119
16	Gross Revenue Conversion Factor	1.6377	1.6377
18	Required Increase in Gross Revenue (Ln. 14 X Ln. 16)	$ 561,919	$ 404,704

Line No.	Customer Classification	[A] Revenue - Present Rates	[B] Revenue - Proposed Rates	[C] Dollar Increase	[D] Percent Increase	[E] Revenue - Present Rates	[F] Revenue - Proposed Rates	[G] Dollar Increase	[H] Percent Increase
31	Residential	$ 1,791,595	$ 2,220,136	$ 428,541	23.92%	$ 1,791,595	$ 2,097,342	$ 305,747	17.07%
32	Commercial	421,627	542,416	120,789	28.65%	421,627	509,038	87,411	20.73%
33	Industrial	-	-	-	0.00%	-	-	-	0.00%
34	Large Industrial	15,992	23,557	7,565	47.31%	15,992	23,557	7,565	47.31%
35	Abbott Laboratories	-	-	-	0.00%	-	-	-	0.00%
36	Private Fire Service	1,800	2,520	720	40.00%	1,800	2,520	720	40.00%
37	Other Water Revenues	35,331	39,659	4,328	12.25%	35,331	38,616	3,285	9.30%
39	Total Water Revenues	$ 2,266,346	$ 2,828,289	$ 561,944	24.80%	$ 2,266,346	$ 2,671,074	$ 404,729	17.86%
41	Miscellaneous Revenues	44,621	44,621	-	0.00%	44,621	44,621	-	0.00%
43	Total Operating Revenues	$ 2,310,966	$ 2,872,910	$ 561,944	24.32%	$ 2,310,966	$ 2,715,695	$ 404,729	17.51%

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Increase in Gross Revenue Requirement

Ajo

Line No.	Description	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
		Company - As Filed				Settlement			
4	Adjusted Rate Base	$ 965,735				$ 946,016			
6	Adjusted Operating Income	$ 28,644				$ 41,628			
8	Current Rate of Return (Ln. 6 ÷ Ln. 4)	2.97%				4.40%			
10	Required Operating Income (Ln. 4 X Ln. 12)	$ 86,263				$ 80,692			
12	Required Rate of Return	8.93%				8.53%			
14	Operating Income Deficiency (Ln. 10 - Ln. 6)	$ 57,618				$ 39,064			
16	Gross Revenue Conversion Factor	1.6369				1.6369			
18	Required Increase in Gross Revenue								
19	(Ln. 14 X Ln. 16)	$ 94,318				$ 63,945			

Line No.	Customer Classification	Revenue - Present Rates	Revenue - Proposed Rates	Dollar Increase	Percent Increase	Revenue - Present Rates	Revenue - Proposed Rates	Dollar Increase	Percent Increase
31	Residential	$ 306,927	$ 370,261	$ 63,334	20.63%	$ 306,927	$ 351,344	$ 44,417	14.47%
32	Commercial	125,128	155,572	30,444	24.33%	125,128	144,181	19,054	15.23%
33	Industrial	-	-	-	0.00%	-	-	-	0.00%
34	Large Industrial	-	-	-	0.00%	-	-	-	0.00%
35	Abbott Laboratories	-	-	-	0.00%	-	-	-	0.00%
36	Private Fire Service	1,200	1,680	480	40.00%	1,200	1,680	480	40.00%
37	Other Water Revenues	564	592	28	4.94%	564	528	(37)	-6.50%
39	Total Water Revenues	$ 433,819	$ 528,105	$ 94,286	21.73%	$ 433,819	$ 497,733	$ 63,914	14.73%
41	Miscellaneous Revenues	4,101	4,101	-	0.00%	4,101	4,101	-	0.00%
43	Total Operating Revenues	$ 437,921	$ 532,206	$ 94,286	21.53%	$ 437,921	$ 501,834	$ 63,914	14.59%

Supporting Schedules:
B-1 Settlement, C-1 Settlement, C-3 Settlement, H-1 Settlement

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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Original Cost Rate Base

Line No.		Western Group [A] Original Cost Rate Base - As Filed	[B] Settlement Adjustments	[C] Original Cost Rate Base - Settlement
1				
2	Gross Plant in Service	$ 207,103,607	$ (2,548,869)	$ 204,554,738
3				
4	Less:			
5	Accumulated Depreciation	50,872,499	(41,671)	50,830,828
6	Net Plant in Service	$ 156,231,108	$ (2,507,198)	$ 153,723,910
7				
8	Less:			
9	Advances in Aid of Construction	52,761,243	-	52,761,243
10	Contributions in Aid of Construction:			
11	Gross	33,654,716	-	33,654,716
12	Accumulated Amortization	(5,667,819)	-	(5,667,819)
13	Net Contributions in Aid of Construction	$ 27,986,897	$ -	$ 27,986,897
14				
15	Deferred Income Tax	14,084,977	1,217,361	15,302,338
16	Customer Deposits	466,238	-	466,238
17				
18	Add:			
19	Working Capital	1,732,229	(270,365)	1,461,863
20	Net Regulatory Asset / (Liability)	4,753,804	-	4,753,804
21				
22				
23	Total Rate Base	$ 67,417,785	$ (3,994,924)	$ 63,422,861
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Original Cost Rate Base

Line No.		Pinal Valley [A] Original Cost Rate Base - As Filed	Pinal Valley [B] Settlement Adjustments	Pinal Valley [C] Original Cost Rate Base - Settlement	White Tank [A] Original Cost Rate Base - As Filed	White Tank [B] Settlement Adjustments	White Tank [C] Original Cost Rate Base - Settlement	Ajo [A] Original Cost Rate Base - As Filed	Ajo [B] Settlement Adjustments	Ajo [C] Original Cost Rate Base - Settlement
1										
2	Gross Plant in Service	$ 172,895,726	$ (2,462,705)	$ 170,433,021	$ 31,633,216	$ (73,230)	$ 31,559,986	$ 2,574,664	$ (12,934)	$ 2,561,731
3										
4	Less:									
5	Accumulated Depreciation	44,260,678	(40,196)	44,220,482	5,425,556	(1,257)	5,424,298	1,186,265	(217)	1,186,048
6	Net Plant in Service	$ 128,635,048	$ (2,422,509)	$ 126,212,539	$ 26,207,660	$ (71,973)	$ 26,135,687	$ 1,388,399	$ (12,716)	$ 1,375,683
7										
8	Less:									
9	Advances in Aid of Construction	36,540,428	-	36,540,428	16,185,732	-	16,185,732	35,084	-	35,084
10	Contributions in Aid of Construction:									
11	Gross	29,481,326	-	29,481,326	4,006,138	-	4,006,138	167,252	-	167,252
12	Accumulated Amortization	(5,181,305)	-	(5,181,305)	(458,417)	-	(458,417)	(28,097)	-	(28,097)
13	Net Contributions in Aid of Construction	$ 24,300,021	$ -	$ 24,300,021	$ 3,547,721	$ -	$ 3,547,721	$ 139,155	$ -	$ 139,155
14										
15	Deferred Income Tax	12,343,427	1,133,789	13,477,215	1,473,620	83,540	1,557,159	267,931	32	267,963
16	Customer Deposits	422,585	-	422,585	34,152	-	34,152	9,501	-	9,501
17										
18	Add:									
19	Working Capital	1,561,902	(276,002)	1,285,900	141,320	12,608	153,927	29,007	(6,971)	22,036
20	Net Regulatory Asset / (Liability)	4,753,804	-	4,753,804	-	-	-	-	-	-
21										
22										
23	Total Rate Base	$ 61,344,294	$ (3,832,300)	$ 57,511,994	$ 5,107,756	$ (142,905)	$ 4,964,851	$ 965,735	$ (19,719)	$ 946,016
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Original Cost Rate Base

Line No.		Phoenix Office [A] Original Cost Rate Base - As Filed	Phoenix Office [B] Settlement Adjustments	Phoenix Office [C] Original Cost Rate Base - Settlement	Meter Shop [A] Original Cost Rate Base - As Filed	Meter Shop [B] Settlement Adjustments	Meter Shop [C] Original Cost Rate Base - Settlement
1							
2	Gross Plant in Service	$ -	$ -	$ -	$ -	$ -	$ -
3							
4	Less:						
5	Accumulated Depreciation	-	-	-	-	-	-
6	Net Plant in Service	$ -	$ -	$ -	$ -	$ -	$ -
7							
8	Less:						
9	Advances in Aid of Construction	-	-	-	-	-	-
10	Contributions in Aid of Construction:						
11	Gross	-	-	-	-	-	-
12	Accumulated Amortization	-	-	-	-	-	-
13	Net Contributions in Aid of Construction	$ -	$ -	$ -	$ -	$ -	$ -
14							
15	Deferred Income Tax	-	-	-	-	-	-
16	Customer Deposits	-	-	-	-	-	-
17							
18	Add:						
19	Working Capital	-	-	-	-	-	-
20	Net Regulatory Asset / (Liability)	-	-	-	-	-	-
21							
22							
23	Total Rate Base	$ -	$ -	$ -	$ -	$ -	$ -
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Original Cost Rate Base Pro Forma Adjustments

Exhibit
Schedule B-2 Settlement
Page 1 of 6
Witness: Reiker

Western Group

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] BLANK	[H] BLANK	[I] BLANK	[J] Settlement No. 4	[K] Total Settlement Adjustments	[L] Adjusted Test Year - Settlement
					Settlement Rate Base Adjustments								
1													
2	Plant Classification												
3	Intangible Plant	$ 2,004,857	$ 3,462	$ 2,008,319	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,008,319
4	Source of Supply Plant	9,203,159	387,593	9,590,752	16,383	-	-	-	-	-	-	16,383	9,607,135
5	Pumping Plant	17,282,691	2,753,500	20,036,191	(138,876)	-	-	-	-	-	-	(138,876)	19,897,314
6	Water Treatment Plant	19,755,246	3,123,776	22,879,022	(1,551,070)	-	-	-	-	-	-	(1,551,070)	21,327,952
7	Transmission & Distribution Plant	141,048,101	3,036,870	144,084,971	(792,878)	-	-	-	-	-	-	(792,878)	143,292,093
8	General Plant	5,116,182	3,388,170	8,504,352	(14,940)	-	-	-	-	-	(67,489)	(82,429)	8,421,923
9	Total Gross Plant in Service	$ 194,410,236	$ 12,693,371	$ 207,103,607	$ (2,481,380)	$ -	$ -	$ -	$ -	$ -	$ (67,489)	$ (2,548,869)	$ 204,554,738
10													
11	Less:												
12	Accumulated Depreciation	49,545,804	1,326,694	50,872,499	(39,943)	-	-	-	-	-	(1,728)	(41,671)	50,830,828
13	Net Plant in Service	$ 144,864,432	$ 11,366,676	$ 156,231,108	$ (2,441,437)	$ -	$ -	$ -	$ -	$ -	$ (65,761)	$ (2,507,198)	$ 153,723,910
14													
15	Less:												
16	Advances in Aid of Construction	52,761,243	-	52,761,243	-	-	-	-	-	-	-	-	52,761,243
17	Contributions in Aid of Construction:												
18	Gross	33,654,716	-	33,654,716	-	-	-	-	-	-	-	-	33,654,716
19	Accumulated Amortization	(5,667,819)	-	(5,667,819)	-	-	-	-	-	-	-	-	(5,667,819)
20	Net Contributions in Aid of Construction	$ 27,986,897	$ -	$ 27,986,897	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,986,897
21													
22	Deferred Income Tax	-	14,084,977	14,084,977	-	1,215,659	-	-	-	-	1,701	1,217,361	15,302,338
23	Customer Deposits	466,238	-	466,238	-	-	-	-	-	-	-	-	466,238
24													
25	Add:												
26	Working Capital	1,732,229	-	1,732,229	-	-	(270,365)	-	-		-	(270,365)	1,461,863
27	Net Regulatory Asset / (Liability)	-	4,753,804	4,753,804	-	-	-	-	-	-	-	-	4,753,804
28													
29													
30	Total Rate Base	$ 65,382,282	$ 2,035,503	$ 67,417,785	$ (2,441,437)	$ (1,215,659)	$ (270,365)	$ -	$ -	$ -	$ (67,462)	$ (3,994,924)	$ 63,422,861
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2 Settlement
Page 2 of 6
Witness: Reiker

Pinal Valley

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] BLANK	[H] BLANK	[I] BLANK	[J] Settlement No. 4	[K] Total Settlement Adjustments	[L] Adjusted Test Year - Settlement
					Settlement Rate Base Adjustments								
1													
2	Plant Classification												
3	Intangible Plant	$ 1,986,263	$ 3,034	$ 1,989,297	$ -						$ -	$ -	$ 1,989,297
4	Source of Supply Plant	7,259,484	387,590	7,647,074	16,383						-	16,383	7,663,457
5	Pumping Plant	13,907,075	2,741,500	16,648,575	(135,731)						-	(135,731)	16,512,844
6	Water Treatment Plant	10,992,296	3,069,680	14,061,976	(1,551,257)						-	(1,551,257)	12,510,719
7	Transmission & Distribution Plant	122,439,758	2,879,586	125,319,344	(711,406)						-	(711,406)	124,607,938
8	General Plant	4,543,347	2,686,113	7,229,460	(21,550)						-	(80,694)	7,148,766
9	Total Gross Plant in Service	$ 161,128,223	$ 11,767,503	$ 172,895,726	$ (2,403,561)	$ -	$ -	$ -	$ -	$ -	$ (59,144)	$ (2,462,705)	$ 170,433,021
10													
11	Less:												
12	Accumulated Depreciation	43,090,136	1,170,542	44,260,678	(38,682)						(1,514)	(40,196)	44,220,482
13	Net Plant in Service	$ 118,038,087	$ 10,596,961	$ 128,635,048	$ (2,364,879)	$ -	$ -	$ -	$ -	$ -	$ (57,630)	$ (2,422,509)	$ 126,212,539
14													
15	Less:												
16	Advances in Aid of Construction	36,540,428	-	36,540,428								-	36,540,428
17	Contributions in Aid of Construction:												
18	Gross	29,481,326	-	29,481,326								-	29,481,326
19	Accumulated Amortization	(5,181,305)	-	(5,181,305)								-	(5,181,305)
20	Net Contributions in Aid of Construction	$ 24,300,021	$ -	$ 24,300,021	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,300,021
21													
22	Deferred Income Tax	-	12,343,427	12,343,427		1,132,298					1,491	1,133,789	13,477,215
23	Customer Deposits	422,585	-	422,585								-	422,585
24													
25	Add:												
26	Working Capital	1,561,902	-	1,561,902			(276,002)					(276,002)	1,285,900
27	Net Regulatory Asset / (Liability)	-	4,753,804	4,753,804								-	4,753,804
28													
29													
30	Total Rate Base	$ 58,336,956	$ 3,007,338	$ 61,344,294	$ (2,364,879)	$ (1,132,298)	$ (276,002)	$ -	$ -	$ -	$ (59,121)	$ (3,832,300)	$ 57,511,994
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Supporting Schedules:

White Tank

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] BLANK	[H] BLANK	[I] BLANK	[J] Settlement No. 4	[K] Total Settlement Adjustments	[L] Adjusted Test Year - Settlement
					Settlement Rate Base Adjustments								
1													
2	Plant Classification												
3	Intangible Plant	$ 14,082	$ 362	$ 14,444	$ -						$ -	$ -	$ 14,444
4	Source of Supply Plant	1,932,439	3	1,932,442	-						-	-	1,932,442
5	Pumping Plant	3,272,147	12,000	3,284,147	(3,145)						-	(3,145)	3,281,002
6	Water Treatment Plant	8,758,660	54,081	8,812,741	187						-	187	8,812,928
7	Transmission & Distribution Plant	16,561,673	146,040	16,707,713	(70,271)						-	(70,271)	16,637,442
8	General Plant	237,407	644,321	881,728	7,060						(7,061)	(1)	881,727
9	Total Gross Plant in Service	$ 30,776,409	$ 856,807	$ 31,633,216	$ (66,170)	$ -	$ -	$ -	$ -	$ -	$ (7,061)	$ (73,230)	$ 31,559,986
10													
11	Less:												
12	Accumulated Depreciation	5,291,428	134,127	5,425,556	(1,077)						(181)	(1,257)	5,424,298
13	Net Plant in Service	$ 25,484,981	$ 722,680	$ 26,207,660	$ (65,093)	$ -	$ -	$ -	$ -	$ -	$ (6,880)	$ (71,973)	$ 26,135,687
14													
15	Less:												
16	Advances in Aid of Construction	16,185,732	-	16,185,732								-	16,185,732
17	Contributions in Aid of Construction:												
18	Gross	4,006,138	-	4,006,138								-	4,006,138
19	Accumulated Amortization	(458,417)	-	(458,417)								-	(458,417)
20	Net Contributions in Aid of Construction	$ 3,547,721	$ -	$ 3,547,721	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,547,721
21													
22	Deferred Income Tax	-	1,473,620	1,473,620		83,362					178	83,540	1,557,159
23	Customer Deposits	34,152	-	34,152								-	34,152
24													
25	Add:												
26	Working Capital	141,320	-	141,320			12,608					12,608	153,927
27	Net Regulatory Asset / (Liability)	-	-	-								-	-
28													
29													
30	Total Rate Base	$ 5,858,696	$ (750,940)	$ 5,107,756	$ (65,093)	$ (83,362)	$ 12,608	$ -	$ -	$ -	$ (7,058)	$ (142,905)	$ 4,964,851
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Original Cost Rate Base Pro Forma Adjustments

Exhibit
Schedule B-2 Settlement
Page 4 of 6
Witness: Reiker

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] BLANK	[H] BLANK	[I] BLANK	[J] Settlement No. 4	[K] Total Settlement Adjustments	[L] Adjusted Test Year - Settlement
					Settlement Rate Base Adjustments								
1													
2	Plant Classification												
3	Intangible Plant	$ 4,512	$ 66	$ 4,578	$ -								$ 4,578
4	Source of Supply Plant	11,236	1	11,236	-						$ -	$ -	11,236
5	Pumping Plant	103,468	-	103,468	-						-	-	103,468
6	Water Treatment Plant	4,290	15	4,305	-						-	-	4,305
7	Transmission & Distribution Plant	2,046,670	11,244	2,057,913	(11,200)						-	(11,200)	2,046,713
8	General Plant	335,429	57,736	393,164	(450)						-	(1,734)	391,430
9	Total Gross Plant in Service	$ 2,505,604	$ 69,060	$ 2,574,664	$ (11,650)	$ -	$ -	$ -	$ -	$ -	$ (1,284)	$ (12,934)	$ 2,561,731
10													
11	Less:												
12	Accumulated Depreciation	1,164,240	22,025	1,186,265	(185)						(33)	(217)	1,186,048
13	Net Plant in Service	$ 1,341,364	$ 47,035	$ 1,388,399	$ (11,465)	$ -	$ -	$ -	$ -	$ -	$ (1,251)	$ (12,716)	$ 1,375,683
14													
15	Less:												
16	Advances in Aid of Construction	35,084	-	35,084								-	35,084
17	Contributions in Aid of Construction:												
18	Gross	167,252	-	167,252								-	167,252
19	Accumulated Amortization	(28,097)	-	(28,097)								-	(28,097)
20	Net Contributions in Aid of Construction	$ 139,155	$ -	$ 139,155	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 139,155
21													
22	Deferred Income Tax	-	267,931	267,931									267,963
23	Customer Deposits	9,501	-	9,501		-					32	32	9,501
24												-	
25	Add:												
26	Working Capital	29,007	-	29,007									
27	Net Regulatory Asset / (Liability)	-	-	-			(6,971)					(6,971)	22,036
28												-	-
29													
30	Total Rate Base	$ 1,186,631	$ (220,896)	$ 965,735	$ (11,465)	$ -	$ (6,971)	$ -	$ -	$ -	$ (1,283)	$ (19,719)	$ 946,016
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Supporting Schedules:

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Recap Schedules:
B-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Original Cost Rate Base Pro Forma Adjustments

a
Exhibit
Schedule B-2 Settlement
Page 5 of 6
Witness: Reiker

Phoenix Office

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] BLANK	[H] BLANK	[I] BLANK	[J] Settlement No. 4	[K] Total Settlement Adjustments	[L] Adjusted Test Year - Settlement
					Settlement Rate Base Adjustments								
1													
2	Plant Classification												
3	Intangible Plant	$ 9,147	$ (9,147)	$ -	$ -								
4	Source of Supply Plant	-	-	-	-						$ -	$ -	$ -
5	Pumping Plant	-	-	-	-						-	-	-
6	Water Treatment Plant	-	-	-	-						-	-	-
7	Transmission & Distribution Plant	-	-	-	-						-	-	-
8	General Plant	7,607,446	(7,607,446)	-	(176,556)						-	-	-
9	Total Gross Plant in Service	$ 7,616,593	$ (7,616,593)	$ -	$ (176,556)	$ -	$ -	$ -	$ -	$ -	176,556	-	-
10											$ 176,556	$ -	$ -
11	Less:												
12	Accumulated Depreciation	2,954,856	(2,954,856)	-	(4,520)								
13	Net Plant in Service	$ 4,661,737	$ (4,661,737)	$ -	$ (172,036)	$ -	$ -	$ -	$ -	$ -	4,520	-	-
14											$ 172,036	$ -	$ -
15	Less:												
16	Advances in Aid of Construction	-	-	-									
17	Contributions in Aid of Construction:											-	-
18	Gross	-	-	-									
19	Accumulated Amortization	-	-	-								-	-
20	Net Contributions in Aid of Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	-
21												$ -	$ -
22	Deferred Income Tax	37,212,622	(37,212,622)	-		4,495							
23	Customer Deposits	-	-	-							(4,495)	-	-
24												-	-
25	Add:												
26	Working Capital	-	-	-									
27	Net Regulatory Asset / (Liability)	-	-	-			-						
28												-	-
29												-	-
30	Total Rate Base	$ (32,550,885)	$ 32,550,885	$ -	$ (172,036)	$ (4,495)	$ -	$ -	$ -	$ -	$ 176,531	$ -	$ -
31													
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Supporting Schedules:

Recap Schedules
B-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Original Cost Rate Base Pro Forma Adjustments

Meter Shop

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] BLANK	[H] BLANK	[I] BLANK	[J] Settlement No. 4	[K] Total Settlement Adjustments	[L] Adjusted Test Year - Settlement
					Settlement Rate Base Adjustments								
1													
2	Plant Classification												
3	Intangible Plant	$ -	$ -	$ -	$ -						$ -	$ -	$ -
4	Source of Supply Plant	80	(80)	-	-						-	-	-
5	Pumping Plant	-	-	-	-						-	-	-
6	Water Treatment Plant	2,050	(2,050)	-	-						-	-	-
7	Transmission & Distribution Plant	6,066	(6,066)	-	-						-	-	-
8	General Plant	145,131	(145,131)	-	-						-	-	-
9	Total Gross Plant in Service	$ 153,327	$ (153,327)	$ -	$ (1,750)	$ -	$ -	$ -	$ -	$ -	$ 1,750	$ -	$ -
10													
11	Less:												
12	Accumulated Depreciation	73,158	(73,158)	-	(45)						45	-	-
13	Net Plant in Service	$ 80,169	$ (80,169)	$ -	$ (1,705)	$ -	$ -	$ -	$ -	$ -	$ 1,705	$ -	$ -
14													
15	Less:												
16	Advances in Aid of Construction	-	-	-									
17	Contributions in Aid of Construction:											-	-
18	Gross	-	-	-									
19	Accumulated Amortization	-	-	-								-	-
20	Net Contributions in Aid of Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21													
22	Deferred Income Tax	-	-	-									
23	Customer Deposits	-	-	-							-	-	-
24												-	-
25	Add:												
26	Working Capital												
27	Net Regulatory Asset / (Liability)	-	-	-								-	-
28												-	-
29													
30	Total Rate Base	$ 80,169	$ (80,169)	$ -	$ (1,705)	$ -	$ -	$ -	$ -	$ -	$ 1,705	$ -	$ -
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley

Line No.			Depreciation Rate	[A] As Filed	[B] Blankets Settlement	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electtric Pumping Equipment	5.88%	60,000	-	(60,000)	(3,528)
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ 60,000	$ -	$ (60,000)	$ (3,528)
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-	-	-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-	-	-	-
27	343	Trans. & Dist. Mains	1.79%	170,000	-	(170,000)	(3,043)
28	344	Fire Sprinkler Taps	2.00%	-	-	-	-
29	345	Services	2.38%	175,000	-	(175,000)	(4,165)
30	346	Meters	4.55%	410,000	-	(410,000)	(18,655)
31	348	Hydrants	1.82%	20,000	-	(20,000)	(364)
32		Subtotal Trans. & Dist.		$ 775,000	$ -	$ (775,000)	$ (26,227)
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-	-	-	-
36	390.1	Leasehold Improvements	n/a	-	-	-	-
37	391	Office Furniture & Equipment	6.67%	8,000	-	(8,000)	(534)
38	393	Warehouse Equipment	5.00%	-	-	-	-
39	394	Tools, Shop & Garage Equip.	4.00%	12,000	-	(12,000)	(480)
40	395	Laboratory Equipment	5.00%	-	-	-	-
41	396	Power Operated Equipment	6.67%	-	-	-	-
42	397	Communication Equipment	6.67%	-	-	-	-
43	398	Miscellaneous Equipment	3.33%	-	-	-	-
44		Subtotal General Plant		$ 20,000	$ -	$ (20,000)	$ (1,014)
45							
46		Total Utility Plant		$ 855,000	$ -	$ (855,000)	$ (30,769)
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ (15,384)
49							
50		Net Plant					$ (839,616)
51							
52							
53							
54							
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5167 As Filed	[B] Work Authorization 1-5167 Settlement[1]	[C] Work Authorization 1-5167 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-	44,550	44,550	2,620
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ 44,550	$ 44,550	$ 2,620
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	1,250,000	1,281,823	31,823	910
22	Subtotal Water Trtmt. Plant		$ 1,250,000	$ 1,281,823	$ 31,823	$ 910
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-	6,073	6,073	152
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ 6,073	$ 6,073	$ 152
45						
46	Total Utility Plant		$ 1,250,000	$ 1,332,447	$ 82,447	$ 3,682
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 1,841
49						
50	Net Plant					$ 80,606
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5169 As Filed	[B] Work Authorization 1-5169 Settlement[1]	[C] Work Authorization 1-5169 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	392,000	383,855	(8,145)	(146)
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-	18,776	18,776	447
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-	5,783	5,783	105
32	Subtotal Trans. & Dist.		$ 392,000	$ 408,414	$ 16,414	$ 406
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 392,000	$ 408,414	$ 16,414	$ 406
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 203
49						
50	Net Plant					$ 16,211
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

Pinal Valley (Continued)

Line No.			Depreciation Rate	[A] Work Authorization 1-5171 As Filed	[B] Work Authorization 1-5171 Settlement[1]	[C] Work Authorization 1-5171 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electtric Pumping Equipment	5.88%	-		-	-
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	517,000	551,402	34,402	616
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	-		-	-
30	346	Meters	4.55%	-		-	-
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ 517,000	$ 551,402	$ 34,402	$ 616
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	-		-	-
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ -	$ -	$ -	$ -
45							
46		Total Utility Plant		$ 517,000	$ 551,402	$ 34,402	$ 616
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ 308
49							
50		Net Plant					$ 34,094
51							
52							
53							
54							

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5164 As Filed	[B] Work Authorization 1-5164 Settlement[1]	[C] Work Authorization 1-5164 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	175,000	126,887	(48,113)	(2,829)
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 175,000	$ 126,887	$ (48,113)	$ (2,829)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 175,000	$ 126,887	$ (48,113)	$ (2,829)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (1,415)
49						
50	Net Plant					$ (46,699)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5170 As Filed	[B] Work Authorization 1-5170 Settlement[1]	[C] Work Authorization 1-5170 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	1,200,000	1,270,570	70,570	4,150
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 1,200,000	$ 1,270,570	$ 70,570	$ 4,150
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 1,200,000	$ 1,270,570	$ 70,570	$ 4,150
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 2,075
49						
50	Net Plant					$ 68,496
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.			Depreciation Rate	[A] Work Authorization 1-5296 As Filed	[B] Work Authorization 1-5296 Settlement[1]	[C] Work Authorization 1-5296 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electric Pumping Equipment	5.88%	175,000	242,450	67,450	-
16	328	Gas Engine Equipment	4.00%	-		-	3,966
17		Subtotal Pumping Plant		$ 175,000	$ 242,450	$ 67,450	$ 3,966
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	-		-	-
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	-		-	-
30	346	Meters	4.55%	-		-	-
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	-		-	-
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ -	$ -	$ -	$ -
45							
46		Total Utility Plant		$ 175,000	$ 242,450	$ 67,450	$ 3,966
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ 1,983
49							
50		Net Plant					$ 65,467
51							
52							
53							
54							

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5299 As Filed	[B] Work Authorization 1-5299 Settlement[1]	[C] Work Authorization 1-5299 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	100,000	76,569	(23,431)	(670)
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 100,000	$ 76,569	$ (23,431)	$ (670)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 100,000	$ 76,569	$ (23,431)	$ (670)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (335)
49						
50	Net Plant					$ (23,096)
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5301 As Filed	[B] Work Authorization 1-5301 Settlement[1]	[C] Work Authorization 1-5301 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	180,000	194,840	14,840	266
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 180,000	$ 194,840	$ 14,840	$ 266
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 180,000	$ 194,840	$ 14,840	$ 266
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 133
49						
50	Net Plant					$ 14,707
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-4806 As Filed	[B] Work Authorization 1-4806 Settlement[1]	[C] Work Authorization 1-4806 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-	-	-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	1,500,000	-	(1,500,000)	-
22	Subtotal Water Trtmt. Plant		$ 1,500,000	$ -	$ (1,500,000)	(42,900)
23	Transmission & Distribution Plant					$ (42,900)
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 1,500,000	$ -	$ (1,500,000)	$ (42,900)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (21,450)
49						
50	Net Plant					$ (1,478,550)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5303 As Filed	[B] Work Authorization 1-5303 Settlement[1]	[C] Work Authorization 1-5303 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	174,000	173,112	(888)	(25)
22	Subtotal Water Trtmt. Plant		$ 174,000	$ 173,112	$ (888)	$ (25)
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structure	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 174,000	$ 173,112	$ (888)	$ (25)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (13)
49						
50	Net Plant					$ (875)
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5166 As Filed	[B] Work Authorization 1-5166 Settlement[1]	[C] Work Authorization 1-5166 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	80,000	-	(80,000)	(2,288) x
22	Subtotal Water Trtmt. Plant		$ 80,000	$ -	$ (80,000)	$ (2,288)
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 80,000	$ -	$ (80,000)	$ (2,288)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (1,144)
49						
50	Net Plant					$ (78,856)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5304 As Filed	[B] Work Authorization 1-5304 Settlement[1]	[C] Work Authorization 1-5304 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	175,000	107,751	(67,249)	(3,954)
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 175,000	$ 107,751	$ (67,249)	$ (3,954)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 175,000	$ 107,751	$ (67,249)	$ (3,954)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (1,977)
49						
50	Net Plant					$ (65,272)
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.		Depreciation Rate	Pinal Valley (Continued) [A] Work Authorization 1-5306 As Filed	[B] Work Authorization 1-5306 Settlement[1]	[C] Work Authorization 1-5306 Increase / (Decrease)	[D] Adjstmt[1] to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	43,000	40,760	(2,240)	(132)
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 43,000	$ 40,760	$ (2,240)	$ (132)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 43,000	$ 40,760	$ (2,240)	$ (132)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (66)
49						
50	Net Plant					$ (2,174)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.		Depreciation Rate	Pinal Valley (Continued) [A] Work Authorization 1-5307 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	40,000	42,163	2,163	62
22	Subtotal Water Trtmt. Plant		$ 40,000	$ 42,163	$ 2,163	$ 62
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 40,000	$ 42,163	$ 2,163	$ 62
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 31
49						
50	Net Plant					$ 2,132
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

Pinal Valley (Continued)

Line No.			Depreciation Rate	[A] Work Authorization 1-5168 As Filed	[B] Work Authorization 1-5168 Settlement[1]	[C] Work Authorization 1-5168 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electtric Pumping Equipment	5.88%	-		-	-
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	110,000	115,552	5,552	99
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	-		-	-
30	346	Meters	4.55%	-		-	-
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ 110,000	$ 115,552	$ 5,552	$ 99
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	-		-	-
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ -	$ -	$ -	$ -
45							
46		Total Utility Plant		$ 110,000	$ 115,552	$ 5,552	$ 99
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ 50
49							
50		Net Plant					$ 5,502
51							
52							
53							
54							

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5345 As Filed	[B] Work Authorization 1-5345 Settlement[1]	[C] Work Authorization 1-5345 Increase / (Decrease)	[D] Adjstmt[1] to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structure	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	62,000	56,452	(5,548)	(99)
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 62,000	$ 56,452	$ (5,548)	$ (99)
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 62,000	$ 56,452	$ (5,548)	$ (99)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (50)
49						
50	Net Plant					$ (5,498)
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5329 As Filed	[B] Work Authorization 1-5329 Settlement[1]	[C] Work Authorization 1-5329 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	24,000	20,780	(3,220)	(58)
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 24,000	$ 20,780	$ (3,220)	$ (58)
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 24,000	$ 20,780	$ (3,220)	$ (58)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (29)
49						
50	Net Plant					$ (3,191)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

Pinal Valley (Continued)

Line No.			Depreciation Rate	[A] Work Authorization 1-5332 As Filed	[B] Work Authorization 1-5332 Settlement[1]	[C] Work Authorization 1-5332 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electtric Pumping Equipment	5.88%	-		-	-
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	300,000	299,926	(74)	(1)
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	-		-	-
30	346	Meters	4.55%	-		-	-
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ 300,000	$ 299,926	$ (74)	$ (1)
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	-		-	-
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ -	$ -	$ -	$ -
45							
46		Total Utility Plant		$ 300,000	$ 299,926	$ (74)	$ (1)
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ (1)
49							
50		Net Plant					$ (73)
51							
52							
53							
54							

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5339 As Filed	[B] Work Authorization 1-5339 Settlement[1]	[C] Work Authorization 1-5339 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	62,000	57,381	(4,619)	(110)
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 62,000	$ 57,381	$ (4,619)	$ (110)
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 62,000	$ 57,381	$ (4,619)	$ (110)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (55)
49						
50	Net Plant					$ (4,564)
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.			Depreciation Rate	[A] Work Authorization 1-5341 As Filed	[B] Work Authorization 1-5341 Settlement[1]	[C] Work Authorization 1-5341 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electric Pumping Equipment	5.88%	-		-	-
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	-		-	-
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	43,000	34,918	(8,082)	(192)
30	346	Meters	4.55%	-	247.04	247	11
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ 43,000	$ 35,165	$ (7,835)	$ (181)
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	-		-	-
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ -	$ -	$ -	$ -
45							
46		Total Utility Plant		$ 43,000	$ 35,165	$ (7,835)	$ (181)
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ (91)
49							
50		Net Plant					$ (7,745)
51							
52							
53							
54							

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-0076 As Filed	[B] Work Authorization 1-0076 Settlement[1]	[C] Work Authorization 1-0076 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	120,000	125,690	5,690	259
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 120,000	$ 125,690	$ 5,690	$ 259
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 120,000	$ 125,690	$ 5,690	$ 259
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 129
49						
50	Net Plant					$ 5,561
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5344 As Filed	[B] Work Authorization 1-5344 Settlement[1]	[C] Work Authorization 1-5344 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	27,000	25,368	(1,632)	(29)
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 27,000	$ 25,368	$ (1,632)	$ (29)
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 27,000	$ 25,368	$ (1,632)	$ (29)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (15)
49						
50	Net Plant					$ (1,618)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5260 As Filed	[B] Work Authorization 1-5260 Settlement[1]	[C] Work Authorization 1-5260 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	25,000	20,645	(4,355)	(125)
22	Subtotal Water Trtmt. Plant		$ 25,000	$ 20,645	$ (4,355)	$ (125)
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 25,000	$ 20,645	$ (4,355)	$ (125)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (62)
49						
50	Net Plant					$ (4,293)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5348 As Filed	[B] Work Authorization 1-5348 Settlement[1]	[C] Work Authorization 1-5348 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structure	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	27,000	19,377	(7,623)	(508)
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ 27,000	$ 19,377	$ (7,623)	$ (508)
45						
46	Total Utility Plant		$ 27,000	$ 19,377	$ (7,623)	$ (508)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (254)
49						
50	Net Plant					$ (7,369)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5358 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	115,000	124,002	9,002	529
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 115,000	$ 124,002	$ 9,002	$ 529
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 115,000	$ 124,002	$ 9,002	$ 529
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 265
49						
50	Net Plant					$ 8,737
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5362 As Filed	[B] Work Authorization 1-5362 Settlement[1]	[C] Work Authorization 1-5362 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	117,000	74,910	(42,090)	(2,475)
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 117,000	$ 74,910	$ (42,090)	$ (2,475)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 117,000	$ 74,910	$ (42,090)	$ (2,475)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (1,237)
49						
50	Net Plant					$ (40,852)
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5359 As Filed	[B] Work Authorization 1-5359 Settlement[1]	[C] Work Authorization 1-5359 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-	16,383	16,383	513
11	Subtotal Source of Sup. Plant		$ -	$ 16,383	$ 16,383	$ 513
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	200,000	117,871	(82,129)	(4,829)
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 200,000	$ 117,871	$ (82,129)	$ (4,829)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 200,000	$ 134,254	$ (65,746)	$ (4,316)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (2,158)
49						
50	Net Plant					$ (63,588)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5361 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	70,000	79,622	9,622	192
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 70,000	$ 79,622	$ 9,622	$ 192
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 70,000	$ 79,622	$ 9,622	$ 192
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 96
49						
50	Net Plant					$ 9,526
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5076 As Filed	[B] Work Authorization 1-5076 Settlement[1]	[C] Work Authorization 1-5076 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	195,574	195,574	0	0
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 195,574	$ 195,574	$ 0	$ 0
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 195,574	$ 195,574	$ 0	$ 0
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 0
49						
50	Net Plant					$ 0
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.			Depreciation Rate	[A] Work Authorization 1-5173 As Filed	[B] Work Authorization 1-5173 Settlement[1]	[C] Work Authorization 1-5173 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electric Pumping Equipment	5.88%	106,065	103,598	(2,467)	(145)
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ 106,065	$ 103,598	$ (2,467)	$ (145)
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	-		-	-
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	-		-	-
30	346	Meters	4.55%	-		-	-
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	-		-	-
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ -	$ -	$ -	$ -
45							
46		Total Utility Plant		$ 106,065	$ 103,598	$ (2,467)	$ (145)
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ (73)
49							
50		Net Plant					$ (2,395)
51							
52							
53							
54							

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5165 As Filed	[B] Work Authorization 1-5165 Settlement[1]	[C] Work Authorization 1-5165 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	387,563	387,563	0	0
11	Subtotal Source of Sup. Plant		$ 387,563	$ 387,563	$ 0	$ 0
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	4,397	4,397	(0)	(0)
15	325 Electtric Pumping Equipment	5.88%	25,486	25,486	(0)	(0)
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 29,883	$ 29,882	$ (1)	$ (0)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 417,446	$ 417,446	$ (0)	$ (0)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (0)
49						
50	Net Plant					$ (0)
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Pinal Valley (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5251 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	245,552	245,968	416	24
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ 245,552	$ 245,968	$ 416	$ 24
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 245,552	$ 245,968	$ 416	$ 24
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 12
49						
50	Net Plant					$ 404
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.		Depreciation Rate	Pinal Valley - Total [A] Total - All Post-T.Y. Plant As Filed	[B] Settlement	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -	$ -	$ -	$ -
3	302 Franchises	n/a	-	-	-	-
4	303 Other Intangibles	n/a	-	-	-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-	-	-	-
8	310.3 Other Source of Supply Land	0.00%	-	-	-	-
9	310.4 Wells - Other	n/a	-	-	-	-
10	314 Wells	3.13%	387,563	403,946	16,383	513
11	Subtotal Source of Sup. Plant		$ 387,563	$ 403,946	$ 16,383	$ 513
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-	-	-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	104,397	80,966	(23,431)	(670)
15	325 Electtric Pumping Equipment	5.88%	2,637,103	2,524,803	(112,300)	(6,603)
16	328 Gas Engine Equipment	4.00%	-	-	-	-
17	Subtotal Pumping Plant		$ 2,741,500	$ 2,605,769	$ (135,731)	$ (7,273)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-	-	-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-	-	-	-
21	332 Water Treatment Equipment	2.86%	3,069,000	1,517,743	(1,551,257)	(44,366)
22	Subtotal Water Trtmt. Plant		$ 3,069,000	$ 1,517,743	$ (1,551,257)	$ (44,366)
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-	-	-	-
25	341 Transmission and Distribution Structur	3.33%	-	-	-	-
26	342 Storage Tanks	2.00%	70,000	79,622	9,622	192
27	343 Trans. & Dist. Mains	1.79%	1,977,574	1,843,750	(133,824)	(2,395)
28	344 Fire Sprinkler Taps	2.00%	-	-	-	-
29	345 Services	2.38%	280,000	111,075	(168,925)	(4,020)
30	346 Meters	4.55%	530,000	125,937	(404,063)	(18,385)
31	348 Hydrants	1.82%	20,000	5,783	(14,217)	(259)
32	Subtotal Trans. & Dist.		$ 2,877,574	$ 2,166,168	$ (711,406)	$ (24,867)
33	General Plant					
34	389 General Plant Land	0.00%	-	-	-	-
35	390 General Plant Structures	2.50%	-	6,073	6,073	152
36	390.1 Leasehold Improvements	n/a	-	-	-	-
37	391 Office Furniture & Equipment	6.67%	8,000	-	(8,000)	(534)
38	393 Warehouse Equipment	5.00%	-	-	-	-
39	394 Tools, Shop & Garage Equip.	4.00%	12,000	-	(12,000)	(480)
40	395 Laboratory Equipment	5.00%	-	-	-	-
41	396 Power Operated Equipment	6.67%	-	-	-	-
42	397 Communication Equipment	6.67%	27,000	19,377	(7,623)	(508)
43	398 Miscellaneous Equipment	3.33%	-	-	-	-
44	Subtotal General Plant		$ 47,000	$ 25,450	$ (21,550)	$ (1,370)
45						
46	Total Utility Plant		$ 9,122,637	$ 6,719,076	$ (2,403,561)	$ (77,364)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (38,682)
49						
50	Net Plant					$ (2,364,879)
51						
52						
53						
54						
55						

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

White Tank

Line No.		Depreciation Rate	[A] Blankets As Filed	[B] Blankets Settlement	[C] Blankets Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	
3	302 Franchises	n/a	-		-	$ -
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	-
6	Source of Supply Plant					$ -
7	310.1 Water Rights	0.00%	-		-	
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	-
12	Pumping Plant					$ -
13	320 Pumping Plant Land	0.00%	-		-	
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	12,000	-	(12,000)	-
16	328 Gas Engine Equipment	4.00%	-		-	(706)
17	Subtotal Pumping Plant		$ 12,000	$ -	$ (12,000)	-
18	Water Treatment Plant					$ (706)
19	330 Water Treatment Plant Land	0.00%	-		-	
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-	-	-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	-
23	Transmission & Distribution Plant					$ -
24	340 Trans. and Dist. Land	0.00%	-		-	
25	341 Transmission and Distribution Structure	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	5,000	-	(5,000)	-
28	344 Fire Sprinkler Taps	2.00%	-		-	(90)
29	345 Services	2.38%	25,000	-	(25,000)	-
30	346 Meters	4.55%	38,800	-	(38,800)	(595)
31	348 Hydrants	1.82%	5,000	-	(5,000)	(1,765)
32	Subtotal Trans. & Dist.		$ 73,800	$ -	$ (73,800)	(91)
33	General Plant					$ (2,541)
34	389 General Plant Land	0.00%	-		-	
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	1,000		(1,000)	-
38	393 Warehouse Equipment	5.00%	-		-	(67)
39	394 Tools, Shop & Garage Equip.	4.00%	1,250	-	(1,250)	-
40	395 Laboratory Equipment	5.00%	-		-	(50)
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-	-	-	-
44	Subtotal General Plant		$ 2,250	$ -	$ (2,250)	-
45						$ (117)
46	Total Utility Plant		$ 88,050	$ -	$ (88,050)	
47						$ (3,363)
48	Accumulated Depreciation (1/2-Year Convention)					
49						$ (1,682)
50	Net Plant					
51						$ (86,368)
52						
53						
54						
55						

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

White Tank (Continued)

Line No.			Depreciation Rate	[A] Work Authorization 1-5032 As Filed	[B] Work Authorization 1-5032 Settlement[1]	[C] Work Authorization 1-5032 Increase / (Decrease)	[D] Adjstmt to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electtric Pumping Equipment	5.88%	-	8,855	8,855	521
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ -	$ 8,855	$ 8,855	$ 521
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	-		-	-
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	-		-	-
30	346	Meters	4.55%	-		-	-
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	327,000	336,310	9,310	621
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ 327,000	$ 336,310	$ 9,310	$ 621
45							
46		Total Utility Plant		$ 327,000	$ 345,165	$ 18,165	$ 1,142
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ 571
49							
50		Net Plant					$ 17,594
51							
52							
53							
54							
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.						

White Tank (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5309 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	54,000	54,187	187	5
22	Subtotal Water Trtmt. Plant		$ 54,000	$ 54,187	$ 187	$ 5
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 54,000	$ 54,187	$ 187	$ 5
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 3
49						
50	Net Plant					$ 184
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.		Depreciation Rate	White Tank (Continued) [A] Work Authorization 1-5263 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	52,000	57,524	5,524	99
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ 52,000	$ 57,524	$ 5,524	$ 99
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ -	$ -	$ -	$ -
45						
46	Total Utility Plant		$ 52,000	$ 57,524	$ 5,524	$ 99
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 49
49						
50	Net Plant					$ 5,475
51						
52						
53						
54						
55	[1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.			Depreciation Rate	White Tank (Continued) [A] Work Authorization 1-5360 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -		$ -	$ -
3	302	Franchises	n/a	-		-	-
4	303	Other Intangibles	n/a	-		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-		-	-
8	310.3	Other Source of Supply Land	0.00%	-		-	-
9	310.4	Wells - Other	n/a	-		-	-
10	314	Wells	3.13%	-		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325	Electric Pumping Equipment	5.88%	-		-	-
16	328	Gas Engine Equipment	4.00%	-		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332	Water Treatment Equipment	2.86%	-		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-		-	-
25	341	Transmission and Distribution Structur	3.33%	-		-	-
26	342	Storage Tanks	2.00%	-		-	-
27	343	Trans. & Dist. Mains	1.79%	20,000	18,004	(1,996)	(36)
28	344	Fire Sprinkler Taps	2.00%	-		-	-
29	345	Services	2.38%	-		-	-
30	346	Meters	4.55%	-		-	-
31	348	Hydrants	1.82%	-		-	-
32		Subtotal Trans. & Dist.		$ 20,000	$ 18,004	$ (1,996)	$ (36)
33		General Plant					
34	389	General Plant Land	0.00%	-		-	-
35	390	General Plant Structures	2.50%	-		-	-
36	390.1	Leasehold Improvements	n/a	-		-	-
37	391	Office Furniture & Equipment	6.67%	-		-	-
38	393	Warehouse Equipment	5.00%	-		-	-
39	394	Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395	Laboratory Equipment	5.00%	-		-	-
41	396	Power Operated Equipment	6.67%	-		-	-
42	397	Communication Equipment	6.67%	-		-	-
43	398	Miscellaneous Equipment	3.33%	-		-	-
44		Subtotal General Plant		$ -	$ -	$ -	$ -
45							
46		Total Utility Plant		$ 20,000	$ 18,004	$ (1,996)	$ (36)
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ (18)
49							
50		Net Plant					$ (1,978)
51							
52							
53							
54							

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

White Tank - Total

Line No.		Depreciation Rate	[A] Total - All Post-T.Y. Plant As Filed	[B] Total - All Post-T.Y. Plant Settlement	[C] Total - All Post-T.Y. Plant Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -	$ -	$ -	$ -
3	302 Franchises	n/a	-	-	-	-
4	303 Other Intangibles	n/a	-	-	-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-	-	-	-
8	310.3 Other Source of Supply Land	0.00%	-	-	-	-
9	310.4 Wells - Other	n/a	-	-	-	-
10	314 Wells	3.13%	-	-	-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-	-	-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-	-	-	-
15	325 Electtric Pumping Equipment	5.88%	12,000	8,855	(3,145)	(185)
16	328 Gas Engine Equipment	4.00%	-	-	-	-
17	Subtotal Pumping Plant		$ 12,000	$ 8,855	$ (3,145)	$ (185)
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-	-	-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-	-	-	-
21	332 Water Treatment Equipment	2.86%	54,000	54,187	187	5
22	Subtotal Water Trtmt. Plant		$ 54,000	$ 54,187	$ 187	$ 5
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-	-	-	-
25	341 Transmission and Distribution Structur	3.33%	-	-	-	-
26	342 Storage Tanks	2.00%	-	-	-	-
27	343 Trans. & Dist. Mains	1.79%	77,000	75,529	(1,471)	(26)
28	344 Fire Sprinkler Taps	2.00%	-	-	-	-
29	345 Services	2.38%	25,000	-	(25,000)	(595)
30	346 Meters	4.55%	38,800	-	(38,800)	(1,765)
31	348 Hydrants	1.82%	5,000	-	(5,000)	(91)
32	Subtotal Trans. & Dist.		$ 145,800	$ 75,529	$ (70,271)	$ (2,478)
33	General Plant					
34	389 General Plant Land	0.00%	-	-	-	-
35	390 General Plant Structures	2.50%	-	-	-	-
36	390.1 Leasehold Improvements	n/a	-	-	-	-
37	391 Office Furniture & Equipment	6.67%	1,000	-	(1,000)	(67)
38	393 Warehouse Equipment	5.00%	-	-	-	-
39	394 Tools, Shop & Garage Equip.	4.00%	1,250	-	(1,250)	(50)
40	395 Laboratory Equipment	5.00%	-	-	-	-
41	396 Power Operated Equipment	6.67%	-	-	-	-
42	397 Communication Equipment	6.67%	327,000	336,310	9,310	621
43	398 Miscellaneous Equipment	3.33%	-	-	-	-
44	Subtotal General Plant		$ 329,250	$ 336,310	$ 7,060	$ 504
45						
46	Total Utility Plant		$ 541,050	$ 474,880	$ (66,170)	$ (2,153)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (1,077)
49						
50	Net Plant					$ (65,093)
51						
52						
53						
54						
55						

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.		Depreciation Rate	Ajo Blankets [A] As Filed	[B] Settlement	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -	$ -	$ -	$ -
3	302 Franchises	n/a	-	-	-	-
4	303 Other Intangibles	n/a	-	-	-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-	-	-	-
8	310.3 Other Source of Supply Land	0.00%	-	-	-	-
9	310.4 Wells - Other	n/a	-	-	-	-
10	314 Wells	3.13%	-	-	-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-	-	-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-	-	-	-
15	325 Electtric Pumping Equipment	5.88%	-	-	-	-
16	328 Gas Engine Equipment	4.00%	-	-	-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-	-	-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-	$ -	-	-
21	332 Water Treatment Equipment	2.86%	-	-	-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-	-	-	-
25	341 Transmission and Distribution Structur	3.33%	-	-	-	-
26	342 Storage Tanks	2.00%	-	-	-	-
27	343 Trans. & Dist. Mains	1.79%	2,000	-	(2,000)	(36)
28	344 Fire Sprinkler Taps	2.00%	-	-	-	-
29	345 Services	2.38%	5,000	-	(5,000)	(119)
30	346 Meters	4.55%	4,200	-	(4,200)	(191)
31	348 Hydrants	1.82%	-	-	-	-
32	Subtotal Trans. & Dist.		$ 11,200	$ -	$ (11,200)	$ (346)
33	General Plant					
34	389 General Plant Land	0.00%	-	-	-	-
35	390 General Plant Structures	2.50%	-	-	-	-
36	390.1 Leasehold Improvements	n/a	-	-	-	-
37	391 Office Furniture & Equipment	6.67%	200	-	(200)	(13)
38	393 Warehouse Equipment	5.00%	-	-	-	-
39	394 Tools, Shop & Garage Equip.	4.00%	250	-	(250)	(10)
40	395 Laboratory Equipment	5.00%	-	-	-	-
41	396 Power Operated Equipment	6.67%	-	-	-	-
42	397 Communication Equipment	6.67%	-	-	-	-
43	398 Miscellaneous Equipment	3.33%	-	-	-	-
44	Subtotal General Plant		$ 450	$ -	$ (450)	$ (23)
45						
46	Total Utility Plant		$ 11,650	$ -	$ (11,650)	$ (369)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (185)
49						
50	Net Plant					$ (11,465)
51						
52						
53						
54						
55						

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.		Depreciation Rate	Phoenix Office [A] Blankets As Filed	[B] Blankets Settlement	[C] Blankets Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -	$ -	$ -	$ -
3	302 Franchises	n/a	-	-	-	-
4	303 Other Intangibles	n/a	-	-	-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-	-	-	-
8	310.3 Other Source of Supply Land	0.00%	-	-	-	-
9	310.4 Wells - Other	n/a	-	-	-	-
10	314 Wells	3.13%	-	-	-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-	-	-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-	-	-	-
15	325 Electric Pumping Equipment	5.88%	-	-	-	-
16	328 Gas Engine Equipment	4.00%	-	-	-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-	-	-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-	$ -	-	-
21	332 Water Treatment Equipment	2.86%	-	-	-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-	-	-	-
25	341 Transmission and Distribution Structur	3.33%	-	-	-	-
26	342 Storage Tanks	2.00%	-	-	-	-
27	343 Trans. & Dist. Mains	1.79%	-	-	-	-
28	344 Fire Sprinkler Taps	2.00%	-	-	-	-
29	345 Services	2.38%	-	-	-	-
30	346 Meters	4.55%	-	-	-	-
31	348 Hydrants	1.82%	-	-	-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-	-	-	-
35	390 General Plant Structures	2.50%	-	-	-	-
36	390.1 Leasehold Improvements	n/a	-	-	-	-
37	391 Office Furniture & Equipment	6.67%	52,000	-	(52,000)	(3,468)
38	393 Warehouse Equipment	5.00%	-	-	-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-	-	-	-
40	395 Laboratory Equipment	5.00%	-	-	-	-
41	396 Power Operated Equipment	6.67%	-	-	-	-
42	397 Communication Equipment	6.67%	-	-	-	-
43	398 Miscellaneous Equipment	3.33%	-	-	-	-
44	Subtotal General Plant		$ 52,000	$ -	$ (52,000)	$ (3,468)
45						
46	Total Utility Plant		$ 52,000	$ -	$ (52,000)	$ (3,468)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (1,734)
49						
50	Net Plant					$ (50,266)
51						
52						
53						
54						
55						

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.		Depreciation Rate	Phoenix Office (Continued) [A] Work Authorization 1-5324 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	85,000	-	(85,000)	(5,670)
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ 85,000	$ -	$ (85,000)	$ (5,670)
45						
46	Total Utility Plant		$ 85,000	$ -	$ (85,000)	$ (5,670)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (2,835)
49						
50	Net Plant					$ (82,165)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

			Phoenix Office (Continued)			
			[A]	[B]	[C]	[D]
			Work Authorization 1-5325			
Line No.		Depreciation Rate	As Filed	Settlement[1]	Increase / (Decrease)	Adjstmt[1] to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	31,000	-	(31,000)	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ 31,000	$ -	$ (31,000)	$ -
45						
46	Total Utility Plant		$ 31,000	$ -	$ (31,000)	$ -
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ -
49						
50	Net Plant					$ (31,000)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Phoenix Office (Continued)

Line No.		Depreciation Rate	[A] Work Authorization 1-5326 As Filed	[B] Work Authorization 1-5326 Settlement[1]	[C] Work Authorization 1-5326 Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	14,000	25,444	11,444	763
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ 14,000	$ 25,444	$ 11,444	$ 763
45						
46	Total Utility Plant		$ 14,000	$ 25,444	$ 11,444	$ 763
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ 382
49						
50	Net Plant					$ 11,062
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

Line No.		Depreciation Rate	Phoenix Office (Continued) [A] Work Authorization 1-5327 As Filed	[B] Settlement[1]	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-		-	-
37	391 Office Furniture & Equipment	6.67%	-		-	-
38	393 Warehouse Equipment	5.00%	-		-	-
39	394 Tools, Shop & Garage Equip.	4.00%	-		-	-
40	395 Laboratory Equipment	5.00%	-		-	-
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		20,000	-	(20,000)	(666)
45			$ 20,000	$ -	$ (20,000)	$ (666)
46	Total Utility Plant		$ 20,000	$ -	$ (20,000)	$ (666)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (333)
49						
50	Net Plant					$ (19,667)
51						
52						
53						
54						

55 [1]Updated costs provided in response to Staff data request BAB 8.1/RUCO data request 6.01.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Line No.			Depreciation Rate	Phoenix Office - Total [A] Total - All Post-T.Y. Plant As Filed	[B] Settlement	[C] Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1		Intangible Plant					
2	301	Organization	0.00%	$ -	$ -	$ -	$ -
3	302	Franchises	n/a	-	-	-	-
4	303	Other Intangibles	n/a	-	-	-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-	-	-	
8	310.3	Other Source of Supply Land	0.00%	-	-	-	-
9	310.4	Wells - Other	n/a	-	-	-	-
10	314	Wells	3.13%	-	-	-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-	-	-	
14	321	Pumping Plant Struct. & Improv.	2.86%	-	-	-	-
15	325	Electtric Pumping Equipment	5.88%	-	-	-	-
16	328	Gas Engine Equipment	4.00%	-	-	-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-	-	-	
20	331	Water Trtmt. Struct. & Improv.	2.50%	-	-	-	-
21	332	Water Treatment Equipment	2.86%	-	-	-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Trans. and Dist. Land	0.00%	-	-	-	
25	341	Transmission and Distribution Structur	3.33%	-	-	-	-
26	342	Storage Tanks	2.00%	-	-	-	-
27	343	Trans. & Dist. Mains	1.79%	-	-	-	-
28	344	Fire Sprinkler Taps	2.00%	-	-	-	-
29	345	Services	2.38%	-	-	-	-
30	346	Meters	4.55%	-	-	-	-
31	348	Hydrants	1.82%	-	-	-	-
32		Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33		General Plant					
34	389	General Plant Land	0.00%	-	-	-	
35	390	General Plant Structures	2.50%	-	-	-	-
36	390.1	Leasehold Improvements	n/a	31,000	-	(31,000)	-
37	391	Office Furniture & Equipment	6.67%	66,000	25,444	(40,556)	-
38	393	Warehouse Equipment	5.00%	-	-	-	(2,705)
39	394	Tools, Shop & Garage Equip.	4.00%	-	-	-	-
40	395	Laboratory Equipment	5.00%	-	-	-	-
41	396	Power Operated Equipment	6.67%	-	-	-	-
42	397	Communication Equipment	6.67%	85,000	-	(85,000)	-
43	398	Miscellaneous Equipment	3.33%	20,000	-	(20,000)	(5,670)
44		Subtotal General Plant		$ 202,000	$ 25,444	$ (176,556)	(666)
45							$ (9,041)
46		Total Utility Plant		$ 202,000	$ 25,444	$ (176,556)	$ (9,041)
47							
48		Accumulated Depreciation (1/2-Year Convention)					$ (4,520)
49							
50		Net Plant					$ (172,036)
51							
52							
53							
54							
55							

Supporting Schedules:

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 1 (continued)
True-Up Post-Test Year Plant to Reflect Actual Expenditures for Projects
Placed in Service as of Dec. 31, 2015, and Eliminate Blanket Projects

Meter Shop

Line No.		Depreciation Rate	[A] Blankets As Filed	[B] Blankets Settlement	[C] Blankets Increase / (Decrease)	[D] Adjstmt' to Depreciation Expense
1	Intangible Plant					
2	301 Organization	0.00%	$ -		$ -	$ -
3	302 Franchises	n/a	-		-	-
4	303 Other Intangibles	n/a	-		-	-
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6	Source of Supply Plant					
7	310.1 Water Rights	0.00%	-		-	-
8	310.3 Other Source of Supply Land	0.00%	-		-	-
9	310.4 Wells - Other	n/a	-		-	-
10	314 Wells	3.13%	-		-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -
12	Pumping Plant					
13	320 Pumping Plant Land	0.00%	-		-	-
14	321 Pumping Plant Struct. & Improv.	2.86%	-		-	-
15	325 Electtric Pumping Equipment	5.88%	-		-	-
16	328 Gas Engine Equipment	4.00%	-		-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18	Water Treatment Plant					
19	330 Water Treatment Plant Land	0.00%	-		-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%	-		-	-
21	332 Water Treatment Equipment	2.86%	-		-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant					
24	340 Trans. and Dist. Land	0.00%	-		-	-
25	341 Transmission and Distribution Structur	3.33%	-		-	-
26	342 Storage Tanks	2.00%	-		-	-
27	343 Trans. & Dist. Mains	1.79%	-		-	-
28	344 Fire Sprinkler Taps	2.00%	-		-	-
29	345 Services	2.38%	-		-	-
30	346 Meters	4.55%	-		-	-
31	348 Hydrants	1.82%	-		-	-
32	Subtotal Trans. & Dist.		$ -	$ -	$ -	$ -
33	General Plant					
34	389 General Plant Land	0.00%	-		-	-
35	390 General Plant Structures	2.50%	-		-	-
36	390.1 Leasehold Improvements	n/a	-	-	-	-
37	391 Office Furniture & Equipment	6.67%	750		-	-
38	393 Warehouse Equipment	5.00%	-	-	(750)	(50)
39	394 Tools, Shop & Garage Equip.	4.00%	1,000		-	-
40	395 Laboratory Equipment	5.00%	-		(1,000)	(40)
41	396 Power Operated Equipment	6.67%	-		-	-
42	397 Communication Equipment	6.67%	-		-	-
43	398 Miscellaneous Equipment	3.33%	-		-	-
44	Subtotal General Plant		$ 1,750	$ -	$ (1,750)	$ (90)
45						
46	Total Utility Plant		$ 1,750	$ -	$ (1,750)	$ (90)
47						
48	Accumulated Depreciation (1/2-Year Convention)					$ (45)
49						
50	Net Plant					$ (1,705)
51						
52						
53						
54						
55						

Supporting Schedules:

Recap Schedules:

Line No.	System	Increase / (Decrease)
1		
2	Western Group	
3	Pinal Valley	$ 1,132,298
4	White Tank	83,362
5	Ajo	-
6		
7	Subtotal	$ 1,215,659
8		
9	Phoenix	$ 4,495
10	Meter Shop	-
11		
12	Subtotal	4,495
13		
14	Total Increase to Deferred Tax	$ 1,220,154
15		

[1]See Rebuttal Testimony of Joseph D. Harris

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 3
Adjust Working Capital to Reflect All Other Settlement Adjustments
and Add Interest Expense to Calculation of Working Cash

Western Group - Working Capital

Line No.	System	[A] As Filed	[B] Rebuttal	[C] Increase / (Decrease)
1				
2				
3	Western Group			
4	Pinal Valley	$ 1,561,902	$ 1,285,900	$ (276,002)
5	White Tank	141,320	153,927	12,608
6	Ajo	29,007	22,036	(6,971)
7				
8				
9	Subtotal	$ 1,732,229	$ 1,461,863	$ (270,365)
10	Total	$ 1,732,229	$ 1,461,863	$ (270,365)
11				
12				
13	Increase/(Decrease) in Working Capital			$ (270,365)
14				
15				
16				
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Supporting Schedules:

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Rate Base Adjustment No. 4
Allocate Phoenix Office & Meter Shop Settlement Rate Base Adjustments

Line No.		[A]	Western Group [B]	[C] Allocated	[D]
		Test Year - Settlement	Pinal Valley	White Tank	Aio
2	3-Factor Allocation Ratio		0.3317	0.0396	0.0072
4	Phoenix Office				
5	Plant Classification				
6	Intangible Plant	$ -	$ -	$ -	$ -
7	Source of Supply Plant	-	-	-	-
8	Pumping Plant	-	-	-	-
9	Water Treatment Plant	-	-	-	-
10	Transmission & Distribution Plant	-	-	-	-
11	General Plant	(176,556)	(58,564)	(6,992)	(1,271)
12	Total Gross Plant in Service	$ (176,556)	$ (58,564)	$ (6,992)	$ (1,271)
13	Less:				
14	Accumulated Depreciation	(4,520)	(1,499)	(179)	(33)
15	Net Plant in Service	$ (172,036)	$ (57,064)	$ (6,813)	$ (1,239)
16	Less:				
17	Deferred Income Tax	4,495	1,491	178	32
18	Total Rate Base	$ (176,531)	$ (58,555)	$ (6,991)	$ (1,271)
19					
20	Meter Shop				
21	Plant Classification				
22	Intangible Plant	$ -	$ -	$ -	$ -
23	Source of Supply Plant	-	-	-	-
24	Pumping Plant	-	-	-	-
25	Water Treatment Plant	-	-	-	-
26	Transmission & Distribution Plant	-	-	-	-
27	General Plant	(1,750)	(580)	(69)	(13)
28	Total Gross Plant in Service	$ (1,750)	$ (580)	$ (69)	$ (13)
29	Less:				
30	Accumulated Depreciation	(45)	(15)	(2)	(0)
31	Net Plant in Service	$ (1,705)	$ (566)	$ (68)	$ (12)
32	Less:				
33	Deferred Income Tax	-	-	-	-
34	Total Rate Base	$ (1,705)	$ (566)	$ (68)	$ (12)
35					
36					
37					
38	Total Phoenix Office & Meter Shop				
39	Plant Classification				
40	Intangible Plant	$ -	$ -	$ -	$ -
41	Source of Supply Plant	-	-	-	-
42	Pumping Plant	-	-	-	-
43	Water Treatment Plant	-	-	-	-
44	Transmission & Distribution Plant	-	-	-	-
45	General Plant	(178,306)	(59,144)	(7,061)	(1,284)
46	Total Gross Plant in Service	$ (178,306)	$ (59,144)	$ (7,061)	$ (1,284)
47	Less:				
48	Accumulated Depreciation	$ (4,565)	(1,514)	(181)	(33)
49		$ (173,741)	$ (57,630)	$ (6,880)	$ (1,251)
50	Less:				
51	Deferred Income Tax	4,495	1,491	178	32
52	Total Rate Base	$ (176,236)	$ (59,121)	$ (7,058)	$ (1,283)
53					
54					
55					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Working Capital

Line No.		Western Group [A] Working Capital - As Filed	[B] Settlement Adjustments	[C] Working Capital - Settlement
1				
2	Working Cash Requirement			
3	(Sch. B-5 Appendix)	$ 180,385	$ (270,365)	$ (89,980)
4				
5	Material and Supplies Inventories[1]	136,425	-	136,425
6				
7	Required Bank Balances[1]	911,860	-	911,860
8				
9	Prepayments & Special Deposits[1]	503,558	-	503,558
10				
11	Total Working Capital Allowance	$ 1,732,229	$ (270,365)	$ 1,461,863
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
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54				
55	[1]13-month average balances			

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Working Capital

Exhibit
Schedule B-5 Settlement
Page 2 of 2
Witness: Reiker

Line No.		Pinal Valley [A] Working Capital - As Filed	Pinal Valley [B] Settlement Adjustments	Pinal Valley [C] Working Capital - Settlement	White Tank [D] Working Capital - As Filed	White Tank [E] Settlement Adjustments	White Tank [F] Working Capital - Settlement	Ajo [G] Working Capital - As Filed	Ajo [H] Settlement Adjustments	Ajo [I] Working Capital - Settlement
1										
2	Working Cash Requirement									
3	(Sch. B-5 Appendix)	$ 201,938	$ (276,002)	$ (74,064)	$ (21,040)	$ 12,608	$ (8,432)	$ (513)	$ (6,971)	$ (7,483)
4										
5	Material and Supplies Inventories[1]	119,556	-	119,556	14,273	-	14,273	2,595	-	2,595
6										
7	Required Bank Balances[1]	799,112	-	799,112	95,402	-	95,402	17,346	-	17,346
8										
9	Prepayments & Special Deposits[1]	441,295	-	441,295	52,684	-	52,684	9,579	-	9,579
10										
11	Total Working Capital Allowance	$ 1,561,902	$ (276,002)	$ 1,285,900	$ 141,320	$ 12,608	$ 153,927	$ 29,007	$ (6,971)	$ 22,036
12										
13										
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54										
55	[1]13-month average balances									

Pinal Valley

Line No.		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
		Company - As Filed						Settlement					
		Adjusted Results - As Filed	Revenue Lag Days[1]	Expense Lag Days[2]	Net Lag Days [B - C]	Lead / Lag Factor [D ÷ 365]	Working Cash Requirement [A X E]	Adjusted Results - Rebuttal	Revenue Lag Days[1]	Expense Lag Days[2]	Net Lag Days [H - I]	Lead / Lag Factor [J ÷ 365]	Working Cash Requirement [G X K]
1													
2													
3	Operating Expenses												
4	Purchased Power	$ 2,071,310	29.50	30.87	(1.37)	(0.0038)	$ (7,775)	$ 2,071,310	29.50	30.87	(1.37)	(0.0038)	$ (7,775)
5	Payroll	3,869,443	29.50	14.00	15.50	0.0425	164,319	3,869,443	29.50	14.00	15.50	0.0425	164,319
6	Purchased Water	715,000	29.50	(57.84)	87.34	0.2393	171,091	715,000	29.50	(57.84)	87.34	0.2393	171,091
7	Chemicals	407,363	29.50	(18.11)	47.61	0.1304	53,136	407,363	29.50	(18.11)	47.61	0.1304	53,136
8	Property & Liability Insurance	215,569	29.50	(45.27)	74.77	0.2048	44,159	215,569	29.50	(45.27)	74.77	0.2048	44,159
9	Worker's Compensation Insurance	56,136	29.50	(46.50)	76.00	0.2082	11,689	56,136	29.50	(46.50)	76.00	0.2082	11,689
10	Medical, Vision, Dental, LTD & Life Insurance	868,512	29.50	(8.92)	38.42	0.1053	91,420	868,512	29.50	(8.92)	38.42	0.1053	91,420
11	Other O&M (Excluding Rate Case Expense)	1,999,287	29.50	(9.27)	38.77	0.1062	212,363	2,139,661	29.50	(9.27)	38.77	0.1062	227,273
12	Federal Income Taxes	1,839,977	29.50	37.00	(7.50)	(0.0205)	(37,808)	1,604,679	29.50	37.00	(7.50)	(0.0205)	(32,973)
13	State Income Taxes	313,163	29.50	37.00	(7.50)	(0.0205)	(6,435)	273,115	29.50	37.00	(7.50)	(0.0205)	(5,612)
14	FICA Taxes	267,606	29.50	14.00	15.50	0.0425	11,364	267,606	29.50	14.00	15.50	0.0425	11,364
15	FUTA & SUTA Taxes	3,202	29.50	83.10	(53.60)	(0.1468)	(470)	3,202	29.50	83.10	(53.60)	(0.1468)	(470)
16	Property Taxes	1,062,879	29.50	212.00	(182.50)	(0.5000)	(531,439)	1,041,014	29.50	212.00	(182.50)	(0.5000)	(520,507)
17	Registration, Svc. Contracts, & Misc. Fees	86,918	29.50	(98.83)	128.33	0.3516	30,559	86,918	29.50	(98.83)	128.33	0.3516	30,559
18	Retirement Annuities (401k)	296,049	29.50	34.72	(5.22)	(0.0143)	(4,234)	296,049	29.50	34.72	(5.22)	(0.0143)	(4,234)
19	Interest on Long-Term Debt							1,817,629	29.50	91.25	(61.75)	(0.1692)	(307,503)
20													
21	Total	$ 14,072,414					$ 201,938	$ 15,733,205					$ (74,064)
22													
23													
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47 [1]2014 Actual lag days per AWC billing system.
48 Revenue lag days for White Tank updated in response
49 Staff data request BAB 1.16.
50 [2]Dec. No. 64282 as amended by Dec. Nos. 66849
51 & 68302. Purchased power lag days per
52 Dec. No. 71845. Purchased water lag days
53 are actual 2014.
54 -Purchased Water expense exludes amortization
55 of deferred CAP M&I Capital charges.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Working Cash Requirement

White Tank

Line No.		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
		Company - As Filed						Settlement					
		Adjusted Results - As Filed	Revenue Lag Days[1]	Expense Lag Days[2]	Net Lag Days [B - C]	Lead / Lag Factor [D ÷ 365]	Working Cash Requirement [A X E]	Adjusted Results - Rebuttal	Revenue Lag Days[1]	Expense Lag Days[2]	Net Lag Days [H - I]	Lead / Lag Factor [J ÷ 365]	Working Cash Requirement [G X K]
3	Operating Expenses												
4	Purchased Power	$ 286,661	20.77	30.87	(10.10)	(0.0277)	$ (7,932)	$ 286,661	31.50	30.87	0.63	0.0017	$ 495
5	Payroll	476,932	20.77	14.00	6.77	0.0185	8,846	476,932	31.50	14.00	17.50	0.0479	22,867
6	Purchased Water	-	20.77	41.88	(21.11)	(0.0578)	-	-	31.50	41.88	(10.38)	(0.0284)	-
7	Chemicals	47,058	20.77	(18.11)	38.88	0.1065	5,013	47,058	31.50	(18.11)	49.61	0.1359	6,396
8	Property & Liability Insurance	25,736	20.77	(45.27)	66.04	0.1809	4,656	25,736	31.50	(45.27)	76.77	0.2103	5,413
9	Worker's Compensation Insurance	4,335	20.77	(46.50)	67.27	0.1843	799	4,335	31.50	(46.50)	78.00	0.2137	926
10	Medical, Vision, Dental, LTD & Life Insurance	67,130	20.77	(8.92)	29.69	0.0813	5,460	67,130	31.50	(8.92)	40.42	0.1107	7,434
11	Other O&M (Excluding Rate Case Expense)	354,699	20.77	(9.27)	30.04	0.0823	29,192	257,176	31.50	(9.27)	40.77	0.1117	28,726
12	Federal Income Taxes	153,203	20.77	37.00	(16.23)	(0.0445)	(6,812)	138,528	31.50	37.00	(5.50)	(0.0151)	(2,087)
13	State Income Taxes	26,075	20.77	37.00	(16.23)	(0.0445)	(1,159)	23,577	31.50	37.00	(5.50)	(0.0151)	(355)
14	FICA Taxes	28,684	20.77	14.00	6.77	0.0185	532	28,684	31.50	14.00	17.50	0.0479	1,375
15	FUTA & SUTA Taxes	319	20.77	83.10	(62.33)	(0.1708)	(54)	319	31.50	83.10	(51.60)	(0.1414)	(45)
16	Property Taxes	118,521	20.77	212.00	(191.23)	(0.5239)	(62,095)	116,035	31.50	212.00	(180.50)	(0.4945)	(57,382)
17	Registration, Svc. Contracts, & Misc. Fees	10,342	20.77	(98.83)	119.60	0.3277	3,389	10,342	31.50	(98.83)	130.33	0.3571	3,693
18	Retirement Annuities (401k)	22,863	20.77	34.72	(13.95)	(0.0382)	(874)	22,863	31.50	34.72	(3.22)	(0.0088)	(202)
19	Interest on Long-Term Debt							156,911	31.50	91.25	(59.75)	(0.1637)	(25,686)
20													
21	Total	$ 1,622,559					$ (21,040)	$ 1,662,287					$ (8,432)

[1]2014 Actual lag days per AWC billing system.
Revenue lag days for White Tank updated in response Staff data request BAB 1.16.

[2]Dec. No. 64282 as amended by Dec. Nos. 66849 & 68302. Purchased power lag days per Dec. No. 71845. Purchased water lag days are actual 2014.

-Purchased Water expense exludes amortization of deferred CAP M&I Capital charges.

Supporting Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Working Cash Requirement

AJo

Line No.		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
		Company - As Filed						Settlement					
		Adjusted Results - As Filed	Revenue Lag Days[1]	Expense Lag Days[2]	Net Lag Days [B - C]	Lead / Lag Factor [D ÷ 365]	Working Cash Requirement [A X E]	Adjusted Results - Rebuttal	Revenue Lag Days[1]	Expense Lag Days[2]	Net Lag Days [H - I]	Lead / Lag Factor [J ÷ 365]	Working Cash Requirement [G X K]
3	Operating Expenses												
4	Purchased Power	$ 4,903	28.91	30.87	(1.96)	(0.0054)	$ (26)	$ 4,903	28.91	30.87	(1.96)	(0.0054)	$ (26)
5	Payroll	118,010	28.91	14.00	14.91	0.0408	4,821	118,010	28.91	14.00	14.91	0.0408	4,821
6	Purchased Water	117,312	28.91	35.95	(7.04)	(0.0193)	(2,263)	117,312	28.91	35.95	(7.04)	(0.0193)	(2,263)
7	Chemicals	502	28.91	(18.11)	47.02	0.1288	65	502	28.91	(18.11)	47.02	0.1288	65
8	Property & Liability Insurance	4,679	28.91	(45.27)	74.18	0.2032	951	4,679	28.91	(45.27)	74.18	0.2032	951
9	Worker's Compensation Insurance	1,568	28.91	(46.50)	75.41	0.2066	324	1,568	28.91	(46.50)	75.41	0.2066	324
10	Medical, Vision, Dental, LTD & Life Insurance	24,173	28.91	(8.92)	37.83	0.1036	2,505	24,173	28.91	(8.92)	37.83	0.1036	2,505
11	Other O&M (Excluding Rate Case Expense)	36,170	28.91	(9.27)	38.18	0.1046	3,784	15,484	28.91	(9.27)	38.18	0.1046	1,620
12	Federal Income Taxes	28,967	28.91	37.00	(8.09)	(0.0222)	(642)	26,395	28.91	37.00	(8.09)	(0.0222)	(585)
13	State Income Taxes	4,930	28.91	37.00	(8.09)	(0.0222)	(109)	4,492	28.91	37.00	(8.09)	(0.0222)	(100)
14	FICA Taxes	8,841	28.91	14.00	14.91	0.0408	361	8,841	28.91	14.00	14.91	0.0408	361
15	FUTA & SUTA Taxes	99	28.91	83.10	(54.19)	(0.1485)	(15)	99	28.91	83.10	(54.19)	(0.1485)	(15)
16	Property Taxes	21,529	28.91	212.00	(183.09)	(0.5016)	(10,799)	21,064	28.91	212.00	(183.09)	(0.5016)	(10,566)
17	Registration, Svc. Contracts, & Misc. Fees	1,893	28.91	(98.83)	127.74	0.3500	663	1,893	28.91	(98.83)	127.74	0.3500	663
18	Retirement Annuities (401k)	8,270	28.91	34.72	(5.81)	(0.0159)	(132)	8,270	28.91	34.72	(5.81)	(0.0159)	(132)
19	Interest on Long-Term Debt							29,898	28.91	91.25	(62.34)	(0.1708)	(5,106)
20													
21	Total	$ 381,845					$ (513)	$ 387,583					$ (7,483)

[1]2014 Actual lag days per AWC billing system. Revenue lag days for White Tank updated in response Staff data request BAB 1.16.

[2]Dec. No. 64282 as amended by Dec. Nos. 66849 & 68302. Purchased power lag days per Dec. No. 71845. Purchased water lag days are actual 2014.

-Purchased Water expense exludes amortization of deferred CAP M&I Capital charges.

Supporting Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Adjusted Test Year Income Statement

Western Group

Line No.		[A] Test Year Ended 12/31/2014	[B] Company - As Filed Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement Adjustments	[E] Adjusted Test Year - Settlement	[F] Settlement Required Increase - Settlement	[G] Adjstd' w/ Increase - Settlement
1	Operating Revenues							
2	Residential	$ 14,933,743	$ (1,536,843)	$ 13,396,900	$ -	$ 13,396,900		
3	Commercial	6,649,318	(689,780)	5,959,538	-	5,959,538		
4	Industrial	1,099,890	(125,928)	973,961	-	973,961		
5	Private Fire Service	138,940	(14,290)	124,650	-	124,650		
6	Other Water Revenues	273,425	(21,552)	251,873	-	251,873		
7	Total Water Revenues	$ 23,095,315	$ (2,388,393)	$ 20,706,922	$ -	$ 20,706,922		
8								
9	Miscellaneous	1,128,795	(618,949)	509,846	-	509,846		
10	Total Operating Revenues	$ 24,224,110	$ (3,007,342)	$ 21,216,768	$ -	$ 21,216,768	$ 4,572,937	$ 25,789,706
11								
12	Operating Expenses							
13	Source of Supply Expenses:							
14	Purchased Water	627,277	575,578	1,202,855	(43,988)	1,158,867	-	1,158,867
15	Other	87,192	10,555	97,747	(19,700)	78,047	-	78,047
16	Pumping Expenses:							
17	Purchased Power	2,290,426	72,448	2,362,874	-	2,362,874	-	2,362,874
18	Purchased Gas	878	-	878	-	878	-	878
19	Other	914,922	174,672	1,089,594	(30,907)	1,058,687	-	1,058,687
20	Water Treatment Expenses	1,552,922	107,688	1,660,610	(22,473)	1,638,137	-	1,638,137
21	Transmission & Distribution Expenses	1,550,665	341,279	1,891,944	(209,720)	1,682,224	-	1,682,224
22	Customer Accounting Expenses	1,359,159	74,032	1,433,191	(11,865)	1,421,326	9,848	1,431,175
23	Customer Service & Sales Expense	2,362	2,413	4,775	-	4,775	-	4,775
24	Administrative & General Expenses	2,419,106	443,701	2,862,807	(76,367)	2,786,440	-	2,786,440
25	Total Operations & Maintenance Expense	$ 10,804,910	$ 1,802,367	$ 12,607,277	$ (415,021)	$ 12,192,256	$ 9,848	$ 12,202,104
26								
27	Depreciation & Amortization Expenses	4,450,676	367,759	4,818,436	(83,342)	4,735,094	-	4,735,094
28								
29	Taxes							
30	Federal Income Taxes	1,392,854	(1,275,185)	117,669	202,953	320,623	1,448,979	1,769,602
31	State Income Taxes	147,755	(127,728)	20,027	34,543	54,570	246,615	301,185
32	Property Taxes	1,048,313	50,623	1,098,936	-	1,098,936	79,177	1,178,113
33	Other	2,434,405	(2,237,112)	197,293	(3,426)	193,867	-	193,867
34	Total Taxes	$ 5,023,327	$ (3,589,402)	$ 1,433,926	$ 234,070	$ 1,667,995	$ 1,774,771	$ 3,442,767
35								
36	Total Operating Expenses	$ 20,278,914	$ (1,419,276)	$ 18,859,638	$ (264,293)	$ 18,595,345	$ 1,784,620	$ 20,379,965
37	Operating Income	$ 3,945,196	$ (1,588,067)	$ 2,357,130	$ 264,293	$ 2,621,423	$ 2,788,318	$ 5,409,741
38								
39	Other Income & Deductions:							
40	Interest:							
41	Long-Term Debt	1,868,679	262,015	2,130,695	(126,257)	2,004,438	-	2,004,438
42	Short-Term Debt	-	-	-	-	-	-	-
43	Other	(185,620)	185,620	-	-	-	-	-
44	Total Interest	$ 1,683,059	$ 447,636	$ 2,130,695	$ (126,257)	$ 2,004,438	$ -	$ 2,004,438
45								
46	Other (Income) - Net	(189,231)	189,231	-	-	-	-	-
47								
48	Total Other (Income) & Deductions	$ 1,493,827	$ 636,867	$ 2,130,695	$ (126,257)	$ 2,004,438	$ -	$ 2,004,438
49								
50	Net Income	$ 2,451,369	$ (2,224,934)	$ 226,435	$ 390,550	$ 616,985	$ 2,788,318	$ 3,405,303
51								
52								
53								
54								
55								

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Adjusted Test Year Income Statement

Pinal Valley

Line No.		[A] Test Year Ended 12/31/2014	[B] Company - As Filed Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement Adjustments	[E] Adjusted Test Year - Settlement	[F] Settlement Required Increase - Settlement	[G] Adjstd' w/ Increase - Settlement
1	Operating Revenues							
2	Residential	$ 12,680,567	$ (1,382,206)	$ 11,298,361	$ -	$ 11,298,361		
3	Commercial	6,057,907	(645,125)	5,412,782	-	5,412,782		
4	Industrial	1,083,041	(125,072)	957,969	-	957,969		
5	Private Fire Service	135,733	(14,083)	121,650	-	121,650		
6	Other Water Revenues	235,041	(19,039)	216,003	-	216,003		
7	Total Water Revenues	$ 20,192,290	$ (2,185,525)	$ 18,006,765	$ -	$ 18,006,765		
8								
9	Miscellaneous	1,076,452	(615,328)	461,124	-	461,124		
10	Total Operating Revenues	$ 21,268,742	$ (2,800,853)	$ 18,467,889	$ -	$ 18,467,889	$ 4,104,288	$ 22,572,177
11								
12	Operating Expenses							
13	Source of Supply Expenses:							
14	Purchased Water	509,966	575,578	1,085,544	(43,988)	1,041,556	-	1,041,556
15	Other	70,295	5,129	75,424	(10,091)	65,333	-	65,333
16	Pumping Expenses:							
17	Purchased Power	2,008,337	62,974	2,071,310	-	2,071,310	-	2,071,310
18	Purchased Gas	878	-	878	-	878	-	878
19	Other	753,918	138,929	892,848	(18,213)	874,635	-	874,635
20	Water Treatment Expenses	1,322,049	82,694	1,404,743	(12,486)	1,392,257	-	1,392,257
21	Transmission & Distribution Expenses	1,410,908	250,563	1,661,471	(123,767)	1,537,704	-	1,537,704
22	Customer Accounting Expenses	1,175,477	64,082	1,239,559	(9,656)	1,229,903	8,788	1,238,692
23	Customer Service & Sales Expense	2,093	-	2,093	-	2,093	-	2,093
24	Administrative & General Expenses	2,145,599	397,613	2,543,213	(74,206)	2,469,006	-	2,469,006
25	Total Operations & Maintenance Expense	$ 9,399,520	$ 1,577,563	$ 10,977,082	$ (292,408)	$ 10,684,675	$ 8,788	$ 10,693,463
26								
27	Depreciation & Amortization Expenses	3,620,630	342,946	3,963,576	(80,392)	3,883,183	-	3,883,183
28								
29	Taxes							
30	Federal Income Taxes	1,293,556	(1,149,811)	143,745	160,672	304,418	1,300,262	1,604,679
31	State Income Taxes	137,221	(112,756)	24,465	27,346	51,812	221,304	273,115
32	Property Taxes	934,218	34,996	969,214	-	969,214	71,799	1,041,014
33	Other	2,219,660	(2,045,215)	174,445	(3,288)	171,157	-	171,157
34	Total Taxes	$ 4,584,655	$ (3,272,785)	$ 1,311,870	$ 184,730	$ 1,496,601	$ 1,593,364	$ 3,089,965
35								
36	Total Operating Expenses	$ 17,604,804	$ (1,352,276)	$ 16,252,529	$ (188,070)	$ 16,064,459	$ 1,602,153	$ 17,666,612
37	Operating Income	$ 3,663,938	$ (1,448,578)	$ 2,215,360	$ 188,070	$ 2,403,430	$ 2,502,135	$ 4,905,565
38								
39	Other Income & Deductions:							
40	Interest:							
41	Long-Term Debt	1,667,318	271,428	1,938,746	(121,117)	1,817,629	-	1,817,629
42	Short-Term Debt	-	-	-	-	-	-	-
43	Other	(165,619)	165,619	-	-	-	-	-
44	Total Interest	$ 1,501,699	$ 437,047	$ 1,938,746	$ (121,117)	$ 1,817,629	$ -	$ 1,817,629
45								
46	Other (Income) - Net	(165,834)	165,834	-	-	-	-	-
47								
48	Total Other (Income) & Deductions	$ 1,335,866	$ 602,880	$ 1,938,746	$ (121,117)	$ 1,817,629	$ -	$ 1,817,629
49								
50	Net Income	$ 2,328,072	$ (2,051,458)	$ 276,614	$ 309,187	$ 585,801	$ 2,502,135	$ 3,087,936
51								
52								
53								
54								
55								

Supporting Schedules:
C-2 Settlement

Recap Schedules:
A-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Adjusted Test Year Income Statement

White Tank

Line No.		[A] Test Year Ended 12/31/2014	[B] Company - As Filed Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement Adjustments	[E] Adjusted Test Year - Settlement	[F] Settlement Required Increase - Settlement	[G] Adjstd' w/ Increase - Settlement
1	Operating Revenues							
2	Residential	$ 1,916,678	$ (125,034)	$ 1,791,645	$ -	$ 1,791,645		
3	Commercial	457,425	(35,797)	421,627	-	421,627		
4	Industrial	16,848	(856)	15,992	-	15,992		
5	Private Fire Service	1,930	(130)	1,800	-	1,800		
6	Other Water Revenues	37,917	(2,610)	35,306	-	35,306		
7	Total Water Revenues	$ 2,430,798	$ (164,428)	$ 2,266,370	$ -	$ 2,266,370		
8								
9	Miscellaneous	47,983	(3,362)	44,621	-	44,621		
10	Total Operating Revenues	$ 2,478,781	$ (167,790)	$ 2,310,991	$ -	$ 2,310,991	$ 404,704	$ 2,715,695
11								
12	Operating Expenses							
13	Source of Supply Expenses:							
14	Purchased Water	-	-	-	-	-	-	-
15	Other	16,474	9,742	26,216	(9,605)	16,611	-	16,611
16	Pumping Expenses:							
17	Purchased Power	279,222	7,439	286,661	-	286,661	-	286,661
18	Purchased Gas	-	-	-	-	-	-	-
19	Other	142,677	36,031	178,709	(12,584)	166,125	-	166,125
20	Water Treatment Expenses	206,953	25,044	231,997	(9,785)	222,212	-	222,212
21	Transmission & Distribution Expenses	101,410	70,306	171,716	(66,697)	105,019	-	105,019
22	Customer Accounting Expenses	146,766	7,885	154,650	(1,932)	152,719	911	153,630
23	Customer Service & Sales Expense	223	2,413	2,636	-	2,636	-	2,636
24	Administrative & General Expenses	222,981	37,148	260,129	(1,324)	258,806	-	258,806
25	Total Operations & Maintenance Expense	$ 1,116,705	$ 196,009	$ 1,312,714	$ (101,927)	$ 1,210,788	$ 911	$ 1,211,699
26								
27	Depreciation & Amortization Expenses	770,228	18,295	788,523	(2,515)	786,008	-	786,008
28								
29	Taxes							
30	Federal Income Taxes	80,995	(106,096)	(25,101)	35,210	10,110	128,418	138,528
31	State Income Taxes	8,592	(12,864)	(4,272)	5,993	1,721	21,857	23,577
32	Property Taxes	90,735	18,901	109,635	-	109,635	6,400	116,035
33	Other	182,109	(165,743)	16,366	(2)	16,364	-	16,364
34	Total Taxes	$ 362,430	$ (265,802)	$ 96,628	$ 41,201	$ 137,829	$ 156,674	$ 294,504
35								
36	Total Operating Expenses	$ 2,249,363	$ (51,497)	$ 2,197,866	$ (63,240)	$ 2,134,626	$ 157,585	$ 2,292,211
37	Operating Income	$ 229,418	$ (116,293)	$ 113,125	$ 63,240	$ 176,365	$ 247,119	$ 423,484
38								
39	Other Income & Deductions:							
40	Interest:							
41	Long-Term Debt	167,446	(6,019)	161,427	(4,516)	156,911	-	156,911
42	Short-Term Debt	-	-	-	-	-	-	-
43	Other	(16,633)	16,633	-	-	-	-	-
44	Total Interest	$ 150,813	$ 10,614	$ 161,427	$ (4,516)	$ 156,911	$ -	$ 156,911
45								
46	Other (Income) - Net	(19,798)	19,798	-	-	-	-	-
47								
48	Total Other (Income) & Deductions	$ 131,015	$ 30,412	$ 161,427	$ (4,516)	$ 156,911	$ -	$ 156,911
49								
50	Net Income	$ 98,403	$ (146,705)	$ (48,302)	$ 67,757	$ 19,454	$ 247,119	$ 266,573
51								
52								
53								
54								
55								

Supporting Schedules:
C-2 Settlement

Recap Schedules:
A-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Adjusted Test Year Income Statement

Ajo

Line No.		[A] Test Year Ended 12/31/2014	[B] Company - As Filed Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement Adjustments	[E] Adjusted Test Year - Settlement	[F] Settlement Required Increase - Settlement	[G] Adjstd' w/ Increase - Settlement
1	Operating Revenues							
2	Residential	$ 336,497	$ (29,602)	$ 306,895	$ -	$ 306,895		
3	Commercial	133,986	(8,858)	125,128	-	125,128		
4	Industrial	-	-	-	-	-		
5	Private Fire Service	1,276	(76)	1,200	-	1,200		
6	Other Water Revenues	467	97	564	-	564		
7	Total Water Revenues	$ 472,227	$ (38,439)	$ 433,787	$ -	$ 433,787		
8								
9	Miscellaneous	4,360	(259)	4,101	-	4,101		
10	Total Operating Revenues	$ 476,587	$ (38,698)	$ 437,888	$ -	$ 437,888	$ 63,945	$ 501,834
11								
12	Operating Expenses							
13	Source of Supply Expenses:							
14	Purchased Water	117,312	-	117,312	-	117,312	-	117,312
15	Other	423	(4,317)	(3,893)	(4)	(3,898)	-	(3,898)
16	Pumping Expenses:							
17	Purchased Power	2,868	2,035	4,903	-	4,903	-	4,903
18	Purchased Gas	-	-	-	-	-	-	-
19	Other	18,327	(288)	18,038	(111)	17,927	-	17,927
20	Water Treatment Expenses	23,920	(50)	23,870	(201)	23,668	-	23,668
21	Transmission & Distribution Expenses	38,348	20,410	58,757	(19,256)	39,502	-	39,502
22	Customer Accounting Expenses	36,916	2,065	38,982	(277)	38,705	149	38,853
23	Customer Service & Sales Expense	46	-	46	-	46	-	46
24	Administrative & General Expenses	50,526	8,939	59,465	(837)	58,628	-	58,628
25	Total Operations & Maintenance Expense	$ 288,686	$ 28,794	$ 317,480	$ (20,687)	$ 296,793	$ 149	$ 296,942
26								
27	Depreciation & Amortization Expenses	59,819	6,518	66,337	(435)	65,902	-	65,902
28								
29	Taxes							
30	Federal Income Taxes	18,303	(19,278)	(975)	7,071	6,095	20,300	26,395
31	State Income Taxes	1,942	(2,108)	(166)	1,203	1,037	3,455	4,492
32	Property Taxes	23,360	(3,274)	20,086	-	20,086	978	21,064
33	Other	32,637	(26,155)	6,482	(136)	6,346	-	6,346
34	Total Taxes	$ 76,242	$ (50,815)	$ 25,427	$ 8,138	$ 33,565	$ 24,733	$ 58,298
35								
36	Total Operating Expenses	$ 424,747	$ (15,503)	$ 409,244	$ (12,983)	$ 396,261	$ 24,881	$ 421,142
37	Operating Income	$ 51,840	$ (23,196)	$ 28,644	$ 12,983	$ 41,628	$ 39,064	$ 80,692
38								
39	Other Income & Deductions:							
40	Interest:							
41	Long-Term Debt	33,915	(3,393)	30,521	(623)	29,898	-	29,898
42	Short-Term Debt	-	-	-	-	-	-	-
43	Other	(3,369)	3,369	-	-	-	-	-
44	Total Interest	$ 30,546	$ (25)	$ 30,521	$ (623)	$ 29,898	$ -	$ 29,898
45								
46	Other (Income) - Net	(3,600)	3,600	-	-	-	-	-
47								
48	Total Other (Income) & Deductions	$ 26,946	$ 3,575	$ 30,521	$ (623)	$ 29,898	$ -	$ 29,898
49								
50	Net Income	$ 24,894	$ (26,771)	$ (1,877)	$ 13,607	$ 11,730	$ 39,064	$ 50,794
51								
52								
53								
54								
55								

Supporting Schedules:
C-2 Settlement

Recap Schedules:
A-1 Settlement

Western Group

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] Settlement No. 4	[H] Settlement No. 5	[I] Settlement No. 6	[J] Settlement No. 7	[K] BLANK
					Settlement Income Statement Adjustments							
1	Operating Revenues											
2	Residential	$ 14,933,743	$ (1,536,843)	$ 13,396,900	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	Commercial	6,649,318	(689,780)	5,959,538	-	-	-	-	-	-	-	-
4	Industrial	1,099,890	(125,928)	973,961	-	-	-	-	-	-	-	-
5	Private Fire Service	138,940	(14,290)	124,650	-	-	-	-	-	-	-	-
6	Other Water Revenues	273,425	(21,552)	251,873	-	-	-	-	-	-	-	-
7	Total Water Revenues	$ 23,095,315	$ (2,388,393)	$ 20,706,922	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8												
9	Miscellaneous	1,128,795	(618,949)	509,846	-	-	-	-	-	-	-	-
10	Total Operating Revenues	$ 24,224,110	$ (3,007,342)	$ 21,216,768	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11												
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water	827,277	575,578	1,202,855	-	-	-	-	-	(43,988)	-	-
15	Other	87,192	10,555	97,747	(19,534)	81	-	-	(247)	-	-	-
16	Pumping Expenses:											
17	Purchased Power	2,290,426	72,448	2,362,874	-	-	-	-	-	-	-	-
18	Purchased Gas	878	-	878	-	-	-	-	-	-	-	-
19	Other	914,922	174,672	1,089,594	(27,012)	3,262	-	-	(7,157)	-	-	-
20	Water Treatment Expenses	1,552,922	107,688	1,660,610	(21,677)	834	-	-	(1,630)	-	-	-
21	Transmission & Distribution Expenses	1,550,665	341,279	1,891,944	(31,717)	6,753	-	(174,048)	(10,708)	-	-	-
22	Customer Accounting Expenses	1,359,159	74,032	1,433,191	(9,641)	1,819	-	-	(4,042)	-	-	-
23	Customer Service & Sales Expense	2,362	2,413	4,775	-	-	-	-	-	-	-	-
24	Administrative & General Expenses	2,419,106	443,701	2,862,807	(95,450)	61,443	(42,091)	-	(269)	-	-	-
25	Total Operations & Maintenance Expense	$ 10,804,910	$ 1,802,367	$ 12,607,277	$ (205,031)	$ 74,191	$ (42,091)	$ (174,048)	$ (24,053)	$ (43,988)	$ -	$ -
26												
27	Depreciation & Amortization Expenses	4,450,676	367,759	4,818,436	-	-	-	-	-	-	(83,342)	-
28												
29	Taxes											
30	Federal Income Taxes	1,392,854	(1,275,185)	117,669	-	-	-	-	-	-	-	-
31	State Income Taxes	147,755	(127,728)	20,027	-	-	-	-	-	-	-	-
32	Property Taxes	1,048,313	50,623	1,098,936	-	-	-	-	-	-	-	-
33	Other	2,434,405	(2,237,112)	197,293	(3,426)	-	-	-	-	-	-	-
34	Total Taxes	$ 5,023,327	$ (3,589,402)	$ 1,433,926	$ (3,426)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35												
36	Total Operating Expenses	$ 20,278,914	$ (1,419,276)	$ 18,859,638	$ (208,457)	$ 74,191	$ (42,091)	$ (174,048)	$ (24,053)	$ (43,988)	$ (83,342)	$ -
37	Operating Income	$ 3,945,196	$ (1,588,067)	$ 2,357,130	$ 208,457	$ (74,191)	$ 42,091	$ 174,048	$ 24,053	$ 43,988	$ 83,342	$ -
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt	1,868,679	262,015	2,130,695	-	-	-	-	-	-	-	-
42	Short-Term Debt	-	-	-	-	-	-	-	-	-	-	-
43	Other	(185,620)	185,620	-	-	-	-	-	-	-	-	-
44	Total Interest	$ 1,683,059	$ 447,636	$ 2,130,695	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45												
46	Other (Income) - Net	(189,231)	189,231	-	-	-	-	-	-	-	-	-
47												
48	Total Other (Income) & Deductions	$ 1,493,827	$ 636,867	$ 2,130,695	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49												
50	Net Income	$ 2,451,369	$ (2,224,934)	$ 226,435	$ 208,457	$ (74,191)	$ 42,091	$ 174,048	$ 24,053	$ 43,988	$ 83,342	$ -
51												
52												
53												
54												
55												

Line No.		Western Group										
		[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]
		Settlement Income Statement Adjustments:										
		BLANK	BLANK	BLANK	BLANK	Settlement No. 8	Settlement No. 9	Settlement No. 10	Total Settlement Adjustments	Adjusted Test Year - Settlement	Required Increase - Settlement	Adjstd' w/ Increase - Settlement
1	Operating Revenues											
2	Residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,396,900		
3	Commercial	-	-	-	-	-	-	-	-	5,959,538		
4	Industrial	-	-	-	-	-	-	-	-	973,961		
5	Private Fire Service	-	-	-	-	-	-	-	-	124,650		
6	Other Water Revenues	-	-	-	-	-	-	-	-	251,873		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,706,922		
8												
9	Miscellaneous	-	-	-	-	-	-	-	-	509,846		
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,216,768	$ 4,572,937	$ 25,789,706
11												
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water	-	-	-	-	-	-	-	(43,988)	1,158,867		1,158,867
15	Other	-	-	-	-	-	-	-	(19,700)	78,047		78,047
16	Pumping Expenses:											
17	Purchased Power	-	-	-	-	-	-	-	-	2,362,874		2,362,874
18	Purchased Gas	-	-	-	-	-	-	-	-	878		878
19	Other	-	-	-	-	-	-	-	(30,907)	1,058,687		1,058,687
20	Water Treatment Expenses	-	-	-	-	-	-	-	(22,473)	1,638,137		1,638,137
21	Transmission & Distribution Expenses	-	-	-	-	-	-	-	(209,720)	1,682,224		1,682,224
22	Customer Accounting Expenses	-	-	-	-	-	-	-	(11,865)	1,421,326	9,848	1,431,175
23	Customer Service & Sales Expense	-	-	-	-	-	-	-	-	4,775		4,775
24	Administrative & General Expenses	-	-	-	-	-	-	-	(76,367)	2,786,440		2,786,440
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (415,021)	$ 12,192,256	$ 9,848	$ 12,202,104
26												
27	Depreciation & Amortization Expenses	-	-	-	-	-	-	-	(83,342)	4,735,094		4,735,094
28												
29	Taxes											
30	Federal Income Taxes	-	-	-	-	-	-	202,953	202,953	320,623	1,448,979	1,769,602
31	State Income Taxes	-	-	-	-	-	-	34,543	34,543	54,570	246,615	301,185
32	Property Taxes	-	-	-	-	-	-	-	-	1,098,936	79,177	1,178,113
33	Other	-	-	-	-	-	-	-	(3,426)	193,867	-	193,867
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 237,496	$ 234,070	$ 1,667,995	$ 1,774,771	$ 3,442,767
35												
36	Total Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ 237,496	$ (264,293)	$ 18,595,345	$ 1,784,620	$ 20,379,965
37	Operating Income	$ -	$ -	$ -	$ -	$ -	$ -	$ (237,496)	$ 264,293	$ 2,621,423	$ 2,788,318	$ 5,409,741
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt	-	-	-	-	(126,257)	-	-	(126,257)	2,004,438		2,004,438
42	Short-Term Debt	-	-	-	-	-	-	-	-	-		-
43	Other	-	-	-	-	-	-	-	-	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ (126,257)	$ -	$ -	$ (126,257)	$ 2,004,438	$ -	$ 2,004,438
45												
46	Other (Income) - Net	-	-	-	-	-	-	-	-	-		-
47												
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ (126,257)	$ -	$ -	$ (126,257)	$ 2,004,438	$ -	$ 2,004,438
49												
50	Net Income	$ -	$ -	$ -	$ -	$ 126,257	$ -	$ (237,496)	$ 390,550	$ 616,985	$ 2,788,318	$ 3,405,303
51												
52												
53												
54												
55												

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Income Statement Pro Forma Adjustments

Pinal Valley

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] Settlement No. 4	[H] Settlement No. 5	[I] Settlement No. 6	[J] Settlement No. 7	[K] BLANK
					Settlement Income Statement Adjustments							
1	Operating Revenues											
2	Residential	$ 12,680,567	$ (1,382,206)	$ 11,298,361								
3	Commercial	6,057,907	(645,125)	5,412,782								
4	Industrial	1,083,041	(125,072)	957,969								
5	Private Fire Service	135,733	(14,083)	121,650								
6	Other Water Revenues	235,041	(19,039)	216,003								
7	Total Water Revenues	$ 20,192,290	$ (2,185,525)	$ 18,006,765	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8												
9	Miscellaneous	1,076,452	(615,328)	461,124								
10	Total Operating Revenues	$ 21,268,742	$ (2,800,853)	$ 18,467,889	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11												
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water	509,966	575,578	1,085,544								
15	Other	70,295	5,129	75,424	(10,050)	49				(43,988)		
16	Pumping Expenses:								(90)			
17	Purchased Power	2,008,337	62,974	2,071,310								
18	Purchased Gas	878	-	878								
19	Other	753,918	138,929	892,848	(16,220)	2,720						
20	Water Treatment Expenses	1,322,049	82,694	1,404,743	(11,878)	722			(4,713)			
21	Transmission & Distribution Expenses	1,410,908	250,563	1,661,471	(21,027)	6,083			(1,330)			
22	Customer Accounting Expenses	1,175,477	64,082	1,239,559	(8,356)	1,543		(99,896)	(8,927)			
23	Customer Service & Sales Expense	2,093	-	2,093					(2,843)			
24	Administrative & General Expenses	2,145,599	397,613	2,543,213	(90,920)	53,852	(36,887)					
25	Total Operations & Maintenance Expense	$ 9,399,520	$ 1,577,563	$ 10,977,082	$ (158,452)	$ 64,970	$ (36,887)	$ (99,896)	$ (18,154)	$ (43,988)	$ -	$ -
26									(251)			
27	Depreciation & Amortization Expenses	3,620,630	342,946	3,963,576								
28												
29	Taxes										(80,392)	
30	Federal Income Taxes	1,293,556	(1,149,811)	143,745								
31	State Income Taxes	137,221	(112,756)	24,465								
32	Property Taxes	934,218	34,996	969,214								
33	Other	2,219,660	(2,045,215)	174,445								
34	Total Taxes	$ 4,584,655	$ (3,272,785)	$ 1,311,870	$ (3,288)							
35												
36	Total Operating Expenses	$ 17,604,804	$ (1,352,276)	$ 16,252,529	$ (161,741)	$ 64,970	$ (36,887)	$ (99,896)	$ (18,154)	$ (43,988)	$ (80,392)	$ -
37	Operating Income	$ 3,663,938	$ (1,448,578)	$ 2,215,360	$ 161,741	$ (64,970)	$ 36,887	$ 99,896	$ 18,154	$ 43,988	$ 80,392	$ -
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt	1,667,318	271,428	1,938,746								
42	Short-Term Debt	-	-	-								
43	Other	(165,619)	165,619	-								
44	Total Interest	$ 1,501,699	$ 437,047	$ 1,938,746	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45												
46	Other (Income) - Net	(165,834)	165,834	-								
47												
48	Total Other (Income) & Deductions	$ 1,335,866	$ 602,880	$ 1,938,746	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49												
50	Net Income	$ 2,328,072	$ (2,051,458)	$ 276,614	$ 161,741	$ (64,970)	$ 36,887	$ 99,896	$ 18,154	$ 43,988	$ 80,392	$ -
51												
52												
53												
54												
55												

Supporting Schedules:

Recap Schedules:
C-1 Settlement

Pinal Valley

Line No.		[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]
		Settlement Income Statement Adjustments							Total	Adjusted	Required	Adjstd' w/
		BLANK	BLANK	BLANK	BLANK	Settlement No. 8	Settlement No. 9	Settlement No. 10	Settlement Adjustments	Test Year - Settlement	Increase - Settlement	Increase - Settlement
1	Operating Revenues											
2	Residential											
3	Commercial								$ -	$ 11,298,361		
4	Industrial								-	5,412,782		
5	Private Fire Service								-	957,969		
6	Other Water Revenues								-	121,650		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	216,003		
8									$ -	$ 18,006,765		
9	Miscellaneous											
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	461,124		
11									$ -	$ 18,467,889	$ 4,104,288	$ 22,572,177
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water											
15	Other								(43,988)	1,041,556		1,041,556
16	Pumping Expenses:								(10,091)	65,333		65,333
17	Purchased Power											
18	Purchased Gas								-	2,071,310		2,071,310
19	Other								-	878		878
20	Water Treatment Expenses								(18,213)	874,635		874,635
21	Transmission & Distribution Expenses								(12,486)	1,392,257		1,392,257
22	Customer Accounting Expenses								(123,767)	1,537,704		1,537,704
23	Customer Service & Sales Expense								(9,656)	1,229,903	8,788	1,238,692
24	Administrative & General Expenses								-	2,093		2,093
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	(74,206)	2,469,006		2,469,006
26									$ (292,408)	$ 10,684,675	$ 8,788	$ 10,693,463
27	Depreciation & Amortization Expenses											
28									(80,392)	3,883,183		3,883,183
29	Taxes											
30	Federal Income Taxes											
31	State Income Taxes							160,672	160,672	304,418	1,300,262	1,604,679
32	Property Taxes							27,346	27,346	51,812	221,304	273,115
33	Other								-	969,214	71,799	1,041,014
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 188,019	(3,288)	171,157		171,157
35									$ 184,730	$ 1,496,601	$ 1,593,364	$ 3,089,965
36	Total Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ 188,019	$ (188,070)	$ 16,064,459	$ 1,602,153	$ 17,666,612
37	Operating Income	$ -	$ -	$ -	$ -	$ -	$ -	$ (188,019)	$ 188,070	$ 2,403,430	$ 2,502,135	$ 4,905,565
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt											
42	Short-Term Debt					(121,117)			(121,117)	1,817,629		1,817,629
43	Other								-	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ (121,117)	$ -	$ -	-	-		-
45									$ (121,117)	$ 1,817,629	$ -	$ 1,817,629
46	Other (Income) - Net											
47									-	-		-
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ (121,117)	$ -	$ -	$ (121,117)	$ 1,817,629	$ -	$ 1,817,629
49												
50	Net Income	$ -	$ -	$ -	$ -	$ 121,117	$ -	$ (188,019)	$ 309,187	$ 585,801	$ 2,502,135	$ 3,087,936
51												
52												
53												
54												
55												

White Tank

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] Settlement No. 4	[H] Settlement No. 5	[I] Settlement No. 6	[J] Settlement No. 7	[K] BLANK
					Settlement Income Statement Adjustments							
1	Operating Revenues											
2	Residential	$ 1,916,678	$ (125,034)	$ 1,791,645								
3	Commercial	457,425	(35,797)	421,627								
4	Industrial	16,848	(856)	15,992								
5	Private Fire Service	1,930	(130)	1,800								
6	Other Water Revenues	37,917	(2,610)	35,306								
7	Total Water Revenues	$ 2,430,798	$ (164,428)	$ 2,266,370	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8												
9	Miscellaneous	47,983	(3,362)	44,621								
10	Total Operating Revenues	$ 2,478,781	$ (167,790)	$ 2,310,991	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11												
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water	-	-	-								
15	Other	16,474	9,742	26,216	(9,479)	31			(157)			
16	Pumping Expenses:											
17	Purchased Power	279,222	7,439	286,661								
18	Purchased Gas	-	-	-								
19	Other	142,677	36,031	178,709	(10,642)	502			(2,444)			
20	Water Treatment Expenses	206,953	25,044	231,997	(9,544)	58			(300)			
21	Transmission & Distribution Expenses	101,410	70,306	171,716	(10,267)	550		(55,199)	(1,781)			
22	Customer Accounting Expenses	146,766	7,885	154,650	(966)	233			(1,199)			
23	Customer Service & Sales Expense	223	2,413	2,636								
24	Administrative & General Expenses	222,981	37,148	260,129	(3,327)	6,425	(4,404)		(18)			
25	Total Operations & Maintenance Expense	$ 1,116,705	$ 196,009	$ 1,312,714	$ (44,224)	$ 7,800	$ (4,404)	$ (55,199)	$ (5,899)	$ -	$ -	$ -
26												
27	Depreciation & Amortization Expenses	770,228	18,295	788,523								
28												
29	Taxes										(2,515)	
30	Federal Income Taxes	80,995	(106,096)	(25,101)								
31	State Income Taxes	8,592	(12,864)	(4,272)								
32	Property Taxes	90,735	18,901	109,635								
33	Other	182,109	(165,743)	16,366	(2)							
34	Total Taxes	$ 362,430	$ (265,802)	$ 96,628	$ (2)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35												
36	Total Operating Expenses	$ 2,249,363	$ (51,497)	$ 2,197,866	$ (44,226)	$ 7,800	$ (4,404)	$ (55,199)	$ (5,899)	$ -	$ (2,515)	$ -
37	Operating Income	$ 229,418	$ (116,293)	$ 113,125	$ 44,226	$ (7,800)	$ 4,404	$ 55,199	$ 5,899	$ -	$ 2,515	$ -
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt	167,446	(6,019)	161,427								
42	Short-Term Debt	-	-	-								
43	Other	(16,633)	16,633	-								
44	Total Interest	$ 150,813	$ 10,614	$ 161,427	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45												
46	Other (Income) - Net	(19,798)	19,798	-								
47												
48	Total Other (Income) & Deductions	$ 131,015	$ 30,412	$ 161,427	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49												
50	Net Income	$ 98,403	$ (146,705)	$ (48,302)	$ 44,226	$ (7,800)	$ 4,404	$ 55,199	$ 5,899	$ -	$ 2,515	$ -
51												
52												
53												
54												
55												

Line No.		White Tank										
		[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]
		Settlement Income Statement Adjustments										
		BLANK	BLANK	BLANK	BLANK	Settlement No. 8	Settlement No. 9	Settlement No. 10	Total Settlement Adjustments	Adjusted Test Year - Settlement	Required Increase - Settlement	Adjstd' w/ Increase - Settlement
1	Operating Revenues											
2	Residential								$ -	$ 1,791,645		
3	Commercial								-	421,627		
4	Industrial								-	15,992		
5	Private Fire Service								-	1,800		
6	Other Water Revenues								-	35,306		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,266,370		
8									-	44,621		
9	Miscellaneous											
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,310,991	$ 404,704	$ 2,715,695
11												
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water								-	-		-
15	Other								(9,605)	16,611		16,611
16	Pumping Expenses:											
17	Purchased Power								-	286,661		286,661
18	Purchased Gas								-	-		-
19	Other								(12,584)	166,125		166,125
20	Water Treatment Expenses								(9,785)	222,212		222,212
21	Transmission & Distribution Expenses								(66,697)	105,019		105,019
22	Customer Accounting Expenses								(1,932)	152,719	911	153,630
23	Customer Service & Sales Expense								-	2,636		2,636
24	Administrative & General Expenses								(1,324)	258,806		258,806
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (101,927)	$ 1,210,788	$ 911	$ 1,211,699
26												
27	Depreciation & Amortization Expenses								(2,515)	788,008		786,008
28												
29	Taxes											
30	Federal Income Taxes							35,210	35,210	10,110	128,418	138,528
31	State Income Taxes							5,993	5,993	1,721	21,857	23,577
32	Property Taxes								-	109,635	6,400	116,035
33	Other								(2)	16,364		16,364
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 41,203	$ 41,201	$ 137,829	$ 156,674	$ 294,504
35												
36	Total Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ 41,203	$ (63,240)	$ 2,134,626	$ 157,585	$ 2,292,211
37	Operating Income	$ -	$ -	$ -	$ -	$ -	$ -	$ (41,203)	$ 63,240	$ 176,365	$ 247,119	$ 423,484
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt								-	-		-
42	Short-Term Debt					(4,516)			(4,516)	156,911		156,911
43	Other								-	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ (4,516)	$ -	$ -	$ (4,516)	$ 156,911	$ -	$ 156,911
45												
46	Other (Income) - Net								-	-		-
47												
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ (4,516)	$ -	$ -	$ (4,516)	$ 156,911	$ -	$ 156,911
49												
50	Net Income	$ -	$ -	$ -	$ -	$ 4,516	$ -	$ (41,203)	$ 67,757	$ 19,454	$ 247,119	$ 266,573
51												
52												
53												
54												
55												

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Income Statement Pro Forma Adjustments

Ajo

Line No.		[A] Test Year Ended 12/31/2014	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Settlement No. 1	[E] Settlement No. 2	[F] Settlement No. 3	[G] Settlement No. 4	[H] Settlement No. 5	[I] Settlement No. 6	[J] Settlement No. 7	[K] BLANK
					Settlement Income Statement Adjustments							
1	Operating Revenues											
2	Residential	$ 336,497	$ (29,602)	$ 306,895								
3	Commercial	133,986	(8,858)	125,128								
4	Industrial	-	-	-								
5	Private Fire Service	1,276	(76)	1,200								
6	Other Water Revenues	467	97	564								
7	Total Water Revenues	$ 472,227	$ (38,439)	$ 433,787	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8												
9	Miscellaneous	4,360	(259)	4,101								
10	Total Operating Revenues	$ 476,587	$ (38,698)	$ 437,888	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11												
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water	117,312	-	117,312								
15	Other	423	(4,317)	(3,893)	(5)	1			-			
16	Pumping Expenses:											
17	Purchased Power	2,868	2,035	4,903								
18	Purchased Gas	-	-	-								
19	Other	18,327	(288)	18,038	(150)	39			-			
20	Water Treatment Expenses	23,920	(50)	23,870	(256)	54			-			
21	Transmission & Distribution Expenses	38,348	20,410	58,757	(422)	120			-			
22	Customer Accounting Expenses	36,916	2,065	38,982	(319)	42		(18,953)	-			
23	Customer Service & Sales Expense	46	-	46					-			
24	Administrative & General Expenses	50,526	8,939	59,465					-			
25	Total Operations & Maintenance Expense	$ 288,686	$ 28,794	$ 317,480	$ (2,355)	$ 1,422	$ (801)	$ (18,953)	$ -	$ -	$ -	$ -
26												
27	Depreciation & Amortization Expenses	59,819	6,518	66,337								
28												
29	Taxes											
30	Federal Income Taxes	18,303	(19,278)	(975)							(435)	
31	State Income Taxes	1,942	(2,108)	(166)								
32	Property Taxes	23,360	(3,274)	20,086								
33	Other	32,637	(26,155)	6,482								
34	Total Taxes	$ 76,242	$ (50,815)	$ 25,427	$ (136)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35												
36	Total Operating Expenses	$ 424,747	$ (15,503)	$ 409,244	$ (2,490)	$ 1,422	$ (801)	$ (18,953)	$ -	$ -	$ (435)	$ -
37	Operating Income	$ 51,840	$ (23,196)	$ 28,644	$ 2,490	$ (1,422)	$ 801	$ 18,953	$ -	$ -	$ 435	$ -
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt	33,915	(3,393)	30,521								
42	Short-Term Debt	-	-	-								
43	Other	(3,369)	3,369	-								
44	Total Interest	$ 30,546	$ (25)	$ 30,521	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45												
46	Other (Income) - Net	(3,600)	3,600	-								
47												
48	Total Other (Income) & Deductions	$ 26,946	$ 3,575	$ 30,521	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49												
50	Net Income	$ 24,894	$ (26,771)	$ (1,877)	$ 2,490	$ (1,422)	$ 801	$ 18,953	$ -	$ -	$ 435	$ -
51												
52												
53												
54												
55												

Supporting Schedules:

Recap Schedules:
C-1 Settlement

Ajo

Line No.		[L] BLANK	[M] BLANK	[N] BLANK	[O] BLANK	[P] Settlement No. 8	[Q] Settlement No. 9	[R] Settlement No. 10	[S] Total Settlement Adjustments	[T] Adjusted Test Year - Settlement	[U] Required Increase - Settlement	[V] Adjsld' w/ Increase - Settlement
		Settlement Income Statement Adjustments										
1	Operating Revenues											
2	Residential								$ -	$ 306,895		
3	Commercial								-	125,128		
4	Industrial								-	-		
5	Private Fire Service								-	1,200		
6	Other Water Revenues								-	564		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 433,787		
8												
9	Miscellaneous								-	4,101		
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 437,888	$ 63,945	$ 501,834
11												
12	Operating Expenses											
13	Source of Supply Expenses:											
14	Purchased Water											
15	Other								-	117,312		117,312
16	Pumping Expenses:								(4)	(3,898)		(3,898)
17	Purchased Power											
18	Purchased Gas								-	4,903		4,903
19	Other								-	-		-
20	Water Treatment Expenses								(111)	17,927		17,927
21	Transmission & Distribution Expenses								(201)	23,668		23,668
22	Customer Accounting Expenses								(19,256)	39,502		39,502
23	Customer Service & Sales Expense								(277)	38,705	149	38,853
24	Administrative & General Expenses								-	46		46
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	(837)	58,628		58,628
26									$ (20,687)	$ 296,793	$ 149	$ 296,942
27	Depreciation & Amortization Expenses											
28									(435)	65,902		65,902
29	Taxes											
30	Federal Income Taxes											
31	State Income Taxes							7,071	7,071	6,095	20,300	26,395
32	Property Taxes							1,203	1,203	1,037	3,455	4,492
33	Other								-	20,086	978	21,064
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,274	(136)	6,346		6,346
35									$ 8,138	$ 33,565	$ 24,733	$ 58,298
36	Total Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,274	$ (12,983)	$ 396,261	$ 24,881	$ 421,142
37	Operating Income	$ -	$ -	$ -	$ -	$ -	$ -	$ (8,274)	$ 12,983	$ 41,628	$ 39,064	$ 80,692
38												
39	Other Income & Deductions:											
40	Interest:											
41	Long-Term Debt											
42	Short-Term Debt					(623)			(623)	29,898		29,898
43	Other								-	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ (623)	$ -	$ -	-	-		-
45									$ (623)	$ 29,898	$ -	$ 29,898
46	Other (Income) - Net											
47									-	-		-
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ (623)	$ -	$ -	$ (623)	$ 29,898	$ -	$ 29,898
49												
50	Net Income	$ -	$ -	$ -	$ -	$ 623	$ -	$ (8,274)	$ 13,607	$ 11,730	$ 39,064	$ 50,794
51												
52												
53												
54												
55												

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 1 (Payroll)
- Remove: Asst. Secretary, V.P. Rates, Operations Superintendent (unfilled) & Serviceman (unfilled)
- Add: Mgr. of Rates
- Apply 1.6% Wage Increase

Western Group - Payroll

Line No.	System	[A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Taxes - Other Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2	Western Group								
3	Pinal Valley	$ (10,050)	$ (16,220)	$ (11,878)	$ (21,027)	$ (8,356)	$ (80,457)	$ -	$ (147,989)
4	White Tank	(9,479)	(10,642)	(9,544)	(10,267)	(966)	(2,519)	-	(43,416)
5	Ajo	(5)	(150)	(256)	(422)	(319)	(910)	-	(2,062)
6	Subtotal	$ (19,534)	$ (27,012)	$ (21,677)	$ (31,717)	$ (9,641)	$ (83,886)	$ -	$ (193,467)
7									

Western Group - Payroll Tax

Line No.	System	[A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Taxes - Other Increase / (Decrease)	[H] Total Increase / (Decrease)
18	Pinal Valley	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,288)	$ (3,288)
19	White Tank	-	-	-	-	-	-	(2)	(2)
20	Ajo	-	-	-	-	-	-	(136)	(136)
21	Subtotal	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,426)	$ (3,426)
22									

Western Group - 401k

Line No.	System	[A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Taxes - Other Increase / (Decrease)	[H] Total Increase / (Decrease)
33	Pinal Valley	$ -	$ -	$ -	$ -	$ -	$ (10,464)	$ -	$ (10,464)
34	White Tank	-	-	-	-	-	(808)	-	(808)
35	Ajo	-	-	-	-	-	(292)	-	(292)
36	Subtotal	$ -	$ -	$ -	$ -	$ -	$ (11,564)	$ -	$ (11,564)
37									

Western Group - Total Payroll & Related

Line No.	System	[A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Taxes - Other Increase / (Decrease)	[H] Total Increase / (Decrease)
48	Pinal Valley	$ (10,050)	$ (16,220)	$ (11,878)	$ (21,027)	$ (8,356)	$ (90,920)	$ (3,288)	$ (161,741)
49	White Tank	(9,479)	(10,642)	(9,544)	(10,267)	(966)	(3,327)	(2)	(44,226)
50	Ajo	(5)	(150)	(256)	(422)	(319)	(1,202)	(136)	(2,490)
51	Subtotal	$ (19,534)	$ (27,012)	$ (21,677)	$ (31,717)	$ (9,641)	$ (95,450)	$ (3,426)	$ (208,457)
52									
53									
54	Total	$ (19,534)	$ (27,012)	$ (21,677)	$ (31,717)	$ (9,641)	$ (95,450)	$ (3,426)	$ (208,457)
55									

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 2 (Insurance)
- Adjust Insurance Expense to Reflect Current Property & Liability Insurance Premium

Line No.	System	Western Group - Insurance Expense [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Total Increase / (Decrease)
1								
2	Western Group							
3	Pinal Valley	$ 49	$ 2,720	$ 722	$ 6,083	$ 1,543	$ 53,852	$ 64,970
4	White Tank	31	502	58	550	233	6,425	7,800
5	Ajo	1	39	54	120	42	1,166	1,422
6								
7	Subtotal	$ 81	$ 3,262	$ 834	$ 6,753	$ 1,819	$ 61,443	$ 74,191
8								
9	Total	$ 81	$ 3,262	$ 834	$ 6,753	$ 1,819	$ 61,443	$ 74,191
10								
11								
12	Increase/(Decrease) in Expenses							$ 74,191
13								
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 3 (Rate Case Expense)
- Adjust Rate Case Expense to Reflect Settlement Amount

Line No.	System	[A] Total Rate Case Expense - As Filed	[B] Allocated Rate Case Expense - As Filed	[C] Normalization Period In Years	[D] Annual Expense - As Filed	[E] Total Rate Case Expense - Per Settlement	[F] Allocated Rate Case Expense - Per Settlement	[G] Annual Expense - Per Settlement	[H] Increase / (Decrease)
			Western Group - Rate Case Expense						
1									
2	Western Group								
3	Pinal Valley								
4	White Tank		$ 426,148	3	$ 142,049		$ 315,487	$ 105,162	$ (36,887)
5	Ajo		50,876	3	16,959		37,665	12,555	(4,404)
6			9,250	3	3,083		6,848	2,283	(801)
7	Subtotal		$ 486,274		$ 162,091		$ 360,000	$ 120,000	$ (42,091)
8									
9	Phoenix Office	$ 486,274							
10									
11	Increase/(Decrease) in Rate Case Expense					$ 360,000			
12									
13									$ (42,091)
14									
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Supporting Schedules:

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 4 (Tank Maintenance)
- Adopt RUCO's Recommended Adjustment to Tank Maintenance Expense[1]

Line No.	System	Western Group - Tank Maintenance [A] Increase / (Decrease) - T&D
1		
2		
3	Western Group	
4	Pinal Valley	$ (99,896)
5	White Tank	(55,199)
6	Ajo	(18,953)
7		
8	Subtotal	$ (174,048)
9		
10	Total	$ (174,048)
11		
12		
13	Increase/(Decrease) in Expenses	$ (174,048)
14		
15		
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55	[1]See Cassidy Direct Testimony, Schedule JAC-10	

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 5 (Vehicles)
- Adopt Staff's Recommended Adjustment to Vehicle Expense[1]

Line No.	System	Western Group - Vehicle Expense [A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Total Increase / (Decrease)
1								
2								
3	Western Group							
4	Pinal Valley	$ (90)	$ (4,713)	$ (1,330)	$ (8,927)	$ (2,843)	$ (251)	$ (18,154)
5	White Tank	(157)	(2,444)	(300)	(1,781)	(1,199)	(18)	(5,899)
6	Ajo	-	-	-	-	-	-	-
7								
8	Subtotal	$ (247)	$ (7,157)	$ (1,630)	$ (10,708)	$ (4,042)	$ (269)	$ (24,053)
9								
10	Total	$ (247)	$ (7,157)	$ (1,630)	$ (10,708)	$ (4,042)	$ (269)	$ (24,053)
11								
12								
13	Increase/(Decrease) in Expenses							$ (24,053)
14								
15								
16								
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55	[1]See Baxter Direct Testimony, Schedule BAB-14a.							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 6 (Deferred CAP Amortization)
- Increase Amortization Period for Additional Deferred CAP M&I Capital Charges from 20 Years to 25 Years

Line No.		Pinal Valley - Purchased Water Expense [A]	[B]
1	Additional deferred CAP M&I charges now Used & Useful	$ 4,398,823	
2	[See Appendix to Schedule B-2, page 10 of Original Application]		
3			
4	Originally Proposed Amortization Period (Years)	20	
5			
6	Annual Amortization - As Filed		$ 219,941
7			
8	Amortization Period Per Settlement (Years)	25	
9			
10	Annual Amortization - Per Settlement		$ 175,953
11			
12	Increase/(Decrease) in Purchased Water Expense		$ (43,988)
13			
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 7 (Depreciation)
- Adjust Depreciation Expense to Reflect Settlement Plant Balances

Pinal Valley

Line No.	Acct. No.		[A] Depreciation Rate	[B] Settlement Rate Base Adjustments - Direct Plant	[C] Settlement Rate Base Adjustments - P.T.Y.P.	[D] Increase / (Decrease) Depr. Exp.	[E] Increase / (Decrease) Phoenix Office (3-factor Alloc.) 0.3317	[F] Increase / (Decrease) Meter Shop (3-factor Alloc.) 0.3317	[G] Total Increase / (Decrease) [D + E + F]
1		Intangible Plant							
2	301	Organization	0.00%		$ -	$ -	$ -	$ -	$ -
3	302	Franchises	note_1		-	-	-	-	-
4	303	Other Intangibles	note_1		-	-	-	-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -	$ -	$ -
6		Source of Supply Plant							
7	310.1	Water Rights	0.00%		-	-	-	-	-
8	310.3	Other Source of Supply Land	0.00%		-	-	-	-	-
9	310.4	Wells - Other	note_1		-	-	-	-	-
10	314	Wells	3.13%		16,383	513	-	-	513
11		Subtotal Source of Supply Plant		$ -	$ 16,383	$ 513	$ -	$ -	$ 513
12		Pumping Plant							
13	320	Pumping Plant Land	0.00%		-	-	-	-	-
14	321	Pumping Plant Structures & Improvements	2.86%		(23,431)	(670)	-	-	(670)
15	325	Electric Pumping Equipment	5.88%		(112,300)	(6,603)	-	-	(6,603)
16	328	Gas Engine Equipment	4.00%		-	-	-	-	-
17		Subtotal Pumping Plant		$ -	$ (135,731)	$ (7,273)	$ -	$ -	$ (7,273)
18		Water Treatment Plant							
19	330	Water Treatment Plant Land	0.00%		-	-	-	-	-
20	331	Water Treatment Structures & Improvements	2.50%		-	-	-	-	-
21	332	Water Treatment Equipment	2.86%		(1,551,257)	(44,366)	-	-	(44,366)
22		Subtotal Water Treatment Plant		$ -	$ (1,551,257)	$ (44,366)	$ -	$ -	$ (44,366)
23		Transmission & Distribution Plant							
24	340	Transmission and Distribution Land	0.00%		-	-	-	-	-
25	341	Transmission and Distribution Structures	3.33%		-	-	-	-	-
26	342	Storage Tanks	2.00%		9,622	192	-	-	192
27	343	Transmission & Distribution Mains	1.79%		(133,824)	(2,395)	-	-	(2,395)
28	344	Fire Sprinkler Taps	2.00%		-	-	-	-	-
29	345	Services	2.38%		(168,925)	(4,020)	-	-	(4,020)
30	346	Meters	4.55%		(404,063)	(18,385)	-	-	(18,385)
31	348	Hydrants	1.82%		(14,217)	(259)	-	-	(259)
32		Subtotal Transmission & Distribution Plant		$ -	$ (711,406)	$ (24,867)	$ -	$ -	$ (24,867)
33		General Plant							
34	389	General Plant Land	0.00%		-	-	-	-	-
35	390	General Plant Structures	2.50%		-	-	-	-	-
36	390.1	Leasehold Improvements	note_2		6,073	152	-	-	152
37	391	Office Furniture & Equipment	6.67%		-	-	-	-	-
38	393	Warehouse Equipment	5.00%		(8,000)	(534)	(897)	(17)	(1,447)
39	394	Tools, Shop & Garage Equipment	4.00%		-	-	-	-	-
40	395	Laboratory Equipment	5.00%		(12,000)	(480)	-	(13)	(493)
41	396	Power Operated Equipment	6.67%		-	-	-	-	-
42	397	Communication Equipment	6.67%		-	-	-	-	-
43	398	Miscellaneous Equipment	3.33%		(7,623)	(508)	(1,881)	-	(2,389)
44		Subtotal General Plant		$ -	$ (21,550)	$ (1,370)	$ (2,999)	$ (30)	$ (4,399)
45									
46		Totals		$ -	$ (2,403,561)	$ (77,364)	$ (2,999)	$ (30)	$ (80,392)
47		Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Rebuttal Appndx.)	2.00%						note_3
48		Less: Contribution Depreciation							-
49									
50		Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement							$ (80,392)

52 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
53 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
54 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.
55 note_3 Amortization of deferred CAP M&I Capital charges included in rate base is charged to account 60220 - Purchased CAP water.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 7 (Depreciation) (continued)
- Adjust Depreciation Expense to Reflect Settlement Plant Balances

White Tank

Line No.	Acct. No.		[A] Depreciation Rate	[B] Settlement Rate Base Adjustments - Direct Plant	[C] Settlement Rate Base Adjustments - P.T.Y.P.	[D] Increase / (Decrease) Depr. Exp.	[E] Increase / (Decrease) Phoenix Office (3-factor Alloc.) 0.0396	[F] Increase / (Decrease) Meter Shop (3-factor Alloc.) 0.0396	[G] Total Increase / (Decrease) [D + E + F]
1		Intangible Plant							
2	301	Organization	0.00%		$ -	$ -	$ -	$ -	$ -
3	302	Franchises	note_1		-	-	-	-	-
4	303	Other Intangibles	note_1		-	-	-	-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -	$ -	$ -
6		Source of Supply Plant							
7	310.1	Water Rights	0.00%			$ -			
8	310.3	Other Source of Supply Land	0.00%		-	-	-	-	-
9	310.4	Wells - Other	note_1		-	-	-	-	-
10	314	Wells	3.13%		-	-	-	-	-
11		Subtotal Source of Supply Plant		$ -	$ -	$ -	$ -	$ -	$ -
12		Pumping Plant							
13	320	Pumping Plant Land	0.00%		-	-	-	-	-
14	321	Pumping Plant Structures & Improvements	2.86%		-	-	-	-	-
15	325	Electric Pumping Equipment	5.88%		-	-	-	-	-
16	328	Gas Engine Equipment	4.00%		(3,145)	(185)	-	-	(185)
17		Subtotal Pumping Plant		$ -	$ (3,145)	$ (185)	$ -	$ -	$ (185)
18		Water Treatment Plant							
19	330	Water Treatment Plant Land	0.00%		-	-	-	-	-
20	331	Water Treatment Structures & Improvements	2.50%		-	-	-	-	-
21	332	Water Treatment Equipment	2.86%		187	5	-	-	5
22		Subtotal Water Treatment Plant		$ -	$ 187	$ 5	$ -	$ -	$ 5
23		Transmission & Distribution Plant							
24	340	Transmission and Distribution Land	0.00%		-	-	-	-	-
25	341	Transmission and Distribution Structures	3.33%		-	-	-	-	-
26	342	Storage Tanks	2.00%		-	-	-	-	-
27	343	Transmission & Distribution Mains	1.79%		-	-	-	-	-
28	344	Fire Sprinkler Taps	2.00%		(1,471)	(26)	-	-	(26)
29	345	Services	2.38%		-	-	-	-	-
30	346	Meters	4.55%		(25,000)	(595)	-	-	(595)
31	348	Hydrants	1.82%		(38,800)	(1,765)	-	-	(1,765)
32		Subtotal Transmission & Distribution Plant			(5,000)	(91)	-	-	(91)
33		General Plant		$ -	$ (70,271)	$ (2,478)	$ -	$ -	$ (2,478)
34	389	General Plant Land	0.00%		-	-	-	-	-
35	390	General Plant Structures	2.50%		-	-	-	-	-
36	390.1	Leasehold Improvements	note_2		-	-	-	-	-
37	391	Office Furniture & Equipment	6.67%		-	-	-	-	-
38	393	Warehouse Equipment	5.00%		(1,000)	(67)	(107)	(2)	(176)
39	394	Tools, Shop & Garage Equipment	4.00%		-	-	-	-	-
40	395	Laboratory Equipment	5.00%		(1,250)	(50)	-	(2)	(52)
41	396	Power Operated Equipment	6.67%		-	-	-	-	-
42	397	Communication Equipment	6.67%		-	-	-	-	-
43	398	Miscellaneous Equipment	3.33%		9,310	621	(225)	-	396
44		Subtotal General Plant		$ -	$ 7,060	$ 504	$ (358)	$ (4)	$ 143
45									(26)
46	Totals			$ -	$ (66,170)	$ (2,153)	$ (358)	$ (4)	$ (2,515)
47	Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Rebuttal Appndx.)		2.00%						-
48	Less: Contribution Depreciation								-
49									
50	Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement								$ (2,515)
51									
52									

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 7 (Depreciation) (continued)
- Adjust Depreciation Expense to Reflect Settlement Plant Balances

Line No.	Acct. No.		[A] Depreciation Rate	[B] Settlement Rate Base Adjustments - Direct Plant	[C] Settlement Rate Base Adjustments - P.T.Y.P.	[D] Increase / (Decrease) Depr. Exp.	[E] Increase / (Decrease) Phoenix Office (3-factor Alloc.) 0.0072	[F] Increase / (Decrease) Meter Shop (3-factor Alloc.) 0.0072	[G] Total Increase / (Decrease) [D + E + F]
					Ajo				
1		Intangible Plant							
2	301	Organization	0.00%		$ -	$ -	$ -	$ -	$ -
3	302	Franchises	note_1		-	-	-	-	-
4	303	Other Intangibles	note_1		-	-	-	-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -	$ -	$ -
6		Source of Supply Plant							
7	310.1	Water Rights	0.00%		-	-	-	-	-
8	310.3	Other Source of Supply Land	0.00%		-	-	-	-	-
9	310.4	Wells - Other	note_1		-	-	-	-	-
10	314	Wells	3.13%		-	-	-	-	-
11		Subtotal Source of Supply Plant		$ -	$ -	$ -	$ -	$ -	$ -
12		Pumping Plant							
13	320	Pumping Plant Land	0.00%		-	-	-	-	-
14	321	Pumping Plant Structures & Improvements	2.86%		-	-	-	-	-
15	325	Electric Pumping Equipment	5.88%		-	-	-	-	-
16	328	Gas Engine Equipment	4.00%		-	-	-	-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -	$ -	$ -
18		Water Treatment Plant							
19	330	Water Treatment Plant Land	0.00%		-	-	-	-	-
20	331	Water Treatment Structures & Improvements	2.50%		-	-	-	-	-
21	332	Water Treatment Equipment	2.86%		-	-	-	-	-
22		Subtotal Water Treatment Plant		$ -	$ -	$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant							
24	340	Transmission and Distribution Land	0.00%		-	-	-	-	-
25	341	Transmission and Distribution Structures	3.33%		-	-	-	-	-
26	342	Storage Tanks	2.00%		-	-	-	-	-
27	343	Transmission & Distribution Mains	1.79%		(2,000)	(36)	-	-	(36)
28	344	Fire Sprinkler Taps	2.00%		-	-	-	-	-
29	345	Services	2.38%		(5,000)	(119)	-	-	(119)
30	346	Meters	4.55%		(4,200)	(191)	-	-	(191)
31	348	Hydrants	1.82%		-	-	-	-	-
32		Subtotal Transmission & Distribution Plant		$ -	$ (11,200)	$ (346)	$ -	$ -	$ (346)
33		General Plant							
34	389	General Plant Land	0.00%		-	-	-	-	-
35	390	General Plant Structures	2.50%		-	-	-	-	-
36	390.1	Leasehold Improvements	note_2		-	-	-	-	-
37	391	Office Furniture & Equipment	6.67%		-	-	-	-	-
38	393	Warehouse Equipment	5.00%		(200)	(13)	(19)	(0)	(33)
39	394	Tools, Shop & Garage Equipment	4.00%		-	-	-	-	-
40	395	Laboratory Equipment	5.00%		(250)	(10)	-	(0)	(10)
41	396	Power Operated Equipment	6.67%		-	-	-	-	-
42	397	Communication Equipment	6.67%		-	-	-	-	-
43	398	Miscellaneous Equipment	3.33%		-	-	(41)	-	(41)
44		Subtotal General Plant		$ -	$ (450)	$ (23)	$ (65)	$ (1)	$ (89)
45									
46		Totals		$ -	$ (11,650)	$ (369)	$ (65)	$ (1)	$ (435)
47		Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Rebuttal Appndx.)	2.00%						-
48		Less: Contribution Depreciation							-
49									
50		Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement							$ (435)
51									
52									

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 7 (Depreciation) (continued)
- Adjust Depreciation Expense to Reflect Settlement Plant Balances

Line No.	Acct. No.		Phoenix Office [A] Depreciation Rate	[B] Settlement Rate Base Adjustments - Direct Plant	[C] Settlement Rate Base Adjustments - P.T.Y.P.	[D] Increase / (Decrease) Depr. Exp.
1		Intangible Plant				
2	301	Organization	0.00%		$ -	$ -
3	302	Franchises	note_1		-	-
4	303	Other Intangibles	note_1		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -
6		Source of Supply Plant				
7	310.1	Water Rights				
8	310.3	Other Source of Supply Land	0.00%		-	-
9	310.4	Wells - Other	0.00%		-	-
10	314	Wells	note_1		-	-
11		Subtotal Source of Supply Plant	3.13%		-	-
12		Pumping Plant		$ -	$ -	$ -
13	320	Pumping Plant Land				
14	321	Pumping Plant Structures & Improvements	0.00%		-	-
15	325	Electric Pumping Equipment	2.86%		-	-
16	328	Gas Engine Equipment	5.88%		-	-
17		Subtotal Pumping Plant	4.00%		-	-
18		Water Treatment Plant		$ -	$ -	$ -
19	330	Water Treatment Plant Land				
20	331	Water Treatment Structures & Improvements	0.00%		-	-
21	332	Water Treatment Equipment	2.50%		-	-
22		Subtotal Water Treatment Plant	2.86%		-	-
23		Transmission & Distribution Plant		$ -	$ -	$ -
24	340	Transmission and Distribution Land				
25	341	Transmission and Distribution Structures	0.00%		-	-
26	342	Storage Tanks	3.33%		-	-
27	343	Transmission & Distribution Mains	2.00%		-	-
28	344	Fire Sprinkler Taps	1.79%		-	-
29	345	Services	2.00%		-	-
30	346	Meters	2.38%		-	-
31	348	Hydrants	4.55%		-	-
32		Subtotal Transmission & Distribution Plant	1.82%		-	-
33		General Plant		$ -	$ -	$ -
34	389	General Plant Land				
35	390	General Plant Structures	0.00%		-	-
36	390.1	Leasehold Improvements	2.50%		-	-
37	391	Office Furniture & Equipment	note_2		(31,000)	-
38	393	Warehouse Equipment	6.67%		(40,556)	(2,705)
39	394	Tools, Shop & Garage Equipment	5.00%		-	-
40	395	Laboratory Equipment	4.00%		-	-
41	396	Power Operated Equipment	5.00%		-	-
42	397	Communication Equipment	6.67%		-	-
43	398	Miscellaneous Equipment	6.67%		(85,000)	(5,670)
44		Subtotal General Plant	3.33%		(20,000)	(666)
45				$ -	$ (176,556)	$ (9,041)
46	Totals					
47	Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Rebuttal Appndx.)			$ -	$ (176,556)	$ (9,041)
48	Less: Contribution Depreciation					
49			2.00%			-
50	Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement					-
51						
52						$ (9,041)

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 7 (Depreciation) (continued)
- Adjust Depreciation Expense to Reflect Settlement Plant Balances

Meter Shop

Line No.	Acct. No.		[A] Depreciation Rate	[B] Settlement Rate Base Adjustments - Direct Plant	[C] Settlement Rate Base Adjustments - P.T.Y.P.	[D] Increase / (Decrease) Depr. Exp.
1		Intangible Plant				
2	301	Organization	0.00%		$ -	$ -
3	302	Franchises	note_1		-	-
4	303	Other Intangibles	note_1		-	-
5		Subtotal Intangible Plant		$ -	$ -	$ -
6		Source of Supply Plant				
7	310.1	Water Rights	0.00%		-	-
8	310.3	Other Source of Supply Land	0.00%		-	-
9	310.4	Wells - Other	note_1		-	-
10	314	Wells	3.13%		-	-
11		Subtotal Source of Supply Plant		$ -	$ -	$ -
12		Pumping Plant				
13	320	Pumping Plant Land	0.00%		-	-
14	321	Pumping Plant Structures & Improvements	2.86%		-	-
15	325	Electtric Pumping Equipment	5.88%		-	-
16	328	Gas Engine Equipment	4.00%		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -
18		Water Treatment Plant				
19	330	Water Treatment Plant Land	0.00%		-	-
20	331	Water Treatment Structures & Improvements	2.50%		-	-
21	332	Water Treatment Equipment	2.86%		-	-
22		Subtotal Water Treatment Plant		$ -	$ -	$ -
23		Transmission & Distribution Plant				
24	340	Transmission and Distribution Land	0.00%		-	-
25	341	Transmission and Distribution Structures	3.33%		-	-
26	342	Storage Tanks	2.00%		-	-
27	343	Transmission & Distribution Mains	1.79%		-	-
28	344	Fire Sprinkler Taps	2.00%		-	-
29	345	Services	2.38%		-	-
30	346	Meters	4.55%		-	-
31	348	Hydrants	1.82%		-	-
32		Subtotal Transmission & Distribution Plant		$ -	$ -	$ -
33		General Plant				
34	389	General Plant Land	0.00%		-	-
35	390	General Plant Structures	2.50%		-	-
36	390.1	Leasehold Improvements	note_2		-	-
37	391	Office Furniture & Equipment	6.67%		(750)	(50)
38	393	Warehouse Equipment	5.00%		-	-
39	394	Tools, Shop & Garage Equipment	4.00%		(1,000)	(40)
40	395	Laboratory Equipment	5.00%		-	-
41	396	Power Operated Equipment	6.67%		-	-
42	397	Communication Equipment	6.67%		-	-
43	398	Miscellaneous Equipment	3.33%		-	-
44		Subtotal General Plant		$ -	$ (1,750)	$ (90)
45						
46	Totals			$ -	$ (1,750)	$ (90)
47	Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Rebuttal Appndx.)					-
48	Less: Contribution Depreciation		2.00%			-
49						
50	Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement					$ (90)
51						
52						

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 8 (Synchronized Interest)
- Synchronize Interest Expense with Rate Base

Western Group - Synchronized Interest

Line No.	System	[A] Settlement - Orig. Cost Rate Base Sch. B-1 Ln. 23	[B] Weighted Cost of Long-Term Debt Sch. D-1	[C] Synchronized Interest - Long-Term Debt	[D] Adjusted T.Y. Long-Term Interest - As Filed	[E] Increase / (Decrease) Long-Term Interest Exp.	[F] Weighted Cost of Short-Term Debt Sch. D-1	[G] Synchronized Interest - Short-Term Debt	[H] Adjusted T.Y. Short-Term Interest - As Filed	[I] Increase / (Decrease) Short-Term Interest Exp.	[J] Test Year Other Interest - As Filed	[K] Increase / (Decrease) Other Interest Exp.
1												
2												
3	Western Group											
4	Pinal Valley	$ 57,511,994	3.16%	$ 1,817,629	$ 1,938,746	$ (121,117)	0.00%	$ -	$ -	$ -	$ -	$ -
5	White Tank	4,964,851	3.16%	156,911	161,427	(4,516)	0.00%	-	-	-	-	-
6	Ajo	946,016	3.16%	29,898	30,521	(623)	0.00%	-	-	-	-	-
7	Subtotal	$ 63,422,861		$ 2,004,438	$ 2,130,695	$ (126,257)		$ -	$ -	$ -	$ -	$ -
8												
9	Total	$ 63,422,861		$ 2,004,438	$ 2,130,695	$ (126,257)		$ -	$ -	$ -	$ -	$ -
10												
11												
12	Increase/(Decrease) in Expenses											$ (126,257)

Supporting Schedules:

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 9 (Property Taxes)
- Adjust Property Taxes

Line No.		Pinal Valley [A] T.Y. Adjstd' - Settlement	Pinal Valley [B] Adjusted - Settlement w/ Increase	White Tank [C] T.Y. Adjstd' - Settlement	White Tank [D] Adjusted - Settlement w/ Increase	Ajo [E] T.Y. Adjstd' - Settlement	Ajo [F] Adjusted - Settlement w/ Increase
1							
2	Adjusted Revenues - Settlement	$ 18,467,889	$ 18,467,889	$ 2,310,991	$ 2,310,991	$ 437,888	$ 437,888
3	Adjusted Revenues - Settlement	18,467,889	18,467,889	2,310,991	2,310,991	437,888	437,888
4	Adjusted Revenues - Settlement / Proposed Revenues	18,467,889	22,572,177	2,310,991	2,715,695	437,888	501,834
5							
6	Average Revenue	$ 18,467,889	$ 19,835,985	$ 2,310,991	$ 2,445,892	$ 437,888	$ 459,204
7							
8	Average Revenue Multiplied by 2	$ 36,935,778	$ 39,671,970	$ 4,621,982	$ 4,891,784	$ 875,777	$ 918,407
9							
10							
11							
12							
13							
14							
15	Deduct:						
16	Net Book Value of Transportation Equipment	$ -	$ -	$ -	$ -	$ -	$ -
17							
18							
19	Full Cash Value	$ 36,935,778	$ 39,671,970	$ 4,621,982	$ 4,891,784	$ 875,777	$ 918,407
20							
21	Assessment Ratio	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
22							
23	Assessed Value	6,648,440	7,140,955	831,957	880,521	157,640	165,313
24							
25	Property Tax Rate	14.58%	14.58%	13.18%	13.18%	12.74%	12.74%
26							
27	Property Tax	969,214	1,041,014	109,635	116,035	20,086	21,064
28							
29	Tax on Parcels	-	-	-	-	-	-
30							
31	Total Property Taxes - Calculated	$ 969,214	$ 1,041,014	$ 109,635	$ 116,035	$ 20,086	$ 21,064
32							
33	Adjusted Property Taxes - As filed	969,214		109,635		20,086	
34							
35	Increase / (Decrease) in Property Taxes - Settlement	$ -		$ -		$ -	
36							
37	Adjusted Property Taxes - Settlement		969,214		109,635		20,086
38							
39	Inc. / (Dec.) in Property Taxes at Proposed Rates - Settlement		$ 71,799		$ 6,400		$ 978
40							
41	As % of Change in Revenue Requirement		1.75%		1.58%		1.53%
42							
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Supporting Schedules:

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 9 (Property Taxes) (continued)
- Adjust Property Taxes

Line No.		Western Group [A] T.Y. Adjstd' - Settlement	[B] Adjusted - Settlement w/ Increase
1			
2	Adjusted Revenues - Settlement	$ 21,216,768	$ 21,216,768
3	Adjusted Revenues - Settlement	21,216,768	21,216,768
4	Adjusted Revenues - Settlement / Proposed Revenues	21,216,768	25,789,706
5			
6	Average Revenue	$ 21,216,768	$ 22,741,081
7			
8	Average Revenue Multiplied by 2	$ 42,433,536	$ 45,482,161
9			
10			
11			
12			
13			
14			
15	Deduct:		
16	Net Book Value of Transportation Equipment	$ -	$ -
17			
18			
19	Full Cash Value	$ 42,433,536	$ 45,482,161
20			
21	Assessment Ratio	18.0%	18.0%
22			
23	Assessed Value	7,638,037	8,186,789
24			
25	Property Tax Rate	14.39%	14.39%
26			
27	Property Tax	1,098,936	1,178,113
28			
29	Tax on Parcels	-	-
30			
31	Total Property Taxes - Calculated	$ 1,098,936	$ 1,178,113
32			
33	Adjusted Property Taxes - As filed	1,098,936	
34			
35	Increase / (Decrease) in Property Taxes - Settlement	$ -	
36			
37	Adjusted Property Taxes - Settlement		1,098,936
38			
39	Inc. / (Dec.) in Property Taxes at Proposed Rates - Settlement		$ 79,177
40			
41	As % of Change in Revenue Requirement		1.73%
42			
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment No. 10 (Income Taxes)
- Adjust Income Taxes to Reflect Adjusted Test Year Results & Proposed Revenues

Line No.			Pinal Valley [A] T.Y. Adjusted - Settlement	Pinal Valley [B] Adjusted - Settlement w/ Increase	White Tank [C] T.Y. Adjusted - Settlement	White Tank [D] Adjusted - Settlement w/ Increase	Ajo [E] T.Y. Adjusted - Settlement	Ajo [F] Adjusted - Settlement w/ Increase
1								
2								
3	Operating Income Before Inc. Taxes		$ 2,759,659	$ 6,783,360	$ 188,196	$ 585,589	$ 48,761	$ 111,580
4	Interest Expense		1,817,629	1,817,629	156,911	156,911	29,898	29,898
5	Arizona Taxable Income (Ln. 3 - Ln. 4)		$ 942,030	$ 4,965,731	$ 31,285	$ 428,678	$ 18,862	$ 81,681
6								
7	Less Arizona Income Tax (Ln. 5 X Ln. 8)		$ 51,812	$ 273,115	$ 1,721	$ 23,577	$ 1,037	$ 4,492
8	Arizona Income Tax Rate:	5.500%						
9								
10	Federal Income Before Taxes (Ln. 5)		$ 942,030	$ 4,965,731	$ 31,285	$ 428,678	$ 18,862	$ 81,681
11	Less Arizona Income Taxes (Ln. 7)		51,812	273,115	1,721	23,577	1,037	4,492
12	Federal Taxable Income (Ln. 10 - Ln. 11)		$ 890,219	$ 4,692,616	$ 29,564	$ 405,100	$ 17,825	$ 77,189
13								
14	Federal Income Taxes:							
15								
16	Applicable Federal Income Tax Rate:	34.20%						
17			304,418	1,604,679	10,110	138,528	6,095	26,395
18								
19								
20								
21	Federal Income Taxes:		$ 304,418	$ 1,604,679	$ 10,110	$ 138,528	$ 6,095	$ 26,395
22								
23								
24	Total Income Tax (Ln. 11 + Ln. 21)		$ 356,229	$ 1,877,795	$ 11,830	$ 162,105	$ 7,133	$ 30,888
25								
26	Tax Rate (Ln. 24 ÷ Ln. 5)		37.82%	37.82%	37.82%	37.82%	37.82%	37.82%
27								
28	Effective Income Tax Rates							
29	State (Ln. 7 ÷ Ln. 5)		5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
30	Federal (Ln. 21 ÷ Ln. 5)		32.32%	32.32%	32.32%	32.32%	32.32%	32.32%
31								
32								
33	Adjusted Federal Income Taxes - As Filed (Sch. C-2, Ln. 30)		$ 143,745		$ (25,101)		$ (975)	
34	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 33)		160,672		35,210		7,071	
35								
36	Adjusted State Income Taxes - As filed (Sch. C-2, Ln. 31)		$ 24,465		$ (4,272)		$ (166)	
37	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 36)		27,346		5,993		1,203	
38								
39	Adjusted Federal Income Taxes - Settlement							
40	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 39)			$ 304,418		$ 10,110		$ 6,095
41				1,300,262		128,418		20,300
42	Adjusted State Income Taxes - Settlement							
43	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 42)			51,812		1,721		1,037
44				221,304		21,857		3,455
45								
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Supporting Schedules:

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Settlement Income Statement Adjustment IS-10 (Income Taxes) (continued)
- Adjust Income Taxes to Reflect Adjusted Test Year Results & Proposed Revenues

Line No.			Western Group [A] T.Y. Adjusted - Settlement	Western Group [B] Adjusted - Settlement w/ Increase
1				
2				
3	Operating Income Before Inc. Taxes		$ 2,996,615	$ 7,480,528
4	Interest Expense		2,004,438	2,004,438
5	Arizona Taxable Income (Ln. 3 - Ln. 4)		$ 992,178	$ 5,476,090
6				
7	Less Arizona Income Tax (Ln. 5 X Ln. 8)		$ 54,570	$ 301,185
8	Arizona Income Tax Rate:	5.500%		
9				
10	Federal Income Before Taxes (Ln. 5)		$ 992,178	$ 5,476,090
11	Less Arizona Income Taxes (Ln. 7)		54,570	301,185
12	Federal Taxable Income (Ln. 10 - Ln. 11)		$ 937,608	$ 5,174,905
13				
14	Federal Income Taxes:			
15				
16	Applicable Federal Income Tax Rate:	34.20%		
17			320,623	1,769,602
18				
19				
20				
21	Federal Income Taxes:		$ 320,623	$ 1,769,602
22				
23				
24	Total Income Tax (Ln. 11 + Ln. 21)		$ 375,193	$ 2,070,787
25				
26	Tax Rate (Ln. 24 + Ln. 5)		37.82%	37.82%
27				
28	Effective Income Tax Rates			
29	State (Ln. 7 + Ln. 5)		5.50%	5.50%
30	Federal (Ln. 21 + Ln. 5)		32.32%	32.32%
31				
32				
33	Adjusted Federal Income Taxes - As Filed (Sch. C-2, Ln. 30)		$ 117,669	
34	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 33)		202,953	
35				
36	Adjusted State Income Taxes - As filed (Sch. C-2, Ln. 31)		$ 20,027	
37	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 36)		34,543	
38				
39	Adjusted Federal Income Taxes - Settlement			$ 320,623
40	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 39)			1,448,979
41				
42	Adjusted State Income Taxes - Settlement			54,570
43	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 42)			246,615
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Gross Revenue Conversion Factor

Line No.	Description	Western Group [A]
1		
2	Effective Federal Income Tax Rate	
3	(Sch. C-2 Appdx.)	32.32%
4		
5	Effective State Income Tax Rate	
6	(Sch. C-2 Appdx.)	5.50%
7		
8	Combined Federal & State Income Tax Rate	
9	(Ln. 2 + Ln. 5)	37.82%
10		
11	100% Minus Combined Federal & State IncomeTax Rate	
12		62.18%
13	Uncollectible Rate	0.22%
14		
15	Effective Uncollectible Factor	
16	(Ln. 11 x Ln. 13)	0.13%
17		
18	100% Minus Effective Uncollectible Factor	
19		99.87%
20	Property Tax Factor	1.73%
21	(Sch. C-2 Appdx.)	
22		
23	Effective Property Tax Factor	
24	(Ln. 11 x Ln. 20)	1.08%
25		
26	Combined Federal & State Income & Property Tax Rate	
27	(Ln. 8 + Ln. 23)	38.89%
28		
29	Operating Income %	
30	(Ln. 18 - Ln. 26)	60.97%
31		
32	Revenue Conversion Factor	
33	(100% ÷ Ln. 29)	1.6400
34		
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Supporting Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Computation of Gross Revenue Conversion Factor

Line No.	Description	Pinal Valley [A]	White Tank [B]	Ajo [C]
1				
2	Effective Federal Income Tax Rate			
3	(Sch. C-2 Appdx.)	32.32%	32.32%	32.32%
4				
5	Effective State Income Tax Rate			
6	(Sch. C-2 Appdx.)	5.50%	5.50%	5.50%
7				
8	Combined Federal & State Income Tax Rate			
9	(Ln. 2 + Ln. 5)	37.82%	37.82%	37.82%
10				
11	100% Minus Combined Federal & State IncomeTax Rate			
12		62.18%	62.18%	62.18%
13	Uncollectible Rate			
14		0.21%	0.23%	0.23%
15	Effective Uncollectible Factor			
16	(Ln. 11 x Ln. 13)	0.13%	0.14%	0.14%
17				
18	100% Minus Effective Uncollectible Factor			
19		99.87%	99.86%	99.86%
20	Property Tax Factor			
21	(Sch. C-2 Appdx.)	1.75%	1.58%	1.53%
22				
23	Effective Property Tax Factor			
24	(Ln. 11 x Ln. 20)	1.09%	0.98%	0.95%
25				
26	Combined Federal & State Income & Property Tax Rate			
27	(Ln. 8 + Ln. 23)	38.90%	38.80%	38.77%
28				
29	Operating Income %			
30	(Ln. 18 - Ln. 26)	60.96%	61.06%	61.09%
31				
32	Revenue Conversion Factor			
33	(100% ÷ Ln. 29)	1.6403	1.6377	1.6369
34				
35				
36				
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Supporting Schedules:

Recap Schedules:
A-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Cost of Capital

Exhibit
Schedule D-1 Settlement
Page 1 of 1
Witness: Reiker

Western Group

Line No.	Description	[A] Dollar Amount[1]	[B] Percent of Total	[C] Rate of Return	[D] Weighted Return
	End of Test Year - Actual				
2	Short-Term Debt	$ -	0.00%	0.00%	0.00%
4	Long-Term Debt	28,387,500	46.31%	6.82%	3.16%
6	Common Equity	32,914,056	53.69%	7.45%	4.00%
8	Totals	$ 61,301,556	100.00%		7.16%
	Proposed - As Filed				
		Dollar Amount[1]	Percent of Total	Cost Rate	Weighted Cost
20	Short-Term Debt	$ -	0.00%	0.00%	0.00%
22	Long-Term Debt	28,492,500	46.31%	6.82%	3.16%
24	Common Equity	33,035,799	53.69%	10.75%	5.77%
26	Totals	$ 61,528,299	100.00%		8.93%
	Settlement				
		Dollar Amount[1]	Percent of Total	Cost Rate	Weighted Cost
38	Short-Term Debt	$ -	0.00%	0.00%	0.00%
40	Long-Term Debt	28,492,500	46.31%	6.82%	3.16%
42	Common Equity	33,035,799	53.69%	10.00%	5.37%
44	Totals	$ 61,528,299	100.00%		8.53%

[1]Allocated based on 3-factor methodology

Supporting Schedules:

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary of Revenues by Customer Classification
Present & Proposed Rates

Western Group

Line No.	Customer Classification	[A] Test Year Rates Sch. H-2 Col. E	[B] Company - As Filed Proposed Rates Sch. H-2 Col. F	[C] Company - As Filed Proposed Increase Amount	[D] Company - As Filed %	[E] Settlement Proposed Rates Sch. H-2 Col. I	[F] Settlement Proposed Increase Amount	[G] Settlement %
1								
2								
3	Residential	$ 13,396,945	$ 17,069,179	$ 3,672,234	27.41%	$ 16,286,196	$ 2,889,251	21.57%
4	Commercial	5,959,602	7,935,581	1,975,979	33.16%	7,465,458	1,505,857	25.27%
5	Industrial	161,824	217,366	55,542	34.32%	218,971	57,147	35.31%
6	Large Industrial	225,896	306,103	80,206	35.51%	309,009	83,113	36.79%
7	Abbott Laboratories	586,240	672,045	85,805	14.64%	498,034	(88,207)	-15.05%
8	Private Fire Service	124,650	174,510	49,860	40.00%	174,510	49,860	40.00%
9	Other Water Revenues	251,834	342,551	90,717	36.02%	327,686	75,852	30.12%
10								
11	Total Water Revenues	$ 20,706,991	$ 26,717,335	$ 6,010,343	29.03%	$ 25,279,864	$ 4,572,873	22.08%
12								
13								
14	Miscellaneous Revenues	509,842	509,842	-	0.00%	509,842	-	0.00%
15								
16	Total Operating Revenues	$ 21,216,833	$ 27,227,177	$ 6,010,344	28.33%	$ 25,789,706	$ 4,572,873	21.55%
17								
18								
19	Target Revenue Requirement (Sch. C-1, Ln. 10)		$ 27,227,177			$ 25,789,706		
20	Difference (Ln. 16 - Ln. 19)		$ 0			$ 0		
21	%		0.00%			0.00%		
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary of Revenues by Customer Classification
Present & Proposed Rates

Pinal Valley

Line No.	Customer Classification	[A] Test Year Rates Sch. H-2 Col. E	[B] Company - As Filed Proposed Rates Sch. H-2 Col. F	[C] Proposed Increase Amount	[D] %	[E] Settlement Proposed Rates Sch. H-2 Col. I	[F] Proposed Increase Amount	[G] %
1								
2								
3	Residential	$ 11,298,423	$ 14,478,782	$ 3,180,359	28.15%	$ 13,837,510	$ 2,539,087	22.47%
4	Commercial	5,412,847	7,237,593	1,824,746	33.71%	6,812,239	1,399,392	25.85%
5	Industrial	161,824	217,366	55,542	34.32%	218,971	57,147	35.31%
6	Large Industrial	209,904	282,545	72,641	34.61%	285,452	75,548	35.99%
7	Abbott Laboratories	586,240	672,045	85,805	14.64%	498,034	(88,207)	-15.05%
8	Private Fire Service	121,650	170,310	48,660	40.00%	170,310	48,660	40.00%
9	Other Water Revenues	215,938	302,299	86,361	39.99%	288,542	72,604	33.62%
10								
11	Total Water Revenues	$ 18,006,827	$ 23,360,941	$ 5,354,114	29.73%	$ 22,111,057	$ 4,104,231	22.79%
12								
13								
14	Miscellaneous Revenues	461,120	461,120	-	0.00%	461,120	-	0.00%
15								
16	Total Operating Revenues	$ 18,467,946	$ 23,822,061	$ 5,354,114	28.99%	$ 22,572,177	$ 4,104,231	22.22%
17								
18								
19	Target Revenue Requirement (Sch. C-1, Ln. 10)		$ 23,822,061			$ 22,572,177		
20	Difference (Ln. 16 - Ln. 19)		$ 0			$ 0		
21	%		0.00%			0.00%		
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Supporting Schedules:
H-2 Settlement

Recap Schedules:
A-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary of Revenues by Customer Classification
Present & Proposed Rates

White Tank

Line No.	Customer Classification	[A] Test Year Rates Sch. H-2 Col. E	[B] Company - As Filed Proposed Rates Sch. H-2 Col. F	[C] Company - As Filed Proposed Increase Amount	[D] Company - As Filed %	[E] Settlement Proposed Rates Sch. H-2 Col. I	[F] Settlement Proposed Increase Amount	[G] Settlement %
1								
2								
3	Residential	$ 1,791,595	$ 2,220,136	$ 428,541	23.92%	$ 2,097,342	$ 305,747	17.07%
4	Commercial	421,627	542,416	120,789	28.65%	509,038	87,411	20.73%
5	Industrial	-	-	-	0.00%	-	-	0.00%
6	Large Industrial	15,992	23,557	7,565	47.31%	23,557	7,565	47.31%
7	Abbott Laboratories	-	-	-	0.00%	-	-	0.00%
8	Private Fire Service	1,800	2,520	720	40.00%	2,520	720	40.00%
9	Other Water Revenues	35,331	39,659	4,328	12.25%	38,616	3,285	9.30%
10								
11	Total Water Revenues	$ 2,266,346	$ 2,828,289	$ 561,944	24.80%	$ 2,671,074	$ 404,729	17.86%
12								
13								
14	Miscellaneous Revenues	44,621	44,621	-	0.00%	44,621	-	0.00%
15								
16	Total Operating Revenues	$ 2,310,966	$ 2,872,910	$ 561,944	24.32%	$ 2,715,695	$ 404,729	17.51%
17								
18								
19	Target Revenue Requirement (Sch. C-1, Ln. 10)		$ 2,872,910			$ 2,715,695		
20	Difference (Ln. 16 - Ln. 19)		$ 0			$ 0		
21	%		0.00%			0.00%		
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary of Revenues by Customer Classification
Present & Proposed Rates

Ajo

Line No.	Customer Classification	[A] Test Year Rates Sch. H-2 Col. E	[B] Company - As Filed Proposed Rates Sch. H-2 Col. F	[C] Company - As Filed Proposed Increase Amount	[D] Company - As Filed Proposed Increase %	[E] Settlement Proposed Rates Sch. H-2 Col. I	[F] Settlement Proposed Increase Amount	[G] Settlement Proposed Increase %
1								
2								
3	Residential	$ 306,927	$ 370,261	$ 63,334	20.63%	$ 351,344	$ 44,417	14.47%
4	Commercial	125,128	155,572	30,444	24.33%	144,181	19,054	15.23%
5	Industrial	-	-	-	0.00%	-	-	0.00%
6	Large Industrial	-	-	-	0.00%	-	-	0.00%
7	Abbott Laboratories	-	-	-	0.00%	-	-	0.00%
8	Private Fire Service	1,200	1,680	480	40.00%	1,680	480	40.00%
9	Other Water Revenues	564	592	28	4.94%	528	(37)	-6.50%
10								
11	Total Water Revenues	$ 433,819	$ 528,105	$ 94,286	21.73%	$ 497,733	$ 63,914	14.73%
12								
13								
14	Miscellaneous Revenues	4,101	4,101	-	0.00%	4,101	-	0.00%
15								
16	Total Operating Revenues	$ 437,921	$ 532,206	$ 94,286	21.53%	$ 501,834	$ 63,914	14.59%
17								
18								
19	Target Revenue Requirement (Sch. C-1, Ln. 10)		$ 532,206			$ 501,834		
20	Difference (Ln. 16 - Ln. 19)		$ 0			$ 0		
21	%		0.00%			0.00%		
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Supporting Schedules:
H-2 Settlement

Recap Schedules:
A-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Detail Analysis of Revenue by Class

Western Group
Water Revenues Per Bill Count
Company - As Filed

Exhibit
Schedule H-2 Settlement
Page 1 of 8
Witness: Reiker

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	[C] Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Increase [F - E]	[G] %	[H]	[I] Proposed Rates	[J] Settlement Amount [I - E]	[K] %
1													
2	Residential 5/8 x 3/4 -inch	28,065	7,956	$ 11,518,790	$ (94,383)	$ 11,424,407	$ 14,416,795	$ 2,992,388	26.19%		$ 13,792,252	$ 2,367,846	20.73%
3	Residential 1-inch	914	14,468	974,198	(715)	973,483	1,275,196	301,714	30.99%		1,213,810	240,327	24.69%
4	Residential 1 ½ -inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
5	Residential 2-inch	55	179,925	424,390	(7,945)	416,445	566,999	150,554	36.15%		526,691	110,246	26.47%
6	Residential 3-inch	9	547,345	196,224	(3,454)	192,770	262,626	69,856	36.24%		242,297	49,527	25.69%
7	Residential 4-inch	6	730,636	174,978	(2,995)	171,983	236,846	64,863	37.71%		218,994	47,011	27.33%
8	Residential 6-inch	8	646,961	220,807	(2,950)	217,857	310,717	92,859	42.62%		292,152	74,295	34.10%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	963	6,976	422,262	(7,945)	414,317	563,847	149,530	36.09%		546,603	124,240	29.42%
12	Commercial 1-inch	554	25,187	787,743	(3,454)	784,289	1,037,757	253,468	32.32%		982,686	197,553	25.16%
13	Commercial 1 ½ -inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
14	Commercial 2-inch	560	108,288	3,007,434	(2,995)	3,004,439	4,012,440	1,008,001	33.56%		3,778,318	773,879	25.74%
15	Commercial 3-inch	37	196,898	351,065	(2,950)	348,115	470,466	122,351	35.15%		450,403	95,987	27.57%
16	Commercial 4-inch	24	733,268	730,234	-	730,234	956,855	226,621	31.04%		888,750	156,090	21.37%
17	Commercial 6-inch	15	827,973	542,261	-	542,261	723,012	180,751	33.33%		677,937	135,676	25.02%
18	Commercial 8-inch	1	2,974,873	108,006	-	108,006	152,382	34,557	32.00%		140,762	22,938	19.47%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	3	21,125	2,187	-	2,187	3,161	974	44.54%		3,182	995	45.48%
21	Industrial 1-inch	5	106,372	17,560	-	17,560	21,206	3,646	20.76%		21,378	3,818	21.74%
22	Industrial 1 ½ -inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
23	Industrial 2-inch	7	139,819	34,648	-	34,648	53,512	18,864	54.44%		53,832	19,185	55.37%
24	Industrial 3-inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
25	Industrial 4-inch	4	918,070	107,429	-	107,429	139,488	32,058	29.84%		140,578	33,149	30.86%
26	Industrial 6-inch	4	1,784,984	165,762	-	165,762	220,596	54,834	33.08%		222,745	56,983	34.38%
27	Industrial 8-inch	1	2,158,523	60,134	-	60,134	85,506	25,372	42.19%		86,264	26,130	43.45%
28	Abbott Laboratories	1	31,002,167	586,240	-	586,240	672,045	85,805	14.64%		498,034	(88,207)	-15.05%
29	Private Fire Serivce	416	-	124,650	-	124,650	174,510	49,860	40.00%		174,510	49,860	40.00%
30	Other Water Revenues	-	-	-	-	-	-	-	0.00%		-	-	0.00%
31	Public Fire Hydrant	2	-	13,968	-	13,968	14,570	602	4.31%		13,240	(728)	-5.21%
32	Coin Machine	-	-	-	-	-	-	-	0.00%		-	-	0.00%
33	Construction 5/8 x 3/4 -inch	41	71,380	189,121	-	189,121	257,724	68,604	36.27%		249,218	60,097	31.78%
34	Construction 1-inch	34	-	-	-	-	-	-	0.00%		-	-	0.00%
35	Construction 1 ½ -inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
36	Construction 2-Inch	2	-	-	-	-	-	-	0.00%		-	-	0.00%
37	Construction 3-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
38	Construction 4-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
39	Construction 6-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
40	Construction 8-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
41	Construction 10-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
42	Sales for Resale 5/8 x 3/4-Inch	3	379,606	25,790	189,121	214,911	11,326	(203,585)	-94.73%		34,408	(180,503)	-83.99%
43	Sales for Resale 1-Inch	1	976,083	22,955	25,790	48,745	10,186	(38,559)	-79.11%		30,820	(17,925)	-36.77%
44	Sales for Resale ½-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
45	Sales for Resale 2-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
46	Sales for Resale 3-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
47	Sales for Resale 4-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
48	Sales for Resale 6-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
49	Sales for Resale 8-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
50	Sales for Resale 10-Inch	-	-	-	-	-	-	-	0.00%		-	-	0.00%
51													
52	Totals	31,691	13,634	$ 20,808,837	$ (101,846)	$ 20,706,991	$ 26,717,335	$ 6,010,344	29.03%		$ 25,279,864	$ 4,572,873	22.08%
53													
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Supporting Schedules:

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Recap Schedules:
H-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Analysis of Revenue by Class

Western Group

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	[C] Water Revenues Per Bill Count Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	[F] Company - As Filed Proposed Rates	[G] Increase [F - E]	[H] %	[I] Settlement Proposed Rates	[J] Amount [I - E]	[K] %
1												
2	Total Residential	29,058	8,980	$ 13,509,387	$ (112,442)	$ 13,396,945	$ 17,069,179	$ 3,672,234	27.41%	$ 16,286,196	$ 2,889,251	21.57%
3	Total Commercial	2,153	56,264	5,949,006	10,596	5,959,602	7,935,581	1,975,979	33.16%	7,465,458	1,505,857	25.27%
4	Total Industrial	19	264,100	161,824	-	161,824	217,366	55,542	34.32%	218,971	57,147	35.31%
5	Total Large Industrial	5	1,868,709	225,896	-	225,896	306,103	80,206	35.51%	309,009	83,113	36.79%
6	Abbott Laboratories	1	31,002,167	586,240	-	586,240	672,045	85,805	14.64%	498,034	(88,207)	-15.05%
7	Total Private Fire	416	-	124,650	-	124,650	174,510	49,860	40.00%	174,510	49,860	40.00%
8	Total Other Water Revenues	40	18,195,489	251,834	-	251,834	342,551	90,717	36.02%	327,686	75,852	30.12%
9												
10	Totals	31,691	13,634	$ 20,808,837	$ (101,846)	$ 20,706,991	$ 26,717,335	$ 6,010,343	29.03%	$ 25,279,864	$ 4,572,873	22.08%
11												
12	Miscellaneous Revenues											
13	Total Revenue Generated			1,032,757	(522,915)	509,842	509,842	-	0.00%	509,842	-	0.00%
14							$ 27,227,177			$ 25,789,706		
15	Target Rev. Rqmt. (Sch. C-1)											
16	Difference						27,227,177			25,789,706		
17	%						$ 0			$ 0		
18							0%			0%		
19												
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Supporting Schedules:

Recap Schedules:
H-1 Settlement

Pinal Valley

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	[C] Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	[F] Company - As Filed Proposed Rates	[G] Increase [F - E]	[H] %	[I] Settlement Proposed Rates	[J] Amount [I - E]	[K] %
				Water Revenues Per Bill Count								
1												
2	Residential 5/8 x 3/4 -inch	25,719	7,781	$ 9,927,216	$ (80,652)	$ 9,846,563	$ 12,491,248	$ 2,644,684	26.86%	$ 11,976,676	$ 2,130,113	21.63%
3	Residential 1-inch	439	20,927	488,330	(4,443)	483,886	650,173	166,286	34.36%	617,610	133,724	27.64%
4	Residential 1 ½ -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
5	Residential 2-inch	54	173,712	392,272	(6,910)	385,363	527,172	141,809	36.80%	489,781	104,418	27.10%
6	Residential 3-inch	9	547,345	196,224	(3,454)	192,770	262,626	69,856	36.24%	242,297	49,527	25.69%
7	Residential 4-inch	6	730,636	174,978	(2,995)	171,983	236,846	64,863	37.71%	218,994	47,011	27.33%
8	Residential 6-inch	8	646,961	220,807	(2,950)	217,857	310,717	92,859	42.62%	292,152	74,295	34.10%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	902	6,950	374,025	(61)	373,964	511,451	137,488	36.76%	489,652	115,688	30.94%
12	Commercial 1-inch	513	24,434	655,888	(640)	655,248	876,238	220,990	33.73%	831,686	176,438	26.93%
13	Commercial 1 ½ -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
14	Commercial 2-inch	537	103,546	2,668,415	(2,489)	2,665,926	3,577,684	911,758	34.20%	3,370,303	704,377	26.42%
15	Commercial 3-inch	35	196,297	321,612	3,351	324,964	437,544	112,581	34.64%	413,148	88,185	27.14%
16	Commercial 4-inch	24	733,268	730,234	2,425	732,660	959,281	226,621	30.93%	888,750	156,090	21.30%
17	Commercial 6-inch	15	827,973	542,261	-	542,261	723,012	180,751	33.33%	677,937	135,676	25.02%
18	Commercial 8-inch	1	2,974,873	108,006	9,819	117,825	152,382	34,557	29.33%	140,762	22,938	19.47%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	3	21,125	2,187		2,187	3,161	974	44.54%	3,182	995	45.48%
21	Industrial 1-inch	5	106,372	17,560		17,560	21,206	3,646	20.76%	21,378	3,818	21.74%
22	Industrial 1 ½ -inch	-	-	-		-	-	-	0.00%	-	-	0.00%
23	Industrial 2-inch	7	139,819	34,648		34,648	53,512	18,864	54.44%	53,832	19,185	55.37%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
25	Industrial 4-inch	4	918,070	107,429		107,429	139,488	32,058	29.84%	140,578	33,149	30.86%
26	Industrial 6-inch	3	2,411,927	149,770		149,770	197,039	47,269	31.56%	199,188	49,418	33.00%
27	Industrial 8-inch	1	2,158,523	60,134		60,134	85,506	25,372	42.19%	86,264	26,130	43.45%
28	Abbott Laboratories	1	31,002,167	586,240		586,240	672,045	85,805	14.64%	498,034	(88,207)	-15.05%
29	Private Fire Serivce	406	-	121,650		121,650	170,310	48,660	40.00%	170,310	48,660	40.00%
30	Other Water Revenues											
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%	-	-	0.00%
32	Coin Machine	1	41	13,403		13,403	13,978	574	4.28%	12,713	(691)	-5.15%
33	Construction 5/8 x 3/4 -inch	-	-	-		-	-	-	0.00%	-	-	0.00%
34	Construction 1-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
35	Construction 1 ½ -inch	-	-	-		-	-	-	0.00%	-	-	0.00%
36	Construction 2-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
37	Construction 3-Inch	28	74,983	153,790		153,790	218,065	64,275	41.79%	210,601	56,812	36.94%
38	Construction 4-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
39	Construction 6-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
40	Construction 8-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
41	Construction 10-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
42	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
43	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
44	Sales for Resale ½ -Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
45	Sales for Resale 2-Inch	3	379,606	25,790		25,790	37,116	11,326	43.92%	34,408	8,618	33.42%
46	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
47	Sales for Resale 4-Inch	1	976,083	22,955		22,955	33,141	10,186	44.37%	30,820	7,865	34.26%
48	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
49	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
50	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
51												
52	Totals	28,723	13,810	$ 18,095,825	$ (88,999)	$ 18,006,827	$ 23,360,941	$ 5,354,114	29.73%	$ 22,111,057	$ 4,104,231	22.79%
53												
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55												

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Analysis of Revenue by Class

Pinal Valley

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	[C] Water Revenues Per Bill Count Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	[F] Company - As Filed Proposed Rates	[G] Increase [F - E]	[H] %	[I] Settlement Proposed Rates	[J] Settlement Amount [I - E]	[K] %
1												
2	Total Residential	26,235	8,888	$ 11,399,827	$ (101,404)	$ 11,298,423	$ 14,478,782	$ 3,180,359	28.15%	$ 13,837,510	$ 2,539,087	22.47%
3	Total Commercial	2,026	56,190	5,400,441	12,405	5,412,847	7,237,593	1,824,746	33.71%	6,812,239	1,399,392	25.85%
4	Total Industrial	19	264,100	161,824	-	161,824	217,366	55,542	34.32%	218,971	57,147	35.31%
5	Total Large Industrial	4	2,340,313	209,904	-	209,904	282,545	72,641	34.61%	285,452	75,548	35.99%
6	Abbott Laboratories	1	31,002,167	586,240	-	586,240	672,045	85,805	14.64%	498,034	(88,207)	-15.05%
7	Total Private Fire	406	-	121,650	-	121,650	170,310	48,660	40.00%	170,310	48,660	40.00%
8	Total Other Water Revenues	33	141,960	215,938	-	215,938	302,299	86,361	39.99%	288,542	72,604	33.62%
9												
10	Totals	28,723	13,810	$ 18,095,825	$ (88,999)	$ 18,006,827	$ 23,360,941	$ 5,354,114	29.73%	$ 22,111,057	$ 4,104,231	22.79%
11												
12	Miscellaneous Revenues			984,035	(522,915)	461,120	461,120	-	0.00%	461,120	-	0.00%
13	Total Revenue Generated						$ 23,822,061			$ 22,572,177		
14												
15	Target Rev. Rqmt. (Sch. C-1)						23,822,061			22,572,177		
16	Difference						$ 0			$ 0		
17	%						0%			0%		
18												
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Supporting Schedules:

Recap Schedules:
H-1 Settlement

White Tank

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	Water Revenues Per Bill Count [C] Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	Company - As Filed [F] Proposed Rates	[G] Increase [F - E]	[H] %	Settlement [I] Proposed Rates	[J] Amount [I - E]	[K] %
1												
2	Residential 5/8 x 3/4 -inch	1,784	11,733	$ 1,287,322	$ (6,833)	$ 1,280,490	$ 1,566,212	$ 285,723	22.31%	$ 1,474,792	$ 194,302	15.17%
3	Residential 1-inch	467	8,588	476,133	3,891	480,023	614,097	134,074	27.93%	585,641	105,617	22.00%
4	Residential 1 ½-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
5	Residential 2-inch	1	515,983	32,118	(1,035)	31,082	39,826	8,744	28.13%	36,910	5,828	18.75%
6	Residential 3-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
7	Residential 4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
8	Residential 6-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	14	15,673	15,249	-	15,249	18,982	3,733	24.48%	17,982	2,733	17.92%
12	Commercial 1-inch	22	39,650	62,072	(1,971)	60,100	76,378	16,277	27.08%	72,230	12,130	20.18%
13	Commercial 1 ½-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
14	Commercial 2-inch	19	256,775	316,825	-	316,825	407,834	91,009	28.73%	381,572	64,747	20.44%
15	Commercial 3-inch	2	207,288	29,452	-	29,452	39,223	9,770	33.17%	37,254	7,802	26.49%
16	Commercial 4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
17	Commercial 6-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
18	Commercial 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	-	-	-		-	-	-	0.00%	-	-	0.00%
21	Industrial 1-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
22	Industrial 1 ½-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
23	Industrial 2-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
25	Industrial 4-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
26	Industrial 6-inch	1	60,892	15,992		15,992	23,557	7,565	47.31%	23,557	7,565	47.31%
27	Industrial 8-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
28	Abbott Laboratories	-	-	-		-	-	-	0.00%	-	-	0.00%
29	Private Fire Serivce	6	-	1,800		1,800	2,520	720	40.00%	2,520	720	40.00%
30	Other Water Revenues											
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%	-	-	0.00%
32	Coin Machine	-	-	-		-	-	-	0.00%	-	-	0.00%
33	Construction 5/8 x 3/4 -inch	-	-	-		-	-	-	0.00%	-	-	0.00%
34	Construction 1-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
35	Construction 1 ½-inch	-	-	-		-	-	-	0.00%	-	-	0.00%
36	Construction 2-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
37	Construction 3-Inch	5	52,591	35,331		35,331	39,659	4,328	12.25%	38,616	3,285	9.30%
38	Construction 4-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
39	Construction 6-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
40	Construction 8-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
41	Construction 10-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
42	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
43	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
44	Sales for Resale ½-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
45	Sales for Resale 2-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
46	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
47	Sales for Resale 4-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
48	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
49	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
50	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%	-	-	0.00%
51												
52	Totals	2,321	13,864	$ 2,272,294	$ (5,949)	$ 2,266,346	$ 2,828,289	$ 561,944	24.80%	$ 2,671,074	$ 404,729	17.86%
53												
54												
55												

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Analysis of Revenue by Class

Exhibit
Schedule H-2 Settlement
Page 5 of 8
Witness: Reiker

White Tank

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	[C] Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	[F] Company - As Filed Proposed Rates	[G] Increase [F - E]	[H] %	[I] Settlement Proposed Rates	[J] Amount [I - E]	[K] %
				Water Revenues Per Bill Count								
1												
2	Total Residential	2,252	11,305	$ 1,795,573	$ (3,977)	$ 1,791,595	$ 2,220,136	$ 428,541	23.92%	$ 2,097,342	$ 305,747	17.07%
3	Total Commercial	57	112,337	423,599	(1,971)	421,627	542,416	120,789	28.65%	509,038	87,411	20.73%
4	Total Industrial	-	-	-	-	-	-	-	0.00%	-	-	0.00%
5	Total Large Industrial	1	60,892	15,992	-	15,992	23,557	7,565	47.31%	23,557	7,565	47.31%
6	Abbott Laboratories	-	-	-	-	-	-	-	0.00%	-	-	0.00%
7	Total Private Fire	6	-	1,800	-	1,800	2,520	720	40.00%	2,520	720	40.00%
8	Total Other Water Revenues	5	52,591	35,331	-	35,331	39,659	4,328	12.25%	38,616	3,285	9.30%
9												
10	Totals	2,321	13,864	$ 2,272,294	$ (5,949)	$ 2,266,346	$ 2,828,289	$ 561,944	24.80%	$ 2,671,074	$ 404,729	17.86%
11												
12	Miscellaneous Revenues			44,621	-	44,621	44,621	-	0.00%	44,621	-	0.00%
13	Total Revenue Generated						$ 2,872,910			$ 2,715,695		
14												
15	Target Rev. Rqmt. (Sch. C-1)						2,872,910			2,715,695		
16	Difference						$ 0			$ 0		
17	%						0%			0%		
18												
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Supporting Schedules:

Recap Schedules:
H-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Detail Analysis of Revenue by Class

Exhibit
Schedule H-2 Settlement
Page 7 of 8
Witness: Reiker

Ajo

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	[C] Water Revenues Per Bill Count: Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	[F] Company - As Filed: Proposed Rates	[G] Increase [F - E]	[H] %	[I] Settlement: Proposed Rates	[J] Amount [I - E]	[K] %
1												
2	Residential 5/8 x 3/4 -inch	562	3,991	$ 304,252	$ (6,898)	$ 297,354	$ 359,334	$ 61,981	20.84%	$ 340,784	$ 43,431	14.61%
3	Residential 1-inch	9	4,493	9,736	(162)	9,573	10,926	1,353	14.13%	10,559	986	10.30%
4	Residential 1 ½ -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
5	Residential 2-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
6	Residential 3-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
7	Residential 4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
8	Residential 6-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	47	4,878	32,988	162	33,150	41,460	8,309	25.07%	38,969	5,819	17.55%
12	Commercial 1-inch	20	28,759	69,784	-	69,784	85,984	16,200	23.22%	78,769	8,985	12.88%
13	Commercial 1 ½ -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
14	Commercial 2-inch	4	36,363	22,194	-	22,194	28,128	5,934	26.74%	26,443	4,249	19.15%
15	Commercial 3-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
16	Commercial 4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
17	Commercial 6-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
18	Commercial 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
21	Industrial 1-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
22	Industrial 1 ½ -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
23	Industrial 2-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
24	Industrial 3-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
25	Industrial 4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
26	Industrial 6-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
27	Industrial 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
28	Abbott Laboratories	-	-	-	-	-	-	-	0.00%	-	-	0.00%
29	Private Fire Serivce	4	-	1,200	-	1,200	1,680	480	40.00%	1,680	480	40.00%
30	Other Water Revenues											
31	Public Fire Hydrant	-	-	-	-	-	-	-	0.00%	-	-	0.00%
32	Coin Machine	1	1	564	-	564	592	28	4.94%	528	(37)	-6.50%
33	Construction 5/8 x 3/4 -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
34	Construction 1-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
35	Construction 1 ½ -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
36	Construction 2-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
37	Construction 3-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
38	Construction 4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
39	Construction 6-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
40	Construction 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
41	Construction 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
42	Sales for Resale 5/8 x 3/4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
43	Sales for Resale 1-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
44	Sales for Resale ½ -inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
45	Sales for Resale 2-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
46	Sales for Resale 3-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
47	Sales for Resale 4-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
48	Sales for Resale 6-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
49	Sales for Resale 8-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
50	Sales for Resale 10-inch	-	-	-	-	-	-	-	0.00%	-	-	0.00%
51												
52	Totals	647	5,009	$ 440,718	$ (6,898)	$ 433,819	$ 528,105	$ 94,286	21.73%	$ 497,733	$ 63,914	14.73%
53												
54												
55												

Supporting Schedules:

Recap Schedules:
H-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Summary Analysis of Revenue by Class

Ajo

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Monthly Usage	[C] Water Revenues Per Bill Count: Test Year Rates	[D] Normalizing Adjustments (IS-4, 6 & 7)	[E] Adjusted T.Y. Rates [C + D]	[F] Company - As Filed: Proposed Rates	[G] Increase [F - E]	[H] %	[I] Settlement: Proposed Rates	[J] Amount [I - E]	[K] %
1												
2	Total Residential	571	3,999	$ 313,987	$ (7,060)	$ 306,927	$ 370,261	$ 63,334	20.63%	$ 351,344	$ 44,417	14.47%
3	Total Commercial	71	13,408	124,966	162	125,128	155,572	30,444	24.33%	144,181	19,054	15.23%
4	Total Industrial	-	-	-	-	-	-	-	0.00%	-	-	0.00%
5	Total Large Industrial	-	-	-	-	-	-	-	0.00%	-	-	0.00%
6	Abbott Laboratories	-	-	-	-	-	-	-	0.00%	-	-	0.00%
7	Total Private Fire	4	-	1,200	-	1,200	1,680	480	40.00%	1,680	480	40.00%
8	Total Other Water Revenues	1	7,150	564	-	564	592	28	4.94%	528	(37)	-6.50%
9												
10	Totals	647	5,009	$ 440,718	$ (6,898)	$ 433,819	$ 528,105	$ 94,286	21.73%	$ 497,733	$ 63,914	14.73%
11												
12	Miscellaneous Revenues			4,101	-	4,101	4,101	-	0.00%	4,101	-	0.00%
13	Total Revenue Generated						$ 532,206			$ 501,834		
14												
15	Target Rev. Rqmt. (Sch. C-1)						532,206			501,834		
16	Difference						$ 0			$ 0		
17	%						0%			0%		

Supporting Schedules:

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Recap Schedules:
H-1 Settlement

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Changes in Representative Rate Schedules

Pinal Valley

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2	Residential 5/8 x 3/4 -Inch	$ 16.00	$ 22.00	$ 6.00	Tier One	3	2	$ 1.1879	$ 1.3866	$ 0.1987
3					Tier Two	10	7	2.1026	1.9910	(0.1116)
4					Tier Three	99,999	18	3.2590	2.5953	(0.6637)
5					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
6										
7	Residential 3/4-inch	n/a	$ 33.00	n/a	Tier One	n/a	4	n/a	$ 1.3866	n/a
8					Tier Two	n/a	10	n/a	1.9910	n/a
9					Tier Three	n/a	18	n/a	2.5953	n/a
10					Tier Four	n/a	99,999	n/a	3.8041	n/a
11										
12	Residential 1-inch	$ 40.00	$ 55.00	$ 15.00	Tier One	25	5	$ 2.1026	$ 1.9910	$ (0.1116)
13					Tier Two	99,999	18	3.2590	2.5953	(0.6637)
14					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
15					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
16										
17	Residential 1½-inch	$ 80.00	$ 110.00	$ 30.00	Tier One	55	10	$ 2.1026	$ 1.9910	$ (0.1116)
18					Tier Two	99,999	35	3.2590	2.5953	(0.6637)
19					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
20					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
21										
22	Residential 2-inch	$ 128.00	$ 176.00	$ 48.00	Tier One	95	16	$ 2.1026	$ 1.9910	$ (0.1116)
23					Tier Two	99,999	56	3.2590	2.5953	(0.6637)
24					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
25					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
26										
27	Residential 3-inch	$ 256.00	$ 352.00	$ 96.00	Tier One	195	32	$ 2.1026	$ 1.9910	$ (0.1116)
28					Tier Two	99,999	112	3.2590	2.5953	(0.6637)
29					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
30					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
31										
32	Residential 4-inch	$ 400.00	$ 550.00	$ 150.00	Tier One	315	50	$ 2.1026	$ 1.9910	$ (0.1116)
33					Tier Two	99,999	175	3.2590	2.5953	(0.6637)
34					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
35					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
36										
37	Residential 6-inch	$ 800.00	$ 1,100.00	$ 300.00	Tier One	650	100	$ 2.1026	$ 1.9910	$ (0.1116)
38					Tier Two	99,999	350	3.2590	2.5953	(0.6637)
39					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
40					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
41										
42	Residential 8-inch	$ 1,280.00	$ 1,760.00	$ 480.00	Tier One	1,000	160	$ 2.1026	$ 1.9910	$ (0.1116)
43					Tier Two	99,999	560	3.2590	2.5953	(0.6637)
44					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
45					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
46										
47	Residential 10-inch	$ 1,840.00	$ 2,530.00	$ 690.00	Tier One	1,475	230	$ 2.1026	$ 1.9910	$ (0.1116)
48					Tier Two	99,999	805	3.2590	2.5953	(0.6637)
49					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
50					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
51										
52										
53					(Continued)					
54										
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

Pinal Valley

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2	Commercial 5/8 x 3/4 -inch	$ 16.00	$ 25.00	$ 9.00	Tier One	10	3	$ 2.1026	$ 1.9910	$ (0.1116)
3					Tier Two	99,999	15	3.2590	2.5953	(0.6637)
4					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
5					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
6										
7	Commercial 3/4-inch	n/a	$ 37.50	n/a	Tier One	n/a	5	n/a	$ 1.9910	n/a
8					Tier Two	n/a	20	n/a	2.5953	n/a
9					Tier Three	n/a	99,999	n/a	3.8041	n/a
10					Tier Four	n/a	99,999	n/a	3.8041	n/a
11										
12	Commercial 1-inch	$ 40.00	$ 62.50	$ 22.50	Tier One	25	8	$ 2.1026	$ 1.9910	$ (0.1116)
13					Tier Two	99,999	38	3.2590	2.5953	(0.6637)
14					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
15					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
16										
17	Commercial 1½-inch	$ 80.00	$ 125.00	$ 45.00	Tier One	55	15	$ 2.1026	$ 1.9910	$ (0.1116)
18					Tier Two	99,999	75	3.2590	2.5953	(0.6637)
19					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
20					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
21										
22	Commercial 2-inch	$ 128.00	$ 200.00	$ 72.00	Tier One	95	24	$ 2.1026	$ 1.9910	$ (0.1116)
23					Tier Two	99,999	120	3.2590	2.5953	(0.6637)
24					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
25					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
26										
27	Commercial 3-inch	$ 256.00	$ 400.00	$ 144.00	Tier One	195	48	$ 2.1026	$ 1.9910	$ (0.1116)
28					Tier Two	99,999	240	3.2590	2.5953	(0.6637)
29					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
30					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
31										
32	Commercial 4-inch	$ 400.00	$ 625.00	$ 225.00	Tier One	315	75	$ 2.1026	$ 1.9910	$ (0.1116)
33					Tier Two	99,999	375	3.2590	2.5953	(0.6637)
34					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
35					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
36										
37	Commercial 6-inch	$ 800.00	$ 1,250.00	$ 450.00	Tier One	650	150	$ 2.1026	$ 1.9910	$ (0.1116)
38					Tier Two	99,999	750	3.2590	2.5953	(0.6637)
39					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
40					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
41										
42	Commercial 8-inch	$ 1,280.00	$ 2,000.00	$ 720.00	Tier One	1,000	240	$ 2.1026	$ 1.9910	$ (0.1116)
43					Tier Two	99,999	1,200	3.2590	2.5953	(0.6637)
44					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
45					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
46										
47	Commercial 10-inch	$ 1,840.00	$ 2,875.00	$ 1,035.00	Tier One	1,475	345	$ 2.1026	$ 1.9910	$ (0.1116)
48					Tier Two	99,999	1,725	3.2590	2.5953	(0.6637)
49					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
50					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
51										
52										
53					(Continued)					
54										
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

Pinal Valley

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2	Industrial 5/8 x 3/4 -inch	$ 16.00	$ 35.00	$ 19.00	Tier One	10	99,999	$ 1.5500	$ 2.5270	$ 0.9770
3					Tier Two	99,999	99,999	2.4800	2.5270	0.0470
4					Tier Three	99,999	99,999	2.4800	2.5270	0.0470
5					Tier Four	99,999	99,999	2.4800	2.5270	0.0470
6										
7	Industrial 3/4-inch									
8		n/a	$ 52.50	n/a	Tier One	n/a	99,999	n/a	$ 2.5270	n/a
9					Tier Two	n/a	99,999	n/a	2.5270	n/a
10					Tier Three	n/a	99,999	n/a	2.5270	n/a
11					Tier Four	n/a	99,999	n/a	2.5270	n/a
12	Industrial 1-inch	$ 40.00	$ 87.50	$ 47.50						
13					Tier One	25	99,999	$ 1.5500	$ 2.5270	$ 0.9770
14					Tier Two	99,999	99,999	2.4800	2.5270	0.0470
15					Tier Three	99,999	99,999	2.4800	2.5270	0.0470
16					Tier Four	99,999	99,999	2.4800	2.5270	0.0470
17	Industrial 1½-inch	$ 80.00	$ 175.00	$ 95.00						
18					Tier One	55	99,999	$ 1.5500	$ 2.5270	$ 0.9770
19					Tier Two	99,999	99,999	2.4800	2.5270	0.0470
20					Tier Three	99,999	99,999	2.4800	2.5270	0.0470
21					Tier Four	99,999	99,999	2.4800	2.5270	0.0470
22	Industrial 2-inch	$ 128.00	$ 280.00	$ 152.00						
23					Tier One	95	99,999	$ 1.5500	$ 2.5270	$ 0.9770
24					Tier Two	99,999	99,999	2.4800	2.5270	0.0470
25					Tier Three	99,999	99,999	2.4800	2.5270	0.0470
26					Tier Four	99,999	99,999	2.4800	2.5270	0.0470
27	Industrial 3-inch	$ 256.00	$ 560.00	$ 304.00						
28					Tier One	195	99,999	$ 1.5500	$ 2.5270	$ 0.9770
29					Tier Two	99,999	99,999	2.4800	2.5270	0.0470
30					Tier Three	99,999	99,999	2.4800	2.5270	0.0470
31					Tier Four	99,999	99,999	2.4800	2.5270	0.0470
32	Industrial 4-inch	$ 400.00	$ 875.00	$ 475.00						
33					Tier One	315	99,999	$ 1.5500	$ 2.5270	$ 0.9770
34					Tier Two	99,999	99,999	2.4800	2.5270	0.0470
35					Tier Three	99,999	99,999	2.4800	2.5270	0.0470
36					Tier Four	99,999	99,999	2.4800	2.5270	0.0470
37	Industrial 6-inch	$ 800.00	$ 1,750.00	$ 950.00						
38					Tier One	99,999	99,999	$ 1.5500	$ 1.7770	$ 0.2270
39					Tier Two	99,999	99,999	1.5500	1.7770	0.2270
40					Tier Three	99,999	99,999	1.5500	1.7770	0.2270
41					Tier Four	99,999	99,999	1.5500	1.7770	0.2270
42	Industrial 8-inch	$ 1,280.00	$ 2,800.00	$ 1,520.00						
43					Tier One	99,999	99,999	$ 1.5500	$ 1.7770	$ 0.2270
44					Tier Two	99,999	99,999	1.5500	1.7770	0.2270
45					Tier Three	99,999	99,999	1.5500	1.7770	0.2270
46					Tier Four	99,999	99,999	1.5500	1.7770	0.2270
47	Industrial 10-inch	$ 1,840.00	$ 4,025.00	$ 2,185.00						
48					Tier One	99,999	99,999	$ 1.5500	$ 1.7770	$ 0.2270
49					Tier Two	99,999	99,999	1.5500	1.7770	0.2270
50					Tier Three	99,999	99,999	1.5500	1.7770	0.2270
51					Tier Four	99,999	99,999	1.5500	1.7770	0.2270
52										
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55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**				(Continued)					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Changes in Representative Rate Schedules

Pinal Valley

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2										
3	Abbott Laboratories	$ 800.00	$ 1,200.00	$ 400.00	Tier One	99,999	99,999	$ 1.5500	$ 1.3000	$ (0.2500)
4	(Nonpotable Dedicated 6-inch Service)				Tier Two	99,999	99,999	1.5500	1.3000	(0.2500)
5					Tier Three	99,999	99,999	1.5500	1.3000	(0.2500)
6					Tier Four	99,999	99,999	1.5500	1.3000	(0.2500)
7										
8	Private Fire Service (all connection sizes)	$ 25.00	$ 35.00	$ 10.00	n/a	n/a	n/a	n/a	n/a	n/a
9										
10	Public Fire Hydrant	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
11										
12	Coin Machine (No. of Gallons / $0.25)	n/a	n/a	n/a	n/a	n/a	n/a	109	115	-5.44%
13										
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(Continued)

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Changes in Representative Rate Schedules

Pinal Valley

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2										
3	Construction 5/8 x 3/4-inch	n/a	$ 25.00	n/a	Tier One	n/a	3	n/a	$ 1.9910	n/a
4					Tier Two	n/a	15	n/a	2.5953	n/a
5					Tier Three	n/a	99,999	n/a	3.8041	n/a
6					Tier Four	n/a	99,999	n/a	3.8041	n/a
7										
8	Construction 3/4-inch	n/a	$ 37.50	n/a	Tier One	n/a	5	n/a	$ 1.9910	n/a
9					Tier Two	n/a	20	n/a	2.5953	n/a
10					Tier Three	n/a	99,999	n/a	3.8041	n/a
11					Tier Four	n/a	99,999	n/a	3.8041	n/a
12										
13	Construction 1-inch	n/a	$ 62.50	n/a	Tier One	n/a	8	n/a	$ 1.9910	n/a
14					Tier Two	n/a	38	n/a	2.5953	n/a
15					Tier Three	n/a	99,999	n/a	3.8041	n/a
16					Tier Four	n/a	99,999	n/a	3.8041	n/a
17										
18	Construction ½-inch	n/a	$ 125.00	n/a	Tier One	n/a	15	n/a	$ 1.9910	n/a
19					Tier Two	n/a	75	n/a	2.5953	n/a
20					Tier Three	n/a	99,999	n/a	3.8041	n/a
21					Tier Four	n/a	99,999	n/a	3.8041	n/a
22										
23	Construction 2-Inch	$ 128.00	$ 200.00	$ 72.00	Tier One	95	24	$ 2.1026	$ 1.9910	$ (0.1116)
24					Tier Two	99,999	120	3.2590	2.5953	(0.6637)
25					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
26					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
27										
28	Construction 3-Inch	$ 256.00	$ 400.00	$ 144.00	Tier One	195	48	$ 2.1026	$ 1.9910	$ (0.1116)
29					Tier Two	99,999	240	3.2590	2.5953	(0.6637)
30					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
31					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
32										
33	Construction 4-Inch	$ 400.00	$ 625.00	$ 225.00	Tier One	315	75	$ 2.1026	$ 1.9910	$ (0.1116)
34					Tier Two	99,999	375	3.2590	2.5953	(0.6637)
35					Tier Three	99,999	99,999	3.2590	3.8041	0.5451
36					Tier Four	99,999	99,999	3.2590	3.8041	0.5451
37										
38	Construction 6-Inch	n/a	$ 1,250.00	n/a	Tier One	n/a	150	n/a	$ 1.9910	n/a
39					Tier Two	n/a	750	n/a	2.5953	n/a
40					Tier Three	n/a	99,999	n/a	3.8041	n/a
41					Tier Four	n/a	99,999	n/a	3.8041	n/a
42										
43	Construction 8-Inch	n/a	$ 2,000.00	n/a	Tier One	n/a	240	n/a	$ 1.9910	n/a
44					Tier Two	n/a	1,200	n/a	2.5953	n/a
45					Tier Three	n/a	99,999	n/a	3.8041	n/a
46					Tier Four	n/a	99,999	n/a	3.8041	n/a
47										
48	Construction 10-Inch	n/a	$ 2,875.00	n/a	Tier One	n/a	345	n/a	$ 1.9910	n/a
49					Tier Two	n/a	1,725	n/a	2.5953	n/a
50					Tier Three	n/a	99,999	n/a	3.8041	n/a
51					Tier Four	n/a	99,999	n/a	3.8041	n/a
52					(Continued)					
53										
54					(Continued)					
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

Pinal Valley

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D]	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
1										
2										
3	Sales for Resale 5/8-Inch	$ 16.00	$ 25.00	$ 9.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
4					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
5					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
6					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
7										
8	Sales for Resale 3/4-Inch	n/a	$ 37.50	n/a	Tier One	n/a	99,999	n/a	$ 1.9910	n/a
9					Tier Two	n/a	99,999	n/a	1.9910	n/a
10					Tier Three	n/a	99,999	n/a	1.9910	n/a
11					Tier Four	n/a	99,999	n/a	1.9910	n/a
12										
13	Sales for Resale 1-Inch	$ 40.00	$ 62.50	$ 22.50	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
14					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
15					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
16					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
17										
18	Sales for Resale 1½-Inch	$ 80.00	$ 125.00	$ 45.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
19					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
20					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
21					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
22										
23	Sales for Resale 2-Inch	$ 128.00	$ 200.00	$ 72.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
24					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
25					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
26					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
27										
28	Sales for Resale 3-Inch	$ 256.00	$ 400.00	$ 144.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
29					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
30					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
31					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
32										
33	Sales for Resale 4-Inch	$ 400.00	$ 625.00	$ 225.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
34					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
35					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
36					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
37										
38	Sales for Resale 6-Inch	$ 800.00	$ 1,250.00	$ 450.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
39					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
40					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
41					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
42										
43	Sales for Resale 8-Inch	$ 1,280.00	$ 2,000.00	$ 720.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
44					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
45					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
46					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
47										
48	Sales for Resale 10-Inch	$ 1,840.00	$ 2,875.00	$ 1,035.00	Tier One	99,999	99,999	$ 1.5500	$ 1.9910	$ 0.4410
49					Tier Two	99,999	99,999	1.5500	1.9910	0.4410
50					Tier Three	99,999	99,999	1.5500	1.9910	0.4410
51					Tier Four	99,999	99,999	1.5500	1.9910	0.4410
52										
53										
54										
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

White Tank

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2	Residential 5/8 x 3/4 -inch	$ 23.00	$ 29.00	$ 6.00	Tier One	5	3	$ 1.8000	$ 2.0810	$ 0.2810
3					Tier Two	15	10	3.0000	3.0541	0.0541
4					Tier Three	99,999	30	5.1664	4.0271	(1.1393)
5					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
6										
7	Residential 3/4-inch	n/a	$ 43.50	n/a	Tier One	n/a	5	n/a	$ 2.0810	n/a
8					Tier Two	n/a	15	n/a	3.0541	n/a
9					Tier Three	n/a	30	n/a	4.0271	n/a
10					Tier Four	n/a	99,999	n/a	5.9731	n/a
11										
12	Residential 1-inch	$ 57.50	$ 72.50	$ 15.00	Tier One	25	8	$ 3.0000	$ 3.0541	$ 0.0541
13					Tier Two	99,999	20	5.1664	4.0271	(1.1393)
14					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
15					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
16										
17	Residential 1½-inch	$ 115.00	$ 145.00	$ 30.00	Tier One	50	15	$ 3.0000	$ 3.0541	$ 0.0541
18					Tier Two	99,999	35	5.1664	4.0271	(1.1393)
19					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
20					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
21										
22	Residential 2-inch	$ 184.00	$ 232.00	$ 48.00	Tier One	80	24	$ 3.0000	$ 3.0541	$ 0.0541
23					Tier Two	99,999	60	5.1664	4.0271	(1.1393)
24					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
25					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
26										
27	Residential 3-inch	$ 368.00	$ 464.00	$ 96.00	Tier One	160	48	$ 3.0000	$ 3.0541	$ 0.0541
28					Tier Two	99,999	120	5.1664	4.0271	(1.1393)
29					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
30					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
31										
32	Residential 4-inch	$ 575.00	$ 725.00	$ 150.00	Tier One	250	75	$ 3.0000	$ 3.0541	$ 0.0541
33					Tier Two	99,999	200	5.1664	4.0271	(1.1393)
34					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
35					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
36										
37	Residential 6-inch	$ 1,150.00	$ 1,450.00	$ 300.00	Tier One	500	150	$ 3.0000	$ 3.0541	$ 0.0541
38					Tier Two	99,999	425	5.1664	4.0271	(1.1393)
39					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
40					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
41										
42	Residential 8-inch	$ 1,840.00	$ 2,320.00	$ 480.00	Tier One	800	240	$ 3.0000	$ 3.0541	$ 0.0541
43					Tier Two	99,999	800	5.1664	4.0271	(1.1393)
44					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
45					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
46										
47	Residential 10-inch	$ 2,645.00	$ 3,335.00	$ 690.00	Tier One	1,150	345	$ 3.0000	$ 3.0541	$ 0.0541
48					Tier Two	99,999	1,150	5.1664	4.0271	(1.1393)
49					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
50					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
51										
52										
53										
54					(Continued)					
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

White Tank

Line No.	Class of Service	[A] Present Basic Service Charge Rate	[B] Proposed Basic Service Charge Rate - Settlement	[C] Basic Service Charge Change	[D]	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Present Volumetric Charge (/M Gal) Rate	[H] Proposed Volumetric Charge (/M Gal) Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
1										
2	Commercial 5/8 x 3/4 -inch	$ 23.00	$ 35.00	$ 12.00	Tier One	10	5	$ 3.0000	$ 3.0541	$ 0.0541
3					Tier Two	99,999	20	5.1664	4.0271	(1.1393)
4					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
5					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
6										
7	Commercial 3/4-inch	n/a	$ 52.50	n/a	Tier One	n/a	8	n/a	$ 3.0541	n/a
8					Tier Two	n/a	25	n/a	4.0271	n/a
9					Tier Three	n/a	99,999	n/a	5.9731	n/a
10					Tier Four	n/a	99,999	n/a	5.9731	n/a
11										
12	Commercial 1-inch	$ 57.50	$ 87.50	$ 30.00	Tier One	20	13	$ 3.0000	$ 3.0541	$ 0.0541
13					Tier Two	99,999	35	5.1664	4.0271	(1.1393)
14					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
15					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
16										
17	Commercial 1½-inch	$ 115.00	$ 175.00	$ 60.00	Tier One	45	25	$ 3.0000	$ 3.0541	$ 0.0541
18					Tier Two	99,999	50	5.1664	4.0271	(1.1393)
19					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
20					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
21										
22	Commercial 2-inch	$ 184.00	$ 280.00	$ 96.00	Tier One	75	40	$ 3.0000	$ 3.0541	$ 0.0541
23					Tier Two	99,999	75	5.1664	4.0271	(1.1393)
24					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
25					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
26										
27	Commercial 3-inch	$ 368.00	$ 560.00	$ 192.00	Tier One	155	80	$ 3.0000	$ 3.0541	$ 0.0541
28					Tier Two	99,999	150	5.1664	4.0271	(1.1393)
29					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
30					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
31										
32	Commercial 4-inch	$ 575.00	$ 875.00	$ 300.00	Tier One	245	125	$ 3.0000	$ 3.0541	$ 0.0541
33					Tier Two	99,999	240	5.1664	4.0271	(1.1393)
34					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
35					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
36										
37	Commercial 6-inch	$ 1,150.00	$ 1,750.00	$ 600.00	Tier One	500	250	$ 3.0000	$ 3.0541	$ 0.0541
38					Tier Two	99,999	1,000	5.1664	4.0271	(1.1393)
39					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
40					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
41										
42	Commercial 8-inch	$ 1,840.00	$ 2,800.00	$ 960.00	Tier One	800	400	$ 3.0000	$ 3.0541	$ 0.0541
43					Tier Two	99,999	1,600	5.1664	4.0271	(1.1393)
44					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
45					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
46										
47	Commercial 10-inch	$ 2,645.00	$ 4,025.00	$ 1,380.00	Tier One	1,150	575	$ 3.0000	$ 3.0541	$ 0.0541
48					Tier Two	99,999	2,300	5.1664	4.0271	(1.1393)
49					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
50					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
51										
52										
53										
54					(Continued)					
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

White Tank

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2	Industrial 5/8 x 3/4 -inch	$ 23.00	$ 35.00	$ 12.00	Tier One	10	99,999	$ 3.0000	$ 4.0271	$ 1.0271
3					Tier Two	99,999	99,999	5.1664	4.0271	(1.1393)
4					Tier Three	99,999	99,999	5.1664	4.0271	(1.1393)
5					Tier Four	99,999	99,999	5.1664	4.0271	(1.1393)
6										
7	Industrial 3/4-inch	n/a	$ 52.50	n/a	Tier One	n/a	99,999	n/a	$ 4.0271	n/a
8					Tier Two	n/a	99,999	n/a	4.0271	n/a
9					Tier Three	n/a	99,999	n/a	4.0271	n/a
10					Tier Four	n/a	99,999	n/a	4.0271	n/a
11										
12	Industrial 1-inch	$ 57.50	$ 87.50	$ 30.00	Tier One	20	99,999	$ 3.0000	$ 4.0271	$ 1.0271
13					Tier Two	99,999	99,999	5.1664	4.0271	(1.1393)
14					Tier Three	99,999	99,999	5.1664	4.0271	(1.1393)
15					Tier Four	99,999	99,999	5.1664	4.0271	(1.1393)
16										
17	Industrial 1½-inch	$ 115.00	$ 175.00	$ 60.00	Tier One	45	99,999	$ 3.0000	$ 4.0271	$ 1.0271
18					Tier Two	99,999	99,999	5.1664	4.0271	(1.1393)
19					Tier Three	99,999	99,999	5.1664	4.0271	(1.1393)
20					Tier Four	99,999	99,999	5.1664	4.0271	(1.1393)
21										
22	Industrial 2-inch	$ 184.00	$ 280.00	$ 96.00	Tier One	75	99,999	$ 3.0000	$ 4.0271	$ 1.0271
23					Tier Two	99,999	99,999	5.1664	4.0271	(1.1393)
24					Tier Three	99,999	99,999	5.1664	4.0271	(1.1393)
25					Tier Four	99,999	99,999	5.1664	4.0271	(1.1393)
26										
27	Industrial 3-inch	$ 368.00	$ 560.00	$ 192.00	Tier One	155	99,999	$ 3.0000	$ 4.0271	$ 1.0271
28					Tier Two	99,999	99,999	5.1664	4.0271	(1.1393)
29					Tier Three	99,999	99,999	5.1664	4.0271	(1.1393)
30					Tier Four	99,999	99,999	5.1664	4.0271	(1.1393)
31										
32	Industrial 4-inch	$ 575.00	$ 875.00	$ 300.00	Tier One	245	99,999	$ 3.0000	$ 4.0271	$ 1.0271
33					Tier Two	99,999	99,999	5.1664	4.0271	(1.1393)
34					Tier Three	99,999	99,999	5.1664	4.0271	(1.1393)
35					Tier Four	99,999	99,999	5.1664	4.0271	(1.1393)
36										
37	Industrial 6-inch	$ 1,150.00	$ 1,750.00	$ 600.00	Tier One	99,999	99,999	$ 3.0000	$ 3.5000	$ 0.5000
38					Tier Two	99,999	99,999	3.0000	3.5000	0.5000
39					Tier Three	99,999	99,999	3.0000	3.5000	0.5000
40					Tier Four	99,999	99,999	3.0000	3.5000	0.5000
41										
42	Industrial 8-inch	$ 1,840.00	$ 2,800.00	$ 960.00	Tier One	99,999	99,999	$ 3.0000	$ 3.5000	$ 0.5000
43					Tier Two	99,999	99,999	3.0000	3.5000	0.5000
44					Tier Three	99,999	99,999	3.0000	3.5000	0.5000
45					Tier Four	99,999	99,999	3.0000	3.5000	0.5000
46										
47	Industrial 10-inch	$ 2,645.00	$ 4,025.00	$ 1,380.00	Tier One	99,999	99,999	$ 3.0000	$ 3.5000	$ 0.5000
48					Tier Two	99,999	99,999	3.0000	3.5000	0.5000
49					Tier Three	99,999	99,999	3.0000	3.5000	0.5000
50					Tier Four	99,999	99,999	3.0000	3.5000	0.5000
51										
52										
53										
54					(Continued)					
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

White Tank

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D]	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
8	Private Fire Service (all connection sizes)	$ 25.00	$ 35.00	$ 10.00		n/a	n/a	n/a	n/a	n/a
10	Public Fire Hydrant	n/a	n/a	n/a		n/a	n/a	n/a	n/a	n/a
12	Coin Machine (No. of Gallons / $0.25)	n/a	n/a	n/a	n/a		n/a	n/a	-	n/a	n/a

(Continued)

White Tank

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2										
3	Construction 5/8 x 3/4-inch	n/a	$ 25.00	n/a	Tier One	n/a	5	n/a	$ 3.0541	n/a
4					Tier Two	n/a	20	n/a	4.0271	n/a
5					Tier Three	n/a	99,999	n/a	5.9731	n/a
6					Tier Four	n/a	99,999	n/a	5.9731	n/a
7										
8	Construction 3/4-inch	n/a	$ 37.50	n/a	Tier One	n/a	8	n/a	$ 3.0541	n/a
9					Tier Two	n/a	25	n/a	4.0271	n/a
10					Tier Three	n/a	99,999	n/a	5.9731	n/a
11					Tier Four	n/a	99,999	n/a	5.9731	n/a
12										
13	Construction 1-inch	n/a	$ 62.50	n/a	Tier One	n/a	13	n/a	$ 3.0541	n/a
14					Tier Two	n/a	35	n/a	4.0271	n/a
15					Tier Three	n/a	99,999	n/a	5.9731	n/a
16					Tier Four	n/a	99,999	n/a	5.9731	n/a
17										
18	Construction ½-inch	n/a	$ 125.00	n/a	Tier One	n/a	25	n/a	$ 3.0541	n/a
19					Tier Two	n/a	50	n/a	4.0271	n/a
20					Tier Three	n/a	99,999	n/a	5.9731	n/a
21					Tier Four	n/a	99,999	n/a	5.9731	n/a
22										
23	Construction 2-Inch	$ 184.00	$ 200.00	$ 16.00	Tier One	75	40	$ 3.0000	$ 3.0541	$ 0.0541
24					Tier Two	99,999	75	5.1664	4.0271	(1.1393)
25					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
26					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
27										
28	Construction 3-Inch	$ 368.00	$ 400.00	$ 32.00	Tier One	155	80	$ 3.0000	$ 3.0541	$ 0.0541
29					Tier Two	99,999	150	5.1664	4.0271	(1.1393)
30					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
31					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
32										
33	Construction 4-Inch	$ 575.00	$ 625.00	$ 50.00	Tier One	245	125	$ 3.0000	$ 3.0541	$ 0.0541
34					Tier Two	99,999	240	5.1664	4.0271	(1.1393)
35					Tier Three	99,999	99,999	5.1664	5.9731	0.8067
36					Tier Four	99,999	99,999	5.1664	5.9731	0.8067
37										
38	Construction 6-Inch	n/a	$ 1,250.00	n/a	Tier One	n/a	250	n/a	$ 3.0541	n/a
39					Tier Two	n/a	1,000	n/a	4.0271	n/a
40					Tier Three	n/a	99,999	n/a	5.9731	n/a
41					Tier Four	n/a	99,999	n/a	5.9731	n/a
42										
43	Construction 8-Inch	n/a	$ 2,000.00	n/a	Tier One	n/a	400	n/a	$ 3.0541	n/a
44					Tier Two	n/a	1,600	n/a	4.0271	n/a
45					Tier Three	n/a	99,999	n/a	5.9731	n/a
46					Tier Four	n/a	99,999	n/a	5.9731	n/a
47										
48	Construction 10-Inch	n/a	$ 2,875.00	n/a	Tier One	n/a	575	n/a	$ 3.0541	n/a
49					Tier Two	n/a	2,300	n/a	4.0271	n/a
50					Tier Three	n/a	99,999	n/a	5.9731	n/a
51					Tier Four	n/a	99,999	n/a	5.9731	n/a
52					(Continued)					
53										
54					(Continued)					
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

White Tank

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D]	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
3	Sales for Resale 5/8-Inch	$ 23.00	$ 25.00	$ 2.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
4					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
5					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
6					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
8	Sales for Resale 3/4-Inch	n/a	$ 37.50	n/a	Tier One	n/a	99,999	n/a	$ 3.0541	n/a
9					Tier Two	n/a	99,999	n/a	3.0541	n/a
10					Tier Three	n/a	99,999	n/a	3.0541	n/a
11					Tier Four	n/a	99,999	n/a	3.0541	n/a
13	Sales for Resale 1-Inch	$ 57.50	$ 62.50	$ 5.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
14					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
15					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
16					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
18	Sales for Resale 1½-Inch	$ 115.00	$ 125.00	$ 10.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
19					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
20					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
21					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
23	Sales for Resale 2-Inch	$ 184.00	$ 200.00	$ 16.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
24					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
25					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
26					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
28	Sales for Resale 3-Inch	$ 368.00	$ 400.00	$ 32.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
29					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
30					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
31					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
33	Sales for Resale 4-Inch	$ 575.00	$ 625.00	$ 50.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
34					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
35					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
36					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
38	Sales for Resale 6-Inch	$ 1,150.00	$ 1,250.00	$ 100.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
39					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
40					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
41					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
43	Sales for Resale 8-Inch	$ 1,840.00	$ 2,000.00	$ 160.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
44					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
45					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
46					Tier Four	99,999	99,999	3.0000	3.0541	0.0541
48	Sales for Resale 10-Inch	$ 2,645.00	$ 2,875.00	$ 230.00	Tier One	99,999	99,999	$ 3.0000	$ 3.0541	$ 0.0541
49					Tier Two	99,999	99,999	3.0000	3.0541	0.0541
50					Tier Three	99,999	99,999	3.0000	3.0541	0.0541
51					Tier Four	99,999	99,999	3.0000	3.0541	0.0541

55 **For Service Charges See Western Group Service Charge Tariff at the end of this schedule**

Ajo

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D]	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
1										
2	Residential 5/8 x 3/4 -inch	$ 25.00	$ 28.00	$ 3.00	Tier One	3	2	$ 3.3617	$ 3.9210	$ 0.5593
3					Tier Two	10	5	5.9502	5.6300	(0.3202)
4					Tier Three	99,999	10	9.2228	7.3391	(1.8837)
5					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
6										
7	Residential 3/4-inch	n/a	$ 42.00	n/a	Tier One	n/a	3	n/a	$ 3.9210	n/a
8					Tier Two	n/a	7	n/a	5.6300	n/a
9					Tier Three	n/a	11	n/a	7.3391	n/a
10					Tier Four	n/a	99,999	n/a	10.7572	n/a
11										
12	Residential 1-inch	$ 62.50	$ 70.00	$ 7.50	Tier One	15	5	$ 5.9502	$ 5.6300	$ (0.3202)
13					Tier Two	99,999	13	9.2228	7.3391	(1.8837)
14					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
15					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
16										
17	Residential 1½-inch	$ 125.00	$ 140.00	$ 15.00	Tier One	30	10	$ 5.9502	$ 5.6300	$ (0.3202)
18					Tier Two	99,999	25	9.2228	7.3391	(1.8837)
19					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
20					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
21										
22	Residential 2-inch	$ 200.00	$ 224.00	$ 24.00	Tier One	50	16	$ 5.9502	$ 5.6300	$ (0.3202)
23					Tier Two	99,999	40	9.2228	7.3391	(1.8837)
24					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
25					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
26										
27	Residential 3-inch	$ 400.00	$ 448.00	$ 48.00	Tier One	100	32	$ 5.9502	$ 5.6300	$ (0.3202)
28					Tier Two	99,999	80	9.2228	7.3391	(1.8837)
29					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
30					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
31										
32	Residential 4-inch	$ 625.00	$ 700.00	$ 75.00	Tier One	150	50	$ 5.9502	$ 5.6300	$ (0.3202)
33					Tier Two	99,999	125	9.2228	7.3391	(1.8837)
34					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
35					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
36										
37	Residential 6-inch	$ 1,250.00	$ 1,400.00	$ 150.00	Tier One	330	100	$ 5.9502	$ 5.6300	$ (0.3202)
38					Tier Two	99,999	250	9.2228	7.3391	(1.8837)
39					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
40					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
41										
42	Residential 8-inch	$ 2,000.00	$ 2,240.00	$ 240.00	Tier One	525	160	$ 5.9502	$ 5.6300	$ (0.3202)
43					Tier Two	99,999	400	9.2228	7.3391	(1.8837)
44					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
45					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
46										
47	Residential 10-inch	$ 2,875.00	$ 3,220.00	$ 345.00	Tier One	775	230	$ 5.9502	$ 5.6300	$ (0.3202)
48					Tier Two	99,999	575	9.2228	7.3391	(1.8837)
49					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
50					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
51										
52										
53					(Continued)					
54										
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

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Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D]	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
1										
2	Commercial 5/8 x 3/4 -inch	$ 25.00	$ 33.00	$ 8.00	Tier One	10	2	$ 5.9502	$ 5.6300	$ (0.3202)
3					Tier Two	99,999	18	9.2228	7.3391	(1.8837)
4					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
5					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
6										
7	Commercial 3/4-inch	n/a	$ 49.50	n/a	Tier One	n/a	3	n/a	$ 5.6300	n/a
8					Tier Two	n/a	20	n/a	7.3391	n/a
9					Tier Three	n/a	99,999	n/a	10.7572	n/a
10					Tier Four	n/a	99,999	n/a	10.7572	n/a
11										
12	Commercial 1-inch	$ 62.50	$ 82.50	$ 20.00	Tier One	15	5	$ 5.9502	$ 5.6300	$ (0.3202)
13					Tier Two	99,999	25	9.2228	7.3391	(1.8837)
14					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
15					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
16										
17	Commercial 1½-inch	$ 125.00	$ 165.00	$ 40.00	Tier One	30	10	$ 5.9502	$ 5.6300	$ (0.3202)
18					Tier Two	99,999	40	9.2228	7.3391	(1.8837)
19					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
20					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
21										
22	Commercial 2-inch	$ 200.00	$ 264.00	$ 64.00	Tier One	50	16	$ 5.9502	$ 5.6300	$ (0.3202)
23					Tier Two	99,999	60	9.2228	7.3391	(1.8837)
24					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
25					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
26										
27	Commercial 3-inch	$ 400.00	$ 528.00	$ 128.00	Tier One	100	32	$ 5.9502	$ 5.6300	$ (0.3202)
28					Tier Two	99,999	120	9.2228	7.3391	(1.8837)
29					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
30					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
31										
32	Commercial 4-inch	$ 625.00	$ 825.00	$ 200.00	Tier One	150	50	$ 5.9502	$ 5.6300	$ (0.3202)
33					Tier Two	99,999	185	9.2228	7.3391	(1.8837)
34					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
35					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
36										
37	Commercial 6-inch	$ 1,250.00	$ 1,650.00	$ 400.00	Tier One	330	100	$ 5.9502	$ 5.6300	$ (0.3202)
38					Tier Two	99,999	300	9.2228	7.3391	(1.8837)
39					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
40					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
41										
42	Commercial 8-inch	$ 2,000.00	$ 2,640.00	$ 640.00	Tier One	525	160	$ 5.9502	$ 5.6300	$ (0.3202)
43					Tier Two	99,999	500	9.2228	7.3391	(1.8837)
44					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
45					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
46										
47	Commercial 10-inch	$ 2,875.00	$ 3,795.00	$ 920.00	Tier One	775	230	$ 5.9502	$ 5.6300	$ (0.3202)
48					Tier Two	99,999	750	9.2228	7.3391	(1.8837)
49					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
50					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
51										
52										
53					(Continued)					
54										
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

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Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D]	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
2	Industrial 5/8 x 3/4 -inch	$ 25.00	$ 35.00	$ 10.00	Tier One	10	99,999	$ 5.9502	$ 7.3391	$ 1.3889
					Tier Two	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Three	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Four	99,999	99,999	9.2228	7.3391	(1.8837)
7	Industrial 3/4-inch	n/a	$ 52.50	n/a	Tier One	n/a	99,999	n/a	$ 7.3391	n/a
					Tier Two	n/a	99,999	n/a	7.3391	n/a
					Tier Three	n/a	99,999	n/a	7.3391	n/a
					Tier Four	n/a	99,999	n/a	7.3391	n/a
12	Industrial 1-inch	$ 62.50	$ 87.50	$ 25.00	Tier One	15	99,999	$ 5.9502	$ 7.3391	$ 1.3889
					Tier Two	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Three	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Four	99,999	99,999	9.2228	7.3391	(1.8837)
17	Industrial 1½-inch	$ 125.00	$ 175.00	$ 50.00	Tier One	30	99,999	$ 5.9502	$ 7.3391	$ 1.3889
					Tier Two	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Three	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Four	99,999	99,999	9.2228	7.3391	(1.8837)
22	Industrial 2-inch	$ 200.00	$ 280.00	$ 80.00	Tier One	50	99,999	$ 5.9502	$ 7.3391	$ 1.3889
					Tier Two	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Three	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Four	99,999	99,999	9.2228	7.3391	(1.8837)
27	Industrial 3-inch	$ 400.00	$ 560.00	$ 160.00	Tier One	100	99,999	$ 5.9502	$ 7.3391	$ 1.3889
					Tier Two	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Three	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Four	99,999	99,999	9.2228	7.3391	(1.8837)
32	Industrial 4-inch	$ 625.00	$ 875.00	$ 250.00	Tier One	150	99,999	$ 5.9502	$ 7.3391	$ 1.3889
					Tier Two	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Three	99,999	99,999	9.2228	7.3391	(1.8837)
					Tier Four	99,999	99,999	9.2228	7.3391	(1.8837)
37	Industrial 6-inch	$ 1,250.00	$ 1,750.00	$ 500.00	Tier One	99,999	99,999	$ 5.9502	$ 2.2500	$ (3.7002)
					Tier Two	99,999	99,999	5.9502	2.2500	(3.7002)
					Tier Three	99,999	99,999	5.9502	2.2500	(3.7002)
					Tier Four	99,999	99,999	5.9502	2.2500	(3.7002)
42	Industrial 8-inch	$ 2,000.00	$ 2,800.00	$ 800.00	Tier One	99,999	99,999	$ 5.9502	$ 2.2500	$ (3.7002)
					Tier Two	99,999	99,999	5.9502	2.2500	(3.7002)
					Tier Three	99,999	99,999	5.9502	2.2500	(3.7002)
					Tier Four	99,999	99,999	5.9502	2.2500	(3.7002)
47	Industrial 10-inch	$ 2,875.00	$ 4,025.00	$ 1,150.00	Tier One	99,999	99,999	$ 5.9502	$ 2.2500	$ (3.7002)
					Tier Two	99,999	99,999	5.9502	2.2500	(3.7002)
					Tier Three	99,999	99,999	5.9502	2.2500	(3.7002)
					Tier Four	99,999	99,999	5.9502	2.2500	(3.7002)

(Continued)

55 **For Service Charges See Western Group Service Charge Tariff at the end of this schedule**

Ajo

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Tier Breakover (M Gals) Present	[F] Tier Breakover (M Gals) Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Volumetric Charge (/M Gal) Change
8	Private Fire Service (all connection sizes)	$ 25.00	$ 35.00	$ 10.00	n/a	n/a	n/a	n/a	n/a	n/a
10	Public Fire Hydrant	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
12	Coin Machine (No. of Gallons / $0.25)	n/a	n/a	n/a	n/a	n/a	n/a	38	41	-6.95%

(Continued)

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Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
3	Construction 5/8 x 3/4-inch	n/a	$ 33.00	n/a	Tier One	n/a	2	n/a	$ 5.6300	n/a
4					Tier Two	n/a	18	n/a	7.3391	n/a
5					Tier Three	n/a	99,999	n/a	10.7572	n/a
6					Tier Four	n/a	99,999	n/a	10.7572	n/a
8	Construction 3/4-inch	n/a	$ 49.50	n/a	Tier One	n/a	3	n/a	$ 5.6300	n/a
9					Tier Two	n/a	20	n/a	7.3391	n/a
10					Tier Three	n/a	99,999	n/a	10.7572	n/a
11					Tier Four	n/a	99,999	n/a	10.7572	n/a
13	Construction 1-inch	n/a	$ 82.50	n/a	Tier One	n/a	5	n/a	$ 5.6300	n/a
14					Tier Two	n/a	25	n/a	7.3391	n/a
15					Tier Three	n/a	99,999	n/a	10.7572	n/a
16					Tier Four	n/a	99,999	n/a	10.7572	n/a
18	Construction ½-inch	n/a	$ 165.00	n/a	Tier One	n/a	10	n/a	$ 5.6300	n/a
19					Tier Two	n/a	40	n/a	7.3391	n/a
20					Tier Three	n/a	99,999	n/a	10.7572	n/a
21					Tier Four	n/a	99,999	n/a	10.7572	n/a
23	Construction 2-Inch	$ 200.00	$ 264.00	$ 64.00	Tier One	50	16	$ 5.9502	$ 5.6300	$ (0.3202)
24					Tier Two	99,999	60	9.2228	7.3391	(1.8837)
25					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
26					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
28	Construction 3-Inch	$ 400.00	$ 528.00	$ 128.00	Tier One	100	32	$ 5.9502	$ 5.6300	$ (0.3202)
29					Tier Two	99,999	120	9.2228	7.3391	(1.8837)
30					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
31					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
33	Construction 4-Inch	$ 625.00	$ 825.00	$ 200.00	Tier One	150	50	$ 5.9502	$ 5.6300	$ (0.3202)
34					Tier Two	99,999	185	9.2228	7.3391	(1.8837)
35					Tier Three	99,999	99,999	9.2228	10.7572	1.5344
36					Tier Four	99,999	99,999	9.2228	10.7572	1.5344
38	Construction 6-Inch	n/a	$ 1,650.00	n/a	Tier One	n/a	100	n/a	$ 5.6300	n/a
39					Tier Two	n/a	300	n/a	7.3391	n/a
40					Tier Three	n/a	99,999	n/a	10.7572	n/a
41					Tier Four	n/a	99,999	n/a	10.7572	n/a
43	Construction 8-Inch	n/a	$ 2,640.00	n/a	Tier One	n/a	160	n/a	$ 5.6300	n/a
44					Tier Two	n/a	500	n/a	7.3391	n/a
45					Tier Three	n/a	99,999	n/a	10.7572	n/a
46					Tier Four	n/a	99,999	n/a	10.7572	n/a
48	Construction 10-Inch	n/a	$ 3,795.00	n/a	Tier One	n/a	230	n/a	$ 5.6300	n/a
49					Tier Two	n/a	750	n/a	7.3391	n/a
50					Tier Three	n/a	99,999	n/a	10.7572	n/a
51					Tier Four	n/a	99,999	n/a	10.7572	n/a
52					(Continued)					
53										
54					(Continued)					
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

Ajo

Line No.	Class of Service	[A] Basic Service Charge Present Rate	[B] Basic Service Charge Proposed Rate - Settlement	[C] Basic Service Charge Change	[D] Tier Breakover (M Gals)	[E] Present	[F] Proposed - Settlement	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate - Settlement	[I] Change
1										
2										
3	Sales for Resale 5/8-Inch	$ 25.00	$ 33.00	$ 8.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
4					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
5					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
6					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
7										
8	Sales for Resale 3/4-Inch	n/a	$ 49.50	n/a	Tier One	n/a	99,999	n/a	$ 5.6300	n/a
9					Tier Two	n/a	99,999	n/a	5.6300	n/a
10					Tier Three	n/a	99,999	n/a	5.6300	n/a
11					Tier Four	n/a	99,999	n/a	5.6300	n/a
12										
13	Sales for Resale 1-Inch	$ 62.50	$ 82.50	$ 20.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
14					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
15					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
16					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
17										
18	Sales for Resale 1½-Inch	$ 125.00	$ 165.00	$ 40.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
19					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
20					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
21					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
22										
23	Sales for Resale 2-Inch	$ 200.00	$ 264.00	$ 64.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
24					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
25					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
26					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
27										
28	Sales for Resale 3-Inch	$ 400.00	$ 528.00	$ 128.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
29					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
30					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
31					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
32										
33	Sales for Resale 4-Inch	$ 625.00	$ 825.00	$ 200.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
34					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
35					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
36					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
37										
38	Sales for Resale 6-Inch	$ 1,250.00	$ 1,650.00	$ 400.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
39					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
40					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
41					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
42										
43	Sales for Resale 8-Inch	$ 2,000.00	$ 2,640.00	$ 640.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
44					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
45					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
46					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
47										
48	Sales for Resale 10-Inch	$ 2,875.00	$ 3,795.00	$ 920.00	Tier One	99,999	99,999	$ 5.9502	$ 5.6300	$ (0.3202)
49					Tier Two	99,999	99,999	5.9502	5.6300	(0.3202)
50					Tier Three	99,999	99,999	5.9502	5.6300	(0.3202)
51					Tier Four	99,999	99,999	5.9502	5.6300	(0.3202)
52										
53										
54										
55	**For Service Charges See Western Group Service Charge Tariff at the end of this schedule**									

Western Group

Line No.	Service Charges	[A] Current Rate	[B] Proposed Rate - Settlement
1			
2	Establishment	$32.00	$32.00
3			
4	Guarantee Deposit	Residential - maximum: Two(2) times average customer class bill. Non-Residential-maximum: Two and one-half (21/2) times that customers estimated maximum monthly bill.	Residential - maximum: Two(2) times average customer class bill. Non-Residential-maximum: Two and one-half (21/2) times that customers estimated maximum monthly bill.
5			
6			
7			
8	Reconnection for Delinquency	$32.00, each time customer is disconnected.	$32.00, each time customer is disconnected.
9			
10			
11			
12			
13	Re-Establishment	Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.	Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
14			
15			
16	After Hours Service Charge	$35.00, each service call-out after regular working hours, on Saturdays, Sundays or holidays.	$35.00, each service call-out after regular working hours, on Saturdays, Sundays or holidays.
17			
18			
19			
20	Returned Payment	$25.00, each returned payment for insufficient funds.	$25.00, each returned payment for insufficient funds.
21			
22			
23			
24	Meter Re-read	All Meter Re-Reads - $25.00	All Meter Re-Reads - $25.00
25			
26			
27	Meter Test	No charge for the first test; for the second test for the same customer within any twelve (12) month period, $25.00, or actual time and material whichever is greater.	No charge for the first test; for the second test for the same customer within any twelve (12) month period, $25.00, or actual time and material whichever is greater.
28			
29			
30			
31	Service Line and Meter Installation		
32			

Meter Size	Service Line[1]	Meter	Total[1]
5/8 x 3/4-inch	$ 445.00	$ 155.00	$ 600.00
3/4-inch	n/a	n/a	n/a
1-inch	495.00	315.00	810.00
1 ½ -inch	n/a	n/a	n/a
2-inch turbine	830.00	1,045.00	1,875.00
2-inch compound	830.00	1,890.00	2,720.00
3-inch turbine	Actual Cost	Actual Cost	Actual Cost
3-inch compound	Actual Cost	Actual Cost	Actual Cost
4-inch turbine	Actual Cost	Actual Cost	Actual Cost
4-inch compound	Actual Cost	Actual Cost	Actual Cost
6-inch turbine	Actual Cost	Actual Cost	Actual Cost
6-inch compound	Actual Cost	Actual Cost	Actual Cost
8-inch turbine	Actual Cost	Actual Cost	Actual Cost
8-inch compound	Actual Cost	Actual Cost	Actual Cost
10-inch turbine	Actual Cost	Actual Cost	Actual Cost
10-inch compound	Actual Cost	Actual Cost	Actual Cost

[1]Actual cost of service line if boring under roadway is required.

Service Line[1]	Meter	Total[1]
$ 565.00	Actual Cost	Varies
565.00	Actual Cost	Varies
629.00	Actual Cost	Varies
699.00	Actual Cost	Varies
1,054.00	Actual Cost	Varies
1,054.00	Actual Cost	Varies
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost
Actual Cost	Actual Cost	Actual Cost

[1]Actual cost of service line if boring under, or cutting roadway/sidewalk is required.

53	Late Charge	1.5 percent after 15 days.	1.5 percent after 15 days.
54			
55			

Pinal Valley

Line No.		[A] Base Rates	[B] Adjusters & Surcharges	[C] Monthly Usage (M Gal)	Typical Bill Present Rates [D] Base Rates	[E] Adjusters & Surcharges	[F] Total	[G] Proposed Rates - Settlement	[H] Increase - Settlement Amount	[I] Increase - Settlement Percent
1	Residential 5/8 x 3/4 -inch									
2				-	$ 16.00	$ -	$ 16.00	$ 22.00	$ 6.00	37.50%
3				5	23.77	-	23.77	30.75	6.98	29.35%
4				15	50.58	-	50.58	55.49	4.91	9.72%
5	Present Rates			20	66.87	-	66.87	70.88	4.01	6.00%
6				25	83.17	-	83.17	89.91	6.74	8.10%
7				30	99.46	-	99.46	108.93	9.46	9.51%
8	Basic Service Charge:	$ 16.00	$ -	35	115.76	-	115.76	127.95	12.19	10.53%
9				40	132.05	-	132.05	146.97	14.91	11.29%
10	Tier One Breakover (M Gal):	3		45	148.35	-	148.35	165.99	17.64	11.89%
11	Tier Two Breakover (M Gal):	10		50	164.64	-	164.64	185.01	20.37	12.37%
12	Tier Three Breakover (M Gal):	99,999		55	180.94	-	180.94	204.03	23.09	12.76%
13	Tier Four Breakover (M Gal):	99,999		60	197.23	-	197.23	223.05	25.82	13.09%
14				65	213.53	-	213.53	242.07	28.54	13.37%
15	Tier One Rate:	$ 1.1879	$ -	70	229.82	-	229.82	261.09	31.27	13.60%
16	Tier Two Rate:	2.1026	-	75	246.12	-	246.12	280.11	33.99	13.81%
17	Tier Three Rate:	3.2590	-	100	327.59	-	327.59	375.21	47.62	14.54%
18	Tier Four Rate:	3.2590	-	150	490.54	-	490.54	565.42	74.87	15.26%
19				200	653.49	-	653.49	755.62	102.13	15.63%
20				250	816.44	-	816.44	945.82	129.38	15.85%
21	Proposed Rates - Settlement			300	979.39	-	979.39	1,136.03	156.64	15.99%
22				350	1,142.34	-	1,142.34	1,326.23	183.89	16.10%
23				400	1,305.29	-	1,305.29	1,516.44	211.15	16.18%
24	Basic Service Charge:	$ 22.00	$ -	450	1,468.24	-	1,468.24	1,706.64	238.40	16.24%
25				500	1,631.19	-	1,631.19	1,896.85	265.65	16.29%
26	Tier One Breakover (M Gal):	2		550	1,794.14	-	1,794.14	2,087.05	292.91	16.33%
27	Tier Two Breakover (M Gal):	7		600	1,957.09	-	1,957.09	2,277.25	320.16	16.36%
28	Tier Three Breakover (M Gal):	18		650	2,120.04	-	2,120.04	2,467.46	347.42	16.39%
29	Tier Four Breakover (M Gal):	99,999		700	2,282.99	-	2,282.99	2,657.66	374.67	16.41%
30				750	2,445.94	-	2,445.94	2,847.87	401.93	16.43%
31	Tier One Rate:	$ 1.3866	$ -	800	2,608.89	-	2,608.89	3,038.07	429.18	16.45%
32	Tier Two Rate:	1.9910	-	850	2,771.84	-	2,771.84	3,228.28	456.43	16.47%
33	Tier Three Rate:	2.5953	-	900	2,934.79	-	2,934.79	3,418.48	483.69	16.48%
34	Tier Four Rate:	3.8041	-	1,000	3,260.69	-	3,260.69	3,798.89	538.20	16.51%
35				1,500	4,890.19	-	4,890.19	5,700.93	810.74	16.58%
36				2,000	6,519.69	-	6,519.69	7,602.97	1,083.28	16.62%
37				2,500	8,149.19	-	8,149.19	9,505.02	1,355.82	16.64%
38				3,000	9,778.69	-	9,778.69	11,407.06	1,628.37	16.65%
39										
40										
41			Average Usage:	7.8	$ 29.62	$ -	$ 29.62	$ 36.76	$ 7.14	24.10%
42			Median Usage:	5.7	$ 25.24	$ -	$ 25.24	$ 32.14	$ 6.90	27.33%
43			Standardized Usage:	7.5	$ 29.03	$ -	$ 29.03	$ 36.03	$ 7.00	24.12%
44										
45							Proposed Bill at Lifeline Usage:	$ 24.77		
46							Cost of Service at Lifeline Usage:	$ 31.41		
47							% Cost Discount at Lifeline Usage:	21.12%		
48										
49							Cost of Service at Average Usage:	$ 43.00		
50							% Cost Discount at Average Usage:	14.53%		
51										
52										
53										
54										
55										

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Typical Bill Analysis -

White Tank

Line No.		[A] Base Rates	[B] Adjusters & Surcharges	[C] Monthly Usage (M Gal)	[D] Typical Bill Present Rates Base Rates	[E] Adjusters & Surcharges	[F] Total	[G] Proposed Rates - Settlement	[H] Increase - Settlement Amount	[I] Percent
1	Residential 5/8 x 3/4 -inch									
2				-	$ 23.00	$ -	$ 23.00	$ 29.00	$ 6.00	26.09%
3				5	32.00	-	32.00	41.35	9.35	29.22%
4				15	62.00	-	62.00	76.76	14.76	23.80%
5	Present Rates			20	87.83	-	87.83	96.89	9.06	10.32%
6				25	113.66	-	113.66	117.03	3.36	2.96%
7				30	139.50	-	139.50	137.16	(2.33)	-1.67%
8	Basic Service Charge:	$ 23.00	$ -	35	165.33	-	165.33	167.03	1.70	1.03%
9				40	191.16	-	191.16	196.89	5.73	3.00%
10	Tier One Breakover (M Gal):	5		45	216.99	-	216.99	226.76	9.77	4.50%
11	Tier Two Breakover (M Gal):	15		50	242.82	-	242.82	256.62	13.80	5.68%
12	Tier Three Breakover (M Gal):	99,999		55	268.66	-	268.66	286.49	17.83	6.64%
13	Tier Four Breakover (M Gal):	99,999		60	294.49	-	294.49	316.35	21.87	7.43%
14				65	320.32	-	320.32	346.22	25.90	8.09%
15	Tier One Rate:	$ 1.8000	$ -	70	346.15	-	346.15	376.09	29.93	8.65%
16	Tier Two Rate:	3.0000	-	75	371.98	-	371.98	405.95	33.97	9.13%
17	Tier Three Rate:	5.1664	-	100	501.14	-	501.14	555.28	54.13	10.80%
18	Tier Four Rate:	5.1664	-	150	759.46	-	759.46	853.93	94.47	12.44%
19				200	1,017.78	-	1,017.78	1,152.58	134.80	13.24%
20				250	1,276.10	-	1,276.10	1,451.24	175.13	13.72%
21	Proposed Rates - Settlement			300	1,534.42	-	1,534.42	1,749.89	215.47	14.04%
22				350	1,792.74	-	1,792.74	2,048.54	255.80	14.27%
23				400	2,051.06	-	2,051.06	2,347.20	296.13	14.44%
24	Basic Service Charge:	$ 29.00	$ -	450	2,309.38	-	2,309.38	2,645.85	336.47	14.57%
25				500	2,567.70	-	2,567.70	2,944.50	376.80	14.67%
26	Tier One Breakover (M Gal):	3		550	2,826.02	-	2,826.02	3,243.16	417.13	14.76%
27	Tier Two Breakover (M Gal):	10		600	3,084.34	-	3,084.34	3,541.81	457.47	14.83%
28	Tier Three Breakover (M Gal):	30		650	3,342.66	-	3,342.66	3,840.46	497.80	14.89%
29	Tier Four Breakover (M Gal):	99,999		700	3,600.98	-	3,600.98	4,139.12	538.13	14.94%
30				750	3,859.30	-	3,859.30	4,437.77	578.47	14.99%
31	Tier One Rate:	$ 2.0810	$ -	800	4,117.62	-	4,117.62	4,736.42	618.80	15.03%
32	Tier Two Rate:	3.0541	-	850	4,375.94	-	4,375.94	5,035.08	659.13	15.06%
33	Tier Three Rate:	4.0271	-	900	4,634.26	-	4,634.26	5,333.73	699.47	15.09%
34	Tier Four Rate:	5.9731	-	1,000	5,150.90	-	5,150.90	5,931.04	780.13	15.15%
35				1,500	7,734.10	-	7,734.10	8,917.57	1,183.47	15.30%
36				2,000	10,317.30	-	10,317.30	11,904.10	1,586.80	15.38%
37				2,500	12,900.50	-	12,900.50	14,890.64	1,990.13	15.43%
38				3,000	15,483.70	-	15,483.70	17,877.17	2,393.47	15.46%
39										
40										
41			Average Usage:	11.7	$ 52.20	$ -	$ 52.20	$ 63.60	$ 11.40	21.84%
42			Median Usage:	7.7	$ 40.04	$ -	$ 40.04	$ 49.54	$ 9.50	23.71%
43			Standardized Usage:	7.5	$ 39.50	$ -	$ 39.50	$ 48.99	$ 9.49	24.02%
44										
45							Proposed Bill at Lifeline Usage:	$ 35.24		
46							Cost of Service at Lifeline Usage:	$ 46.12		
47							% Cost Discount at Lifeline Usage:	23.58%		
48										
49							Cost of Service at Average Usage:	$ 71.69		
50							% Cost Discount at Average Usage:	11.29%		
51										
52										
53										
54										
55										

Ajo

Line No.		[A] Base Rates	[B] Adjusters & Surcharges	[C] Monthly Usage (M Gal)	[D] Typical Bill Present Rates Base Rates	[E] Present Rates Adjusters & Surcharges	[F] Present Rates Total	[G] Proposed Rates - Settlement	[H] Increase - Settlement Amount	[I] Increase - Settlement Percent
1	Residential 5/8 x 3/4 -inch									
2				-	$ 25.00	$ -	$ 25.00	$ 28.00	$ 3.00	12.00%
3				5	46.99	-	46.99	52.73	5.75	12.23%
4				15	122.85	-	122.85	143.21	20.36	16.58%
5	Present Rates			20	168.96	-	168.96	197.00	28.03	16.59%
6				25	215.08	-	215.08	250.78	35.71	16.60%
7				30	261.19	-	261.19	304.57	43.38	16.61%
8	Basic Service Charge:	$ 25.00	$ -	35	307.31	-	307.31	358.36	51.05	16.61%
9				40	353.42	-	353.42	412.14	58.72	16.62%
10	Tier One Breakover (M Gal):	3		45	399.53	-	399.53	465.93	66.39	16.62%
11	Tier Two Breakover (M Gal):	10		50	445.65	-	445.65	519.71	74.07	16.62%
12	Tier Three Breakover (M Gal):	99,999		55	491.76	-	491.76	573.50	81.74	16.62%
13	Tier Four Breakover (M Gal):	99,999		60	537.88	-	537.88	627.29	89.41	16.62%
14				65	583.99	-	583.99	681.07	97.08	16.62%
15	Tier One Rate:	$ 3.3617	$ -	70	630.10	-	630.10	734.86	104.75	16.62%
16	Tier Two Rate:	5.9502	-	75	676.22	-	676.22	788.64	112.42	16.63%
17	Tier Three Rate:	9.2228	-	100	906.79	-	906.79	1,057.57	150.78	16.63%
18	Tier Four Rate:	9.2228	-	150	1,367.93	-	1,367.93	1,595.43	227.50	16.63%
19				200	1,829.07	-	1,829.07	2,133.29	304.22	16.63%
20				250	2,290.21	-	2,290.21	2,671.15	380.94	16.63%
21	Proposed Rates - Settlement			300	2,751.35	-	2,751.35	3,209.01	457.66	16.63%
22				350	3,212.49	-	3,212.49	3,746.86	534.38	16.63%
23				400	3,673.63	-	3,673.63	4,284.72	611.09	16.63%
24	Basic Service Charge:	$ 28.00	$ -	450	4,134.77	-	4,134.77	4,822.58	687.81	16.63%
25				500	4,595.91	-	4,595.91	5,360.44	764.53	16.64%
26	Tier One Breakover (M Gal):	2		550	5,057.05	-	5,057.05	5,898.30	841.25	16.64%
27	Tier Two Breakover (M Gal):	5		600	5,518.19	-	5,518.19	6,436.16	917.97	16.64%
28	Tier Three Breakover (M Gal):	10		650	5,979.33	-	5,979.33	6,974.01	994.69	16.64%
29	Tier Four Breakover (M Gal):	99,999		700	6,440.47	-	6,440.47	7,511.87	1,071.40	16.64%
30				750	6,901.61	-	6,901.61	8,049.73	1,148.12	16.64%
31	Tier One Rate:	$ 3.9210	$ -	800	7,362.75	-	7,362.75	8,587.59	1,224.84	16.64%
32	Tier Two Rate:	5.6300	-	850	7,823.89	-	7,823.89	9,125.45	1,301.56	16.64%
33	Tier Three Rate:	7.3391	-	900	8,285.03	-	8,285.03	9,663.31	1,378.28	16.64%
34	Tier Four Rate:	10.7572	-	1,000	9,207.31	-	9,207.31	10,739.02	1,531.71	16.64%
35				1,500	13,818.71	-	13,818.71	16,117.61	2,298.90	16.64%
36				2,000	18,430.11	-	18,430.11	21,496.19	3,066.08	16.64%
37				2,500	23,041.51	-	23,041.51	26,874.77	3,833.26	16.64%
38				3,000	27,652.91	-	27,652.91	32,253.36	4,600.45	16.64%
39										
40										
41			Average Usage:	4.0	$ 40.98	$ -	$ 40.98	$ 47.05	$ 6.07	14.81%
42			Median Usage:	2.7	$ 34.01	$ -	$ 34.01	$ 39.67	$ 5.66	16.64%
43			Standardized Usage:	7.5	$ 61.86	$ -	$ 61.86	$ 71.08	$ 9.22	14.90%
44										
45							Proposed Bill at Lifeline Usage:	$ 35.84		
46							Cost of Service at Lifeline Usage:	$ 41.11		
47							% Cost Discount at Lifeline Usage:	12.81%		
48										
49							Cost of Service at Average Usage:	$ 52.78		
50							% Cost Discount at Average Usage:	10.85%		
51										
52										
53										
54										
55										

Arizona Water Company
Pinal Valley
Nitrate Removal Facilities Post in Service Costs Estimated Cap

Line No.		Well No. 33	Well No. 32	Well No. 27	Well No. 7	Total
1.						
2.	Construction Start	6/1/2016	8/1/2016	8/1/2017	8/1/2018	
3.	In-Service	12/1/2017	3/31/2018	3/31/2019	3/31/2020	
4.						
5.	Costs Deferred Until	12/31/2020	12/31/2020	12/31/2020	12/31/2020	
6.						
7.	Plant Construction Cost	6,905,000	6,914,000	2,531,000	3,691,000	20,041,000
8.						
9.	Operating Expenses	4,461,570	6,199,580	2,227,488	2,007,240	14,895,878
10.						
11.	Depreciation Expenses	782,714	561,150	108,574	52,780	1,505,218
12.						
13.	Post in Service AFUDC	1,517,555	1,450,746	131,296	261,460	3,361,057
14.						
15.	Total Estimated	6,761,839	8,211,476	2,467,358	2,321,480	19,762,153
16.						
17.	Add 10%	676,184	821,148	246,736	232,148	1,976,215
18.						
19.	CAP	7,438,023	9,032,624	2,714,094	2,553,628	21,738,368
20.						

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS.	DOCKET NO. W-01445A-15-0277

DIRECT

TESTIMONY

OF

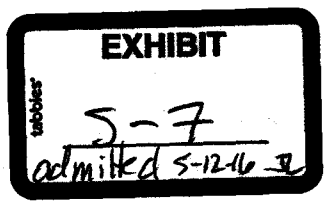
ELIJAH O. ABINAH

ASSISTANT DIRECTOR

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MAY 11, 2016



EXECUTIVE SUMMARY
ARIZONA WATER COMPANY.
DOCKET NO. W-01445A-15-0277

Mr. Abinah's testimony supports the adoption of the Settlement Agreement ("Agreement") as proposed by the Signatories in this case. This testimony describes the settlement process as open, candid, transparent and inclusive of all Signatories to this case. Mr. Abinah explains why Staff believes this Agreement is in the public interest.

Mr. Abinah's testimony recommends that the Commission adopt the Agreement as proposed.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Elijah O. Abinah. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Where are you employed and in what capacity?

A. I am employed by the Arizona Corporation Commission ("ACC" or "Commission") of the Utilities Division ("Staff") as Assistant Director.

Q. How long have you been employed with the Utilities Division?

A. I have been employed with the Utilities Division since January 2003.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science degree in Accounting from the University of Central Oklahoma in Edmond, Oklahoma. I also received a Master of Management degree from Southern Nazarene University in Bethany, Oklahoma. Prior to my employment with the ACC, I was employed by the Oklahoma Corporation Commission for approximately eight and a half years in various capacities in the Telecommunications Division.

Q. What are your current responsibilities?

A. As an Assistant Director, I review submissions that are filed with the Commission and make policy recommendations to the Director regarding those filings.

Q. Have you previously submitted testimony before the Commission?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Proposed Settlement Agreement ("Agreement"). I will also provide testimony which addresses the settlement process, public interest benefits and general policy considerations.

Q. Did you participate in the negotiations that led to the execution of the Agreement?

A. Yes, I did.

Q. How is your testimony being presented?

A. My testimony is organized into four sections. Section I is this introduction, Section II provides a brief background, Section III provides discussion of the settlement process, Section IV discusses the various parts of the Agreement and discusses the reasons why the Agreement is in the public interest.

SECTION II - BACKGROUND

Q. Please provide a brief background of this proceeding.

A. Docket No. W-01445A-15-0277 was commenced by the filing of a notice of intent to file a general rate application by Arizona Water Company ("AWC") on July 31, 2015. AWC subsequently filed its general rate application on August 21, 2015. AWC's general rate application ("Application") requested a total proposed revenue increase of $6,010,408, or approximately 28.33%, and a Fair Value Rate Base ("FVRB") of $67,417,785.

Following a sufficiency finding by Staff on September 14, 2015, Residential Utility Consumer Office ("RUCO") filed an Application to Intervene on September 15, 2015. Abbott filed an Application to Intervene on September 30, 2015. The Western Infrastructure Sustainability Effort ("WISE") filed an Application to Intervene on December 16, 2015.

Q. What is the revenue increase and cost of equity requested by the Company?

A. The Company in its rebuttal testimony requested a revenue increase in the amount of $6,007,339 which represents a 29.16 percent increase, and a cost of equity rate of 10.45 percent.

Q. What is the revenue increase recommended by Staff and RUCO in its direct testimony?

A. Staff recommended a revenue increase of $3,788,915 which represents a 17.85 percent increase while RUCO recommended a $3,189,426 increase in revenues which represents a 14.94 percent increase.

Q. What is the revenue increase recommended by the Parties in the settlement agreement?

A. The parties recommend a $4,572,937 increase in revenues which represents a 21.55 percent increase

Q. What is the cost of equity recommended by the Parties?

A. The parties recommend a cost of equity of 10.0 percent and a cost of debt of 6.82 percent, which results in an overall weighted average cost of capital of 8.53 percent.

SECTION III – SETTLEMENT PROCESS

Q. Please discuss the settlement process.

A. The settlement process was open, transparent and inclusive. All parties received notice of the settlement meeting and were accorded an opportunity to raise, discuss, and propose resolution to any issue that they desired.

Q. Who participated in those meetings?

A. The following parties were participants in the meetings: Abbott; WISE; RUCO; and Staff (collectively referred to as Parties).

Q. Was there an opportunity for all issues to be discussed and considered?

A. Yes, each party had the opportunity to raise and have its issues considered.

Q. Were the Parties able to resolve all issues?

A. Yes, the Parties were able to resolve and reach agreement on all issues.

Q. How would you describe the negotiations?

A. I believe that all participants advocated and represented their interests. I would characterize the discussions as candid but professional.

Q. Would you describe the process as requiring give and take?

A. Yes, I would. As a result of the varied interests represented in the settlement process, a willingness to compromise was necessary. As evidenced in the Agreement, the Parties compromised on what could be described as vastly different litigation positions.

Q. Because of such compromising, do you believe the public interest was compromised?

A. No. As I will discuss later in this testimony, I believe that the compromises made by the Parties further the public interest.

IV. THE SETTLEMENT AGREEMENT

Q. What are the significant sections in the Settlement Agreement?

A. The Settlement Agreement discusses the revenue requirement, rate base and income statement (including adjustments), the nitrate deferral issue, tank maintenance, Arsenic Cost Recovery Mechanism, several Central Arizona Project ("CAP") issues, the Company's use of an outdated Uniform System of Accounts, accumulated depreciation reserve, and off-site facilities fees.

Q. Is the Settlement Agreement in the public interest?

A. Yes. There are several reasons why the Settlement Agreement is in the public interest. The terms of the Settlement Agreement produce a revenue requirement that will result in rates that are just and reasonable. By agreeing to a settlement of all contested issues will save time and the expense of a contested hearing. Further the Settlement Agreement:

- Allows the Company the opportunity to earn an overall return of 8.53 percent and a 10.0 percent return on equity, which provides the Company sufficient revenue to provide reliable service.
- Requires the Company to use an updated Uniform System of Accounts beginning with the first rate case that is filed using a 2017 test year.
- Requires the Company to conduct a depreciation study to find the most proper method to allocate the existing accumulated depreciation reserve to the appropriate individual utility plant accounts.
- Requires the Company on a going forward basis to use its best good faith effort to reduce its cost of debt.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.