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Arizona Corporation Commission
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: W-02465A-15-0367 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $4,700,000. | DOCKET NO: W-02465A-15-0370 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: WS-02676A-15-0368 |

| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $8,900,000. | DOCKET NO: WS-02676A-15-0371<br><br>**NOTICE OF FILING REBUTTAL TESTIMONY** |
|---|---|

Liberty Utilities (Bella Vista Water) Corp. and Liberty Utilities (Rio Rico Water & Sewer) Corp. hereby submit this Notice of Filing Rebuttal Testimony in the above-referenced consolidated dockets. Specifically filed herewith are the following testimonies, along with supporting schedules and/or exhibits:

1. Rebuttal Testimony of Matthew Garlick;
2. Rebuttal Testimony of William R. Killeen;
3. Rebuttal Testimony of Peter Eichler;
4. Rebuttal Testimony of Paul Walker;
5. Rebuttal Testimony of Thomas J. Bourassa – Rate Base, Income Statement and Rate Design; and
6. Rebuttal Testimony of Thomas J. Bourassa – Cost of Capital.

RESPECTFULLY SUBMITTED this 20th day of June, 2016.

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**ORIGINAL** and thirteen (13) copies
of the foregoing were delivered
this 20th day of June, 2016 to:

Docket Control
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**REBUTTAL TESTIMONY OF**

**MATTHEW GARLICK**

**June 20, 2016**

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## I. INTRODUCTION.

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

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

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

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

**Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF APPLICANTS IN THIS CASE?**

A. Yes. My direct testimony was filed on October 28, 2015 with Liberty Bella Vista's and Liberty Rio Rico's rate applications.

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. I will briefly comment on the Fair Value Rate Evaluation model or FARE, which was introduced in direct testimonies for the Applicants, and touch on Staff's recommendations concerning water loss and miscellaneous matters. I will also provide rebuttal concerning three issues: (1) Staff's disallowance of indirect overhead; (2) Staff and RUCO's reduction of expenses to eliminate 50 percent of incentive pay; and (3) RUCO's full and Staff's partial rejection of the PPAM and PTAM.

## II. FAIR VALUE ARIZONA RATE EVALUATION MODEL – THE FARE.

**Q. ARE THE APPLICANTS STILL REQUESTING APPROVAL OF THE FARE IN THIS RATE CASE, MR. GARLICK?**

A. Yes, and we have continued to prepare for its implementation. Mr. Walker discusses the FARE Dashboard in his rebuttal testimony. The FARE Dashboard will provide access to customizable and to date financial data on Applicants.

**Q. WILL THE FARE STILL BE NECESSARY IF THE SIB IS UPHELD BY THE ARIZONA SUPREME COURT?**

A. Yes, the SIB and the FARE are not interchangeable parts. I believe I was pretty clear in my direct testimony on how the appellate court's decision that the SIB was unlawful sent us to the drawing table where the SIB was developed.[1] However, as Mr. Eichler and Mr. Walker explain in their rebuttal testimonies, the SIB and the FARE are very different ratemaking tools.[2]

**Q. HOW WOULD YOU SUMMARIZE THE DIFFERENCE BETWEEN THE FARE AND THE SIB, MR. GARLICK?**

A. The SIB was designed to reduce regulatory lag on certain limited, pre-planned, plant investments. The FARE is an alternative ratemaking model that tracks changes in plant, revenue and expenses, and annually increases or decreases the cost to the customer to reflect the changed cost of service. The SIB was a first step in addressing the serious impacts of regulatory lag when rates are set based on the historic test year and utilities are not given a reasonable opportunity to earn their authorized revenues. The FARE is a much bigger step towards minimizing regulatory lag and revenue erosion and fostering rate gradualism and rate stability.

**Q. WERE YOU SURPRISED THAT STAFF AND RUCO OPPOSED THE FARE?**

A. I don't know that I would say surprised. When we designed the FARE we definitely considered that Staff would complain it was more work and that RUCO would argue it was unlawful. But we were surprised and disappointed with the meager effort Staff and RUCO put into considering the FARE as a possible

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[1] Direct Testimony of Matthew Garlick ("Garlick Dt.") at 3:15-26; 17:3-18.

[2] Rebuttal Testimony of Peter Eichler ("Eichler Rb.") at 5-6; Rebuttal Testimony of Paul Walker at 14-15, 19.

improvement in ratemaking for Arizona utilities and customers. Liberty Utilities operates six different systems in Arizona serving approximately 60,000 customers. We participated in the development of the SIB, and in the recent generic proceedings concerning the water industry. We were lauded for our success in returning order to the McLain systems, for our cooperative agreement with the CAGRD and for our solution to the treatment plant problem in Carefree. Our parent company has access to the capital markets, which is how all these items are funded. Despite this, all we really got from Staff and RUCO was a perfunctory no.

**Q. WHAT IMPACT WILL DENIAL OF THE FARE HAVE ON THE APPLICANTS?**

A. It is getting increasingly difficult to get capital from APUC for timely investment in plant in Arizona. Denial of the FARE, coupled with another haircut on the shared services costs, will make it extremely unlikely that we will be able to fund anything but those capital projects that are absolutely necessary and cannot be put off any longer. I don't think that's a good way to have to run a business, nor do I think consumers benefit from making Arizona more unattractive to the investment community.

**III. <u>INDIRECT OVERHEAD</u>.**

**Q. WHAT IS INDIRECT OVERHEAD, MR. GARLICK?**

A. Indirect overhead, or INDOH as it's often abbreviated, is a means of apportioning the cost of things like engineers and planners as part of the cost of plant, i.e., rate base.

**Q. WHY CAN'T LIBERTY UTILITIES JUST CAPITALIZE SUCH COSTS DIRECTLY WITH THE ASSOCIATED CAPITAL PROJECTS INVOLVED?**

A. Because that would not capture the indirect costs associated with the process of

asset creation. If I hire Wally the Well Driller LLC to drill a well for Liberty Bella Vista, then all the costs we pay Wally are capitalized to the cost of that well. But there are local engineering and development services departments that are tasked with overseeing and managing such projects. Our F Building at the Avondale office houses our engineering and development services department that exist solely and exclusively to support capital projects, and we need a way to capitalize and recover those costs of capital investment in used and useful plant. The same is true of the office, accounting and regulatory personnel in our local office that provide services that support capital project. Those capital improvement costs should be also capitalized. These are costs for general planning, engineering, development, and management services for capital projects, including managing system wide water supplies and sewer flows, evaluating and planning for plant upgrades and new developments, managing replacement of aging plant and facilities, planning and engineering for solar and other projects and other similar matters.

**Q. WHY CAN'T ALL THESE AMOUNTS BE DIRECT BILLED TO SPECIFIC CAPITAL PROJECTS?**

A. Some costs can be and are direct charged. But we have six different water and sewer companies across the state with a multitude of different facilities and thousands of miles of pipe in the ground. If a member of the Engineering department spends a whole day on site working on one capital project, then he can directly charge his time to that project. But that's not how things usually go. Members of these departments work on all of the capital projects for all six utilities and the multiple different water systems, and wastewater treatment plants, and the replacements among thousands of miles of pipes, and it isn't realistic to expect us to direct charge every minute to a specific capital project. Or to direct charge the

shared services those departments obtain from accounting, office support and regulatory staff within our local operations offices. These costs need to be allocated amongst the beneficiaries, which are the local utilities, including Liberty BV/RR.

That we cannot directly charge all these costs does mean not they are not necessary. Rather, these engineering, development services, accounting, finance, safety and other related services are a necessary and fundamental component of capital projects. I can't imagine how we would complete any capital projects—such as solar projects, plant expansions, or other plant improvements—without the general engineering and other services provided by these departments within INDOH. And we could not provide safe, reliable and adequate water and sewer service if we didn't undertake these capital services relating to water and sewer planning, project development and financing and other similar topics.

**Q. HOW ARE THESE COSTS ALLOCATED TO APPLICANTS?**

A. The costs of our local engineering and development services departments are allocated monthly based on Construction Work in Progress (CWIP) activity each month.

**Q. IN HER TESTIMONY, MS. HUNSAKER EXCLUDED 100 PERCENT OF THESE INDIRECT OVERHEAD COSTS FROM PLANT. DO YOU AGREE WITH THIS ADJUSTMENT?**

A. No. Firstly, the costs I am talking about are the capitalized costs of actual capital costs for local support staff that works on capital projects. This local INDOH is different from the portion of the corporate cost allocation that is capitalized. Mr. Killeen discusses this corporate INDOH in his rebuttal testimony.[3] Staff

[3] Rebuttal Testimony of William R. Killeen at 24-29.

appears to have lumped these two different sources of capitalized costs together and written them all off.

There is no justification for excluding these local INDOH costs from plant. These costs arise as a necessary component of capital projects, including engineering and development services relating to system planning, environmental and regulatory compliance and other similar functions. If Staff excludes those costs as capitalized plant, then Staff is telling us either that we should not undertake those capital project costs, or if we do we should hire third parties to do absolutely everything related to every capital project so that we can clearly trace every cent directly to every capital project. In other words, a lower quality operation that costs more.

The services at issue are a vital component of providing safe and reliable water and sewer service over the long term. In fact, a utility would be derelict if it did not incur these engineering and development services for long term planning, infrastructure improvement and maintenance and other similar issues. Staff's exclusion of these costs from plant is completely unsupported and should be rejected.

**Q. DOES STAFF RECOMMEND SPECIFIC ALTERNATIVES TO INDIRECT OVERHEAD?**

A. No. Staff does not offer specific alternatives to Liberty BV/RR's practices, nor does it calculate and offer the rate impact of those alternatives. Staff simply makes a significant reduction to rate base and fails to give any consideration to the fact that the sole purpose of the engineering and development services departments is the creation of used and useful utility infrastructure used in the provision of service to our customers. Nor does Staff move all of the test year INDOH costs into operating expenses for recovery.

## IV. INCENTIVE PAY.

**Q. DOES LIBERTY UTILITIES INCLUDE INCENTIVE PAY IN ITS EMPLOYEE COMPENSATION PACKAGES?**

A. Yes, but it is really just a label. Bonuses or incentive programs are just a part of a Liberty Utilities employee's overall or total compensation. Essentially, part of that total compensation is held back and labeled a bonus paid at year-end. This is how Liberty Utilities has compensated its employees for as long as I have been employed, and I believe that the label has the intended effect of creating a continuing incentive. But it is about the total compensation package and how it is apportioned during the year and that's where the focus should be.

A Liberty Utilities employee's total compensation has to be market competitive or we won't be able to attract quality employees or retain the ones we hire. Higher turnover for the utility can lead to a degradation of service to the customer. We have to design our pay and benefits packages to be market competitive and the test years reflect these reasonable levels of total employee compensation.

**Q. ARE THERE CRITERIA FOR DETERMINING WHETHER THE INCENTIVE PORTION OF THE TOTAL COMPENSATION IS PAID?**

A. Yes. Liberty Utilities' incentive pay is based on employees meeting expectations on metrics such as Customer Experience, Employee programs, Operational Excellence, Safety, Efficiency, and personal performance. These areas of measurement significantly benefit the customers and community in general.

**Q. BUT HOW DO WE KNOW THAT LIBERTY UTILITIES WILL PAY EMPLOYEES THE SAME BONUS AMOUNTS IN THE FUTURE?**

A. We don't. We also don't know how much we will pay in 2017 for fuel for our trucks, chemicals for our water, or paper for our copy machines. It's possible one

person who got their bonus in the test year won't get the same bonus in 2018, and it's possible we will have a new employee and pay them a bonus in 2017. The point is that this is how we pay our employees, and every test year provides a snap shot of the amount we will pay. Liberty Utilities strives to maintain a consistently high level of service and, frankly, I think I'm like every other Liberty Utilities employee; I do my job well and I expect to receive my bonus every year.

**Q. THE TEST YEARS ARE 2014, MR. GARLICK. WERE THE BONUS LEVELS SIMILAR IN 2015?**

A. Yes. The chart below shows the bonus amounts for the last five years. The bonus amounts given out each year are very close, and demonstrate that bonuses are a customary and expected part of employee salaries and wages. The bonuses also demonstrate that employees and Liberty BV/RR strive to meet their objectives, and have generally been successful doing so in recent years.

| Year | Total Bonuses Paid |
|---|---|
| 2011 | $526,684.37 (paid in 2012) |
| 2012 | $495,241.60 (paid in 2013) |
| 2013 | $539,052.10 (paid in 2014) |
| 2014 | $587,447.00 (paid in 2015) |
| 2015 | $535,465.90 (paid in 2016) |

**Q. DOES STAFF OR RUCO PROPOSE ADJUSTMENTS FOR "INCENTIVE PAY"?**

A. Yes. Both Staff and RUCO claim that shareholders should subsidize this expense because shareholders also benefit.[4] RUCO goes further than Staff as Mr. Coley

[4] Direct Testimony of Teresa B. Hunsaker ("Hunsaker Dt.") at 49:21; Direct Testimony of Timothy J. Coley ("Coley Dt.") at 36:14-15.

testifies that incentive pay is above and beyond normal salaries and wages.[5]

**Q. DO YOU AGREE WITH THIS REASONING?**

A. No, which is why I used the term "subsidize" above in describing Staff's and RUCO's positions. This expense doesn't benefit shareholders or warrant "sharing" any more than the costs of fuel for our trucks and chemicals for our water supplies should be shared. Nor are bonuses "above and beyond" normal pay. To the contrary, our employees expect and rely on bonus amounts each year and they are part of annual operating expenses. For Liberty Utilities employees, total compensation consists of base pay plus incentives/bonus pay. The sum of those two is considered when setting compensation levels. As such, bonuses are an integral and known component of salary and compensation. The amounts we're seeking to recover were actually expensed during the test year as part of Liberty Utilities' normal salaries and wages expense. This is a cost of service and shareholders do not generally share in paying operating expenses (chemicals, purchased power, water testing expenses, etc.).

**Q. WAS IT RUCO THAT ARGUED BONUS PAY IS "ABOVE AND BEYOND NORMAL" PAY?**

A. Yes, it is in Mr. Coley's testimony.[6] But RUCO's suggestion that bonus pay is above and beyond normal salary doesn't reflect an accurate understanding of today's marketplace. Using incentive pay or bonuses as a regular part of employee salaries and wages provides an effective method for encouraging employees to continue working hard, achieving performance results and providing safe and reliable water service. In short, the retention of qualified personnel who work hard benefits to customers.

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[5] Coley Dt. at 37:4-5.

[6] *Id.*

**Q. DO STAFF OR RUCO ASSERT THAT THE TOTAL COMPENSATION PACKAGE FOR ONE OR MORE LIBERTY UTILITIES' EMPLOYEES IS UNREASONABLE?**

A. No, and that should be the critical question. Staff and RUCO are simply using the "bonus" label to make a disallowance without really showing that the expense is unreasonable.

**Q. HOW DO STAFF AND RUCO DECIDE HOW MUCH OF THIS EXPENSE SHOULD BE BORNE BY THE SHAREHOLDER?**

A. I don't know. Neither Ms. Hunsaker nor Mr. Coley explains in their testimony how they came up with the amount of their disallowances. They both reduce the amount by 50 percent, but do not say why a 50-50 sharing is reasonable.

**Q. WHAT ABOUT MR. COLEY'S CLAIM (AT PAGE 36) THAT THERE IS NO CERTAINTY THAT THE SAME LEVEL OF INCENTIVE PAY WILL BE PAID IN THE FUTURE?**

A. I have addressed this above. We have given out roughly the same amount in bonuses each year as demonstrated by the numbers over the last five years.[7] Beyond that, no one can be certain that the exact level of incentive pay will be the same from year to year, just like every other operating expense. But this is still an actual operating expense included in the test year as a necessary part of the cost of service. The fact that part of an employees' compensation is paid as a year-end bonus does not change that fact. Additionally, Liberty Utilities' history in Arizona shows that we have had the same basic compensation program over several rate cases. By now, RUCO should see that this is a consistently incurred part of operating expenses for Liberty Utilities and stop treating it as low hanging fruit for disallowance.

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[7] *See* page 8, *supra*.

**Q. SO INCENTIVE PAY HAS BEEN AN ISSUE IN PREVIOUS RATE CASES FOR LIBERTY UTILITIES?**

A. Yes, although not in every case. For instance, it was not an issue for Staff or RUCO in the recent Liberty Black Mountain rate case. Nor do Staff or RUCO reference any prior cases involving Liberty Utilities. It also appears to us that not every utility with similar expenses is treated the same way. A recent decision of the Commission for EPCOR Water supports our view that the question is whether the total expense is reasonable, not whether part of that reasonable expense is labeled a bonus. Mr. Bourassa discusses Decision No. 75268 (September 8, 2015) further in his rebuttal testimony.[8]

## V. PURCHASED POWER ADJUSTMENT MECHANISM AND PROPERTY TAX ADJUSTMENT MECHANISM.

**Q. PLEASE SUMMARIZE THE APPLICANTS' REQUEST FOR APPROVAL OF TWO OPERATING EXPENSE ADJUSTMENT MECHANISMS?**

A. Liberty BV/RR requests approval of a Purchased Power Adjustment Mechanism or PPAM and a Property Tax Adjustment Mechanism or PTAM. The PPAM and PTAM are similarly designed and both address potential changes in operating costs—the rate for purchased power and the assessment ratio for property taxes—that are entirely outside the Applicants' control. When you have expenses like these two, where we can readily track increases or decreases in the expense attributable to actions of the Commission or the tax assessing jurisdictions, actions that are outside Applicants' control, mechanisms like these serve to give the utility a better chance to still earn its authorized revenues despite post-test year changes in the cost of service.

[8] Rebuttal Testimony of Thomas J. Bourassa – Rate Base, Income Statement and Rate Design at 27.

**Q. BUT DIDN'T YOU ESSENTIALLY TESTIFY EARLIER THAT IT IS A FACT OF RATEMAKING THAT WE CAN'T KNOW POST-TEST YEAR EXPENSE LEVELS WITH CERTAINTY?**

A. Yes, however, the fact that anything can change after a test year does not mean we should ignore available means of reflecting those changes to the cost of service in the amount paid by customers, and do so without going through repeated general rate cases. The PPAM and PTAM do just that.

**Q. HOW DO YOU RESPOND TO STAFF'S TESTIMONY THAT THE PPAM AND PTAM ARE "COMPLICATING FACTORS" FOR THE FARE?**

A. Mr. Armstrong claims that to be the case,[9] but we do not agree. I think what we are proposing is actually pretty straightforward. Under the FARE, we have proposed an "Established Range" to determine whether the requested change in the cost paid by the customers is too de minimus to go through the process, or so significant that a general rate case is actually needed.[10] What we do not think should happen, though, is that the determination of whether revenues are within the Established Range be impacted by changes in the rates the electric utility providers charge or the assessment ratio used to set Applicants' property taxes. These are readily identifiable changes in the cost of service that we can isolate and address through these simple expense adjustment mechanisms.

**Q. OKAY, THANK YOU MR. GARLICK. TURNING NOW TO STAFF AND RUCO'S RECOMMENDATIONS, DO THEY SUPPORT THE PPAM AND PTAM?**

A. Staff recommends approval of the PPAM and denial of the PTAM while RUCO

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[9] Direct Testimony of James R. Armstrong at 4:13-20.

[10] Direct Testimony of Peter Eichler at 10.

recommends denial of both.[11]

**Q. WHY DOES STAFF SUPPORT ONE AND NOT THE OTHER?**

A. I really cannot say. Staff's testimony does not provide any explanation of its support for the PPAM, and the only thing Ms. Hunsaker says about the PTAM is that she is not aware of a past problem with the way Staff has traditionally computed property taxes.[12] I have no idea why that's relevant. Applicants did not argue the PTAM was needed because Staff's recommended property tax levels are usually too low. Again, we think adjuster mechanisms like these should be the norm. We think preventing revenue erosion is an important goal. Expense adjusters are one effective tool that can be used to help preserve the utility's ability to earn its revenue requirement after rates go into effect.

**Q. DOES RUCO OFFER ANY REASONS FOR ITS RECOMMENDATION THAT BOTH THE PPAM AND THE PTAM BE DENIED?**

A. Mr. Coley claims that according to his understanding of the law, expense adjusters are only allowed for very large and volatile expenses incurred by electric and gas utilities.[13]

**Q. DO YOU HAVE A RESPONSE TO RUCO'S POSITION?**

A. I can't really respond on the merits. Mr. Coley admits he is not an attorney, and neither am I. Besides, Mr. Coley references only his understanding of the law. He does not provide any sort of legal citation that we could evaluate and possibly respond to in our rebuttal filing. Unless RUCO can actually show that under Arizona law, only electric and gas utilities can have expense adjusters, and then

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[11] Hunsaker Dt. at 55:9 – 56:20; Coley Dt. at 51:3 – 52:2.

[12] Hunsaker Dt. at 56:13-17.

[13] Coley Dt. at 51:11-15.

only for very large, volatile expenses, RUCO's entire position on the PPAM and PTAM should be disregarded.

**Q. DO YOU AGREE THAT THE COMMISSION SHOULD LIMIT EXPENSE ADJUSTERS TO LARGE, VOLATILE EXPENSES INCURRED BY ELECTRIC AND GAS UTILITIES ONLY AS A MATTER OF POLICY?**

A. No. Whether or not the costs amount to a large sum of money doesn't change the fact that the Applicants do not have any control over those costs. Mr. Coley's notion that the utility should bear the costs of such non-volatile increases in operating expenses defies any business sense given that well-established mechanisms exist to prevent this sort of earnings erosion between rate cases. Further, should costs go down between rate cases, such a mechanism would return the savings to the customers. It is also why the Commission should give consideration to alternatives to the current ratemaking model such as the proposed FARE.

## VI. <u>OTHER MATTERS</u>.

**Q. FINALLY, MR. GARLICK, HAVE YOU REVIEWED THE RECOMMENDATION OF STAFF THAT LIBERTY BELLA VISTA "SEPARATE ITS WATER USAGE DATA FOR EACH SYSTEM WITHIN THE [LIBERTY BELLA VISTA] CITY, SOUTH, NORTHERN SUNRISE, AND SOUTHERN SUNRISE WATER SYSTEMS GOING FORWARD"?**

A. Yes, I have reviewed that recommendation by Staff.[14]

**Q. DOES LIBERTY BELLA VISTA AGREE WITH THAT STAFF RECOMMENDATION?**

A. Yes, Liberty Bella Vista will agree to separately track water usage data for the

[14] Direct Testimony of Michael S. Thompson, Engineering Report at 29.

various company systems on a prospective basis. I also would add that there are a number of other Staff recommendations by Mr. Thompson regarding things like water loss and other issues that we have not specifically addressed in our rebuttal testimony. If we have not specifically disagreed with Staff's miscellaneous recommendations that do not directly address the revenue requirement, chiefly the recommendations in Mr. Thompson's testimony and report, then those recommendations are acceptable to Liberty Bella Vista at this time. The same is true regarding Liberty Rio Rico and the recommendations made by Staff Engineer Jian Liu.

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

A. Yes.

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: W-02465A-15-0367 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $4,700,000. | DOCKET NO: W-02465A-15-0370 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: WS-02676A-15-0368 |

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| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $8,900,000. | DOCKET NO: WS-02676A-15-0371 |

**REBUTTAL TESTIMONY OF**

**WILLIAM R. KILLEEN**

**June 20, 2016**

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## I. INTRODUCTION.

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

A. My name is William R. Killeen. My business address is 345 Davis Road, Oakville, Ontario, Canada, L6J ZX1.

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

A. I am providing testimony on behalf of Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista") and Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty Rio Rico") (collectively "Liberty BV/RR" or the "Applicants").[1]

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

A. I am the Director of Regulatory Operations for Liberty Utilities (Canada) Corp. ("Liberty Utilities Canada" or "LUC").

**Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY IN THIS CASE?**

A. Yes, my direct testimony was filed on October 28, 2015 with Liberty Bella Vista's and Liberty Rio Rico's rate applications.

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. To respond to the recommendations by Staff and RUCO to disallow substantial amounts of the costs of operating Liberty Bella Vista and Liberty Rio Rico. Both Staff and RUCO again seek to turn the clock back several years, ignoring more recent Commission decisions in which the parties resolved the disputed issues surrounding the cost of shared services, including the very recent settlement in Liberty Utilities (Black Mountain Sewer) Corp.'s ("Liberty Black Mountain") rate case.

As discussed in the rebuttal testimony of Paul Walker, the recommendations made by Staff and RUCO in this case flatly contradict the express language of that

[1] In this rebuttal testimony, I will use Liberty Utilities to refer collectively to the various regulated water, sewer, gas and electric utilities that we operate in eleven different states, including Arizona.

settlement and Liberty Utilities' clearly expressed intentions in reaching that settlement. Now, if adopted by this Commission, these recommendations will force us to seriously reconsider how we operate our Arizona subsidiaries. Liberty Utilities is weary of fighting this issue with Staff and RUCO in rate case after rate case, and the investors can't continue to subsidize those operations. Other regulatory commissions where Liberty Utilities operates its regulated utilities do not face the same issues as Arizona relating to the corporate cost allocations. Our request is nothing more than asking Arizona customers to pay the reasonable and necessary costs of shared services, including access to capital on the Toronto Stock Exchange ("TSX"), so that the Arizona utilities, their customers and the Commission can continue to expect for the Arizona utilities to have access to capital and the benefits of shared services from APUC and the subsidiaries. If Staff and RUCO continue opposing those beneficial services, then perhaps the Arizona utilities should instead be viewed as operating on a stand-alone basis.

**Q. WOULD OPERATING ON A STAND ALONE BASIS LIKELY INCREASE THE COST OF SERVICE?**

A. Yes, I think that's likely. For one thing, I assume it will make it harder for the Applicants and their Arizona affiliates to obtain capital for investment. For example, both Applicants have significant budgets for capital expenditures.[2] In retrospect, the customers of Liberty Bella Vista, in particular, have experienced very significant benefits from being owned by Liberty Utilities, as noted in the recent presentation of

[2] The projected capital expenditures for Liberty Bella Vista from 2017-2019 total $4,640,418 with a three year average of $1,546,806. The projected capital expenditures for Liberty Rio Rico's water division from 2017-2019 is $7,201,242 with a three year average of $2,400,414. The projected capital expenditures for Liberty Rio Rico's sewer division from 2017-2019 is $2,168,889 with a three year average of $722,963. The total projected capital expenditures for Liberty Rio Rico from 2017-2019 is $9,370,131 with a three year average of $3,123,377.

Matthew Garlick at the workshop in Docket No. W-00000C-16-0151. The $2 million in improvements to the McLain systems were made possible by various factors, including access to capital from APUC as well as managerial expertise, some of the costs of which are included in the costs allocated from APUC and Liberty Utilities Canada. In this example, we saw a troubled utility that has been improved very significantly, yet Staff and RUCO recommend denying recovery of some of the costs necessary to raise the capital needed to make those types of improvements.

There is a clear and undeniable relationship between the costs in dispute and the benefits delivered to Arizona ratepayers. If the Applicants were to operate on a stand-alone basis prospectively, they will have to find one or more lenders to finance the cost of these plant improvements, along with paying to support those services now provided by our shared service model. Liberty BV/RR would forego significant economies of scale achieved through those shared services, and those efficiencies are a big part of why Liberty Utilities has an excellent operating record. It bears noting that despite more than a decade of fighting with Staff and RUCO over the cost of service for the Liberty Utilities regulated companies operating in Arizona, there have been almost no issues over the quality of our utility services.[3] This fact is a testament to the efficiency and effectiveness of operating as we do today.

**Q. IS IT ACCURATE TO SAY THAT THE COMPANY IS RATHER FRUSTRATED OVER THE RECENT TESTIMONIES FILED BY STAFF AND RUCO?**

A. Yes. While my comments are meant to be informative and are, really, a statement of fact, to paraphrase Einstein, we would be insane to keep doing this over and over again without a change in the outcome.

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[3] *See* the Direct Testimony of Teresa B. Hunsaker ("Hunsaker Dt.") 6:4-29 which indicates few complaints.

**Q. ULTIMATELY, YOU DO UNDERSTAND THAT THE APPLICANTS BEAR THE BURDEN TO SHOW THAT THEIR COSTS ARE NECESSARY AND REASONABLE, CORRECT?**

A. Absolutely. And with apologies to those that have to read this rebuttal testimony, that's why it is so long. We are going to try to go back to square one, and, with respect to our shared services model and the costs, I am going to attempt to clearly identify and explain the players, the costs, and the methods of allocating those costs amongst all the entities under the APUC umbrella.

**Q. OKAY, THANK YOU. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED, MR. KILLEEN?**

A. First, I will discuss the costs that are at issue and our shared services work and identify the sources of the costs that are allocated to the Applicants, both as capital costs to be included in rate base and as expenses to be recovered as operating expenses. Second, I will respond directly to the testimony filed by Mr. Coley on behalf of RUCO and Ms. Hunsaker on behalf of Staff, including providing a summary of the long and unfortunate history of litigation over this issue since APUC/Liberty first started doing business in Arizona.

## II. SHARED SERVICES AND ALLOCATED COSTS.

### A. The Shared Services Providers.

**Q. IN HER DIRECT TESTIMONY (AT 18), MS. HUNSAKER HAS A DESCRIPTION OF THE APUC AND LIBERTY FAMILY OF COMPANIES. IS THIS DESCRIPTION ACCURATE?**

A. No, that description of our corporate structure is not correct. Ms. Hunsaker's chart includes incorrect names and a basic misunderstanding of the Liberty Utilities business model for corporate cost allocation purposes. Unfortunately, that misunderstanding by Ms. Hunsaker spills over into her testimony and

recommendations regarding the corporate cost allocations. However, because Ms. Hunsaker doesn't provide any citations, I can't be sure where she obtained the information in her flow chart. I can only conclude that she is confused about some of the details of the corporate structure in which shared services are provided and shared costs originate.

**Q. MR. KILLEEN, WOULDN'T YOU AGREE THAT THE OVERALL CORPORATE STRUCTURE IS COMPLICATED?**

A. Yes and no. Generally speaking, APUC is a multi-billion dollar company operating regulated and unregulated water, sewer, gas and electric distribution facilities in eleven states and power generation facilities in seven provinces and seven states across the United States and Canada. No one should be surprised that there would be many entities in a multi-level organizational structure for a group of companies with that large of a footprint. Having said that, boiled down, the business model that creates the corporate cost allocation model is fairly simple.

**Q. PLEASE EXPLAIN.**

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

In turn, there are two corporate groups that provide shared services within the APUC organizational structure to Liberty Utilities and its regulated utilities. Those two groups are APUC and Liberty Utilities Canada. Both the regulated and unregulated entities receive costs allocations from APUC and Liberty Utilities Canada. Because of the apparent confusion in Ms. Hunsaker's and Mr. Coley's testimonies, I think it is important to for me to go back and explain the shared

services and cost allocation model from square one.

**Q. OKAY, LET'S DO THAT, MR. KILLEEN. WHAT SHARED SERVICES DOES APUC PROVIDE?**

A. As the ultimate corporate parent, APUC provides financial, strategic management, corporate governance, administrative and support services to Liberty Utilities and APCo. APUC's services provide substantial benefit to the regulated utilities and generation facilities, primarily through access to the capital markets. Without question, the services provided by APUC are necessary for Liberty Utilities and its regulated subsidiaries to have access to capital markets for capital projects and operations.

**Q. HOW DOES APUC RAISE CAPITAL?**

A. APUC sells units to public investors on the TSX in order to generate the funding and capital necessary (be it short term or long term funding, including equity and debt) for Liberty Utilities. APUC also provides the necessary services for the issuance of public debt. In connection with the provision of these financing services, during the test year, APUC incurred the following types of costs: (i) strategic management costs (board of director, third-party legal services, accounting services, tax planning and filings, insurance, and required auditing); (ii) capital access costs (communications, investor relations, trustee fees, escrow and transfer agent fees); (iii) financial control costs (audit and tax expenses); and (iv) administrative (rent, depreciation, general office costs). Appendix 2 of the Cost Allocation Manual ("CAM") provides a more detailed discussion of the costs incurred by APUC.[4] Non-labor costs, including corporate capital, are pooled and allocated to Liberty Utilities

[4] APUC Cost Allocation Manual ("CAM") (attached as Exhibit WRK-DT3 to the Direct Testimony of William R. Killeen), Appendix 2.

and APCo using the "multi-factor" method summarized in Table 1 of the CAM.[5]

**Q. IN HER TESTIMONY (PAGES 22-23), MS. HUNSAKER SUGGESTS THAT APUC RAISES CAPITAL ON THE TSX PRIMARILY TO FUND NEW ACQUISITIONS AND, THEREFORE, ARIZONA CUSTOMERS SHOULD NOT PAY FOR ANY COSTS IN RAISING CAPITAL FROM THE TSX. HOW DO YOU RESPOND TO THAT TESTIMONY?**

A. With all due respect, Ms. Hunsaker's testimony on that point does not make sense. As stated over and over again, APUC raises capital on the TSX primarily to provide capital to its operating entities, including the more than two dozen regulated water, sewer, gas and electric utilities operating in the U.S. The APUC corporate cost pool here does not include any services or costs relating to funding or capital for acquisitions. Investors do not buy units in APUC for the sole purpose of providing capital for APUC to seek new acquisitions. Ms. Hunsaker's testimony on this point reflects a fundamental misunderstanding of the capital intensive nature of the regulated utility industry. The reality is that APUC raises capital from selling shares on the TSX for the purposes of providing that funding to regulated entities like Liberty BV/RR for use in building plant needed to provide utility service to customers. The fact that APUC also is in the process of growing by acquisitions does not change the fact that Liberty BV/RR needs and benefits from access to capital on the TSX. Further, Staff has not identified any specific detriment to ratepayers caused by growth activity at the APUC level or the degree to which any alleged incremental costs might be offset by economies of scale associated with the present APUC business model compared to alternatives such as operating each utility on a stand-alone basis.

[5] CAM at 5-7, Table 1.

**Q. WHAT TYPES OF SERVICES (BOTH DIRECT AND ALLOCATED) DOES LIBERTY UTILITIES CANADA PROVIDE?**

A. Let me first begin by saying that Liberty Utilities Canada will direct charge costs that can be directly attributable to a specific utility. Those costs include direct labor and direct non-labor costs. Indirect Liberty Utilities Canada costs, including services provided by the division of Liberty Utilities Canada called Liberty Algonquin Business Services ("LABS"), that cannot be directly attributed to an individual utility are allocated to the Arizona utilities under the CAM. LABS is a division within Liberty Utilities Canada that provides shared business services to all of the entities operating under the APUC umbrella. Essentially, LABS is the Liberty Utilities Canada shared services division providing beneficial corporate services to both Liberty Utilities and APCo.

Liberty Utilities Canada performs two separate indirect allocations. It is important to note that direct and allocated costs flowing from LABS are charged to both the regulated and unregulated entities. Again, direct charges are recorded when practical to identify and record those costs; the remaining amounts are allocated in accordance with the CAM such that the allocated costs from LABS are supported by both regulated and unregulated entities. This precludes regulated entities from supporting the full costs of LABS.

Services provided by Liberty Utilities Canada that only benefit the regulated companies consist of the following: customer service, rates and regulatory affairs, and utility planning. Specific examples of these would include: (i) development of customer service policies and procedures and (ii) development of regulatory strategy. Liberty Utilities Canada will use the utility four factor methodology to allocate these costs.

Services provided by Liberty Utilities Canada through LABS that benefit both APCo and Liberty Utilities (and its regulated utilities) consist of the following shared services: accounting, administration, corporate finance, human resources (including training and development), information technology, environment, health and safety, security, procurement, risk management and legal. Specific examples of these services include: (i) budgeting, forecasting, and financial reporting services, including preparation of reports and preservation of records, cash management (including electronic fund transfers, cash receipts processing, managing short-term borrowings and investments with third parties); (ii) development of human resource policies and procedures; (iii) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (iv) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; and (v) purchasing services, including preparation and analysis of product specifications, requests for proposals and similar solicitations, and vendor and vendor-product evaluations. LABS will allocate these costs using the multi-factor method in the CAM.[6]

**Q. HOW ARE THOSE SHARED SERVICES ALLOCATED UNDER THE CAM?**

A. Those indirect business services and costs from these shared service functions are allocated between APCo and Liberty Utilities using the "multi-factor" methodology shown in Table 4 of the CAM.[7] These factors and weightings are designed to closely align the costs with the drivers of the activities. These shared service functions

[6] CAM at 10-13.

[7] CAM at 10-13, Table 4.

include risk management, information technology, human resources, training, facilities and building rent, financial reporting and administration, environmental health safety and security, legal costs, treasury, internal auditing, procurement, and communications.

Once those indirect costs are allocated between APCo and Liberty Utilities, the indirect labor and indirect non-labor costs attributable to Liberty Utilities are then allocated to its regulated utilities using the Utility Four Factor Methodology set forth in Table 2 of the CAM (page 9):

**Table 2: Utility Four Factor Methodology Factors and Weightings**

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

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

A. Liberty Utilities Service Corp. ("LUSC") is a wholly owned subsidiary of Liberty Utilities Co. The purpose of LUSC is simple—all United States regulated utility employees are, or will be, employed by LUSC. This streamlines administration of payroll across the United States-based companies. All employee costs, such as salaries, benefits, insurance, etc. are paid by LUSC and direct charged to the extent possible to the regulated utility for which the employee performs work. In situations where direct charging of LUSC costs is not practical, those indirect costs are allocated using the allocation methodology set forth in Table 5 of the CAM.[8]

[8] CAM at 13-14, Table 5.

**Q. HOW DOES LIBERTY UTILITIES (SUB) CORP. FIT INTO THIS BUSINESS MODEL?**

A. Liberty Utilities (Sub) Corp. is the holding company for all of the Arizona and Texas regulated utilities. Basically, Liberty Bella Vista and Liberty Rio Rico are wholly owned subsidiaries of Liberty Utilities (Sub) Corp. Liberty Utilities (Sub) Corp. is a wholly owned subsidiary of Liberty Utilities Co., which, in turn, is an indirect subsidiary of Liberty Utilities Canada. Liberty Utilities (Sub) Corp. allocates costs to the Arizona utilities for rent on the corporate office in Avondale, Arizona and other engineering, financial, regulatory, administrative and related shared office services at the corporate offices in Avondale. Those services are allocated by Liberty Utilities (Sub) Corp. because they benefit all of the Arizona and Texas utilities. Indirect charges incurred by Liberty Utilities (Sub) Corp. are allocated to the Arizona and Texas utilities based on a four-factor methodology, recognizing that Liberty Utilities (Sub) Corp. incurs a variety of costs that benefit all of the Arizona and Texas utilities in the same manner that Liberty Utility Canada indirect costs are allocated among our utilities in eleven states.

**Q. DO YOU HAVE ANY FURTHER COMMENTS ON THE CONFUSION APPARENT IN MS. HUNSAKER'S TESTIMONY?**

A. Just to reiterate that I do not believe it's necessary to understand the entire APUC/Liberty corporate structure to address the costs at issue in this rate case. Contrary to the apparent confusion in Ms. Hunsaker's testimony, our allocation model is not that complicated or confusing. I also think it is important to recognize that our allocation model works because the Arizona utilities have access to a variety of beneficial services and capital markets, which allows the Arizona utilities, including Liberty Bella Vista and Liberty Rio Rico, to provide safe, reliable and high quality water and sewer utility services. If the Commission were to adopt Ms.

Hunsaker's testimony on the cost allocations and approve her unsupported and substantial reductions to the cost allocations, then the Commission and Staff should not be surprised if Liberty Utilities changes its operational model for Arizona utilities, including limiting access to capital from APUC.

**Q. WHAT ABOUT STAFF'S SUGGESTION, IN RESPONSE TO APPLICANTS' DATA REQUESTS, THAT LIBERTY BV/RR DOES NOT NEED ACCESS TO CAPITAL FROM THE TSX BECAUSE IT CAN INSTEAD USE OPERATING INCOME, DEPRECIATION EXPENSE OR CIAC/AIAC FOR CAPITAL FUNDING? HOW DO YOU RESPOND TO THAT SUGGESTION BY STAFF?**

A. With all due respect, that suggestion is meritless for several reasons.[9] To start, Staff suggests that the Company use depreciation expense to fund capital investment, implying that access to capital from the TSX is not necessary or fundamental for utility operations. Depreciation expense is a return of the investment made by the utility. Staff's suggestion that the Applicants continually convert return *of* its investment into ongoing investment would essentially deprive Applicants of any return *on* investment. Staff's notion that Applicants should act as some sort of non-profit is unrealistic. One needs to look no further than the McLain systems to demonstrate the dangers of utilities that do not have access to external capital investment.

The McLain scenario also demonstrates the other fundamental flaw in Staff's argument—namely, that return of capital or internal operating income will always be sufficient to fund necessary utility plant. The rehabilitation of the McLain systems after Liberty Utilities' acquisition cost over $2,000,000. Obviously,

[9] *See* Staff Response to Company Data Request 2.17.

depreciation expense and operating income could not cover that amount. That's not to mention capital improvements like the Liberty Utilities (Litchfield Park Water & Sewer) Corp. ("Liberty Litchfield Park") wastewater plant expansion with a price tag in excess of $24,000,000 or the closure of Liberty Black Mountain treatment facility with an expected cost over $4,000,000. Because of APUC, Liberty BV/RR and the other Liberty Utilities Arizona entities, have continuing access to capital to fund these types of major plant projects. Any utility run in the way suggested by Staff eventually would have to pay the piper when those utilities will face a major plant upgrade or capital project without access to readily available external capital. The Commission should reject this type of shortsighted viewpoint as suggested by Staff.

**Q. THANK YOU, MR. KILLEEN. SO DO I UNDERSTAND CORRECTLY FROM YOUR REBUTTAL TESTIMONY ABOVE THAT LIBERTY UTILITIES' CORPORATE COST ALLOCATION MODEL REALLY BOILS DOWN TO ONLY FOUR ENTITIES?**

A. Yes. Only APUC, Liberty Utilities Canada, Liberty Utilities (Sub) Corp. and LUSC provide services to and receive contribution from the Applicants.

**B. <u>The Cost of Shared Services</u>.**

**Q. EACH OF THE FOUR ENTITIES YOU IDENTIFIED IMMEDIATELY ABOVE CHARGES LIBERTY BV/RR FOR THOSE SERVICES?**

A. Yes, although I do not want the term "charges" or similar terms like "gets paid for service by" to connote a for profit cost sharing business model. The Applicants and all of the regulated utilities share the cost of all of these "service entities" being in existence and providing the operations, management, and administration of the utilities. These costs are shared, first by direct charging wherever it's possible to trace the direct benefit from the cost causer to the benefitting utility, and second,

when more than one utility benefits, indirectly through our CAM. I will discuss the CAM a bit later but first I will describe the costs. Here, I just want to emphasize that there is no affiliate profit charged or built in to the corporate cost allocations.

**1. <u>APUC Costs</u>.**

**Q. OKAY, LET'S START WITH APUC. HOW DO THE ACTIONS OF APUC BENEFIT THE APPLICANTS AND HOW ARE THOSE COSTS "CHARGED" TO LIBERTY BV/RR?**

A. As discussed above, APUC's principal role is as provider of investment capital and all the things that go along with that such as financial, strategic management, corporate governance, administrative and support services to Liberty Utilities and APCo. It is not subject to reasonable dispute that Liberty Utilities and its regulated subsidiaries would not have access to capital markets for capital projects without these costs and services incurred by APUC. The financing services provided by APUC means the selling of units to public investors in order to generate the funding and capital necessary for Liberty Utilities, as well as providing legal services in connection with the issuance of public debt. APUC units (the "stock") are traded on the TSX, allowing APUC to raise capital for investment in the utilities like the Applicants and the other affiliated water, sewer, gas and electric operations in Arizona, Texas and nine other states. Again, APUC units are not sold on the TSX for the sole purpose of acquiring new companies as suggested by Ms. Hunsaker.[10]

**Q. IS ACCESS TO CAPITAL ON THE TSX FREE OF CHARGE?**

A. No, and I would add that Ms. Hunsaker's contention that Arizona ratepayers should have free access to capital from the TSX is both unrealistic and against sound business practice.[11] APUC's ready access to capital has a cost. Those costs are

[10] Hunsaker Dt. at 22-23.

[11] Hunsaker Dt. at 22.

pushed down by APUC to APCo and Liberty Utilities Canada, and then Liberty Utilities Canada pushes those costs down to its operating utilities through the methods discussed in the CAM, as I explained in detail in my direct testimony.[12] These costs are some of the costs challenged by RUCO and Staff in rate case after rate case, however, the Commission has approved recovery of these APUC costs in the last three rate cases as I discuss in section III of my rebuttal testimony.

**Q. WHAT ARE THE SPECIFIC COSTS INCLUDED IN THE APUC ALLOCATION?**

A. The costs that come from APUC, and the amounts allocated to Liberty BV/RR are set forth in the Table below:

| APUC ITEM | TOTAL APUC POOL (NET) | LUC % | LUC ($ CAD) | LU SUB CORP % | LU SUB CORP ($ CAN) | LU SUB CORP ($ US) | INDOH (21%) | BELLA VISTA (11.94%) | RR WATER (8.18%) | RR SEWER (2.50%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Legal | $238,326 | 69.3% | $165,205 | 12.94% | $21,378 | $18,865 | $3,962 | $1,779 | $1,219 | $372 |
| Tax Services | $572,000 | 62.4% | $357,313 | 12.94% | $46,236 | $40,803 | $8,569 | $3,848 | $2,636 | $805 |
| Audit Services | $442,012 | 62.4% | $276,113 | 12.94% | $35,729 | $31,531 | $6,621 | $2,974 | $2,037 | $622 |
| Investor Relations | $137,797 | 62.4% | $86,078 | 12.94% | $11,139 | $9,830 | $2,064 | $927.07 | $635 | $194 |
| Director Fees & Insurance | $658,447 | 62.4% | $411,314 | 12.94% | $53,224 | $46,970 | $9,864 | $4,430 | $3,034 | $927 |
| Licenses & Fees | $165,162 | 62.4% | $103,172 | 12.94% | $13,351 | $11,782 | $2,474 | $1,111 | $761 | $233 |
| Escrow & Transfer Agent | $61,202 | 62.4% | $38,231 | 12.94% | $4,947 | $4,366 | $917 | $412 | $282 | $86 |
| Other Prof. | $294,865 | 62.4% | $184,194 | 12.94% | $23,835 | $21,034 | $4,417 | $1,984 | $1,359 | $415 |
| Office Admin. | $3,244,188 | 84.2% | $2,732,789 | 12.94% | $353,623 | $312,070 | $65,535 | $29,432 | $20,161 | $6,160 |
| **Total** | **$5,813,998** | | **$4,354,411** | | **$536,461** | **$497,251** | **$104,423** | **$46,897** | **$32,124** | **$9,816** |

In reviewing these numbers, I would like to stress the substantial benefits that Liberty BV/RR receive for relatively minimal dollars because the costs are shared. Take Liberty Bella Vista for example. For only $46,897.23 in allocated costs incurred by APUC, Liberty Bella Vista receives continuing and ongoing access to capital

[12] Direct Testimony of William R. Killeen at 12-13.

markets from the TSX. The bulk of those allocated costs are legal requirements for trading on the TSX, meaning that those costs are legally mandatory and not costs simply incurred to benefit shareholders or investors as Staff claims.[13]

Ms. Hunsaker's testimony fails to recognize the reality of all of the costs needed to raise capital. Perhaps a better way of viewing these costs is that if Liberty Bella Vista did not have access to the TSX, then its only option for raising external capital for capital projects would be debt. I have no doubt that Liberty Bella Vista's costs for debt as a stand-alone entity, including bank/lender charges, escrow agent fees and closing costs would greatly exceed $46,000 if Liberty Bella Vista were to incur significant debt for capital projects. Given the minimal dollars involved for continuing access to capital, Staff and RUCO's opposition to these costs simply doesn't make any sense. These are a necessary and unavoidable part of a publicly traded entity's cost of doing business. As discussed, APUC's presence on the TSX is the means by which the Applicants and their four affiliates in Arizona obtain capital for investment from APUC.

**Q. OKAY, LET'S DISCUSS "THESE COSTS" IN MORE DETAIL. WHAT ARE INVESTOR RELATIONS EXPENSES?**

A. Investor relations costs are incurred to comply with filing and regulatory requirements of the TSX and to meet the expectations of unitholders. APUC, a publicly traded entity, must issue certain communications subject to the TSX's rules and regulations. Examples include Section 714 of the TSX Company Manual stating that "TSX may delist the securities of a listed issuer that has failed to comply with TSX's Timely Disclosure policy..."[14] Additionally, Section 406 of the TSX Company Manual in part states "Companies whose securities are listed on the [TSX]

[13] Hunsaker Dt. at 22.

[14] Attached as **Exhibit WRK-RB1**.

are legally obligated to comply with the provisions on timely disclosure...."[15] Finally, the Canadian National Policy 51-201 Disclosure Standards states in Section 4.5 that "Companies who do not comply with an exchange's requirements could find themselves subject to an administrative proceeding before a provincial securities regulator."[16]

These requirements are no different than publicly traded companies on the New York Stock Exchange ("NYSE") whose Listed Company Manual, Section 202.05 states "A listed company is expected to release quickly to the public any news or information which might reasonably be expected to materially affect the market for its securities. This is one of the most important and fundamental purposes of the listing agreement which the company enters into with the [TSX]."[17] In the absence of unitholder communication costs, investors would not invest in APUC and, in turn, APUC would not have capital to invest in its subsidiaries. Put another way, APUC would be delisted from the TSX if it did not disclose information to investors and/or potential investors, in turn meaning that the Arizona utilities would not have access to capital from the TSX.

**Q. STAFF AND RUCO CLAIM THESE COSTS BENEFIT INVESTORS AND NOT UTILITY CUSTOMERS. DO YOU AGREE?**

A. That argument is flawed.[18] Governing law requires that publicly traded companies provide communications to investors—those costs are *not* incurred by APUC or another publicly traded company for the sole purpose of benefitting investors. Rather, those costs are incurred to comply with the law and as a condition to trade

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[15] Attached as **Exhibit WRK-RB2**.

[16] Attached as **Exhibit WRK-RB3**.

[17] Attached as **Exhibit WRK-RB4**.

[18] *See* Hunsaker Dt. at 22.

on the TSX. In doing so, the regulated utilities are a primary beneficiary of those costs because APUC's incurrence of those costs allows APUC to access the TSX, which is the sole source of equity capital for Liberty BV/RR. Or, put another way, the Arizona utilities benefit from the costs for investor communications because the Arizona utilities would not have access to capital from the TSX if APUC did not incur costs for investor relations.

**Q. IF APPLICANTS WERE STAND-ALONE, PUBLICLY TRADED COMPANIES, WOULD THEY INCUR INVESTOR COMMUNICATIONS EXPENSES?**

A. Yes, if they were publicly traded entities listed on a stock exchange and that was where they raised their capital. The rules apply to all entities on the exchanges, not just to APUC.

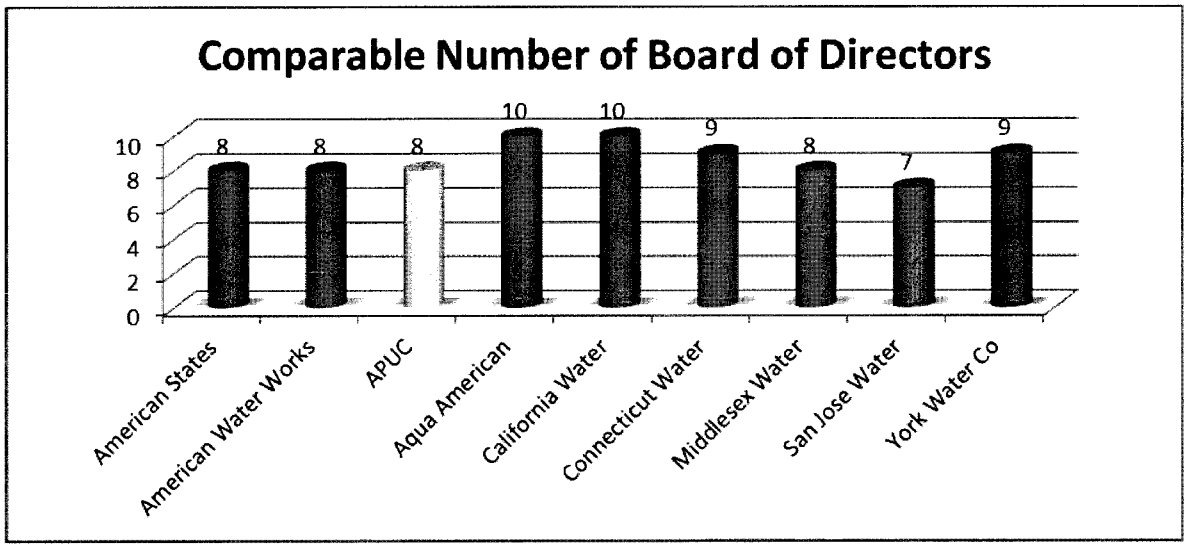
**Q. OKAY. WHAT ARE DIRECTOR FEES AND INSURANCE?**

A. Trustee/Director fees are also known as Board of Directors Fees. These fees are fees provided to the APUC's Board of Directors in return for providing services to the entity in the form of things like strategic oversight, corporate governance and budget reviews, among other duties. All publicly traded companies on the TSX or NYSE are required to have a Board of Directors. In the test year, APUC's Board of Directors had eight members.

Trustee Fees, also known as Board of Directors Fees, are an important aspect of being publicly traded. APUC incurred this expense out of compliance with law and to adhere to sound corporate governance practices. The TSX's Guide to Listing states that "Management, including board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at

least two independent directors."[19] The NYSE has a similar requirement in Section 303A.01 "Listed companies must have a majority of independent directors. . . . Effective boards of directors exercise independent judgment in carrying out their responsibilities. Requiring a majority of independent directors will increase the quality of board oversight and lessen the possibility of damaging conflicts of interest."[20]

Additionally, as shown in the graph below, APUC's Board of Directors is smaller than or similar in size to comparable boards of directors (taken from a sample cost of capital proxy group).




In conjunction with having a Board of Directors, APUC also has Board of Directors Insurance. Similar to attracting talented employees, attracting a talented Board of Directors is important as a publicly traded company. Insurance covering the Board

[19] Excerpt attached as **Exhibit WRK-RB5**.

[20] Attached as **Exhibit WRK-RB6**.

of Directors is critical as evidenced by the numerous other publicly traded utilities that have similar insurance.

**Q. DO OTHER PUBLICLY TRADED COMPANIES COMPENSATE THEIR BOARD OF DIRECTORS?**

A. Yes. This compensation is no different than compensating employees; entities need to compensate members of the board to attract qualified individuals to the position.

**Q. NEXT, WHAT ARE ESCROW AND TRANSFER AGENT FEES?**

A. Escrow and Transfer Agent fees are expenses incurred in connection with tracking all of APUC's unitholders. This is another legal requirement of the TSX and NYSE. In connection with payment of dividends to unitholders, APUC incurs escrow fees. Escrow fees are incurred to ensure continued access to capital, and continuing and ongoing investments by unitholders. Without such escrow fees, APUC's subsidiaries would not have a readily available source of capital funding. TSX Policy 3-1, Section 7, requires that APUC maintain a transfer agent. In particular, Section 7.1 provides that "[e]ach Issuer must maintain a record of its current registered unitholders, a record of each allotment or issuance and a record of each transfer in the registered ownership of its securities."[21] Additionally, Section 7.2 requires that "[w]hile its securities are listed on the [TSX], an Issuer must appoint and maintain a transfer agent and registrar…"[22] Not maintaining an Escrow Agent would risk putting Liberty BV/RR's parent company in violation of TSX rules, and, in turn, if APUC did not have access to the capital markets, then neither would Liberty BV/RR, depriving Liberty BV/RR's customers of this important benefit. Finally, this requirement appears materially identical to the NYSE's requirements in Section 6 of the Listed Company Manual: "[t]he company must also maintain

[21] Attached as **Exhibit WRK-RB7**.

[22] *Id.*

registrar facilities for all stock of the company listed on the [NYSE]."[23]

**Q. WHY ARE ESCROW AND TRANSFER AGENT FEES A REASONABLE AND NECESSARY EXPENSE?**

A. It's a legal requirement of being a publicly traded entity on the TSX. And, again, Liberty BV/RR would have not access to capital from the TSX if APUC did not incur the escrow/transfer agent fees.

**Q. WHAT ABOUT PROFESSIONAL SERVICES FEES, MR. KILLEEN?**

A. Professional Services include strategic plan reviews, capital market advisory services, Enterprise resource planning (ERP) system maintenance, benefits consulting, and other similar professional services.[24] These costs are important functions of our operations and, by providing these services at the parent level, the subsidiaries are able to benefit from economies of scale. These services provided by APUC specifically optimize the performance of the utilities, while ensuring access to capital is available and quality service is provided.

**Q. WHAT ABOUT LEGAL COSTS INCURRED BY APUC?**

A. General legal services and costs incurred by APUC involve legal matters not specific to any single facility, including review of audited financial statements, annual information filings, SEDAR filings,[25] review of contracts with credit facilities,

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[23] Excerpt attached as **Exhibit WRK-RB8**.

[24] Enterprise Resource Planning (ERP) is a business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources.

[25] The System for Electronic Document Analysis and Retrieval (SEDAR) is a mandatory document filing and retrieval system for Canadian publicly traded companies. SEDAR is administered by the Canadian Securities Administrators, a coordinating body comprised of thirteen Canadian provincial and territorial securities commissions. SEDAR is similar to EDGAR, the filing system operated by the United States Securities and Exchange Commission. Through registered filing agents, Canadian public companies file documents such as prospectuses, financial statements, material change reports and other similar documents through SEDAR. As stated on the SEDAR website, www.sedar.com is the official site that provides access to most public securities documents and information filed

incorporation, tax issues of a legal nature, market compliance, and other similar legal costs. These legal services are required in order for APUC to provide capital funding to individual utilities, including Liberty BV/RR. Additionally, these legal services ensure that APUC's subsidiaries remain compliant in all aspects of operations and prevent those entities from being exposed to unnecessary risks.

**Q. HOW ABOUT TAX SERVICES INCURRED BY APUC?**

A. The services provided by APUC specifically optimize the performance of the utilities, keeping rates low for customers while ensuring access to capital is available. If the utilities did not have access to the services provided by APUC, then they would be forced to incur associated costs for financing, capital investment, audits, taxes and other similar services on a stand-alone basis, which would substantially increase such costs. Simply put, without incurring these costs, APUC would not be able to invest capital in its subsidiaries, including the regulated utilities, and the regulated utilities would incur these costs on a stand-alone basis.

Tax services are part of the financial control costs incurred by APUC including costs for audit services and tax services. These costs are necessary to ensure that the subsidiaries are operating in a manner that meets audit standards and regulatory requirements, which have strong financial and operational controls, and financial transactions are recorded accurately and prudently. Without these services, the regulated utilities would not have a readily available source of capital funding from APUC, and the Commission has approved these costs for recovery in recent rate cases for affiliated entities.

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by public companies and investment funds with the thirteen provincial and territorial regulatory authorities ... in the SEDAR filing system. The statutory objective in making public this filed information is to enhance investor awareness of the business and affairs of public companies and investment funds and to promote confidence in the transparent operation of capital markets in Canada." *See* www.sedar.com/homepage_en.htm.

Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise would be incurred by such utility in filing its own separate tax return.

**Q. HOW ABOUT AUDIT COSTS INCURRED BY APUC?**

A. Audits are done on a yearly basis and reviews are performed quarterly on all facilities owned by APUC on an aggregate level. These corporate parent level audits reduce the cost of the stand-alone audits significantly for utilities, which must perform their own separate audits. Where stand-alone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, during rate cases, the existence of audits provides Staff and intervenors additional reliance on the company records, thus reducing overall rate case costs. The aggregate audit is necessary for the regulated utilities to have continued access to capital markets and unit holders.

APUC incurred audit fees for several reasons. First, audits are required of APUC as a publicly traded company on the TSX. This legal requirement is very similar to being traded on the NYSE. Canadian National Policy 51-102, Section 4.1 requires audited financial statements to be issued each year by publicly listed companies: "Annual financial statements filed under subsection (1) must be audited." Not performing this audit would risk putting Liberty BV/RR's ultimate parent company in violation of TSX rules. Second, corporate parent level audits reduce the cost of standalone audits significantly for utilities such as Liberty BV/RR, which must perform its own separate audits. Where standalone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, the aggregate

audit is necessary for the regulated utilities to have continued access to capital markets from APUC and its subsidiaries, which ultimately benefits customers.

**Q. FINALLY, WHAT ABOUT OFFICE ADMINISTRATIVE COSTS INCURRED BY APUC?**

A. Administrative costs incurred by APUC, such as rent, depreciation of office furniture, depreciation of computers, and general office costs are required to house all of the services mentioned above. Without these administrative costs, APUC could not perform these services and provide the necessary services to the regulated utilities, including Liberty BV/RR. These administrative costs also include training for corporate employees. Put simply, APUC incurs these administrative costs in providing services to its subsidiaries, including Liberty BV/RR.

**Q. CAN YOU SHOW HOW AN INVOICE FROM APUC ENDS UP BEING ALLOCATED TO LIBERTY BELLA VISTA UNDER THE CAM?**

A. Sure. Let's take an invoice for $10,000 for insurance for Directors incurred by APUC and I will show how that amount get passed down to Liberty Bella Vista. To start, that $10,000 invoice is split between APCo (37.42 percent) and Liberty Utilities Canada (62.58 percent), meaning that only $6,258 is allocated to Liberty Utilities. In turn, 12.94 percent of that $6,258 is allocated to Liberty (Sub) Corp. (i.e., all of the Arizona and Texas utilities owned by Liberty Utilities (Sub) Corp.). That results in $809.79, of that $10,000 being allocated to Liberty Sub Corp. From there, 21 percent of that amount is capitalized to Indirect Overhead ("INDOH"), or $170.05. The remainder, $639.73, is allocated to the Arizona and Texas operating Utilities, with 11.94 percent allocated to Liberty Bella Vista, for a miniscule total of $76.

| APUC Allocation | | |
|---|---|---|
| | Life of an Invoice | |
| Invoice for Directors Fees | | $10,000 |
| | APCo | LUC |
| Directors Fees & Insurance | 37.42% | 62.58% |
| | $3,742.00 | $6,258.00 |
| LUC Allocation to LU Sub Corp | | 12.94% |
| | | $809.79 |
| INDOH 21% of Sub Corp Amount | | $170.05 |
| LU Sub Corp Expense Allocation | | $639.73 |
| Liberty Bella Vista Allocation % | | 11.94% |
| Total Expense to Liberty Bella Vista | | $76.38 |

2. **Costs Incurred by Liberty Utilities Canada.**

**Q. PLEASE SUMMARIZE AGAIN THE COSTS INCURRED BY LIBERTY UTILITIES CANADA AND HOW THEY BENEFIT CUSTOMERS.**

A. Sure. Liberty Utilities Canada, which includes LABS, provides APCo and Liberty Utilities (and its regulated utilities) with accounting, administration, corporate finance, human resources (including training and development), information technology, rates and regulatory affairs, environment, health and safety, and security, customer service, procurement, risk management, legal, and utility planning. The costs of these shared services are allocated to the Arizona utilities through Liberty Utilities Canada under the CAM.

**Q. CAN YOU PROVIDE AN ILLUSTRATION OF HOW A COST ORIGINATED AT LIBERTY UTILITIES CANADA IS ALLOCATED THROUGH THE CAM?**

A. Yes. Let's start with a prospective invoice for outside legal services incurred by Liberty Utilities Canada for $10,000. Assume this outside legal service incurred by Liberty Utilities Canada was a necessary legal service and cost that benefited all of

the Liberty Utilities regulated entities, and in no way provided any benefit or service to the generation business. From that $10,000 invoice, 12.94 percent is allocated to Liberty (Sub) Corp., with the remaining 87.06 percent being allocated to the regulated utilities in states other than Arizona and Texas. That means only $1,294 is allocated to Arizona and Texas. From that amount, 21 percent is capitalized to INDOH, or $272, leaving $1,022 to be allocated to the Arizona and Texas utilities. Liberty Bella Vista receives 11.94 percent of that amount or only $122 in allocated corporate costs.

| **LUC Allocations** | |
|---|---|
| | Life of an Invoice |
| Legal Fees | $10,000 |
| LUC Allocation to LU Sub Corp | 12.94% |
| | $1,294.00 |
| INDOH 21% of Sub Corp Amount | $271.74 |
| LU Sub Corp Expense Allocation | $1,022.26 |
| Liberty Bella Vista Allocation % | 11.94% |
| Total Liberty Bella Vista Expense | $122.06 |

We can do the same thing with an invoice from the LABS shared services department within Liberty Utilities Canada. Let's assume the payroll department incurs a cost, and this cost is required to provide payroll services throughout the organization (i.e. to support both the generation and distribution businesses). A hypothetical invoice of $10,000 for payroll department time and costs is allocated between APCo (15.74 percent) and Liberty Utilities Canada (84.26 percent) based on the allocation factors set forth in the CAM. That allocates $1,574 to APCo and $8,426 to Liberty Utilities Canada. Next, 12.94 percent of the LUC share (i.e., the $8,426) is allocated to Liberty (Sub) Corp. (i.e., Arizona and Texas) or $1,090.

In turn, 21 percent is capitalized as INDOH ($229), leaving $861 of this corporate expense to be allocated to the Arizona/Texas utilities. Liberty Bella Vista received 11.94 percent of that amount for a grand total of $103.

| **LUC-LABS Allocations** | | |
|---|---|---|
| | Life of an Invoice | |
| Payroll Department Cost | | $10,000 |
| | APCo | LUC |
| Payroll Department Cost | 15.74% | 84.26% |
| | $1,574.00 | $8,426.00 |
| LUC Allocation to LU Sub Corp. | | 12.94% |
| | | $1,090.32 |
| INDOH 21% of Sub Corp Amount | | $228.97 |
| LU Sub Corp Expense Allocation | | $861.36 |
| Liberty Bella Vista Allocation % | | 11.94% |
| Total Liberty Bella Vista Expense | | $102.85 |

**Q. CAN YOU EXPLAIN CAPITALIZED INDOH AND HOW IT IS CALCULATED AND ALLOCATED UNDER THE LIBERTY COST ALLOCATION MODEL?**

A. Yes, it is pretty straightforward. The basic concept is that a portion of the services and costs incurred by APUC and Liberty Utilities Canada relate to capital projects and, therefore, should be capitalized. These services would include audits of capital projects, financing for capital projects, oversight and management of capital projects and a variety of other services that relate to or support capital projects. These capital related costs are allocated and capitalized as INDOH at a rate of 21 percent.

**Q. WHY 21 PERCENT, MR. KILLEEN?**

A. That ratio was calculated based on a study of the percentage of time spent by employees of APUC and Liberty Utilities Canada to perform functions that support

capital activity and capital projects. I've attached a copy of the study/survey form along with the study results and resulting capitalization ratio as **Exhibit WRK-RB9**.[26] I also would note that the NARUC Uniform System of Accounts for Class B Utilities, page 18, § 15 provides:

> A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction, engineering and supervision by others than the accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes on the basis and allowances for funds used during construction shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so that each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time it is retired.
>
> B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distribution thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

Here, Liberty Utilities has complied with this NARUC provision by conducting the special study attached as **Exhibit WRK-RB9**.

**Q. AND HOW DOES THE CAPITALIZATION PORTION OF THE ALLOCATION WORK?**

A. Here's exactly how it works. For the corporate costs incurred at APUC and Liberty Utilities Canada that get pushed down as indirect costs to Liberty Utilities (Sub) Corp. (12.94 percent), 21 percent of those corporate costs charged to Liberty (Sub) Corp. are capitalized as INDOH. From there, those INDOH costs are allocated to

[26] The form and study results were provided in response to Staff Data Requests TBH 4.7.

individual Arizona and Texas utilities, including Liberty BV/RR, each month based on active Construction Work in Progress (CWIP). I believe this allocation process for INDOH fully complies with NARUC and results in INDOH being allocated to capital projects that are active each month. Liberty Utilities believes that this approach is the best way of ensuring that each active capital job in a given month shall bear its equitable proportion of INDOH costs for that month. This INDOH allocation process has been reviewed and approved by regulatory commissions in other states.

## III. REBUTTAL TO STAFF AND RUCO.

### A. Prior Commission Decisions Regarding the APUC/Liberty Shared Services and Cost Allocation Model.

**Q. YOU MENTIONED THAT THE COMMISSION HAS PREVIOUSLY ADDRESSED THIS ISSUE.**

A. Yes, it appears that our shared services model and the recovery of allocated costs has been an issue to one extent or another in every rate case for a Liberty Utilities water and/or sewer utility operating in Arizona. In their direct testimonies on the subject, Staff and RUCO reference and rely only on the rate cases that were decided in 2010 and 2011 for the Applicants and two affiliates, Liberty Litchfield Park and Liberty Black Mountain, to support their testimonies on these issues.[27] A more complete history, including the three rate cases since the last one mentioned by Staff and RUCO and these subsequent rate cases, shows a clear change in the Commission's understanding of Liberty's cost allocation, including the development of the CAM, based on Liberty showing that these costs are necessary and inure to the benefit of the customers. In fact, the Commission left the door open to these changes in the

[27] *See* Hunsaker Dt. at 15:1-12, 44:3; Direct Testimony of Timothy J. Coley ("Coley Dt.") at 41-44.

rate orders referenced by Staff and RUCO, but both parties fail to discuss these relevant portions of the cases on which they rely.

**Q. CAN YOU PROVIDE AN EXAMPLE OF SOMETHING YOU THINK IS RELEVANT TO THE ISSUE OF SHARED SERVICES AND COST ALLOCATIONS BUT WHICH YOU THINK STAFF AND RUCO FAILED TO MENTION FROM THOSE PRIOR DECISIONS?**

A. Yes, absolutely. In Decision No. 72059 for Liberty Rio Rico, which Ms. Hunsaker cites and Mr. Coley quotes at length, the Commission held:

> In a *future* rate case, *with additional evidence*, the Company may be able to meet its burden to demonstrate that the APT[28] management fees costs provide real, non-duplicative benefits to [Liberty Rio Rico] ratepayers, but we find that [Liberty Rio Rico] has not met its burden in this case." (Emphasis added.)[29]

I do not know why Staff and RUCO chose to ignore the fact that the Commission clearly left the door open on this issue. But I think this passage from Decision No. 72059 is certainly important, especially when subsequent cases show a very different result than has been recommended by Staff and RUCO in this rate case.

**Q. OKAY, THANK YOU. WHAT WAS THE NEXT RATE CASE AFTER DECISION NO. 72059 IN WHICH THE COST ALLOCATION WAS ADDRESSED?**

A. The last rate case for Liberty Bella Vista, which resulted in Decision No. 72251 (April 7, 2011), was just a few months after Decision No. 72059. In that case the Commission also addressed the APUC cost allocation, writing that

> The APT Cost Pool allocation to the Liberty [Utilities] affiliates has been at issue in every Liberty [Utilities] rate case. As the parties have reviewed the costs that have been included in the Central Cost Pool, they have identified certain expenses

[28] APT stands for Algonquin Power Trust, a predecessor name to Algonquin Power & Utilities Corporation.

[29] Decision No. 72059 at 22:4-6.

> that should have been directly billed to one or another of APUC'S facilities, as well as expenses which were not adequately documented or not appropriate to be recovered from utility ratepayers. Each rate case has refined the process.[30]

**Q. WHAT WAS THE NEXT RATE CASE WHERE THE COMMISSION ALLOWED RECOVERY OF THE CORPORATE COST ALLOCATION?**

A. The next rate case for Liberty Rio Rico was Decision No. 73996 (July 20, 2013). However, a great deal of effort and collaboration occurred in the interval between the two Liberty Rio Rico rate decisions in 2011 and 2013. Mr. Walker discusses these efforts in detail in his rebuttal testimony.[31] The Staff involved in those cases worked with Liberty Utilities and applied an open-minded and fair approach. That's why we are so disappointed with Ms. Hunsaker's testimony, which leaves the Commission with the impression that the Commission has always rejected significant portions of the costs of shared services. Ultimately, Staff and RUCO agreed with Liberty Rio Rico on the level of corporate costs to be included in the determination of the revenue requirement as part of an agreement by all parties to the total level of operating expenses.[32]

**Q. SO THE ISSUE WASN'T LITIGATED IN THAT RATE CASE, MR. KILLEEN?**

A. No. It appears it did not need to be. In that rate case, Liberty Rio Rico included test year APUC cost allocations equal to $133,975 and $59,282 for Liberty Rio Rico's water and wastewater divisions, respectively. Staff recommended adjustments equal to $38,083 and $27,931 to the two divisions, respectively.[33] In direct, Staff's witness

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[30] Decision No. 72251 at 27:9-13.

[31] Rebuttal Testimony of Paul Walker ("Walker Rb.") at 3:21-4:20.

[32] Decision No. 73996 at 17-20.

[33] *See* Direct Testimony of Mary J. Rimback (filed December 31, 2012 in Docket No. WS-02676A-12-0196) ("Rimback RR Dt.") at 26-28, 32-34.

testified that Staff's adjustment was based on Liberty Rio Rico's inability to segregate the items it is requesting to recover from those it is not requesting to recover.[34]

**Q. WHAT WAS RUCO'S POSITION IN THE LAST LIBERTY RIO RICO RATE CASE?**

A. RUCO recommended adjustments of $31,266 and $10,225 to the amounts allocated to the water and wastewater divisions, respectively. RUCO relied exclusively on the previous Liberty Rio Rico decision, Decision No. 72059, and argued that some of the expense pool should be borne by the utility's shareholders and by the other unregulated utilities of APUC, and RUCO made an adjustment to remove some corporate allocations that RUCO felt were unnecessary in the provision of water and wastewater service.[35]

In the end, Liberty Rio Rico, Staff and RUCO agreed to cost allocation amounts of approximately $101,000 and $37,000 for the water and wastewater divisions, respectively, reductions of approximately $32,000 and $22,000 relative to the amount originally requested. No mention was made of Decision No. 71865. Presumably, had Staff and RUCO not come to the final conclusion that the allocated APUC corporate costs were supported, reasonable, necessary and beneficial to utility customers, they would not have recommended Commission approval of those expense levels, which both parties did.

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[34] *See* Rimback RR Dt. at 26-28, 33:17-23, 27:21-26. *See also* Surrebuttal Testimony of Mary J. Rimback (filed February 19, 2013 in Docket No. WS-02676A-12-0196) at 15:1-16:7. (Liberty Rio Rico did not identify the components of the total pool of costs that the Company is requesting to recover).

[35] Direct Testimony of Timothy J. Coley (filed December 31, 2012 in Docket No. WS-02676A-12-0196) at 11-12.

**Q. WAS THE LIBERTY LITCHFIELD PARK DECISION THE NEXT ONE AFTER DECISION NO. 73996 FOR LIBERTY RIO RICO?**

A. Yes. In Decision No. 74437 (April 14, 2014), the Commission adopted the parties' agreement on a level of operating expenses that included corporate cost allocation expenses.[36] In that rate case for Liberty Litchfield Park, there was no dispute between Staff and Liberty Litchfield Park on the corporate cost allocation, which included more than just the minimal legal, tax and audit expenses that Staff recommends be allowed in this rate case.[37] Again, Staff did not apply or revert to the prior Liberty Black Mountain or Liberty Bella Vista decisions. Rather, Staff seems to have justly recognized that Decision No. 71865 and was no longer applicable given the additional evidence and proof offered by Liberty Litchfield Park subsequent to that rate case.

**Q. WHAT ABOUT RUCO'S POSITION IN THE LIBERTY LITCHFIELD PARK RATE CASE?**

A. RUCO's witness initially went back to Decision No. 72059 and argued for a lower corporate cost allocation expense than was being advocated by Liberty Litchfield Park and Staff.[38] RUCO's positions softened in surrebuttal as RUCO seemed to finally accept that customers benefit from the access to capital, which would not be possible without the costs included in the cost pool, and recommended a considerable reduction to its own decrease in this expense.[39] RUCO did not take the same overly narrow position it does in this rate case, and again, RUCO ultimately agreed to the

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[36] Decision No. 74437 at 7:18-8:2.

[37] *See* Direct Testimony of Darron W. Carlson (filed September 26, 2013 in Docket Nos. SW-01427A-13-0042 and W-01428A-13-0043 (consolidated)) at 22:11-25:4.

[38] Direct Testimony of Robert B. Mease (filed September 27, 2013 in Docket Nos. SW-01427A-13-0042 and W-01428A-13-0043 (consolidated)) at 27-31.

[39] Surrebuttal Testimony of Robert B. Mease (filed November 12, 2013 in Docket Nos. SW-01427A-13-0042 and W-01428A-13-0043 (consolidated)) at 21-23.

level of operating expenses, including the corporate cost allocation, for Liberty Litchfield Park as reflected in the decision of the Commission adopting the joint recommendation by RUCO, Staff and Liberty Litchfield Park.

**Q. WHY DO YOU THINK THE SITUATION WAS SO DIFFERENT IN THE MORE RECENT CASES THAT STAFF AND RUCO FAIL TO MENTION?**

A. We presented new evidence that had not been provided in any prior Liberty Utilities' rate cases. This new information overwhelmingly demonstrates that many of the costs included in the APUC cost allocation pool are legal requirements of the TSX. Additionally, we spent significant time with Staff, and later RUCO, working through the details of the corporate cost process and how the Liberty utilities in Arizona benefit from the shared services model. These cooperative efforts resulted in the development of the CAM, which was attached to my direct testimony as Exhibit WRK-DT3. The CAM details how the parent company allocates expenses and the processes and controls surrounding them. It was to Liberty Utilities' own detriment that it took us a few rate cases to do a better job supporting the corporate cost allocation. But Staff and RUCO are the reason that we are now going backwards in this rate case and rendering all that effort null and void.

**Q. WHAT ABOUT THE LIBERTY BLACK MOUNTAIN RATE CASE AND SETTLEMENT, MR. KILLEEN?**

A. Even if we discount the Liberty Litchfield Park and last Liberty Rio Rico cases, as Staff and RUCO have done, I do not think there is any way to avoid the import of the most recent decision in the most recent rate case for Liberty Utilities in Arizona.

**Q. DID YOU PARTICIPATE IN THE LIBERTY BLACK MOUNTAIN RATE CASE?**

A. Yes. My direct and my rebuttal testimonies were both filed in that rate case, both focusing on the same shared services and cost allocations issues being litigated again

in these current rate cases.

**Q. DID YOU PARTICIPATE IN THE NEGOTIATIONS THAT RESULTED IN THE RECENT LIBERTY BLACK MOUNTAIN SETTLEMENT AGREEMENT?**

A. Not directly. Although I was involved in Liberty Utilities' planning, strategy, and in the negotiation of the actual settlement agreement, I was not directly involved on the ground in the discussions that led to the settlement of every issue in that rate case. For that reason, I will defer to Mr. Walker whose rebuttal testimony in this rate case explains the expressed intentions and expectations of Liberty Utilities at the time the agreement was reached in the Liberty Black Mountain rate case.[40] Liberty Utilities' expectation that it was settling issues related to shared services and the cost allocations in that rate case and future rate cases is certainly clear from the language of the parties' written agreement:

> 2.3.2 APUC/Liberty Utilities Corporate Cost Allocations (Non-Labour): The Parties acknowledge and agree that Liberty Black Mountain seeks recovery for $84,790 in corporate non-labor cost allocations from Liberty Utilities (Sub) Corp., and $37,815 in corporate cost allocations from APUC/Liberty Utilities Canada, as set forth on Settlement Schedule C-2, page 6. *The Parties expressly acknowledge and agree that these costs are reasonable, necessary and acceptable costs of service for Liberty Black Mountain in this rate case.* With respect to the APUC corporate cost allocations, the Parties further acknowledge and agree as follows. (emphasis added)
>
> 2.3.2.1 *Customers of Liberty Black Mountain benefit from Liberty Black Mountain's access to capital through its ultimate patent entity, APUC, which is publicly traded on the Toronto Stock Exchange ("TSX"), and that capital from the TSX would not be available to Liberty Black Mountain if APUC did not incur the corporate costs for the benefit of the Liberty Utilities regulated utilities, including Liberty Black Mountain.* (emphasis added)

[40] Walker Rb. at 7-10.

> 2.3.2.2 *The costs and corporate cost items detailed on Attachment B are reasonable, necessary and acceptable costs of service for Liberty Black Mountain because such costs are part of the costs APUC must pay as a member of the TSX, which is the Company's sole source of equity capital.* (emphasis added)
>
> 2.3.2.3 The *APUC/Liberty Utilities Cost Allocation Manual ("CAM") and the allocation of costs under the methodologies set forth in the CAM to Liberty Black Mountain and other affiliated companies under the Liberty/APUC umbrella result in a reasonable level of allocated costs for Liberty Black Mountain in this rate case*. (emphasis added)
>
> 2.3.2.4 The Parties' agreement regarding the APUC cost allocation in this Rate Case is not intended to preclude any party from asserting, in a future rate case for the Company or another Liberty Utilities' affiliate, that circumstances have changed, including but not limited to changes in the CAM and corporate cost allocation method, and as such the allocated corporate costs are no longer necessary and reasonable costs of service.

**Q. AND THE COMMISSION APPROVED THE PARTIES' SETTLEMENT AGREEMENT?**

A. Yes, in Decision No. 75510 (April 22, 2016). Regarding the parties' agreement to resolve disputes over shared services and the CAM, the Commission wrote:

> The parties [Staff, RUCO, the Boulders Resort, the Town of Carefree, and of course Liberty] agree that Liberty Black Mountain's ability to access capital through APUC, a publicly traded company on the TSX, is a benefit to customers and, as such, a portion of the corporate costs for APUC to maintain its TSX membership should be allocated to those customers. Further, the parties have agreed that the methodologies set forth in the APUC/Liberty Utilities Cost Allocation Manual ("CAM") allocates a reasonable level of costs to Liberty Black Mountain customers as detailed in Attachment A to Exhibit B attached hereto.[41]

The Commission also stated in a footnote to its order that:

[41] Decision No. 75510 at 11:16-21.

> The Comprehensive Settlement points out that the agreement to the use of the CAM and the corporate cost allocations in this case does not preclude any party in future rate proceedings from asserting that the methods and/or the costs are no longer reasonable.[42]

**Q. HAVE THERE BEEN SIGNIFICANT AND/OR MATERIAL CHANGES IN THE APUC/LIBERTY UTILITIES SHARED SERVICES MODEL, THE COST ALLOCATION METHODOLOGY OR THE CAM SINCE THE LIBERTY BLACK MOUNTAIN RATE CASE?**

A. No. Applicants and Liberty Black Mountain receive the same shared services under the same shared services model I described above. The costs of these shared services are allocated in the same manner under the same CAM to applicants as they were to Liberty Black Mountain. In other words, there is simply no basis for Staff or RUCO to argue that these costs, agreed to be reasonable and necessary just a few months ago, are "no longer reasonable."

**Q. DO THE WITNESSES FOR STAFF AND RUCO EXPLAIN WHY THEY FEEL THAT THEY ARE NO LONGER BOUND BY THE LIBERTY BLACK MOUNTAIN SETTLEMENT AGREEMENT?**

A. No. Neither Ms. Hunsaker nor Mr. Coley mentions the Liberty Black Mountain rate case or settlement agreement. Perhaps Mr. Walker is right, and Staff and RUCO really do feel that they are not bound by the terms of settlement agreements after the settlement is signed.[43]

**B. <u>Rebuttal to RUCO</u>.**

**Q. HAVE YOU REVIEWED RUCO'S TESTIMONY IN THIS RATE CASE ON THE SHARED SERVICES AND COST ALLOCATION ISSUES?**

A. Yes. And I do agree with Mr. Coley on one thing – these issues are once again the

[42] Decision No. 75510 at 11, n. 9.

[43] Walker Rb. at 10-11.

most contested issues in a Liberty Utilities rate case.[44] I think we adequately express our disappointment and frustration with Staff and RUCO that these matters are in dispute in this rate case throughout this rebuttal filing, and I will not reiterate those points now.

**Q. MR. COLEY PROVIDES AN INTRODUCTORY OVERVIEW OF THE COST ALLOCATIONS ON PAGES 4-6 OF HIS DIRECT TESTIMONY. DO YOU HAVE ANY RESPONSE TO THIS PORTION OF RUCO'S TESTIMONY?**

A. Yes. Mr. Coley starts out by testifying that "additional layers of corporate overhead" have been added since he last performed an analysis, but he says that that analysis occurred in a 2009 rate case docket.[45] As discussed in the section of my testimony immediately preceding this section, the 2009 Liberty Rio Rico rate case was hardly the last time RUCO or the Commission analyzed the Liberty Utilities cost allocation methodology. And even if Mr. Coley knew nothing of the subsequent decisions for Liberty Bella Vista, Liberty Rio Rico, and Liberty Litchfield Park, he was the RUCO analyst in the recent Liberty Black Mountain case and the shared services, cost allocation methodology and CAM were materially identical.

**Q. THANK YOU. TURNING TO MR. COLEY'S EXPLANATION OF RUCO'S ADJUSTMENTS, MR. COLEY CLAIMS (DT. AT 41:15-18) THAT RUCO'S ADJUSTMENTS ADHERE TO PAST COMMISSION DECISIONS FINDING SOME OF THE COSTS DON'T BENEFIT CUSTOMERS. HOW DO YOU RESPOND?**

A. By reiterating that RUCO is ignoring everything that has happened since 2010-2011, including the very recent Liberty Black Mountain rate case where RUCO agreed and

[44] Coley Dt. at 4:13-17.

[45] Coley Dt. at 4:22-23, referring to the 2009 filing of a rate case by Liberty Rio Rico.

the Commission held that the costs Mr. Coley now disallows do in fact benefit customers. I have discussed this in detail in the preceding section of this rebuttal testimony. Mr. Walker also discusses RUCO's selective memory of past events in his rebuttal testimony.[46] Suffice it to say that I disagree with RUCO that those 2010-2011 rate orders should be the precedent followed in deciding how much of the allocated costs are included in operating expenses in this rate case.

**Q. HOW DO YOU RESPOND TO RUCO'S ASSERTION (COLEY DT. AT 44:30-45:6) THAT NARUC AND THE NUMBER OF ENTITIES INVOLVED REQUIRES A HIGHER LEVEL OF SCRUTINY THAN IN OTHER CASES?**

A. It's hard to respond to this testimony. Although Mr. Coley claims that NARUC and the number of entities involved require higher levels of scrutiny, it is not apparent from anything filed here that RUCO actually conducted this "heightened scrutiny" in this rate case. There is certainly no discussion of what that scrutiny entailed, how the analysis was done, and what the analysis discovered. Instead, it looks like RUCO simply dragged out the same 2010-2011 rate cases Mr. Coley wrote about in his recent direct testimony on the same issues in the Liberty Black Mountain case and used that to justify substantial cost disallowances.

**Q. WHAT ABOUT RUCO'S RECOMMENDATION CONCERNING THE MASSACHUSETTS ALLOCATION METHODOLOGY?**

A. Mr. Coley states that the "solution" to the "allocation contention" is the Massachusetts Allocation Methodology ("MAP").[47] I found this testimony puzzling. Obviously, the way to end the "allocation contention" would be for RUCO and Staff to stop ignoring all the progress we have made and to honor their explicit agreements in the recent Liberty Black Mountain settlement. Beyond that, Mr. Coley does not

[46] *See* Walker Rb. at 5-6.

[47] Coley Dt. at 45:8-14.

say what the MAP is, how it would be applied, what impact it would have on the expense levels at issue in this case, or anything else. After roughly four pages of testimony quoting the 2010-2011 Liberty Utilities' rate cases, Mr. Coley basically says the MAP is a "recognizable" methodology and the "preferred" solution without any actual explanation of the MAP or its application to Liberty Utilities.

**Q. DOES LIBERTY UTILITIES OWN AND OPERATE A NATURAL GAS UTILITY IN THE STATE OF MASSACHUSETTS?**

A. Yes, Liberty Utilities (New England Natural Gas Company) Corp.

**Q. DID THE MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES (DPU) ADOPT THE MASSACHUSETTS MODEL TO DETERMINE THE APPROPRIATE LEVEL OF CORPORATE EXPENSES IN THAT ENTITY'S MOST RECENT RATE CASE?**

A. No. Liberty New England Gas's most recent rate case decision was issued in February 2016. In that case, a settlement was achieved with all parties and approved by the Massachusetts DPU. Liberty Utilities' current corporate allocation methods were found to be acceptable in that case.

**Q. DO THE ADJUSTMENTS RUCO MADE TO EXPENSE LEVELS REFLECT RUCO'S RECOMMENDED USE OF THE MAP?**

A. I do not think so. Mr. Coley testifies that the adjustments RUCO recommends are necessary to "adhere to past Commission findings for cost allocations."[48] As discussed in this testimony and Mr. Walker's rebuttal, the past cases RUCO cites are not the only past decisions that are relevant, they are just the only ones RUCO and Staff have chosen to mention in their direct testimonies in this rate case. Beyond that, I will leave it to Mr. Bourassa to discuss the specific details of RUCO's multiple

[48] Coley Dt. at 45:16-17.

adjustments to the costs of shared services.[49]

C. **Rebuttal to Staff.**

**Q. OKAY, LET'S FOCUS ON STAFF. DO YOU HAVE ANY GENERAL THOUGHTS ON MS. HUNSAKER'S COST ALLOCATION TESTIMONY?**

A. Yes, generally speaking, Ms. Hunsaker's opposition to the cost allocations and her rationale does not really make a lot of sense and does not really reflect the realities of today's business world. Let me give an example to illustrate what I mean.

In essence, Ms. Hunsaker suggests that the APUC costs primarily benefit shareholders and not the Arizona utilities. As such, Ms. Hunsaker recommends denial of those corporate costs, in effect forcing investors to bear those costs as a cost of investing in APUC. Consider that dilemma from an investor's point of view. As an investor, would you invest in a company where that company charges you, the investor, for costs like investor communications, or would you prefer to invest in a company where the underlying business recognizes those costs as a cost of doing business, and then those costs are included in the prices for providing the underlying business service? Any prudent business person would recognize that the APUC costs for accessing the TSX are costs of doing business for the regulated utilities, including Liberty BV/RR, and, thus, those regulated utilities should include those costs in the price of the services it provides to its customers. These are costs those regulated utilities must rely on to access capital to support the ongoing business. I hope that the Commissioners will recognize the flawed business thinking underlying Staff's and RUCO's testimony and reject their adverse recommendations on the cost allocations.

[49] Rebuttal Testimony of Thomas J. Bourassa at 32-35.

**Q. WHAT ABOUT MS. HUNSAKER'S TESTIMONY THAT THE CORPORATE COSTS SHOULD NOT BE APPROVED BECAUSE "APUC IS A LARGE COMPANY THAT IS CLEARLY IN AN ACQUISITION MODE"? HOW DO YOU RESPOND TO THAT TESTIMONY BY MS. HUNSAKER?**

A. Ms. Hunsaker actually testifies that APUC "is clearly in an acquisition mode as evidenced by the pending acquisition of the Empire District Electric Company through a $2.4 billion acquisition offer. APUC's access to the capital market needs and related communications to current and future stock holders clearly relate to the APUC acquisition posture and Arizona water and wastewater customers should not be burdened by any of these costs. Also, stock and debt issuance costs are already captured within the effective debt and equity costs which Arizona ratepayers already pay."[50]

As I testified above, APUC raises capital on the TSX primarily to provide capital to its operating entities, including its regulated water, sewer, gas and electric utilities in the U.S. The APUC corporate cost pool at issue here for the 2014 test year does not include any services or costs relating to funding or capital for acquisitions. Investors do not buy units in APUC for the sole purpose of providing capital for APUC to seek new acquisitions. APUC raises funds from selling shares on the TSX for the purposes of providing that funding to regulated entities like Liberty BV/RR for use in providing utility service to customers. The fact that APUC also is in the process of growing by acquisitions does not change the fact that Liberty BV/RR needs and benefits from access to capital on the TSX.

What's more, Ms. Hunsaker fails to recognize that Liberty BV/RR and the other Arizona utilities ultimately benefit from acquisitions because the cost

[50] Hunsaker Dt. at 22:13-20.

allocations percentages for the Arizona utilities decrease as other acquired companies are added into the mix. Put another way, additional acquisitions increase the economies of scale that ultimately lower the corporate costs allocations and cost of service for the Arizona utilities.

**Q. WHAT ABOUT MS. HUNSAKER'S CLAIM (DT. AT 22:19-21) THAT STOCK AND DEBT ISSUANCE COSTS ARE ALREADY CAPTURED WITHIN THE EFFECTIVE DEBT AND EQUITY COSTS THAT ARIZONA RATEPAYERS PAY?**

A. I don't even understand this argument. To say the least, it is not a valid argument. I don't ever recall an Arizona decision where the return on equity or cost of debt included an adder for the APUC corporate costs to reflect the costs of trading on the TSX or other similar costs.

**Q. TO SUM IT ALL UP, IF THE COMMISSION ADOPTS THE ADVERSE RECOMMENDATIONS OF STAFF AND/OR RUCO ON THE APUC AND LIBERTY UTILITIES CANADA ALLOCATIONS TO LIBERTY BV/RR, WHAT IMPACT WILL THAT HAVE ON THE UTILITIES IN ARIZONA, INCLUDING LIBERTY BV/RR?**

A. If the Commission reverts to that kind of regulatory treatment on the corporate cost allocations, then the Commission should not be surprised if there are significant consequences for the Arizona utilities, including restricted access to capital. On this issue, Staff and RUCO always assume that the Liberty Utilities entities in Arizona will have ongoing access to capital even if the Commission denies the associated corporate cost allocations. If the Commission adopts Staff's and RUCO's adverse recommendations here, then I would simply say that the Commission should not be surprised if investment in Arizona will be a lower priority given the adverse regulatory environment compared to other states. This is not intended to be a

"threat," but is simply a reality. Absent the ability to recover these costs in rates, it will be extremely difficult, if not impossible, for the operating utility to achieve its allowed rate of return. Further, investments in such an environment would not achieve allowed returns. Liberty Utilities is a business and access to capital is not unlimited. All of our regulated utilities in our eleven states compete for capital from APUC based on regulatory treatment and returns. With their adverse corporate cost recommendations in this case, Staff and RUCO are telling APUC and Liberty Utilities Canada not to invest in Arizona. That, in turn, may have consequences for Arizona customers in the event that one of the Arizona utilities is faced with the need for a major utility investment (such as an environmental issue relating to an emerging contaminant like a change in the arsenic regulations several years ago or a plant expansion).

**Q. WHY ARE THE CORPORATE COST ALLOCATIONS A SIGNIFICANT ISSUE FOR LIBERTY UTILITIES?**

A. From a corporate standpoint, this is very important. We believe we are providing services that are necessary to operate a utility and that the cost of providing these services should be recovered in rates. Were all commissions to take a similar hard line like Arizona, Liberty Utilities would be forced to review its entire shared services model, possibly resulting in a requirement for individual tax/audit/treasury/purchasing/riskmanagement/payroll/IT/training/EHS and other specialists at each utility, dramatically exceeding the current cost levels for customers. We believe that type of business model is inefficient and unfair to customers. We believe our current shared services model is fair and reasonable to both customers and the utility, if the allocated costs are included in rates.

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

A. Yes.

# EXHIBIT WRK-RB1

# Part VII Halting of Trading, Suspension and Delisting of Securities

## (4) Failure To Comply With TSX Requirements & Policies

## Listing Agreement

## Sec. 713.

TSX may delist the securities of a listed issuer that fails to comply with its Listing Agreement or other agreements with TSX, or fails to comply with TSX requirements and policies. Examples of failure to comply with the Listing Agreement include, but are not limited to, failure to obtain the prior consent of TSX to issue additional equity securities; failure to obtain the consent of TSX before undergoing a material change in the business if the listed issuer is subject to Section 501; and failure to comply with TSX's requirements for stock options and security based compensation arrangements.

## Disclosure Policies

## Sec. 714.

TSX may delist the securities of a listed issuer that has failed to comply with TSX's Timely Disclosure policy (see Sections 406 to 423.8 and 472 to 475) or with disclosure requirements under any securities law to which the listed issuer is subject. In addition, TSX may delist the securities of a listed issuer that is engaged in the business of mineral exploration, development or production if such listed issuer has failed to comply with TSX's "Disclosure Standards for Companies Engaged in Mineral Exploration, Development & Production" (see Appendix B).

# EXHIBIT WRK-RB2

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## Sec. 406.

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

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

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

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

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

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

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# EXHIBIT WRK-RB3

## 5.1.4 National Policy 51-201 Disclosure Standards

# NATIONAL POLICY 51-201 DISCLOSURE STANDARDS

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**Acquisitions and Dispositions**

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

**Changes in Credit Arrangements**

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the company's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements

### 4.4 External Political, Economic and Social Developments

Companies are not generally required to interpret the impact of external political, economic and social developments on their affairs. However, if an external development will have or has had a direct effect on the business and affairs of a company that is both material and uncharacteristic of the effect generally experienced by other companies engaged in the same business or industry, the company is urged to explain, where practical, the particular impact on them. For example, a change in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, such companies should make an announcement.

### 4.5 Exchange Policies

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

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

## Part V - Risks Associated with Certain Disclosures

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

(1) The role that analysts play in seeking out information, analyzing and interpreting it and making recommendations can contribute to a more efficient marketplace. Companies should be sensitive though to the risks involved in private meetings with analysts. We are not suggesting that companies should stop having private briefings with analysts or that these private meetings are somehow illegal. Companies should have a firm policy of providing only non-material information and publicly disclosed information to analysts.

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31 For example, securities legislation provides that a recognized stock exchange may impose additional requirements within its jurisdiction.

32 See *In the Matter of Air Canada, supra*, note 16. In this case, the parties to the settlement agreed that by disclosing earnings information to 13 analysts and not generally disclosing the information, the company failed to comply with the provisions of the TSX Company Manual and thereby acted contrary to the public interest. In the Excerpt from the Settlement Hearing Containing the Oral Reasons for Decision, the Ontario Securities Commission said, "[w]e feel that it will help foster confidence in the financial markets to know that the law requires, and that good corporations will comply with the requirement for, full disclosure of all material information on a timely basis as required by ... the Toronto Stock Exchange's listing agreement and listing requirements."

# EXHIBIT WRK-RB4

become volatile due to the influence of credit, which, if ignored, may lead to unfair and disorderly trading.

The determination to impose restrictions is based on a careful inspection of the trading for the latest one week period, defined as the previous Friday through subsequent Thursday, matched against various criteria. Other factors, such as the capitalization turnover, the ratio of last year's average weekly volume to the volume for the period considered, arbitrage, stop order bans, short position, earnings and recent corporate news are also reviewed.

The restriction itself is aimed primarily at eliminating the extension of credit to those who buy a security and sell it the same day seeking a short term profit. Such customers must have the full purchase value in the account prior to the entry of an order. Concomitantly, a broader requirement is usually imposed on all other margin customers in that they must put up the full purchase price within five business days, rather than only the percentage required by the Federal Reserve Board. Cash customers, of course, must in all instances put up 100% of the cost in seven days.

**Amended:** September 2, 2015 (NYSE-2015-38).

## 202.05 Timely Disclosure of Material News Developments

A listed company is expected to release quickly to the public any news or information which might reasonably be expected to materially affect the market for its securities. This is one of the most important and fundamental purposes of the listing agreement which the company enters into with the Exchange.

A listed company should also act promptly to dispel unfounded rumors which result in unusual market activity or price variations.

The issuer of income deposit securities traded as a unit shall publicize any change in the terms of the unit, such as changes to the terms and conditions of any of the components (including changes with respect to any original issue discount or other significant tax attributes of any component), or to the ratio of the components within the unit. Such publication shall be made as soon as practicable in relation to the effective date of the change, and should otherwise be made in accordance with the procedures specified in Section 202.06 below. In addition, the issuer must provide information regarding the terms and conditions of the components of the unit (including information with respect to any original issue discount or other significant tax attributes of any component), and the ratio of the components comprising the unit on its website.

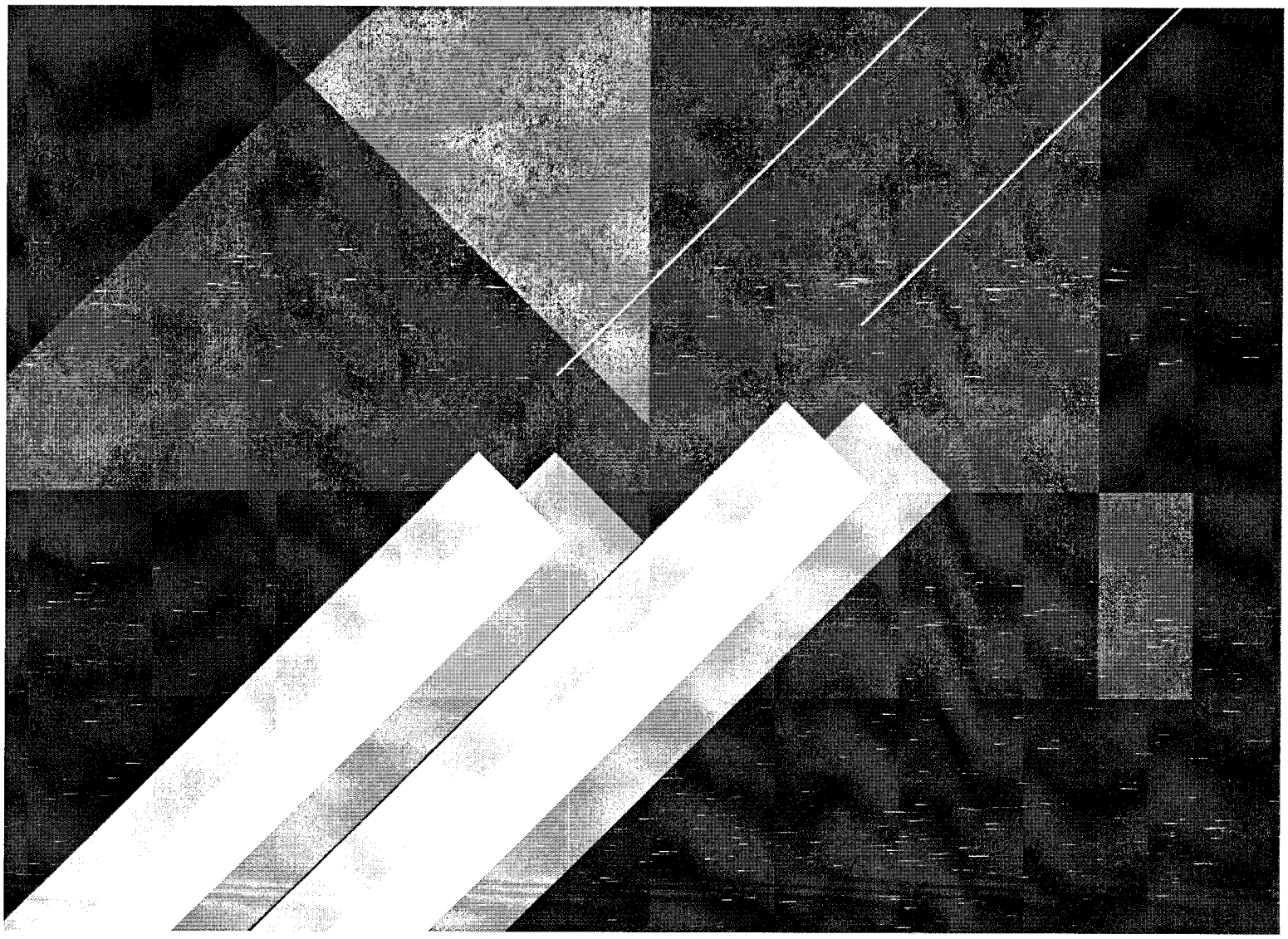
## 202.06 Procedure for Public Release of Information; Trading Halts

### (A) Immediate Release Policy

Information required to be released quickly to the public under Section 202.05 above should be disclosed by means of any Regulation FD compliant method (or combination of methods). While foreign private issuers are not required to comply with Regulation FD, foreign private issuers must comply with the timely alert policy set forth in Section 202.05 and may do so by any method (or combination of methods) that would constitute compliance with Regulation FD for a domestic U.S. issuer. While not requiring them to do so, the Exchange encourages listed companies to comply with the immediate release policy by issuing press releases.

# EXHIBIT WRK-RB5

# GUIDE TO LISTING



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TMX | TSX Venture Exchange

## LISTING REQUIREMENTS FOR INDUSTRIAL, TECHNOLOGY AND REAL ESTATE COMPANIES

| INITIAL LISTING REQUIREMENTS | TSXV TIER 1<br>INDUSTRIAL<br>TECHNOLOGY<br>LIFE SCIENCES | TSXV TIER 2<br>INDUSTRIAL<br>TECHNOLOGY<br>LIFE SCIENCES | TSXV TIER 1<br>REAL ESTATE OR INVESTMENT | TSXV TIER 2<br>REAL ESTATE OR INVESTMENT |
|---|---|---|---|---|
| NET TANGIBLE ASSETS, REVENUE OR ARM'S LENGTH FINANCING (AS APPLICABLE) | $5,000,000 net tangible assets or $5,000,000 revenue<br><br>If no revenue, two-year management plan demonstrating reasonable likelihood of revenue within 24 months | $750,000 net tangible assets or $500,000 in revenue or $2,000,000 Arm's Length Financing<br><br>If no revenue, two-year management plan demonstrating reasonable likelihood of revenue within 24 months | **Real Estate:**<br>$5,000,000 net tangible assets<br><br>**Investment:**<br>$10,000,000 net tangible assets | $2,000,000 net tangible assets or $3,000,000 Arm's Length Financing |
| ADEQUATE WORKING CAPITAL AND CAPITAL STRUCTURE | Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 months following listing; $200,000 unallocated funds | Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 months following listing; $100,000 unallocated funds | Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 months following listing; $200,000 unallocated funds | Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 months following listing; $100,000 unallocated funds |
| PROPERTY | Issuer has significant interest in business or primary asset used to carry on business | | **Real Estate:**<br>Issuer has significant interest in real property<br><br>**Investment:**<br>No requirement | |
| PRIOR EXPENDITURES AND WORK PROGRAM | History of operations or validation of business | | **Real Estate:**<br>No requirement<br><br>**Investment:**<br>Disclosed investment policy | **Real Estate:**<br>No requirement<br><br>**Investment:**<br>(i) disclosed investment policy and (ii) 50% of available funds must be allocated to at least 2 specific investments |
| MANAGEMENT AND BOARD OF DIRECTORS | Management, including board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors. | | | |
| DISTRIBUTION, MARKET CAPITALIZATION AND PUBLIC FLOAT | Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders | Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders | Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders | Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders |
| SPONSORSHIP | Sponsor Report may be required | | | |

The foregoing is a summary of the applicable listing requirements only. For detailed listing requirements, refer to the TSX Venture Exchange Corporate Finance Manual and the Toronto Stock Exchange Company Manual, both of which are available at www.tsx.com.

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## LISTING REQUIREMENTS FOR INDUSTRIAL, TECHNOLOGY AND RESEARCH & DEVELOPMENT COMPANIES

| MINIMUM LISTING REQUIREMENTS | TSX NON-EXEMPT TECHNOLOGY ISSUERS[1, 7] | TSX NON-EXEMPT RESEARCH AND DEVELOPMENT (R&D) ISSUERS[7] | TSX NON-EXEMPT FORECASTING PROFITABILITY[7] | TSX NON-EXEMPT PROFITABLE ISSUERS[7] | TSX EXEMPT INDUSTRIAL COMPANIES[8] |
|---|---|---|---|---|---|
| EARNINGS OR REVENUE | | | Evidence of pre-tax earnings from on-going operations for the current or next fiscal year of at least $200,000[2] | Pre-tax earnings from on-going operations of at least $200,000 in the last fiscal year | Pre-tax earnings from on-going operations of at least $300,000 in the last fiscal year |
| CASH FLOW | | | Evidence of pre-tax cash flow from on-going operations for the current or next fiscal year of at least $500,000[2] | Pre-tax cash flow of $500,000 in the last fiscal year | Pre-tax cash flow of $700,000 in the last fiscal year, and an average of $500,000 for the past 2 fiscal years |
| NET TANGIBLE ASSETS | | | $7,500,000[3] | $2,000,000[3, 4] | $7,500,000[3] |
| ADEQUATE WORKING CAPITAL AND CAPITAL STRUCTURE | Funds to cover all planned development expenditures, capital expenditures, and G&A[5] expenses for 1 year[6] | Funds to cover all planned R&D expenditures, capital expenditures and G&A[5] expenses for 2 years[6] | Working capital to carry on the business, and an appropriate capital structure | | |
| CASH IN TREASURY | Minimum $10 million in the treasury, with majority raised by prospectus offering | Minimum $12 million in the treasury, with majority raised by prospectus offering | | | |
| PRODUCTS AND SERVICES | Evidence that products or services at an advanced stage of development<br>OR<br>commercialization and that management has the expertise and resources to develop the business[9] | Minimum 2 year operating history that includes R&D activities. Evidence of technical expertise and resources to advance its research and development programs[10] | | | |
| MANAGEMENT AND BOARD OF DIRECTORS | Management, including the board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors. | | | | |
| PUBLIC DISTRIBUTION AND MARKET CAPITALIZATION | 1,000,000 free trading public shares<br>$10,000,000 held by public shareholders<br>300 public shareholders each holding a board lot<br>Minimum $50 million market capitalization | 1,000,000 free trading public shares<br>$4,000,000 held by public shareholders<br>300 public shareholders each holding a board lot | | | |
| SPONSORSHIP | Generally required | | | | Not required |

The listing requirements above must be met at the time of listing. Any funds raised or transactions closing concurrent with listing contribute to the company meeting the listing requirements.

(1) Generally includes companies engaged in hardware, software, telecommunications, data communications, information technology and new technologies that are not currently profitable or able to forecast profitability.

(2) Applicants should file a complete set of forecast financial statements covering the current and/or next fiscal year (on a quarterly basis). Forecasts must be accompanied by an auditor's opinion that the forecast complies with the CICA Auditing Standards for future-oriented financial information. Applicants should have at least six months of operating history.

(3) Under certain circumstances, deferred development charges or other intangible assets can be included in net tangible asset calculations.

(4) Companies with less than C$2 million in net tangible assets may qualify for listing if the earnings and cash flow requirements for senior companies are met.

(5) "G&A" means general and administration expenses.

(6) A quarterly projection of sources and uses of funds, for the relevant period, including related assumptions signed by the CFO must be submitted. Projection should exclude uncommitted payments from third parties or other contingent cash receipts. R&D issuers should exclude cash flows from future revenues.

(7) Exceptional circumstances may justify granting of a listing, notwithstanding minimum requirements – generally an affiliation with established business and/or exceptionally strong financial position is required.

(8) (7), as well as for granting Exempt status. Special purpose issuers are generally considered on an exceptional basis.

(9) "Advanced stage of development or commercialization," generally restricted to historical revenues from the issuer's main business or contracts for future sales. Other factors may also be considered.

(10) Other relevant factors may also be considered.

The foregoing is a summary of the applicable listing requirements only. For detailed listing requirements, refer to the TSX Venture Exchange Corporate Finance Manual and the Toronto Stock Exchange Company Manual, both of which are available at www.tsx.com.

# EXHIBIT WRK-RB6

with prompt notice to the Exchange and only so long as a majority of the members of the compensation committee continue to be independent, may remain a member of the compensation committee until the earlier of the next annual shareholders' meeting of the listed company or one year from the occurrence of the event that caused the member to be no longer independent.

**Disclosure Requirements**

If a listed company makes a required Section 303A disclosure in its annual proxy statement, or if the company does not file an annual proxy statement, in its annual report filed with the SEC, it may incorporate such disclosure by reference from another document that is filed with the SEC to the extent permitted by applicable SEC rules. If a listed company is not a company required to file a Form 10-K, then any provision in this Section 303A permitting a company to make a required disclosure in its annual report on Form 10-K filed with the SEC shall be interpreted to mean the annual periodic disclosure form that the listed company does file with the SEC. For example, for a closed-end management investment company, the appropriate form would be the annual Form N-CSR.

**Amended:** November 25, 2009 (NYSE-2009-89); January 11, 2013 (NYSE-2012-49); August 22, 2013 (NYSE-2013-40).

## 303A.01 Independent Directors

Listed companies must have a majority of independent directors.

*Commentary:* Effective boards of directors exercise independent judgment in carrying out their responsibilities. Requiring a majority of independent directors will increase the quality of board oversight and lessen the possibility of damaging conflicts of interest.

**Amended:** November 25, 2009 (NYSE-2009-89).

## 303A.02 Independence Tests

In order to tighten the definition of "independent director" for purposes of these standards:

**(a)(i)** No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

**(ii)** In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the listed company's board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

(A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and

(B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.

*Commentary:* It is not possible to anticipate, or explicitly to provide for, all circumstances that might signal potential conflicts of interest, or that might bear on the materiality of a director's relationship to a listed company (references to "listed company" would include any parent or subsidiary in a consolidated group with the listed company). Accordingly, it is best that boards making "independence" determinations broadly consider all relevant facts and

# EXHIBIT WRK-RB7

TSX Venture Exchange

# POLICY 3.1

# DIRECTORS, OFFICERS, OTHER INSIDERS & PERSONNEL AND CORPORATE GOVERNANCE

## Scope of Policy

This Policy describes the qualifications that Directors, Officers and other Insiders, as well as certain personnel, of an Issuer must meet in order for the Issuer to be listed and remain listed on the Exchange, as well as corporate governance standards and policies required to be implemented by all Issuers. This Policy is not an exhaustive statement of corporate governance requirements applicable to Issuers. Nothing in this Policy limits the obligations and responsibilities imposed on Issuers by applicable corporate and Securities Laws. This Policy must be read in conjunction with applicable corporate and Securities Laws, including National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101"), National Policy 58-201 - *Corporate Governance Guidelines* ("NP 58-201") and National Instrument 52-110 - *Audit Committees* ("NI 52-110").

The main headings in this Policy are:


1. Definitions
2. Exchange Review of Directors, Officers, Other Insiders & Personnel
3. Initial Listing Requirements
4. Continued Listing Requirements
5. Qualifications and Duties of Directors and Officers
6. Disclosure of Insider Interests
7. Transfer Agent, Registrar and Escrow Agent
8. Security Certificates
9. Dissemination of Information and Insider Trading
10. Unacceptable Trading
11. Corporate Power and Authority
12. Auditors
13. Financial Statements, MD & A and Certification
14. Shareholders' Meetings and Proxies
15. Shareholder Rights Plans
16. Proceeds from Distributions
17. Issuers with Head Office Outside Canada
18. Assessment of a Significant Connection to Ontario
19. Corporate Governance Guidelines
20. Disclosure of Corporate Governance Practices
21. Audit Committees

(a) every Director and Officer must disclose to the board of Directors either in writing or in person at the next Directors' meeting, the nature and extent of any material interest, directly or indirectly, that they have in any material contract or proposed contract with the Issuer. The Director or Officer must make this disclosure as soon as they become aware of the agreement or the intention of the Issuer to consider or enter into the proposed agreement;

(b) the board of Directors must implement procedures so that each material agreement or proposed agreement between the Issuer and any Director or Officer, directly or indirectly, will be considered and approved by a majority of the disinterested Directors; and

(c) the board of Directors must implement procedures to ensure proper public dissemination is made of the material interest of any Officer or Director of the Issuer in any material agreement or proposed agreement between the Issuer and that Director or Officer. The majority of disinterested Directors must consider the proper scope and nature of the disclosure.

## 7. Transfer Agent, Registrar and Escrow Agent

7.1 Each Issuer must maintain a record of its current registered shareholders, a record of each allotment or issuance and a record of each transfer in the registered ownership of its securities. As these records are complex for a publicly traded company, an Issuer must appoint a registrar and transfer agent to perform these services. In making such appointment, an Issuer must comply with the corporate laws of its incorporating or continuing jurisdiction, which may impose specific requirements for transfer agents and registrars.

7.2 While its securities are listed on the Exchange, an Issuer must appoint and maintain a transfer agent and registrar with a principal office in one or more of Vancouver, British Columbia; Calgary, Alberta; Toronto, Ontario; Montreal, Quebec; or Halifax, Nova Scotia.

7.3 Except for those transfer agents that are listed in Appendix 3A, which have been previously approved as acceptable transfer agents by the Exchange, an applicant seeking to become an acceptable transfer agent under Appendix 3A must be a trust company in good standing under applicable legislation.

7.4 Each class of Listed Shares must be directly transferable at the Issuer's registrar and transfer agent.

# EXHIBIT WRK-RB8

# Section 6 Agencies, Depositories, Trustees

## 601.00 Services to be Provided by Transfer Agents and Registrars

**(A) For Listed Stock**

A company having stock listed on the Exchange is required to maintain transfer facilities where:

•All stock of the company listed on the Exchange will be accepted for the purpose of transfer.

•All such stock which is convertible or called for redemption will be accepted for such conversion or redemption.

•All subscription rights issued to holders of listed stock of the company will be accepted for transfer or payment and securities subscribed for will be deliverable; and where all other rights or benefits pertaining to ownership of listed stock of the company, which may be issued, granted or allotted by the company, shall be accepted for transfer, exercise, payment and delivery.

•All dividends declared on stock of the company listed on the Exchange will be payable.

•The company must also maintain registrar facilities for all stock of the company listed on the Exchange. The registrar must be located in close proximity to the location at which the transfer of such securities is serviced directly.

**(B) For Listed Bonds**

The term "bond" includes any security evidencing indebtedness.

A company having bonds listed on the Exchange is required to maintain facilities where:

•All bonds of the company listed on the Exchange which may be registered as to principal and interest, or as to principal only, may be accepted for registration.

•All such bonds which are convertible or called for redemption will be accepted for such conversion or redemption.

•All rights or benefits pertaining to ownership of listed bonds of the company, and issued, granted or allotted by the company, will be accepted for transfer, payment or exercise.

•Principal of, and interest on, all bonds of the company listed on the Exchange will be payable.

Note: Transfer agents need not notify the Exchange of each issuance of shares, nor is it necessary for registrars to obtain a release from the Exchange before registering additional shares. It is necessary only for transfer agents to notify the Exchange of the number of shares outstanding at the end of each calendar quarter.

# EXHIBIT WRK-RB9

**LIBERTY UTILITIES (BELLA VISTA WATER) CORP.**
**DOCKET NO. W-02465A-15-0367**

**RESPONSES TO ARIZONA CORPORATION COMMISSION STAFF'S FOURTH SET OF DATA REQUESTS**

March 28, 2016

Respondent: Liberty Utilities (Bella Vista Water) Corp.

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

Company Response Number: TBH 4.7

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Q. **Time Studies** – During the CAM presentation by the Company on February 23, 2016, the Company indicated that a time study had been conducted at APUC for the amount time spent by APUC on capital projects. Additionally, in response to TBH 2.8 the Company stated that the affiliate billings are capitalized. Please provide a copy of this study. How often will this study be updated?

RESPONSE:

The last study was performed in 2013. There are no plans to update it at this time.

Please see attached files: TBH 4.7 – APUC Allocation Form, TBH 4.7 – APUC Time Study Results 2013.

Liberty Utilities
WATER GAS ELECTRIC

# LIBERTY UTILITIES
# ADMINISTRATIVE OVERHEAD ALLOCATION FORM

POLICY: All Operating, Maintenance and Administration expenses having a reasonable causal link or relationship with capital activity, shall be capitalized. An expense having a causal link is defined as an expense that is directly related to bringing a capital asset to the condition and location necessary for its intended use.

PURPOSE & SCOPE: This form has to be filled out by all the Liberty Utilities employees in consideration to report the percentage of the time allocated directly or indirectly to Capital projects.

INSTRUCTIONS: Review the duties that you perform in any given day or week and try to categorize it as Capital or Expense. Fill out the capital number in the bottom portion of the form. Following are the few examples of the Capital related job duties:

- Attending a Capital Budget meeting or preparing a Capital Budget.
- Preparing statements for Capital expenditures.
- Ordering materials for Capital jobs.

Administrative overheads will be capitalized using the following method:

AVERAGE METHOD

This method is used when the expense is not specific to a department, but to the Company as a whole and employee time is the significant driver to the amount being capitalized. The rate looks at the staff composition of the Company as a whole and ties each position into a percentage based on the work related to capital. An average is calculated using the total percentage over the total number of employees.

For example:

| | |
|---|---|
| Employee 1 | 20% capital |
| Employee 2 | 25% capital |
| Employee 3 | 15% capital |
| Total | 60% capital |

Average Company Rate would be: [60% / 3] = 20%

**LIBERTY UTILITIES**
**ADMINISTRATIVE OVERHEAD ALLOCATION FORM**

On average, I ..... spend about ..... % of my time directly or indirectly on the capital related projects at Liberty Utilities.

_____ _____

Signature Date

| Job Title | APUC | LABS | LU | Percentage |
|---|---|---|---|---|
| CEO, APUC | X | | | 30% |
| CFO | X | | | 33% |
| President, LU | X | | | 30% |
| Manager, Treasury | X | | | 25% |
| Director, Treasury | X | | | 25% |
| Treasury | X | | | 10% |
| VP, Enterprise Risk Management | | X | | 20% |
| Risk Analyst & Insurance Manager | | X | | 25% |
| VP, Finance & Admin | | | X | 30% |
| Director, Finanace | | | X | 21% |
| Controller | | | X | 25% |
| Manager, Accounting | | | X | 30% |
| Accountant | | | X | 30% |
| Manager, Financial Buisness Analyst | | | X | 30% |
| GP Analyst | | | X | 30% |
| GP Analyst | X | | | 30% |
| FA Accountant | | | X | 90% |
| Manager, Financial Planning & Analysis | | | X | 25% |
| Sr. Financial Analyst | | | X | 25% |
| Manager, Wennsoft Business Analyst | | | X | 30% |
| Purchasing Manager | | X | | 30% |
| Director, Internal Controls | | X | | 5% |
| Manager, Financial Reporting & Int Cont. | | X | | 6% |
| Sr. Analyst, Internal controls | | X | | 6% |
| Manager, Financial Reporting & Int Cont. | | X | | 0% |
| Receptionist | | X | | 0% |
| Receptionist | | X | | 0% |
| Bldg Svcs Administrator | | X | | 20% |
| Accountant | X | | | 3% |
| Director | X | | | 5% |
| Controller | X | | | 5% |
| Senior Manager | X | | | 5% |
| Tax Assistant | X | | | 5% |
| Total | 206% | 112% | 366% | 684% |
| Average percentage | 17% | 11% | 33% | **21%** |

| Last Name | First Name | Job Title | Status | LABS | Department |
|---|---|---|---|---|---|
| ANTOLOS | Steve | Manager, Wennsoft Business Analyst | F/T | X | FINANCE |
| ASAH | Hippolyte | Bilingual Desktop Support Analyst | Temp | X | IT |
| BOUDREAULT | MICHEL | Sr. Manager, Human Resources | F/T | X | IT |
| Brownell | Kirk | Great Plains/Cogsdale Application Architect | F/T | X | IT |
| BUDDELL | PETER | Sr. Law Clerk | F/T | X | LEGAL |
| CARLETON | David | Director, IT | F/T | X | IT |
| CHIEN | Jerry | VP, Enterprise Risk Management | F/T | X | RISK MANAGEMENT |
| COLEMAN | Shannon | Director, Legal Regulatory Strategy | F/T | X | REGULATORY |
| CRAIG | Graham | Director, Human Resources | F/T | X | HR |
| Datchko | Dainna | Director, Training and Development | F/T | X | HR |
| Desai | Arundhathi | Summer Student- Legal | F/T | X | LEGAL |
| DeSouza | Lisa | Quality Assurance Analyst | F/T | X | IT |
| Dhaliwal | Jaspaul | Sr. Payroll Specialist | F/T | X | HR |
| DIXON | Adris | Payroll/Benefits Administrator | F/T | X | HR |
| Duhan | Donna | Payroll Administrator | Temp | X | HR |
| EDGAR | Victoria | Payroll Administrator | F/T | X | HR |
| FRANCIS | ANNE | Executive Assistant & Law Clerk | F/T | X | LEGAL |
| FUENTES | Tisha | Manager, HR | F/T | X | HR |
| GOHM | Riley | Sr. HR Generalist | F/T | X | HR |
| GRAVES | Cassandra | Recruiter | F/T | X | HR |
| Horri | Saeid | Sr. SCADA Analyst | F/T | X | IT |
| HUGHES | Calum | Cisco Network Analyst | F/T | X | IT |
| HUSAIN | Saira | Communications Specialist | F/T | X | IT |
| Jeffray | Lisa | Risk Analyst & Insurance Manager | F/T | X | RISK MANAGEMENT |
| JUDGE | Beverly | Environmental Health & Safety Program Manager | F/T | X | H&S |
| Kat | Richard | Manager, Financial Reporting Systems | F/T | X | IT |
| KATTIS | MADONNA | Librarian | F/T | X | ADMIN |
| LIGETI | EMILIA | Manager, Financial Reporting and Internal Control | F/T | X | INTERNAL CONTROLS |
| MACEDO | Matthew | Systems Administrator | F/T | X | IT |
| MCCRODAN | Stephen | Purchasing Manager | F/T | X | PROCUREMENT |
| MERCIER | Gaetan | Sr. Manager, Env., Health, Safety & Security | F/T | X | H&S |
| MOONIS | Abbas | IT Systems Management Supervisor | F/T | X | IT |
| MOTTERSHEAD | Brian | Network & Server Analyst | F/T | X | IT |
| MUTHUVEREN | Leon | Database Administrator | F/T | X | IT |
| NEUFVILLE | Garfield | Manager, Quality Assurance | F/T | X | IT |
| Okubazgi | Estifanos | GIS Application Analyst | F/T | X | IT |
| ORMSBY | David | Manager, Information Systems | F/T | X | IT |
| PARMAR | Jitesh | Quality Assurance Analyst | F/T | X | IT |
| PASIEKA | David | President | F/T | X | EXECUTIVE |

| | | | | | |
|---|---|---|---|---|---|
| Patrick | Elizabeth | Receptionist | P/T | X | ADMIN |
| POIRIER | FRANCE | HR Generalist | F/T | X | HR |
| POTVIN | Francois | Systems Administrator | F/T | X | IT |
| PREMJI | Jamil | Systems Administrator | Temp | X | IT |
| Premock | Stephanie | HR Generalist | Temp | X | HR |
| RAO | MANASA | Sr. Analyst, Internal Control | F/T | X | INTERNAL CONTROLS |
| SALO | Maggie | Director, HR Systems | Temp | X | HR |
| SCOTT | Jeanette | Sr. Payroll Specialist | F/T | X | HR |
| SEMNANIAN | Rayhaneh | HRIS Specialist | Temp | X | HR |
| SERRE | CLAUDETTE | Receptionist | F/T | X | ADMIN |
| Shah | Dhaval | SQL/Crystal Reports Developer | F/T | X | IT |
| SINGH | Ramanpreet | Systems Administrator | F/T | X | IT |
| SINGH | Jimmy | Project Coordinator - IT | F/T | X | IT |
| Singh | Santosh | Exchange Application Analyst | F/T | X | IT |
| SMITH | Kim | Manager, Payroll & Benefits | F/T | X | HR |
| SUH-LEE | Candace | IT Security Manager | F/T | X | IT |
| TEJADA | Luan | Desktop Support Specialist | F/T | X | IT |
| TIPPING | CECILIA | HR Generalist | F/T | X | HR |
| TUNG | Anthea | GIS Technology Analyst | F/T | X | IT |
| TURLINSKI | KATHY | Bldg Svcs Administrator | F/T | X | ADMIN |
| VAN STAVEREN | CHANTAL | Director, Internal Controls | F/T | X | INTERNAL CONTROLS |
| Varghese | Biju | Database Administrator | F/T | X | IT |
| Waldman | Danielle | Sr. Corporate Counsel | F/T | X | LEGAL |
| WAKEFIELD-ROWE | Denise | Law Clerk | F/T | X | LEGAL |
| WORGAN | Kyle | Quality Assurance Analyst | F/T | X | IT |
| ZAWAWI | Sam | SQL/Crystal Reports Developer | F/T | X | IT |

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

**BEFORE THE ARIZONA CORPORATION COMMISSION**

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: W-02465A-15-0367 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $4,700,000. | DOCKET NO: W-02465A-15-0370 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: WS-02676A-15-0368 |

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $8,900,000. | DOCKET NO: WS-02676A-15-0371 |

**REBUTTAL TESTIMONY OF**

**PETER EICHLER**

**June 20, 2016**

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## I. INTRODUCTION.

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

A. My name is Peter Eichler. My business address is 354 Davis Road, Oakville, Ontario L6J 2X1. I am employed by Liberty Utilities (Canada) Corp. ("Liberty Utilities Canada") as the Vice President of Strategic Planning.

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

A. I am providing testimony on behalf of Liberty Utilities (Bella Vista Water) Corp. ("Liberty Bella Vista") and Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty Rio Rico") (collectively "Liberty BV/RR" or "Applicants"). As Mr. Killeen explains in his testimonies in this rate case, Liberty Utilities Canada is an indirect parent company of the Arizona regulated utilities, including Liberty BV/RR. Liberty Utilities Canada provides its regulated utilities with shared services relating to operation and management of the Arizona utilities, including accounting, administration, corporate finance, human resources, rates and regulatory affairs, information technology, environmental, health and safety, customer service, risk management and utility planning.

As Vice President of Strategic Planning within Liberty Utilities Canada, I am responsible for overseeing regulatory strategy, customer experience strategy and operational strategies for all of our regulated utilities, including those in Arizona.[1] In that capacity, I evaluate and monitor the regulatory and ratemaking environments for each state and I provide advice about investment decisions in each of those states based, in part, on the regulatory environments in each state. Because I have oversight for our regulated utilities in all eleven states in which we

[1] For convenience, I will refer to the regulated water, sewer, gas and electric companies in 11 states as "Liberty Utilities." Further specifics on the overall organizational structure are available in Mr. Killeen's rebuttal testimony at 4-13.

operate regulated utilities, I provide a broad perspective on the regulatory environments in each state and the impacts of those environments relating to deployment of capital in each state.

**Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF APPLICANTS IN THIS CASE?**

A. Yes. My direct testimony was filed on October 28, 2015 with Liberty Bella Vista's and Liberty Rio Rico's rate applications. My testimony helped explain the Applicants' request for approval of the Fair Value Arizona Evaluation Model or FARE.

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. To respond to the testimony filed by Staff and RUCO opposing the FARE. Put bluntly, neither party comes close to giving the Commission a valid reason to reject the FARE as a pilot program for Liberty BV/RR. Instead, and unfortunately, Staff and RUCO do not appear to have even taken the request seriously. In reality, the FARE is one component of a detailed and thorough analysis on the need for regulatory changes in Arizona. Staff and RUCO simply won't face the reality that the regulatory environment in Arizona is not as efficient as it could be. The failure to minimize the impacts of regulatory lag, the strict adherence to the historic test year, and the repetitive and futile battles with Staff and RUCO over the same issues can't be understated because it fundamentally impacts the deployment of capital in Arizona relative to investment opportunities in other states. The status quo regulatory environment in Arizona is well behind other states that have things like forward-looking test years and decoupling mechanisms.

Given its benefits, I believe the FARE is a mechanism that could significantly enhance the regulatory landscape and provide benefits for all stakeholders. The FARE is specifically designed to use regularly scheduled filings

to reach updated fair value findings, promote rate gradualism and rate stability, and minimize the adverse impacts of regulatory lag.

Notwithstanding Staff and RUCO, however, the FARE provides the Commissioners with a perfect opportunity to begin implementing some necessary changes in the Arizona regulatory environment that will benefit all stakeholders, including customers, the Commission and utilities.

## II. REBUTTAL TO STAFF.

**Q. HAVE YOU READ STAFF'S TESTIMONY CONCERNING THE FARE?**

A. Yes, I read Staff's 6-page analysis of the FARE, including Staff's recommendation that the Commission reject the FARE.[2]

**Q. WHAT ARE YOUR THOUGHTS ON STAFF'S TESTIMONY?**

A. The brevity of Staff's direct testimony on the subject of the FARE reflects that Staff simply likes the status quo and therefore opposes any change in the way rates are set in Arizona. I do not know how else to read the fact that Staff didn't submit more than a few pages on the issue. In fact, at one point the testimony actually says that "Staff does not believe it would be beneficial or necessary" to identify the shortcomings it believes it has identified in the proposed FARE.[3]

Given that Liberty Utilities is a significant stakeholder in Arizona's regulated water industry and has devoted significant resources to improving the landscape through the proposals of mechanisms such as this, one would think that Staff would give Liberty Utilities the benefit of the doubt and fairly and objectively consider the FARE rather than rejecting it out of hand. It is unfortunate and disappointing that Staff chose not to give our proposal serious consideration.

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[2] The testimony is actually eight pages in total.

[3] Direct Testimony of James R. Armstrong ("Armstrong Dt.") at 6:4-5.

**Q. WHAT WERE STAFF'S SPECIFIC REASONS FOR RECOMMENDING THAT THE COMMISSION REJECT THE FARE?**

A. Mr. Armstrong testifies that there are "three primary reasons" for Staff's recommendation that the FARE be denied.[4] First, Staff claims that the FARE is premature because of the Commission's pending appeal of the SIB to the Arizona Supreme Court. Second, Staff claims that annual rate cases would be just as effective as the FARE. Third, Staff asserts that the FARE should be denied because it has various shortcomings, however, Mr. Armstrong expressly declines to discuss these shortcomings in detail.[5] Again, Staff continues to cling to an out-of-date ratemaking model that does not incentivize investment and leaves utilities chronically short of revenue requirements. It is difficult to imagine how Staff can be suggesting that the status quo in Arizona is in the public interest. I can tell you from firsthand experience that the status quo in Arizona is not seen as a favorable regulatory environment and limits investment opportunities in the state compared to other states.

**Q. BUT ISN'T STAFF CORRECT THAT LIBERTY BV/RR DOES NOT NEED THE FARE IF THE ARIZONA SUPREME COURT UPHOLDS THE SIB?**

A. No, that's incorrect. The FARE is intended as a pilot program for an alternative ratemaking system in Arizona that involves consideration of a much greater amount of information than would be included in a SIB filing.

**Q. DOES STAFF RECOMMEND THAT THE COMMISSION APPROVE A SIB IN PLACE OF THE FARE?**

A. No. Staff's testimony is silent on whether it would support a SIB in the event that the Commission does not approve the FARE. In data request responses, Staff says

[4] Armstrong Dt. at 2:15-19.

[5] Armstrong Dt. at 5:3-8.

it is the Applicants' responsibility to seek a SIB.[6] This is nonsense. It is not the Applicants that are arguing that we do not need the FARE if the SIB is resurrected.

**Q. WHAT EXACTLY IS THE RELATIONSHIP BETWEEN THE SIB AND THE FARE?**

A. The court's decision striking down the SIB was issued at about the time the Applicants we were getting ready to file rate cases with SIB requests. Because we could no longer request SIBs, we started to look at other means of improving the rate setting process in Arizona. Ultimately, we came up with the FARE.[7] Beyond that, there is no relationship between the SIB and the FARE.

**Q. DO YOU AGREE WITH STAFF'S CHARACTERIZATION THAT THE FARE IS A REPLACEMENT FOR THE SIB?**

A. That characterization by Staff misconstrues Mr. Garlick's direct testimony and does not tell the whole story.[8] As explained above, and as Mr. Garlick and Mr. Walker have explained in their testimonies in this docket, we would not likely have developed the FARE when we did had the court not acted when it did.[9] That does not mean resurrection of the SIB would replace the FARE.

**Q. WHAT IMPACT WOULD A DECISION OF THE ARIZONA SUPREME COURT UPHOLDING THE SIB HAVE ON THE FARE?**

A. None, unless it convinces RUCO not to file another appeal. The Commission has already fought RUCO on the legality of the SIB, so I assume the Commission already agrees it has the authority to approve the FARE. I would note that despite Staff's seeking to link the SIB and the FARE on their merits, Staff does not argue

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[6] Staff Response to Company Data Request 3.8.

[7] *See* Rebuttal Testimony of Paul Walker ("Walker Rb.") at 13:2-14:7.

[8] *See* Direct Testimony of Matthew Garlick ("Garlick Dt.") at 17-20.

[9] *See* Rebuttal Testimony of Matthew Garlick ("Garlick Rb.") at 2:3-5; Walker Rb. at 13:2-14:7.

that it would be unlawful for the Commission to adopt the FARE; Staff just misunderstands the relationship between the SIB and the FARE. The short of it is that the SIB could not replace the FARE any more than a tire could replace a car.

**Q. OKAY, BUT WHAT IF THE COURT HOLDS THAT THE SIB DID VIOLATE THE FAIR VALUE REQUIREMENT IN ARIZONA'S CONSTITUTION?**

A. The SIB will be unlawful and the Commission should approve the FARE. The FARE was specifically designed to comply with Arizona's fair value requirement as stated in the Court of Appeal's decision on the SIB.[10] That doesn't mean the FARE replaces the SIB. Rather, the FARE is a complete alternative ratemaking method to setting rates in Arizona in compliance with Arizona's fair value requirement. So I do not agree with Staff that we need to wait for the court. Besides, we understand the court's ruling is due anytime now, and if it is issued before this matter is concluded, Staff's first reason for opposing the FARE will be moot.

**Q. WHAT ABOUT STAFF'S SECOND REASON, THAT GENERAL RATE CASES WILL WORK JUST AS WELL AS THE FARE? HOW DO YOU RESPOND?**

A. I am flabbergasted with this testimony. I actually understood that Staff generally feels understaffed and overworked. If that's true, then I am astonished that Staff gave so little consideration to the FARE. If Staff were really struggling to keep up, I would think it would at least give serious consideration to a genuine attempt by a well-established utility to reduce the burden of rate cases on all stakeholders. But Staff made absolutely no effort to work with the Applicants to address any of its

[10] Garlick Dt. at 6:12-16; Direct Testimony of Peter Eichler ("Eichler Dt.") at 3-5.

concerns. Further, it is well understood that customers bear the brunt of rate case expenses which would be far in excess of the costs incurred to file an annual FARE filing. It is clear that annual rate cases are not an alternative to the FARE.

**Q. BUT ISN'T STAFF'S POINT THAT THE FARE'S SHORTCOMINGS PRECLUDE IT FROM BEING A SERIOUS ATTEMPT TO IMPROVE THE RATEMAKING PROCESS?**

A. That appears to be the point Staff is trying to make, but Staff fails to make the case. First, as I've already noted, Mr. Armstrong literally testified that he didn't think it would be helpful for Staff to provide a detailed explanation of the shortcomings allegedly found in the FARE. All Staff's testimony says is that it "believes the amount of time required, the level of effort, the complexity, the cost, and the ultimate value of the outcome to ratepayers as well as to the Company are all uncertain."[11] The Applicants are not going to try to guess at the details underlying vague statements like the FARE "lacks sufficient front-end planning" and "many details" are not "clearly and unquestionably understood" when Staff expressly refused to be specific on those very details.[12] All I can really say is that the gist of Staff's discussion of the shortcomings is that the FARE isn't perfect yet. If that's Mr. Armstrong's point, then we actually agree on something – the FARE is not perfect as proposed.

When we designed the FARE and proposed it to the Commission, we had hoped that Staff and RUCO would bring their expertise to the table and provide actual, substantive critiques of the proposed FARE. We also proposed it as a pilot program, meaning it would only apply to two of the hundreds of utilities the Commission regulates, and only for a five-year period. In other words, we

[11] Armstrong Dt. at 5:1-3.

[12] Armstrong Dt. at 4:24-26.

proposed steps towards improvement and expressly stated our willingness to have ongoing discussions with stakeholders in order to continue to better the model.[13] But Staff has refused to even participate in the process. Despite this, the FARE is a sound starting place – a pilot program for Liberty BV/RR as an alternative ratemaking mechanism in Arizona. The Commission needs to start somewhere and it should disregard Staff's vague concerns about the "complexity" of the FARE or the "level of effort" or "time required" by Staff to evaluate or implement the FARE.

**Q. DIDN'T STAFF ACTUALLY CRITICIZE THE FARE BASED ON THE APPLICANTS' EXPRESSED WILLINGNESS TO HAVE ONGOING DISCUSSIONS WITH STAKEHOLDERS ABOUT THE FARE?**

A. Yes, Staff actually used Liberty BV/RR's willingness to have ongoing discussions concerning the FARE to support its argument that the FARE is not yet ready for implementation.[14] This desperate attempt to prevent the Commission from even considering the FARE on its merits should give the Commission serious pause. Especially given that neither Staff nor RUCO alleges that ratepayers would actually be harmed by approval of the FARE as a pilot program for Liberty BV/RR.

**Q. DOESN'T MR. ARMSTRONG ALSO TESTIFY THAT THE FARE WILL NOT REDUCE THE ADMINISTRATIVE BURDEN ON THE COMMISSION?**

A. Yes, he expresses Staff's view that the resource and cost savings are not certain.[15]

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[13] *E.g.*, Garlick Dt. at 18:18-25; Company Responses to Staff Data Requests JRA 3.2, JRA 3.17, JRA 3.21, JRA 3.29, JRA 3.31.

[14] Armstrong Dt. at 5:17-22.

[15] Armstrong Dt. at 5:1-3.

Of course, Staff also suggests that the goals of the FARE could be accomplished with annual rate filings, which is actually an implicit admission that something is wrong. For one thing, Staff's argument that the goals of the FARE can be accomplished with annual rate case filings contradicts Staff's assertion that the FARE is too complex, time intensive or too much work for Staff. As Staff argues, the FARE is premised on the same rate schedules as a normal rate case, along with a year's worth of quarterly financial updates and information for Staff's review and evaluation.[16]

Additionally, we are not confident the Commission could process a rate case every year for the same utility. Rate cases have been known to take more than a year, after which I understand that Staff has been known to assert that another rate case cannot be filed until the new rates have been in effect for a while. Therefore, it is not practical for the Applicants just to file a general rate case very year. And, honestly, if the only way to actually have an adequate opportunity to meet a revenue requirement between rate cases is to file annual rate cases, then obviously something is very wrong.

**Q. BUT ISN'T THERE A RISK IF LIBERTY BV/RR JUST WANTS TO GET THE FARE APPROVED AND FIGURE OUT THE DETAILS AS YOU GO ALONG?**

A. No. As a general matter, ratemaking is a continual process, which is why new mechanisms, rate structures, and other similar programs are introduced all the time. It's a continual work in progress. In this case, there have been no details identified that would put customers at risk. But the implication that we have not thought through the FARE yet is not well taken. If Staff had expressed specific substantive

[16] *See* Armstrong Dt. at 2:22 – 3:3.

concerns, then we would be trying to address them. But Staff did not feel it needed to do so and the Commission, therefore, does not have any reason to agree with Staff's unsubstantiated view of Liberty Utilities' motives in proposing the FARE. To the contrary, because Staff refused to specifically detail the alleged shortcomings in the FARE, the evidence presented by the Applicants that the FARE will benefit ratepayers and stakeholders by streamlining the ratemaking process, promoting rate gradualism and rate stability, and alleviating regulatory lag is undisputed by Staff.

**Q. DOES LIBERTY BV/RR HAVE ANY FURTHER RESPONSE TO STAFF'S FARE TESTIMONY AT THIS TIME?**

A. Only to state again in conclusion that Staff's recommendation is not based on a thorough, fair and objective analysis of the Applicants' proposal and the Commission should reject Staff's recommendations.

## III. <u>REBUTTAL TO RUCO</u>.

**Q. HAVE YOU REVIEWED THE TESTIMONY REGARDING THE FARE BY MR. MEASE ON BEHALF OF RUCO?**

A. Yes. Like Staff, RUCO starts out by characterizing the FARE as a replacement for the SIB.[17] As I have explained above, the decision of the court that the SIB was illegal was the reason we developed the FARE when we did, but the SIB and the FARE are not interchangeable. The SIB was a mechanism to fund some specifically enumerated plant replacements between rate cases. The FARE is a complete alternative ratemaking model that allows for annual changes in the cost of service paid by customers based on an updated determination of fair value rate base, revenues and expenses.

[17] Direct Testimony of Robert B. Mease ("Mease Dt.") at 2:9-13.

**Q. AND RUCO BELIEVES THAT THE FARE IS ALSO CONTRARY TO ARIZONA LAW?**

A. That's Mr. Mease's testimony.[18]

**Q. WHY DOES RUCO BELIEVE THE FARE VIOLATES ARIZONA'S FAIR VALUE REQUIREMENT?**

A. The only explanation Mr. Mease gives is that the proposed FARE does not require an annual determination of the cost of capital.[19] I am not an attorney, and neither is Mr. Mease, so we would like to avoid a debate over the legal requirements between two non-attorneys. Suffice it to say, Liberty BV/RR does not share Mr. Mease's opinion on Arizona law.

**Q. WHY DIDN'T LIBERTY BV/RR DESIGN THE FARE TO INCLUDE AN UPDATED COST OF CAPITAL ANALYSIS?**

A. Because we are trying to come up with a streamlined mechanism to allow the cost of service paid by the customer to move annually with the Applicants' actual cost of service.

**Q. WOULD THE APPLICANTS BE OPEN TO INCLUDING A MECHANISM TO UPDATE THE COST OF CAPITAL IN THE FARE?**

A. Yes, if it can be done consistent with the goals of the FARE. A critical aspect of the FARE is avoiding getting bogged down in a fight over every number in the revenue requirement every time the cost of service paid by the customer needs to change. That said, coming up with a mechanism for something like this is exactly the type of cooperative effort we had hoped our FARE proposal would give rise to. Instead, Staff and RUCO only criticized the FARE; they made no suggestions on improving it.

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[18] Mease Dt. at 10:21-22.

[19] Mease Dt. at 14:1-4.

**Q. IF THE COMMISSION WERE TO CONCLUDE THAT THE COST OF CAPITAL SHOULD BE UPDATED ANNUALLY IN THE FARE, HOW WOULD LIBERTY BV/RR RECOMMEND THAT BE DONE?**

A. Given that the FARE is a five-year pilot program, the Commission could order Liberty BV/RR to file an annual cost of capital report with the Commission for review by Staff and RUCO detailing Liberty BV/RR's cost of capital for that year. In turn, if Staff or RUCO believes that a FARE adjustment for cost of capital is necessary or that a review of the cost of capital is necessary in the FARE, Staff and RUCO could then request that Liberty BV/RR include a cost of capital schedule in the next year's FARE filing. Liberty BV/RR does not have any objection to including such schedules in a FARE filing as long as the proposed schedule under the FARE remains intact.

Another option would be for Liberty BV/RR to include a cost of capital schedule in the third year of the FARE, resulting in cost of capital being determined in years 1, 3 and 5 of the FARE (year five being done in a full rate case under Liberty BV/RR's FARE proposal). A third option would be to use the return on equity determined in an annual, generic cost of capital approach, if the Commission approves this in the currently pending workshop (Docket No. 16-0151). As I said, we are willing to consider these or other options relating to cost of capital if the Commission concludes it is necessary.

**Q. OKAY, THANK YOU. LET'S TURN TO RUCO'S OTHER REASONS FOR OPPOSING THE FARE. HOW DO YOU RESPOND TO MR. MEASE'S ASSERTION THAT THE PROPOSED TIME FRAME IS "OVERLY AGGRESSIVE"?**

A. Mr. Mease's testimony is essentially that what we proposed can't be done. We anticipated that RUCO and/or Staff would argue that the timeframes under the

FARE would not work for them. To be candid, however, RUCO's and Staff's unwillingness to work more efficiently is not a reason to reject the FARE. RUCO's inability to efficiently review FARE filings is not a justification for regulatory lag and the consequences that result, including the adverse impact on capital investment in Arizona.

**Q. DO YOU STILL BELIEVE THE PROPOSED TIMEFRAMES ARE REASONABLE?**

A. Yes, we believe that the FARE schedule is reasonable. Under the FARE, Staff and other parties will have 45 days to review the FARE filing and file responses and recommendations.[20] Presumably, Staff and RUCO would assign analysts who are familiar with Liberty BV/RR and its financial and ratemaking data as we will have just finished this rate proceeding. Presumably, those analysts would also be reading the quarterly informational reports we propose to file. And we're talking about roughly 3 years of streamlined financial data to be reviewed in the initial FARE filing, and a year of data in each subsequent FARE filling. Likewise, these analysts would have access to the FARE Dashboard discussed by Mr. Walker in his rebuttal testimony.[21] The bottom line here is that it's not an entirely new rate case each time, and since each filing starts where the last one left off, we continue to believe it is achievable and are committed to making it work as shown by our development of the Dashboard since the applications were filed.

It's not my intent to minimize that in some respects this presents challenges for Staff and RUCO. We get that. And certainly the first FARE filing won't be easy. But that does not mean the proposed schedule won't work. It's two of the hundreds of companies the Commission regulates on a pilot program that is

[20] Eichler Dt. at 7:13-16; Company Response to Staff Data Request JRA 3.26.

[21] Walker Rb. at 16:22-18:2.

designed to provide Staff and RUCO access to ongoing and updated financial information that will allow them to be readily identify and confirm changes in Applicants' costs of service.

**Q. HOW DO YOU RESPOND TO RUCO'S COMMENTS REGARDING RATE GRADUALISM AND RATE SHOCK?**

A. Mr. Mease testifies that RUCO has proved in the SIB docket that customers will pay more in the long run and that RUCO cannot see how an annual increase in rates is in the public interest.[22] He also states that he believes customers would prefer to pay the lessor amount if given a choice.[23] RUCO has really missed the point with this testimony.

**Q. PLEASE EXPLAIN.**

A. We understand that it is RUCO's job to represent the interests of residential customers. But RUCO only looks at rates. It appears to be the agency's sole measure of whether something is or is not in the public interest. That's exceptionally shortsighted. I would think that customers first and foremost want safe, adequate and reliable service. The horror stories that the Commission hears over water utilities that can't pay their bills, that can't adequately run their systems, that can't even test their water, do not appear to mean anything to RUCO. Again, consider the McLain systems that are now part of Liberty Bella Vista. RUCO does not seem to understand the need to encourage investment by ensuring that the utilities are getting a fair rate of return *and* actually getting an opportunity to earn that return. As long as rates are low, RUCO is happy, and it's that attitude that makes Arizona the least attractive place to invest capital.

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[22] Mease Dt. at 6:8-15.

[23] Mease Dt. at 6:19-22.

**Q. DO YOU AGREE WITH MR. MEASE (DT. AT 7:1-16) THAT YOU WERE UNABLE TO SHOW THAT THE FARE WOULD HAVE LOWERED THE COST OF SERVICE TO CUSTOMERS IN ANY OF THE PAST 15 YEARS?**

A. We did not try to show how the cost paid by customers would have changed in each of the past 15 years if the FARE had been in effect. The FARE is intended to be forward looking, not retrospective in nature. Additionally, the FARE is clearly designed to work in both directions – bringing the cost paid by the customers in line with annual changes in the cost of service, up or down. If the FARE were approved but Liberty BV/RR added no plant after the test year and its operating expenses go down by 5 percent a year, customers of Liberty BV/RR are going to pay less for service under the FARE. If RUCO thinks otherwise, then it either does not understand the proposal, or Mr. Mease is implying that we are misrepresenting the FARE to the Commission. I have no idea how else we are supposed to prove this without a glimpse into the future.

**Q. MR. EICHLER, ISN'T RUCO'S POINT REALLY THAT IT IS UNLIKELY THAT THE FARE WILL WORK TO LOWER THE COST OF SERVICE PAID BY THE CUSTOMERS?**

A. If that's true, it illustrates that (1) it's the utilities that are always under recovering once new rates are set, not the consumers that are overpaying; and (2) all RUCO cares about is how little the residential customers pay. The financial health of Arizona's utilities is not in the public interest, according to RUCO, if customers have to pay more for healthier utilities. This thinking is fundamentally flawed. If a utility's costs of service increase every year, as Mr. Mease apparently claims, then it is fundamentally unfair to defer recognition of those costs in rates for 2-3 years in the guise of regulatory lag. RUCO's testimony on this point is exactly why Arizona needs to adopt an alternative ratemaking method like the FARE.

**Q. WHAT ABOUT RUCO'S POINT THAT IT CANNOT KNOW THAT CUSTOMERS WILL BENEFIT FROM REDUCED REGULATORY LAG BECAUSE THE APPLICANTS HAVE NOT IDENTIFIED THE PLANT THAT WILL BE BUILT UNDER THE FARE?**

A. First, that RUCO sees regulatory lag as a benefit that customers will lose is troubling. Regulatory lag is the adverse consequence that results from the time it takes to set rates and we believe the goal should be to reduce or eliminate regulatory lag to the greatest extent possible.

Second, there are no specific types of capital expenditures identified under the FARE because the FARE will allow the costs paid by the customer to track changes in the Applicants' costs of service. The cost of service will change based on any capital expenditures that result in used and useful plant, and accumulated depreciation will be updated. This is what I was referring to above. If no plant is added and costs do not increase, the continued accumulation of depreciation will result in a lower cost of service, which the FARE would recognize because it is not designed only to raise rates. Nor is the FARE limited to only some types of plant investment.

**Q. RUCO ALSO TAKES ISSUE WITH THE APPLICANTS' SUGGESTION THAT THE FARE WILL RESULT IN CLOSER SCRUTINY BY REGULATORS. HOW DO YOU RESPOND?**

A. RUCO's analysis is overly simplistic.[24] For example, Mr. Mease tries to suggest that the FARE will require more work because it could result in over 300 days of analysis rather than the current 180 days under the existing rate setting process.[25] This analysis misses the point.

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[24] Mease Dt. at 9-10.

[25] Mease Dt. 9:21 – 10:10.

**Q. WHAT POINT HAS RUCO MISSED, MR. EICHLER?**

A. RUCO completely ignores the fact that when we discussed the promise of closer scrutiny, we focused on the "ongoing" nature of the regulatory scrutiny under the FARE.[26] Under the current process, regulators and RUCO get to look at the Applicants' critical ratemaking metrics only when a rate case is filed. Under the FARE, they get to see this information quarterly and then annually, as well as have access to the FARE Dashboard. Maybe it's different at RUCO, but I am confident I would be able to do a much better job analyzing a utility's financials in a rate case if I had spent time in between rate cases reviewing that same utility's rate base, revenues and expenses. Or maybe, like Staff, RUCO is programmed to simply oppose anything new or different that utilities propose because they believe it must be bad for ratepayers. In any case, the point is that the ongoing scrutiny under the FARE approach will make regulatory scrutiny more efficient and more informed. It is unfortunate that RUCO is simply unable or unwilling to see that.

**Q. SO THE APPLICANTS CAN JUST BUILD ANYTHING AND GET IT IN RATE BASE?**

A. No. RUCO seems to want the Commission to conclude that the FARE is a blank check because it does not contain a discrete list of projects as in the SIB.[27] However, the intention of the FARE is capture all changes in plant, and revenues and expenses, since the last decision, not just a short list of one type of expenditures or another. RUCO remains free to assert in response to FARE filing that an investment in plant was not prudent or that the plant is not used and useful, just like it can now.

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[26] *E.g.*, Garlick Dt. at 18:18-25; Company Responses to Staff Data Requests JRA 3.2, JRA 3.17, JRA 3.21, JRA 3.29, JRA 3.31.

[27] Mease Dt. at 14:8-15.

**Q. MR. MEASE HAS A SEPARATE SECTION OF HIS DIRECT TESTIMONY TITLED "SCHEDULES TO BE FILED BY LIBERTY." HAVE YOU RESPONDED TO THIS PORTION OF HIS TESTIMONY?**

A. I believe so. Mr. Mease spends two full pages of his testimony summarizing Liberty BV/RR's description of the proposed information to be included in the FARE only to then conclude on page 13 that the annual FARE filing will not include a new cost of capital analysis.[28] I have already discussed our disagreement with RUCO's unsupported legal conclusion that the Arizona Constitution requires the Commission to do a new cost of capital analysis every time the cost paid by the customer changes. I have also testified to our willingness to consider a means of updating the cost of capital in the annual FARE filings. RUCO's testimony on this aspect of the FARE requires no further response.

**Q. BUT DOESN'T MR. MEASE STATE IN HIS DISCUSSION ON TRANSPARENCY (AT 6:1-6) THAT HE WILL EXPLAIN IN THE SECTION ON THE SCHEDULES WHY THE FARE IS "OVERLY AGGRESSIVE AND NOT PRUDENT RATEMAKING"?**

A. That's his testimony. Perhaps he forgot, or possibly his only actual reason for calling the FARE "not prudent" is RUCO's assertion that a cost of capital finding is necessary. I can't be sure because Mr. Mease never returns to the explanation he promised earlier in his testimony.

**Q. OKAY, THANK YOU MR. EICHLER. LASTLY, MR. MEASE CONCLUDES HIS DIRECT TESTIMONY WITH A DISCUSSION OF THE "EFFECT ON RATEPAYERS." DO YOU HAVE ANY FURTHER RESPONSE TO THIS TESTIMONY?**

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[28] Mease Dt. at 11:11 – 13:19.

A. No, this is simply the title RUCO put on the section discussing RUCO's view that the FARE is flawed because we have not identified specific capital projects that would be built in the future.[29] As I have already explained, all used and useful plant would be included in the Commission's annual finding of fair value under the FARE and we disagree with RUCO that this is a flaw.

**Q. DO YOU HAVE ANYTHING ELSE TO ADD TO YOUR REBUTTAL TESTIMONY TO STAFF AND RUCO ON THE FARE, MR. EICHLER?**

A. With the FARE, this Commission has the opportunity to alter the status quo by adopting, for evaluation over a five-year period, an alternative rate making method for Arizona's water and wastewater industry. This much needed change can benefit Arizona ratepayers, Arizona's utilities and the Commission itself in many ways. But not if we do not start taking steps to change the way rates are set now. We hope the Commission does not share Staff and RUCO's opinion that everything is just fine the way it is now.

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

A. Yes.

[29] Mease Dt. at 14.

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: W-02465A-15-0367 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $4,700,000. | DOCKET NO: W-02465A-15-0370 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: WS-02676A-15-0368 |

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| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $8,900,000. | DOCKET NO: WS-02676A-15-0371 |

**REBUTTAL TESTIMONY OF**

**PAUL WALKER**

**June 20, 2016**

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## I. INTRODUCTION.

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

A. My name is Paul Walker. My business address is 330 East Thomas Road, Phoenix, Arizona 85012.

**Q. WHO EMPLOYS YOU AND WHAT IS YOUR POSITION?**

A. I am the founder, owner and President of Insight Consulting, LLC. I am also the Executive Director of ConservAmerica, a national organization working on energy, land, and water issues.

**Q. PLEASE DESCRIBE YOUR EDUCATION.**

A. I have a Master's Degree in Business Administration from the Thunderbird School of Global Management. I have a Bachelor's Degree in Business Management from the University of Phoenix. I am a graduate of numerous U.S. Army schools, including the U.S. Army War College's Combined Arms and Services Staff School, the U.S. Army Officer Advanced Course (Transportation), and the U.S. Army Officer Basic Course (Military Police).

**Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND EXPERIENCE.**

A. From 2004 to present, I have worked as a regulatory consultant for clients in the utility and energy sectors. I worked with Wall Street investment firms from 2004 to 2009, conducting regulatory analysis of federal and state matters ranging from rate cases in numerous states to evaluating liquefied natural gas export terminal feasibility. I have worked with several Arizona utilities, including Arizona Public Service, Tucson Electric Power, Arizona Water Company, Global Water, and, of course, Liberty Utilities. Prior to that, I served as advisor to Commissioner Marc Spitzer at the Arizona Corporation Commission, and on Governor Jane Dee Hull's Native American gaming compact negotiation team. I have also served on the

Commission's Power Plant and Line Siting Committee. I was the Chairman of Arizonans for Responsible Water Policy, an Arizona organization that worked on outreach and education regarding Arizona water issues, challenges, and needs.

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

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

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

A. Yes, I have provided testimony in a number of Commission proceedings on issues such as regulatory policy, water utility acquisitions, utility financial issues, the System Improvement Benefit ("SIB") mechanism, and other topics. Dockets where I have testified or submitted written testimony include:

- Commission Inquiry Regarding Cost of Equity for Class A, B and C Water and Wastewater Utilities (W-00000A-08-0194)
- Arizona Water Company's SIB proceeding (Docket No. W-01445A-11-0310)
- Global Water's last rate case (Docket No. W-01212A-12-0309 et al.)
- Arizona Water Company's Application to Extend its CC&N (Docket No. W-01445A-03-0559)
- EPCOR/Global Water, Willow Valley Utility Application to Transfer the CC&N of Willow Valley to EPCOR (Docket No. W-01732A-15-0131)
- Commisson Investigation into Potential Improvements to its Water Policies, (Docket No. W-00000C-16-0151)

I have also given numerous presentations at regulatory workshops and industry meetings, including a workshop conducted by the Commissioners last month on policy changes relating to the Arizona water and wastewater industry.[1]

[1] Commission Investigation into Potential Improvements to its Water Policies (Docket No. W-00000C-16-0151).

**Q. DID YOU PREVIOUSLY PROVIDE DIRECT TESTIMONY ON BEHALF OF APPLICANTS IN THIS CASE?**

A. No, I did not. However, I was involved in the development of the FARE proposal made by Liberty BV/RR in this case. In addition, I was involved in the settlement in the last Liberty Utilities rate case for Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain"). In fact, I have been involved in Liberty Utilities' rate cases in Arizona for over six years now, including the settlements in the two rate cases that preceded the recent Liberty Black Mountain case.[2]

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. The purpose is to highlight for the Commission the ongoing challenge of trying to develop a constructive relationship with Staff and RUCO. To highlight that challenge, I will address the efforts we have made over the past several years to address the concerns voiced by Staff and RUCO with the APUC/Liberty Utilities shared services model, including the development of a cost allocation manual or CAM, and the dismal results of that effort as evidenced by the testimony of Staff and RUCO on this issue in this current Liberty Utilities rate case. Additionally, I will express my utter disappointment in Staff and RUCO's responses to the Fair Value Arizona Rate Evaluation model ("FARE") Applicants proposed as a pilot program in their rate applications.

## II. <u>SHARED SERVICES AND COST ALLOCATION</u>.

**Q. ARE YOU FAMILIAR WITH THE SHARED SERVICES APPROACH USED TO OPERATE LIBERTY BV/RR?**

A. Yes. I began working with Liberty Utilities in 2010 and the first issue we addressed

[2] The recent Liberty Black Mountain decision is Decision No. 75510 (April 22, 2016). The prior two Liberty Utilities' rate cases involved Liberty Utilities (Litchfield Park Water & Sewer) Corp. ("Liberty Litchfield Park"), Decision No. 74437 (April 18, 2014) and Liberty Rio Rico, Decision No. 73996 (July 30, 2013).

was the ongoing rate case disputes between Liberty Black Mountain and the other Arizona operating subsidiaries, and Staff and RUCO over the costs being allocated down by corporate affiliates providing administrative, financial, operational and other services. We began a series of meetings with Staff that lasted at least two years during which Chris Krygier (then Liberty Utilities' rates manager for Arizona), Greg Sorensen (then Liberty Utilities' President for Arizona), and I met with Staff and addressed Staff's concerns with Liberty Utilities' approach.

I need to emphasize that when I was first retained by Liberty Utilities, the CAM did not yet exist. The CAM was developed in direct response to the concerns expressed in the rate cases that preceded my hiring and developed through the efforts I am describing. And the process was ongoing. After each meeting with Staff, we would rework our overall model, modify the CAM itself, provide additional information to address the concerns we heard, and then we would meet again with Staff to explain the changes we had made based on their concerns. When we reached settlements on all issues, including the cost allocation issues, in the last rate cases for Liberty Rio Rico and Liberty Litchfield Park, we thought our efforts were successful. We thought we had finally reached a point where Staff and RUCO understood the APUC/Liberty Utilities' shared services model and the CAM, agreed these were necessary and reasonable costs of service, and that it would no longer be an issue in every rate case. Turns out we were wrong.

**Q. WHEN DID YOU REALIZE YOU WERE WRONG ABOUT THE SUCCESS OF YOUR EFFORTS WITH STAFF AND RUCO TO ELIMINATE LIBERTY UTILITIES' COST ALLOCATION AS A RATE CASE ISSUE?**

A. The first time was on December 2, 2015, when I received the testimony filed by Staff and RUCO in the then-pending Liberty Black Mountain rate case. That testimony ignored every ounce of effort we had made, as well as the two prior rate case

settlements in which the allocated cost disputes were resolved. Then, when we settled the Liberty Black Mountain case in January 2016, I again thought that we had reached agreement on the need for, and the rationale of, Liberty Utilities' shared services model and the CAM that supports that approach. As I explain further below, that settlement would not have happened had Liberty Utilities known Staff and RUCO would again ignore the progress made and return to challenging the shared services model and cost allocations.

**Q. HAVE YOU REVIEWED THE RECOMMENDATIONS OF STAFF AND RUCO CONCERNING THE APUC/LIBERTY UTILITIES SHARED SERVICES MODEL AND COST ALLOCATION METHODOLOGY IN THIS RATE CASE?**

A. Yes, that was when I knew for a second time that I was wrong about the success of Liberty Utilities' efforts over several years and several rate cases since I was brought on board. Staff and RUCO's recommendation in this rate case show that our efforts have utterly failed.

**Q. DO YOU HAVE AN OPINION ON THESE RECOMMENDATIONS BY STAFF AND RUCO CONCERNING THE TREATMENT OF THE SHARED SERVICES COSTS INCURRED BY APPLICANTS IN THE TEST YEAR?**

A. My opinion is that the positions taken by Staff and RUCO ignore everything that has happened since April 8, 2011. Similarly, if one ignores everything that has happened in the Middle East since 2011, things are going very well and there is no such thing as ISIS.

**Q. WHY DO YOU PICK APRIL 8, 2011 AS THE DATE BEYOND WHICH STAFF AND RUCO IGNORE HISTORY?**

A. Because the past Commission decisions they cite as support for their assertions that the Commission has consistently rejected the Liberty Utilities' approach to cost

allocations are all dated before that time – the last decision they cite is Decision No. 72251, dated April 7, 2011.[3] Every rate case since April 8, 2011 has resulted in a settlement that properly recognized the shared services model and the cost allocations that are allocated through Liberty's CAM.

**Q. WHAT ARE SOME OF THE THINGS THAT OCCURRED AFTER DECISION NO. 72251 THAT STAFF AND RUCO COULD HAVE MENTIONED?**

A. One thing was Decision No. 73996 (July 30, 2013) for Applicant Liberty Rio Rico in which the Commission states that the only issue in dispute by hearing was the cost of capital.[4] This decision has an interesting paragraph on page 14, beginning at line 16:

> Staff and RUCO both disputed the amount of corporate cost allocations … Staff disputed the amount of employee benefit expenses … RUCO disputed the amount of incentive pay, the amortization period for rate case expense, and the level of expense for the Nogales Wastewater Treatment Plant ("NWWTP"). On the first day of the hearing, Staff and RRUI reached agreement on all rate base and income statement issues, as well as on rate design. RUCO reached agreement with the Company and Staff on these issues by the second day of hearing.

Neither Staff nor RUCO says anything about the fact that in the last rate case for Liberty Rio Rico, one of the Applicants, the shared services and cost allocation issues were not in dispute. Nor do they mention that cost allocation was also not an issue in dispute in the next rate case, Decision No. 74437 (April 18, 2014) for Liberty Litchfield Park. These cases, which preceded the Liberty Black Mountain rate case and settlement, reflect the efforts I discussed above to cooperatively resolve issues

[3] *See* Direct Testimony of Teresa B. Hunsaker at 15:1-12, 44:3; Direct Testimony of Timothy J. Coley at 42-43.

[4] Decision No. 73996 at 6:20-21.

related to shared services and cost allocations outside of the rate cases.

**Q. WHEN WAS THE LIBERTY BLACK MOUNTAIN SETTLEMENT REACHED WITH STAFF AND RUCO?**

A. In January, 2016.

**Q. WERE YOU INVOLVED IN THE NEGOTIATIONS THAT LED TO THAT SETTLEMENT AGREEMENT, CORRECT?**

A. Yes, I was.

**Q. DID THE LIBERTY BLACK MOUNTAIN SETTLEMENT AGREEMENT ADDRESS THE COST ALLOCATION ISSUES?**

A. Yes, expressly:

> 2.3.2 APUC/Liberty Utilities Corporate Cost Allocations (Non-Labour): The Parties acknowledge and agree that Liberty Black Mountain seeks recovery for $84,790 in corporate non-labor cost allocations from Liberty Utilities (Sub) Corp., and $37,815 in corporate cost allocations from APUC/Liberty Utilities Canada, as set forth on Settlement Schedule C-2, page 6. *The Parties expressly acknowledge and agree that these costs are reasonable, necessary and acceptable costs of service for Liberty Black Mountain in this rate case.* With respect to the APUC corporate cost allocations, the Parties further acknowledge and agree as follows. (emphasis added)
>
> 2.3.2.1 *Customers of Liberty Black Mountain benefit from Liberty Black Mountain's access to capital through its ultimate patent entity, APUC, which is publicly traded on the Toronto Stock Exchange ("TSX"), and that capital from the TSX would not be available to Liberty Black Mountain if APUC did not incur the corporate costs for the benefit of the Liberty Utilities regulated utilities, including Liberty Black Mountain.* (emphasis added)
>
> 2.3.2.2 *The costs and corporate cost items detailed on Attachment B are reasonable, necessary and acceptable costs of service for Liberty Black Mountain because such costs are part of the costs APUC must pay as a member of the TSX, which is the Company's sole source of equity capital.* (emphasis added)

> 2.3.2.3 The *APUC/Liberty Utilities Cost Allocation Manual ("CAM") and the allocation of costs under the methodologies set forth in the CAM to Liberty Black Mountain and other affiliated companies under the Liberty/APUC umbrella result in a reasonable level of allocated costs for Liberty Black Mountain in this rate case*. (emphasis added)
>
> 2.3.2.4 The Parties' agreement regarding the APUC cost allocation in this Rate Case is not intended to preclude any party from asserting, in a future rate case for the Company or another Liberty Utilities' affiliate, that circumstances have changed, including but not limited to changes in the CAM and corporate cost allocation method, and as such the allocated corporate costs are no longer necessary and reasonable costs of service.

**Q. IS IT FAIR TO SAY THAT LIBERTY UTILITIES AND YOU BELIEVED THE LIBERTY BLACK MOUNTAIN SETTLEMENT WOULD BE APPLICABLE BEYOND JUST THAT RATE CASE?**

A. It would be fair to say that and it would be 100 percent accurate. We expressly told Staff and RUCO this was our view, our intent, and our expectation in no uncertain terms. And this view is clearly reflected in the language of the settlement agreement on this issue that I've cited above. I believe these sections of the Liberty Black Mountain settlement agreement are clear and unequivocal and speak for themselves. It's a fact that there would not have been a settlement in Liberty Black Mountain had we known Staff and RUCO were going to take the positions they have taken in this rate case a mere month after the Commission issued its decision in the Liberty Black Mountain rate case.

**Q. DID THE COMMISSION APPROVE THE LIBERTY BLACK MOUNTAIN SETTLEMENT?**

A. Yes, in Decision No. 75510 (April 22, 2016). That decision has an interesting paragraph regarding the Liberty Utilities' shared services model and cost allocation beginning on page 11, at line 16 that reads:

> The parties [Staff, RUCO, the Boulders Resort, the Town of Carefree, and of course Liberty] agree that Liberty Black Mountain's ability to access capital through APUC, a publicly traded company on the TSX, is a benefit to customers and, as such, a portion of the corporate costs for APUC to maintain its TSX membership should be allocated to those customers. Further, the parties have agreed that the methodologies set forth in the APUC/Liberty Utilities Cost Allocation Manual ("CAM") allocates a reasonable level of costs to Liberty Black Mountain customers as detailed in Attachment A to Exhibit B attached hereto.

Then, in a footnote the Commission added the following language:

> The Comprehensive Settlement points out that the agreement to the use of the CAM and the corporate cost allocations in this case does not preclude any party in future rate proceedings from asserting that the methods and/or the costs are no longer reasonable.[5]

**Q. DOESN'T THAT FOOTNOTE LEAVE THE DOOR OPEN FOR STAFF AND RUCO TO CHALLENGE THE COST ALLOCATIONS IN CASES AFTER THE LIBERTY BLACK MOUNTAIN RATE CASE?**

A. Yes, but only if something changes. The Commission's footnote is clearly taken from section 2.3.2.4, which section clearly contemplates that these issues were being resolved for Liberty Utilities, not just that one operating subsidiary.

**Q. DO YOU RECALL THE DISCUSSIONS THAT RESULTED IN SECTION 2.3.2.4 OF THE LIBERTY BLACK MOUNTAIN SETTLEMENT AGREEMENT?**

A. Yes, quite clearly. Liberty Utilities and I were very explicit in arguing for a resolution of the shared services/cost allocation issues that would avoid the very disputes we now have in this rate case. Remember, we had settled these issues with Staff and RUCO in the last two rate cases before the Liberty Black Mountain filing and we were shocked to see the same issues brought up again in the Black Mountain

[5] Decision No. 75510 at 11, n. 9.

case. In hindsight, Staff and RUCO did the exact same thing in Liberty Black Mountain that they are doing in this case - they are ignoring all our efforts to work with them to develop cost allocation processes and to settle all disputed issues. Instead, Staff and RUCO have once again gone into their "way back" machines to pretend we are still in 2008 or 2011.

**Q. HAVE THERE BEEN MATERIAL CHANGES IN THE SHARED SERVICES MODEL OR CAM SINCE THE LIBERTY BLACK MOUNTAIN SETTLEMENT?**

A. No. The reality is that there have been no significant changes, nor do Staff or RUCO argue that they were free in this rate case to abandon the Liberty Black Mountain settlement because the allocated costs were "no longer" reasonable. To the contrary, both this case and the Liberty Black Mountain case involve the exact same cost allocation methodology. And that's what causes me the most concern.

**Q. WHAT IS IT EXACTLY THAT CONCERNS YOU?**

A. I am afraid that what we are seeing here is no more than duplicity by Staff and RUCO. They are signing settlement agreements making explicit commitments and then breaking them within just a few months.

**Q. HAVE YOU ADDRESSED THIS CONCERN WITH STAFF AND RUCO IN THE PAST?**

A. I have talked explicitly with Staff and RUCO management about this, particularly during the Liberty Black Mountain case settlement negotiations. My point to them was that we had just settled these issues in the last Liberty Utilities' rate cases for Liberty Rio Rico and Liberty Litchfield Park. Their response was essentially that settlements don't count because there are lots of "moving pieces"; so, acceptance of an issue by Staff or RUCO is simply in exchange for something else.

This mindset on the part of Staff and RUCO is why the express language in paragraphs 2.3.2.1 to 2.3.2.4 of the Liberty Black Mountain settlement was added - to make it clear that the agreement on the costs allocations in that case included "other affiliated companies" such as Liberty Bella Vista and Liberty Rio Rico. Both RUCO and Staff agreed to that language with the full understanding of what that language meant. I can only surmise that both Staff and RUCO feel that they aren't bound by clear and unequivocal language in a settlement as evidenced by their testimony in this case. Either that or they simply don't care if they are breaching an agreement with a utility.

**Q. HOW DO YOU FEEL ABOUT THAT VIEWPOINT, MR. WALKER?**

A. I am thankful that Staff and RUCO aren't running hospitals, churches, or businesses, particularly utilities. Because in those settings, if you commit to something you don't get out of it by saying, well, there's a lot of "moving pieces." A utility in Arizona has a host of regulatory requirements, all oriented around ensuring safe, reliable and adequate service at reasonable rates. What if a utility tried to ignore a settlement condition by adopting Staff and RUCO's views? I can answer that. People could die and utility companies could go bankrupt.

Even if we were to allow Staff and RUCO to argue that the Liberty Rio Rico and Liberty Litchfield Park settlements were made on the courthouse steps and shouldn't be binding, I can't read the Liberty Black Mountain settlement and conclude that Staff and RUCO are doing anything other than being duplicitous. Staff and RUCO knew exactly what was intended in that settlement and they went back on their word. Nothing has changed in how services are shared or costs allocated, and neither Staff nor RUCO even asserts that something has changed materially since January, 2016. They simply tossed their commitments in the Liberty Black Mountain settlement into the trash at the first opportunity.

**Q. IF THE COMMISSION ADOPTS STAFF OR RUCO'S RECOMMENDATIONS CONCERNING SHARED SERVICES AND ALLOCATED COSTS, IS THERE ANYTHING YOU BELIEVE THE COMMISSION SHOULD INCLUDE IN ITS ORDER?**

A. Definitely. If the Commission adopts Staff's or RUCO's position contrary to three consecutive settlements, including the Liberty Black Mountain settlement, then I suggest the Commission also decree that utilities are also no longer bound to abide by the terms of rate case settlements. If costs that reoccur in every test year for multiple utilities coming before the Commission for rates are only necessary and reasonable if the whole case is settled, then settlements really do not mean anything after the rate order is issued and utilities should be unleashed from settlements in name only, just like Staff and RUCO.

If the Commission decides to end settlement obligations for Staff and RUCO, it should also allow any utility to "opt out" of its settlement obligations. And there shouldn't be a time limit. In this case, Staff and RUCO started working on their testimony to obliterate their settlement obligations *within just a few months of signing the Liberty Black Mountain settlement.* It is staggering to actually contemplate this, but Staff and RUCO recommended that the Commissioners adopt the Liberty Black Mountain settlement in April, 2016. A month later, they filed their testimony in this case. *In other words, as the Commissioners were unanimously adopting a decision based in part on Staff's and RUCO's signatures on a settlement agreement, Staff and RUCO were drafting testimony to breach their commitments.* This is why I used the word "duplicitous."

## III. FAIR VALUE ARIZONA RATE EVALUATION MODEL – THE FARE.

**Q. PLEASE EXPLAIN YOUR INVOLVEMENT IN THE DEVELOPMENT OF THE PROPOSED FARE.**

A. As discussed above, I have worked with Liberty Utilities for several years now and I am often brought in to consult on significant matters. The decision of the appellate court in the SIB matter (*RUCO v. ACC*, Arizona Court of Appeals Division One, Case No. 1 CA-CC-13-0002, August 18, 2015) was such an event.

I was the Chairman of Arizonans for Responsible Water Policy when I co-authored "Moving Beyond Rate Shock and Regulatory Lag," which was the white paper that led to the Arizona SIB. Liberty Utilities was involved in the development of the SIB and the negotiation of the SIB settlement in the Arizona Water Company rate case where the SIB was first approved.[6] And the Applicants were getting ready to file rate cases including SIB requests when the court's decision was handed down last summer. Within days of the court's decision, a conference call involving a number of Liberty Utilities' executives was held to do more than just commiserate over the loss. Liberty Utilities' response to the court's decision that the SIB was not lawful was to begin a new search for an alternative ratemaking model that would make Arizona a better regulatory environment, for both customers and utilities, and encourage utility investment in Arizona

During the call, the suggestion was made that we look at what the Georgia Public Service Commission (PSC) was doing with its Georgia Rate Adjustment Model (the "GRAM"). Georgia had developed a pilot program for gas utilities that was allowing the Georgia PSC and Georgia gas utilities to consistently achieve their authorized revenues through a ratemaking approach that minimized regulatory lag

[6] *See Arizona Water Company*, Decision No. 73938 (June 27, 2013) at 27-32, 56:16-17, 56:24-27, 57:9-10.

and promoted rate gradualism and rate stability.

**Q. WHAT HAPPENED NEXT, MR. WALKER?**

A. We set out to learn everything possible about the GRAM and then began considering how the GRAM or something like it could be developed for Arizona in compliance with the fair value requirement. The result of that effort was the Fair Value Arizona Rate Model or FARE and Applicants' request that the Commission consider adopting the FARE as a very narrowly constructed pilot program.

**Q. HAVE YOU REVIEWED THE TESTIMONY ON THE FARE FILED BY STAFF AND RUCO?**

A. Yes.

**Q. MR. MEASE ASSERTS THAT THE FARE IS UNLAWFUL AND MR. ARMSTRONG CLAIMS THAT THE FARE WILL NOT BE NECESSARY IF THE COMMISSION'S SIB APPEAL IS SUCCESSFUL. ARE YOU FAMILIAR WITH THE STATUS OF THE LEGAL PROCEEDINGS RELATED TO THE SIB?**

A. Yes. The appeal from the appeals court has been argued before the Arizona Supreme Court and the matter was taken under advisement. I expect a decision any time now.

**Q. DO YOU AGREE THAT THE OUTCOME OF THE SIB PROCEEDINGS IS RELEVANT TO THE COMMISSION'S CONSIDERATION OF THE FARE?**

A. No.[7] On its face, the proposed FARE distinguishes itself from the SIB:

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

[7] Rebuttal Testimony of Peter Eichler at 10:18-24.

Revenue Requirement = Operating Expense + Return on Rate Base[8]

And:

> Liberty Bella Vista and Liberty Rio Rico will make annual filings updating the necessary components of the revenue requirement. With updated and detailed operational and financial data, and using the same capital structure, cost of capital, and rate design approved in the order adopting the FARE, the Commission will have all of the information necessary to make a new finding of fair value and approve a new annual cost for service for each Company based on such finding.[9]

Unlike the SIB, the FARE includes an updated fair value finding and addresses all changes in revenues, expenses and plant. The FARE is designed to comply with Arizona's fair value requirement and stands on its own, whatever the outcome of the Commission's appeal on the SIB to the Arizona Supreme Court.

**Q. DO YOU HAVE A RESPONSE TO RUCO'S ASSERTION THAT THE FARE VIOLATES THE FAIR VALUE REQUIREMENT IN ARIZONA'S CONSTITUTION?**

A. Mr. Mease and I share many things in common. One of those things is that neither of us is an attorney. So his opinion on the constitutionality of the FARE is worth exactly as much as mine. Clearly, though, the difference in our perspectives arises from the fact that I believe the Commission should take steps to ameliorate regulatory lag, promote rate gradualism and rate stability, incent investment to improve infrastructure, and ensure that Arizona is ready to deal with looming and growing water scarcity challenges. In contrast, RUCO is focused on ensuring that the Commission continues the endless flow of general rate cases that set revenue requirements utilities cannot and do not achieve.

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[8] *See* Fair Value Arizona Rate Evaluation Model, September 2015, at 7.

[9] Fair Value Arizona Rate Evaluation Model, September 2015, at 8.

**Q. HOW ABOUT STAFF'S OPINION THAT LIBERTY JUST SORT OF THREW THE FARE TOGETHER AND HOPED THE DETAILS WOULD WORK THEMSELVES OUT? DO YOU HAVE A RESPONSE TO THAT VIEW?**

A. It reminds me of a joke. An artist asked an art critic what his opinion was of his art, the critic said, "It's worthless." The artist replied, "I know, but I'd like to hear it anyway."

Liberty Utilities takes the situation facing Arizona water companies seriously and local management would like very much to be able to attract capital to Arizona on equal terms with the other companies in the APUC portfolio. We worked hard to develop the SIB, and then we worked hard to develop an alternative approach for the Commission to consider. If that looks like throwing something together and hoping for the best to Mr. Armstrong,[10] then it is evident that Mr. Armstrong doesn't understand that significant effort was devoted on developing the FARE or that significant benefits can derived from the its implementation.

It takes a lot of work to do what we have done, and it takes a willingness to create. And creating something new usually results in critics doing what they do best, criticizing and judging before they even attempt to understand. That's all Staff has done here. Staff immediately saw that we were proposing a deviation to the status quo and opposed it. I think the Commissioners should demand more from Staff than blind adherence to the way things are.

**Q. THANK YOU, MR. WALKER. HAS LIBERTY CONTINUED TO WORK ON THE DEVELOPMENT OF THE FARE?**

A. Yes. Liberty BV/RR continue to work to build a "dashboard" that will make it

[10] *See* Direct Testimony of James R. Armstrong at 5.

simple for Staff and RUCO to track changes in Liberty BV/RR accounts (balance sheet, income statement, cash flows). The FARE Dashboard is one of the tools of the FARE aimed at making the entire regulatory oversight process more transparent and more effective for the Commission.

To the business world, the "dashboard" concept is not new. There are various programs in existence that are being used by businesses and non-profits to track data change. That's what dashboards do – they track and show the user data change. Dashboards take the input data, compare it to historical data, and display it pretty much any way you want. Do you like pie charts? Great, look at pie charts. Do you prefer bar graphs? Not a problem. Some people like X – Y plots; others like line graphs. With a dashboard, the user can select the graphic they want to use to get the top-line overview of the data. What Liberty Utilities is trying to do here is present the Commission with something it doesn't have right now – the ability to quickly determine the top-line status of utilities with regard to their income, their capital expenditures, their operating expenses, etc., etc.

Liberty BV/RR proposes to use current programming and data management tools to provide Staff and RUCO with a visual, interactive, "dashboard" that graphs out year-on-year, and quarter-on-quarter, changes to financial statement items. Under the FARE, Staff and RUCO wouldn't have to pull up past reports, or calculate change, the program would literally do that for them and use graphic displays to present the "top line" information. Staff and RUCO could then "click thru" the graphic to investigate specific changed factors. And they would then be able to click thru developing a data request on the specific factor(s) on which they would like more detail.

**Q. CAN YOU PROVIDE AN ILLUSTRATION OF THE DASHBOARD?**

A. Yes, I've supplied, as **Exhibit PW-RB1**, two ways of looking at plant schedules in our dashboard.

**Q. HAVE STAFF OR RUCO MADE ANY RECOMMENDATIONS TO MODIFY THE FARE TO ADDRESS ANY CONCERNS THEY MAY HAVE?**

A. No. Both recommend denying it and have made no effort to work with Liberty BV/RR to make the FARE something they could support.

**Q. HAVE STAFF OR RUCO ATTEMPTED TO MEET WITH LIBERTY TO DISCUSS ANY CONCERNS REGARDING THE FARE?**

A. No.

**Q. HAS STAFF OR RUCO REQUESTED A PRESENTATION OF THE FARE DASHBOARD?**

A. No.

**Q. HAVE STAFF OR RUCO REQUESTED ACCESS TO THE FARE DASHBOARD PORTAL?**

A. No.

**Q. MR. WALKER, DO YOU HAVE AN OPINION AS TO WHY STAFF AND RUCO HAVE BOTH SEEMINGLY REJECTED THE FARE "OUT-OF-HAND" AS THE EXPRESSION GOES?**

A. Yes. Staff makes it abundantly clear, in my opinion. In response to Liberty BV/RR Data Request 3.27, Staff stated that "[T]he result of the SIB appeal could impact the need for consideration of any other ratemaking alternatives or possibly impact the structure of other ratemaking alternatives or cost recovery mechanisms."[11] One can read that two ways: First, if the Commission wins the SIB appeal, Staff is saying

[11] Copy attached as **Exhibit PW-RB2**.

there is no need for consideration of any other ratemaking alternatives. Second, if the Commission loses the SIB appeal, Staff is saying it doesn't know how it would structure "other ratemaking alternatives or cost recovery mechanisms."

In other words, the status quo is just fine. If the SIB appeal comes out the way the Commissioners want, Staff apparently thinks there's nothing else the Commissioners *should* do to change status quo. And if the SIB appeal comes out the way Commissioners don't want it to, then Staff apparently thinks there's nothing else the Commissioners *can* do to change status quo. So, from Staff's view, no matter what happens with the SIB appeal, status quo remains the order of the day.

**Q. DO YOU STILL BELIEVE THE COMMISSION COULD FURTHER THE PUBLIC INTEREST BY APPROVING THE FARE AS A PILOT PROGRAM, MR. WALKER?**

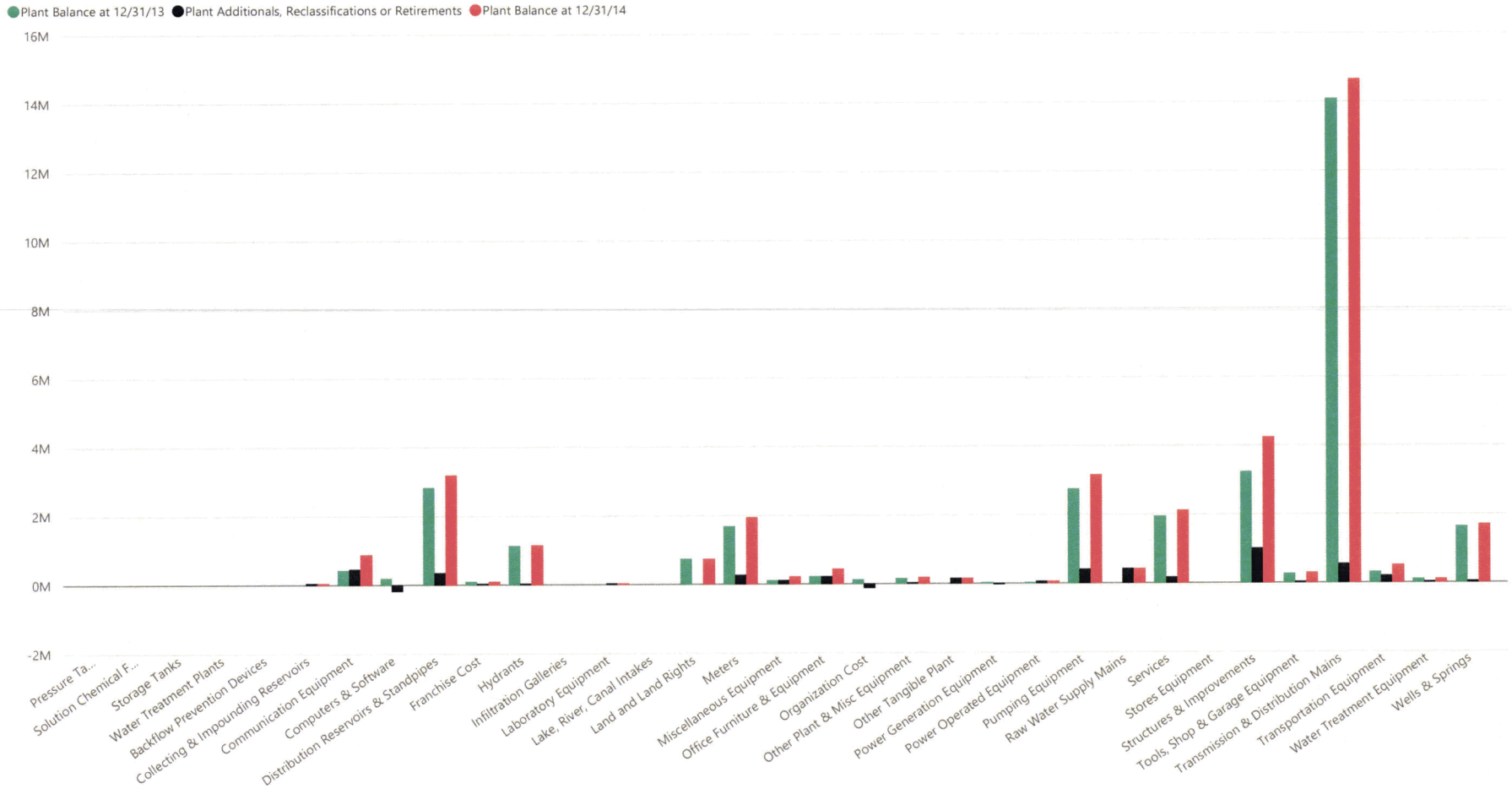
A. Yes, if anything, Staff and RUCO's "preserve the status quo" responses to the FARE show how much an alternative is needed. Yes, Liberty BV/RR proposed something different, and different isn't always easy. But this is not about the easy road. It's about the need for fundamental changes in how rates are set and the reality that nothing will change if we just keep the status quo. So, if the Commissioners share Staff's and RUCO's perspective that things are good the way they are and that our state's more than 300 regulated water and sewer companies have all they need to meet the looming challenges ahead, then they should listen to them and reject the FARE. This Commission will have missed a tremendous opportunity to take a real step towards fundamental improvements that will help utilities meet those looming challenges, which will benefit customers and utilities alike. But the status quo will have been preserved.

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

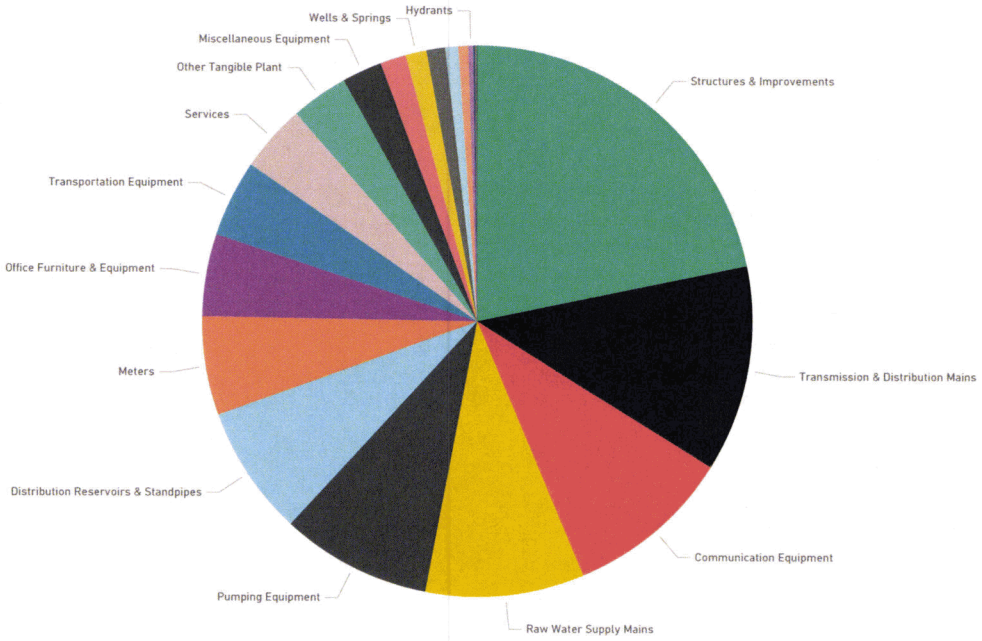
A. Yes.

# EXHIBIT PW-RB1

Plant Balance at 12/31/13, Plant Additionals, Reclassifications or Retirements and Plant Balance at 12/31/14 by Plant Description



Plant Additionals, Reclassifications or Retirements by Plant Description



# EXHIBIT PW-RB2

**ARIZONA CORPORATION COMMISSION STAFF'S RESPONSES TO LIBERTY UTILITIES (BELLA VISTA WATER) CORP. AND LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.'S THIRD SET OF DATA REQUESTS TO ARIZONA CORPORATION COMMISSION UTILITIES DIVISION STAFF DATED MAY 26, 2016**
**DOCKET NO. W-02465A-15-0367, ET AL.**
**JUNE 2, 2016**

**3.27** How exactly would consideration of the FARE impact the pending SIB appeal (Armstrong DT at 7) such that Staff recommends the Commission not "get ahead" of the appeal by adjudicating the FARE?

**RESPONSE:**

Consideration of the FARE would not necessarily impact the SIB appeal. However, the result of the SIB appeal could impact the need for consideration of any other ratemaking alternatives or possibly impact the structure of other ratemaking alternatives or cost recovery mechanisms.

**RESPONDENT: JIM ARMSTRONG**

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

**BEFORE THE ARIZONA CORPORATION COMMISSION**

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|---|---|
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: W-02465A-15-0367 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $4,700,000. | DOCKET NO: W-02465A-15-0370 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: WS-02676A-15-0368 |

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| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $8,900,000. | DOCKET NO: WS-02676A-15-0371 |

**REBUTTAL TESTIMONY OF**

**THOMAS J. BOURASSA**

**RATE BASE, INCOME STATEMENT AND RATE DESIGN**

**June 20, 2016**

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## I. INTRODUCTION.

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

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

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

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

**Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY ON BEHALF OF APPLICANTS IN THIS CASE?**

A. Yes, my direct testimony was submitted in support of the initial applications in this consolidated docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. I will provide rebuttal testimony in response to the direct filings by Staff and RUCO. More specifically, this first volume of my rebuttal testimony relates to rate base, income statement and rate design for Liberty BV/RR. In a second, separate volume of my rebuttal testimony, I will present an update to Applicants' requested cost of capital, and provide rebuttal to Staff and RUCO on the cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

## II. SUMMARY OF THE LIBERTY RIO RICO AND LIBERTY BELLA VISTA REBUTTAL POSITION.

### A. LIBERTY RIO RICO.

**Q. WHAT REVENUE INCREASE IS LIBERTY RIO RICO PROPOSING FOR ITS WATER AND SEWER DIVISIONS IN THIS REBUTTAL TESTIMONY?**

A. For the water division, Liberty Rio Rico proposes a total revenue requirement of $4,008,687, which constitutes an increase in revenues of $964,782, or 31.70 percent over adjusted test year revenues. For the sewer division, Liberty Rio Rico proposes a total revenue requirement of $1,659,039, which constitutes an increase in revenues of $180,716, or 12.22 percent over adjusted test year revenues.

**Q. HOW DOES THIS COMPARE WITH LIBERTY RIO RICO'S DIRECT FILING?**

A. In the direct filing, Liberty Rio Rico requested a total revenue requirement for the water division of $3,716,628, which reflected an increase of $683,836 or 22.55 percent over adjusted test year revenues. For the sewer division, Liberty Rio Rico requested a total revenue requirement of $1,704,674, which reflected an increase of $226,351 or 15.31 percent over adjusted test year revenues.

**Q. WHAT'S DIFFERENT?**

A. In its rebuttal filing, Liberty Rio Rico has adopted a number of rate base and revenue/expense adjustments recommended by Staff and/or RUCO, as well as proposed additional adjustments. For the water division, the net result of these adjustments is that the Liberty Rio Rico's proposed test year operating revenues have increased by $11,114, from $3,032,792 in the direct filing to $3,043,906, and operating expenses have increased by $46,108, from $2,692,502 in the direct filing to $2,738,610. This includes an increase of $1,589,900 in rate base from the direct

filing of $8,861,632 to $10,451,531 due to proposed changes to plant-in-service ("PIS"), accumulated depreciation ("A/D"), Advances–in-Aid of Construction ("AIAC"), Contributions-in-Aid of Construction ("CIAC"), Accumulated Deferred Income Taxes ("ADIT"), and cash working capital ("CWC").

**Q. WHAT ARE THE MAIN REASONS FOR THE CHANGE IN THE REVENUE REQUIREMENT FOR THE WATER DIVISION?**

A. Liberty Rio Rico proposes to reduce revenues another approximately $11K from an update to its usage normalization adjustment and to increase contractual services (professional and other) combined by approximately $16K (net) to reflect corrections to the corporate cost pools which serve as a basis for allocation of corporate expense to Liberty Rio Rico's water division as well as reflect updated allocation factors. Liberty Rio Rico also proposes an increase to depreciation expense of approximately $67K which reflects changes to depreciation expense from proposed changes to PIS, including reclassifications of plant and true-up of plant totaling an increase of over $1.1 million.

Rate base is increased by nearly $1.6 million, reflecting the proposed reclassifications of plant and true-up of plant totaling an increase of over $1.1 million, and ADIT is reduced by approximately $574K, reflecting updated tax information.

**Q. HAS LIBERTY RIO RICO CHANGED ITS PROPOSED RETURN ON RATE BASE FOR THE WATER DIVISION?**

A. No. Liberty Rio Rico continues to propose an 8.6 percent return on rate base that is based upon a capital structure consisting of 30 percent debt and 70 percent equity, a cost of debt of 3.46 percent, and a return on equity of 10.8 percent. I discuss the proposed capital structure, cost of debt, and cost of equity in the second volume of my rebuttal testimony covering cost of capital.

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE DIFFERENCE BETWEEN LIBERTY RIO RICO'S DIRECT FILING AND ITS REBUTTAL FILING.**

A. For the sewer division, the net result of Liberty Rio Rico's proposed rebuttal adjustments is that Liberty Rio Rico's proposed test year operating expenses have decreased by $21,089, from $1,157,347 in the direct filing to $1,136,258. This includes a decrease of $82,715 in rate base from the direct filing of $5,357,558 to $5,275,096 due to proposed changes to PIS, A/D, AIAC, CIAC, ADIT, and CWC.

**Q. WHAT ARE THE MAIN REASONS FOR THE CHANGE IN THE REVENUE REQUIREMENT FOR THE SEWER DIVISION?**

A. Liberty Rio Rico proposes to reduce contractual services (professional and other) combined by approximately $3K (net) to reflect corrections to the corporate cost pools which serve as a basis for allocation of corporate expense to Liberty Rio Rico's sewer division as well as reflect updated allocation factors. Liberty Rio Rico also proposes a reduction to depreciation expense of approximately $30K which reflects changes to depreciation expense from proposed changes to PIS, including reclassifications of plant and true-up of plant totaling a decrease of approximately $425K.

Rate base is reduced by nearly $83K million, reflecting the proposed reclassifications of plant and true-up of plant totaling a decrease of approximately $425K, and ADIT is reduced by approximately $408K, reflecting updated tax information.

**Q. HAS LIBERTY RIO RICO CHANGED ITS PROPOSED RETURN ON RATE BASE FOR THE SEWER DIVISION?**

A. No. Liberty Rio Rico continues to propose an 8.6 percent return on rate base which I discussed above.

**Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR LIBERTY RIO RICO, STAFF AND RUCO AT THIS STAGE OF THE PROCEEDING?**

A. The proposed revenue requirements and proposed rate increases for the water division are as follows:

| | Revenue Requirement | Revenue Incr. | % Increase |
|---|---|---|---|
| Liberty Rio Rico-Direct | $3,716,628 | $683,836 | 22.55% |
| Staff | $3,445,090 | $412,298 | 13.59% |
| RUCO | $3,381,836 | $252,282 | 9.17% |
| Liberty Rio Rico-Rebuttal | $4,008,687 | $964,782 | 31.70% |

The proposed revenue requirements and proposed rate increases for the sewer division are as follows:

| | Revenue Requirement | Revenue Incr. | % Increase |
|---|---|---|---|
| Liberty Rio Rico-Direct | $1,704,674 | $226,351 | 15.31% |
| Staff | $1,458,298 | $ (20,025) | -1.35% |
| RUCO | $1,447,005 | $ (31,318) | -2.12% |
| Liberty Rio Rico-Rebuttal | $1,659,039 | $180,716 | 12.22% |

**B. LIBERTY BELLA VISTA.**

**Q. WHAT REVENUE INCREASE IS LIBERTY BELLA VISTA PROPOSING IN THIS REBUTTAL TESTIMONY?**

A. Liberty Bella Vista proposes a total revenue requirement of $5,843,277, which constitutes an increase in revenues of $1,285,580, or 28.21 percent over adjusted test year revenues

**Q. HOW DOES THIS COMPARE WITH LIBERTY BELLA VISTA'S DIRECT FILING?**

A. In the direct filing, Liberty Bella Vista requested a total revenue requirement for the

water division of $6,179,027, which reflected an increase of $1,554,297 or 33.61 percent over adjusted test year revenues.

**Q. WHAT'S DIFFERENT?**

A. In its rebuttal filing, Liberty Bella Vista has adopted a number of rate base and revenue/expense adjustments recommended by Staff and/or RUCO, as well as proposed additional adjustments of its own. The net result of these adjustments is that Liberty Bella Vista's proposed test year operating revenues have decreased by $67,033, from $4,624,730 in the direct filing to $4,557,697, and operating expenses have decreased by $85,049, from $4,371,156 in the direct filing to $4,286,107. This includes a decrease of $1,588,991 in rate base from the direct filing of $13,205,189 to $11,616,198 due to proposed changes to PIS, A/D, AIAC, CIAC, ADIT, and CWC.

**Q. WHAT ARE THE MAIN REASONS FOR THE CHANGE IN THE REVENUE REQUIREMENT FOR LIBERTY BELLA VISTA?**

A. Liberty Bella Vista proposes to reduce revenues another approximately $11K from an update to its usage normalization adjustment, and proposes to increase contractual services (professional and other) combined by approximately $16K (net) to reflect corrections to the corporate cost pools which serve as a basis for allocation of corporate expense to Liberty Rio Rico's water division as well as reflect updated allocation factors. Liberty Bella Vista also proposes an increase to depreciation expense of approximately $67K which reflects changes to depreciation expense from proposed changes to PIS, including reclassifications of plant and true-up of plant totaling an increase of over $1.1 million.

Rate base is increased by nearly $1.6 million, reflecting the proposed reclassifications of plant and true-up of plant totaling an increase of over $1.1 million, and ADIT is reduced by approximately $574K, reflecting updated tax

information.

**Q. HAS LIBERTY BELLA VISTA CHANGED ITS PROPOSED RETURN ON RATE BASE?**

A. No. Liberty Bella Vista continues to propose an 8.6 percent return on rate base that is based upon a capital structure consisting of 30 percent debt and 70 percent equity, a cost of debt of 3.46 percent, and a return on equity of 11.6 percent. I discuss the proposed capital structure, cost of debt, and cost of equity in the second volume of my rebuttal testimony covering cost of capital.

**Q. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR LIBERTY BELLA VISTA, RUCO AND STAFF AT THIS STAGE OF THE PROCEEDING?**

A. The proposed revenue requirements and proposed rate increases are as follows:

| | Revenue Requirement | Revenue Incr. | % Increase |
|---|---|---|---|
| Liberty Bella Vista-Direct | $6,179,027 | $1,554,292 | 33.61% |
| Staff | $5,323,327 | $ 607,597 | 13.14% |
| RUCO | $5,219,033 | $ 501,806 | 9.17% |
| Liberty Bella Vista-Rebuttal | $5,843,277 | $1,285,580 | 28.21% |

## III. REBUTTAL SCHEDULES.

### A. LIBERTY RIO RICO – WATER DIVISION.

#### 1. Rate Base (B schedules).

##### a. Overview.

**Q. PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE LIBERTY RIO RICO WATER DIVISION.**

A. The rate bases proposed by parties are as follows:

| | OCRB | FVRB |
|---|---|---|
| Liberty Rio Rico-Direct | $ 8,861,632 | $ 8,861,632 |
| Staff | $ 9,266,140 | $ 9,266,140 |
| RUCO | $ 8,892,216 | $ 8,892,216 |
| Liberty Rio Rico-Rebuttal | $ 10,450,531 | $ 10,450,531 |

**Q. PLEASE EXPLAIN WHY RATE BASE HAS INCREASED BY OVER $1.6 MILLION.**

A. The increase of approximately $1.6 million is primarily driven by a reclassification of post-test year ("PTY") plant from the sewer division to the water division of approximately $493,000, an increase in PTY plant of approximately $647,286 from a true-up of plant costs,[1] and a reduction to ADIT of approximately $574,205 from an update in the tax basis information for 2014.

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED ORIGINAL COST RATE BASE AND RELATED ADJUSTMENTS FOR THE WATER DIVISION?**

A. Yes. Liberty Rio Rico's rebuttal rate base adjustments OCRB are detailed on Rebuttal Schedule B-2, pages 3 through 7. Rebuttal Schedule B-2, pages 1 and 2, summarize Liberty Rio Rico's proposed adjustments and the rebuttal OCRB.

**b. <u>Plant-in-Service (PIS)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED WATER DIVISION REBUTTAL ADJUSTMENTS TO PIS AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

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[1] Liberty Rio Rico misclassified $493,422 of PTY plant to the sewer division in its direct filing. This plant should have been for the water division. Also, Liberty Rio Rico originally proposed approximately $816,000 of PTY plant, but the true-up of costs added another $605,000 of costs.

A. Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page 2, consists of four adjustments labeled as "A," "C," "F," and "G" on Rebuttal Schedule B-2, page 3.

Rebuttal adjustment A reflects the reclassification of PIS. The net impact on PIS of the reclassification adjustments is an increase of $493,422. Staff recommends a similar reclassification of PIS increasing PIS by $493,422.[2] The $493,422 stems from a reclassification of PTY plant from the sewer division to the water division.[3] While both parties' adjustments net to the same amount, there is a $1,179 difference in the reclassified amount between account 340 – Furniture and Fixtures and account 340.1- Computers and Software.[4]

**Q. DOES RUCO PROPOSE A SIMILAR ADJUSTMENT TO RECLASSIFY PLANT?**

A. RUCO only proposes a reclassification for PTY plant from the sewer division to the water division but did not propose the other reclassifications made by Liberty Rio Rico and Staff.[5]

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment B is intentionally left blank. Rebuttal adjustment C increases PIS by $647,286 reflecting a true-up of year-end plant accruals and PTY Plant.

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[2] *See* Direct Testimony of Teresa B. Hunsaker ("Hunsaker Dt.") at 27.

[3] *See* Water Division Rebuttal Schedule B-2, page 3.1.

[4] Specifically, Staff reclassifies $82,050 from account 340 – Furniture and Fixtures to account 340.1 – Computers and Software in its adjustment number 2 on Staff Water Division Schedule TBH-4, whereas Liberty Rio Rico reclassifies $80,853 as shown on Water Division Rebuttal Schedule B-2, page 3.1, a difference of $1,179. *Compare* Water Division Rebuttal Schedule B-2, page 3.1 with Staff Water Division Schedule TBH-6.

[5] *See* Direct Testimony of Timothy J. Coley ("Coley Dt.") at 10. *See also* RUCO Water Division Schedule TJC-4(b). Reclassified PTY plant amounts from the sewer division to the water division are included as adjustments to accounts 304 – Structures and Improvements ($189,417) and 311 – Electric Pumping Equipment ($304,005) totaling $493,422.

Staff proposes a similar adjustment totaling $642,967.[6] The total difference in the true-up of year-end plant accruals and true-up of PTY plant between Liberty Rio Rico and Staff is only $4,319.[7] Liberty Rio Rico is working with Staff to resolve the differences.

**Q. DOES RUCO PROPOSE A SIMILAR ADJUSTMENT TO TRUE-UP THE YEAR-END ACCRUALS AND PTY PLANT?**

A. RUCO only proposes a true-up to PTY plant.[8] Compared to Liberty Rio Rico, RUCO proposes $47,479 less in true-up adjustments.[9]

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment D is intentionally left blank.

Rebuttal adjustment E is intentionally left blank.

Rebuttal adjustment F reflects a true-up of allocated corporate plant. The true-up includes restating allocated corporate plant using updated current allocation factors. Liberty Rio Rico recommends an allocated corporate plant balance of

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[6] Hunsaker Dt. at 28-29. *See also* Staff Water Division Schedule TBH-4, adjustment number 3.

[7] Specifically, Liberty Rio Rico (1) increases account 311 – Pumping Equipment by $56 less than Staff ($64,896 for Liberty Rio Rico and $64,952 for Staff), (2) increases account 320.2 – Chemical Solution feeders by $434 more than Staff ($434 for Liberty Rio Rico and $0 for Staff), and (3) increases account 331 – Transmission and Distributions Mains by $3,943 more than Staff ($60,098 for Liberty Rio Rico and $56,155 for Staff).

[8] *See* RUCO Water Division Schedule TJC-4, adjustment b.

[9] Specifically, Liberty Rio Rico proposes a total PTY plant true-up adjustment of $647,286 and a reclassification adjustment of $493,422 totaling $1,098,797, whereas RUCO proposes a true-up adjustment of $1,092,510 which includes a reclassification from the sewer division to the water division of $493,422 as reflected in the RUCO work papers. The difference in total recommendations between Liberty Rio Rico and RUCO is only $6,287 for PTY plant. Liberty Rio Rico proposes $4,488 more to account 334 – Meters, and $1,800 more to account 340.1 while RUCO proposes $0. Liberty Rio Rico also proposes to true-up year-end plant accruals by $41,190, whereas RUCO does not propose any adjustment to true-up the year-end accruals. The total difference between Liberty Rio Rico and RUCO in PTY plant true-up and year-end accruals is $47,479 ($41,190 + $6,287).

$319,342 for the water division.[10] Liberty Rio Rico has adopted Staff's corporate plant balances,[11] which serve as the basis of Liberty Rio Rico's proposed allocated corporate plant.

**Q. WHAT DO YOU MEAN "UPDATED," MR. BOURASSA?**

A. Specifically, the allocation factor from Liberty Utilities (Canada) Corp. ("Liberty Utilities Canada" or "LUC") is adjusted downward from 15.64 percent to 12.94 percent to reflect additional acquisitions since the end of the test year.[12] The allocation factor used to allocate Liberty Utilities (Sub) Corp. plant to Liberty Rio Rico's water division is increased from the 6.39 percent used in the direct filing to 8.18 percent to reflect the current 4-factor computation, which also reflects changes in the relocation of the Missouri assets from Liberty Utilities (Sub) Corp. to Liberty Utilities (Midstates Natural Gas) Corp. ("Liberty Utilities Midstates"). Essentially, Liberty Utilities (Sub) Corp. originally was responsible for managing and operating water affiliates in Illinois (Liberty Utilities (Fox River Water) LLC ("Liberty Fox River")) and in Missouri (Liberty Utilities (Missouri Water) LLC ("Liberty Missouri Water")). Those two affiliates were included in the original allocations to Liberty Utilities (Sub) Corp. Those affiliates are now operated and managed by Liberty Utilities' office in Missouri, so Liberty Utilities (Sub) Corp. does not include Liberty Fox River or Liberty Missouri Water in its allocations from the corporate parents.

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[10] *See* Water Division Rebuttal Schedule B-2, page 3.6

[11] Hunsaker Dt. 24. Liberty Rio Rico has adopted the Staff recommended corporate building, land, and HRIS computer system costs that have been stated in U.S dollars and reflect the removal of non-recoverable leasehold improvements. Liberty Rio Rico inadvertently did not state the corporate building and land costs in U.S. dollars in its direct filing. Liberty Rio Rico examined the Staff work papers and confirmed the adjustment for non-recoverable leasehold improvements in Staff's recommendations.

[12] Revised allocation factors were provided in Liberty Rio Rico's response to Staff Data Request TBH 6.3 and Liberty Rio Rico's revised response to Staff Data Request 6.1(a).

**Q. OKAY, YOU MENTIONED ACQUISITIONS AFTER THE END OF THE TEST YEARS. HAS THE PARENT COMPANY PURCHASED ADDITIONAL FACILITIES CAUSING ANY CHANGES TO ALLOCATION PERCENTAGES?**

A. Yes, in January 2016, Liberty Utilities Co. closed on the acquisition of Western Water Holdings, LLC, which is the holding company for two water systems in California operated by Liberty Utilities (Park Water) Corp. ("Liberty Park Water") and Liberty Utilities (Apple Valley Ranchos Water) Corp. ("Liberty Apple Valley") and one system in Montana operated by Mountain Water Company. As a result of that acquisition, Liberty Park Water, Liberty Apple Valley and Mountain Water Company are regulated entities now owned and operated by Liberty Utilities. The effect of that acquisition reduces Liberty Utilities (Sub) Corp.'s share of expenses allocated from Algonquin Power and Utilities Corp. ("APUC") and Liberty Utilities Canada from 16.17 percent to 12.23 percent. However, Montana Water Company is being condemned by the City of Missoula, and there is a court order stating that Missoula has the right to condemn and take Montana Water Company. For this reason, Liberty BV/RR does not consider the effects of the acquisition of Montana Water Company to be a known and measurable change to test year results. Thus, Liberty Utilities (Sub) Corp.'s share of allocated expenses should be based on an adjusted allocation percentage of 12.94 percent.

**Q. IN EFFECT, HAS THE ACQUISITION OF WESTERN WATER HOLDINGS RESULTED IN BENEFITS TO RATEPAYERS OF LIBERTY BV/RR?**

A. Yes, as described above, there has been an expense reduction to ratepayers caused by the acquisition of Western Water Holdings.

**Q. IN STAFF'S TESTIMONY, DOES STAFF CLAIM THAT CERTAIN ALLOCATED COSTS SHOULD BE DISALLOWED BECAUSE APUC IS IN AN "ACQUISITION MODE"?**

A. Yes, Staff recommends disallowance of certain corporate costs, in part, because Staff believes that these costs are shareholder costs which enable Liberty BV/RR to raise capital to acquire new companies.[13] Staff states that "Arizona water and wastewater customers should not be burdened by *any* of these costs" (emphasis added).[14] This argument is flawed for many reasons, including the simple reason that Arizona ratepayers benefit from the Western Water Holdings acquisition through reduced cost allocations. Put another way, the acquisition of Western Water Holdings did not increase the corporate costs allocated to Liberty BV/RR in any way.

**Q. DOES STAFF RECOMMEND REDUCING LIBERTY BV/RR EXPENSE TO REFLECT RECENT ACQUISITIONS?**

A. Yes.

**Q. SO, IN EFFECT, DOES STAFF RECOMMEND THAT EXPENSES BE REDUCED FROM ACQUISITIONS BUT SIMULTANEOUSLY RECOMMEND THAT THE COSTS ALLEGED TO BE RELATED TO ACQUISITIONS SHOULD NOT BE BORNE BY RATEPAYERS?**

A. Yes, Staff seems to be arguing both sides of the same coin here.

**Q. DOES LIBERTY BV/RR DISAGREE WITH STAFF'S RECOMMENDATION?**

A. Yes. In addition to fundamental disagreement over the appropriateness of these costs, Staff should not expect customers to reap benefits from acquisitions through

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[13] Hunsaker Dt. at 22.

[14] *Id.*

lower costs and simultaneously recommend that certain of those costs be borne by shareholders.

**Q. THANK YOU. DO THE THREE PARTIES AGREE ON THE ALLOCATED CORPORATE PLANT BALANCES?**

A. No. Staff recommends an allocated corporate plant balance of $177,263, a difference to Liberty Rio Rico's recommended balance of $142,079. Liberty Rio Rico has adopted Staff's corporate plant balances,[15] which serve as the basis of Liberty Rio Rico's proposed allocated corporate plant. However, while Liberty Rio Rico and Staff agree on the corporate building and land balances that serve as the basis for allocating to the water division, the difference between Liberty Rio Rico's recommended allocated corporate plant costs for the water division and Staff's is two-fold.

First, Staff uses the allocation factors from Liberty Rio Rico's direct filing for the water division whereas Liberty Rio Rico proposes to use updated current allocation factors. The current factors are a better reflection of allocated costs considering known and measureable changes to reflect the costs on a going forward basis. Second, Staff allows only 21.705 percent of the allocated corporate building and land costs to reflect a disallowance of corporate capital costs.[16] The 21.705 percent is based on the number of employees generating the allowable expenses provided in Table 5 in Ms. Hunsaker's testimony.[17]

**Q. DOES LIBERTY RIO RICO AGREE WITH STAFF ON THIS POINT?**

A. No. Liberty Rio Rico disputes Staff's disallowed allocated corporate expenses and

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[15] *See* footnote 11.

[16] Hunsaker Dt. at 22, 25. Per the Staff work papers, Staff allows only 21.705 percent of the corporate capital costs.

[17] Staff did not explain or provide a computation of the 21.705 percent.

this would apply to corporate plant as well. Liberty BV/RR witnesses Matthew Garlick and Bill Killeen address capitalization of indirect overhead ("INDOH") corporate costs in their rebuttal testimonies.[18]

**Q. WHAT ABOUT RUCO?**

A. RUCO recommends an allocated corporate plant balance of $129,748, $189,594 lower than Liberty Rio Rico's recommend balance. RUCO's recommended allocated plant balance is lower for two reasons. First, RUCO does not use the updated current allocation factors. Second, RUCO proposes to disallow all of the allocated corporate building, land, and the HRIS computer system allocated from Liberty Utilities Canada. RUCO recommends disallowance of these costs, in part, because the corporate building and land were not stated in U.S. dollars and the building costs included non-recoverable leasehold improvement costs.[19]

**Q. ARE THE ALLOCATED CORPORATE BUILDING AND LAND COSTS LIBERTY RIO RICO NOW USES AS THE BASIS FOR ALLOCATING TO THE WATER DIVISION STATED IN U.S. DOLLARS?**

A. Yes. As I stated earlier on pages 10-11, Liberty Rio Rico has adopted the Staff recommended corporate building and land costs that serve as the basis for the allocation to the water division. These costs have also been restated in U.S dollars.[20]

**Q. WHAT ABOUT THE NON-RECOVERABLE LEASEHOLD IMPROVEMENT COSTS?**

A. These costs have also been removed as I discussed at pages 10-11.

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[18] Rebuttal Testimony of Matthew Garlick ("Garlick Rb.") at 3-6; Rebuttal Testimony of William R. Killeen ("Killeen Rb.") at 24-29.

[19] Coley Dt. at 27.

[20] *See* footnote 11.

**Q. DOES LIBERTY RIO RICO'S RECOMMENDATION TO ALLOCATE CORPORATE BUILDING, LAND, AND HRIS SYSTEM COSTS VIOLATE LIBERTY RIO RICO'S COST ALLOCATION MANUAL?**

A. I fail to see how it violates the Cost Allocation Manual ("CAM") and RUCO has not explained why including these allocated corporate costs would do so.[21] While the CAM deals with expense allocations and not capital expenditure allocations, the corporate plant costs are still allocated using the same factors as expenses. Further, RUCO has not explained why it allows the corporate allocated costs from Liberty Utilities (Sub) Corp. but disallows capitalization of the Liberty Utilities Canada costs, both of which are allocated corporate plant used in providing service to Applicants' customers.

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF REBUTTAL PLANT IN SERVICE FOR LIBERTY RIO RICO'S WATER DIVISION.**

A. Rebuttal adjustment G reflects the reconciliation of PIS to the reconstructed PIS balances shown on Rebuttal Schedule B-2, pages 3.8 to 3.10.

**Q. PLEASE DISCUSS THE RECOMMENDED PIS BALANCES OF THE PARTIES.**

A. Based upon its rebuttal recommendations, Liberty Rio Rico recommends a total PIS balance of $38,553,964. Staff recommends a PIS balance of $37,918,836, which is $635,128 less than Liberty Rio Rico. The difference is primarily due to the $142,079 difference between the parties with respect to allocated corporate PIS, discussed earlier on page 14, and a $488,729 difference arising out of Staff's recommended disallowance of capitalized INDOH, which Liberty Rio Rico does not adopt.[22]

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[21] Coley Dt. at 28:9-11.

[22] Hunsaker Dt. at 34. *See also* Staff Water Division Schedule TBH-4, adjustment 5 removing capitalized overhead.

The remaining difference of $4,319 relates to differences in each of the parties recommendations to true-up year-end plant accruals and PTY plant costs discussed earlier on page 10.

**Q. PLEASE EXPLAIN WHY LIBERTY RIO RICO DISAGREES WITH STAFF'S RECOMMENDATION TO REMOVE CAPITALIZED OVERHEADS.**

A. The capitalized overheads are legitimate capital costs as they are indirect costs arising from indirect support of capital projects.[23] The capitalization of INDOH is a common practice for larger utilities that have entire departments with employees (engineering and support staff) and costs related to those employees (rents, office supplies, utilities, etc.) when those employees are 100 percent dedicated to the support of capital projects. There may even be costs from non-dedicated employees who spend a portion of their time supporting capital projects (finance, planning, and accounting). Not all of these costs are directly charged to projects through time sheets. But, the costs that are not directly charged (INDOH) would not exist but for the support of capital projects. Thus, they are allocated to the open and on-going projects based upon the relative costs at the time the costs are incurred. This is a common method and is consistent with the National Association of Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA") accounting instructions for utility plant cited by Staff.[24] It is also consistent with the Federal Energy Regulatory Commission accounting instructions cited by Staff.[25]

**Q. STAFF POINTS OUT INDOH ALLOCATIONS INCREASED PLANT COSTS BY MORE THAN 25 PERCENT IN SOME CASES AND AN**

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[23] Garlick Rb. at 4-6.

[24] Hunsaker Dt. at 31.

[25] Hunsaker Dt. at 32.

**OVERHEAD ALLOCATION OF THAT MUCH IS EXCESSIVE. PLEASE COMMENT.**

A. Frankly, I think Staff speaks from a limited perspective.[26] The amount of INDOH allocated to a plant project is entirely dependent upon the costs of open and on-going projects at the time the INDOH costs are incurred. The INDOH costs from period to period are generally fixed.[27] If the open and on-going project costs are less in certain periods, more INDOH may be allocated. In some cases, that could result in increases to the direct plant costs of 25 percent or even much more. In fact, Arizona-American Water Company (now Epcor Water Arizona, Inc.), who employed a system of INDOH allocation to capital projects similar to Liberty Rio Rico in its 2001 rate case, had INDOH allocations of over 100 percent of the direct costs for some of projects.[28] Generally, the INDOH allocations ranged from 30 to 40 percent in that case. Staff did not challenge these overhead allocations. Seemingly high INDOH allocations relative to the direct costs can happen and are not unusual. It doesn't mean the capitalized INDOHs are not legitimate and should not be capitalized. I would add that the INDOH also relates to services provided by personnel in Canada and personnel in Arizona that support capital projects. Not only does the NARUC USOA recognizes capitalization of INDOH, the concept makes perfect sense—the fundamental point is that a portion of the services and costs

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[26] Hunsaker Dt. at 33.

[27] The engineering and support staff as well as the rents, utilities, etc. are incurred regardless of the number of and costs of open and on-going capital projects at any given time. For example, if the INDOH costs are $100 and there are two projects of $150 per project, then the INDOH allocation would be $50 ($100/2) to each project – 33.33 percent more than the direct cost of $150. But, if there were five projects of $100 per project, then the INDOH allocation would be $20 ($100/5) to each project – 20 percent more than the direct costs.

[28] *See* Docket No. WS-01303A-02-0867, et al. I was personally involved in supporting Arizona-American Water during Staff's audit of plant in the rate case. Staff did not challenge those INDOH allocations.

incurred by APUC, Liberty Utilities Canada and Liberty Utilities (Sub) Corp. relate to capital projects and, therefore, should be capitalized. These services include audits of capital projects, financing for capital projects, oversight and management of capital projects, utility planning, and a variety of other services that relate to or support capital projects.

**Q. DOES STAFF PROVIDE A VIABLE ALTERNATIVE AND QUANTIFY ITS IMPACT?**

A. No. Staff simply removes all capitalized INDOH basically saying all of these capitalized INDOH costs are unreasonable.

**Q. THANK YOU, MR. BOURASSA. WHAT ABOUT RUCO'S RECOMMENDED PIS BALANCE?**

A. RUCO recommends a PIS balance of $37,494,129, which is $1,059,835 less than Liberty Rio Rico's recommended balance of $38,553,964. The difference relates primarily to the $189,594 difference between the parties with respect to allocated corporate PIS, discussed earlier on pages 13-14, a $821,541 difference arising out of RUCO's recommended disallowance of PTY plant which Liberty Rio Rico does not adopt.[29] The remaining difference of $48,438 primarily relates to differences in each of the parties' recommendations to true-up year-end plant accruals and PTY plant costs discussed earlier on page 10.[30]

**Q. PLEASE EXPLAIN WHY LIBERTY RIO RICO DISAGREES WITH RUCO'S RECOMMENDATION TO DISALLOW PTY YEAR PLANT.**

A. RUCO disallows any PTY plant for projects not completed within six months of the

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[29] Coley Dt. at 25. *See also* RUCO Water Division Schedule TJC-4, adjustment c removing PTY plant.

[30] There is a $961 difference which is unaccounted for ($48,438 - $47,479).

end of the test year.[31] Liberty Rio Rico disagrees with this arbitrary time cut-off. It appears that RUCO is trying to establish new rules for the allowance of PTY plant.

**c. <u>Accumulated Depreciation (A/D)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED WATER DIVISION REBUTTAL ADJUSTMENTS TO A/D AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of four adjustments labeled as "A," "C," "F," and "G" on Rebuttal Schedule B-2, page 4.

Adjustment A increases A/D to reflect the additional A/D from the reclassification of PIS as discussed for adjustment 1-A.

Adjustment B is intentionally left blank.

Adjustment C increases A/D to reflect the change in A/D from the true-up of plant costs as discussed for adjustment 1-C.

Adjustment D is intentionally left blank.

Adjustment E is intentionally left blank.

Adjustment F reflects change in A/D associated with the changes to allocated corporate plant as discussed for adjustment 1-F.

Adjustment G reflects the change in A/D associated with the depreciation (half-year convention) on PTY plant. Although Liberty Rio Rico disagrees with RUCO that depreciation should be recognized for PTY plant,[32] Liberty Rio Rico has adopted RUCO's position to help eliminate issues between the parties. Staff has not recognized additional depreciation PTY plant.

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[31] Coley Dt. at 25.

[32] *Id.*

Adjustment H reflects the reconciliation of A/D to the reconstructed A/D shown on Rebuttal Schedule B-2, pages 3.8 to 3.10.

**Q. PLEASE DISCUSS THE DIFFERENCES IN EACH OF THE PARTIES' RESPECTIVE A/D BALANCE RECOMMENDATIONS.**

A. The difference in each of the parties' respective recommended A/D balances are based upon each parties' respective recommended PIS balances.

**d. <u>Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization (AA)</u>.**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED REBUTTAL ADJUSTMENTS TO THE WATER DIVISION'S CIAC AND AA AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 3, as shown on Rebuttal Schedule B-2, page 2, Liberty Rio Rico reduces AA by $7,738 to reflect changes to amortization expense from Liberty Rio Rico's rebuttal proposed changes to PIS. Liberty Rio Rico's proposed AA balance is $10,380,413. Liberty Rio Rico is not proposing a change to the CIAC balance. Staff and RUCO do not propose any changes to AA and continue to recommend an AA balance of $10,388,151 even though each proposes changes to PIS. Not recognizing changes to AA while recognizing changes to A/D from changes to PIS results a mismatch between the A/D on CIAC funded PIS and the AA associated with the CIAC that funded the PIS. Neither Staff nor RUCO propose any change to the CIAC balance. All of the parties recommend a CIAC balance of $20,261,911.

e. **Advances-in-Aid of Construction (AIAC).**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED REBUTTAL ADJUSTMENTS TO AIAC AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Liberty Rio Rico is not proposing a change to AIAC for the water division. B-2 adjustment number 4, as shown on B-2, page 2, is zero. Staff and RUCO also do not propose any changes to AIAC. The parties agree on a recommend balance of $976,558.

f. **Accumulated Deferred Income Taxes (ADIT).**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED REBUTTAL ADJUSTMENTS TO ADIT AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 5, as shown on Rebuttal Schedule B-2, page 2, Liberty Rio Rico reduces ADIT by $574,205 from $1,121,537 to $547,332 which reflects Liberty Rio Rico's rebuttal recommendations for PIS, A/D, CIAC, and AIAC. Liberty Rio Rico also updated the tax basis information to the finalized 2014 information and updated the allocated corporate ADIT.[33]

**Q. PLEASE DISCUSS THE STAFF AND THE RUCO RECOMMENDED ADIT BALANCES.**

A. Staff recommends an ADIT balance of $1,269,532.[34] The Staff recommended balance is based upon the Staff recommended PIS, A/D, AIAC and CIAC balances. However, Staff did not adjust the tax basis of the plant for its recommended changes to PTY plant. Staff's computation also does not reflect updated tax information that

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[33] The updated 2014 tax information was not provided to Staff or RUCO before their direct filings.

[34] *See* Staff Water Division Schedule TBH- 4.

had not been provided to Staff as of Staff's direct filing. This information will be provided to Staff as soon as possible. Based upon the updated tax basis information and updated allocated corporate ADIT and Staff's recommended changes to PTY plant, Staff's ADIT balance should be $609,879 - $659,633 lower than Staff's current recommendation of $1,269,532.

RUCO recommends an ADIT balance of $1,100,565.[35] The RUCO recommended balance is based upon the RUCO recommended PIS, A/D, AIAC and CIAC balances. Like Staff, RUCO failed to adjust the tax basis of the plant for its recommended changes to PTY plant from its recommended disallowances. RUCO's computation also does not reflect updated tax information that had not been provided to RUCO as of RUCO's direct filing. This information will be provided to RUCO as soon as possible. That said, based upon the updated tax basis information and updated allocated corporate ADIT, and RUCO's recommended changes to PTY plant, RUCO's ADIT balance should be $567,558 - $533,007 lower than RUCO's current recommendation of $1,100,565.

**g. <u>Cash Working Capital (CWC)</u>.**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED REBUTTAL ADJUSTMENTS TO CWC AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 6, as shown on Rebuttal Schedule B-2, page 2, Liberty Rio Rico decreases CWC by $51,970 to reflect Liberty Rio Rico's rebuttal recommendations for revenues and expenses and changes to the computation. Liberty Rio Rico recommends a CWC balance of $37,222 for the water division.

[35] *See* RUCO Water Division Schedule TJC-9.

**Q. WHAT CHANGES HAVE YOU MADE?**

A. Two changes. First, while Liberty Rio Rico disagrees with including to the computation without recognizing the return on equity component of the total return on rate base,[36] to eliminate issues between Liberty Rio Rico and Staff, synchronized interest expense has been added to the computation. RUCO does not include an interest expense component.[37] Second, Liberty Rio Rico has removed rate case expense from the computation. Both Staff and RUCO exclude rate case expense in their computations.[38] However, only Staff includes interest expense in the CWC computation.[39] I believe the inclusion of interest expense and the exclusion of rate case expense eliminates any dispute on the components of the working capital determination between Liberty Rio Rico and Staff.

**Q. PLEASE DISCUSS STAFF'S AND RUCO'S RECOMMENDED CWC BALANCE.**

A. Staff recommends a CWC balance of $60,659, which is $23,437 higher than Liberty Rio Rico's recommended balance. RUCO recommends a CWC balance of $31,108, which is $6,114 lower than Liberty Rio Rico's recommended balance. Staff's and RUCO's recommended CWC balances reflect each parties' respective recommended revenues and expenses.

**Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING STAFF'S AND/OR RUCO'S CWC COMPUTATIONS?**

A. Yes. Staff incorrectly computes its revenue lag days by not reflecting the correct

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[36] Both interest expense and the return on equity components are return on rate base components. Recognizing one without the other inaccurately reflects the CWC for the total return on rate base.

[37] *See* RUCO Water Division Schedule TJC-10.

[38] Hunsaker Dt. at 41; Coley Dt. at 31.

[39] Hunsaker Dt. at 31.

revenue and expense lead lag days for interest expense.[40] Staff's CWC is overstated as a result.

RUCO uses revenue lag days of 44.96 which Liberty Rio Rico now adopts to help eliminate issues in dispute.

**Q. ARE THERE ANY REMAINING ITEMS IN DISPUTE BETWEEN THE PARTIES REGARDING PIS, A/D, AIAC, CIAC, ADIT, AND/OR CWC FOR LIBERTY RIO RICO'S WATER DIVISION?**

A. No.

**2. <u>Revenues and Expenses (C schedules)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED ADJUSTMENTS TO THE WATER DIVISION REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. Liberty Rio Rico's rebuttal adjustments to revenues and/or expenses are detailed on Rebuttal Schedule C-2, pages 1-17. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, pages 1 and 2.

Rebuttal adjustment 1 increases the proposed annualized depreciation and amortization expense by $67,235, from $562,211 to $629,446, based on Liberty Rio Rico's proposed rebuttal PIS and CIAC balances and composite depreciation rate. Staff's and RUCO's respective recommendations for depreciation and amortization expense are based upon each of the parties' respective PIS and CIAC balances and composite depreciation rates. There is no disagreement over the depreciation rates.

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[40] *See* Staff Water Division Schedule TBH-12. Staff shows revenue lag days of 90.25 and expense lag days of zero. Staff's revenue lag days should reflect the same revenue lag days as for all other expenses (47.96 days), not 90.25, and expense lag days of 90.25, not zero.

Rebuttal adjustment number 2 reflects property tax expense at the Liberty Rio Rico's rebuttal proposed revenue level.

**Q. ARE THERE ANY DISPUTES BETWEEN THE PARTIES ON THE METHODOLOGY FOR COMPUTING PROPERTY TAXES, THE ASSESSMENT RATIO, OR THE PROPERTY TAX RATE?**

A. No.

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment number 3 reflects no change to rate case expense. The parties are in agreement on rate case expense.

Rebuttal adjustment number 4 increases metered revenues by $11,114 and reflects the water division's updated usage normalization based upon an analysis of trends in customer usage from 2010 through 2015. Liberty Rio Rico's total usage normalization adjustment at this stage of the proceeding is a net downward adjustment to revenues of $85,648.[41] Adjustment number 4 also increases purchased power expense and chemicals expense based upon the expected revised reduction in gallons to be sold from the usage normalization.

**Q. WHAT IS STAFF'S POSITION ON THE USAGE NORMALIZATION ADJUSTMENT?**

A. Staff has not disputed Liberty Rio Rico's usage normalization as set forth in the direct filing.

**Q. WHAT ABOUT RUCO?**

A. RUCO recommends disallowance of Liberty Rio Rico's usage normalization adjustment, however, Mr. Coley also says that RUCO will consider such an

[41] In the direct filing, metered revenues were reduced by $96,762 based upon an analysis of usage data from 2010 to 2014. This adjustment results in a net reduction of $85,648 ($96,672 - $11,114).

adjustment after reviewing 2015 billing determinant data.[42] I would note, though, that RUCO states that it generally does not agree with usage normalization adjustments.[43]

**Q. HAS THE COMMISSION ADOPTED USAGE NORMALIZATION ADJUSTMENTS IN PAST RATE CASES?**

A. Yes. I have proposed usage normalization adjustments (declining usage adjustments) in several recent cases, including Liberty Rio Rico's prior rate case.[44] All of these adjustments were based upon an analysis of recent historical data (typically five years). Further, the Commission has adopted my revenue normalization adjustment in the past.[45] Usage normalization adjustments (declining usage adjustments) have also been proposed and adopted by others.[46]

**Q. IS THE ADOPTION OF USAGE NORMALIZATION ADJUSTMENTS IN THE PUBLIC INTEREST?**

A. Yes. Commission approval of a usage normalization adjustment is in the public interest because it continues the Commission's stated goal of promoting water conservation while providing Liberty Rio Rico an opportunity to recover its cost of service. Historically, utilities have expressed concern over Commission approved rate designs that prevented utilities from recovering their authorized revenue requirement. This difficulty was recognized by former Utilities Division Director

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[42] Coley Dt. at 39.

[43] Coley Dt. at 40.

[44] *See Epcor Water Arizona, Inc.*, Decision No. 75268 (September 8, 2015); *Liberty Utilities (Litchfield Park Water & Sewer) Corp.*, Decision No.74437 (April 18, 2014); *Liberty Rio Rico*, Decision No. 73996 (July 30, 2013); *Sahuarita Water Company L.L.C.*, Docket No. W-03718A-15-0213, pending decision.

[45] In some cases, there may have been a settlement agreement that excluded the adoption of a revenue normalization adjustment.

[46] *E.g.*, *Arizona Water Company*, Decision No. 74081 (September 23, 2013).

Mr. Steve Olea: "Staff has continued to recommend this type of rate design because it believes that the inclining block rates causes ratepayers to *conserve water*, i.e., use it more efficiently. If this is not the case, then the Staff and the Commission have been wasting their time designing those rates and arguing over them."[47]

**Q. WHAT IS THE IMPACT OF REDUCTIONS IN WATER USAGE ON THE TEST YEAR?**

A. Had average usage remained the same as in the last test year (ended February 29, 2012), Liberty Rio Rico would have generated approximately $121,000 more annual revenues in the current test year, which is roughly 13 percent of Liberty Rio Rico's current requested revenue increase of $964,782. Obviously, adjustments in revenues to recognize ongoing changes in water use due to the conservation-oriented rate design are appropriate.

**Q. THANK YOU. PLEASE CONTINUE.**

A. Rebuttal adjustment number 5 is intentionally left blank.

Rebuttal adjustment 6 reduces water testing to $39,413 – the level recommended by Staff.[48] RUCO does not propose a similar adjustment.

Rebuttal adjustment 7 reflects a reclassification of test year Liberty Utilities (Sub) Corp. labor expense from Contractual Services – Professional to Contractual Services – Other. Staff proposes a similar adjustment in its adjustment number 3, but the reclassification amount between Liberty Rio Rico and Staff is different.[49] Liberty Rio Rico reclassifies $359,789 while Staff reclassifies $381,700.

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[47] Responsive Testimony of Steven M. Olea, filed May 3, 2013 in Docket No. W-01455A-12-0348, at 2:11-16 (emphasis added).

[48] *See* Staff Water Division Schedule TBH-14.

[49] Hunsaker Dt. at 46. *See* Staff Water Division Schedule TBH-18.

**Q. WHAT IS THE DIFFERENCE?**

A. The difference between the two amounts is $21,911 ($381,700 - $359,789) and is the allocated 6.09 percent wage increase proposed by Liberty Rio Rico ($359,789 x 1.0609). I would not normally be concerned with the inclusion of the $21,911 in the reclassification except that Staff effectively removes the $21,911 in its adjustment number 2, which I discuss on pages 35- 36 below, and does not accurately account for the removal of the wage increase in its reclassification adjustment. RUCO does not propose a similar adjustment.

Rebuttal adjustment 8 reflects a true-up of allocated APUC, Liberty Utilities Canada, and Liberty Algonquin Business Services ("LABS") non-labor expenses charged to Liberty Rio Rico. Contractual Services – Professional is increased by $38,131. The change in expense is due to a correction of the cost pools from APUC, Liberty Utilities Canada, and LABS, as well as a change in the allocation factors. In its direct filing, Liberty Rio Rico understated the cost pools used to adjust APUC, Liberty Utilities Canada, and LABS, which were used to allocate cost to Liberty Utilities (Sub) Corp.

**Q. CAN YOU EXPLAIN THE CORRECTIONS TO THE COST POOLS?**

A. Yes, during review of this case, Liberty BV/RR realized that its adjusted numbers were based on a pool that was approximately $6 million, but, in fact, the underlying pool was approximately $18.5 million.

**Q. PLEASE EXPLAIN FURTHER.**

A. Liberty Utilities mistakenly calculated the total cost pool using an incorrect file of non-labor invoices only over $500 when, in fact, there were significant amounts of invoices below that threshold, along with certain payroll costs that hadn't been included. Then, Liberty BV/RR reviewed the incorrect pool and further removed the expenses that it believed should be not chargeable to ratepayers with the net effect

being that the amount included in test year expenses was significantly understated. A further adjustment was made to the Contractual Services Professional account on Liberty BV/RR C-2 Rebuttal Schedule, adjustment 7, which reduced the allocated non-labor costs by $77,880 for Liberty Bella Vista, adjustment 6 for Liberty Rio Rico Water reducing the allocated non-labor costs by $45,395, and adjustment 7 for Liberty Rio Rico Sewer reducing allocated non-labor costs by $82,548.

**Q. HOW DID APPLICANTS DISCOVER THIS ERROR?**

A. In accordance with the settlement agreement in the Liberty Black Mountain case in Docket No. SW-02361A-15-0206, et al., Liberty Utilities met with Staff and RUCO on February 23, 2016. Based on the discussion and questions at that meeting, Liberty Utilities was prompted to investigate and verify the value of the amounts in its corporate cost pool. It was then determined a cost pool with a value that was significantly lower than the actual cost pool was used for allocations to Liberty BV/RR in its direct fling.

Q. **DOES THIS MEAN THAT THE ALLOCATED COSTS INCREASED IN THE SAME PROPORTION?**

A. No. While it may sound counter-intuitive, a tripling of the cost pool did not triple the allocated costs. This was due to the level of direct charging and the mechanics of the CAM, as discussed in the testimony of Bill Killeen.

Q. **PLEASE DESCRIBE THE REMEDIAL STEPS TAKEN BY THE APPLICANTS TO ADDRESS THIS ISSUE PROSPECTIVELY.**

A. First, the primary responsibility for the allocated expenses has been transferred from the Canadian office to the local Avondale office and now resides within the Avondale rates department. Second, the local accounting department will no longer accept intercompany charges from Canada unless and until the local staff receives adequate support for the charges at the time the charges are being allocated to

Applicants in Avondale. Liberty Utilities believes that these improvements will minimize the chances of future problems of this nature with the cost pool.

**Q. WERE CORRECTIONS TO THE COST POOL FOR APUC, LIBERTY UTILITIES CANADA, AND LABS PROVIDED TO STAFF AND RUCO?**

A. Yes. They were provided in Liberty Rio Rio's response to Staff Data Request TBH 4.2 on March 31, 2016.[50]

**Q. THANK YOU. PLEASE CONTINUE.**

A. Also, in its direct filing, Liberty Rio Rico used an allocation factor of 16.17 percent to allocate APUC, Liberty Utilities Canada, and LABS to Liberty Utilities (Sub) Corp., and 6.39 percent to allocate these costs from Liberty Utilities (Sub) Corp. to Liberty Rio Rico's water division. The current allocation factors are 12.94 percent and 8.18 percent, respectively, as I discussed above.

**Q. WERE THE CURRENT ALLOCATION FACTORS PROVIDED TO STAFF AND RUCO?**

A. Yes. They were provided in Liberty Rio Rio's response to Staff Data Requests TBH 6.3 and TBH 6.8 on April 15, 2016.[51]

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF LIBERTY RIO RICO'S REVENUE AND/OR EXPENSE ADJUSTMENTS.**

A. Rebuttal adjustment 9 reflects a true-up of the Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS labor charges to Liberty Rio Rico's water division. Contractual Services – Professional is reduced by $20,908. This change is due to the use of current allocation factors/percentages, which have been updated since Liberty Rio Rico's direct filing and are discussed on page 12.

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[50] A clarification was provided on April 6, 2016.

[51] Liberty Bella Vista's responses to Staff Data Requests TBH 5.3 and TBH 5.8 were also provided on April 15, 2016.

**Q. DO THE OTHER PARTIES PROPOSE AN ADJUSTMENT TO THE LABOR AND NON-LABOR COSTS FROM LIBERTY UTILITES (SUB) CORP., APUC, LIBERTY UTILITIES CANADA, AND LABS THAT ARE SIMILAR TO LIBERTY RIO RICO'S PROPOSED ADJUSTMENTS FOR THE WATER DIVISION?**

A. Yes. There are three RUCO adjustments similar to Liberty Rio Rico's adjustments. In RUCO's first adjustment, adjustment 9, RUCO proposes to reduce Contractual Services - Professional by $28,170 for APUC, Liberty Utilities Canada, and LABS allocated non-labor costs.[52] In RUCO's second adjustment, adjustment 10, RUCO proposes to reduce Contractual Services – Professional by $24,058 for APUC, Liberty Utilities Canada, and LABS allocated labor costs.[53] In RUCO's third adjustment, adjustment number 13, RUCO proposes a downward adjustment of $89,820 to Contractual Services – Professional for Liberty Utilities (Sub) Corp. allocated labor costs.[54]

**Q. WHAT ARE LIBERTY RIO RICO'S CONCERNS WITH RUCO'S ADJUSTMENTS?**

A. With respect to RUCO adjustment number 9 in which RUCO proposes to adjust APUC, Liberty Utilities Canada, and LABS non-labor costs, Liberty Rio Rico has four concerns. First, RUCO did not use the corrected cost pools provided by Liberty Rio Rico for APUC, Liberty Utilities Canada, and LABS provided in response to Staff Data Request TBH 4.2 on March 31, 2016, and supplemented on April 6, 2016. Second, Liberty Rio Rico disagrees with the exclusion of APUC, Liberty Utilities

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[52] Coley Dt. at 45. *See also* RUCO Water Division Schedule TJC-22.

[53] *Id.*

[54] Coley Dt. at 46-47. *See also* RUCO Water Division Schedule TJC-25.

Canada, and LABS non-labor costs.[55] Liberty BV/RR witnesses Matthew Garlick, Paul Walker and Bill Killeen respond to RUCO's exclusion of allocated corporate costs in their rebuttal testimonies.[56] Third, RUCO does not use the most current allocation factors. RUCO uses an allocation factor of 16.17 percent to allocate non-labor costs from APUC to Liberty Utilities (Sub) Corp. and then 6.39 percent to allocate the cost from Liberty Utilities (Sub) Corp. to Liberty Rio Rico.[57] However, the current allocation factors are 12.94 percent and 8.18 percent, respectively, which better reflect the allocation of costs on a going forward basis.

**Q. WOULD RUCO'S ADJUSTMENT 10 BE BASED UPON THE CORRECTED COST POOLS FOR APUC, LIBERTY UTILITIES CANADA, AND LABS AND THE CURRENT ALLOCATION FACTORS?**

A. I cannot tell you that because I am not sure what non-labor expense amounts RUCO would have recommended disallowing based upon the corrected cost pools.

**Q. PLEASE CONTINUE.**

A. There are three concerns with regard to RUCO adjustment 10 in which RUCO proposes to adjust APUC, Liberty Utilities Canada, and LABS labor costs. First, RUCO did not use the corrected cost pools provided by Liberty Rio Rico in response to Staff Data Request TBH 4.2 on March 31, 2016, and supplemented on April 6, 2016. Second, Liberty Rio Rico disagrees with the exclusion of APUC, Liberty Utilities Canada, and LABS labor costs.[58] Again, Liberty BV/RR witnesses Matthew Garlick, Paul Walker and Bill Killeen, respond to RUCO's exclusion of allocated corporate costs their rebuttal testimonies. Third, RUCO does not use the

[55] Coley Dt. at 40-44.

[56] Garlick Rb. at 7-11; Killeen Rb. at 29-40; Rebuttal Testimony of Paul Walker ("Walker Rb.") at 5-12.

[57] Please note that RUCO refers to Liberty Utilities (Sub) Corp. as "LU 8020."

[58] Coley Dt. at 40-44.

most current allocation factors. RUCO uses an allocation factor of 16.17 percent to allocate non-labor costs from APUC, Liberty Utilities Canada, and LABS to Liberty Utilities (Sub) Corp. and then 6.39 percent to allocate the cost from Liberty Utilities (Sub) Corp. to Liberty Rio Rico's water division.[59] However, the updated allocation factors are 12.94 percent and 8.18 percent, respectively, which better reflect the allocation of costs on a going forward basis. Based upon the updated allocation factors, RUCO's downward adjustment would be $22,815 rather than $24,058 - $1,243 lower.

With respect to RUCO adjustment 13 in which RUCO adjusts Liberty Utilities (Sub) Corp. allocated labor costs, RUCO uses an allocation factor of 6.39 to adjust the Liberty Utilities (Sub) Corp. allocated labor costs rather than the current 8.18 percent.[60] This allocation factor better reflects the allocation of costs on a going forward basis. Based upon the updated allocation factor, RUCO's downward adjustment would be $17,722 rather than $89,820 - $72,098 lower.

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF STAFF'S ADJUSTMENTS TO THE LABOR AND NON-LABOR COSTS FROM LIBERTY UTILITIES (SUB) CORP., APUC, LIBERTY UTILITIES CANADA, AND LABS THAT ARE SIMILAR TO LIBERTY RIO RICO'S PROPOSED ADJUSTMENTS FOR THE WATER DIVISION?**

A. Staff recommends two adjustments to Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS labor and non-labor costs similar to Liberty Rio Rico. In Staff's first adjustment, adjustment number 1, Staff reduces Contractual Services – Professional by $75,587.[61] Staff recommends the disallowance of corporate costs

[59] Please note that RUCO refers to Liberty Utilities (Sub) Corp. as "LU 8020."

[60] *See* RUCO Water Division Schedule TJC-25.

[61] Hunsaker Dt. at 42-44. *See also* Staff Water Division Schedule TBH-16.

because Staff believes they are unnecessary for the provision of service.[62] In Staff's second adjustment, adjustment number 2, Staff recommends reducing Contractual Services – Professional by $111,276 for the Liberty Utilities (Sub) Corp. allocated labor costs.[63]

**Q. WHAT ARE LIBERTY RIO RICO'S CONCERNS WITH STAFF'S ADJUSTMENTS?**

A. With respect to Staff adjustment number 1, Liberty Rio Rico has two concerns. First, Liberty Rio Rico disagrees with the exclusion of APUC, Liberty Utilities Canada, and LABS labor and non-labor costs.[64] Liberty BV/RR witnesses Matthew Garlick, Paul Walker and Bill Killeen, respond to Staff's exclusion of allocated corporate costs their rebuttal testimonies.[65] Second, Staff does not use the current allocation factors of 12.94 percent and 8.18 percent in its computations which Staff was provided on April 15, 2016 in response to Staff's Data Requests TBH 6.3 and TBH 6.8. As I have stated, the current allocation factors better reflect the allocation of costs on a going forward basis. Had the updated allocation factors been used, Staff's adjustment would be a downward adjustment of $74,608 - $979 less than its recommendation of $75,587.

With respect to Staff's adjustment number 2, Staff's adjustment is overstated. There are three reasons for the overstatement. First, Staff uses an allocation factor of 6.39 percent rather than the current allocation factor for Liberty Rio Rico of 8.18 percent for allocating costs from Liberty Utilities (Sub) Corp. to Liberty Rio Rico's

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[62] Hunsaker Dt. at 46.

[63] Hunsaker Dt. at 45.

[64] Hunsaker Dt. at 42-44. *See also* Staff Water Division Schedule TBH-16.

[65] Garlick Rb. at 7-11; Killeen Rb. at 29-37, 41-44; Walker Rb. at 5-12.

water division.[66] Second, Staff incorrectly included the wage increase of $21,911 in its adjustment number 3, discussed earlier at page 29, in determining the actual test year allocated wages from Liberty Utilities (Sub) Corp.[67] By including the wage increase in its computation Staff effectively eliminates $21,911 of wage increases transferred to Contractual Services – Professional in Staff adjustment number 3. Third, Staff does not use the test year balance in its computation. Staff includes the wage increase adjustment of $21,911 a second time in its trial test year balance.[68]

The correct adjustment should be a downward adjustment of no more than $18,055 once the updated allocation factor, correct test year balance, and correct adjusted balance of allocated labor costs are used, and not Staff's recommended downward adjustment of $111,276 – a difference of $93,221 to the corrected adjustment of $18,055. A computation of the $18,055 along with Staff's computation of its proposed adjustment is presented in Table 1.

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[66] Staff uses a 6.391 percent allocation factor. *See* Staff work papers.

[67] Please note that Staff refers to Liberty Utilities (Sub) Corp. as "Liberty South."

[68] Rather than using the test year balance before wage increases of $347,528, plus the correct reclassification adjustment of $359,789 before wage increases for a total of $707,317, Staff uses an adjusted test year balance of $368,692 which includes wage increases of $21,911 plus its reclassified $381,700, and also includes wage increases of $21,911 for its test year balance of $750,392.

Table 1

| | Liberty Utilities (Sub) Corp Per Staff | Liberty Utilities (Sub) Corp Corrected |
|---|---|---|
| Test Year Balance | 750,392[69] | 707,317 |
| Staff IS Adj3 Reclass./RR Corrected Reclass. | (381,700)[70] | (359,789) |
| Adjusted Balance | $ 368,692 | $ 347,528 |
| Administrative Labor | $ 4,027,790 | $ 4,027,790 |
| Allocation Factor | 6.931% | 8.18% |
| Total Allocated Administrative Labor | $ 257,416 | $ 329,473 |
| Adjustment Calculation | | |
| Total Allocated Administrative Labor (from above) | $ 257,416 | $ 329,473 |
| Adjusted Balance | 368,692 | 347,528 |
| Adjustment | $ (111,276) | $ (18,055) |

**Q. IS THE $18,455 LISTED IN TABLE 1 SIMILAR TO LIBERTY RIO RICO'S ADJUSTMENT NUMBER 9 TO TRUE-UP THE LABOR COSTS?**

A. Yes. However, Liberty Rio Rico's downward adjustment of $20,908 is higher because it includes an adjustment for APUC, Liberty Utilities Canada and LABS allocated labor whereas Staff only adjusts for the Liberty Utilities (Sub) Corp. allocated labor in its adjustment. Adjustments to APUC, Liberty Utilities Canada, and LABS allocated labor costs are captured in Staff adjustment 1.

**Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF LIBERTY RIO RICO'S REVENUE AND/OR EXPENSE ADJUSTMENTS FOR THE WATER DIVISION.**

A Rebuttal adjustment number 10 reflects a revision to Liberty Rio Rico's recommended wage increases. This adjustment takes into account Liberty Rio Rico's changes to the Liberty Utilities (Sub) Corp., Liberty Utilities Canada, and

[69] This is *not* the trial balance number. *See* footnote 68.

[70] Includes $21,911 of proposed wage increases.

LABS allocated labor costs included in both Contractual Services – Professional and Contractual Services – Other from Liberty Rio Rico's rebuttal adjustment number 7 (reclassification) and rebuttal adjustment 9 (true-up) discussed previously at page 32. Liberty Rio Rico continues to propose two years of wages increases. At this stage of the proceeding, Liberty Rio Rico proposes to increase labor costs for the water division by $49,045 for wage increases.[71]

**Q. PLEASE COMMENT ON STAFF'S RECOMMENDATION ON THE WAGES INCREASES AND STAFF'S ADJUSTMENT TO THIS EXPENSE.**

A. Staff recommends a downward adjustment of $21,342 comprising of a downward adjustment of $38,612 to Contractual Services Professional and an upward adjustment of $17,269 to Contractual Services – Other for direct Liberty Utilities (Sub) Corp. labor and allocated Liberty Utilities (Sub) Corp. labor, respectively.[72]

**Q. WHAT ARE YOUR CONCERNS ABOUT STAFF'S WAGE INCREASE ADJUSTMENT?**

A. I have four concerns. First, Staff recommends only one year of wage increases for the direct and allocated Liberty Utilities (Sub) Corp. labor.[73] Staff does not provide for wage increases for APUC, Liberty Utilities Canada, and LABS labor costs. Staff states that the allowed rate increase is attributed to 2016 wage increases for Liberty Utilities (Sub) Corp., but appears to miss the fact there were wage increases in 2015 too.[74] Staff also misses the fact that 2015 and 2016 wage increases have been granted, affecting the APUC, Liberty Utilities Canada, and LABS labor costs.

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[71] *See* Water Division Rebuttal Schedule C-2, page 11. Liberty Rio Rico proposes $25,150 for Contractual Services – Professional labor increases and $25,895 Contractual Services – Other.

[72] Hunsaker Dt. 47.

[73] *Id.*

[74] *Id.*

**Q. THE TEST YEAR IS 2014. WHAT HAPPENED TO THE 2015 WAGE INCREASES?**

A. Good question. I will leave it up to Staff to explain. That said, it is now 2016 and both the 2015 and 2016 wage increases have been granted. If not recognized, by the time new rates are in effect in the instant case (projected sometime in late 2016), Liberty Rio Rico will be two years behind and will immediately lack a reasonable opportunity to earn its authorized return.

**Q. THANK YOU. PLEASE CONTINUE.**

A. Second, Staff does not use the updated allocation factor for Liberty Rio Rico of 8.18 percent in its adjustment computation. Again, this was provided to Staff.[75]

Third, Staff does not take into consideration that $21,911 of wage increase amounts were transferred from Contractual Services – Professional to Contractual Services – Other in its adjustment number 3 and then effectively eliminated in its adjustment number 2, both discussed previously. Staff's recommended wage increase contains errors as a result.

Fourth, Staff's Contractual Services – Other computation is incorrect because Staff does not reflect the test year Liberty Utilities (Sub) Corp. allocated labor costs. Staff includes Liberty Rio Rico's proposed wage increases twice which results in a misstatement of Staff allowed increase.[76] Assuming that Staff's adjustments 2 and 3 are corrected, the updated allocation factor of 8.18 percent is used, and the correct test year Contractual Services – Other labor costs are used, Staff's total recommended wage increase should be $22,638 and not $28,976, and its proposed

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[75] Responses to Staff Data Requests TBH 5.3 (Liberty Bella Vista) and TBH 6.3 (Liberty Rio Rico) were submitted on April 15, 2016.

[76] A review of Staff's work papers reveals that Staff included Liberty Rio Rico's proposed direct filing wages increase for Contractual Services – Other of $3,984 (as shown on the Water Division Direct Schedule C-2, page 8) twice.

reduction in wages increases should be $27,680 and not $21,342 as shown on Staff Schedule TBH-19. A computation of the corrected adjustment along with Staff's computation of its proposed adjustment is shown in Table 2.

Table 2

| | Liberty Utilities (Sub) Corp Per Staff | Liberty Utilities (Sub) Corp Corrected |
|---|---|---|
| Adjusted Wages Contractual Services Professional | $ 257,416[77] | $ 329,473[78] |
| Proposed % Increase | 3% | 3% |
| Proposed Increase (A) | $ 7,722 | $ 9,884 |
| Contractual Services – Other (labor) | $ 69,404[79] | $ 65,420 |
| Contractual Services – Other (labor) Proposed rate Incr. from Direct Filing | 3,984 | - |
| Corrected Staff Reclassification | 381,700 | 359,700 |
| Adjusted Contractual Services - Other | $ 451,104 | $ 425,120 |
| Proposed % Increase | 3% | 3% |
| Proposed Increase (B) | 21,253[80] | 12,754 |
| Total Wage Increase Allowed (A + B) | $ 28,976 | $ 22,638 |
| Adjustment Calculation | | |
| Total Wage Increase Allowed (from above) | $ 28,976 | $ 22,638 |
| Liberty Rio Rico Proposed Increase per Direct | 50,318 | 50,318 |
| Adjustment | $ (21,342) | $ (27,680) |

**Q. WHAT IS RUCO'S RECOMMENDATION REGARDING WAGE INCREASES?**

A. Like Staff, RUCO recommends only one year of wage increases for its recommended allocated Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS

[77] $4,027,790 of total administrative labor costs from Liberty Utilities (Sub) Corp. x 6.39 percent.

[78] $4,027,790 of total administrative labor costs from Liberty Utilities (Sub) Corp. x 8.18 percent.

[79] The 69,404 includes the direct proposed wage increase of $3,984. The correct amount is $65,420 which is $69,404 - $3,984.

[80] This is a hardcoded number in Staff's work papers and is not 3 percent of $451,104.

labor costs.[81] In RUCO's adjustment number 4, RUCO reduces Contractual Services – Professional by $29,526 and Contractual Services – Other by $2,021.

**Q. WHAT EXPLANATION WAS GIVEN BY RUCO TO ALLOW ONLY ONE YEAR OF WAGES INCREASES?**

A. None, really.[82] RUCO just says that removing the second year pay increase is in favor of the ratepayers. Liberty Rio Rico disagrees with the allowance of only one year of wages increases. I testified earlier at pages 38-39 as to why two years of wage increases should be allowed and will not repeat that testimony here.

**Q. TO PROPERLY REFLECT TWO YEARS OF WAGE INCREASES, IS IT PROPER TO COMPOUND THE FIRST YEAR WAGE INCREASE?**

A. Yes. Otherwise the full impact of the second year wage increase will be understated.

**Q. THANK YOU. PLEASE CONTINUE.**

A. Rebuttal adjustment number 11 reduces Contractual Services – Professional by $3,582 for unsupported allocated capitalized labor. Staff recommends a similar adjustment and reduces expense by the same amount in its adjustment number 5.[83]

**Q. PLEASE CONTINUE.**

A. Adjustment number 12 reduces Miscellaneous expense by $1,164 for changes in the postal rate. This adjustment adopts the recommendation by RUCO in its adjustment number 7.[84] Staff does not propose a similar adjustment.

Adjustment number 13 is intentionally left blank.

Adjustment number 14 is intentionally left blank.

Adjustment number 15 reflects the adjustment to interest expense to

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[81] Coley Dt. at 47.

[82] *Id.*

[83] Hunsaker Dt. at 49. *See also* Staff Water Division Schedule TBH-21.

[84] Coley Dt. at 40.

recognize the synchronization of interest expense with rate base.

Adjustment number 16 reflects the adjustment to income taxes to recognize income taxes on Liberty Rio Rico's proposed revenues and expenses for the water division.

**Q. ARE THERE ANY REMAINING REVENUE AND/OR EXPENSES ADJUSTMENTS IN DISPUTE?**

A. Yes. Liberty Rio Rico disagrees with both the Staff and RUCO recommendations to disallow incentive pay.[85] Liberty BV/RR witness Matthew Garlick responds to this issue in his rebuttal testimony.[86]

Liberty Rio Rico also disagrees with the Staff recommendation to increase Contractual Services – Other for capitalized indirect INDOH.[87] I testified earlier at pages 18-19 on why Liberty Rio Rico's disagrees with Staff on removing capitalized overhead from PIS. Since Liberty disagrees with removing capitalized overhead from PIS, no capitalized overhead should be added back to expenses. Putting the disagreement aside, Staff does not calculate the corresponding increase to expense correctly because Staff does not consider non-labor costs and estimates the amount of labor that was in fact capitalized during the test year. [88]

**Q. DO YOU HAVE ANY CONCERNS ABOUT STAFF'S COMPUTATION OF ITS INDOH EXPENSE ADJUSTMENT?**

A. Yes. Staff's computation contains errors because Staff ignored some costs and does not rely on INDOH data provided by Liberty Rio Rico.[89] Consequently, Staff's

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[85] Hunsaker Dt. at 49-50; Coley Dt. at 35-36.

[86] Garlick Rb. at 7-11.

[87] Hunsaker Dt. at 34.

[88] Hunsaker Dt. 50:20.

[89] Specifically, Staff did not rely on the actual data supplied by Liberty Rio Rico in its INDOH analysis (provided on April 15, 2016 in response to Staff Data Request TBH 6.15).

computation understated the amount of test year capitalized overhead that should have been added back to expense assuming the capitalization of INDOH is disallowed. As a result, Staff understates its expense adjustment by approximately $36,000.

**3. <u>Rates and Rate Design (H schedules)</u>.**

**Q. WHAT ARE LIBERTY RIO RICO'S REBUTTAL PROPOSED RATES FOR WATER SERVICE?**

A. Liberty Rio Rico's proposed water rates are shown on Rebuttal Schedule H-3, pages 1 and 2.

**Q. WHAT WILL BE THE 5/8 X 3/4 INCH RESIDENTIAL CUSTOMER AVERAGE MONTHLY BILL UNDER THE PROPOSED RATES?**

A. As shown on Rebuttal Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8 x 3/4 inch residential customer using an average 6,829 gallons is $41.58 – a $10.24 increase over the present monthly bill or a 32.68 percent increase.

**Q. HAVE YOU MADE ANY CHANGES TO THE RATE DESIGN FROM THE DIRECT FILING?**

A. No.

**Q. PLEASE DISCUSS THE PROPOSED RATE DESIGNS OF THE PARTIES.**

A. The rate designs proposed by each of the parties are similar; an inverted 3-tier design for the 5/8 x ¾-inch metered customers and an inverted 2-tier design for other meter sizes. All parties use the same proposed break-over points.

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Further, Staff did not recognize any of the "F Building" local costs.

**Q. WHAT ABOUT REVENUE RECOVERY FROM THE MONTHLY MINIMUMS AND COMMODITY RATES?**

A. Revenue recovery from the monthly minimums and the commodity rates is similar. For example, under Liberty Rio Rico's proposed rates, recovery from the monthly minimums is 45.38 percent. Under the Staff proposed rates, revenue recovery from the monthly minimums is 44.39 percent. Under the RUCO proposed rates, revenue recovery from the monthly minimums is 45.37 percent.

Revenue recovery from the first, second and third tier commodity rates are 16.06 percent, 26.71 percent, and 11.85 percent, respectively, under Liberty Rio Rico's proposed rates. Revenue recovery from the first, second and third tier commodity rates are 16.05 percent, 27.41 percent, and 12.15 percent, respectively, under Staff's proposed rates. Revenue recovery from the first, second and third tier commodity rates are 15.70 percent, 26.87 percent, 12.05 percent, respectively, under RUCO's proposed rates.

**Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE MISCELLANEOUS SERVICE CHARGES?**

A. No.

**Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE METER AND SERVICE LINE CHARGES?**

A. No.

**Q. DO YOU HAVE ANY COMMENTS ON THE STAFF RECOMMENDATIONS REGARDING THE UNCOLLECTED AMOUNTS RELATED TO THE LOW INCOME TARIFF?**

A. Yes. Staff recommends that there was no filing or other compliance requirement needed in order to implement surcharges related to credits given to qualifying

customers under the low income program.[90] In effect, Staff recommends that surcharges could be implemented at any time. Given the timing of the instant case and Staff's statement that it will provide further recommendations in its surrebuttal testimony, for now Applicants will postpone implementing any surcharges.

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ON RATE BASE, INCOME STATEMENT AND RATE DESIGN FOR LIBERTY RIO RICO'S WATER DIVISION?**

A. Yes.

**B. <u>LIBERTY RIO RICO – SEWER DIVISION</u>.**

**Q. MR. BOURASSA, BEFORE JUMPING INTO THE DETAILS ON THE SEWER DIVISION, IS IT FAIR TO SAY THAT THERE ARE A NUMBER OF ISSUES IN COMMON WITH THE WATER DIVISION?**

A. Yes, in fact most of the significant issues in dispute are the same between the three sets of rates being set in this consolidated rate docket – rates for Liberty Rio Rico's water and sewer division and for Liberty Bella Vista. I will try to indicate where the issues overlap and avoid simply repeating testimony explaining Applicants' position in the subsequent sections of this testimony addressing Liberty Rio Rico's sewer division and Liberty Bella Vista.

**1. <u>Rate Base (B schedules)</u>.**

**a. <u>Overview</u>.**

**Q. PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE SEWER DIVISION.**

A. The rate bases proposed by the parties are as follows:

[90] Hunsaker Dt. at 58.

| | OCRB | FVRB |
|---|---|---|
| Liberty Rio Rico-Direct | $ 5,355,381 | $ 5,355,381 |
| Staff | $ 4,905,082 | $ 4,905,082 |
| RUCO | $ 4,712,945 | $ 4,712,945 |
| Liberty Rio Rico-Rebuttal | $ 5,275,0096 | $ 5,275,096 |

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED OCRB AND RELATED ADJUSTMENTS FOR THE SEWER DIVISION?**

A. Yes. Liberty Rio Rico's rebuttal rate base adjustments OCRB are detailed on Rebuttal Schedule B-2, pages 3 through 7. Rebuttal Schedule B-2, page 1 and 2, summarize Liberty Rio Rico's proposed adjustments and the rebuttal OCRB.

**b. <u>Plant-in-Service (PIS)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED SEWER DIVISION REBUTTAL ADJUSTMENTS TO PIS AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page 2, consists of five adjustments labeled as "A," "B," "C," "F," and "G" on Rebuttal Schedule B-2, page 3.

Rebuttal adjustment A reflects the reclassification of PIS. The net impact on PIS for the reclassification adjustments is a decrease of $493,422. Staff recommends a similar reclassification of PIS.[91] Both Liberty Rio Rico and Staff have a net reclassification decrease in PIS of $493,422. The $493,422 stems from a reclassification of PTY plant from the sewer division to the water division as I

[91] *See* Hunsaker Dt. at 27-28. *See also* Staff Sewer Division Schedule TBH-4, adjustment number 2.

discussed earlier.[92] While both parties' adjustments net to the same amount, there is $6,206 difference in the reclassified amount between account 390 – Furniture and Fixtures and account 340.1 – Computers and Software.[93] Liberty Rio Rico is working with Staff to resolve the differences and hopes to provide a further update in its rejoinder filing.

**Q. DOES RUCO PROPOSE A SIMILAR ADJUSTMENT TO RECLASSIFY PLANT?**

A. As with the water division, RUCO only makes an adjustment to reclassify PTY plant for the sewer division. RUCO includes the reclassified PTY plant from the sewer division to the water division but does not propose any other reclassifications as the other parties.[94]

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment B reflects adjustments for unsupported plant and reduces PIS by $16,516. Staff proposes a similar adjustment reducing PIS by the same amount.[95] RUCO does not propose a separate adjustment for unsupported plant.

Rebuttal adjustment C increases PIS by $69,241 reflecting a true-up of year-end plant accruals and PTY Plant. Staff proposes a similar adjustment totaling $68,175.[96] The total difference in the true-up of year-end plant accruals and true-up

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[92] *See* Sewer Division Rebuttal Schedule B-2, page 3.1.

[93] Specifically, Staff reclassifies $38,226 from account 390 – Furniture and Fixtures to account 390.1 – Computers and Software in its adjustment number 2 on Staff Sewer Division Schedule TBH-4, whereas Liberty Rio Rico reclassifies $32,020 as shown on Sewer Division Rebuttal Schedule B-2, page 3.1, a difference of $6,206. *Compare* Sewer Division Rebuttal Schedule B-2, page 3.1 with Staff Sewer Division Schedule TBH-6.

[94] *See* Coley Dt. at 10. *See also* RUCO Sewer Division Schedule TJC-4 adjustment b. Reclassified PTY plant amounts from the sewer division to the water division are included as adjustments to accounts 304 – Structures and Improvements ($189,417) and 311 – Electric Pumping Equipment ($304,005) totaling $493,422. RUCO includes other true-up adjustments in adjustment b.

[95] Hunsaker Dt. at 29. *See also* Staff Sewer Division Schedule TBH-4, adjustment 4.

[96] Hunsaker Dt. at 28-29. *See also* Staff Sewer Division Schedule TBH-4, adjustment

of PTY plant for the sewer division between Liberty Rio Rico and Staff is $1,066.[97]

**Q. DOES RUCO PROPOSE A SIMILAR ADJUSTMENT TO TRUE-UP THE YEAR-END ACCRUALS AND PTY PLANT FOR THE SEWER DIVISION?**

A. RUCO only proposes a true-up to PTY sewer division plant.[98] Compared to Liberty Rio Rico, RUCO proposes $1,435 less in true-up adjustments.[99]

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment D is intentionally left blank.

Rebuttal adjustment E is intentionally left blank.

Rebuttal adjustment F reflects a true-up of allocated corporate plant. The true-up includes restating allocated corporate plant using updated allocation factors.[100]

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number 3.

[97] Specifically, Liberty Rio Rico increases account 354 – Structure and Improvements $242 more than does Staff ($47,733 for Liberty Rio Rico and $47,491 for Staff) and account 361 – Collections Sewers – Gravity $824 more than does Staff ($824 for Liberty Rio Rico and $0 for Staff).

[98] *See* RUCO Sewer Division Schedule TJC-4, adjustment b.

[99] Specifically, Liberty Rio Rico proposes a total PTY plant true-up adjustment of $425,005, whereas RUCO proposes $425,616, a difference if $611. Liberty Rio Rico proposes $242 less of a reduction to account 354 – Structures and Improvements at $(141,684) while RUCO proposes $(141,926), and $370 more of an increase to account 393 – Tools, Shop, and Garage Equipment while RUCO proposes $0. Further, Liberty Rio Rico proposes to true-up year-end plant accruals by $824 whereas RUCO does not propose any adjustment to true-up the year-end accruals. The total difference between Liberty Rio Rico and RUCO is $1,435 ($824 + $611). Please note, RUCO proposes a $600 reduction to PIS for an unidentified PIS adjustment from the prior rate case. Liberty Rio Rico has not identified this discrepancy so at this time is not proposing an adjustment.

[100] Specifically, Liberty Rio Rico reduces the allocation factor from Liberty Utilities Canada from 15.64 percent to 12.94 percent to reflect additional acquisitions since the end of the test year, and increases the Liberty Utilities (Sub) Corp. allocation factor from 2.69 percent to 2.5 percent to reflect the current 4-factor computation which also reflects changes in the relocation of the Missouri assets from Liberty Utilities (Sub) Corp. to Liberty Utilities Midstates.

**Q. IS THIS THE SAME PTY UPDATE TO THE CAM'S ALLOCATION FACTOR YOU DISCUSSED EARLIER, MR. BOURASSA?**

A. Yes, the allocation factor from Liberty Utilities Canada is adjusted downward from 15.64 percent to 12.94 percent to reflect additional acquisitions since the end of the test year.[101] I discussed this is further details at pages 12 and 13.

Similarly, the allocation factor used to allocate Liberty Utilities (Sub) Corp. plant to Liberty Rio Rico's sewer division is increased from the 2.69 percent used in the direct filing to 2.50 percent to reflect the current 4-factor computation, which also reflects changes in the relocation of the Missouri assets from Liberty Utilities (Sub) Corp. to Liberty Utilities Midstates as discussed above at pages 12 and 13. Liberty Rio Rico has adopted Staff's unallocated corporate plant balances that serve as the basis of Liberty Rio Rico's allocated corporate plant for the sewer division. As with the water division, these balances were adjusted for non-recoverable leasehold improvements and have been restated in U.S. dollars by Staff.[102]

**Q. DO LIBERTY RIO RICO AND STAFF AGREE ON THE ALLOCATED CORPORATE PLANT BALANCES?**

A. No. Liberty Rio Rico recommends an allocated corporate plant balance of $97,599 for the sewer division. Staff recommends an allocated corporate plant balance of $74,679, a difference to Liberty Rio Rico's recommend balance of $22,920.[103] Again, the difference with Staff is two-fold. First, Staff uses the allocation factors

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[101] Revised allocation factors were provided in Liberty Rio's response to Staff data request TBH 6.3 and Liberty Rio Rico's revised response to Staff data request TBH 6.1(a).

[102] Hunsaker Dt. 24. Liberty Rio Rico has adopted the Staff recommended corporate building, land, and HRIS computer system costs which have been stated in U.S dollars and which reflect the removal of non-recoverable leasehold improvements. Liberty Rio Rico examined the Staff work papers and confirmed the adjustment for non-recoverable leasehold improvements in Staff's recommendations.

[103] Liberty Rio Rico uses the plant values found in Staff's work papers.

from Liberty Rio Rico's direct filing for the sewer division whereas Liberty Rio Rico proposes to use updated current allocation factors. Second, Staff allows only 21.705 percent of the allocated corporate building and land costs.[104] Liberty Rio Rico disputes Staff's disallowed allocated corporate expenses for the reasons I discussed above at pages 17-19 and 35-40, and as discussed by Liberty BV/RR witnesses Matthew Garlick and Bill Killeen in their rebuttal testimonies.

**Q. WHAT ABOUT RUCO?**

A. RUCO recommends an allocated corporate plant balance of $54,452, $43,147 lower than Liberty Rio Rico's recommend balance of $97,599.[105] RUCO's recommended balance is lower for the same reasons that its plant balance is lower for the water division. Specifically, RUCO proposes to disallow all of the allocated corporate building, land, and the HRIS computer system allocated from Liberty Utilities Canada that Liberty Rio Rico proposed in its direct filing, as I discussed above on page 16, and with respect to the sewer division.[106]

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment G reflects the reconciliation of PIS to the reconstructed PIS balances shown on Rebuttal Schedule B-2, pages 3.8 to 3.10.

**Q. PLEASE DISCUSS THE RECOMMENDED PIS BALANCES OF THE PARTIES.**

A. Based upon its rebuttal recommendations, Liberty Rio Rico recommends a total PIS balance of $14,171,118 for the sewer division. Staff recommends a PIS balance of $14,077,995, which is $93,123 less than Liberty Rio Rico. The difference is

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[104] Hunsaker Dt. at 22, 25. Per the Staff work papers, Staff allows only 21.705 percent of the corporate capital costs.

[105] *See* RUCO Sewer Division Schedule TJC-4.

[106] Coley Dt. at 27.

primarily due to the $22,920 difference between the parties with respect to allocated corporate PIS, discussed earlier on page 49, and a $69,138 difference arising out of Staff's recommended disallowance of capitalized INDOH which Liberty Rio Rico does not adopt.[107] The remaining difference of $1,105 relates to differences between the parties' recommendations to true-up year-end plant accruals and PTY plant costs discussed earlier on page 47. I have also previously explained why Liberty Rio Rico disagrees with Staff's disallowance of capitalized INDOH at pages 17-19 and will not repeat that testimony here.

**Q. WHAT ABOUT RUCO'S RECOMMENDED PIS BALANCE?**

A. RUCO recommends a PIS balance of $14,020,478 for the sewer division, which is $150,640 less than Liberty Rio Rico's recommended balance of $14,171,118. The difference is due primarily to the $43,147 difference between the parties with respect to allocated corporate PIS, discussed earlier on page 33 for the water division, a $121,973 difference arising out of RUCO's recommended disallowance of PTY plant.[108] The remaining difference of $(14,480) primarily relates to differences regarding unsupported plant ($16,516 not proposed by RUCO) and true-up of PTY plant costs totaling $1,435, also discussed earlier on page 48 with regard to the water division. I have also previously explained why Liberty Rio Rico disagrees with RUCO's disallowance of PTY plant at page 19 and will not repeat that testimony here.

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[107] Hunsaker Dt at 34. *See also* Staff Sewer Division Schedule TBH-4, adjustment 5 removing capitalized overhead.

[108] Coley Dt. at 10, 21. *See also* RUCO Sewer Division Schedule TJC-4, adjustment c removing PTY plant.

c. **Accumulated Depreciation (A/D).**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED SEWER DIVISION REBUTTAL ADJUSTMENTS TO A/D AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of five adjustments labeled as "A," "C," "F," "G," and "H" on Rebuttal Schedule B-2, page 4.

Adjustment A increases A/D to reflect the additional A/D from the reclassification of sewer division PIS as discussed for adjustment 1-A.

Adjustment B is intentionally left blank.

Adjustment C increases A/D to reflect the change in A/D from the true-up of plant costs as discussed for adjustment 1-C.

Adjustment D is intentionally left blank.

Adjustment E is intentionally left blank.

Adjustment F reflects change in A/D associated with the changes to allocated corporate plant as discussed for adjustment 1-F.

Adjustment G reflects the change in A/D associated with the depreciation (half-year convention) on PTY plant. Although Applicants disagree with RUCO that depreciation should be recognized for PTY plant,[109] it has adopted RUCO's position to help eliminate issues between the parties. Staff has not recommended an adjustment to A/D for depreciation of PTY plant.

Adjustment H reflects the reconciliation of A/D to the reconstructed A/D shown on Rebuttal Schedule B-2, pages 3.8 to 3.10.

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[109] Coley Dt. at 21.

**Q. PLEASE DISCUSS THE DIFFERENCES IN EACH OF THE PARTIES' RESPECTIVE A/D BALANCE RECOMMENDATIONS.**

A. The difference in each of the parties' respective recommended A/D balances is based upon each parties' recommended PIS balances. There are no other issues in dispute.

**d. <u>Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization (AA)</u>.**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED REBUTTAL ADJUSTMENTS TO THE SEWER DIVISION'S CIAC AND AA AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 3, as shown on Rebuttal Schedule B-2, page 2, Liberty Rio Rico adjusts AA by $8,098 to reflect changes to amortization expense from Liberty Rio Rico's rebuttal proposed changes to PIS for the sewer division. Liberty Rio Rico's proposed AA balance is $2,913,313. Liberty Rio Rico is not proposing a change to the CIAC balance. Staff and RUCO do not propose any changes to AA and continue to recommend an AA balance of $2,935,215 even though each proposes changes to PIS. As noted above, not recognizing changes to AA while recognizing changes to A/D from changes to PIS results in a mismatch between the A/D on CIAC funded PIS and the AA associated with the CIAC that funded the PIS. Neither Staff nor RUCO propose any change to the CIAC balance. All of the parties recommend a CIAC balance of $5,112,247.

**e. <u>Advances-in-Aid of Construction (AIAC)</u>.**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED REBUTTAL ADJUSTMENTS TO AIAC FOR THE SEWER DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. Liberty Rio Rico is not proposing a change to AIAC for the sewer division. B-2 adjustment number 4, as shown on B-2, page 2, is zero. Staff and RUCO also do not propose any changes to AIAC. The parties agree on a recommend balance of $529,379.

**f. <u>Accumulated Deferred Income Taxes (ADIT)</u>.**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED REBUTTAL ADJUSTMENTS TO ADIT AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 4, as shown on Rebuttal Schedule B-2, page 2, Liberty Rio Rico reduces ADIT by $407,552 from $683,150 to $275,559 which reflects Liberty Rio Rico's rebuttal recommendations for PIS, A/D, CIAC, and AIAC. Liberty Rio Rico also updated the tax basis information to the finalized 2014 tax returns and updated the allocated corporate ADIT.

**Q. PLEASE DISCUSS THE STAFF AND RUCO RECOMMENDED ADIT BALANCES FOR THE SEWER DIVISION.**

A. Staff recommends an ADIT balance of $579,036.[110] The Staff recommended balance is based upon the Staff recommended PIS, A/D, AIAC and CIAC balances. However, Staff again did not adjust the tax basis of the plant for its recommended changes to PTY plant. Further, Staff's computation does not reflect updated tax information which had not been provided to Staff as of Staff's direct filing. This information will be provided to Staff as soon as possible. That said, based upon the updated tax basis information and updated allocated corporate ADIT and Staff's recommended changes to PTY plant, Staff's ADIT balance should be $303,062 - $272,974 lower than Staff's current recommendation of $579,036.

[110] *See* Staff Sewer Division Schedule TBH- 4.

RUCO recommends an ADIT balance of $583,251.[111] RUCO's recommend balance is based upon the Staff recommended PIS, A/D, AIAC and CIAC balances. Like Staff, RUCO failed to adjust the tax basis of the plant for its recommended changes to PTY plant. Further, RUCO's computation also does not reflect updated tax information that had not been provided to RUCO as of RUCO's direct filing. This information will be provided to RUCO as soon as possible. Based upon the updated tax basis information and updated allocated corporate ADIT and RUCO's recommended changes to PTY plant, RUCO's ADIT balance should be $270,643 - $312,608 lower than RUCO's current recommendation of $583,251.

**g. <u>Cash Working Capital (CWC)</u>.**

**Q. PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED SEWER DIVISION REBUTTAL ADJUSTMENTS TO CWC AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 5, as shown on Rebuttal Schedule B-2, page 2, Liberty Rio Rico decreases CWC by $25,076 to reflect Liberty Rio Rico's rebuttal recommendations for revenues and expenses and changes to the computation. Liberty Rio Rico recommends a CWC balance of $(13,776).

**Q. DID YOU MAKE THE SAME CHANGES AS WERE MADE REGARDING THE WATER DIVISION?**

A. Yes, I made the same two changes. First, while Liberty Rio Rico disagrees with including the computation without recognizing the return on equity component of the total return on rate base,[112] to eliminate issues between Applicants and Staff, synchronized interest expense has been added to the computation. RUCO does not

[111] *See* RUCO Sewer Division Schedule TJC-9.

[112] Both interest expense and the return on equity components are return on rate base components. Recognizing one without the other inaccurately reflects the CWC for the total return on rate base.

include an interest expense component.[113] Second, Liberty Rio Rico has removed rate case expense from the computation to be consistent with Staff and RUCO.[114]

**Q. PLEASE DISCUSS STAFF'S AND RUCO'S RECOMMENDED CWC BALANCE.**

A. Staff recommends a CWC balance of $24,559 – $38,335 higher than Liberty Rio Rico's recommended balance. RUCO recommends a CWC balance of $(112,676) – $98,900 lower than Liberty Rio Rico's recommended balance. Staff's and RUCO's recommended CWC balances reflect each parties' respective recommended revenues and expenses.

**Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING STAFF'S AND RUCO'S CWC COMPUTATIONS?**

A. Yes, the same general concerns I discussed above. Staff incorrectly computes its revenue lag days by not reflecting the correct revenue and expense lead lag days for interest expense.[115] Staff's CWC is overstated as a result.

RUCO uses revenue lag days of .56 for the sewer division,[116] but the revenue lag days RUCO uses for the water division is 44.96 days. Since Liberty Rio Rico bills in arrears for sewer service like it does for water service, RUCO should use the same revenue lag days. Using RUCO's 44.96 for the revenue lag days in RUCO's computation will increase RUCO's CWC to $(10,196) - $102,500 lower than its recommendation of $(112,676).

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[113] *See* RUCO Sewer Division Schedule TJC- 10.

[114] Hunsaker Dt. at 41; Coley Dt. at 31.

[115] *See* Staff Sewer Division Schedule TBH-12. Staff shows revenue lag days of 90.25 and expense lag days of zero. Staff's revenue lag days should reflect the same revenue lag days as for all other expenses (47.96 days), not 90.25, and expense lag days of 90.25, not zero.

[116] *See* RUCO Sewer Division Schedule TJC-10.

**Q. ARE THERE ANY REMAINING ITEMS IN DISPUTE BETWEEN THE PARTIES REGARDING PIS, A/D, AIAC, CIAC, ADIT, AND/OR CWC?**

A. No.

**2. <u>Revenues and Expenses (C schedules)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY RIO RICO'S PROPOSED ADJUSTMENTS TO THE SEWER DIVISION REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Liberty Rio Rico's rebuttal adjustments to revenues and/or expenses are detailed on Rebuttal Schedule C-2, pages 1-17. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, pages 1 and 2.

Rebuttal adjustment 1 reduces the proposed annualized depreciation and amortization expense by $29,628, from $326,172 to $296,544, based on Liberty Rio Rico's proposed rebuttal PIS and CIAC balances and composite depreciation rate. Staff's and RUCO's respective recommendations for depreciation and amortization expense are based upon each of the parties' respective PIS and CIAC balances and composite depreciation rates. There is no disagreement over the depreciation rates.

Rebuttal adjustment number 2 reflects property tax expense at Liberty Rio Rico's rebuttal proposed revenue level.

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment number 3 reflects changes to rate case expense and, as mentioned, the parties agree on the level of rate case expense.

Rebuttal adjustment 4 is intentionally left blank.

**Q. THANK YOU. PLEASE CONTINUE.**

A. Rebuttal adjustment number 5 is intentionally left blank.

Rebuttal adjustment 6 reclassifies $108,999 from Contractual Services – Other to Purchased Wastewater Treatment. Staff proposes a similar adjustment for the same amount[117]

Rebuttal adjustment 7 in intentionally left blank.

Rebuttal adjustment 8 reflects a true-up of allocated APUC, Liberty Utilities Canada, and LABS non-labor expenses charged to Liberty Rio Rico. Contractual Services – Professional is increased by $2,011. The change in expense is due to a correction of the cost pools from APUC, Liberty Utilities Canada, and LABS as well as a change in the allocation factors. I explained above at pages 30 and 31 how Applicants understated the cost pools used to adjust APUC, Liberty Utilities Canada, and LABS that were used to allocate cost to Liberty Utilities (Sub) Corp. I also discussed the reasons Applicants were using updated allocation factors above at pages 12 and 13. The current allocation factor for the sewer division is 2.5 percent.

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF LIBERTY RIO RICO'S REVENUE AND/OR EXPENSE ADJUSTMENTS FOR THE SEWER DIVISION.**

A. Rebuttal adjustment 9 reflects a true-up of Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS labor charges to Liberty Rio Rico's sewer division. Contractual Services – Professional is reduced by $14,011. As with the water division, this change is due to the use of current allocation factors that have been updated since Liberty Rio Rico's direct filing.

**Q. DO THE OTHER PARTIES PROPOSE AN ADJUSTMENT TO THE LABOR AND NON-LABOR COSTS FROM LIBERTY UTILITIES (SUB) CORP., APUC, LIBERTY UTILITIES CANADA, AND LABS SIMILAR TO**

[117] Hunsaker Dt. at 52. *See also* Staff Sewer Division Schedule TBH-24.

**LIBERTY RIO RICO FOR THE SEWER DIVISION?**

A. Yes. Similar to the adjustment made by RUCO for the water division, RUCO makes three adjustments for the sewer division. In RUCO's first adjustment, adjustment 9, RUCO proposes to reduce Contractual Services – Professional by $11,859 for APUC, Liberty Utilities Canada, and LABS allocated non-labor costs.[118] RUCO reduces these costs based on its recommend disallowance of certain corporate costs that RUCO believes are not necessary in the provision of services.[119] In RUCO's second adjustment, adjustment 10, RUCO proposes to reduce Contractual Services - Professional by $7,785 for APUC, Liberty Utilities Canada, and LABS allocated labor costs.[120] RUCO uses the same rationale to reduce non-labor corporate as it does for its adjustment number 9.[121] In RUCO's third adjustment, adjustment number 13, RUCO proposes a downward adjustment of $4,028 to Contractual Services – Professional for Liberty Utilities (Sub) Corp. allocated labor costs. My testimony for the water division discusses Applicants' concerns with RUCO's adjustment number 9 and I do not need to repeat that testimony here.

**Q. WHAT WOULD RUCO'S ADJUSTMENT 9 BE IF THE CORRECTED POOL AMOUNT AND UPDATED ALLOCATION FACTORS WERE USED?**

A. I cannot tell you that because I am not sure what non-labor expense amounts RUCO would have recommended disallowing based upon the corrected cost pools.

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[118] Coley Dt. at 40-45. *See also* RUCO Sewer Division Schedule TJC-21.
[119] Coley Dt. at 40-45. *See also* RUCO Sewer Division Schedule TJC-22.
[120] Coley Dt. at 45. *See also* RUCO Sewer Division Schedule TJC-22.
[121] Coley Dt. at 45.

**Q. OKAY, THANK YOU. WHAT ABOUT RUCO'S ADJUSTMENT NUMBER 10 FOR THE SEWER DIVISION?**

A. The same three concerns with regard to RUCO adjustment 10 that I expressed with regard to the water division apply to the sewer division. I discussed these three reasons above at pages 32-33. Based upon the updated allocation factor, RUCO's downward adjustment would be $6,972 rather than $7,785 - $813 lower.

**Q. WHAT ABOUT RUCO ADJUSTMENT NUMBER 13 FOR THE SEWER DIVISON?**

A. Like the water division adjustments RUCO recommended, RUCO adjustment 13 proposes to adjust Liberty Utilities (Sub) Corp. labor costs. Specifically, RUCO uses an allocation factor of 2.69 to adjust Liberty Utilities (Sub) Corp. allocated labor costs rather than the updated 2.50 percent.[122] Based upon the updated allocation factor, RUCO's downward adjustment would be $11,681 rather than $4,028 - $7,653 higher.

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF STAFF'S ADJUSTMENTS TO THE LABOR AND NON-LABOR COSTS FROM LIBERTY UTILITIES (SUB) CORP., APUC, LIBERTY UTILITIES CANADA, AND LABS.**

A. Similar to the water division, Staff recommends two adjustments to Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS labor and non-labor costs. In Staff's first adjustment, adjustment number 1, Staff reduces Contractual Services – Professional by $26,596.[123] Staff recommends the disallowance of corporate costs because Staff believes they are unnecessary for the provision of service.[124] In Staff's

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[122] *See* RUCO Sewer Division Schedule TJC-25.

[123] Hunsaker Dt. at 42-43. *See also* Staff Sewer Division Schedule TBH-16.

[124] Hunsaker Dt. at 45.

second adjustment, adjustment number 2, Staff recommends reducing Contractual Services – Professional by $7,313 for Liberty Utilities (Sub) Corp. allocated labor costs that reflect different allocation factors than used to allocate these costs during the test year.[125] Liberty Rio Rico has the same three concerns as expressed above at pages 35-36 concerning the water division. First, Staff failed to consider misclassifications made by Liberty Rio Rico that caused Liberty Rio Rico to overstate the reduction from Contractual Services – Professional in its direct filing.[126] The correction of misclassifications was provided to Staff in Liberty Rio Rico's response to Staff Data Request TBH 4.2 on March 31, 2016 and supplemented on April 6, 2016, which correction increased the sewer division's Contractual Services – Professional by $7,175 for Liberty Utilities (Sub) Corp. allocated non-labor costs. So, Liberty Rio Rico's direct filing adjustment should not be a downward adjustment of $82,628 ($(89,803) + $7,175) but rather an upward adjustment of $7,175 ($0 + $7,175). In addition, Staff removes $63,424 of allocated Liberty Utilities (Sub) Corp. allocated labor because Staff considered these costs as APUC, Liberty Utilities Canada, and LABS allocated labor costs in its analysis.[127] Due to a misclassification error in its direct filing, Liberty Rio Rico reported these costs as APUC, Liberty Utilities Canada, and LABS allocated labor costs, but they were actually Liberty Utilities (Sub) Corp. labor costs. The correction of misclassification was provided to Staff on April 15, 2016 in Liberty Rio Rico's response to Staff Data Request TBH 6.1(a). However, Staff did not use that information to make the appropriate adjustment.

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[125] Hunsaker Dt. at 44. Table 5 does not reflect the current allocation factors used by Liberty Rio Rico.

[126] *See* Sewer Division Direct Schedule C-2, page 8.

[127] *See* Staff work papers.

**Q. OKAY, THANK YOU. PLEASE CONTINUE DISCUSSING STAFF'S ADJUSTMENTS TO THE ALLOCATED COSTS.**

A. Second, Liberty Rio Rico disagrees with the exclusion of APUC, Liberty Utilities Canada, and LABS labor and non-labor costs.[128] Liberty Rio Rico witnesses, Matthew Garlick, Paul Walker and Bill Killeen, respond to Staff's exclusion of allocated corporate costs their rebuttal testimonies.[129] Third, Staff does not use allocated costs using the current allocation factors of 12.94 percent and 2.50 percent in its computations which Staff was provided in response to Staff's Data Requests TBH 6.3 and TBH 6.8 on April 15, 2016. Again, the current allocation factors better reflect the allocation of costs on a going forward basis.

**Q. WHAT SHOULD STAFF ADJUSTMENT NUMBER 1 BE IF STAFF WERE TO CORRECT THOSE MISCLASSIFICATIONS?**

A. Staff's adjustment number 1 would be an upward adjustment of $32,435 and not a downward adjustment of $26,596. Table 3 shows the calculation of the $32,435.

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[128] Hunsaker Dt. at 42-43. *See also* Staff Sewer Division Schedule TBH-16. Note: Staff disallows all APUC, Liberty Utilities Canada, and Liberty Utilities (Sub) Corp. allocated labor costs.

[129] Garlick Rb. at 7-11; Killeen Rb. at 29-37, 41-44; Walker Rb. at 5-12.

Table 3

| | | |
|---|---|---|
| TY Allocated Non-Labor Expenses APUC, LUC, LUC-LABS | $ | 52,753 |
| TY APUC, LUC, LUC-LABS Allocated Charge Labor to Liberty Utilities (Sub) Corp. | | 17,313 |
| Direct Filing Adjustment Error Due to Misclassification | | (89,803) |
| Net Direct Filing Adjusted Non-Labor and Labor Costs | $ | (19,737) |
| | | |
| Total Allocated Labor and Non-Labor Costs Allowed by Staff | $ | 3,924,959 |
| Updated Allocation Factor for Liberty Utilities (Sub) Corp. | | 12.94% |
| Allocated Labor to Liberty Utilities (Sub) Corp. | $ | 507,890 |
| Updated Allocation Factor For Liberty Rio Rico Sewer | | 2.50% |
| Allocated Allowed Costs by Staff | $ | 12,698 |
| | | |
| Corrected Staff Adjustment Calculation | | |
| Costs Recommended by Staff using updated allocation factor (from above) | $ | 12,698 |
| Net Direct Filing Adjusted Non-Labor and Labor Costs (from above) | $ | (19,737) |
| Adjustment | $ | 32,435 |

**Q. WHAT ABOUT STAFF ADJUSTMENT NUMBER 2 FOR THE SEWER DIVISION?**

A. I have two concerns regarding Staff's adjustment number 2. First, Staff used an allocation factor for the sewer division of 2.69 percent but the current allocation factor is 2.5 percent, as I've discussed. Second, Staff uses the adjusted test year allocated labor costs that include Liberty Rio Rico's proposed wage increase instead of the actual test year amount as a basis for its adjustment. Since Staff eliminates all wage increases from the labor cost with this adjustment, Staff's recommended adjustment to Liberty Rio Rico's sewer division is incorrect.

**Q. WHAT SHOULD THE STAFF ADJUSTMENT BE?**

A. Staff's adjustment should be a downward adjustment of $12,157, not a downward adjustment of $7,313 as shown in Table 4.

Table 4

| | Liberty Utilities (Sub) Corp. Per Staff | Liberty Utilities (Sub) Corp. Corrected |
|---|---|---|
| Total Administrative Labor | $4,027,790 | $ 4,027,790 |
| Revised Allocated Labor | 108,549 [130] | 100,695 [131] |
| Adjusted TY Balance/TY Balance | $ 115,862 | $ 112,852 |
| Staff Corrected Adjustment | $ (7,313) | $ (12,157) |

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION ON LIBERTY RIO RICO'S REVENUE AND/OR EXPENSE ADJUSTMENTS FOR THE SEWER DIVISION.**

A. Rebuttal adjustment number 10 reflects a revision to Liberty Rio Rico's recommended wage increases. This adjustment takes into account Liberty Rio Rico's changes to the Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS allocated labor costs from Liberty Rio Rico's proposed labor true-up adjustment number 9. Liberty Rio Rico continues to propose two years of wage increases, an increase of labor costs for the sewer division by $15,845.[132]

Staff recommends a downward adjustment of $1,423, comprising of a downward adjustment of $809 to Contractual Services Professional and a downward adjustment of $618 to Contractual Services – Other for direct Liberty Utilities (Sub) Corp. labor and allocated Liberty Utilities (Sub) Corp. labor, respectively.[133]

I have the same four concerns I expressed above with respect to the water division at pages 38-39. I do not need to repeat those concerns here. In addition,

[130] $4,027,790 x 2.695 percent (but should be 6.39 percent).

[131] $4,027,790 x 2.5 percent.

[132] *See* Sewer Division Rebuttal Schedule C-2, page 11. Liberty Rio Rico proposes $6,986 for Contractual Services – Professional labor increases and $8,859 for Contractual Services – Other.

[133] *See* Staff Sewer Division Schedule TBH-19.

Staff uses an incorrect amount for Liberty Utilities (Sub) Corp. allocated labor costs,[134] so Staff's recommended wage increase contains errors as a result. Staff's total recommended wages increase should be $7,385, and not $3,934, and Staff's total adjustment would be an upward adjustment of $2,024 not a downward adjustment of $1,427 as shown on Staff Schedule TBH-19. A computation of the $2,024 along with Staff's computation of its proposed adjustment is presented in Table 5.

Table 5

| | Liberty Utilities (Sub) Corp. Per Staff | Liberty Utilities (Sub) Corp. Corrected |
|---|---|---|
| Total Administrative Labor | $ 4,027,790 | $ 4,027,790 |
| Allocation Factor | 6.39% | 2.5% |
| Adjusted Wages Contractual Services Professional | $ 108,549[135] | $ 100,695[136] |
| Proposed % Increase | 3% | 3% |
| Proposed Increase (A) | $ 3,256 | $ 3,021 |
| Adjusted Contractual Services - Other | $ 22,585 | $ 145,461[137] |
| Proposed % Increase | 3% | 3% |
| Proposed Increase (B) | $ 678 | $ 4,364 |
| Calculation of Adjustment | | |
| Total Wage Increase | $ 3,934 | $ 7,385 |
| Liberty Rio Rico Proposed Increase per Direct | $ 5,361 | $ 5,361 |
| Adjustment | $ (1,427) | $ 2,024 |

[134] Liberty Utilities (Sub) Corp. direct and allocated labor costs were provided to Staff in response to Staff Data Request 6.1(a), which totaled $145,461 and not the $22,585 found in the Staff work papers.

[135] $4,027,790 of total administrative labor costs from Liberty Utilities (Sub) Corp. x 6.395 percent (should be 6.39 percent).

[136] The same as $4,027,790 of total administrative labor costs from Liberty Utilities (Sub) Corp. x 2.50 percent.

[137] From Liberty Rio Rico response to Staff Data Request TBH 6.1(a).

**Q. WHAT IS RUCO'S RECOMMENDATION REGARDING WAGES INCREASES?**

A. Like Staff, RUCO recommends only one year of wages increases for its recommend allocated APUC, Liberty Utilities (Sub) Corp., Liberty Utilities Canada, and LABS labor costs.[138] In RUCO's adjustment number 4, RUCO reduces Contractual Services – Professional by $2,954 and Contractual Services – Other by $658 for a total downward adjustment of $2,954. I have previously testified to this issue at page 64 of my testimony and will not repeat that testimony here.

**Q. THANK YOU. PLEASE CONTINUE.**

A. Rebuttal adjustment number 11 reduces Contractual Services – Professional by $1,508 for allocated capitalized labor. Staff recommends a similar adjustment for the same amount in its adjustment number 5.[139] RUCO does not propose a similar adjustment.

Adjustment number 12 reduces Miscellaneous expense by $1,537 for changes in the postal rate. Neither Staff nor RUCO propose a similar adjustment.

Adjustment number 13 is intentionally left blank.

Adjustment number 14 is intentionally left blank.

Adjustment number 15 reflects the adjustment to interest expense to recognize the synchronization of interest expense with rate base.

Adjustment number 16 reflects the adjustment to income taxes to recognize income taxes on Liberty Rio Rico's proposed revenues and expenses for the sewer division.

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[138] Coley Dt. 47.

[139] Hunsaker Dt. at 30. *See also* Staff Sewer Division Schedule TBH-21.

**Q. ARE THERE ANY REMAINING REVENUE AND/OR EXPENSES ADJUSTMENTS IN DISPUTE REGARDING THE SEWER DIVISION?**

A. Liberty Rio Rico also disagrees with the Staff recommendation to increase Contractual Services – Other for capitalized INDOH.[140] I testified earlier at pages 16-18 on why Liberty Rio Rico's disagrees with Staff on removing capitalized overhead from PIS. Since Liberty Rio Rico disagrees with removing capitalized overhead from PIS, no capitalized overhead should be added back to expenses. Putting the disagreement aside, Staff does not calculate the corresponding increase to expense correctly because Staff does not consider non-labor costs and Staff estimates the amount of labor that was in fact capitalized during the test year.[141]

**Q. DID STAFF ALSO UNDERSTATE ITS COMPUTATION OF ITS INDOH ADJUSTMENT FOR THE SEWER DIVISION?**

A. Yes. Staff's computation contains errors because Staff ignored some costs and does not rely on INDOH data provided by Liberty Rio Rico.[142] Consequently, Staff understates its expense adjustment by approximately $15,000. Of course, Applicants disagree with Staff that any INDOH should be disallowed for the reasons explained above and in the rebuttal testimony by Mr. Garlick and Mr. Killeen.[143]

**3. <u>Rates and Rate Design (H schedules)</u>.**

**Q. WHAT ARE LIBERTY RIO RICO'S REBUTTAL PROPOSED RATES FOR SEWER SERVICE?**

A. Liberty Rio Rico's proposed sewer rates are shown on Rebuttal Schedule H-3,

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[140] Hunsaker Dt. at 34.

[141] Hunsaker Dt. at 50:20.

[142] Specifically, Staff did not rely on the actual data supplied by Liberty Rio Rico in its INDOH analysis provided on April 15, 2016 in response to Staff Data Request TBH 6.15. Further, Staff did not recognize any of the "F Building" local costs.

[143] Garlick Rb. at 3-6; Killeen Rb. at 24-29.

pages 1 and 2.

**Q. WHAT WILL BE THE 5/8 X 3/4 INCH RESIDENTIAL CUSTOMER MONTHLY BILL UNDER THE PROPOSED RATES?**

A. As shown on Rebuttal Schedule H-2, page 1, the monthly bill under proposed rates for a 5/8 x 3/4 inch residential customer is $53.31 – a $4.31 increase over the present monthly bill or an 8.8 percent increase.

**Q. HAVE YOU MADE ANY CHANGES TO THE RATE DESIGN FROM THE DIRECT FILING?**

A. No.

**Q. PLEASE DISCUSS THE PROPOSED RATE DESIGNS OF THE PARTIES.**

A. The rate designs proposed by each of the parties are similar – a fixed monthly charge by meter size for all customer classes. For commercial and multi-unit residential customers and for water usage over 7,000 gallons a single commodity rate applies.

**Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE MISCELLANEOUS SERVICE CHARGES?**

A. Yes. Liberty Rio Rico proposes the Reconnection Fee be the actual cost of physical disconnection plus the Establishment Fee. Staff proposes a flat $20 charge.[144] Liberty Rio Rico believes the Staff recommendation is unrealistic and will leave the sewer division with unrecovered costs. Physically disconnecting a sewer line can be costly and Liberty Rio Rico needs to be able to cover its costs. $20 simply isn't enough when there is a physical disconnection.

[144] *See* Staff Sewer Division Schedule TBH-1 (Rate Design).

**Q. DO YOU HAVE ANY COMMENTS ON THE STAFF RECOMMENDATIONS REGARDING THE UNCOLLECTED AMOUNTS RELATED TO THE LOW INCOME TARIFF?**

A. I discussed this subject for earlier at pages 44-45. I will not repeat that testimony here.

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ON RATE BASE, INCOME STATEMENT AND RATE DESIGN FOR LIBERTY RIO RICO'S SEWER DIVISION?**

A. Yes.

**C. <u>LIBERTY BELLA VISTA</u>**

**Q. DO YOU HAVE ANY PRELIMINARY COMMENTS REGARDING LIBERTY BELLA VISTA, MR. BOURASSA?**

A. Just to reiterate that most of the substantive issues in dispute between the parties overlap between Liberty Rio Rico's two divisions and Liberty Bella Vista. As a consequence, I will try in this section of my rebuttal testimony to limit repetition of the specific arguments between the parties on these disputed issues.

**1. <u>Rate Base (B schedules)</u>.**

**a. <u>Overview</u>.**

**Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR LIBERTY BELLA VISTA.**

A. Yes, the rate bases proposed by parties are as follows:

| | OCRB | FVRB |
|---|---|---|
| Liberty Bella Vista-Direct | $ 13,205,189 | $ 13,205,189 |
| Staff | $ 11,320,677 | $ 11,320,677 |
| RUCO | $ 11,779,194 | $ 11,779,174 |
| Liberty Bella Vista-Rebuttal | $ 11,616,198 | $ 11,616,198 |

**Q. WOULD YOU PLEASE DISCUSS LIBERTY BELLA VISTA'S PROPOSED OCRB AND RELATED ADJUSTMENTS?**

A. Yes. Liberty Bella Vista's rebuttal rate base adjustments OCRB are detailed on Rebuttal Schedule B-2, pages 3 through 7. Rebuttal Schedule B-2, pages 1 and 2, summarize Liberty Bella Vista's proposed adjustments and the rebuttal OCRB.

**b. <u>Plant-in-Service (PIS)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY BELLA VISTA'S PROPOSED REBUTTAL ADJUSTMENTS TO PIS AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page 2, consists of seven adjustments labeled as "A," "B," "C," "E," "F," and "G" on Rebuttal Schedule B-2, page 3.

Rebuttal adjustment A reflects the reclassification of PIS. The net impact on PIS for the reclassification adjustments is zero. Staff proposes a reclassification adjustment that also has a net impact of zero on PIS.[145] There are significant differences between the parties on the amounts reclassified between accounts. However, these differences may exist because of the way each of the parties defines its plant reclassification adjustments and other PIS adjustments. I will provide a summary of the differences in recommended PIS balances and the net difference in PIS between Liberty Bella Vista and Staff at page 76 below. RUCO does not propose a separate reclassification adjustment.

Rebuttal adjustment B reflects adjustments for unsupported plant. Liberty Bella Vista recommends a reduction to PIS of $1,424. Staff proposes a downward adjustment for unsupported plant of $268,664.[146] The significant difference between

[145] Hunsaker Dt. at 27. *See also* Staff Schedule TBH-4.

[146] Hunsaker Dt. at 29. *See also* Staff Schedule TBH-4, adjustment 3.

the parties on unsupported plant may be due to differences in the way each of the parties defines its plant adjustments and other PIS adjustments. Again, I will provide a summary of the differences in recommended PIS balances and the net difference in PIS between Liberty Bella Vista and Staff at page 76 below. RUCO does not propose a separate adjustment for unsupported plant.

Rebuttal adjustment C reduces PIS by $19,456 reflecting a true-up of year-end plant accruals and PTY Plant. Staff proposes an upward adjustment to plant for year-end accruals totaling $241,102.[147] Staff also proposes a downward adjustment to plant for true-up of PTY plant totaling $2,808.[148] The significant difference between the parties on unsupported plant may be due to differences in the way each defines its plant true-up adjustment and other PIS adjustments. Once again, I will provide a summary of the differences in recommended PIS balances and the net difference in PIS between Liberty Bella Vista and Staff at page 76. RUCO only proposes a true-up to PTY plant.[149] Compared to Liberty Bella Vista, RUCO proposes $94,489 less in true-up of year-end accruals and PTY plant. The differences are shown in Table 6.

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[147] Hunsaker Dt. at 28. *See also* Staff Schedule TBH-4, adjustment 4.

[148] Hunsaker Dt. at 30. *See also* Staff Schedule TBH-4, adjustment 5. Staff refers to this adjustment as "PTY plant not used and useful."

[149] *See* RUCO Schedule TJC-4, adjustment b.

Table 6

| Acct. No. | Description | Liberty Bella Vista YE True-up & PTY True-up[150] | RUCO PTY True-up[151] | Difference |
|---|---|---|---|---|
| 301 | Organization Cost | $ - | $ - | $ - |
| 302 | Franchise Cost | - | - | - |
| 303 | Land and Land Rights | - | - | - |
| 304 | Structures and Improvements | (168,312) | (11,143) | (157,169) |
| 305 | Collecting and Impounding Res. | - | - | - |
| 306 | Lake River and Other Intakes | - | - | - |
| 307 | Wells and Springs | 12,291 | (3,158) | 15,449 |
| 308 | Infiltration Galleries and Tunnels | - | - | - |
| 309 | Supply Mains | 2,180 | - | 2,180 |
| 310 | Power Generation Equipment | (561) | (561) | - |
| 311 | Electric Pumping Equipment | 55,590 | 16,833 | 38,756 |
| 320 | Water Treatment Equipment | - | 664 | 113 |
| 320.1 | Water Treatment Plant | 777 | - | - |
| 320.2 | Chemical Solution Feeders | 429 | - | 429 |
| 330 | Dist. Reservoirs & Standpipe | - | - | - |
| 330.1 | Storage tanks | - | - | - |
| 330.2 | Pressure Tanks | - | - | - |
| 331 | Trans. and Dist. Mains | 30,034 | 13,721 | 16,313 |
| 333 | Services | 52,357 | 43,651 | 8,706 |
| 334 | Meters | (60,890) | 37,261 | (98,151) |
| 335 | Hydrants | 1,328 | 1,328 | - |
| 336 | Backflow Prevention Devices | - | - | - |
| 339 | Other Plant and Misc. Equip. | - | - | - |
| 340 | Office Furniture and Fixtures | (2,137) | (2,137) | 2,137 |
| 340.1 | Computers and Software | 2,137 | - | (2,137) |
| 341 | Transportation Equipment | 38,258 | - | 40,395 |
| 342 | Stores Equipment | - | - | - |
| 343 | Tools and Work Equipment | 5,395 | 4,336 | 1,059 |
| 344 | Laboratory Equipment | - | - | - |
| 345 | Power Operated Equipment | 37 | 37 | - |
| 346 | Communications Equipment | 3,490 | 257 | 3,233 |
| 347 | Miscellaneous Equipment | - | 8,141 | (8,141) |
| 347.1 | Miscellaneous Equipment - CNG Plant | 8,141 | - | 8,141 |
| 348 | Other Tangible Plant | - | | |
| | Totals | $ (19,456) | $ 109,230 | $ (128,687) |

[150] *See* Rebuttal Schedule B-2, page 3.3.

[151] *See* RUCO Schedule TJC-4, adjustment b.

The $128,686 difference is partly due to the fact that RUCO's adjustment does not include a true-up of plant accruals as does Liberty Bella Vista's. Table 7 shows the difference between Liberty Bella Vista and RUCO on just the PTY plant true-up adjustments proposed by each of the parties:

Table 7

| Acct. No. | Description | Liberty Bella Vista YE True-up & PTY True-up | RUCO PTY True-up | Difference |
|---|---|---|---|---|
| 301 | Organization Cost | $ - | $ - | $ - |
| 302 | Franchise Cost | - | - | - |
| 303 | Land and Land Rights | - | - | - |
| 304 | Structures and Improvements | (4,140) | (11,143) | 7,003 |
| 305 | Collecting and Impounding Res. | - | - | - |
| 306 | Lake River and Other Intakes | - | - | - |
| 307 | Wells and Springs | 12,291 | (3,158) | 15,449 |
| 308 | Infiltration Galleries and Tunnels | - | - | - |
| 309 | Supply Mains | - | - | - |
| 310 | Power Generation Equipment | (561) | (561) | - |
| 311 | Electric Pumping Equipment | 55,466 | 16,833 | 38,633 |
| 320 | Water Treatment Equipment | - | 664 | 113 |
| 320.1 | Water Treatment Plant | 777 | - | - |
| 320.2 | Chemical Solution Feeders | 429 | - | 429 |
| 330 | Dist. Reservoirs & Standpipe | - | - | - |
| 330.1 | Storage tanks | - | - | - |
| 330.2 | Pressure Tanks | - | - | - |
| 331 | Trans. and Dist. Mains | 30,077 | 13,721 | 16,356 |
| 333 | Services | 52,357 | 43,651 | 8,706 |
| 334 | Meters | 39,259 | 37,261 | 1,998 |
| 335 | Hydrants | 1,328 | 1,328 | - |
| 336 | Backflow Prevention Devices | - | - | - |
| 339 | Other Plant and Misc. Equip. | - | - | - |
| 340 | Office Furniture and Fixtures | (2,137) | (2,137) | 2,137 |
| 340.1 | Computers and Software | 2,137 | - | (2,137) |
| 341 | Transportation Equipment | - | - | 2,137 |
| 342 | Stores Equipment | - | - | - |
| 343 | Tools and Work Equipment | 5,395 | 4,336 | 1,059 |
| 344 | Laboratory Equipment | - | - | - |
| 345 | Power Operated Equipment | 37 | 37 | - |
| 346 | Communications Equipment | 2,863 | 257 | 2,606 |
| 347 | Miscellaneous Equipment | - | 8,141 | (8,141) |
| 347.1 | Miscellaneous Equipment - CNG Plant | 8,141 | - | 8,141 |
| 348 | Other Tangible Plant | - | | |
| | | $ - | | |
| | Totals | $ 203,719 | $ 109,230 | $ 94,489 |

Rebuttal adjustment D reflects a correction to plant additions for the test year. Liberty Bella Vista misclassified a reduction to plant additions in 2014 and mistakenly treated these reductions as retirements. The reduction to PIS totals $144,553. Staff and RUCO do not propose similar adjustments.

Rebuttal adjustment E reflects adjustments for additional retirements of $36,183 and retirement corrections of $144,553 for a net reduction to PIS of $36,183. This adjustment also reflects a correction to retirements in 2014 due to a misclassification, which is discussed above for rebuttal adjustment D. Staff proposes a plant retirement of $36,183 but does not propose the retirement correction.[152] Liberty Bella Vista is working with Staff to resolve this issue and will provide an update in rejoinder. RUCO does not propose any separate adjustment for plant retirements or retirement corrections.

**Q. PLEASE SUMMARIZE THE NET DIFFERENCES BETWEEN LIBERTY BELLA VISTA AND STAFF REGARDING THE PLANT RECLASSIFICATION ADJUSTMENTS, UNSUPPORTED PLANT ADJUSTMENTS, AND PLANT TRUE-UP ADJUSTMENTS.**

A. Table 8 summaries the differences between Liberty Bella Vista and Staff caused by differences in each of the parties' adjustments for plant reclassification, unsupported plant, and plant true-up. While there are some significant differences in some of the plant account balances, in total the net difference is $9,492 as shown below:

[152] *See* Staff Schedule TBH-11.

## Table 8

| Acct. No. | Description | Liberty Bella Vista | Staff | Difference |
|---|---|---|---|---|
| 101 | Plant -in-Service | $ - | $ - | $ - |
| 301 | Organization Cost | - | - | - |
| 302 | Franchise Cost | 98,989 | 98,989 | 0 |
| 303 | Land and Land Rights | 688,011 | 688,011 | (0) |
| 304 | Structures and Improvements | 4,006,731 | 4,023,593 | (16,862) |
| 305 | Collecting and Impounding Res. | 46,813 | 46,813 | 0 |
| 306 | Lake River and Other Intakes | - | - | - |
| 307 | Wells and Springs | 1,673,171 | 1,704,408 | (31,236) |
| 308 | Infiltration Galleries and Tunnels | - | - | - |
| 309 | Supply Mains | 434,230 | 434,230 | 0 |
| 310 | Power Generation Equipment | 195,135 | 195,135 | (0) |
| 311 | Electric Pumping Equipment | 3,261,936 | 3,210,414 | 51,522 |
| 320 | Water Treatment Equipment | 76,446 | 118,767 | (42,321) |
| 320.1 | Water Treatment Plant | 777 | - | 777 |
| 320.2 | Chemical Solution Feeders | 41,657 | - | 41,657 |
| 330 | Dist. Reservoirs & Standpipe | 2,637,767 | 3,297,461 | 495,150 |
| 330.1 | Storage tanks | 526,889 | - | 211 |
| 330.2 | Pressure Tanks | 211 | - | 132,596 |
| 331 | Trans. and Dist. Mains | 14,817,080 | 14,684,484 | 2,148 |
| 333 | Services | 2,225,847 | 2,223,699 | 0 |
| 334 | Meters | 1,899,055 | 1,899,055 | 0 |
| 335 | Hydrants | 1,152,335 | 1,152,335 | - |
| 336 | Backflow Prevention Devices | - | - | 0 |
| 339 | Other Plant and Misc. Equip. | 189,235 | 189,235 | 75,322) |
| 340 | Office Furniture and Fixtures | 165,579 | 240,901 | 75,683 |
| 340.1 | Computers and Software | 281,457 | 205,773 | 3,804 |
| 341 | Transportation Equipment | 557,771 | 553,966 | - |
| 342 | Stores Equipment | - | - | (399) |
| 343 | Tools and Work Equipment | 319,779 | 320,179 | 0 |
| 344 | Laboratory Equipment | 3,285 | 3,285 | 37 |
| 345 | Power Operated Equipment | 101,287 | 101,250 | (0) |
| 346 | Communications Equipment | 895,829 | 895,829 | (0) |
| 347 | Miscellaneous Equipment | 220,280 | 220,280 | 0 |
| 347.1 | Miscellaneous Equipment - CNG Plant | 450,582 | 450,582 | 0 |
| 348 | Other Tangible Plant | 155,378 | 155,378 | $ - |
| | Totals | $ 37,123,543 | $ 37,114,051 | $ 9,492 |

Liberty Bella Vista is also working with Staff to resolve the $9,492 net difference. With respect the individual plant accounts that show significant differences, these may be due to late filed reclassification adjustments Liberty Bella Vista that Staff was unable to review in time for its direct filing.

Rebuttal adjustment F reflects a true-up of allocated corporate plant. The true-up includes restating allocated corporate plant using updated allocation factors.[153] Liberty Bella Vista has adopted Staff's corporate plant balances as the basis of Liberty Bella Vista's proposed allocated corporate plant. These plant balances were adjusted for non-recoverable leasehold improvements and have been restated in U.S. dollars by Staff.[154]

**Q. THAT'S THE SAME PTY CHANGE IN THE ALLOCATION FACTORS DUE TO ACQUISITONS THAT INCREASED THE NUMBER OF ENTITIES SHARING THE COSTS OF SHARED SERVICES?**

A. Exactly. The allocation factor from Liberty Utilities Canada adjusted downward from 15.64 percent to 12.94 percent to reflect additional acquisitions since the end of the test year.[155] An explanation for the change in the allocation factors was discussed at pages 12-13. The allocation factor used to allocate Liberty Utilities (Sub) Corp. plant to Liberty Bella Vista is increased from the 9.50 percent used in

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[153] Specifically, Liberty Bella Vista reduces the allocation factor from Liberty Utilities Canada from 15.64 percent to 12.94 percent to reflect additional acquisitions since the end of the test year, and the Liberty Utilities (Sub) Corp. allocation factor from 9.5 percent used in the direct filing adjustment to 11.94 percent to reflect the current 4-factor computation, which also reflects changes in the relocation of the Missouri assets from Liberty Utilities (Sub) Corp. to Liberty Utilities Midstates.

[154] Hunsaker Dt. at 24. Liberty Bella Vista has adopted the Staff recommended corporate building, land, and HRIS computer system costs which have been stated in U.S dollars and which reflect the removal of non-recoverable leasehold improvements. Liberty Bella Vista examined the Staff work papers and confirmed the adjustment for non-recoverable leasehold improvements in Staff's recommendations.

[155] Revised allocation factors were provided in Liberty Bella Vista's response to Staff Data Requests TBH 5.3 and TBH 5.8.

the direct filing to 11.94 percent to reflect the current 4-factor computation, which also reflects changes in the relocation of the Missouri assets from Liberty Utilities (Sub) Corp. to Liberty Utilities Midstates. Again, an explanation for the change in the allocation factors was discussed at pages 12 and 13.[156]

Despite these differences, Liberty Bella Vista has adopted Staff's unallocated corporate plant balances as the basis of Liberty Rio Rico's allocated corporate plant for the sewer division. As with the water division, these balances were adjusted for non-recoverable leasehold improvements and have been restated in U.S. dollars by Staff.

**Q. DO LIBERTY BELLA VISTA AND STAFF AGREE ON THE ALLOCATED CORPORATE PLANT BALANCES?**

A. No. Liberty Bella Vista recommends an allocated corporate plant balance of $460,022. Staff recommends an allocated corporate plant balance of $304,110, a $155,912 difference to Liberty Bella Vista's recommend balance. These differences arise from the same two reasons I have already discussed in detail above at pages 13-14. Liberty BV/RR witnesses Matthew Garlick and Bill Killeen address INDOH corporate costs in their rebuttal testimonies.[157]

**Q. WHAT ABOUT RUCO?**

A. RUCO recommends an allocated corporate plant balance of $192,057, $267,965 lower than Liberty Bella Vista's recommend balance. RUCO's recommended balance is lower because RUCO proposes to disallow all of the allocated corporate building, land, and the HRIS computer system allocated from Liberty Utilities Canada, same as I discussed above with respect to Liberty Rio Rico at page 16.

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[156] Current allocation factors for Liberty Bella Vista were provided to Staff on April 15, 2016 in response to Staff Data Requests TBH 5.3 and TBH 5.8.

[157] Garlick Rb. at 3-6; Killeen Rb. at 24-29.

RUCO recommends disallowance of these costs, in part, because the corporate building and land were not stated in U.S. dollars and the building costs included non-recoverable leasehold improvement costs.[158] Liberty Bella Vista disagrees with the exclusion of the allocated Liberty Utilities Canada plant costs as I have previously testified at page 16 of my rebuttal testimony.

**Q. OKAY, THANK YOU. PLEASE CONTINUE.**

A. Rebuttal adjustment G reflects the reconciliation of PIS to the reconstructed PIS balances shown on Rebuttal Schedule B-2, page 3.8 to 3.10.

**Q. PLEASE DISCUSS THE RECOMMENDED PIS BALANCES OF THE PARTIES.**

A. Based upon its rebuttal recommendations, Liberty Bella Vista recommends a total PIS balance of $37,583,565. Staff recommends a PIS balance of $36,621,709 which is $951,856 less than Liberty Bella Vista. The difference is primarily due to the $155,912 difference between the parties with respect to allocated corporate PIS, discussed earlier on page 78, and a $796,449 difference arising out of Staff's recommended disallowance of capitalized INDOH, which Liberty Bella Vista does not adopt.[159] The remaining difference of $9,492 relates to the net difference of each of the parties' recommendations to reclassify plant, true-up year-end plant accruals and PTY plant costs, and remove unsupported plant discussed earlier on page 76. I have previously explained why Liberty Rio Rico disagrees with Staff's disallowance of capitalized INDOH at pages 17-19. My testimony also applies to Liberty Bella Vista. I will not repeat that testimony here.

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[158] Coley Dt. at 27.

[159] Hunsaker Dt at 34. *See also* Staff Schedule TBH-4, adjustment 5 removing capitalized overhead.

**Q. WHAT ABOUT RUCO'S RECOMMENDED PIS BALANCE?**

A. RUCO recommends a PIS balance of $36,743,955, which is $810,610 less than Liberty Bella Vista recommended balance. The difference is due primarily to the $267,965 difference between the parties with respect to allocated corporate PIS, discussed earlier on page 78, a $737,935 difference arising out of RUCO's recommended disallowance of PTY plant that Liberty Bella Vista does not adopt.[160] The remaining difference of $(166,290) primarily relates to differences in each of the parties' recommendations to true-up year-end plant accruals and PTY plant costs of $128,067 and net retirements of $36,183 discussed earlier on pages 72 and 75.[161]

I have previously explained why Liberty Rio Rico disagrees with RUCO disallowance of capitalized INDOH at pages 17-19. My testimony also applies to Liberty Bella Vista.

**c. <u>Accumulated Depreciation (A/D)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY BELLA VISTA'S REBUTTAL ADJUSTMENTS TO A/D AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of nine adjustments labeled as "A," "B," "C," "E," "F," "G," "H," "I," and "J" on Rebuttal Schedule B-2, page 4.

Adjustment A increases A/D to reflect the additional A/D from the reclassification of PIS as discussed for adjustment 1-A.

Adjustment B reflects the change in A/D associated with the unsupported plant adjustment as discussed for adjustment 1-B.

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[160] Coley Dt. at 21. *See also* RUCO Schedule TJC-4, adjustment c removing PTY plant.

[161] There is a $961 difference which is unaccounted for ($48,438 - $47,479).

Adjustment C increases A/D to reflect the change in A/D from the true-up of plant costs as discussed for adjustment 1-C.

Adjustment D reflects additional A/D for retirements and corrections to retirements as discussed in adjustment 1-D.

Adjustment E reflects the change in A/D associated with the additional retirements and retirement corrections as discussed for adjustment 1-E.

Adjustment F reflects the change in A/D associated with the depreciation (half-year convention) on PTY plant. Although Liberty Bella Vista disagrees with RUCO that depreciation should be recognized for PTY plant,[162] Liberty Bella Vista has adopted RUCO's position to help eliminate issues between the parties. Staff has not recommended an adjustment to A/D for depreciation of PTY plant.

Adjustment G reflects a change in A/D associated with the changes to allocated corporate plant as discussed for adjustment 1-F.

Adjustment H reflects the removal of $125,026 for AA that was included in Liberty Bella Vista's A/D balance on the E-1 schedule that was supposed to be associated with account 348 – Other Tangible Plant in the direct filing and should have been removed in the direct filing reconciliation adjustment (adjustment 2-C on Direct Schedule B-2, page 4.3) but was missed. This adjustment properly reflects the adjustment to A/D that should have occurred in Liberty Bella Vista's direct filing.

Adjustment I reflects the reconciliation of A/D to the reconstructed A/D shown on Rebuttal Schedule B-2, page 3.8 to 3.13.

**Q. PLEASE DISCUSS THE DIFFERENCES IN EACH OF THE PARTIES' RESPECTIVE A/D BALANCE RECOMMENDATIONS.**

A. The difference in each of the parties' respective recommended A/D balances are

[162] Coley Dt. at 21.

based upon each parties' respective recommended PIS balances.

**d. <u>Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization (AA)</u>.**

**Q. PLEASE DISCUSS LIBERTY BELLA VISTA'S PROPOSED REBUTTAL ADJUSTMENTS TO CIAC AND AA AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 3, as shown on Rebuttal Schedule B-2, page 2, Liberty Bella Vista increases CIAC by $500,454 and AA by $33,183 to reflect corrections of errors contained in Liberty Bella Vista's direct filing totaling $18,775, to reflect the expiration of AIAC totaling $519,226 proposed by Staff, and to reflect changes to amortization expense from Liberty Bella Vista's rebuttal proposed changes to PIS. Liberty Bella Vista's proposed CIAC balance is $1,080,442 and proposed AA balance is $337,988. Staff proposes to increase CIAC by $501,454 and increase AA by $43,714.[163] Staff's proposed CIAC and AA balance is $1,081,442 and $348,578, respectively.

**Q. PLEASE COMMENT ON THE DIFFERENCES BETWEEN LIBERTY BELLA VISTA AND STAFF REGARDING CIAC AND AA.**

A. There is a $1,000 difference in the error correction proposed by Liberty Bella Vista and Staff. Staff's error correction is $17,775 whereas Liberty Bella Vista's is $18,775. The correct error correction amount is $18,775.[164] The $10,590 difference between each of the parties' proposed AA balances is due to differences in the amortization rates used, which are the result of Staff's proposed changes to PIS.

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[163] *See* Hunsaker Dt. at 38. *See also* Staff Schedule TBH-4, adjustments 9 and 11.

[164] *See* Staff Schedule TBH-4, adjustment 11. Staff makes a $17,775 error correction, but it should be $18,775.

**Q. WHAT ABOUT RUCO?**

A. RUCO does not propose any changes to CIAC and AA and continues to recommend a CIAC balance of $579,988 and an AA balance of $304,864, even though RUCO proposes changes to PIS that would have an impact on the AA balance. As I have testified, this creates a mismatch.

**e. <u>Advances-in-Aid of Construction (AIAC)</u>.**

**Q. PLEASE DISCUSS LIBERTY BELLA VISTA'S PROPOSED REBUTTAL ADJUSTMENTS TO AIAC AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 4, as shown on Rebuttal Schedule B-2, page 2, Liberty Bella Vista proposes to decrease AIAC by $519,226. Staff also proposes to decrease AIAC by $519,226.[165] RUCO does not propose any changes to AIAC.

**f. <u>Accumulated Deferred Income Taxes (ADIT)</u>.**

**Q. PLEASE DISCUSS LIBERTY BELLA VISTA'S PROPOSED REBUTTAL ADJUSTMENTS TO ADIT AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 4, as shown on Rebuttal Schedule B-2, page 2, Liberty Bella Vista increases ADIT by $1,466,180 from $381,189 to $1,847,369. This change reflects the correction of an error in Liberty Bella Vista's direct filing computation.[166] The change also reflects Liberty Bella Vista's rebuttal recommendations for PIS, A/D, CIAC, and AIAC. Further, Liberty Bella Vista has updated the tax basis information to the finalized 2014 tax information and updated the allocated corporate ADIT.

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[165] Hunsaker Dt. at 38. *See also* Staff Schedule TBH-4, adjustment 9.

[166] Liberty Bella Vista deducted the wrong land cost from its book basis in PIS.

**Q. PLEASE DISCUSS THE STAFF AND RUCO RECOMMENDED ADIT BALANCES.**

A. Staff recommends an ADIT balance of $886,602.[167] The Staff recommended balance is based upon Staff's recommended PIS, A/D, AIAC and CIAC balances. However, Staff again did not adjust the tax basis of the plant for its recommended changes to PTY plant. Further, Staff's computation does not reflect updated tax information that had not been provided to Staff as of Staff's direct filing. This information will be provided to Staff as soon as possible. That said, based upon the updated tax basis information and updated allocated corporate ADIT, and Staff's recommended changes to PTY plant, Staff's ADIT balance should be $1,928,848 - $1,042,246 higher than Staff's current recommendation of $886,602.

RUCO recommends an ADIT balance of $1,340,011.[168] The RUCO recommend balance is based upon RUCO's recommended PIS, A/D, AIAC and CIAC balances. Like Staff, RUCO failed to adjust the tax basis of the plant for its recommended changes to PTY plant. Based upon the updated tax basis information and updated allocated corporate ADIT, and RUCO's recommended changes to PTY plant, RUCO's ADIT balance should be $2,117,994 - $777,983 higher than RUCO's current recommendation of $1,340,011.

**g. <u>Cash Working Capital (CWC)</u>.**

**Q. PLEASE DISCUSS LIBERTY BELLA VISTA'S REBUTTAL ADJUSTMENTS TO CWC AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO.**

A. In rebuttal B-2 adjustment 5, as shown on Schedule B-2, page 2, Liberty Bella Vista decreases CWC by $75,191 to reflect Liberty Bella Vista's rebuttal

[167] *See* Staff Schedule TBH-4.

[168] *See* RUCO Schedule TJC-9.

recommendations for revenues and expenses and changes to the computation. Liberty Bella Vista recommends a CWC balance of $85,456.

**Q. WHAT CHANGES HAVE YOU MADE?**

A. The same changes I discussed above for Liberty Rio Rico at pages 23-24. First, synchronized interest expense has been added to the computation. Second, I removed rate case expense from the computation. Both changes adopt the positions of Staff to eliminate issues in dispute. Third, Liberty Bella Vista has adopted RUCO's proposed revenue lag days of 42.63 for Liberty Bella Vista.[169]

**Q. PLEASE DISCUSS STAFF'S AND RUCO'S RECOMMENDED CWC BALANCE.**

A. Staff recommends a CWC balance of $133,436 – $47,980 higher than Liberty Bella Vista's recommended balance. RUCO recommends a CWC balance of $105,761 – $20,305 higher than Liberty Bella Vista's recommended balance. Staff's and RUCO's recommended CWC balances reflect their respective recommended revenues and expenses.

**Q. DO YOU HAVE ANY CONCERNS REGARDING STAFF'S AND/OR RUCO'S CWC COMPUTATIONS?**

A. Yes. Staff incorrectly computes its revenue lag days by not reflecting the revenue and expense lead lag days for interest expense.[170] Staff's CWC is overstated as a result. RUCO uses revenue lag days of 42.63 which Liberty Bella Vista now adopts to help eliminate issues in dispute.

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[169] *See* RUCO Schedule TJC-10.

[170] *See* Staff Schedule TBH-12. Staff shows revenue lag days of 90.25 and expense lag days of zero. Staff's revenue lag days should reflect the same revenue lag days as for all other expenses (47.96 days), not 90.25, and expense lag days of 90.25, not zero.

**Q. ARE THERE ANY REMAINING ITEMS IN DISPUTE BETWEEN THE PARTIES REGARDING PIS, A/D, AIAC, CIAC, ADIT, AND/OR CWC?**

A. No.

**2. <u>Revenues and Expenses (C schedules)</u>.**

**Q. WOULD YOU PLEASE DISCUSS LIBERTY BELLA VISTA'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?**

A. Liberty Bella Vista's rebuttal adjustments to revenues and/or expenses are detailed on Rebuttal Schedule C-2, pages 1-17. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, pages 1 and 2.

Rebuttal adjustment 1 reduces the proposed annualized depreciation and amortization expense by $34,058, from $1,175,263 to $1,141,205, based on Liberty Bella Vista's proposed rebuttal PIS and CIAC balances and composite depreciation rate. Staff's and RUCO's respective recommendation for depreciation and amortization expense are based upon each of the parties' respective PIS and CIAC balances and composite depreciation rates. There is no disagreement over the depreciation rates.

Rebuttal adjustment number 2 reflects property tax expense at Liberty Bella Vista's rebuttal proposed revenue level.

**Q. ARE THERE ANY DISPUTES BETWEEN THE PARTIES ON THE METHODOLOGY FOR COMPUTING PROPERTY TAXES, THE ASSESSMENT RATIO, OR THE PROPERTY TAX RATE?**

A. No.

**Q. PLEASE CONTINUE.**

A. Rebuttal adjustment number 3 reflects changes to rate case expense, although there are none because all parties agree on the level of this expense.

Rebuttal adjustment number 4 reduces metered revenues by $67,033 and reflects updated usage normalization based upon an analysis of trends in customer usage from 2010 through 2015. Liberty Bella Vista's total usage normalization adjustment at this stage of the proceeding is a net downward adjustment to revenues of $159,980.[171] Adjustment number 4 also increases purchased power expense and chemicals expense based upon the expected revised reduction in gallons to be sold from the usage normalization.

**Q. WHAT IS THE STAFF POSITION ON THE USAGE NORMALIZATION ADJUSTMENT?**

A. Staff has not disputed Liberty Bella Vista's usage normalization as set forth in the direct filing.

**Q. WHAT ABOUT RUCO?**

A. Just like with Liberty Rio Rico's water division, RUCO recommends disallowance of Liberty Bella Vista's usage normalization adjustment but will consider one after reviewing 2015 billing determinant data.[172] I have previously responded to RUCO's testimony on usage normalization for Liberty Rio Rico at pages 26 and 27.

**Q. OKAY. PLEASE CONTINUE.**

A. Rebuttal adjustment number 5 reflects an expense reclassification. Staff proposes a similar expense reclassification but Staff's adjustment is incorrect because Staff removes expenses twice.[173] Liberty Bella Vista is working with Staff to try to resolve this issue.

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[171] In the direct filing, metered revenues were reduced by $92,947 based upon an analysis of usage data from 2010 to 2014. This adjustment results in a net reduction of $159,980 ($92,947 + $67,033).

[172] Coley Dt. at 39.

[173] A review of the Staff work papers shows that Staff removed expenses twice. *See also* Staff Schedule TBH-28.

Rebuttal adjustment 6 reduces water testing to $45,190 – the level recommended by Staff.[174] RUCO does not propose a similar adjustment.

Rebuttal adjustment 7 reflects a reclassification of test year Liberty Utilities (Sub) Corp. labor expense from Contractual Services – Professional to Contractual Services – Other. Staff proposes a similar adjustment in its adjustment number 3 except the reclassification amount between Liberty Bella Vista and Staff is different. Liberty Bella Vista reclassifies $120,421 while Staff reclassifies $127,755.[175]

**Q. WHAT IS THE DIFFERENCE?**

A. The difference between the two amounts is $7,334 ($127,755 - $120,421), which is the allocated 6.09 percent wage increase proposed by Liberty Bella Vista ($120,421 x 1.0609). As discussed on page 29 above, Staff effectively removes the wage increase in its adjustment number 2 (in Liberty Bella Vista's case it's $7,334) and does not account for that removal in its reclassification adjustment (adjustment number 3). RUCO does not propose a similar adjustment.

Rebuttal adjustment 8 reflects a true-up of allocated APUC, Liberty Utilities Canada, and LABS non-labor expenses charged to Liberty Bella Vista. Contractual Services – Professional is increased by $69,976. The changes are due to the correction of the cost pools and updated allocation factors,[176] both of which I have previously discussed at pages 12 and 13.

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF LIBERTY RIO RICO'S REVENUE AND/OR EXPENSE ADJUSTMENTS.**

A. Rebuttal adjustment 9 reflects a true-up of Liberty Utilities (Sub) Corp., APUC,

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[174] *See* Staff Schedule TBH-14.

[175] Hunsaker Dt. at 46. *See also* Staff Schedule TBH-22.

[176] Current allocation factors were provided to Staff on April 15, 2016 in response to Staff Data Requests TBH 5.3 and TBH 5.8.

Liberty Utilities Canada, and LABS labor charges to Liberty Bella Vista. Contractual Services – Professional is reduced by $71,704. This change is due the use of current allocation factors as discussed above.

**Q. WHAT ABOUT RUCO?**

A. RUCO makes the same three adjustments it made for Liberty Rio Rico. In RUCO's first adjustment, adjustment 9, RUCO proposes to reduce Contractual Services – Professional by $48,317 for APUC, Liberty Utilities Canada, and LABS allocated non-labor costs.[177] As it did with Liberty Rio Rico, RUCO reduces these costs based on its recommend disallowance of certain corporate costs that RUCO believes are not necessary in the provision of services.[178] In RUCO's second adjustment, adjustment 10, RUCO proposes to reduce Contractual Services – Professional by $36,557 for APUC, Liberty Utilities Canada, and LABS allocated non-labor costs for the same reasons.[179] In RUCO's third adjustment, adjustment number 13, RUCO proposes a downward adjustment of $95,861 to Contractual Services – Professional for the Liberty Utilities (Sub) Corp. allocated labor costs.

As I've testified, Mr. Killeen and Mr. Walker address much of the Applicants' disagreement with RUCO over the corporate allocations in their rebuttal testimonies. In addition, I have already provided detailed discussions of the reasons Applicants disagree with RUCO's operating expense adjustments 9, 10 and 11 on pages 32-35 and I will not repeat that testimony at this time.

**Q. WOULD RUCO'S ADJUSTMENT 9, 10, AND 13 BE BASED UPON THE CORRECTED COST POOLS FOR APUC, LIBERTY UTILITIES CANADA, AND LABS AND THE CURRENT ALLOCATION FACTORS?**

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[177] Coley Dt. at 45. *See also* RUCO Schedule TJC-22.

[178] Coley Dt. at 40-45. *See also* RUCO Schedule TJC-22.

[179] *Id.*

A. I cannot tell you what adjustment number 9 would be because I am not sure what non-labor expense amounts RUCO would have recommended disallowing based upon the corrected cost pools. Based upon the updated allocation factors, RUCO's downward adjustment number 10 would be $33,307 rather than $36,557 - $3,250 lower. With respect to RUCO adjustment 13 in which RUCO proposes to adjust Liberty Utilities (Sub) Corp. labor costs, RUCO uses an allocation factor of 13.34 percent to adjust Liberty Utilities (Sub) Corp. allocated labor costs rather than the current 11.94 percent.[180] This allocation factor better reflects the allocation of costs on a going forward basis. Based upon the updated allocation factor, RUCO's downward adjustment would be $56,389 rather than $95,861 - $37,472 lower.

**Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF OTHER PARTIES' ADJUSTMENTS TO THE LABOR AND NON-LABOR COSTS FROM LIBERTY UTILITIES (SUB) CORP., APUC, LIBERTY UTILITIES CANADA, AND LABS?**

A. Like it did for Liberty Rio Rico, Staff recommends two adjustments to APUC, Liberty Utilities Canada, and LABS labor and non-labor costs. In Staff's first adjustment, adjustment number 1, Staff reduces Contractual Services – Professional by $119,160.[181] In Staff's second adjustment, adjustment number 2, Staff recommends reducing Contractual Services – Professional by $136,916 for Liberty Utilities (Sub) Corp. allocated labor costs.[182]

**Q. WHAT ARE LIBERTY BELLA VISTA'S CONCERNS WITH STAFF'S ADJUSTMENTS?**

A. With respect to Staff adjustment number 1, Liberty Bella Vista has the same two

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[180] *See* RUCO Schedule TJC-25.

[181] Hunsaker Dt. at 42-43. *See also* Staff Schedule TBH-20.

[182] Hunsaker Dt. at 45. *See also* Staff Schedule TBH-19.

concerns expressed above for Liberty Rio Rico. First, Liberty Bella Vista disagrees with the exclusion of these costs. Liberty Bella Vista witnesses Matthew Garlick, Paul Walker and Bill Killeen respond to Staff's exclusion of allocated corporate costs in their rebuttal testimonies.[183] Second, Staff does not use current allocated costs using the updated allocation factors of 12.94 percent and 11.94 percent in its computations and the current allocation factors better reflect the allocation of costs on a going forward basis. Had the updated allocation factors been used, Staff's adjustment would be a downward adjustment of $128,116 - $979 higher than its recommendation of $119,160.

With respect to Staff's adjustment number 2, Staff's adjustment is overstated. There are two reasons for the overstatement. First, Staff uses an allocation factor of 10.96 percent rather than the updated allocation factor for Liberty Bella Vista of 11.94 for allocating costs from Liberty Utilities (Sub) Corp. to Liberty Bella Vista.[184] Second, Staff incorrectly included the wage increase of $7,334 in its adjustment number 3, discussed earlier at page 88 in determining the actual test year allocated wages from Liberty Utilities (Sub) Corp. By including the wage increase in its computation, Staff effectively eliminates $7,334 of wage increases transferred to Contractual Services – Professional in Staff adjustment number 3. Third, Staff does not use the test year balance in its computation. Staff includes the wage increase adjustment of $7,334 a second time in its trial test year balance.[185]

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[183] Garlick Rb. at 7-11; Killeen Rb. at 29-37; Walker Rb. at 5-12.

[184] Staff work papers show the use of a 10.96 percent allocation factor.

[185] Rather than using the test year balance before wage increases of $545,36 plus the correct reclassification adjustment of $120,421 before wage increases for a total of $665,757, Staff uses an adjusted test year balance of $578,547, which includes wage increases of $33,211 plus its reclassified $127,755, and which also includes wage increases of $7,334 for its test year balance of $706,302 ($578,547 plus $127,755).

The correct adjustment should be a downward adjustment of no more than $64,418 once the updated allocation factor, correct test year balance, and correct adjusted balance of allocated labor costs are used. Staff recommends a downward adjustment of $136,916 – a difference of $72,499 to the corrected amount. The computation of the $64,418 along with Staff computation of its proposed adjustment is presented in Table 9.

Table 9

| | Liberty Utilities (Sub) Corp. Per Staff | Liberty Utilities (Sub) Corp. Corrected |
|---|---|---|
| Total in Trial Balance | 706,302[186] | 665,757 |
| Staff IS Adj3 Reclass./RR Corrected Reclass. | (127,755)[187] | (120,421) |
| Adjusted Balance | $ 578,547 | $ 545,336 |
| Administrative Labor | $ 4,027,790 | $ 4,027,790 |
| Allocation Factor | 10.965% | 11.94% |
| Total Allocated Administrative Labor | $ 441,631 | $ 480,918 |
| Adjustment Calculation | | |
| Total Allocated Administrative Labor (from above) | $ 441,631 | $ 480,918 |
| Adjusted Balance | 578,547 | 545,336 |
| Adjustment | $ (136,916) | $ (64,418) |

**Q. IS THE $64,418 LISTED IN TABLE 9 SIMILAR TO LIBERTY RIO RICO'S ADJUSTMENT NUMBER 9 TO TRUE-UP THE LABOR COSTS?**

A. Yes. However, Liberty Bella Vista's downward adjustment of $71,409 is higher because it includes an adjustment for APUC, Liberty Utilities Canada, and LABS allocated labor, whereas Staff only adjusts for Liberty Utilities (Sub) Corp. allocated labor in its adjustment. Any adjustments to APUC, Liberty Utilities Canada, and LABS allocated labors costs are captured in Staff adjustment 1.

[186] This is *not* the trial balance number. *See* footnote 185.

[187] Includes $7,334 of proposed wage increases.

**Q. THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION OF LIBERTY BELLA VISTA'S REVENUE AND/OR EXPENSE ADJUSTMENTS.**

A Rebuttal adjustment number 10 reflects a revision to Liberty Bella Vista's recommended wage increases. This adjustment takes into account Liberty Bella Vista's changes to Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS allocated labor costs included in both Contractual Services – Professional and Contractual Services - Other from Liberty Bella Vista's rebuttal adjustment number 7 (reclassification) and rebuttal adjustment 9 (true-up) discussed previously at page 88. Liberty Bella Vista continues to propose two years of wages increases. At this stage of the proceeding, Liberty Bella Vista proposes $76,493 of wage increases.[188]

**Q. PLEASE COMMENT ON STAFF'S RECOMMENDATION ON THE WAGE INCREASES AND STAFF'S ADJUSTMENT.**

A. Staff recommends a downward adjustment $45,297 comprising of a downward adjustment of $32,247 to Contractual Services Professional and a downward adjustment of $13,050 to Contractual Services – Other for direct Liberty Utilities (Sub) Corp. labor and allocated Liberty Utilities (Sub) Corp. labor, respectively.[189] I have the same four concerns I expressed above at pages 38-39 with respect to Staff's position.

Assuming that Staff's adjustment 2 and 3 are corrected, the updated allocation factor of 7,334 percent is used, and the error regarding the Contractual Services – Other wage computation is fixed, Staff's total recommended wage increase should

[188] *See* Rebuttal Schedule C-2, page 11. Liberty Bella Vista proposes $33,795 for Contractual Services – Professional labor increases and $42,698 to Contractual Services – Other labor increases.

[189] *See* Staff Schedule TBH-23.

be $35,218 and not $35,563, and its proposed reduction in wages increases would be $45,642 and not $45,297 as shown on Staff Schedule TBH-19.

**Q. WHAT IS RUCO'S RECOMMENDATION REGARDING THE WAGE INCREASES?**

A. Like Staff, RUCO recommends only one year of wage increases for its recommended allocated Liberty Utilities (Sub) Corp., APUC, Liberty Utilities Canada, and LABS labor costs.[190] In RUCO's adjustment number 4, RUCO reduces Contractual Services – Professional by $27,057 and Contractual Services – Other by $17,943. I previously testified at pages 38-39 why two years of wage increases should be allowed, and why it needs to be compounded, and I will not repeat that testimony here.

**Q. THANK YOU. PLEASE CONTINUE.**

A. Rebuttal adjustment number 11 reduces Contractual Services – Professional by $6,146 for unsupported allocated capitalized labor. Staff and RUCO do not recommend similar adjustments.

Adjustment number 12 reduces Miscellaneous expense by $1,164 for changes in the postal rate. This adjustment adopts the recommendation by RUCO in its adjustment number 7.[191] Staff does not propose a similar adjustment.

Adjustment number 13 is intentionally left blank.

Adjustment number 14 is intentionally left blank.

Adjustment number 15 reflects the adjustment to interest expense to recognize the synchronization of interest expense with rate base.

Adjustment number 16 reflects the adjustment to income taxes to recognize income taxes on Liberty Bella Vista's proposed revenues and expenses.

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[190] Coley Dt. at 47.

[191] Coley Dt. at 40.

**Q. ARE THERE ANY REMAINING REVENUE AND/OR EXPENSES ADJUSTMENTS IN DISPUTE?**

A. Yes. Liberty Bella Vista disagrees with both the Staff and RUCO recommendations to disallow incentive pay.[192] Liberty Bella Vista witness, Matthew Garlick, responds to this issue in his rebuttal testimony.[193]

Liberty Bella Vista also disagrees with the Staff recommendation to increase Contractual Services – Other for capitalized INDOH.[194] I testified earlier at pages 17-19 on why Liberty Rio Rico disagrees with Staff on removing capitalized overhead from PIS. Since we disagree with removing capitalized overhead from PIS, no capitalized overhead should be added back to expenses.

**Q. DO YOU HAVE ANY CONCERNS ABOUT STAFF'S COMPUTATION OF ITS INDOH EXPENSE ADJUSTMENT?**

A. Yes, I have already expressed these concerns at pages 42-43 of my testimony and they apply to Liberty Bella Vista as well. For Liberty Bella Vista, Staff understates its expense adjustment by approximately $60,000.

**3. <u>Rates and Rate Design (H schedules)</u>.**

**Q. WHAT ARE LIBERTY BELLA VISTA'S REBUTTAL PROPOSED RATES FOR WATER SERVICE?**

A. Liberty Bella Vista's proposed water rates are shown on Rebuttal Schedule H-3, pages 1 and 2.

**Q. WHAT WILL BE THE 5/8 X 3/4 INCH RESIDENTIAL CUSTOMER AVERAGE MONTHLY BILL UNDER THE PROPOSED RATES?**

A. As shown on Rebuttal Schedule H-2, page 1, the average monthly bill under

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[192] Hunsaker Dt. at 49-50; Coley Dt. at 35-36.

[193] Garlick Rb. at 7-11.

[194] Hunsaker Dt. at 34.

proposed rates for a 5/8 x 3/4 inch residential customer using an average 8,653 gallons is $31.74 – a $6.71 increase over the present monthly bill or a 26.82 percent increase.

**Q. HAVE YOU MADE ANY CHANGES TO THE RATE DESIGN FROM THE DIRECT FILING?**

A. No.

**Q. PLEASE DISCUSS THE PROPOSED RATE DESIGNS OF THE PARTIES.**

A. As with Liberty Rio Rico's water division, the rate designs proposed by each of the parties are similar – an inverted 3-tier design for the 5/8 by ¾-inch metered residential customers, and an inverted 2-tier design for the ¾ inch commercial and other meter sizes for all classes. The parties' proposed break-over points are the same.

**Q. WHAT ABOUT REVENUE RECOVERY FROM THE MONTHLY MINIMUMS AND COMMODITY RATES?**

A. Revenue recovery from the monthly minimums and the commodity rates are also similar. For example, under Liberty Bella Vista's proposed rates, recovery from the monthly minimums is 49.36 percent. Under the Staff proposed rates, revenue recovery from the monthly minimums is 51.17 percent. Under the RUCO proposed rates, revenue recovery from the monthly minimums is 49.63 percent.

Revenue recovery from the first, second and third tier commodity rates are 19.76 percent, 24.11 percent, and 6.76 percent, respectively, under Liberty Bella Vista's proposed rates. Revenue recovery from the first, second and third tier commodity rates are 19.47 percent, 22.96 percent, and 6.41 percent, respectively under Staff's proposed rates. Revenue recovery from the first, second and third tier commodity rates are 19.91 percent, 23.76 percent, 6.07 percent, respectively under RUCO's proposed rates.

**Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE MISCELLANEOUS SERVICE CHARGES?**

A. No.

**Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE METER AND SERVICE LINE CHARGES?**

A. No.

**Q. IS THERE ANY DISAGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE OFFSITE FACILITIES HOOK-UP FEES?**

A. No. Liberty Bella Vista adopts the Staff recommendations.

**Q. DO YOU HAVE ANY COMMENTS ON THE STAFF AND RUCO AND RUCO RECOMMENDATIONS REGARDING THE PROPOSED PTAM AND PPAM?**

A. No. Mr. Matthew Garlick responds to Staff and RUCO on these subjects in his rebuttal testimony.[195]

**Q. DO YOU HAVE ANY COMMENTS ON THE STAFF RECOMMENDATIONS REGARDING THE UNCOLLECTED AMOUNTS FOR LIBERTY BELLA VISTA RELATED TO THE LOW INCOME TARIFF?**

A. Yes. I discussed this subject for Liberty Rio Rico at pages 44-45. That discussion similarly applies to Liberty Bella Vista. I will not repeat that testimony here.

**Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ON RATE BASE, INCOME STATEMENT AND RATE DESIGN FOR LIBERTY BELLA VISTA?**

A. Yes.

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[195] Garlick Rb. at 11-14.

# LIBERTY RIO RICO
# WATER DIVISION
# RATE BASE SCHEDULES

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

| Line No. | | |
|---|---|---|
| 1 | Fair Value Rate Base | $ 10,450,531 |
| 2 | | |
| 3 | Adjusted Operating Income | $ 305,295 |
| 4 | | |
| 5 | Current Rate of Return | 2.92% |
| 6 | | |
| 7 | Required Operating Income | $ 898,537 |
| 8 | | |
| 9 | Required Rate of Return on Fair Value Rate Base | 8.60% |
| 10 | | |
| 11 | Operating Income Deficiency | $ 593,241 |
| 12 | | |
| 13 | Gross Revenue Conversion Factor | 1.6263 |
| 14 | | |
| 15 | Increase in Gross Revenue | |
| 16 | Requirement | $ 964,782 |
| 17 | | |
| 18 | Adjusted Test Year Revenues | $ 3,043,906 |
| 19 | Increase in Gross Revenue Revenue Requirement | $ 964,782 |
| 20 | Proposed Revenue Requirement | $ 4,008,687 |
| 21 | % Increase | 31.70% |
| 22 | | |

| 23 | Customer | | Present | Proposed | Dollar | Percent |
|---|---|---|---|---|---|---|
| 24 | Classification | | Rates | Rates | Increase | Increase |
| 25 | 5/8X3/4 Inch | Residential | $ 2,380,134 | $ 3,157,520 | $ 777,386 | 32.66% |
| 26 | 3/4 Inch | Residential | 4,550 | 5,999 | 1,449 | 31.84% |
| 27 | 1 Inch | Residential | 31,958 | 41,885 | 9,927 | 31.06% |
| 28 | 1 1/2 Inch | Residential | 5,704 | 7,513 | 1,809 | 31.72% |
| 29 | 2 Inch | Residential | 6,720 | 8,852 | 2,132 | 31.72% |
| 30 | | Subtotal | 2,429,066 | 3,221,769 | 792,703 | 32.63% |
| 31 | | | - | - | - | 0.00% |
| 32 | 5/8X3/4 Inch | Commercial | 47,700 | 62,704 | 15,003 | 31.45% |
| 33 | 1 Inch | Commercial | 99,874 | 130,067 | 30,193 | 30.23% |
| 34 | 1 1/2 Inch | Commercial | 19,775 | 25,862 | 6,087 | 30.78% |
| 35 | 2 Inch | Commercial | 144,375 | 188,689 | 44,314 | 30.69% |
| 36 | 3 Inch | Commercial | 37,364 | 49,401 | 12,036 | 32.21% |
| 37 | 4 Inch | Commercial | 56,854 | 75,224 | 18,370 | 32.31% |
| 38 | | Subtotal | 405,943 | 531,946 | 126,004 | 31.04% |
| 39 | | | - | - | - | 0.00% |
| 40 | 5/8X3/4 Inch | School | 383 | 515 | 133 | 34.62% |
| 41 | 1 1/2 Inch | School | 969 | 1,294 | 325 | 33.59% |
| 42 | 2 Inch | School | 31,055 | 40,591 | 9,537 | 30.71% |
| 43 | 3 Inch | School | 62,589 | 81,143 | 18,554 | 29.64% |
| 44 | 4 Inch | School | 12,624 | 16,658 | 4,034 | 31.95% |
| 45 | 6 Inch | School | 30,503 | 39,541 | 9,038 | 29.63% |
| 46 | | Subtotal | 138,122 | 179,742 | 41,621 | 30.13% |
| 47 | | | - | - | - | 0.00% |
| 48 | 5/8X3/4 Inch | Industrial | 3,095 | 4,107 | 1,012 | 32.70% |
| 49 | 2 Inch | Industrial | 33,159 | 43,049 | 9,890 | 29.83% |
| 50 | | Subtotal | 36,254 | 47,156 | 10,902 | 30.07% |
| 51 | | | - | - | - | 0.00% |
| 52 | 5/8X3/4 Inch | Multi-family | 3,659 | 4,819 | 1,159 | 31.69% |
| 53 | 1 1/2 Inch | Multi-family | 1,258 | 1,665 | 406 | 32.27% |
| 54 | | Subtotal | 4,917 | 6,483 | 1,566 | 31.84% |
| 55 | | | - | - | - | 0.00% |
| 56 | 6 Inch | Bulk | 36,310 | 44,190 | 7,880 | 21.70% |
| 57 | | Fire Lines up to 8 Inch | 1,085 | 1,085 | - | 0.00% |
| 58 | | | | | | |
| 59 | Declining Usage Adjustment | | (85,648) | (106,100) | (20,452) | 23.88% |
| 60 | Revenue Annualization | | 27,094 | 34,674 | 7,580 | 27.97% |
| 61 | **Subtotal** | | $ 2,993,143 | $ 3,960,945 | $ 967,802 | 32.33% |
| 62 | | | | | | |
| 63 | Other Water Revenues | | 48,254 | 48,254 | - | 0.00% |
| 64 | Reconciling Amount | | 2,508 | (512) | (3,020) | -120.41% |
| 65 | | | | | | |
| 66 | **Total of Water Revenues** | | $ 3,043,905 | $ 4,008,688 | $ 964,782 | 31.70% |
| 67 | | | | | | |
| 68 | | | | | | |

69 SUPPORTING SCHEDULES:
70 B-1
71 C-1
72 C-3
73 H-1

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

| Line No. | | Original Cost Rate base | Fair Value Rate Base |
|---|---|---|---|
| 1 | | | |
| 2 | Gross Utility Plant in Service | $ 38,553,964 | $ 38,553,964 |
| 3 | Less: Accumulated Depreciation | 16,404,740 | 16,404,740 |
| 4 | | | |
| 5 | Net Utility Plant in Service | $ 22,149,224 | $ 22,149,224 |
| 6 | | | |
| 7 | Less: | | |
| 8 | Advances in Aid of Construction | 976,558 | 976,558 |
| 9 | | | |
| 10 | Contributions in Aid of Construction | 20,261,911 | 20,261,911 |
| 11 | | | |
| 12 | Accumulated Amortization of CIAC | (10,380,413) | (10,380,413) |
| 13 | | | |
| 14 | Customer Meter Deposits | 332,034 | 332,034 |
| 15 | Custmer Security Deposits | - | - |
| 16 | Accumulated Deferred Income Tax | 547,332 | 547,332 |
| 17 | | | |
| 18 | | | |
| 19 | Plus: | | |
| 20 | | | |
| 21 | Deferred Regulatory Assets TCE Plume | - | - |
| 22 | Prepayments | 1,508 | 1,508 |
| 23 | Materials and Supplies | - | - |
| 24 | Working capital | 37,222 | 37,222 |
| 25 | | | |
| 26 | Total Rate Base | $ 10,450,531 | $ 10,450,531 |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | SUPPORTING SCHEDULES: | | |
| 42 | B-2 | | |
| 43 | B-3 | | |
| 44 | B-5 | | |
| 45 | | | |
| 46 | | | |
| 47 | | | |
| 48 | | | |
| 49 | | | |
| 50 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

| Line No. | | Adjusted at end of Test Year | Proforma Adjustment | Rebuttal Adjusted at end of Test Year |
|---|---|---|---|---|
| 1 | Gross Utility | | | |
| 2 | Plant in Service | $ 37,384,534 | 1,169,430 | $ 38,553,964 |
| 3 | | | | |
| 4 | **Less:** | | | |
| 5 | Accumulated | | | |
| 6 | Depreciation | 16,309,712 | 95,028 | 16,404,740 |
| 7 | | | | |
| 8 | | | | |
| 9 | Net Utility Plant | | | |
| 10 | in Service | $ 21,074,821 | | $ 22,149,224 |
| 11 | | | | |
| 12 | **Less:** | | | |
| 13 | Advances in Aid of | | | |
| 14 | Construction | 976,558 | - | 976,558 |
| 15 | | | | |
| 16 | Contributions in Aid of | | | |
| 17 | Construction - Gross | 20,261,911 | - | 20,261,911 |
| 18 | | | | |
| 19 | Accumulated Amortization of CIAC | (10,388,151) | 7,738 | (10,380,413) |
| 20 | | | | |
| 21 | Customer Meter Deposits | 332,034 | - | 332,034 |
| 22 | Custmer Security Deposits | - | - | - |
| 23 | Accumulated Deferred Income Tax | 1,121,537 | (574,205) | 547,332 |
| 24 | | | | - |
| 25 | | | | - |
| 26 | | | | |
| 27 | **Plus:** | | | |
| 28 | | | | |
| 29 | Deferred Regulatory Assets TCE Plume | - | | - |
| 30 | Prepayments | 1,508 | | 1,508 |
| 31 | Materials and Supplies | - | | - |
| 32 | Working capital | 89,192 | (51,970) | 37,222 |
| 33 | | | | - |
| 34 | | | | |
| 35 | Total | $ 8,861,632 | | $ 10,450,531 |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | | | | |
| 42 | | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | | | | |
| 46 | SUPPORTING SCHEDULES: | | | RECAP SCHEDULES: |
| 47 | B-2, page 2 | | | B-1 |
| 48 | | | | |
| 49 | | | | |
| 50 | | | | |
| 51 | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

| Line No. | | Adjusted at end of Test Year | Proforma Adjustments 1 Plant-in-Service | 2 Accumulated Depreciation | 3 CIAC | 4 AIAC | 5 ADIT | 6 Cash Working Capital | Rebuttal Adjusted at end of Test Year |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Gross Utility | | | | | | | | |
| 2 | Plant in Service | $ 37,384,534 | 1,169,430 | | | | | | $ 38,553,964 |
| 3 | | | | | | | | | |
| 4 | **Less:** | | | | | | | | |
| 5 | Accumulated | | | | | | | | |
| 6 | Depreciation | 16,309,712 | | 95,028 | | | | | 16,404,740 |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | Net Utility Plant | | | | | | | | |
| 10 | in Service | $ 21,074,821 | $ 1,169,430 | $ (95,028) | $ - | $ - | $ - | $ - | $ 22,149,224 |
| 11 | | | | | | | | | |
| 12 | **Less:** | | | | | | | | |
| 13 | Advances in Aid of | | | | | | | | |
| 14 | Construction | 976,558 | | | | - | | | 976,558 |
| 15 | | | | | | | | | |
| 16 | Contributions in Aid of | | | | | | | | |
| 17 | Construction (CIAC) | 20,261,911 | | | - | | | | 20,261,911 |
| 18 | | | | | | | | | |
| 19 | Accumulated Amort of CIAC | (10,388,151) | | | 7,738 | | | | (10,380,413) |
| 20 | | | | | | | | | |
| 21 | Customer Meter Deposits | 332,034 | | | | | | | 332,034 |
| 22 | Customer Security Deposits | - | | | | | | | - |
| 23 | Accumulated Deferred Income Taxes | 1,121,537 | | | | | (574,205) | | 547,332 |
| 24 | | | | | | | | | |
| 25 | | | | | | | | | |
| 26 | **Plus:** | | | | | | | | |
| 27 | | | | | | | | | |
| 28 | Deferred Regulation Assets | - | | | | | | | - |
| 29 | Prepayments | 1,508 | | | | | | | 1,508 |
| 30 | Materials and Supplies | - | | | | | | | - |
| 31 | Allowance for Cash Working Capital | 89,192 | | | | | | (51,970) | 37,222 |
| 32 | | | | | | | | | |
| 33 | Total | $ 8,861,632 | $ 1,169,430 | $ (95,028) | $ (7,738) | $ - | $ 574,205 | $ (51,970) | $ 10,450,531 |
| 34 | | | | | | | | | |
| 35 | | | | | | | | | |
| 36 | | | | | | | | | |
| 37 | SUPPORTING SCHEDULES: | | | | | | RECAP SCHEDULES: | | |
| 38 | B-2, pages 3-7 | | | | | | B-1 | | |
| 39 | | | | | | | | | |
| 40 | | | | | | | | | |
| 41 | | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

| Line No. | Acct. No. | Description | Adjusted Original Cost | A Plant Reclass | B Intentionally Left Blank | C Plant True-Up | D Intentionally Left Blank | E Intentionally Left Blank | F Allocated Corporate Plant | G Adjustments to Reconcile Plant to Reconstruction | Rebuttal Adjusted Original Cost |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Adjustments | | | | | | | |
| 6 | 101 | Plant -in-Service | - | | | | | | | - | - |
| 7 | 301 | Organization Cost | 5,785 | - | | - | | | | - | 5,785 |
| 8 | 302 | Franchise Cost | 417 | - | | - | | | | - | 417 |
| 9 | 303 | Land and Land Rights | 45,968 | - | | - | | | | - | 45,968 |
| 10 | 304 | Structures and Improvements | 3,030,713 | 109,643 | | 45,025 | | | | - | 3,185,381 |
| 11 | 305 | Collecting and Impounding Res. | - | - | | - | | | | - | - |
| 12 | 306 | Lake River and Other Intakes | - | - | | - | | | | - | - |
| 13 | 307 | Wells and Springs | 505,898 | - | | - | | | | 0 | 505,898 |
| 14 | 308 | Infiltration Galleries and Tunnels | - | - | | - | | | | - | - |
| 15 | 309 | Supply Mains | 272,502 | - | | - | | | | - | 272,502 |
| 16 | 310 | Power Generation Equipment | 219,360 | - | | - | | | | - | 219,360 |
| 17 | 311 | Electric Pumping Equipment | 1,952,570 | 304,005 | | 64,896 | | | | - | 2,321,470 |
| 18 | 320 | Water Treatment Equipment | 369,996 | (369,996) | | - | | | | - | 0 |
| 19 | 320.1 | Water Treatment Plant | 92 | 369,996 | | - | | | | - | 370,088 |
| 20 | 320.2 | Chemical Solution Feeders | 4,975 | - | | 434 | | | | - | 5,409 |
| 21 | 330 | Dist. Reservoirs & Standpipe | 759,320 | - | | - | | | | - | 759,320 |
| 22 | 330.1 | Storage tanks | 1,066 | - | | - | | | | - | 1,066 |
| 23 | 330.2 | Pressure Tanks | 144 | - | | - | | | | - | 144 |
| 24 | 331 | Trans. and Dist. Mains | 22,759,460 | - | | 60,098 | | | | - | 22,819,558 |
| 25 | 333 | Services | 4,034,788 | - | | 420,369 | | | | 0 | 4,455,157 |
| 26 | 334 | Meters | 1,696,383 | - | | 45,411 | | | | - | 1,741,794 |
| 27 | 335 | Hydrants | 635,868 | - | | 1,138 | | | | - | 637,006 |
| 28 | 336 | Backflow Prevention Devices | 15,855 | - | | - | | | | - | 15,855 |
| 29 | 339 | Other Plant and Misc. Equip. | 123,778 | - | | - | | | | - | 123,778 |
| 30 | 340 | Office Furniture and Fixtures | 115,867 | (80,853) | | - | | | | - | 35,014 |
| 31 | 340.1 | Computers and Software | 76,919 | 80,853 | | 1,800 | | | | - | 159,572 |
| 32 | 341 | Transportation Equipment | 141,853 | - | | - | | | | - | 141,853 |
| 33 | 342 | Stores Equipment | - | - | | - | | | | - | - |
| 34 | 343 | Tools and Work Equipment | 97,663 | (5,148) | | 8,117 | | | | - | 100,632 |
| 35 | 344 | Laboratory Equipment | 3,061 | - | | - | | | | - | 3,061 |
| 36 | 345 | Power Operated Equipment | - | - | | - | | | | - | - |
| 37 | 346 | Communications Equipment | 218,183 | 84,921 | | - | | | | - | 303,104 |
| 38 | 347 | Miscellaneous Equipment | 5,427 | - | | - | | | | - | 5,427 |
| 39 | 348 | Other Tangible Plant | - | - | | - | | | | - | - |
| 40 | | SUBTOTAL | 37,093,913 | 493,422 | - | 647,286 | - | - | - | 0 | 38,234,621 |
| 41 | | | | | | | | | | | |
| 42 | 903 | Land and Land Rights | 13,956 | | | | | | (60) | | 13,896 |
| 43 | 904 | Structures and Improvments | 151,457 | | | | | | (554) | | 150,903 |
| 44 | 940 | Office Furniture and Fixtures | 38,336 | | | | | | 4,610 | | 42,947 |
| 45 | 940.1 | Computers and Software | 86,871 | | | | | | 24,726 | | 111,597 |
| 46 | | SUBTOTAL | 290,620 | | | | | | 28,722 | | 319,342 |
| 47 | | | - | | | | | | | | - |
| 48 | | TOTALS | $ 37,384,534 | $ 493,422 | $ - | $ 647,286 | $ - | $ - | $ 28,722 | $ 0 | $ 38,553,964 |
| 49 | | | | | | | | | | | |
| 50 | Plant-in-Service per Books | | | | | | | | | | $ 37,384,534 |
| 51 | | | | | | | | | | | |
| 52 | Increase (decrease) in Plant-in-Service | | | | | | | | | | $ 1,169,430 |
| 53 | | | | | | | | | | | |
| 54 | Adjustment to Plant-in-Service | | | | | | | | | | $ 1,169,430 |
| 55 | | | | | | | | | | | |
| 56 | SUPPORTING SCHEDULES | | | | | | | | | | |
| 57 | B-2, pages 3.1 to 3.7 | | | | | | | | | | |
| 58 | | | | | | | | | | | |

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.

1 Plant Reclass

| Acct. No. | Description | 2012 | 2013 | 2014 | PTY | Total |
|---|---|---|---|---|---|---|
| 301 | Organization Cost | $ - | $ - | $ - | | $ - |
| 302 | Franchise Cost | | - | - | | - |
| 303 | Land and Land Rights | | - | - | | - |
| 304 | Structures and Improvements | | - | (79,773) | 189,417 | 109,643 |
| 305 | Collecting and Impounding Res. | | - | - | | - |
| 306 | Lake River and Other Intakes | | - | - | | - |
| 307 | Wells and Springs | | - | - | | - |
| 308 | Infiltration Galleries and Tunnels | | - | - | | - |
| 309 | Supply Mains | | - | - | | - |
| 310 | Power Generation Equipment | | - | - | | - |
| 311 | Electric Pumping Equipment | | - | - | 304,005 | 304,005 |
| 320 | Water Treatment Equipment | | - | (369,996) | | (369,996) |
| 320.1 | Water Treatment Plant | | - | 369,996 | | 369,996 |
| 320.2 | Chemical Solution Feeders | | - | - | | - |
| 330 | Dist. Reservoirs & Standpipe | | - | - | | - |
| 330.1 | Storage tanks | | - | - | | - |
| 330.2 | Pressure Tanks | | - | - | | - |
| 331 | Trans. and Dist. Mains | | - | - | | - |
| 333 | Services | | - | - | | - |
| 334 | Meters | | - | - | | - |
| 335 | Hydrants | | - | - | | - |
| 336 | Backflow Prevention Devices | | - | - | | - |
| 339 | Other Plant and Misc. Equip. | | - | - | | - |
| 340 | Office Furniture and Fixtures | | (79,694) | (1,159) | | (80,853) |
| 340.1 | Computers and Software | | 79,694 | 1,159 | | 80,853 |
| 341 | Transportation Equipment | | - | - | | - |
| 342 | Stores Equipment | | - | - | | - |
| 343 | Tools and Work Equipment | | (5,148) | - | | (5,148) |
| 344 | Laboratory Equipment | | - | - | | - |
| 345 | Power Operated Equipment | | - | - | | - |
| 346 | Communications Equipment | | 5,148 | 79,773 | | 84,921 |
| 347 | Miscellaneous Equipment | | - | - | | - |
| 348 | Other Tangible Plant | | - | - | | - |
| | | | | | | - |
| | TOTALS | $ - | $ (0) | $ (0) | $ 493,422 | $- $ 493,422 |

SUPPORTING SCHEDULE
Work papers

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. | | | |
|---|---|---|---|
| 1 | Unsupported Plant | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | Original |
| 5 | No. | Description | Cost |
| 6 | 301 | Organization Cost | $ - |
| 7 | 302 | Franchise Cost | - |
| 8 | 303 | Land and Land Rights | - |
| 9 | 304 | Structures and Improvements | - |
| 10 | 305 | Collecting and Impounding Res. | - |
| 11 | 306 | Lake River and Other Intakes | - |
| 12 | 307 | Wells and Springs | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - |
| 14 | 309 | Supply Mains | - |
| 15 | 310 | Power Generation Equipment | - |
| 16 | 311 | Electric Pumping Equipment | - |
| 17 | 320 | Water Treatment Equipment | - |
| 18 | 320.1 | Water Treatment Plant | - |
| 19 | 320.2 | Chemical Solution Feeders | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - |
| 21 | 330.1 | Storage tanks | - |
| 22 | 330.2 | Pressure Tanks | - |
| 23 | 331 | Trans. and Dist. Mains | - |
| 24 | 333 | Services | - |
| 25 | 334 | Meters | - |
| 26 | 335 | Hydrants | - |
| 27 | 336 | Backflow Prevention Devices | - |
| 28 | 339 | Other Plant and Misc. Equip. | - |
| 29 | 340 | Office Furniture and Fixtures | - |
| 30 | 340.1 | Computers and Software | - |
| 31 | 341 | Transportation Equipment | - |
| 32 | 342 | Stores Equipment | - |
| 33 | 343 | Tools and Work Equipment | - |
| 34 | 344 | Laboratory Equipment | - |
| 35 | 345 | Power Operated Equipment | - |
| 36 | 346 | Communications Equipment | - |
| 37 | 347 | Miscellaneous Equipment | - |
| 38 | 348 | Other Tangible Plant | - |
| 39 | | | |
| 40 | | TOTAL | $ - |
| 41 | | | |
| 42 | | | |
| 43 | SUPPORTING SCHEDULE | | RECAP SCHEDULES: |
| 44 | Work papers | | B-2, page 3 |
| 45 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

| Line No. | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | Plant True-up | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | Acct. | | | | | | |
| 5 | No. | Description | 2012 | 2013 | 2014 | PTY | Total |
| 6 | 301 | Organization Cost | $ - | $ - | $ - | - | $ - |
| 7 | 302 | Franchise Cost | | | - | - | - |
| 8 | 303 | Land and Land Rights | | | - | - | - |
| 9 | 304 | Structures and Improvements | | | - | 45,025 | 45,025 |
| 10 | 305 | Collecting and Impounding Res. | | | - | - | - |
| 11 | 306 | Lake River and Other Intakes | | | - | - | - |
| 12 | 307 | Wells and Springs | | | - | - | - |
| 13 | 308 | Infiltration Galleries and Tunnels | | | - | - | - |
| 14 | 309 | Supply Mains | | | - | - | - |
| 15 | 310 | Power Generation Equipment | | | - | - | - |
| 16 | 311 | Electric Pumping Equipment | | | 2,390 | 62,505 | 64,896 |
| 17 | 320 | Water Treatment Equipment | | | - | - | - |
| 18 | 320.1 | Water Treatment Plant | | | - | - | - |
| 19 | 320.2 | Chemical Solution Feeders | | | 434 | - | 434 |
| 20 | 330 | Dist. Reservoirs & Standpipe | | | - | - | - |
| 21 | 330.1 | Storage tanks | | | - | - | - |
| 22 | 330.2 | Pressure Tanks | | | - | - | - |
| 23 | 331 | Trans. and Dist. Mains | | | 3,942 | 56,155 | 60,098 |
| 24 | 333 | Services | | | 35,144 | 385,225 | 420,369 |
| 25 | 334 | Meters | | | - | 45,411 | 45,411 |
| 26 | 335 | Hydrants | | | - | 1,138 | 1,138 |
| 27 | 336 | Backflow Prevention Devices | | | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | | | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | | | - | - | - |
| 30 | 340.1 | Computers and Software | | | - | 1,800 | 1,800 |
| 31 | 341 | Transportation Equipment | | | - | - | - |
| 32 | 342 | Stores Equipment | | | - | - | - |
| 33 | 343 | Tools and Work Equipment | | | - | 8,117 | 8,117 |
| 34 | 344 | Laboratory Equipment | | | - | - | - |
| 35 | 345 | Power Operated Equipment | | | - | - | - |
| 36 | 346 | Communications Equipment | | | - | - | - |
| 37 | 347 | Miscellaneous Equipment | | | - | - | - |
| 38 | 348 | Other Tangible Plant | | | - | - | - |
| 39 | | | | | | | - |
| 40 | | TOTALS | $ - | $ - | $ 41,910 | $ 605,376 | $ 647,286 |
| 41 | | | | | | | |
| 42 | | | | | | | |
| 43 | SUPPORTING SCHEDULE | | | | | RECAP SCHEDULES: | |
| 44 | Work papers | | | | | B-2, page 3 | |
| 45 | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. | Acct. No. | Description | Original Cost |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | Original |
| 5 | No. | Description | Cost |
| 6 | 301 | Organization Cost | $ - |
| 7 | 302 | Franchise Cost | - |
| 8 | 303 | Land and Land Rights | - |
| 9 | 304 | Structures and Improvements | - |
| 10 | 305 | Collecting and Impounding Res. | - |
| 11 | 306 | Lake River and Other Intakes | - |
| 12 | 307 | Wells and Springs | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - |
| 14 | 309 | Supply Mains | - |
| 15 | 310 | Power Generation Equipment | - |
| 16 | 311 | Electric Pumping Equipment | - |
| 17 | 320 | Water Treatment Equipment | - |
| 18 | 320.1 | Water Treatment Plant | - |
| 19 | 320.2 | Chemical Solution Feeders | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - |
| 21 | 330.1 | Storage tanks | - |
| 22 | 330.2 | Pressure Tanks | - |
| 23 | 331 | Trans. and Dist. Mains | - |
| 24 | 333 | Services | - |
| 25 | 334 | Meters | - |
| 26 | 335 | Hydrants | - |
| 27 | 336 | Backflow Prevention Devices | - |
| 28 | 339 | Other Plant and Misc. Equip. | - |
| 29 | 340 | Office Furniture and Fixtures | - |
| 30 | 340.1 | Computers and Software | - |
| 31 | 341 | Transportation Equipment | - |
| 32 | 342 | Stores Equipment | - |
| 33 | 343 | Tools and Work Equipment | - |
| 34 | 344 | Laboratory Equipment | - |
| 35 | 345 | Power Operated Equipment | - |
| 36 | 346 | Communications Equipment | - |
| 37 | 347 | Miscellaneous Equipment | - |
| 38 | 348 | Other Tangible Plant | - |
| 39 | | | |
| 40 | | TOTAL | $ - |
| 41 | | | |
| 42 | | | |
| 43 | SUPPORTING SCHEDULE | | RECAP SCHEDULES: |
| 44 | Work papers | | B-2, page 3 |
| 45 | | | |
| 46 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. | Acct. No. | Description | Original Cost |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | Original |
| 5 | No. | Description | Cost |
| 6 | 301 | Organization Cost | $ - |
| 7 | 302 | Franchise Cost | - |
| 8 | 303 | Land and Land Rights | - |
| 9 | 304 | Structures and Improvements | - |
| 10 | 305 | Collecting and Impounding Res. | - |
| 11 | 306 | Lake River and Other Intakes | - |
| 12 | 307 | Wells and Springs | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - |
| 14 | 309 | Supply Mains | - |
| 15 | 310 | Power Generation Equipment | - |
| 16 | 311 | Electric Pumping Equipment | - |
| 17 | 320 | Water Treatment Equipment | - |
| 18 | 320.1 | Water Treatment Plant | - |
| 19 | 320.2 | Chemical Solution Feeders | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - |
| 21 | 330.1 | Storage tanks | - |
| 22 | 330.2 | Pressure Tanks | - |
| 23 | 331 | Trans. and Dist. Mains | - |
| 24 | 333 | Services | - |
| 25 | 334 | Meters | - |
| 26 | 335 | Hydrants | - |
| 27 | 336 | Backflow Prevention Devices | - |
| 28 | 339 | Other Plant and Misc. Equip. | - |
| 29 | 340 | Office Furniture and Fixtures | - |
| 30 | 340.1 | Computers and Software | - |
| 31 | 341 | Transportation Equipment | - |
| 32 | 342 | Stores Equipment | - |
| 33 | 343 | Tools and Work Equipment | - |
| 34 | 344 | Laboratory Equipment | - |
| 35 | 345 | Power Operated Equipment | - |
| 36 | 346 | Communications Equipment | - |
| 37 | 347 | Miscellaneous Equipment | - |
| 38 | 348 | Other Tangible Plant | - |
| 39 | | | |
| 40 | | TOTAL | $ - |
| 41 | | | |
| 42 | | | |
| 43 | SUPPORTING SCHEDULE | | RECAP SCHEDULES: |
| 44 | Work papers | | B-2, page 3 |
| 45 | | | |
| 46 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Bourassa

| Line No. | | | [1] | [2] | [3] | [4] = [1]x[2]x[3] | | |
|---|---|---|---|---|---|---|---|---|
| 1 | Corporate Plant | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | Liberty | Rio Rico | Allocated | Direct | |
| 4 | Acct. | | Orginal | Utilities | Water | Rebuttal Orginal | Orginal | Increase |
| 5 | No. | Description | Cost | Factor | Factor | Cost | Cost | (Decrease) |
| 6 | 903 | Land and Land Rights | 1,312,818 | 12.94% | 8.18% | 13,896 | 13,956 | (60) |
| 7 | 904 | Structures and Improvments | 11,123,684 | 12.94% | 8.18% | 117,743 | 125,550 | (7,807) |
| 8 | 940.1 | Computers and Software | 2,104,352 | 12.94% | 8.18% | 22,274 | 21,866 | 408 |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | LU Sub-Corp. Plant | | | | | | | |
| 12 | | | | | | | | |
| 13 | 903 | Land and Land Rights | - | | 8.18% | - | - | - |
| 14 | 904 | Structures and Improvments | 405,370 | | 8.18% | 33,159 | 25,907 | 7,252 |
| 15 | 940 | Office Furniture and Equipmen | 257,704 | | 8.18% | 21,080 | 16,470 | 4,610 |
| 16 | 940.1 | Computers and Software | 1,359,281 | | 8.18% | 111,189 | 86,871 | 24,318 |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| 19 | | | | | | | | |
| 20 | | | | | | | | |
| 21 | | | | | | | | |
| 22 | | | | | | | | |
| 23 | | | | | | | | |
| 24 | | | | | | | | |
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| 29 | | | | | | | | |
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| 31 | | | | | | | | |
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| 36 | | | | | | | | |
| 37 | | | | | | | | |
| 38 | | | | | | | | |
| 39 | | | | | | | | |
| 40 | | | | | | | | |
| 41 | | TOTALS | $ 16,563,209 | | | $ 319,342 | $ 290,620 | $ 28,722 |
| 42 | | | | | | | | |
| 43 | | | | | | | | |
| 44 | SUPPORTING SCHEDULE | | | | RECAP SCHEDULES: | | | |
| 45 | Work papers | | | | B-2, page 3 | | | |
| 46 | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - G

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Line No.

1 Reconciliation of Plant to Plant Reconstruction

| Acct. No. | Description | Orginal Cost | B-2 Adjustments | Adjusted Orginal Cost | Plant Per Reconstruction | Difference |
|---|---|---|---|---|---|---|
| 101 | Plant-in-Service | - | - | - | - | - |
| 301 | Organization Cost | 5,785 | - | 5,785 | 5,785 | - |
| 302 | Franchise Cost | 417 | - | 417 | 417 | - |
| 303 | Land and Land Rights | 45,968 | - | 45,968 | 45,968 | - |
| 304 | Structures and Improvements | 3,030,713 | 154,668 | 3,185,381 | 3,185,381 | - |
| 305 | Collecting and Impounding Res. | - | - | - | - | - |
| 306 | Lake River and Other Intakes | - | - | - | - | - |
| 307 | Wells and Springs | 505,898 | - | 505,898 | 505,898 | 0 |
| 308 | Infiltration Galleries and Tunnels | - | - | - | - | - |
| 309 | Supply Mains | 272,502 | - | 272,502 | 272,502 | - |
| 310 | Power Generation Equipment | 219,360 | - | 219,360 | 219,360 | - |
| 311 | Electric Pumping Equipment | 1,952,570 | 368,900 | 2,321,470 | 2,321,470 | - |
| 320 | Water Treatment Equipment | 369,996 | (369,996) | 0 | 0 | - |
| 320.1 | Water Treatment Plant | 92 | 369,996 | 370,088 | 370,088 | - |
| 320.2 | Chemical Solution Feeders | 4,975 | 434 | 5,409 | 5,409 | - |
| 330 | Dist. Reservoirs & Standpipe | 759,320 | - | 759,320 | 759,320 | - |
| 330.1 | Storage tanks | 1,066 | - | 1,066 | 1,066 | - |
| 330.2 | Pressure Tanks | 144 | - | 144 | 144 | - |
| 331 | Trans. and Dist. Mains | 22,759,460 | 60,098 | 22,819,558 | 22,819,558 | - |
| 333 | Services | 4,034,788 | 420,369 | 4,455,157 | 4,455,157 | 0 |
| 334 | Meters | 1,696,383 | 45,411 | 1,741,794 | 1,741,794 | - |
| 335 | Hydrants | 635,868 | 1,138 | 637,006 | 637,006 | - |
| 336 | Backflow Prevention Devices | 15,855 | - | 15,855 | 15,855 | - |
| 339 | Other Plant and Misc. Equip. | 123,778 | - | 123,778 | 123,778 | - |
| 340 | Office Furniture and Fixtures | 115,867 | (80,853) | 35,014 | 35,014 | - |
| 340.1 | Computers and Software | 76,919 | 82,652 | 159,572 | 159,572 | - |
| 341 | Transportation Equipment | 141,853 | - | 141,853 | 141,853 | - |
| 342 | Stores Equipment | - | - | - | - | - |
| 343 | Tools and Work Equipment | 97,663 | 2,969 | 100,632 | 100,632 | - |
| 344 | Laboratory Equipment | 3,061 | - | 3,061 | 3,061 | - |
| 345 | Power Operated Equipment | - | - | - | - | - |
| 346 | Communications Equipment | 218,183 | 84,921 | 303,104 | 303,104 | - |
| 347 | Miscellaneous Equipment | 5,427 | - | 5,427 | 5,427 | - |
| 348 | Other Tangible Plant | - | - | - | - | - |
| | | | | | - | - |
| | TOTALS | $ 37,093,913 | $ 1,140,708 | $ 38,234,621 | $ 38,234,621 | $ 0 |

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.3
B-2, pages 3.8 through 3.10

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Water Division**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Bourassa

| Line No. | NARUC Account No. | Description | | Allowed Deprec. Rate | Per Decision Plant at 2/29/2012 | Per Decision Accum. Deprec. At 2/29/2012 | 2012 Plant Additions (Per Books) | Plant Adjustments | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | 10 Months Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | | 0.00% | 5,785 | - | - | - | - | - | | - | - | - | | - | 5,785 | - |
| 2 | 302 | Franchise Cost | | 0.00% | 417 | - | - | - | - | - | | - | - | - | | - | 417 | - |
| 3 | 303 | Land and Land Rights | | 0.00% | 44,194 | - | 1,781 | - | - | (7) | | 1,774 | - | - | | - | 45,968 | - |
| 4 | 304 | Structures & Improvements | | 3.33% | 3,311,457 | 598,475 | 15,495 | (14,087) | (403,209) | (19) | - | (401,820) | - | - | - | 86,318 | 2,909,637 | 684,793 |
| 5 | 305 | Collecting & Impounding Reservoirs | | 2.50% | - | - | - | - | - | - | | - | - | - | | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | | 2.50% | - | - | - | - | - | - | | - | - | - | | - | - | - |
| 7 | 307 | Wells & Springs | | 3.33% | 562,937 | 218,973 | - | (39) | (57,000) | - | - | (57,039) | - | - | - | 14,830 | 505,898 | 233,803 |
| 8 | 308 | Infiltration Galleries | | 6.67% | - | - | - | - | - | - | | - | - | - | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | | 2.00% | 279,157 | 43,831 | - | - | - | - | | - | - | - | | 4,653 | 279,157 | 48,484 |
| 10 | 310 | Power Generation Equipment | | 5.00% | 219,360 | 103,188 | - | - | - | - | | - | - | - | | 9,140 | 219,360 | 112,328 |
| 11 | 311 | Pumping Equipment | | 12.50% | 1,601,688 | 843,567 | 294,201 | - | (6,576) | (196) | - | 287,429 | 0 | 0 | - | 181,813 | 1,889,116 | 1,025,380 |
| 12 | 320 | Water Treatment Equipment | | 3.33% | 363,442 | 183,283 | - | - | 6,554 | - | - | 6,554 | - | - | - | 10,176 | 369,996 | 193,459 |
| 13 | 320.1 | Water Treatment Plants | | 3.33% | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | | 20.00% | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | | 2.22% | 759,861 | 191,697 | - | - | - | | | - | - | - | | 14,057 | 759,861 | 205,755 |
| 16 | 330.1 | Storage Tanks | | 2.22% | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 17 | 330.2 | Pressure Tanks | | 5.00% | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | | 2.00% | 22,337,893 | 9,566,469 | 45,015 | (1,492) | (110,946) | (86) | - | (67,508) | - | - | - | 371,736 | 22,270,385 | 9,938,205 |
| 19 | 333 | Services | | 3.33% | 2,768,122 | 869,455 | 241,161 | (385) | (19,340) | (773) | - | 220,663 | - | - | - | 79,877 | 2,988,785 | 949,332 |
| 20 | 334 | Meters | | 8.33% | 1,010,366 | 536,109 | 44,270 | (587) | (9,037) | (158) | - | 34,489 | - | - | - | 71,333 | 1,044,855 | 607,443 |
| 21 | 335 | Hydrants | | 2.00% | 572,321 | 184,803 | 2,005 | - | - | (13) | | 1,992 | - | - | | 9,555 | 574,314 | 194,358 |
| 22 | 336 | Backflow Prevention Devices | <=2/29/2012 | 6.67% | 6,151 | 1,453 | - | - | 9,704 | | | 9,704 | - | - | | 612 | 15,855 | 2,065 |
| 23 | 339 | Other Plant & Misc Equipment | | 6.67% | 123,778 | 28,827 | - | - | - | | | - | - | - | | 6,880 | 123,778 | 35,707 |
| 24 | 340 | Office Furniture & Equipment | | 6.67% | 29,265 | 22,865 | 1,030 | - | - | (6) | - | 1,023 | - | - | - | 1,655 | 30,289 | 24,520 |
| 25 | 340.1 | Computers & Software | Total | 20.00% | 76,919 | 76,919 | - | - | - | - | - | - | - | - | - | - | 76,919 | 76,919 |
| 26 | 341 | Transportation Equipment | | 20.00% | 142,188 | 121,824 | 3,840 | - | - | (17) | - | 3,823 | - | - | - | 17,288 | 146,011 | 139,112 |
| 27 | 342 | Stores Equipment | | 4.00% | - | - | - | - | - | - | | - | - | - | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | | 5.00% | 18,203 | 11,766 | 19,658 | - | - | (107) | - | 19,551 | - | - | - | 1,166 | 37,754 | 12,932 |
| 29 | 344 | Laboratory Equipment | | 10.00% | 3,061 | 3,061 | - | - | - | | | - | - | - | | - | 3,061 | 3,061 |
| 30 | 345 | Power Operated Equipment | | 5.00% | - | - | - | - | - | | | - | - | - | | - | - | - |
| 31 | 346 | Communication Equipment | PTY | 10.00% | 212,996 | 147,813 | 8,325 | - | - | (34) | - | 8,291 | - | - | - | 18,095 | 221,287 | 165,908 |
| 32 | 347 | Miscellaneous Equipment | | 10.00% | 5,427 | 278 | - | - | - | - | | - | - | - | | 452 | 5,427 | 730 |
| 33 | 348 | Other Tangible Plant | | 10.00% | - | - | - | - | - | - | | - | - | - | | - | - | - |
| 34 | | Rounding | | | (2) | - | - | - | - | - | | - | - | - | | - | (2) | - |
| 35 | | | | | | | | | | | | | | | | | | |
| 36 | | TOTALS | | | 34,454,989 | 13,754,657 | 676,780 | (16,590) | (589,849) | (1,415) | - | 68,926 | 0 | 0 | - | 899,637 | 34,523,915 | 14,654,293 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Water Division**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9
Witness: Bourassa

| Line No. | NARUC Account No. | Description | | Allowed Deprec. Rate | 2013 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | | 0.00% | - | | | | - | - | - | | - | 5,785 | - |
| 2 | 302 | Franchise Cost | | 0.00% | - | | | | - | - | - | | - | 417 | - |
| 3 | 303 | Land and Land Rights | | 0.00% | - | | | | - | - | - | | - | 45,968 | - |
| 4 | 304 | Structures & Improvements | | 3.33% | 11,570 | - | - | - | 11,570 | - | - | - | 97,084 | 2,921,207 | 781,876 |
| 5 | 305 | Collecting & Impounding Reservoirs | | 2.50% | - | | | | - | - | - | | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | | 2.50% | - | | | | - | - | - | | - | - | - |
| 7 | 307 | Wells & Springs | | 3.33% | - | - | - | - | - | - | - | - | 16,846 | 505,898 | 250,650 |
| 8 | 308 | Infiltration Galleries | | 6.67% | - | | | | - | - | - | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | | 2.00% | - | | | | - | 2,177 | 2,177 | | 5,561 | 276,981 | 51,868 |
| 10 | 310 | Power Generation Equipment | | 5.00% | - | | | | - | - | - | | 10,968 | 219,360 | 123,296 |
| 11 | 311 | Pumping Equipment | | 12.50% | 23,173 | - | (7) | - | 23,165 | 26,673 | 26,673 | - | 235,920 | 1,885,609 | 1,234,628 |
| 12 | 320 | Water Treatment Equipment | | 3.33% | - | - | - | - | - | - | - | - | 12,321 | 369,996 | 205,780 |
| 13 | 320.1 | Water Treatment Plants | | 3.33% | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | | 2.22% | - | | | | - | 540 | 540 | | 16,863 | 759,320 | 222,077 |
| 16 | 330.1 | Storage Tanks | | 2.22% | - | - | - | - | - | - | - | - | - | - | - |
| 17 | 330.2 | Pressure Tanks | | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | | 2.00% | 375,616 | - | (327) | - | 375,289 | 430 | 430 | - | 449,156 | 22,645,244 | 10,386,931 |
| 19 | 333 | Services | | 3.33% | 536,471 | - | (50) | - | 536,421 | 199,053 | 199,053 | - | 105,144 | 3,326,153 | 855,423 |
| 20 | 334 | Meters | | 8.33% | 60,686 | - | (2) | - | 60,684 | 47,027 | 47,027 | - | 87,605 | 1,058,511 | 648,021 |
| 21 | 335 | Hydrants | | 2.00% | 31,702 | | | | 31,702 | 481 | 481 | | 11,798 | 605,534 | 205,675 |
| 22 | 336 | Backflow Prevention Devices | <=2/29/2012 | 6.67% | - | | | | - | - | - | | 1,058 | 15,855 | 3,122 |
| 23 | 339 | Other Plant & Misc Equipment | | 6.67% | - | | | | - | - | - | | 8,256 | 123,778 | 43,963 |
| 24 | 340 | Office Furniture & Equipment | | 6.67% | 84,021 | - | - | (79,694) | 4,327 | - | - | - | 2,165 | 34,616 | 26,685 |
| 25 | 340.1 | Computers & Software | Total | 20.00% | - | - | - | 79,694 | 79,694 | - | - | - | 7,969 | 156,613 | 84,889 |
| 26 | 341 | Transportation Equipment | | 20.00% | - | - | - | - | - | - | - | - | 4,159 | 146,011 | 143,271 |
| 27 | 342 | Stores Equipment | | 4.00% | - | | | | - | - | - | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | | 5.00% | 49,216 | - | - | (5,148) | 44,068 | 14,210 | 14,210 | - | 2,634 | 67,612 | 1,356 |
| 29 | 344 | Laboratory Equipment | | 10.00% | - | | | | - | - | - | | - | 3,061 | 3,061 |
| 30 | 345 | Power Operated Equipment | | 5.00% | - | | | | - | - | - | | - | - | - |
| 31 | 346 | Communication Equipment | PTY | 10.00% | - | - | - | 5,148 | 5,148 | 3,104 | 3,104 | - | 22,231 | 223,331 | 185,034 |
| 32 | 347 | Miscellaneous Equipment | | 10.00% | - | | | | - | - | - | | 543 | 5,427 | 1,273 |
| 33 | 348 | Other Tangible Plant | | 10.00% | - | | | | - | - | - | | - | - | - |
| 34 | | Rounding | | | - | | | | - | - | - | | - | (2) | - |
| 35 | | | | | | | | | | | | | | | |
| 36 | | TOTALS | | | 1,172,455 | - | (386) | (0) | 1,172,068 | 293,696 | 293,696 | - | 1,098,281 | 35,402,287 | 15,458,879 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Water Division**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.10
Witness: Bourassa

| Line No. | NARUC Account No. | Description | | Allowed Deprec. Rate | 2014 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | PTY Plant | Reclass A/D | Salvage A/D Only | PTY Plant Depr. | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | | 0.00% | - | - | | | - | - | - | | | | | - | 5,785 | - |
| 2 | 302 | Franchise Cost | | 0.00% | - | - | | | - | - | - | | | | | - | 417 | - |
| 3 | 303 | Land and Land Rights | | 0.00% | - | - | | | - | - | - | | | | | - | 45,968 | - |
| 4 | 304 | Structures & Improvements | | 3.33% | 104,312 | - | - | (79,773) | 24,538 | 4,760 | 4,760 | 244,395 | | - | 4,069 | 97,606 | 3,185,381 | 878,791 |
| 5 | 305 | Collecting & Impounding Reservoirs | | 2.50% | - | - | | | - | - | - | - | | | - | - | - | - |
| 6 | 306 | Lake, River, Canal Intakes | | 2.50% | - | - | | | - | - | - | | | | | - | - | - |
| 7 | 307 | Wells & Springs | | 3.33% | - | - | - | - | - | - | - | - | | - | - | 16,846 | 505,898 | 267,496 |
| 8 | 308 | Infiltration Galleries | | 6.67% | - | - | | | - | - | - | | | | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | | 2.00% | - | - | | | - | 4,478 | 4,478 | | | | | 5,495 | 272,502 | 52,885 |
| 10 | 310 | Power Generation Equipment | | 5.00% | - | - | | | - | - | - | | | | | 10,968 | 219,360 | 134,264 |
| 11 | 311 | Pumping Equipment | | 12.50% | 79,454 | - | - | 2,390 | 81,845 | 23,487 | 23,487 | 377,503 | | - | 23,594 | 239,349 | 2,321,470 | 1,474,083 |
| 12 | 320 | Water Treatment Equipment | | 3.33% | - | - | - | - | - | - | - | - | | (218,101) | - | 12,321 | 0 | (0) |
| 13 | 320.1 | Water Treatment Plants | | 3.33% | 92 | - | - | - | 92 | - | - | - | | 218,101 | - | 2 | 370,088 | 218,103 |
| 14 | 320.2 | Solution Chemical Feeders | | 20.00% | 4,975 | - | - | 434 | 5,409 | - | - | - | | - | - | 541 | 5,409 | 541 |
| 15 | 330 | Distribution Reservoirs & Standpipes | | 2.22% | - | - | | | - | - | - | | | | | 16,857 | 759,320 | 238,934 |
| 16 | 330.1 | Storage Tanks | | 2.22% | 1,066 | - | - | - | 1,066 | - | - | - | | - | - | 12 | 1,066 | 12 |
| 17 | 330.2 | Pressure Tanks | | 5.00% | 144 | - | - | - | 144 | - | - | - | | - | - | 4 | 144 | 4 |
| 18 | 331 | Transmission & Distribution Mains | | 2.00% | 88,003 | - | (20) | 3,942 | 91,925 | 1,887 | 1,887 | 84,276 | | - | 843 | 453,805 | 22,819,558 | 10,839,691 |
| 19 | 333 | Services | | 3.33% | 745,101 | - | - | 35,144 | 780,244 | 242,817 | 242,817 | 591,577 | | - | 9,850 | 119,709 | 4,455,157 | 742,165 |
| 20 | 334 | Meters | | 8.33% | 116,054 | - | - | - | 116,054 | 34,221 | 34,221 | 601,449 | | - | 25,050 | 91,582 | 1,741,794 | 730,433 |
| 21 | 335 | Hydrants | | 2.00% | 30,370 | - | | | 30,370 | 896 | 896 | 1,997 | | | 20 | 12,405 | 637,006 | 217,204 |
| 22 | 336 | Backflow Prevention Devices | <=2/29/2012 | 6.67% | - | - | | | - | - | - | | | | | 1,058 | 15,855 | 4,180 |
| 23 | 339 | Other Plant & Misc Equipment | | 6.67% | - | - | | | - | - | - | | | | | 8,256 | 123,778 | 52,219 |
| 24 | 340 | Office Furniture & Equipment | | 6.67% | 1,159 | - | - | (1,159) | - | - | - | 398 | | - | 13 | 2,309 | 35,014 | 29,007 |
| 25 | 340.1 | Computers & Software | Total | 20.00% | - | - | - | 1,159 | 1,159 | - | - | 1,800 | | - | 180 | 16,055 | 159,572 | 101,123 |
| 26 | 341 | Transportation Equipment | | 20.00% | - | - | - | - | - | 4,159 | 4,159 | - | | - | - | 765 | 141,853 | 139,877 |
| 27 | 342 | Stores Equipment | | 4.00% | - | - | | | - | - | - | | | | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | | 5.00% | 21,251 | - | - | - | 21,251 | - | - | 11,769 | | - | 294 | 3,912 | 100,632 | 5,562 |
| 29 | 344 | Laboratory Equipment | | 10.00% | - | - | | | - | - | - | - | | | - | - | 3,061 | 3,061 |
| 30 | 345 | Power Operated Equipment | | 5.00% | - | - | | | - | - | - | | | | | - | - | - |
| 31 | 346 | Communication Equipment | PTY | 10.00% | - | - | - | 79,773 | 79,773 | - | - | | | - | | 26,322 | 303,104 | 211,356 |
| 32 | 347 | Miscellaneous Equipment | | 10.00% | - | - | | | - | - | - | | | | | 543 | 5,427 | 1,815 |
| 33 | 348 | Other Tangible Plant | | 10.00% | - | - | | | - | - | - | | | | | - | - | - |
| 34 | | Rounding | | | - | - | | | - | - | - | | | | | - | (2) | - |
| 35 | | | | | | | | | | | | | | | | | | |
| 36 | | TOTALS | | | 1,191,981 | - | (20) | 41,910 | 1,233,872 | 316,704 | 316,704 | 1,915,164 | - | - | 63,913 | 1,136,719 | 38,234,619 | 16,342,807 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

| Line No. | Acct. No. | Description | Adjusted Accum. Depr. | A Plant Reclass | B Intentionally Left Blank | C Plant True-up | D Intentionally Left Blank | E Intentionally Left Blank | F Allocated Corporate Plant | G PTY Plant Depreciation | H Adjustments to Reconcile A/D to Reconstruction | Rebuttal Adjusted Accum. Depr. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Adjustments | | | | | | | | |
| 6 | 108 | Accumulated Depreciation | - | | | | | | | | - | - |
| 7 | 301 | Organization Cost | | - | | - | | | | - | - | |
| 8 | 302 | Franchise Cost | - | - | | - | | | | - | - | - |
| 9 | 303 | Land and Land Rights | - | - | | - | | | | - | - | - |
| 10 | 304 | Structures and Improvements | 876,050 | (1,328) | | - | | | | 4,069 | - | 878,791 |
| 11 | 305 | Collecting and Impounding Res. | - | - | | - | | | | - | - | - |
| 12 | 306 | Lake River and Other Intakes | - | - | | - | | | | - | - | - |
| 13 | 307 | Wells and Springs | 267,496 | - | | - | | | | - | 0 | 267,496 |
| 14 | 308 | Infiltration Galleries and Tunnels | - | - | | - | | | | - | - | - |
| 15 | 309 | Supply Mains | 52,885 | - | | - | | | | - | - | 52,885 |
| 16 | 310 | Power Generation Equipment | 134,264 | - | | - | | | | - | - | 134,264 |
| 17 | 311 | Electric Pumping Equipment | 1,450,340 | - | | 149 | | | | 23,594 | - | 1,474,083 |
| 18 | 320 | Water Treatment Equipment | 218,101 | (218,101) | | - | | | | - | 0 | (0) |
| 19 | 320.1 | Water Treatment Plant | 2 | 218,101 | | - | | | | - | (0) | 218,103 |
| 20 | 320.2 | Chemical Solution Feeders | 498 | - | | 43 | | | | - | - | 541 |
| 21 | 330 | Dist. Reservoirs & Standpipe | 238,934 | - | | - | | | | - | - | 238,934 |
| 22 | 330.1 | Storage tanks | 12 | - | | - | | | | - | - | 12 |
| 23 | 330.2 | Pressure Tanks | 4 | - | | - | | | | - | - | 4 |
| 24 | 331 | Trans. and Dist. Mains | 10,838,809 | - | | 39 | | | | 843 | - | 10,839,691 |
| 25 | 333 | Services | 731,730 | - | | 585 | | | | 9,850 | 0 | 742,165 |
| 26 | 334 | Meters | 705,382 | - | | - | | | | 25,050 | - | 730,433 |
| 27 | 335 | Hydrants | 217,184 | - | | - | | | | 20 | - | 217,204 |
| 28 | 336 | Backflow Prevention Devices | 4,180 | - | | - | | | | - | - | 4,180 |
| 29 | 339 | Other Plant and Misc. Equip. | 52,219 | - | | - | | | | - | - | 52,219 |
| 30 | 340 | Office Furniture and Fixtures | 37,006 | (8,012) | | - | | | | 13 | - | 29,007 |
| 31 | 340.1 | Computers and Software | 76,919 | 24,024 | | - | | | | 180 | - | 101,123 |
| 32 | 341 | Transportation Equipment | 139,877 | - | | - | | | | - | - | 139,877 |
| 33 | 342 | Stores Equipment | - | - | | - | | | | - | - | - |
| 34 | 343 | Tools and Work Equipment | 5,654 | (386) | | - | | | | 294 | - | 5,562 |
| 35 | 344 | Laboratory Equipment | 3,061 | - | | - | | | | - | - | 3,061 |
| 36 | 345 | Power Operated Equipment | - | - | | - | | | | - | - | - |
| 37 | 346 | Communications Equipment | 206,595 | 4,761 | | - | | | | - | - | 211,356 |
| 38 | 347 | Miscellaneous Equipment | 1,815 | - | | - | | | | - | - | 1,815 |
| 39 | 348 | Other Tangible Plant | - | - | | - | | | | - | - | - |
| 40 | | | 16,259,017 | 19,059 | - | 817 | - | - | - | 63,913 | 0 | 16,342,807 |
| 41 | | | | | | | | | | | | |
| 42 | 903 | Land and Land Rights | - | | | | | | - | | | - |
| 43 | 904 | Structures and Improvments | 8,011 | | | | | | 1,395 | | | 9,406 |
| 44 | 940 | Office Furniture and Fixtures | 1,376 | | | | | | 385 | | | 1,762 |
| 45 | 940.1 | Computers and Software | 41,308 | | | | | | 9,457 | | | 50,765 |
| 46 | | | - | | | | | | | | | - |
| 47 | | | - | | | | | | | | | - |
| 48 | | TOTALS | $ 16,309,712 | $ 19,059 | $ - | $ 817 | $ - | $ - | $ 11,238 | $ 63,913 | $ 0 | $ 16,404,740 |
| 49 | | | | | | | | | | | | |
| 50 | | Accumulated Depreciation per Books | | | | | | | | | | $ 16,309,712 |
| 51 | | | | | | | | | | | | |
| 52 | | Increase (decrease) in Accumulated Depreciation | | | | | | | | | | $ 95,028 |
| 53 | | | | | | | | | | | | |
| 54 | | Adjustment to Accumulated Depreciation | | | | | | | | | | $ 95,028 |
| 55 | | | | | | | | | | | | |
| 56 | | SUPPORTING SCHEDULES | | | | | | | | | | |
| 57 | | B-2, pages 4.1 to 4.9 | | | | | | | | | | |

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.

1 Plant Reclass

| Line No. | Acct. No. | Description | Depr Rate | 2012 | 2013 | 2014 | | Total |
|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | 0.00% | - | - | - | $ | - |
| 7 | 302 | Franchise Cost | 0.00% | - | - | - | | - |
| 8 | 303 | Land and Land Rights | 0.00% | - | - | - | | - |
| 9 | 304 | Structures and Improvements | 3.33% | - | - | (1,328) | | (1,328) |
| 10 | 305 | Collecting and Impounding Res. | 2.50% | - | - | - | | - |
| 11 | 306 | Lake River and Other Intakes | 2.50% | - | - | - | | - |
| 12 | 307 | Wells and Springs | 3.33% | - | - | - | | - |
| 13 | 308 | Infiltration Galleries and Tunnels | 6.67% | - | - | - | | - |
| 14 | 309 | Supply Mains | 2.00% | - | - | - | | - |
| 15 | 310 | Power Generation Equipment | 5.00% | - | - | - | | - |
| 16 | 311 | Electric Pumping Equipment | 12.50% | - | - | - | | - |
| 17 | 320 | Water Treatment Equipment | 3.33% | - | - | (218,101) | | (218,101) |
| 18 | 320.1 | Water Treatment Plant | 3.33% | - | - | 218,101 | | 218,101 |
| 19 | 320.2 | Chemical Solution Feeders | 20.00% | - | - | - | | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | 2.22% | - | - | - | | - |
| 21 | 330.1 | Storage tanks | 2.22% | - | - | - | | - |
| 22 | 330.2 | Pressure Tanks | 5.00% | - | - | - | | - |
| 23 | 331 | Trans. and Dist. Mains | 2.00% | - | - | - | | - |
| 24 | 333 | Services | 3.33% | - | - | - | | - |
| 25 | 334 | Meters | 8.33% | - | - | - | | - |
| 26 | 335 | Hydrants | 2.00% | - | - | - | | - |
| 27 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | | - |
| 28 | 339 | Other Plant and Misc. Equip. | 6.67% | - | - | - | | - |
| 29 | 340 | Office Furniture and Fixtures | 6.67% | - | (2,658) | (5,354) | | (8,012) |
| 30 | 340.1 | Computers and Software | 20.00% | - | 7,969 | 16,055 | | 24,024 |
| 31 | 341 | Transportation Equipment | 20.00% | - | - | - | | - |
| 32 | 342 | Stores Equipment | 4.00% | - | - | - | | - |
| 33 | 343 | Tools and Work Equipment | 5.00% | - | (129) | (257) | | (386) |
| 34 | 344 | Laboratory Equipment | 10.00% | - | - | - | | - |
| 35 | 345 | Power Operated Equipment | 5.00% | - | - | - | | - |
| 36 | 346 | Communications Equipment | 10.00% | - | 257 | 4,503 | | 4,761 |
| 37 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | | - |
| 38 | 348 | Other Tangible Plant | 10.00% | - | - | - | | - |
| 40 | | TOTALS | | $ - | $ 5,440 | $ 13,618 | $ - $- | $ 19,059 |

43 SUPPORTING SCHEDULE
44 Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. | Acct. No. | Description | Original Cost A/D |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | Original |
| 5 | No. | Description | Cost A/D |
| 6 | 301 | Organization Cost | $ - |
| 7 | 302 | Franchise Cost | - |
| 8 | 303 | Land and Land Rights | - |
| 9 | 304 | Structures and Improvements | - |
| 10 | 305 | Collecting and Impounding Res. | - |
| 11 | 306 | Lake River and Other Intakes | - |
| 12 | 307 | Wells and Springs | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - |
| 14 | 309 | Supply Mains | - |
| 15 | 310 | Power Generation Equipment | - |
| 16 | 311 | Electric Pumping Equipment | - |
| 17 | 320 | Water Treatment Equipment | - |
| 18 | 320.1 | Water Treatment Plant | - |
| 19 | 320.2 | Chemical Solution Feeders | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - |
| 21 | 330.1 | Storage tanks | - |
| 22 | 330.2 | Pressure Tanks | - |
| 23 | 331 | Trans. and Dist. Mains | - |
| 24 | 333 | Services | - |
| 25 | 334 | Meters | - |
| 26 | 335 | Hydrants | - |
| 27 | 336 | Backflow Prevention Devices | - |
| 28 | 339 | Other Plant and Misc. Equip. | - |
| 29 | 340 | Office Furniture and Fixtures | - |
| 30 | 340.1 | Computers and Software | - |
| 31 | 341 | Transportation Equipment | - |
| 32 | 342 | Stores Equipment | - |
| 33 | 343 | Tools and Work Equipment | - |
| 34 | 344 | Laboratory Equipment | - |
| 35 | 345 | Power Operated Equipment | - |
| 36 | 346 | Communications Equipment | - |
| 37 | 347 | Miscellaneous Equipment | - |
| 38 | 348 | Other Tangible Plant | - |
| 39 | | | |
| 40 | | TOTAL | $ - |
| 41 | | | |
| 42 | | | |
| 43 | SUPPORTING SCHEDULE | | RECAP SCHEDULES: |
| 44 | Work papers | | B-2, page 4 |
| 45 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Plant True-Up

| Line No. | Acct. No. | Description | Depr Rate | 2012 | 2013 | 2014 | Total |
|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | 0.00% | - | - | - | $ - |
| 7 | 302 | Franchise Cost | 0.00% | - | - | - | - |
| 8 | 303 | Land and Land Rights | 0.00% | - | - | - | - |
| 9 | 304 | Structures and Improvements | 3.33% | - | - | - | - |
| 10 | 305 | Collecting and Impounding Res. | 2.50% | - | - | - | - |
| 11 | 306 | Lake River and Other Intakes | 2.50% | - | - | - | - |
| 12 | 307 | Wells and Springs | 3.33% | - | - | - | - |
| 13 | 308 | Infiltration Galleries and Tunnels | 6.67% | - | - | - | - |
| 14 | 309 | Supply Mains | 2.00% | - | - | - | - |
| 15 | 310 | Power Generation Equipment | 5.00% | - | - | - | - |
| 16 | 311 | Electric Pumping Equipment | 12.50% | - | - | 149 | 149 |
| 17 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - |
| 18 | 320.1 | Water Treatment Plant | 3.33% | - | - | - | - |
| 19 | 320.2 | Chemical Solution Feeders | 20.00% | - | - | 43 | 43 |
| 20 | 330 | Dist. Reservoirs & Standpipe | 2.22% | - | - | - | - |
| 21 | 330.1 | Storage tanks | 2.22% | - | - | - | - |
| 22 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - |
| 23 | 331 | Trans. and Dist. Mains | 2.00% | - | - | 39 | 39 |
| 24 | 333 | Services | 3.33% | - | - | 585 | 585 |
| 25 | 334 | Meters | 8.33% | - | - | - | - |
| 26 | 335 | Hydrants | 2.00% | - | - | - | - |
| 27 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | 6.67% | - | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | 6.67% | - | - | - | - |
| 30 | 340.1 | Computers and Software | 20.00% | - | - | - | - |
| 31 | 341 | Transportation Equipment | 20.00% | - | - | - | - |
| 32 | 342 | Stores Equipment | 4.00% | - | - | - | - |
| 33 | 343 | Tools and Work Equipment | 5.00% | - | - | - | - |
| 34 | 344 | Laboratory Equipment | 10.00% | - | - | - | - |
| 35 | 345 | Power Operated Equipment | 5.00% | - | - | - | - |
| 36 | 346 | Communications Equipment | 10.00% | - | - | - | - |
| 37 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - |
| 38 | 348 | Other Tangible Plant | 10.00% | - | - | - | - |
| 40 | | TOTALS | | $ - | $ - | $ 817 | $ 817 |

43 SUPPORTING SCHEDULE
44 Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - D

Exhibit
Rebuttal Schedule B-2
Page 4.4
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. | Acct. No. | Description | Original Cost A/d |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | Original |
| 5 | No. | Description | Cost A/d |
| 6 | 301 | Organization Cost | $ - |
| 7 | 302 | Franchise Cost | - |
| 8 | 303 | Land and Land Rights | - |
| 9 | 304 | Structures and Improvements | - |
| 10 | 305 | Collecting and Impounding Res. | - |
| 11 | 306 | Lake River and Other Intakes | - |
| 12 | 307 | Wells and Springs | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - |
| 14 | 309 | Supply Mains | - |
| 15 | 310 | Power Generation Equipment | - |
| 16 | 311 | Electric Pumping Equipment | - |
| 17 | 320 | Water Treatment Equipment | - |
| 18 | 320.1 | Water Treatment Plant | - |
| 19 | 320.2 | Chemical Solution Feeders | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - |
| 21 | 330.1 | Storage tanks | - |
| 22 | 330.2 | Pressure Tanks | - |
| 23 | 331 | Trans. and Dist. Mains | - |
| 24 | 333 | Services | - |
| 25 | 334 | Meters | - |
| 26 | 335 | Hydrants | - |
| 27 | 336 | Backflow Prevention Devices | - |
| 28 | 339 | Other Plant and Misc. Equip. | - |
| 29 | 340 | Office Furniture and Fixtures | - |
| 30 | 340.1 | Computers and Software | - |
| 31 | 341 | Transportation Equipment | - |
| 32 | 342 | Stores Equipment | - |
| 33 | 343 | Tools and Work Equipment | - |
| 34 | 344 | Laboratory Equipment | - |
| 35 | 345 | Power Operated Equipment | - |
| 36 | 346 | Communications Equipment | - |
| 37 | 347 | Miscellaneous Equipment | - |
| 38 | 348 | Other Tangible Plant | - |
| 39 | | | |
| 40 | | TOTAL | $ - |
| 41 | | | |
| 42 | | | |
| 43 | SUPPORTING SCHEDULE | | RECAP SCHEDULES: |
| 44 | Work papers | | B-2, page 3 |
| 45 | | | |
| 46 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Exhibit
Rebuttal Schedule B-2
Page 4.5
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. | Acct. No. | Description | Original Cost A/D |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | Original |
| 5 | No. | Description | Cost A/D |
| 6 | 301 | Organization Cost | $ - |
| 7 | 302 | Franchise Cost | - |
| 8 | 303 | Land and Land Rights | - |
| 9 | 304 | Structures and Improvements | - |
| 10 | 305 | Collecting and Impounding Res. | - |
| 11 | 306 | Lake River and Other Intakes | - |
| 12 | 307 | Wells and Springs | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - |
| 14 | 309 | Supply Mains | - |
| 15 | 310 | Power Generation Equipment | - |
| 16 | 311 | Electric Pumping Equipment | - |
| 17 | 320 | Water Treatment Equipment | - |
| 18 | 320.1 | Water Treatment Plant | - |
| 19 | 320.2 | Chemical Solution Feeders | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - |
| 21 | 330.1 | Storage tanks | - |
| 22 | 330.2 | Pressure Tanks | - |
| 23 | 331 | Trans. and Dist. Mains | - |
| 24 | 333 | Services | - |
| 25 | 334 | Meters | - |
| 26 | 335 | Hydrants | - |
| 27 | 336 | Backflow Prevention Devices | - |
| 28 | 339 | Other Plant and Misc. Equip. | - |
| 29 | 340 | Office Furniture and Fixtures | - |
| 30 | 340.1 | Computers and Software | - |
| 31 | 341 | Transportation Equipment | - |
| 32 | 342 | Stores Equipment | - |
| 33 | 343 | Tools and Work Equipment | - |
| 34 | 344 | Laboratory Equipment | - |
| 35 | 345 | Power Operated Equipment | - |
| 36 | 346 | Communications Equipment | - |
| 37 | 347 | Miscellaneous Equipment | - |
| 38 | 348 | Other Tangible Plant | - |
| 39 | | | |
| 40 | | TOTAL | $ - |
| 41 | | | |
| 42 | | | |
| 43 | SUPPORTING SCHEDULE | | RECAP SCHEDULES: |
| 44 | Work papers | | B-2, page 4 |
| 45 | | | |
| 46 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

Exhibit
Rebuttal Schedule B-2
Page 4.6
Witness: Bourassa

| Line No. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1 | Corporate Plant A/D | | | | | | | |
| 2 | | | [1] | [2] | [3] | [4] = [1]x[2]x[3] | | |
| 3 | | | | Liberty | Rio Rico | Allocated | Direct | |
| 4 | Acct. | | | Utilities | Water | Orginal | Orginal | Increase |
| 5 | No. | Description | A/D | Factor | Factor | Cost | Cost | (Decrease) |
| 6 | 903 | Land and Land Rights | $ - | 12.94% | 8.18% | - | - | - |
| 7 | 904 | Structures and Improvments | 309,237 | 12.94% | 8.18% | 3,273 | 3,219 | 54 |
| 8 | 940.1 | Computers and Software | 65,442 | 12.94% | 8.18% | 693 | 2,187 | (1,494) |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | LU Sub-Corp. Plant | | | | | | | |
| 12 | | | | | | | | - |
| 13 | 903 | Land and Land Rights | - | | 8.18% | - | - | - |
| 14 | 904 | Structures and Improvments | 74,974 | | 8.18% | 6,133 | 4,792 | 1,341 |
| 15 | 940 | Office Furniture and Equipment | 21,535 | | 8.18% | 1,762 | 1,376 | 385 |
| 16 | 940.1 | Computers and Software | 612,134 | | 8.18% | 50,073 | 39,121 | 10,951 |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| 19 | | | | | | | | |
| 20 | | | | | | | | |
| 21 | | | | | | | | |
| 22 | | | | | | | | |
| 23 | | | | | | | | |
| 24 | | | | | | | | |
| 25 | | | | | | | | |
| 26 | | | | | | | | |
| 27 | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | | | | | | | |
| 30 | | | | | | | | |
| 31 | | | | | | | | |
| 32 | | | | | | | | |
| 33 | | | | | | | | |
| 34 | | | | | | | | |
| 35 | | | | | | | | |
| 36 | | | | | | | | |
| 37 | | | | | | | | |
| 38 | | | | | | | | |
| 39 | | | | | | | | |
| 40 | | | | | | | | |
| 41 | | TOTALS | $ 1,083,322 | | | $ 61,933 | $ 50,695 | $ 11,238 |
| 42 | | | | | | | | |
| 43 | | | | | | | | |
| 44 | SUPPORTING SCHEDULE | | | | RECAP SCHEDULES: | | | |
| 45 | Work papers | | | | B-2, page 4 | | | |
| 46 | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - G

Exhibit
Rebuttal Schedule B-2
Page 4.7
Witness: Bourassa

| Line No. | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | PTY Plant A/D | | | | | | |
| 2 | | | | | | | |
| 3 | | | Direct | | Adjusted | | |
| 4 | Acct. | | PTY | | PTY | Depr | Depr (1/2 Year) |
| 5 | No. | Description | Plant Balance | Adjustments | Plant Balance | Rate | PTY |
| 6 | 301 | Organization Cost | $ - | $ - | $ - | 0.00% | $ - |
| 7 | 302 | Franchise Cost | - | - | - | 0.00% | - |
| 8 | 303 | Land and Land Rights | - | - | - | 0.00% | - |
| 9 | 304 | Structures and Improvements | 9,954 | 234,442 | 244,395 | 3.33% | 4,069 |
| 10 | 305 | Collecting and Impounding Res. | - | - | - | 2.50% | - |
| 11 | 306 | Lake River and Other Intakes | - | - | - | 2.50% | - |
| 12 | 307 | Wells and Springs | - | - | - | 3.33% | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - | - | - | 6.67% | - |
| 14 | 309 | Supply Mains | - | - | - | 2.00% | - |
| 15 | 310 | Power Generation Equipment | - | - | - | 5.00% | - |
| 16 | 311 | Electric Pumping Equipment | 10,993 | 366,510 | 377,503 | 12.50% | 23,594 |
| 17 | 320 | Water Treatment Equipment | - | - | - | 3.33% | - |
| 18 | 320.1 | Water Treatment Plant | - | - | - | 3.33% | - |
| 19 | 320.2 | Chemical Solution Feeders | - | - | - | 20.00% | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - | - | - | 2.22% | - |
| 21 | 330.1 | Storage tanks | - | - | - | 2.22% | - |
| 22 | 330.2 | Pressure Tanks | - | - | - | 5.00% | - |
| 23 | 331 | Trans. and Dist. Mains | 28,121 | 56,155 | 84,276 | 2.00% | 843 |
| 24 | 333 | Services | 206,351 | 385,225 | 591,577 | 3.33% | 9,850 |
| 25 | 334 | Meters | 556,039 | 45,411 | 601,449 | 8.33% | 25,050 |
| 26 | 335 | Hydrants | 860 | 1,138 | 1,997 | 2.00% | 20 |
| 27 | 336 | Backflow Prevention Devices | - | - | - | 6.67% | - |
| 28 | 339 | Other Plant and Misc. Equip. | - | - | - | 6.67% | - |
| 29 | 340 | Office Furniture and Fixtures | 398 | - | 398 | 6.67% | 13 |
| 30 | 340.1 | Computers and Software | - | 1,800 | 1,800 | 20.00% | 180 |
| 31 | 341 | Transportation Equipment | - | - | - | 20.00% | - |
| 32 | 342 | Stores Equipment | - | - | - | 4.00% | - |
| 33 | 343 | Tools and Work Equipment | 3,651 | 8,117 | 11,769 | 5.00% | 294 |
| 34 | 344 | Laboratory Equipment | - | - | - | 10.00% | - |
| 35 | 345 | Power Operated Equipment | - | - | - | 5.00% | - |
| 36 | 346 | Communications Equipment | - | - | - | 10.00% | - |
| 37 | 347 | Miscellaneous Equipment | - | - | - | 10.00% | - |
| 38 | 348 | Other Tangible Plant | 0 | - | - | 10.00% | - |
| 39 | | | | | | | |
| 40 | | TOTALS | $ 816,367 | $ 1,098,797 | $ 1,915,164 | | $ 63,913 |
| 41 | | | | | | | |
| 42 | | | | | | | |
| 43 | SUPPORTING SCHEDULE | | | RECAP SCHEDULES: | | | |
| 44 | Work papers | | | B-2, page 4 | | | |
| 45 | Testimony | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - H

Exhibit
Rebuttal Schedule B-2
Page 4.8
Witness: Bourassa

Line No.

1 Reconciliation of A/D to A/D Reconstruction

| Acct. No. | Description | Orginal Cost | B-2 Adjustments | Adjusted Orginal Cost | Plant Per Reconstruction | Difference |
|---|---|---|---|---|---|---|
| 108 | Accumulated Depreciation | - | - | - | - | - |
| 301 | Organization Cost | - | - | | - | |
| 302 | Franchise Cost | - | - | - | - | - |
| 303 | Land and Land Rights | - | - | - | - | - |
| 304 | Structures and Improvements | 876,050 | 2,741 | 878,791 | 878,791 | - |
| 305 | Collecting and Impounding Res. | - | - | - | - | - |
| 306 | Lake River and Other Intakes | - | - | - | - | - |
| 307 | Wells and Springs | 267,496 | - | 267,496 | 267,496 | 0 |
| 308 | Infiltration Galleries and Tunnels | - | - | - | - | - |
| 309 | Supply Mains | 52,885 | - | 52,885 | 52,885 | - |
| 310 | Power Generation Equipment | 134,264 | - | 134,264 | 134,264 | - |
| 311 | Electric Pumping Equipment | 1,450,340 | 23,743 | 1,474,083 | 1,474,083 | - |
| 320 | Water Treatment Equipment | 218,101 | (218,101) | (1) | (0) | 0 |
| 320.1 | Water Treatment Plant | 2 | 218,101 | 218,103 | 218,103 | (0) |
| 320.2 | Chemical Solution Feeders | 498 | 43 | 541 | 541 | - |
| 330 | Dist. Reservoirs & Standpipe | 238,934 | - | 238,934 | 238,934 | - |
| 330.1 | Storage tanks | 12 | - | 12 | 12 | - |
| 330.2 | Pressure Tanks | 4 | - | 4 | 4 | - |
| 331 | Trans. and Dist. Mains | 10,838,809 | 882 | 10,839,691 | 10,839,691 | - |
| 333 | Services | 731,730 | 10,435 | 742,165 | 742,165 | 0 |
| 334 | Meters | 705,382 | 25,050 | 730,433 | 730,433 | - |
| 335 | Hydrants | 217,184 | 20 | 217,204 | 217,204 | - |
| 336 | Backflow Prevention Devices | 4,180 | - | 4,180 | 4,180 | - |
| 339 | Other Plant and Misc. Equip. | 52,219 | - | 52,219 | 52,219 | - |
| 340 | Office Furniture and Fixtures | 37,006 | (7,999) | 29,007 | 29,007 | - |
| 340.1 | Computers and Software | 76,919 | 24,204 | 101,123 | 101,123 | - |
| 341 | Transportation Equipment | 139,877 | - | 139,877 | 139,877 | - |
| 342 | Stores Equipment | - | - | - | - | - |
| 343 | Tools and Work Equipment | 5,654 | (92) | 5,562 | 5,562 | - |
| 344 | Laboratory Equipment | 3,061 | - | 3,061 | 3,061 | - |
| 345 | Power Operated Equipment | - | - | - | - | - |
| 346 | Communications Equipment | 206,595 | 4,761 | 211,356 | 211,356 | - |
| 347 | Miscellaneous Equipment | 1,815 | - | 1,815 | 1,815 | - |
| 348 | Other Tangible Plant | - | - | - | - | - |
| | | | | | | - |
| | TOTALS | $ 16,259,017 | $ 83,789 | $ 16,342,807 | $ 16,342,807 | $ 0 |

SUPPORTING SCHEDULE
B-2, pages 4.1
B-2, pages 3.8 through 3.10

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

| Line No. | | Gross CIAC | Accumulated Amortization |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | Computed balance at End of Test Year | $ 20,261,911 | $ 10,380,413 |
| 6 | | | |
| 7 | Adjusted balance at End of Test Year | $ 20,261,911 | $ 10,388,151 |
| 8 | | | |
| 9 | Increase (decrease) | $ - | $ (7,738) |
| 10 | | | |
| 11 | | | |
| 12 | Adjustment to CIAC/AA CIAC | $ - | $ 7,738 |
| 13 | Label | 3a | 3b |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | SUPPORTING SCHEDULES | | RECAP SCHEDULES: |
| 20 | B-2, page 5.1 | | B-2, page 2 |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
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| 32 | | | |
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| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Rebuttal Schedule B-2
Page 5.1
Witness: Bourassa

| Line No. | | Per Decision | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|
| 1 | | Balance | | Balance | | Balance | | Balance |
| 2 | | 2/29/2012 | Additions | 12/31/2012 | Additions | 12/31/2013 | Additions | 12/31/2014 |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | CIAC | 20,179,119 | | 20,173,239 | | 20,173,239 | 88,672 | 20,261,911 |
| 6 | | | | | | | | |
| 7 | Rate Case Adj - AIAC error | | (38,194) | | | | | |
| 8 | Rate Case Adj - AIAC error | | 32,314 | | | | | |
| 9 | | | | | | | | |
| 10 | Amortization Decision No. 72059 | | | | | | | |
| 11 | Amortization Rate | 0.51% | | 2.62% | | 3.11% | | 2.99% |
| 12 | Amortization | 102,506 | | 527,808 | | 628,177 | | 606,676 |
| 13 | Accumulated Amortization | 8,617,752 | | 9,145,560 | | 9,773,737 | | 10,380,413 |
| 14 | | | | | | | | |
| 15 | Net CIAC | 11,561,368 | - | 11,027,679 | - | 10,399,502 | 88,672 | 9,881,498 |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| 19 | AIAC agreement was originaly posted to CIAC pre acqusition in 1998/1999 for 38,194. | | | | | | | |
| 20 | Journal entries were never made to correct the GL accounts. So in 2009 an entry to move the bal to CIAC should have been 32,313.7 | | | | | | | |
| 21 | | | | | | | | |
| 22 | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6
Witness: Bourassa

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Computed balance at End of Test Year | $ | 976,558 |
| 5 | | | |
| 6 | Adjusted balance at End of Test Year | $ | 976,558 |
| 7 | | | |
| 8 | Increase (decrease) | $ | - |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | SUPPORTING SCHEDULES | RECAP SCHEDULES: | |
| 20 | B-2, page 6.1 | B-2, page 2 | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6.1
Witness: Bourassa

| Line No. | | Per Decision | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|
| 1 | | Balance | | Balance | | Balance | | Balance |
| 2 | | 2/29/2012 | Activity | 12/31/2012 | Activity | 12/31/2013 | Activity | 12/31/2014 |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | AIAC in process | 660,955 | - | 664,175 | - | 1,038,044 | 2,500 | 976,558 |
| 6 | Additions | | 16,505 | | 376,211 | | | |
| 7 | Refunds | | (3,471) | | (4,842) | | (2,814) | |
| 8 | Rate Case - CIAC Adj | | (32,314) | | | | | |
| 9 | Rate Case - AIAC in process | | 5,000 | | | | | |
| 10 | Rate Case - IAD Aj | | 22,500 | | | | | |
| 11 | Move to CIAC | | | | | | (88,672) | |
| 12 | IAD | | (5,000) | | 2,500 | | 27,500 | |
| 13 | | | | | | | | |
| 14 | Total AIAC | 660,955 | 3,220 | 664,175 | 373,869 | 1,038,044 | (61,486) | 976,558 |
| 15 | | | | | | | | |
| 16 | | | | | | | | |

17 AIAC agreement was originaly posted to CIAC pre acqusition in 1998/1999 for 38,194.
18 Journal entries were never made to correct the GL accounts. So in 2009 an entry to move the bal to CIAC should have been 32,313.7
19
20 Rate Case IAD Adj is to add the deposits received from the prior rate case but not entered
21
22 AIAC in process rate case adjustment was for the AIAC in procees that was taken in 2008 but was not included in the AIAC amount. In the 2012 rate case the 5000 was subtracted out.

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 7.0
Witness: Bourassa

**Deferred Income Tax as of December 31, 2014**

| Line No. | | | Water & Sewer Adjusted Book Value | Water & Sewer Tax Value | Probability of Realization of Future Tax Benefit | Deductible TD (Taxable TD) Expected to be Realized | Effective Tax Rate | Future Tax Asset Current | Future Tax Asset Non Current | Future Tax Liability Current | Future Tax Liability Non Current |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | | Plant-in-Service | $ 52,254,628 [1] | | | | | | | | |
| 7 | | Accum. Deprec. | (22,235,387) [1] | | | | | | | | |
| 8 | | CIAC | (13,104,588) [3] | | | | | | | | |
| 9 | Fed. | Fixed Assets | $ 16,914,653 | $ 13,960,888 [2] | 100.0% | $ (2,953,765) | 32.54% | | - | | (961,269) |
| 11 | State | Fixed Assets | $ 16,914,653 | $ 14,063,222 [2] | 100.0% | $ (2,851,431) | 4.900% | | - | | (139,720) |
| 13 | Fed &State | AIAC | | 783,815 [4] | 100.0% | $ 783,815 [4] | 37.444% | | $ 293,491 | | |
| 16 | | | | | | | | $ - | $ 293,491 | $ - | $ (1,100,990) |

| | |
|---|---|
| Net Asset (Liability) | $ (807,499) |
| Allocation Factor - Water-Division (based on rate base before ADIT) | 0.6633 |
| Net Asset (Liability) Water Division | $ (535,590) |
| Allocated Corporate ADIT[5] | $ (11,741) |
| Total Asset (Liability) Water Division | $ (547,332) |
| DIT Asset (Liability) as Adjusted | $ (1,121,537) |
| Adjustment to DIT | $ (574,205) |

Footnotes - See page 7.1

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 7.1
Witness: Bourassa

| Line No. | | FEDERAL | | | STATE | | |
|---|---|---|---|---|---|---|---|
| 1 | **[1] Per adjusted book balances, land not included, corporate plant not included** | | | | | | |
| 2 | | | | | | | |
| 3 | **2 Computation of Net Tax Value December 31, 2014** | | | | | | |
| 4 | | | | | | | |
| 5 | Based on 2014 Tax Depreciation report | | | | | | |
| 6 | Adjusted Basis at December 31, 2014 per federal and state tax depr. report | $ 27,137,977 | | | $ 28,144,708 | | |
| 7 | Reconciling Items not on tax report: | | | | - | | |
| 8 | Land on Tax and not on included in adjusted plant balance | | | | - | | |
| 9 | PTY Plant | 2,067,697 | | | 2,067,697 | | |
| 10 | | | | | - | | |
| 11 | | | | | - | | |
| 12 | | | | | - | | |
| 13 | | | | | - | | |
| 14 | | | | | - | | |
| 15 | Net Cost tax Basis at December 31, 2014 | | | $ 29,205,674 | | | $ 30,212,405 |
| 16 | | | | | | | |
| 17 | Reductions | | | | | | |
| 18 | Accumulated Depreciation at December 31, 2014 | $ (15,200,060) | | | $ (16,104,457) | | |
| 19 | | | | | - | | |
| 20 | PTY Plant Tax Depr Estimate | (44,725) | | | (44,725) | | |
| 21 | | - | | | - | | |
| 22 | | - | | | - | | |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | Net Reductions through December 31, 2012 | | | (15,244,785) | | | (16,149,183) |
| 27 | Net tax value of plant-in-service at December 31. 2012 | | | $ 13,960,888 | | | $ 14,063,222 |
| 28 | | | | | | | |
| 29 | **[3] CIAC (including impact of change to probability of realization)** | | | | | | |
| 30 | Gross CIAC per adjusted book balances | | $ 25,374,157 | | | | |
| 31 | CIAC reductions/addtions | | | | | | |
| 32 | A.A per adjusted book balances | $ (13,323,725) | | | | | |
| 33 | | - | | | | | |
| 34 | | | | | | | |
| 35 | Net CIAC before unrealized AIAC | | (13,323,725) | | | | |
| 36 | | | | $ 12,050,432 | | | |
| 37 | Unrealized AIAC Component | | | | | | |
| 38 | AIAC per adjusted book balances | | $ 1,505,937 | | | | |
| 39 | Adjusted Net AIAC (see footnote 5 below) | | 70.0% | | | | |
| 40 | Unrealized AIAC Component % (1-Realized AIAC Component) | | | $ 1,054,156 | | | |
| 41 | | | | $ 13,104,588 | | | |
| 42 | Total realizable CIAC | | | | | | |
| 43 | | | | | | | |
| 44 | **[4] AIAC (including impact of change in probability of realization)** | | | | | | |
| 45 | AIAC per adjusted book balances | | | $ 1,505,937 | | | |
| 46 | Less: Unrealized AIAC (from Note 3, above) | | | $ (1,054,156) | | | |
| 47 | | | | | | | |
| 48 | Subtotal | | | $ 451,781 | | | |
| 49 | Meter and Service Line Installation Charges per adjusted book balances | | | 332,034 | | | |
| 50 | Total realizable AIAC | | | $ 783,815 | | | |
| 51 | | | | | | | |
| 52 | **[5] See work papers** | | | | | | |
| 53 | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Cash Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

| Line No. | Description | Proforma Test Year Amount[1] | Revenue Lag (Lead) Days | Expense Lag (Lead) Days | Net Lag (Lead) Days Col. C - Col. D | Lead/Lag Factor Col. E/365 | Cash Working Capital Required Col. B * Col. F |
|---|---|---|---|---|---|---|---|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
| | OPERATING EXPENSES | | | | | | |
| | Salaries and Wages | $ - | 44.96 | - | 44.96 | 0.12317808 | $ - |
| | Purchased Water | 69,895 | 44.96 | 27.48 | 17.48 | 0.04789041 | 3,347 |
| | Purchased Power | 327,329 | 44.96 | 29.04 | 15.92 | 0.04361644 | 14,277 |
| | Chemicals | 4,647 | 44.96 | 0.42 | 44.54 | 0.12202740 | 567 |
| | Fuel for Power Production | - | 44.96 | - | 44.96 | 0.12317808 | - |
| | Repairs and Maintenance | - | 44.96 | 32.84 | 12.12 | 0.03320548 | - |
| | Office Supplies and Expense | 34,071 | 44.96 | 38.69 | 6.27 | 0.01717808 | 585 |
| | Outside Services | - | 44.96 | - | 44.96 | 0.12317808 | - |
| | Contractual Services - Professional | 669,704 | 44.96 | 20.03 | 24.93 | 0.06830137 | 45,742 |
| | Contractual Services - Testing | 39,413 | 44.96 | 28.21 | 16.75 | 0.04589041 | 1,809 |
| | Contractual Services - Other | 479,604 | 44.96 | 22.20 | 22.76 | 0.06235616 | 29,906 |
| | Water Testing | - | 44.96 | - | 44.96 | 0.12317808 | - |
| | Rents | 4,169 | 44.96 | (5.40) | 50.36 | 0.13797260 | 575 |
| | Transportation | 60,352 | 44.96 | 28.43 | 16.53 | 0.04528767 | 2,733 |
| | Insurance | 27,865 | 44.96 | (182.50) | 227.46 | 0.62317808 | 17,365 |
| | Materials and Supplies | 29,680 | 44.96 | 32.84 | 12.12 | 0.03320548 | 986 |
| | Miscellaneous | 60,228 | 44.96 | 31.38 | 13.58 | 0.03720548 | 2,241 |
| | Interest Expense | 108,477 | 44.96 | 90.25 | (45.29) | (0.12408219) | (13,460) |
| | TAXES | | | | | | |
| | General Taxes-Property[1] | 172,073 | 44.96 | 213.96 | (169.00) | (0.46300913) | $ (79,672) |
| | General Taxes-Other | | 44.96 | - | 44.96 | 0.12317808 | - |
| | Income Tax[1] | 468,679 | 44.96 | 37.00 | 7.96 | 0.02180822 | 10,221 |
| | OTHER | | | | | | |
| | Regulatory Commission Expense | - | 44.96 | (136.54) | 181.50 | 0.49726484 | - |
| | TOTAL | $ 2,556,186 | | WORKING CASH REQUIREMENT | | | $ 37,222 |
| | | | | ADJUSTED TY WORKING CAPITAL | | | 89,192 |
| | | | | INCREASE (DECREASE) | | | $ (51,970) |

[1]At proposed rates.

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

| Line No. | | Test Year Book Results | Adjustment | Test Year Adjusted Results | Proposed Rate Increase | Adjusted with Rate Increase |
|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | |
| 2 | Metered Water Revenues | $ 2,984,538 | $ 11,114 | $ 2,995,651 | $ 964,782 | $ 3,960,433 |
| 3 | Unmetered Water Revenues | - | - | - | | - |
| 4 | Other Water Revenues | 48,254 | - | 48,254 | | 48,254 |
| 5 | | $ 3,032,792 | $ 11,114 | $ 3,043,906 | $ 964,782 | $ 4,008,687 |
| 6 | **Operating Expenses** | | | | | |
| 7 | Salaries and Wages | $ - | - | $ - | | $ - |
| 8 | Purchased Water | 69,895 | - | 69,895 | | 69,895 |
| 9 | Purchased Power | 324,148 | 3,181 | 327,329 | | 327,329 |
| 10 | Chemicals | 4,602 | 45 | 4,647 | | 4,647 |
| 11 | Fuel for Power Production | - | - | - | | - |
| 12 | Repairs and Maintenance | - | - | - | | - |
| 13 | Office Supplies and Expense | 34,071 | - | 34,071 | | 34,071 |
| 14 | Outside Services | - | - | - | | - |
| 15 | Contractual Services - Professional | 1,039,036 | (369,332) | 669,704 | | 669,704 |
| 16 | Contractual Services - Testing | 41,807 | (2,394) | 39,413 | | 39,413 |
| 17 | Contractual Services - Other | 97,904 | 381,700 | 479,604 | | 479,604 |
| 18 | Water Testing | - | - | - | | - |
| 19 | Rents | 4,169 | - | 4,169 | | 4,169 |
| 20 | Transportation | 60,352 | - | 60,352 | | 60,352 |
| 21 | Insurance | 27,865 | - | 27,865 | | 27,865 |
| 22 | Regulatory Commission Expense | 33,172 | - | 33,172 | | 33,172 |
| 23 | Materials and Supplies | 29,680 | - | 29,680 | | 29,680 |
| 24 | Miscellaneous | 61,392 | (1,164) | 60,228 | | 60,228 |
| 25 | Depreciation | 562,211 | 67,059 | 629,270 | | 629,270 |
| 26 | Taxes Other Than Income | - | - | - | | - |
| 27 | Property Taxes | 155,057 | 568 | 155,626 | 16,447 | 172,073 |
| 28 | Income Tax | 147,142 | (33,556) | 113,586 | 355,093 | 468,679 |
| 29 | | | - | - | | - |
| 30 | **Total Operating Expenses** | $ 2,692,502 | $ 46,108 | $ 2,738,610 | $ 371,541 | $ 3,110,151 |
| 31 | **Operating Income** | $ 340,290 | $ (34,994) | $ 305,295 | $ 593,241 | $ 898,537 |
| 32 | **Other Income (Expense)** | | | | | |
| 33 | Interest and Dividend Income | - | - | - | | - |
| 34 | AFUDC Income | 5,045 | - | 5,045 | | 5,045 |
| 35 | Miscellaneous Non-Utility Expenses | (500) | - | (500) | | (500) |
| 36 | Interest Expense | (92,250) | (16,227) | (108,477) | | (108,477) |
| 37 | | - | - | - | | - |
| 38 | **Total Other Income (Expense)** | $ (87,705) | $ (16,227) | $ (103,932) | $ - | $ (103,932) |
| 39 | **Net Profit (Loss)** | $ 252,585 | $ (51,221) | $ 201,364 | $ 593,241 | $ 794,605 |
| 40 | | | | | | |
| 41 | SUPPORTING SCHEDULES: | | | | RECAP SCHEDULES: | |
| 42 | C-1, page 2 | | | | A-1 | |
| 43 | E-2 | | | | | |
| 44 | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
**dba Liberty Utilities**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

| Line No. | | LABEL>>>>> Test Year Book Results | 1 Depreciation | 2 Property Taxes | 3 Rate Case Expense | 4 Usage Normalization | 5 Intentionally Left Blank | 6 Water Testing | 7 Reclass Contractual Services | 8 Corporate Cost Adj. Non-Labor |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | | | | | |
| 2 | Metered Water Revenues | $ 2,984,538 | | | | $ 11,114 | | | | |
| 3 | Unmetered Water Revenues | - | | | | | | | | |
| 4 | Other Water Revenues | 48,254 | | | | | | | | |
| 5 | | $ 3,032,792 | $ - | $ - | $ - | $ 11,114 | $ - | $ - | $ - | |
| 6 | **Operating Expenses** | | | | | | | | | |
| 7 | Salaries and Wages | $ - | | | | | | | | |
| 8 | Purchased Water | 69,895 | | | | | | | | |
| 9 | Purchased Power | 324,148 | | | | 3,181 | | | | |
| 10 | Chemicals | 4,602 | | | | 45 | | | | |
| 11 | Fuel for Power Production | - | | | | | | | | |
| 12 | Repairs and Maintenance | - | | | | | | | | |
| 13 | Office Supplies and Expense | 34,071 | | | | | | | | |
| 14 | Outside Services | - | | | | | | | | |
| 15 | Contractual Services - Professional | 1,039,036 | | | | | | | | |
| 16 | Contractual Services - Testing | 41,807 | | | | | | | (359,789) | 38,131 |
| 17 | Contractual Services - Other | 97,904 | | | | | | (2,394) | | |
| 18 | Water Testing | - | | | | | | | 359,789 | |
| 19 | Rents | 4,169 | | | | | | | | |
| 20 | Transportation | 60,352 | | | | | | | | |
| 21 | Insurance | 27,865 | | | | | | | | |
| 22 | Regulatory Commission Expense | 33,172 | | | - | | | | | |
| 23 | Materials and Supplies | 29,680 | | | | | | | | |
| 24 | Miscellaneous | 61,392 | | | | | | | | |
| 25 | Depreciation | 562,211 | 67,059 | | | | | | | |
| 26 | Taxes Other Than Income | - | | | | | | | | |
| 27 | Property Taxes | 155,057 | | 568 | | | | | | |
| 28 | Income Tax | 147,142 | | | | | | | | |
| 29 | | | | | | | | | | |
| 30 | **Total Operating Expenses** | $ 2,692,502 | $ 67,059 | $ 568 | $ - | $ 3,227 | $ - | $ (2,394) | $ - | $ 38,131 |
| 31 | **Operating Income** | $ 340,290 | $ (67,059) | $ (568) | $ - | $ 7,887 | $ - | $ 2,394 | $ - | $ (38,131) |
| 32 | **Other Income (Expense)** | | | | | | | | | |
| 33 | Interest and Dividend Income | - | | | | | | | | |
| 34 | AFUDC Income | 5,045 | | | | | | | | |
| 35 | Miscellaneous Non-Utility Expenses | (500) | | | | | | | | |
| 36 | Interest Expense | (92,250) | | | | | | | | |
| 37 | | - | | | | | | | | |
| 38 | **Total Other Income (Expense)** | $ (87,705) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 39 | **Net Profit (Loss)** | $ 252,585 | $ (67,059) | $ (568) | $ - | $ 7,887 | $ - | $ 2,394 | $ - | $ (38,131) |
| 40 | | | | | | | | | | |
| 41 | SUPPORTING SCHEDULES: | | | | | | | | | |
| 42 | C-2 | | | | | | | | | |
| 43 | E-2 | | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Wa**
**dba Liberty Utilities**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

| Line No. | | 9 Corporate Cost Adj. Labor | 10 Corporate Cost Adj. Wage Incr. | 11 Capitalized Labor | 12 Postage | 13 Intentionally Left Blank | 14 Intentionally Left Blank | 15 Interest Synch. | 16 Income Taxes | Test Year Adjusted Results | Proposed Rate Increase | Adjusted with Rate Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | | | | | | | |
| 2 | Metered Water Revenues | | | | | | | | | $ 2,995,651 | $ 964,782 | $ 3,960,433 |
| 3 | Unmetered Water Revenues | | | | | | | | | - | | - |
| 4 | Other Water Revenues | | | | | | | | | 48,254 | | 48,254 |
| 5 | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,043,906 | $ 964,782 | $ 4,008,687 |
| 6 | **Operating Expenses** | | | | | | | | | | | |
| 7 | Salaries and Wages | | | | | | | | | $ - | | $ - |
| 8 | Purchased Water | | | | | | | | | 69,895 | | 69,895 |
| 9 | Purchased Power | | | | | | | | | 327,329 | | 327,329 |
| 10 | Chemicals | | | | | | | | | 4,647 | | 4,647 |
| 11 | Fuel for Power Production | | | | | | | | | - | | - |
| 12 | Repairs and Maintenance | | | | | | | | | - | | - |
| 13 | Office Supplies and Expense | | | | | | | | | 34,071 | | 34,071 |
| 14 | Outside Services | | | | | | | | | - | | - |
| 15 | Contractual Services - Professional | (20,908) | (23,184) | (3,582) | | | | | | 669,704 | | 669,704 |
| 16 | Contractual Services - Testing | | | | | | | | | 39,413 | | 39,413 |
| 17 | Contractual Services - Other | - | 21,911 | | | | | | | 479,604 | | 479,604 |
| 18 | Water Testing | | | | | | | | | - | | - |
| 19 | Rents | | | | | | | | | 4,169 | | 4,169 |
| 20 | Transportation | | | | | | | | | 60,352 | | 60,352 |
| 21 | Insurance | | | | | | | | | 27,865 | | 27,865 |
| 22 | Regulatory Commission Expense | | | | | | | | | 33,172 | | 33,172 |
| 23 | Materials and Supplies | | | | | | | | | 29,680 | | 29,680 |
| 24 | Miscellaneous | | | | (1,164) | | | | | 60,228 | | 60,228 |
| 25 | Depreciation | | | | | | | | | 629,270 | | 629,270 |
| 26 | Taxes Other Than Income | | | | | | | | | - | | - |
| 27 | Property Taxes | | | | | | | | | 155,626 | 16,447 | 172,073 |
| 28 | Income Tax | | | | | | | | (33,556) | 113,586 | 355,093 | 468,679 |
| 29 | | | | | | | | | | | | |
| 30 | **Total Operating Expenses** | $ (20,908) | $ (1,273) | $ (3,582) | $ (1,164) | $ - | $ - | $ - | $ (33,556) | $ 2,738,610 | $ 371,541 | $ 3,110,151 |
| 31 | **Operating Income** | $ 20,908 | $ 1,273 | $ 3,582 | $ 1,164 | $ - | $ - | $ - | $ 33,556 | $ 305,295 | $ 593,241 | $ 898,537 |
| 32 | **Other Income (Expense)** | | | | | | | | | | | |
| 33 | Interest and Dividend Income | | | | | | | - | | - | | - |
| 34 | AFUDC Income | | | | | | | | | 5,045 | | 5,045 |
| 35 | Miscellaneous Non-Utility Expenses | | | | | | | | | (500) | | (500) |
| 36 | Interest Expense | | | | | | | (16,227) | | (108,477) | | (108,477) |
| 37 | | | | | | | | | | - | | - |
| 38 | **Total Other Income (Expense)** | $ - | $ - | $ - | $ - | $ - | $ - | $ (16,227) | $ - | $ (103,932) | $ - | $ (103,932) |
| 39 | **Net Profit (Loss)** | $ 20,908 | $ 1,273 | $ 3,582 | $ 1,164 | $ - | $ - | $ (16,227) | $ 33,556 | $ 201,364 | $ 593,241 | $ 794,605 |
| 40 | | | | | | | | | | | | |
| 41 | SUPPORTING SCHEDULES: | | | | | | | | | | | |
| 42 | C-2 | | | | | | | | | | | |
| 43 | E-2 | | | | | | | | | | | |

RECAP SCHEDULES:
C-1, page 1

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
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Adjustments to Revenues and Expenses

| Line No. | | 1 Depreciation | 2 Property Taxes | 3 Rate Case Expense | 4 Usage Normalization | 5 Intentionally Left Blank | 6 Water Testing | Subtotal |
|---|---|---|---|---|---|---|---|---|
| 4 | Revenues | - | - | - | 11,114 | - | - | 11,114 |
| 6 | Expenses | 67,059 | 568 | - | 3,227 | - | (2,394) | 68,460 |
| 9 | Operating Income | (67,059) | (568) | - | 7,887 | - | 2,394 | (57,346) |
| 12 | Interest Expense | | | | | | | - |
| 14 | Other Income / Expense | | | | | | | - |
| 17 | Net Income | (67,059) | (568) | - | 7,887 | - | 2,394 | (57,346) |

Adjustments to Revenues and Expenses

| | | 7 Reclass Contractual Services | 8 Corporate Cost Adj. Non-Labor | 9 Corporate Cost Adj. Labor | 10 Corporate Cost Adj. Labor Inc | 11 Capitalized Labor | 12 Postage | Subtotal |
|---|---|---|---|---|---|---|---|---|
| 25 | Revenues | - | - | - | - | - | - | 11,114 |
| 27 | Expenses | - | 38,131 | (20,908) | (1,273) | (3,582) | (1,164) | 79,664 |
| 30 | Operating Income | - | (38,131) | 20,908 | 1,273 | 3,582 | 1,164 | (68,551) |
| 33 | Interest Expense | - | | | | | | - |
| 36 | Other Income / Expense | | | | | | | - |
| 38 | Net Income | - | (38,131) | 20,908 | 1,273 | 3,582 | 1,164 | (68,551) |

Adjustments to Revenues and Expenses

| | | 13 Intentionally Left Blank | 14 Intentionally Left Blank | 15 Interest Synchronization | 16 Income Taxes | | | Total |
|---|---|---|---|---|---|---|---|---|
| 46 | Revenues | - | - | - | - | | | 11,114 |
| 48 | Expenses | - | - | - | (33,556) | - | | 46,108 |
| 51 | Operating Income | - | - | - | 33,556 | - | - | (34,994) |
| 54 | Interest Expense | | | (16,227) | | | | (16,227) |
| 57 | Other Income / Expense | | | | | | | - |
| 59 | Net Income | - | - | (16,227) | 33,556 | - | - | (51,221) |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

Depreciation Expense

| Line No. | Acct. No. | Description | Adjusted Original Cost | Non-Depr. and Fully Depr. Plant | Depreciable Original Cost | Proposed Rates | Depreciation Expense |
|---|---|---|---|---|---|---|---|
| 1 | 101 | Plant-in-Service | - | - | - | 0.00% | - |
| 2 | 301 | Organization Cost | 5,785 | (5,785) | - | 0.00% | - |
| 2 | 302 | Franchise Cost | 417 | (417) | - | 0.00% | - |
| 3 | 303 | Land and Land Rights | 45,968 | (45,968) | - | 0.00% | - |
| 4 | 304 | Structures and Improvements | 3,185,381 | | 3,185,381 | 3.33% | 106,073 |
| 5 | 305 | Collecting and Impounding Res. | - | | - | 2.50% | - |
| 6 | 306 | Lake River and Other Intakes | - | | - | 2.50% | - |
| 7 | 307 | Wells and Springs | 505,898 | | 505,898 | 3.33% | 16,846 |
| 8 | 308 | Infiltration Galleries and Tunnels | - | | - | 6.67% | - |
| 9 | 309 | Supply Mains | 272,502 | | 272,502 | 2.00% | 5,450 |
| 10 | 310 | Power Generation Equipment | 219,360 | | 219,360 | 5.00% | 10,968 |
| 11 | 311 | Electric Pumping Equipment | 2,321,470 | | 2,321,470 | 12.50% | 290,184 |
| 12 | 320 | Water Treatment Equipment | 0 | | 0 | 3.33% | 0 |
| 13 | 320.1 | Water Treatment Plant | 370,088 | | 370,088 | 3.33% | 12,324 |
| 14 | 320.2 | Chemical Solution Feeders | 5,409 | | 5,409 | 20.00% | 1,082 |
| 15 | 330 | Dist. Reservoirs & Standpipe | 759,320 | | 759,320 | 2.22% | 16,857 |
| 16 | 330.1 | Storage tanks | 1,066 | | 1,066 | 2.22% | 24 |
| 17 | 330.2 | Pressure Tanks | 144 | | 144 | 5.00% | 7 |
| 18 | 331 | Trans. and Dist. Mains | 22,819,558 | | 22,819,558 | 2.00% | 456,391 |
| 19 | 333 | Services | 4,455,157 | | 4,455,157 | 3.33% | 148,357 |
| 20 | 334 | Meters | 1,741,794 | | 1,741,794 | 8.33% | 145,091 |
| 21 | 335 | Hydrants | 637,006 | | 637,006 | 2.00% | 12,740 |
| 22 | 336 | Backflow Prevention Devices | 15,855 | | 15,855 | 6.67% | 1,058 |
| 23 | 339 | Other Plant and Misc. Equip. | 123,778 | | 123,778 | 6.67% | 8,256 |
| 24 | 340 | Office Furniture and Fixtures | 35,014 | | 35,014 | 6.67% | 2,335 |
| 25 | 340.1 | Computers and Software | 159,572 | (76,919) | 82,652 | 20.00% | 16,530 |
| 26 | 341 | Transportation Equipment | 141,853 | (138,029) | 3,823 | 20.00% | 765 |
| 27 | 342 | Stores Equipment | - | | - | 4.00% | - |
| 28 | 343 | Tools and Work Equipment | 100,632 | | 100,632 | 5.00% | 5,032 |
| 29 | 344 | Laboratory Equipment | 3,061 | (3,061) | - | 10.00% | - |
| 30 | 345 | Power Operated Equipment | - | | - | 5.00% | - |
| 31 | 346 | Communications Equipment | 303,104 | | 303,104 | 10.00% | 30,310 |
| 32 | 347 | Miscellaneous Equipment | 5,427 | | 5,427 | 10.00% | 543 |
| 33 | 348 | Other Tangible Plant | - | | - | 10.00% | - |
| 34 | | SUBTOTAL | $ 38,234,621 | $ (270,179) | $ 37,964,442 | | $ 1,287,223 |
| 35 | | | | | | | |
| 36 | | | | | | | |
| 37 | 903 | Land and Land Rights | 13,896 | (13,896) | - | 0.00% | - |
| 38 | 904 | Structures and Improvments | 150,903 | | 150,903 | 2.56% | 3,863 |
| 39 | 940 | Office Furniture and Fixtures | 42,947 | | 42,947 | 6.67% | 2,865 |
| 40 | 940.1 | Computers and Software | 111,597 | | 111,597 | 20.00% | 22,319 |
| 41 | | TOTALS | $ 38,553,964 | $ (284,075) | $ 38,269,888 | | $ 1,316,270 |
| 42 | | | | | | | |
| 43 | | | | | Gross | Amort. Rate | |
| 44 | Less: Amortization of Contributions | | | | $ 20,261,911 | 3.3906% | $ (687,001) |
| 45 | | | | | | | |
| 46 | | | | | | | |
| 47 | | | | | | | $ (687,001) |
| 48 | Total Depreciation Expense | | | | | | $ 629,270 |
| 49 | | | | | | | |
| 50 | Adjusted Test Year Depreciation Expense | | | | | | 562,211 |
| 51 | | | | | | | |
| 52 | Increase (decrease) in Depreciation Expense | | | | | | 67,059 |
| 53 | | | | | | | |
| 54 | Adjustment to Revenues and/or Expenses | | | | | | $ 67,059 |
| 55 | | | | | | | |
| 56 | SUPPORTING SCHEDULE | | | | | | |
| 57 | B-2, page 3 | | | | | | |

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 2

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Property Taxes

| Line No. | DESCRIPTION | Test Year as adjusted | Company Recommended |
|---|---|---|---|
| 1 | Company Adjusted Test Year Revenues | $ 3,043,906 | $ 3,043,906 |
| 2 | Weight Factor | 2 | 2 |
| 3 | Subtotal (Line 1 * Line 2) | 6,087,811 | 6,087,811 |
| 4 | Company Recommended Revenue | 3,043,906 | 4,008,687 |
| 5 | Subtotal (Line 4 + Line 5) | 9,131,717 | 10,096,499 |
| 6 | Number of Years | 3 | 3 |
| 7 | Three Year Average (Line 5 / Line 6) | 3,043,906 | 3,365,500 |
| 8 | Department of Revenue Mutilplier | 2 | 2 |
| 9 | Revenue Base Value (Line 7 * Line 8) | 6,087,811 | 6,730,999 |
| 10 | Plus: 10% of CWIP (intentionally excluded) | - | - |
| 11 | Less: Net Book Value of Licensed Vehicles | 1,975 | 1,975 |
| 12 | Full Cash Value (Line 9 + Line 10 - Line 11) | 6,085,836 | 6,729,024 |
| 13 | Assessment Ratio | 18.0% | 18.0% |
| 14 | Assessment Value (Line 12 * Line 13) | 1,095,450 | 1,211,224 |
| 15 | Composite Property Tax Rate - Obtained from ADOR | 14.2066% | 14.2066% |
| 16 | Test Year Adjusted Property Tax Expense (Line 14 * Line 15) | $ 155,626 | $ 172,073 |
| 17 | Tax on Parcels | - | - |
| 18 | Total Property Taxes (Line 16 + Line 17) | $ 155,626 | |
| 19 | Test Year Property Taxes | $ 155,057 | |
| 20 | Adjustment to Test Year Property Taxes (Line 18 - Line 19) | **$ 568** | |
| 21 | | | |
| 22 | Property Tax on Company Recommended Revenue (Line 16 + Line 17) | | $ 172,073 |
| 23 | Company Test Year Adjusted Property Tax Expense (Line 18) | | $ 155,626 |
| 24 | Increase in Property Tax Due to Increase in Revenue Requirement | | **$ 16,447** |
| 25 | | | |
| 26 | Increase in Property Tax Due to Increase in Revenue Requirement (Line 24) | | $ 16,447 |
| 27 | Increase in Revenue Requirement | | $ 964,782 |
| 28 | Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27) | | 1.70479% |
| 29 | | | |
| 30 | | | |
| 31 | | | |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 3

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Rebuttal Schedule C-2
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Witness: Bourassa

Rate Case Expense

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | Estimated Rate Case Expense | $ | 165,860 |
| 4 | | | |
| 5 | Estimated Amortization Period in Years | | 5 |
| 6 | | | |
| 7 | Annual Rate Case Expense | $ | 33,172 |
| 8 | | | |
| 9 | Test Year Rate Case Expense | $ | 33,172 |
| 10 | | | |
| 11 | Increase(decrease) Rate Case Expense | $ | - |
| 12 | | | |
| 13 | Adjustment to Revenue and/or Expense | $ | - |
| 14 | | | |
| 15 | | | |
| 16 | Reference | | |
| 17 | Testimony | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

Usage Normalization

| Line No. | | | |
|---|---|---|---|
| 1 | Usage Normalization Adjustment per Rebuttal | $ | (85,648) |
| 2 | Usage Normalization Adjustment per Direct | | (96,762) |
| 3 | Increase (decrease) in Revenues | $ | 11,114 |
| 4 | | | |
| 5 | TY Purchased Power Expense | $ | 343,825 |
| 6 | Gallons Sold During Test Year (in 1,000s) | | 636,008 |
| 7 | Cost per 1,000 gallons | $ | 0.5406 |
| 8 | | | |
| 9 | Additional Gallons Sold from Usage Normalization (in 1,000s) per Rebuttal | | (33,462) |
| 10 | Additional Gallons Sold from Usage Normalization (in 1,000s) per Direct | | (39,347) |
| 11 | Increase (decrease) in Gallons Sold | | 5,885 |
| 12 | | | |
| 13 | | | |
| 14 | Increase (decrease) in Purchased Power | $ | 3,181 |
| 15 | | | |
| 16 | TY Chemicals Expense | $ | 4,882 |
| 17 | Gallons Sold During Test Year (in 1,000s) | | 636,008 |
| 18 | Cost per 1,000 gallons | $ | 0.0077 |
| 19 | | | |
| 20 | Increase (decrease) in Gallons Sold from Usage Normalization (in 1,000s) | | 5,885 |
| 21 | | | |
| 22 | Increase (decrease) in Chemicals Expense | $ | 45 |
| 23 | | | |
| 24 | | | |
| 25 | Adjustment to Revenue and/or Expense | $ | 7,887 |
| 26 | | | |
| 27 | Reference | | |
| 28 | Testimony | | |
| 29 | Work papers | | |
| 30 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

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| Line No. |
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| 20 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 6

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Witness: Bourassa

Water Testing Expense

| Line No. | | | |
|---|---|---|---|
| 1 | Water Testing Expense per Staff | $ | 39,413 |
| 2 | Adjusted TY Water Testing Expense plus Reclass | $ | 41,807 |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | Adjustment to Water Testing Expense | $ | (2,394) |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | $ | (2,394) |
| 10 | | | |
| 11 | Reference | | |
| 12 | Testimony | | |
| 13 | H-1 | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 7

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Rebuttal Schedule C-2
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Witness: Bourassa

Reclassify Contractual Services - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Contractual Services - Professional (labor) | $ | (359,789) |
| 3 | Contractual Services - Other (labor) | | 359,789 |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | Adjustment to Expenses | $ | - |
| 8 | | | |
| 9 | | | |
| 10 | Adjustment to Revenue and/or Expense | $ | - |
| 11 | | | |
| 12 | Reference | | |
| 13 | Testimony | | |
| 14 | Work Papers | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 8

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Rebuttal Schedule C-2
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Witness: Bourassa

Corporate Cost Adjustment - Non-Labor

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Corporate Allocation Adjustment | | |
| 3 | | | |
| 4 | Adjusted Allocated Non-Labor Costs During Test Year per Rebuttal | $ | 286,685 |
| 5 | Adjusted Allocated Non-Labor Costs During Test Year per Direct | $ | 248,554 |
| 6 | | | |
| 7 | Adjustment to Contractual Services Professional | $ | 38,131 |
| 8 | | | |
| 9 | | | |
| 10 | Adjustment to Revenue and/or Expense | $ | 38,131 |
| 11 | | | |
| 12 | Reference | | |
| 13 | Testimony | | |
| 14 | Work Papers | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 9

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Witness: Bourassa

Contracual Services - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | Allocated Contract Services - Professional | | |
| 2 | | | |
| 3 | Adjusted Allocated Contractual Services APUC, LUCC and LABS per Rebuttal | $ | 50,745 |
| 4 | Adjusted Allocated Contractual Services LU(SUB) per Rebuttal | | 329,379 |
| 5 | Total | $ | 380,124 |
| 6 | Adjusted Allocated Contractual Services - Professional (labor) per Direct | | 760,821 |
| 7 | Required Adjustment | $ | (380,696) |
| 8 | Amount reclassified to Contractual Services - Other (see Rb. Adj. #7) | | (359,789) |
| 9 | Net Adjustment to Contractual Services Professional | $ | (20,908) |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | Adjustment to Revenue and/or Expense | $ | (20,908) |
| 23 | | | |
| 24 | Reference | | |
| 25 | Testimony | | |
| 26 | Work Papers | | |
| 27 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

Corporate Cost Adjustment - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Allocated Contract Services - Professional (Labor) | | |
| 3 | Allocated Labor Costs per Rebuttal | $ | 380,124 |
| 4 | Factor (1) | | 6.09% |
| 5 | Increase in Labor Costs per Rebuttal | $ | 23,150 |
| 6 | Increase in Labor Costs per Direct | | 46,334 |
| 7 | Adjustment to Contractual Services - Professional | $ | (23,184) |
| 8 | | | |
| 9 | Allocated Contract Services - Other (Labor) | | |
| 10 | Test Year Allocated Labor Costs | $ | 425,209 |
| 11 | Factor (1) | | 6.09% |
| 12 | Increase in Labor Costs per Rebuttal | $ | 25,895 |
| 13 | Increase in Labor Costs per Direct | | 3,984 |
| 14 | Adjustment to Contractual Services - Other | $ | 21,911 |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | Adjustment to Revenue and/or Expense | $ | (1,273) |
| 19 | | | |
| 20 | Reference | | |
| 21 | Testimony | | |
| 22 | Work papers | | |
| 23 | | | |
| 24 | | | |
| 25 | (1) Average wage increase of 3% compounded over 2 years. | | |
| 26 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 11

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Rebuttal Schedule C-2
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Witness: Bourassa

Capitalized Expense

| Line No. | | | |
|---|---|---|---|
| 1 | Arizona Direct Labor to be Capitalized | $ | 56,054 |
| 2 | | | |
| 3 | Updated Allocation Factor | | 6.39% |
| 4 | | | |
| 5 | Allocated Capitalized Expense | $ | 3,582 |
| 6 | | | |
| 7 | Increase (decrease) in Contractual Services - Professional | $ | (3,582) |
| 8 | | | |
| 9 | | | |
| 10 | Adjustment to Revenue and/or Expense | $ | (3,582) |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | Reference | | |
| 16 | Testimony | | |
| 17 | Work papers | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

Postage

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Number of Water Bills in the Test Year Including Annualized Bills | | 76,897 |
| 3 | | | |
| 4 | US Postal Decrease in Postage | $ | (0.02) |
| 5 | | | |
| 6 | Total Adjustment to Postage Due to Postage Price Decrease | $ | (1,538) |
| 7 | | | |
| 8 | Water Division Allocation factor | | 75.67% |
| 9 | | | |
| 10 | Increase (decrease) in Miscellaneous Expense | $ | (1,164) |
| 11 | | | |
| 12 | Adjustment to Revenue and/or Expense | $ | (1,164) |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | Reference | | |
| 20 | Testimony | | |
| 21 | Work papers | | |
| 22 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 13

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Rebuttal Schedule C-2
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| Line No. |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 14

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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 15

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Rebuttal Schedule C-2
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Witness: Bourassa

Interest Synchronization

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Fair Value Rate Base | $ 10,450,531 | |
| 5 | Weighted Cost of Debt | 1.04% | |
| 6 | Interest Expense | | $ 108,477 |
| 7 | | | |
| 8 | Test Year Interest Expense | | $ 92,250 |
| 9 | | | |
| 10 | Increase (decrease) in Interest Expense | | 16,227 |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | Adjustment to Revenue and/or Expense | | $ (16,227) |
| 15 | | | |
| 16 | | | |
| 17 | Weighted Cost of Debt Computation | | |
| 18 | | | Weighted |
| 19 | | Percent | Cost | Cost |
| 20 | Debt | 30.00% | 3.46% | 1.04% |
| 21 | Equity | 70.00% | 10.80% | 7.56% |
| 22 | Total | 100.00% | | 8.60% |
| 23 | | | | |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | | | | |
| 30 | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 16

Exhibit
Rebuttal Schedule C-2
Page 17
Witness: Bourassa

| Line No. | | Test Year at Present Rates | Test Year at Proposed Rates |
|---|---|---|---|
| 1 | Income Taxes | | |
| 2 | | | |
| 3 | | | |
| 4 | Computed Income Tax | $ 113,586 | $ 468,679 |
| 5 | Test Year Income tax Expense | - | 113,586 |
| 6 | Adjustment to Income Tax Expense | $ 113,586 | $ 355,093 |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | SUPPORTING SCHEDULE | | |
| 14 | C-3, page 2 | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

| Line No. | Description | Percentage of Incremental Gross Revenues |
|---|---|---|
| 1 | Combined Federal and State Effective Income Tax Rate | 37.444% |
| 2 | | |
| 3 | Property Taxes | 1.066% |
| 4 | | |
| 5 | | |
| 6 | Total Tax Percentage | 38.510% |
| 7 | | |
| 8 | Operating Income % = 100% - Tax Percentage | 61.490% |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | 1 = Gross Revenue Conversion Factor | |
| 14 | Operating Income % | 1.6263 |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | SUPPORTING SCHEDULES: | RECAP SCHEDULES: |
| 26 | C-3, page 2 | A-1 |
| 27 | | |
| 28 | | |
| 29 | | |
| 30 | | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |
| 40 | | |

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014

Exhibit
Rebuttal Schedule C-3
Page 2
Witness: Bourassa

## GROSS REVENUE CONVERSION FACTOR

| Line No. | Description | (A) | (B) | (C) | (D) | [E] | [F] |
|---|---|---|---|---|---|---|---|
| | *Calculation of Gross Revenue Conversion Factor:* | | | | | | |
| 1 | Revenue | 100.0000% | | | | | |
| 2 | Uncollectible Factor (Line 11) | 0.0000% | | | | | |
| 3 | Revenues (L1 - L2) | 100.0000% | | | | | |
| 4 | Combined Federal and State Income Tax and Property Tax Rate (Line 23) | 38.5103% | | | | | |
| 5 | Subtotal (L3 - L4) | 61.4897% | | | | | |
| 6 | **Revenue Conversion Factor (L1 / L5)** | 1.626289 | | | | | |
| | *Calculation of Uncollectible Factor:* | | | | | | |
| 7 | Unity | 100.0000% | | | | | |
| 8 | Combined Federal and State Tax Rate (L17) | 37.4439% | | | | | |
| 9 | One Minus Combined Income Tax Rate (L7 - L8 ) | 62.5561% | | | | | |
| 10 | Uncollectible Rate | 0.0000% | | | | | |
| 11 | Uncollectible Factor (L9 * L10 ) | | 0.0000% | | | | |
| | *Calculation of Effective Tax Rate:* | | | | | | |
| 12 | Operating Income Before Taxes (Arizona Taxable Income) | 100.0000% | | | | | |
| 13 | Arizona State Income Tax Rate | 4.9000% | | | | | |
| 14 | Federal Taxable Income (L12 - L13) | 95.1000% | | | | | |
| 15 | Applicable Federal Income Tax Rate (L55 Col F) | 34.2207% | | | | | |
| 16 | Effective Federal Income Tax Rate (L14 x L15) | 32.5439% | | | | | |
| 17 | Combined Federal and State Income Tax Rate (L13 +L16) | | 37.4439% | | | | |
| | *Calculation of Effective Property Tax Factor* | | | | | | |
| 18 | Unity | 100.0000% | | | | | |
| 19 | Combined Federal and State Income Tax Rate (L17) | 37.4439% | | | | | |
| 20 | One Minus Combined Income Tax Rate (L18-L19) | 62.5561% | | | | | |
| 21 | Property Tax Factor | 1.7048% | | | | | |
| 22 | Effective Property Tax Factor (L20*L21) | | 1.0664% | | | | |
| 23 | Combined Federal and State Income Tax and Property Tax Rate (L17+L22) | | | 38.5103% | | | |
| 24 | Required Operating Income | $ 898,537 | | | | | |
| 25 | AdjustedTest Year Operating Income (Loss) | $ 305,295 | | | | | |
| 26 | Required Increase in Operating Income (L24 - L25) | | $ 593,241 | | | | |
| 27 | Income Taxes on Recommended Revenue (Col. (F), L52) | $ 468,679 | | | | | |
| 28 | Income Taxes on Test Year Revenue (Col. (C), L52) | $ 113,586 | | | | | |
| 29 | Required Increase in Revenue to Provide for Income Taxes (L27 - L28) | | $ 355,093 | | | | |
| 30 | Recommended Revenue Requirement | $ 4,008,687 | | | | | |
| 31 | Uncollectible Rate (Line 10) | 0.0000% | | | | | |
| 32 | Uncollectible Expense on Recommended Revenue (L24 * L25) | $ - | | | | | |
| 33 | Adjusted Test Year Uncollectible Expense | $ - | | | | | |
| 34 | Required Increase in Revenue to Provide for Uncollectible Exp. | | $ - | | | | |
| 35 | Property Tax with Recommended Revenue | $ 172,073 | | | | | |
| 36 | Property Tax on Test Year Revenue | $ 155,626 | | | | | |
| 37 | Increase in Property Tax Due to Increase in Revenue (L35-L36) | | $ 16,447 | | | | |
| 38 | Total Required Increase in Revenue (L26 + L29 + L37) | | $ 964,782 | | | | |

| | | (A) Test Year Total | (B) | (C) Test Year Water | (D) Company Recommended Total | [E] | [F] Company Recommended Water |
|---|---|---|---|---|---|---|---|
| | *Calculation of Income Tax:* | | | | | | |
| 39 | Revenue | $ 3,043,906 | | $ 3,043,906 | $ 4,008,687 | | $ 4,008,687 |
| 40 | Operating Expenses Excluding Income Taxes | 2,625,024 | | 2,625,024 | 2,641,472 | | 2,641,472 |
| 41 | Synchronized Interest (L47) | 108,477 | | 108,477 | 108,477 | | 108,477 |
| 42 | Arizona Taxable Income (L39 - L40 - L41) | $ 310,405 | | $ 310,405 | $ 1,258,740 | | $ 1,258,739 |
| 43 | Arizona State Effective Income Tax Rate (see work papers) | 4.9000% | | 4.9000% | 4.9000% | | 4.9000% |
| 44 | Arizona Income Tax (L42 x L43) | $ 15,210 | | $ 15,210 | $ 61,678 | | $ 61,678 |
| 45 | Federal Taxable Income (L42- L44) | $ 295,195 | | $ 295,195 | $ 1,197,062 | | $ 1,197,061 |
| 46 | | | | | | | |
| 47 | Federal Tax on First Income Bracket ($1 - $50,000) @ 15% | $ 7,500 | | $ 7,500 | $ 7,500 | | $ 7,500 |
| 48 | Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25% | $ 6,250 | | $ 6,250 | $ 6,250 | | $ 6,250 |
| 49 | Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34% | $ 8,500 | | $ 8,500 | $ 8,500 | | $ 8,500 |
| 50 | Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39% | $ 76,126 | | $ 76,126 | $ 91,650 | | $ 91,650 |
| 51 | Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34% | $ - | | $ - | $ 293,101 | | $ 293,101 |
| 52 | | | | | | | |
| 53 | Total Federal Income Tax | $ 98,376 | | $ 98,376 | $ 407,001 | | $ 407,001 |
| 54 | Combined Federal and State Income Tax (L35 + L42) | $ 113,586 | | $ 113,586 | $ 468,679 | | $ 468,679 |

| | | | | |
|---|---|---|---|---|
| 55 | COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45] | | 34.2207% | |
| 56 | WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45] | | | 0.0000% |
| 57 | WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45] | | | 34.2207% |

| | | | Water |
|---|---|---|---|
| | *Calculation of Interest Synchronization:* | | |
| 58 | Rate Base | | $ 10,450,531 |
| 59 | Weighted Average Cost of Debt | | 1.0380% |
| 60 | Synchronized Interest (L59 X L60) | | $ 108,477 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal ScheduleH-1
Page 1
Witness: Bourassa

| Line No. | Meter Size | Class | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Percent of Present Water Revenues | Percent of Proposed Water Revenues |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | $ 2,380,134 | $ 3,157,520 | $ 777,386 | 32.66% | 78.19% | 78.30% |
| 2 | 3/4 Inch | Residential | 4,550 | 5,999 | 1,449 | 31.84% | 0.15% | 0.15% |
| 3 | 1 Inch | Residential | 31,958 | 41,885 | 9,927 | 31.06% | 1.05% | 1.04% |
| 4 | 1 1/2 Inch | Residential | 5,704 | 7,513 | 1,809 | 31.72% | 0.19% | 0.19% |
| 5 | 2 Inch | Residential | 6,720 | 8,852 | 2,132 | 31.72% | 0.22% | 0.22% |
| 6 | | | | | | | | |
| 7 | | Subtotal | 2,429,066 | 3,221,769 | 792,703 | 32.63% | 79.80% | 79.90% |
| 8 | | | | | | | | |
| 9 | 5/8X3/4 Inch | Commercial | $ 47,700 | $ 62,704 | $ 15,003 | 31.45% | 1.57% | 1.56% |
| 10 | 1 Inch | Commercial | 99,874 | 130,067 | 30,193 | 30.23% | 3.28% | 3.23% |
| 11 | 1 1/2 Inch | Commercial | 19,775 | 25,862 | 6,087 | 30.78% | 0.65% | 0.64% |
| 12 | 2 Inch | Commercial | 144,375 | 188,689 | 44,314 | 30.69% | 4.74% | 4.68% |
| 13 | 3 Inch | Commercial | 37,364 | 49,401 | 12,036 | 32.21% | 1.23% | 1.23% |
| 14 | 4 Inch | Commercial | 56,854 | 75,224 | 18,370 | 32.31% | 1.87% | 1.87% |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | Subtotal | $ 405,943 | $ 531,946 | $ 126,004 | 31.04% | 13.34% | 13.19% |
| 18 | | | | | | | | |
| 19 | 5/8X3/4 Inch | School | $ 383 | $ 515 | $ 133 | 34.62% | 0.01% | 0.01% |
| 20 | 1 1/2 Inch | School | 969 | 1,294 | 325 | 33.59% | 0.03% | 0.03% |
| 21 | 2 Inch | School | 31,055 | 40,591 | 9,537 | 30.71% | 1.02% | 1.01% |
| 22 | 3 Inch | School | 62,589 | 81,143 | 18,554 | 29.64% | 2.06% | 2.01% |
| 23 | 4 Inch | School | 12,624 | 16,658 | 4,034 | 31.95% | 0.41% | 0.41% |
| 24 | 6 Inch | School | 30,503 | 39,541 | 9,038 | 29.63% | 1.00% | 0.98% |
| 25 | | Subtotal | $ 138,122 | $ 179,742 | $ 41,621 | 30.13% | 4.54% | 4.46% |
| 26 | | | | | | | | |
| 27 | 5/8X3/4 Inch | Industrial | $ 3,095 | $ 4,107 | $ 1,012 | 32.70% | 0.10% | 0.10% |
| 28 | 2 Inch | Industrial | 33,159 | 43,049 | 9,890 | 29.83% | 1.09% | 1.07% |
| 29 | | | $ 36,254 | $ 47,156 | 10,902 | 30.07% | 1.19% | 1.17% |
| 30 | | | | | | | | |
| 31 | 5/8X3/4 Inch | Multi-family | $ 3,659 | $ 4,819 | 1,159 | 31.69% | 0.12% | 0.12% |
| 32 | 1 1/2 Inch | Multi-family | 1,258 | 1,665 | 406 | 32.27% | 0.04% | 0.04% |
| 33 | | | | | | | | |
| 34 | | Subtotal | $ 4,917 | $ 6,483 | 1,566 | 31.84% | 0.16% | 0.16% |
| 35 | | | | | | | | |
| 36 | 6 Inch | Bulk | 36,310 | 44,190 | 7,880 | 21.70% | 1.19% | 1.10% |
| 37 | | Fire Lines up to 8 Inch | 1,085 | 1,085 | - | 0.00% | 0.04% | 0.03% |
| 38 | | | | | | | | |
| 39 | | | | | | | | |
| 40 | Total Revenues Before Annualization | | $ 3,051,697 | $ 4,032,372 | $ 980,675 | 32.14% | 100.26% | 100.00% |
| 41 | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal ScheduleH-1
Page 2
Witness: Bourassa

**Revenue Annualization**

| Line No. | Meter Size | Class | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Additional Bills | Additional Gallons to be Pumped (In 1,000's) |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | $ 4,883 | $ 6,504 | 1,621 | 33.19% | 169 | 1,015 |
| 2 | 3/4 Inch | Residential | 379 | 499 | 120 | 31.54% | 10 | 48 |
| 3 | 1 Inch | Residential | 1,062 | 1,390 | 327 | 30.81% | 15 | 162 |
| 4 | 1 1/2 Inch | Residential | - | - | - | 0.00% | - | - |
| 5 | 2 Inch | Residential | - | - | - | 0.00% | - | - |
| 6 | | | | | | | | |
| 7 | | Subtotal | $ 6,325 | $ 8,393 | 2,068 | 32.69% | 194 | 1,225 |
| 8 | | | | | | | | |
| 9 | 5/8X3/4 Inch | Commercial | $ 494 | $ 651 | 156 | 31.61% | 12 | 119 |
| 10 | 1 Inch | Commercial | 167 | 216 | 49 | 29.48% | 1 | 40 |
| 11 | 1 1/2 Inch | Commercial | 463 | 604 | 141 | 30.47% | 3 | 77 |
| 12 | 2 Inch | Commercial | 4 | 5 | 1 | 26.64% | - | 1 |
| 13 | 3 Inch | Commercial | 16,050 | 21,214 | 5,164 | 32.18% | 47 | 1,484 |
| 14 | 4 Inch | Commercial | - | - | - | 0.00% | - | - |
| 15 | | | | | | | | |
| 16 | | | | | - | | | |
| 17 | | Subtotal | $ 17,178 | $ 22,689 | 5,512 | 32.09% | 63 | 1,722 |
| 18 | | | | | | | | |
| 19 | 5/8X3/4 Inch | School | $ (15) | $ (20) | (5) | 0.00% | (1) | (0) |
| 20 | 1 1/2 Inch | School | - | - | - | 0.00% | - | - |
| 21 | 2 Inch | School | - | - | - | 0.00% | - | - |
| 22 | 3 Inch | School | - | - | - | 0.00% | - | - |
| 23 | 4 Inch | School | - | - | - | 0.00% | - | - |
| 24 | 6 Inch | School | - | - | - | 0.00% | - | - |
| 25 | | Subtotal | $ (15) | $ (20) | $ (5) | 34.54% | (1) | (0) |
| 26 | | | | | | | | |
| 27 | 5/8X3/4 Inch | Industrial | $ - | $ - | - | 0.00% | - | - |
| 28 | 2 Inch | Industrial | - | - | - | 0.00% | - | - |
| 29 | | | $ - | $ - | $ - | 0.00% | - | - |
| 30 | | | | | | | | |
| 31 | 5/8X3/4 Inch | Multi-family | $ - | $ - | - | 0.00% | - | - |
| 32 | 1 1/2 Inch | Multi-family | - | - | - | 0.00% | - | - |
| 33 | | | | | | | | |
| 34 | | Subtotal | $ - | $ - | - | 0.00% | - | - |
| 35 | | | | | | | | |
| 36 | 6 Inch | Bulk | 3,597 | $ 3,597 | - | 0.00% | - | - |
| 37 | | Fire Lines up to 8 Inch | (5) | (5) | - | 0.00% | (1) | - |
| 38 | | | | | | | | |
| 39 | | | | | | | | |
| 40 | | | | | | | | |
| 41 | Total Revenue Annualization | | $ 27,094 | $ 34,674 | $ 7,580 | 27.97% | 256 | 2,947 |
| 42 | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal ScheduleH-1
Page 3
Witness: Bourassa

| Line No. | | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Percent of Present Water Revenues | Percent of Proposed Water Revenues |
|---|---|---|---|---|---|---|---|
| 1 | Subtotal Metered Revenues | $ 3,051,697 | $ 4,032,372 | $ 980,675 | 32.14% | 100.26% | 100.00% |
| 2 | Subtotal Revenue Annualization | 27,094 | 34,674 | 7,580 | 27.97% | 0 | 0 |
| 3 | Revenue Normalization | (85,648) | (106,100) | (20,452) | 23.88% | -2.81% | -2.63% |
| 4 | Total Metered Revenues | $ 2,993,143 | $ 3,960,945 | $ 967,802 | 32.33% | 98.33% | 130.13% |
| 5 | | | | | | | |
| 6 | Misc. Revenues | $ 48,254 | $ 48,254 | - | 0.00% | 1.59% | 1.20% |
| 7 | Reconciling Amount | 2,508 | (512) | (3,020) | -120.41% | 0.08% | -0.01% |
| 8 | Total Water Revenues | $ 3,043,905 | $ 4,008,688 | $ 964,782 | 31.70% | 100.00% | 131.70% |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Customer Summary
**at 9.5% WACC**

Exhibit
Rebuttal ScheduleH-2
Page 1
Witness: Bourassa

| Line No. | Meter Size, Class | | (a) Average Number of Customers at 12/31/2014 | Average Consumption | Average Bill Present Rates | Average Bill Proposed Rates | Proposed Increase Dollar Amount | Proposed Increase Percent Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | 6,101 | 6,829 | $ 31.34 | $ 41.58 | 10.24 | 32.68% |
| 2 | 3/4 Inch | Residential | 10 | 4,459 | 36.71 | 48.31 | 11.60 | 31.60% |
| 3 | 1 Inch | Residential | 37 | 10,937 | 71.24 | 93.17 | 21.93 | 30.79% |
| 4 | 1 1/2 Inch | Residential | 4 | 13,729 | 118.21 | 155.61 | 37.40 | 31.64% |
| 5 | 2 Inch | Residential | 3 | 21,083 | 186.51 | 245.65 | 59.14 | 31.71% |
| 6 | | Subtotal | 6,155 | | | | | |
| 7 | | | | | | | | |
| 8 | 5/8X3/4 Inch | Commercial | 81 | 10,978 | $ 44.71 | $ 58.73 | 14.01 | 31.34% |
| 9 | 1 Inch | Commercial | 53 | 35,387 | 150.42 | 194.74 | 44.32 | 29.46% |
| 10 | 1 1/2 Inch | Commercial | 11 | 24,783 | 151.15 | 197.33 | 46.18 | 30.55% |
| 11 | 2 Inch | Commercial | 34 | 69,216 | 329.94 | 427.30 | 97.36 | 29.51% |
| 12 | 3 Inch | Commercial | 9 | 31,697 | 341.82 | 451.79 | 109.97 | 32.17% |
| 13 | 4 Inch | Commercial | 4 | 254,313 | 1,139.30 | 1,500.76 | 361.46 | 31.73% |
| 14 | | | | | | | | |
| 15 | | Subtotal | 192 | | | | | |
| 16 | | | | | | | | |
| 17 | 5/8X3/4 Inch | School | 2 | 440 | $ 15.31 | $ 20.61 | 5.30 | 34.62% |
| 18 | 1 1/2 Inch | School | 1 | 2,583 | 80.75 | 107.87 | 27.12 | 33.59% |
| 19 | 2 Inch | School | 11 | 40,576 | 232.37 | 303.25 | 70.89 | 30.51% |
| 20 | 3 Inch | School | 2 | 733,833 | 2,598.25 | 3,366.82 | 768.57 | 29.58% |
| 21 | 4 Inch | School | 1 | 242,167 | 1,042.07 | 1,373.52 | 331.45 | 31.81% |
| 22 | 6 Inch | School | 1 | 604,167 | 2,519.44 | 3,262.06 | 742.62 | 29.48% |
| 23 | | Subtotal | 18 | | | | | |
| 24 | | | | | | | | |
| 25 | 5/8X3/4 Inch | Industrial | 9 | 5,065 | $ 26.08 | $ 34.92 | 8.84 | 33.90% |
| 26 | 2 Inch | Industrial | 4 | 169,708 | 679.24 | 879.84 | 200.60 | 29.53% |
| 27 | | Subtotal | 13 | | | | | |
| 28 | | | | | | | | |
| 29 | 5/8X3/4 Inch | Multi-family | 7 | 10,429 | $ 42.80 | $ 56.24 | 13.44 | 31.41% |
| 30 | 1 1/2 Inch | Multi-family | 1 | 9,250 | 104.87 | 138.71 | 33.84 | 32.27% |
| 31 | | Subtotal | 8 | | | | | |
| 32 | | | | | | | | |
| 33 | 6 Inch | Bulk | 1 | 517,083 | 3,025.83 | 3,682.49 | 656.66 | 21.70% |
| 34 | | Fire Lines up to 8 Inch | 18 | - | $ 5.00 | $ 5.00 | - | 0.00% |
| 35 | | | | | | | | |
| 36 | | | | | | | | |
| 37 | | Total | 6,404 | | | | | |
| 38 | | | | | | | | |

39 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
40

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Customer Summary

Exhibit
Rebuttal ScheduleH-2
Page 2
Witness: Bourassa

| Line No. | Meter Size, Class | | (a) Average Number of Customers at 12/31/2014 | Median Consumption | Median Bill Present Rates | Median Bill Proposed Rates | Proposed Increase Dollar Amount | Proposed Increase Percent Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | 6,101 | 5,000 | $ 25.89 | $ 34.68 | 8.79 | 33.95% |
| 2 | 3/4 Inch | Residential | 10 | 3,000 | 32.13 | 42.46 | 10.33 | 32.16% |
| 3 | 1 Inch | Residential | 37 | 6,000 | 56.53 | 74.54 | 18.01 | 31.87% |
| 4 | 1 1/2 Inch | Residential | 4 | 10,000 | 107.10 | 141.54 | 34.44 | 32.16% |
| 5 | 2 Inch | Residential | 3 | 10,000 | 153.48 | 203.82 | 50.34 | 32.80% |
| 6 | | Subtotal | 6,155 | | | | | |
| 7 | | | | | | | | |
| 8 | 5/8X3/4 Inch | Commercial | 81 | 2,000 | $ 18.44 | $ 25.01 | 6.57 | 35.62% |
| 9 | 1 Inch | Commercial | 53 | 7,000 | 59.51 | 78.32 | 18.81 | 31.60% |
| 10 | 1 1/2 Inch | Commercial | 11 | 14,000 | 119.02 | 156.64 | 37.62 | 31.60% |
| 11 | 2 Inch | Commercial | 34 | 11,000 | 156.46 | 207.59 | 51.13 | 32.68% |
| 12 | 3 Inch | Commercial | 9 | 17,000 | 298.02 | 396.32 | 98.30 | 32.98% |
| 13 | 4 Inch | Commercial | 4 | 190,000 | 932.70 | 1,236.06 | 303.36 | 32.52% |
| 14 | | | | | | | | |
| 15 | | Subtotal | 192 | | | | | |
| 16 | | | | | | | | |
| 17 | 5/8X3/4 Inch | School | 2 | 500 | $ 14.69 | $ 19.72 | 5.04 | 34.28% |
| 18 | 1 1/2 Inch | School | 1 | 2,000 | 80.51 | 107.57 | 27.06 | 33.61% |
| 19 | 2 Inch | School | 11 | 41,364 | 185.44 | 243.82 | 58.38 | 31.48% |
| 20 | 3 Inch | School | 2 | 1,881,000 | 1,514.63 | 1,962.15 | 447.52 | 29.55% |
| 21 | 4 Inch | School | 1 | 242,000 | 1,041.51 | 1,372.80 | 331.29 | 31.81% |
| 22 | 6 Inch | School | 1 | 654,000 | 2,684.66 | 3,476.23 | 791.57 | 29.48% |
| 23 | | Subtotal | 18 | | | | | |
| 24 | | | | | | | | |
| 25 | 5/8X3/4 Inch | Industrial | 9 | 7,333 | $ 19.93 | $ 27.13 | 7.20 | 36.14% |
| 26 | 2 Inch | Industrial | 4 | 262,000 | 415.02 | 537.34 | 122.32 | 29.47% |
| 27 | | Subtotal | 13 | | | | | |
| 28 | | | | | | | | |
| 29 | 5/8X3/4 Inch | Multi-family | 7 | 8,000 | $ 34.83 | $ 46.00 | 11.17 | 32.08% |
| 30 | 1 1/2 Inch | Multi-family | 1 | 8,500 | 102.63 | 135.88 | 33.25 | 32.40% |
| 31 | | Subtotal | 8 | | | | | |
| 32 | | | | | | | | |
| 33 | 6 Inch | Bulk | 1 | 443,500 | 2,673.37 | 3,253.94 | 580.58 | 21.72% |
| 34 | | Fire Lines up to 8 Inch | 18 | - | $ 5.00 | $ 5.00 | - | 0.00% |
| 35 | | | | | | | | |
| 36 | | | | | | | | |
| 37 | | Total | 6,404 | | | | | |
| 38 | | | | | | | | |

39 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
40

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Present and Proposed Rates

Exhibit
Rebuttal ScheduleH-3
Page 1
Witness: Bourassa

| Line No. | Monthly Usage Charge for: | Present Rates[1,2] | Proposed Rates[1,2] | Change | Percent Change |
|---|---|---|---|---|---|
| 1 | Meter Size (All Classes): | | | | |
| 2 | 5/8 Inch | $ 15.46 | $ 20.76 | $ 5.30 | 34.28% |
| 2 | 3/4 Inch | 23.19 | 31.14 | 7.95 | 34.28% |
| 3 | 1 Inch | 38.65 | 51.90 | 13.25 | 34.28% |
| 4 | 1 1/2 Inch | 77.30 | 103.80 | 26.50 | 34.28% |
| 5 | 2 Inch | 123.68 | 166.08 | 42.40 | 34.28% |
| 6 | 3 Inch | 247.36 | 332.16 | 84.80 | 34.28% |
| 7 | 4 Inch | 366.50 | 519.00 | 152.50 | 41.61% |
| 8 | 6 Inch | 773.00 | 1,038.00 | 265.00 | 34.28% |
| 9 | 8 Inch | 1,236.80 | 1,660.80 | 424.00 | 34.28% |
| 10 | 10 Inch | 1,777.90 | 2,387.40 | 609.50 | 34.28% |
| 11 | 12 Inch | 3,323.90 | 4,463.40 | 1,139.50 | 34.28% |
| 12 | Moriningstar Ranch | 549.00 | 671.00 | 122.00 | 22.22% |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | Fire Lines Up to 8 Inch (R-14-2-408.B) | Per Rule* | Per Rule* | | |
| 17 | Fire Lines 10 Inch (R-14-2-408.B) | Per Rule* | Per Rule* | | |
| 18 | Fire Lines 12 Inch (R-14-2-408.B) | Per Rule* | Per Rule* | | |
| 19 | | | | | |
| 20 | * Per Rule - A.A.C. R-14-2-408.B. 1 percent of monthly minimum for a comparable size meter, but no less than that | | | | |
| 21 | $5.00 per month. The service charge for fire sprinklers is only applicable for service line | | | | |
| 22 | separate and distinct from the primary water service line. | | | | |
| 23 | | | | | |
| 24 | Gallons In Minimum (All Classes) | - | - | | |
| 25 | | | | | |
| 26 | | | | | |

| Line No. | Commodity Rates (All Classes) | Block | Present Rate (Per 1,000 gallons) | Proposed Rate(1) (Per 1,000 gallons) |
|---|---|---|---|---|
| 27 | | | | |
| 28 | | | | |
| 29 | | | | |
| 30 | 5/8 Inch | 0 gallons to 3,000 gallons | $ 1.49 | $ 2.12 |
| 31 | | over 3,000 gallons to 9,000 gallons | $ 2.98 | $ 3.77 |
| 32 | | over 9,000 gallons | $ 3.49 | $ 4.52 |
| 33 | | | | |
| 34 | | | | |
| 35 | 3/4 Inch Meter | 0 gallons to 4,000 gallons | $ 2.98 | $ 3.77 |
| 36 | | over 4,000 gallons | $ 3.49 | $ 4.52 |
| 37 | | | | |
| 38 | | | | |

39 [1] Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting
40 the low income qualifications.
41 [2] A 5 % discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater
42 utility services from the Company
43
44 NT = No Tariff

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Present and Proposed Rates

Exhibit
Rebuttal ScheduleH-3
Page 2
Witness: Bourassa

| Line No. | | | (Per 1,000 gallons) Present Rates[1,2] | Proposed Rates[1,2] |
|---|---|---|---|---|
| 1 | | | | |
| 2 | **Commodity Rates** | | | |
| 3 | **(All Classes)** | **Block** | | |
| 4 | 1 Inch Meter | 0 gallons to 23,000 gallons | $ 2.98 | $ 3.77 |
| 5 | | over 23,000 gallons | $ 3.49 | $ 4.52 |
| 6 | | | | |
| 7 | 1.5 Inch Meter | 0 gallons to 45,000 gallons | $ 2.98 | $ 3.77 |
| 8 | | over 45,000 gallons | $ 3.49 | $ 4.52 |
| 9 | | | | |
| 10 | 2 Inch Meter | 0 gallons to72,000 gallons | $ 2.98 | $ 3.77 |
| 11 | | over 72,000 gallons | $ 3.49 | $ 4.52 |
| 12 | | | | |
| 13 | 3 Inch Meter | 0 gallons to 144,000 gallons | $ 2.98 | $ 3.77 |
| 14 | | over 144,000 gallons | $ 3.49 | $ 4.52 |
| 15 | | | | |
| 16 | 4 Inch Meter | 0 gallons to 225,000 gallons | $ 2.98 | $ 3.77 |
| 17 | | over 225,000 gallons | $ 3.49 | $ 4.52 |
| 18 | | | | |
| 19 | 6 Inch Meter | 0 gallons to 450,000 gallons | $ 2.98 | $ 3.77 |
| 20 | | over 450,000 gallons | $ 3.49 | $ 4.52 |
| 21 | | | | |
| 22 | 8 Inch Meter | 0 gallons to 720,000 gallons | $ 2.98 | $ 3.77 |
| 23 | | over 720,000 gallons | $ 3.49 | $ 4.52 |
| 24 | | | | |
| 25 | 10 Inch Meter | 0 gallons to 1,025,000 gallons | $ 2.98 | $ 3.77 |
| 26 | | over 1,025,000 gallons | $ 3.49 | $ 4.52 |
| 27 | | | | |
| 28 | 12 Inch Meter | 0 gallons to 1,025,000 gallons | $ 2.98 | $ 3.77 |
| 29 | | over 1,025,000 gallons | $ 3.49 | $ 4.52 |
| 30 | | | | |
| 31 | Morningstar Ranch Community Association | All gallons | $ 4.79 | $ 5.82 |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |

35 [1] Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting
36 the low income qualifications.
37 [2] A 5 % discount is applicable to the public schools operated by the Santa Cruz County School District No. 35 receiving water and/or wastewater
38 utility services from the Company
39
40 NT = No Tariff
41

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Changes in Representative Rate Schedules
Test Year Ended December 31, 2014

Exhibit
Rebuttal ScheduleH-3
Page 3
Witness: Bourassa

| Line No. | Other Service Charges | Present Rates | Proposed Rates |
|---|---|---|---|
| 1 | Establishment | $ 15.00 | $ 25.00 |
| 2 | | | |
| 3 | Reestablishment (within 12 months) | (a) | (a) |
| 4 | Reconnection (Delinquent) | $ 15.00 | $ 30.0 |
| 5 | | | |
| 6 | Meter test (If Correct) | $ 15.00 | $ 30.00 |
| 7 | Meter Reread (if Correct) | $ 20.00 | $ 20.00 |
| 8 | Deposit | (c) | (c) |
| 9 | Deposit Interest | (c) | 6%(c) |
| 10 | NSF Check | $ 15.00 | $ 10.00 |
| 11 | Late Payment Penalty | 1.5% per month | 1.5% per month |
| 12 | Deferred Payment (R-01-2-409.G) | 1.5% per month | 1.5% per month |
| 13 | Moving meter at customer request (R-14-2-405.B) | at Cost | at Cost |
| 14 | After Hours Service Call Charge (d) | $ 50.00 | $ 50.00 |
| 15 | | | |

16 (a) Per Commission Rule A.A.C. R14-2-403(D) - residential and non-residential shall pay the
17 applicable monthly minimum charge times the number of months disconnected.
18 (b) Intentinally left blank.
19 (c) Per Commission Rule A.A.C. R14-2-403(B).
20 (d) At customer's request. No charge for service during normal working hours.
21
22
23
24
25
26
27
28
29 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
30 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
31 TAX. PER COMMISSION RULE 14-2-409D(5).
32
33
34
35
36

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Meter and Service Line Charges

Exhibit
Rebuttal ScheduleH-3
Page 4
Witness: Bourassa

**Refundable Meter and Service Line Charges**

| | Present Service Line Charge | Present Meter Install-ation Charge | Total Present Charge | Proposed Service Line Charge | Proposed Meter Install-ation Charge | Total Proposed Charge |
|---|---|---|---|---|---|---|
| 5/8 x 3/4 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 3/4 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 1 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 1 1/2 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 2 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 3 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 4 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 6 inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 8 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 10 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 12 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8x3/4 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 1
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.46 | $ 20.76 | $ 5.30 | 34.28% |
| 1,000 | 16.95 | 22.88 | 5.93 | 35.01% |
| 2,000 | 18.44 | 25.01 | 6.57 | 35.62% |
| 3,000 | 19.93 | 27.13 | 7.20 | 36.14% |
| 4,000 | 22.91 | 30.91 | 8.00 | 34.90% |
| 5,000 | 25.89 | 34.68 | 8.79 | 33.95% |
| 6,000 | 28.87 | 38.45 | 9.58 | 33.20% |
| 7,000 | 31.85 | 42.23 | 10.38 | 32.58% |
| 8,000 | 34.83 | 46.00 | 11.17 | 32.08% |
| 9,000 | 37.81 | 49.78 | 11.97 | 31.65% |
| 10,000 | 41.30 | 54.30 | 13.00 | 31.48% |
| 12,000 | 48.28 | 63.35 | 15.07 | 31.21% |
| 14,000 | 55.26 | 72.40 | 17.14 | 31.01% |
| 16,000 | 62.24 | 81.44 | 19.20 | 30.85% |
| 18,000 | 69.22 | 90.49 | 21.27 | 30.73% |
| 20,000 | 76.20 | 99.54 | 23.34 | 30.63% |
| 25,000 | 93.65 | 122.16 | 28.51 | 30.44% |
| 30,000 | 111.10 | 144.78 | 33.68 | 30.31% |
| 35,000 | 128.55 | 167.40 | 38.85 | 30.22% |
| 40,000 | 146.00 | 190.02 | 44.02 | 30.15% |
| 45,000 | 163.45 | 212.64 | 49.19 | 30.09% |
| 50,000 | 180.90 | 235.26 | 54.36 | 30.05% |
| 60,000 | 215.80 | 280.50 | 64.70 | 29.98% |
| 70,000 | 250.70 | 325.74 | 75.04 | 29.93% |
| 80,000 | 285.60 | 370.98 | 85.38 | 29.89% |
| 90,000 | 320.50 | 416.22 | 95.72 | 29.87% |
| 100,000 | 355.40 | 461.46 | 106.06 | 29.84% |
| Average Usage | | | | |
| 6,829 | $ 31.34 | $ 41.58 | $ 10.24 | 32.68% |
| Median Usage | | | | |
| 5,000 | $ 25.89 | $ 34.68 | $ 8.79 | 33.95% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 15.46 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 1.49 |
| Up to | 9,000 | $ | 2.98 |
| Over | 9,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 20.76 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 2.12 |
| Up to | 9,000 | $ | 3.77 |
| Over | 9,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 2
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 23.19 | $ 31.14 | $ 7.95 | 34.28% |
| 1,000 | 26.17 | 34.91 | 8.74 | 33.41% |
| 2,000 | 29.15 | 38.69 | 9.54 | 32.72% |
| 3,000 | 32.13 | 42.46 | 10.33 | 32.16% |
| 4,000 | 35.11 | 46.24 | 11.13 | 31.69% |
| 5,000 | 38.60 | 50.76 | 12.16 | 31.50% |
| 6,000 | 42.09 | 55.28 | 13.19 | 31.35% |
| 7,000 | 45.58 | 59.81 | 14.23 | 31.22% |
| 8,000 | 49.07 | 64.33 | 15.26 | 31.10% |
| 9,000 | 52.56 | 68.86 | 16.30 | 31.00% |
| 10,000 | 56.05 | 73.38 | 17.33 | 30.92% |
| 12,000 | 63.03 | 82.43 | 19.40 | 30.78% |
| 14,000 | 70.01 | 91.48 | 21.47 | 30.66% |
| 16,000 | 76.99 | 100.52 | 23.53 | 30.57% |
| 18,000 | 83.97 | 109.57 | 25.60 | 30.49% |
| 20,000 | 90.95 | 118.62 | 27.67 | 30.42% |
| 25,000 | 108.40 | 141.24 | 32.84 | 30.30% |
| 30,000 | 125.85 | 163.86 | 38.01 | 30.20% |
| 35,000 | 143.30 | 186.48 | 43.18 | 30.13% |
| 40,000 | 160.75 | 209.10 | 48.35 | 30.08% |
| 45,000 | 178.20 | 231.72 | 53.52 | 30.03% |
| 50,000 | 195.65 | 254.34 | 58.69 | 30.00% |
| 60,000 | 230.55 | 299.58 | 69.03 | 29.94% |
| 70,000 | 265.45 | 344.82 | 79.37 | 29.90% |
| 80,000 | 300.35 | 390.06 | 89.71 | 29.87% |
| 90,000 | 335.25 | 435.30 | 100.05 | 29.84% |
| 100,000 | 370.15 | 480.54 | 110.39 | 29.82% |
| Average Usage | | | | |
| 4,459 | $ 36.71 | $ 48.31 | $ 11.60 | 31.60% |
| Median Usage | | | | |
| 3,000 | $ 32.13 | $ 42.46 | $ 10.33 | 32.16% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 23.19 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 2.98 |
| Over | 4,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 31.14 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 3.77 |
| Over | 4,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 3
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 38.65 | $ 51.90 | $ 13.25 | 34.28% |
| 1,000 | 41.63 | 55.67 | 14.04 | 33.74% |
| 2,000 | 44.61 | 59.45 | 14.84 | 33.26% |
| 3,000 | 47.59 | 63.22 | 15.63 | 32.85% |
| 4,000 | 50.57 | 67.00 | 16.43 | 32.48% |
| 5,000 | 53.55 | 70.77 | 17.22 | 32.16% |
| 6,000 | 56.53 | 74.54 | 18.01 | 31.87% |
| 7,000 | 59.51 | 78.32 | 18.81 | 31.60% |
| 8,000 | 62.49 | 82.09 | 19.60 | 31.37% |
| 9,000 | 65.47 | 85.87 | 20.40 | 31.15% |
| 10,000 | 68.45 | 89.64 | 21.19 | 30.96% |
| 12,000 | 74.41 | 97.19 | 22.78 | 30.61% |
| 14,000 | 80.37 | 104.74 | 24.37 | 30.32% |
| 16,000 | 86.33 | 112.28 | 25.95 | 30.06% |
| 18,000 | 92.29 | 119.83 | 27.54 | 29.84% |
| 20,000 | 98.25 | 127.38 | 29.13 | 29.65% |
| 25,000 | 114.17 | 147.75 | 33.58 | 29.41% |
| 30,000 | 131.62 | 170.37 | 38.75 | 29.44% |
| 35,000 | 149.07 | 192.99 | 43.92 | 29.46% |
| 40,000 | 166.52 | 215.61 | 49.09 | 29.48% |
| 45,000 | 183.97 | 238.23 | 54.26 | 29.49% |
| 50,000 | 201.42 | 260.85 | 59.43 | 29.51% |
| 60,000 | 236.32 | 306.09 | 69.77 | 29.52% |
| 70,000 | 271.22 | 351.33 | 80.11 | 29.54% |
| 80,000 | 306.12 | 396.57 | 90.45 | 29.55% |
| 90,000 | 341.02 | 441.81 | 100.79 | 29.56% |
| 100,000 | 375.92 | 487.05 | 111.13 | 29.56% |
| Average Usage 10,937 | $ 71.24 | $ 93.17 | $ 21.93 | 30.79% |
| Median Usage 6,000 | $ 56.53 | $ 74.54 | $ 18.01 | 31.87% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 38.65 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 23,000 | $ | 2.98 |
| Over | 23,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 51.90 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 23,000 | $ | 3.77 |
| Over | 23,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 4
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 77.30 | $ 103.80 | $ 26.50 | 34.28% |
| 1,000 | 80.28 | 107.57 | 27.29 | 34.00% |
| 2,000 | 83.26 | 111.35 | 28.09 | 33.74% |
| 3,000 | 86.24 | 115.12 | 28.88 | 33.49% |
| 4,000 | 89.22 | 118.90 | 29.68 | 33.26% |
| 5,000 | 92.20 | 122.67 | 30.47 | 33.05% |
| 6,000 | 95.18 | 126.44 | 31.26 | 32.85% |
| 7,000 | 98.16 | 130.22 | 32.06 | 32.66% |
| 8,000 | 101.14 | 133.99 | 32.85 | 32.48% |
| 9,000 | 104.12 | 137.77 | 33.65 | 32.31% |
| 10,000 | 107.10 | 141.54 | 34.44 | 32.16% |
| 12,000 | 113.06 | 149.09 | 36.03 | 31.87% |
| 14,000 | 119.02 | 156.64 | 37.62 | 31.60% |
| 16,000 | 124.98 | 164.18 | 39.20 | 31.37% |
| 18,000 | 130.94 | 171.73 | 40.79 | 31.15% |
| 20,000 | 136.90 | 179.28 | 42.38 | 30.96% |
| 25,000 | 151.80 | 198.15 | 46.35 | 30.53% |
| 30,000 | 166.70 | 217.02 | 50.32 | 30.19% |
| 35,000 | 181.60 | 235.89 | 54.29 | 29.90% |
| 40,000 | 196.50 | 254.76 | 58.26 | 29.65% |
| 45,000 | 211.40 | 273.63 | 62.23 | 29.44% |
| 50,000 | 228.85 | 296.25 | 67.40 | 29.45% |
| 60,000 | 263.75 | 341.49 | 77.74 | 29.47% |
| 70,000 | 298.65 | 386.73 | 88.08 | 29.49% |
| 80,000 | 333.55 | 431.97 | 98.42 | 29.51% |
| 90,000 | 368.45 | 477.21 | 108.76 | 29.52% |
| 100,000 | 403.35 | 522.45 | 119.10 | 29.53% |
| Average Usage | | | | |
| 13,729 | $ 118.21 | $ 155.61 | $ 37.40 | 31.64% |
| Median Usage | | | | |
| 10,000 | $ 107.10 | $ 141.54 | $ 34.44 | 32.16% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 77.30 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 2.98 |
| Over | 45,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 103.80 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 3.77 |
| Over | 45,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 5
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 123.68 | $ 166.08 | $ 42.40 | 34.28% |
| 1,000 | 126.66 | 169.85 | 43.19 | 34.10% |
| 2,000 | 129.64 | 173.63 | 43.99 | 33.93% |
| 3,000 | 132.62 | 177.40 | 44.78 | 33.77% |
| 4,000 | 135.60 | 181.18 | 45.58 | 33.61% |
| 5,000 | 138.58 | 184.95 | 46.37 | 33.46% |
| 6,000 | 141.56 | 188.72 | 47.16 | 33.32% |
| 7,000 | 144.54 | 192.50 | 47.96 | 33.18% |
| 8,000 | 147.52 | 196.27 | 48.75 | 33.05% |
| 9,000 | 150.50 | 200.05 | 49.55 | 32.92% |
| 10,000 | 153.48 | 203.82 | 50.34 | 32.80% |
| 12,000 | 159.44 | 211.37 | 51.93 | 32.57% |
| 14,000 | 165.40 | 218.92 | 53.52 | 32.36% |
| 16,000 | 171.36 | 226.46 | 55.10 | 32.16% |
| 18,000 | 177.32 | 234.01 | 56.69 | 31.97% |
| 20,000 | 183.28 | 241.56 | 58.28 | 31.80% |
| 25,000 | 198.18 | 260.43 | 62.25 | 31.41% |
| 30,000 | 213.08 | 279.30 | 66.22 | 31.08% |
| 35,000 | 227.98 | 298.17 | 70.19 | 30.79% |
| 40,000 | 242.88 | 317.04 | 74.16 | 30.53% |
| 45,000 | 257.78 | 335.91 | 78.13 | 30.31% |
| 50,000 | 272.68 | 354.78 | 82.10 | 30.11% |
| 60,000 | 302.48 | 392.52 | 90.04 | 29.77% |
| 70,000 | 332.28 | 430.26 | 97.98 | 29.49% |
| 80,000 | 366.16 | 474.00 | 107.84 | 29.45% |
| 90,000 | 401.06 | 519.24 | 118.18 | 29.47% |
| 100,000 | 435.96 | 564.48 | 128.52 | 29.48% |
| Average Usage | | | | |
| 21,083 | $ 186.51 | $ 245.65 | $ 59.14 | 31.71% |
| Median Usage | | | | |
| 10,000 | $ 153.48 | $ 203.82 | $ 50.34 | 32.80% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 123.68 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 2.98 |
| Over | 72,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 166.08 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 3.77 |
| Over | 72,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 6
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.46 | $ 20.76 | $ 5.30 | 34.28% |
| 1,000 | 16.95 | 22.88 | 5.93 | 35.01% |
| 2,000 | 18.44 | 25.01 | 6.57 | 35.62% |
| 3,000 | 19.93 | 27.13 | 7.20 | 36.14% |
| 4,000 | 22.91 | 30.91 | 8.00 | 34.90% |
| 5,000 | 25.89 | 34.68 | 8.79 | 33.95% |
| 6,000 | 28.87 | 38.45 | 9.58 | 33.20% |
| 7,000 | 31.85 | 42.23 | 10.38 | 32.58% |
| 8,000 | 34.83 | 46.00 | 11.17 | 32.08% |
| 9,000 | 37.81 | 49.78 | 11.97 | 31.65% |
| 10,000 | 41.30 | 54.30 | 13.00 | 31.48% |
| 12,000 | 48.28 | 63.35 | 15.07 | 31.21% |
| 14,000 | 55.26 | 72.40 | 17.14 | 31.01% |
| 16,000 | 62.24 | 81.44 | 19.20 | 30.85% |
| 18,000 | 69.22 | 90.49 | 21.27 | 30.73% |
| 20,000 | 76.20 | 99.54 | 23.34 | 30.63% |
| 25,000 | 93.65 | 122.16 | 28.51 | 30.44% |
| 30,000 | 111.10 | 144.78 | 33.68 | 30.31% |
| 35,000 | 128.55 | 167.40 | 38.85 | 30.22% |
| 40,000 | 146.00 | 190.02 | 44.02 | 30.15% |
| 45,000 | 163.45 | 212.64 | 49.19 | 30.09% |
| 50,000 | 180.90 | 235.26 | 54.36 | 30.05% |
| 60,000 | 215.80 | 280.50 | 64.70 | 29.98% |
| 70,000 | 250.70 | 325.74 | 75.04 | 29.93% |
| 80,000 | 285.60 | 370.98 | 85.38 | 29.89% |
| 90,000 | 320.50 | 416.22 | 95.72 | 29.87% |
| 100,000 | 355.40 | 461.46 | 106.06 | 29.84% |
| Average Usage | | | | |
| 10,978 | $ 44.71 | $ 58.73 | $ 14.01 | 31.34% |
| Median Usage | | | | |
| 2,000 | $ 18.44 | $ 25.01 | $ 6.57 | 35.62% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 15.46 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 1.49 |
| Up to | 9,000 | $ | 2.98 |
| Over | 9,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 20.76 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 2.12 |
| Up to | 9,000 | $ | 3.77 |
| Over | 9,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 7
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 38.65 | $ 51.90 | $ 13.25 | 34.28% |
| 1,000 | 41.63 | 55.67 | 14.04 | 33.74% |
| 2,000 | 44.61 | 59.45 | 14.84 | 33.26% |
| 3,000 | 47.59 | 63.22 | 15.63 | 32.85% |
| 4,000 | 50.57 | 67.00 | 16.43 | 32.48% |
| 5,000 | 53.55 | 70.77 | 17.22 | 32.16% |
| 6,000 | 56.53 | 74.54 | 18.01 | 31.87% |
| 7,000 | 59.51 | 78.32 | 18.81 | 31.60% |
| 8,000 | 62.49 | 82.09 | 19.60 | 31.37% |
| 9,000 | 65.47 | 85.87 | 20.40 | 31.15% |
| 10,000 | 68.45 | 89.64 | 21.19 | 30.96% |
| 12,000 | 74.41 | 97.19 | 22.78 | 30.61% |
| 14,000 | 80.37 | 104.74 | 24.37 | 30.32% |
| 16,000 | 86.33 | 112.28 | 25.95 | 30.06% |
| 18,000 | 92.29 | 119.83 | 27.54 | 29.84% |
| 20,000 | 98.25 | 127.38 | 29.13 | 29.65% |
| 25,000 | 114.17 | 147.75 | 33.58 | 29.41% |
| 30,000 | 131.62 | 170.37 | 38.75 | 29.44% |
| 35,000 | 149.07 | 192.99 | 43.92 | 29.46% |
| 40,000 | 166.52 | 215.61 | 49.09 | 29.48% |
| 45,000 | 183.97 | 238.23 | 54.26 | 29.49% |
| 50,000 | 201.42 | 260.85 | 59.43 | 29.51% |
| 60,000 | 236.32 | 306.09 | 69.77 | 29.52% |
| 70,000 | 271.22 | 351.33 | 80.11 | 29.54% |
| 80,000 | 306.12 | 396.57 | 90.45 | 29.55% |
| 90,000 | 341.02 | 441.81 | 100.79 | 29.56% |
| 100,000 | 375.92 | 487.05 | 111.13 | 29.56% |
| Average Usage | | | | |
| 35,387 | $ 150.42 | $ 194.74 | $ 44.32 | 29.46% |
| Median Usage | | | | |
| 7,000 | $ 59.51 | $ 78.32 | $ 18.81 | 31.60% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 38.65 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 23,000 | $ | 2.98 |
| Over | 23,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 51.90 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 23,000 | $ | 3.77 |
| Over | 23,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 8
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 77.30 | $ 103.80 | $ 26.50 | 34.28% |
| 1,000 | 80.28 | 107.57 | 27.29 | 34.00% |
| 2,000 | 83.26 | 111.35 | 28.09 | 33.74% |
| 3,000 | 86.24 | 115.12 | 28.88 | 33.49% |
| 4,000 | 89.22 | 118.90 | 29.68 | 33.26% |
| 5,000 | 92.20 | 122.67 | 30.47 | 33.05% |
| 6,000 | 95.18 | 126.44 | 31.26 | 32.85% |
| 7,000 | 98.16 | 130.22 | 32.06 | 32.66% |
| 8,000 | 101.14 | 133.99 | 32.85 | 32.48% |
| 9,000 | 104.12 | 137.77 | 33.65 | 32.31% |
| 10,000 | 107.10 | 141.54 | 34.44 | 32.16% |
| 12,000 | 113.06 | 149.09 | 36.03 | 31.87% |
| 14,000 | 119.02 | 156.64 | 37.62 | 31.60% |
| 16,000 | 124.98 | 164.18 | 39.20 | 31.37% |
| 18,000 | 130.94 | 171.73 | 40.79 | 31.15% |
| 20,000 | 136.90 | 179.28 | 42.38 | 30.96% |
| 25,000 | 151.80 | 198.15 | 46.35 | 30.53% |
| 30,000 | 166.70 | 217.02 | 50.32 | 30.19% |
| 35,000 | 181.60 | 235.89 | 54.29 | 29.90% |
| 40,000 | 196.50 | 254.76 | 58.26 | 29.65% |
| 45,000 | 211.40 | 273.63 | 62.23 | 29.44% |
| 50,000 | 228.85 | 296.25 | 67.40 | 29.45% |
| 60,000 | 263.75 | 341.49 | 77.74 | 29.47% |
| 70,000 | 298.65 | 386.73 | 88.08 | 29.49% |
| 80,000 | 333.55 | 431.97 | 98.42 | 29.51% |
| 90,000 | 368.45 | 477.21 | 108.76 | 29.52% |
| 100,000 | 403.35 | 522.45 | 119.10 | 29.53% |
| Average Usage | | | | |
| 24,783 | $ 151.15 | $ 197.33 | $ 46.18 | 30.55% |
| Median Usage | | | | |
| 14,000 | $ 119.02 | $ 156.64 | $ 37.62 | 31.60% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 77.30 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 2.98 |
| Over | 45,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 103.80 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 3.77 |
| Over | 45,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 9
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 123.68 | $ 166.08 | $ 42.40 | 34.28% |
| 1,000 | 126.66 | 169.85 | 43.19 | 34.10% |
| 2,000 | 129.64 | 173.63 | 43.99 | 33.93% |
| 3,000 | 132.62 | 177.40 | 44.78 | 33.77% |
| 4,000 | 135.60 | 181.18 | 45.58 | 33.61% |
| 5,000 | 138.58 | 184.95 | 46.37 | 33.46% |
| 6,000 | 141.56 | 188.72 | 47.16 | 33.32% |
| 7,000 | 144.54 | 192.50 | 47.96 | 33.18% |
| 8,000 | 147.52 | 196.27 | 48.75 | 33.05% |
| 9,000 | 150.50 | 200.05 | 49.55 | 32.92% |
| 10,000 | 153.48 | 203.82 | 50.34 | 32.80% |
| 12,000 | 159.44 | 211.37 | 51.93 | 32.57% |
| 14,000 | 165.40 | 218.92 | 53.52 | 32.36% |
| 16,000 | 171.36 | 226.46 | 55.10 | 32.16% |
| 18,000 | 177.32 | 234.01 | 56.69 | 31.97% |
| 20,000 | 183.28 | 241.56 | 58.28 | 31.80% |
| 25,000 | 198.18 | 260.43 | 62.25 | 31.41% |
| 30,000 | 213.08 | 279.30 | 66.22 | 31.08% |
| 35,000 | 227.98 | 298.17 | 70.19 | 30.79% |
| 40,000 | 242.88 | 317.04 | 74.16 | 30.53% |
| 45,000 | 257.78 | 335.91 | 78.13 | 30.31% |
| 50,000 | 272.68 | 354.78 | 82.10 | 30.11% |
| 60,000 | 302.48 | 392.52 | 90.04 | 29.77% |
| 70,000 | 332.28 | 430.26 | 97.98 | 29.49% |
| 80,000 | 366.16 | 474.00 | 107.84 | 29.45% |
| 90,000 | 401.06 | 519.24 | 118.18 | 29.47% |
| 100,000 | 435.96 | 564.48 | 128.52 | 29.48% |
| Average Usage | | | | |
| 69,216 | $ 329.94 | $ 427.30 | $ 97.36 | 29.51% |
| Median Usage | | | | |
| 11,000 | $ 156.46 | $ 207.59 | $ 51.13 | 32.68% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 123.68 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 2.98 |
| Over | 72,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 166.08 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 3.77 |
| Over | 72,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 10
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 247.36 | $ 332.16 | $ 84.80 | 34.28% |
| 1,000 | 250.34 | 335.93 | 85.59 | 34.19% |
| 2,000 | 253.32 | 339.71 | 86.39 | 34.10% |
| 3,000 | 256.30 | 343.48 | 87.18 | 34.02% |
| 4,000 | 259.28 | 347.26 | 87.98 | 33.93% |
| 5,000 | 262.26 | 351.03 | 88.77 | 33.85% |
| 6,000 | 265.24 | 354.80 | 89.56 | 33.77% |
| 7,000 | 268.22 | 358.58 | 90.36 | 33.69% |
| 8,000 | 271.20 | 362.35 | 91.15 | 33.61% |
| 9,000 | 274.18 | 366.13 | 91.95 | 33.53% |
| 10,000 | 277.16 | 369.90 | 92.74 | 33.46% |
| 12,000 | 283.12 | 377.45 | 94.33 | 33.32% |
| 14,000 | 289.08 | 385.00 | 95.92 | 33.18% |
| 16,000 | 295.04 | 392.54 | 97.50 | 33.05% |
| 18,000 | 301.00 | 400.09 | 99.09 | 32.92% |
| 20,000 | 306.96 | 407.64 | 100.68 | 32.80% |
| 25,000 | 321.86 | 426.51 | 104.65 | 32.51% |
| 30,000 | 336.76 | 445.38 | 108.62 | 32.25% |
| 35,000 | 351.66 | 464.25 | 112.59 | 32.02% |
| 40,000 | 366.56 | 483.12 | 116.56 | 31.80% |
| 45,000 | 381.46 | 501.99 | 120.53 | 31.60% |
| 50,000 | 396.36 | 520.86 | 124.50 | 31.41% |
| 60,000 | 426.16 | 558.60 | 132.44 | 31.08% |
| 70,000 | 455.96 | 596.34 | 140.38 | 30.79% |
| 80,000 | 485.76 | 634.08 | 148.32 | 30.53% |
| 90,000 | 515.56 | 671.82 | 156.26 | 30.31% |
| 100,000 | 545.36 | 709.56 | 164.20 | 30.11% |
| Average Usage | | | | |
| 31,697 | $ 341.82 | $ 451.79 | $ 109.97 | 32.17% |
| Median Usage | | | | |
| 17,000 | $ 298.02 | $ 396.32 | $ 98.30 | 32.98% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 247.36 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 144,000 | $ | 2.98 |
| Over | 144,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 332.16 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 144,000 | $ | 3.77 |
| Over | 144,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 4 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 11
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 366.50 | $ 519.00 | $ 152.50 | 41.61% |
| 1,000 | 369.48 | 522.77 | 153.29 | 41.49% |
| 2,000 | 372.46 | 526.55 | 154.09 | 41.37% |
| 3,000 | 375.44 | 530.32 | 154.88 | 41.25% |
| 4,000 | 378.42 | 534.10 | 155.68 | 41.14% |
| 5,000 | 381.40 | 537.87 | 156.47 | 41.03% |
| 6,000 | 384.38 | 541.64 | 157.26 | 40.91% |
| 7,000 | 387.36 | 545.42 | 158.06 | 40.80% |
| 8,000 | 390.34 | 549.19 | 158.85 | 40.70% |
| 9,000 | 393.32 | 552.97 | 159.65 | 40.59% |
| 10,000 | 396.30 | 556.74 | 160.44 | 40.48% |
| 12,000 | 402.26 | 564.29 | 162.03 | 40.28% |
| 14,000 | 408.22 | 571.84 | 163.62 | 40.08% |
| 16,000 | 414.18 | 579.38 | 165.20 | 39.89% |
| 18,000 | 420.14 | 586.93 | 166.79 | 39.70% |
| 20,000 | 426.10 | 594.48 | 168.38 | 39.52% |
| 25,000 | 441.00 | 613.35 | 172.35 | 39.08% |
| 30,000 | 455.90 | 632.22 | 176.32 | 38.68% |
| 35,000 | 470.80 | 651.09 | 180.29 | 38.29% |
| 40,000 | 485.70 | 669.96 | 184.26 | 37.94% |
| 45,000 | 500.60 | 688.83 | 188.23 | 37.60% |
| 50,000 | 515.50 | 707.70 | 192.20 | 37.28% |
| 60,000 | 545.30 | 745.44 | 200.14 | 36.70% |
| 70,000 | 575.10 | 783.18 | 208.08 | 36.18% |
| 80,000 | 604.90 | 820.92 | 216.02 | 35.71% |
| 90,000 | 634.70 | 858.66 | 223.96 | 35.29% |
| 100,000 | 664.50 | 896.40 | 231.90 | 34.90% |
| Average Usage | | | | |
| 254,313 | $ 1,139.30 | $ 1,500.76 | $ 361.46 | 31.73% |
| Median Usage | | | | |
| 190,000 | $ 932.70 | $ 1,236.06 | $ 303.36 | 32.52% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 366.50 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 225,000 | $ | 2.98 |
| Over | 225,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 519.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 225,000 | $ | 3.77 |
| Over | 225,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch School

Exhibit
Rebuttal Schedule H-4
Page 12
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 14.69 | $ 19.72 | $ 5.04 | 34.28% |
| 1,000 | 16.10 | 21.74 | 5.64 | 35.01% |
| 2,000 | 17.52 | 23.76 | 6.24 | 35.62% |
| 3,000 | 18.93 | 25.78 | 6.84 | 36.14% |
| 4,000 | 21.76 | 29.36 | 7.60 | 34.90% |
| 5,000 | 24.60 | 32.95 | 8.35 | 33.95% |
| 6,000 | 27.43 | 36.53 | 9.10 | 33.20% |
| 7,000 | 30.26 | 40.12 | 9.86 | 32.58% |
| 8,000 | 33.09 | 43.70 | 10.61 | 32.08% |
| 9,000 | 35.92 | 47.29 | 11.37 | 31.65% |
| 10,000 | 39.24 | 51.58 | 12.35 | 31.48% |
| 12,000 | 45.87 | 60.18 | 14.31 | 31.21% |
| 14,000 | 52.50 | 68.78 | 16.28 | 31.01% |
| 16,000 | 59.13 | 77.37 | 18.24 | 30.85% |
| 18,000 | 65.76 | 85.97 | 20.21 | 30.73% |
| 20,000 | 72.39 | 94.56 | 22.17 | 30.63% |
| 25,000 | 88.97 | 116.05 | 27.08 | 30.44% |
| 30,000 | 105.55 | 137.54 | 32.00 | 30.31% |
| 35,000 | 122.12 | 159.03 | 36.91 | 30.22% |
| 40,000 | 138.70 | 180.52 | 41.82 | 30.15% |
| 45,000 | 155.28 | 202.01 | 46.73 | 30.09% |
| 50,000 | 171.86 | 223.50 | 51.64 | 30.05% |
| 60,000 | 205.01 | 266.47 | 61.46 | 29.98% |
| 70,000 | 238.17 | 309.45 | 71.29 | 29.93% |
| 80,000 | 271.32 | 352.43 | 81.11 | 29.89% |
| 90,000 | 304.48 | 395.41 | 90.93 | 29.87% |
| 100,000 | 337.63 | 438.39 | 100.76 | 29.84% |
| Average Usage | | | | |
| 440 | $ 15.31 | $ 20.61 | $ 5.30 | 34.62% |
| Median Usage | | | | |
| - | $ 14.69 | $ 19.72 | $ 5.04 | 34.28% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 14.69 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 1.42 |
| Up to | 9,000 | $ | 2.83 |
| Over | 9,000 | $ | 3.32 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 19.72 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 2.02 |
| Up to | 9,000 | $ | 3.59 |
| Over | 9,000 | $ | 4.30 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Schl

Exhibit
Rebuttal Schedule H-4
Page 13
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 73.44 | $ 98.61 | $ 25.18 | 34.28% |
| 1,000 | 76.27 | 102.20 | 25.93 | 34.00% |
| 2,000 | 79.10 | 105.78 | 26.68 | 33.74% |
| 3,000 | 81.93 | 109.37 | 27.44 | 33.49% |
| 4,000 | 84.76 | 112.95 | 28.19 | 33.26% |
| 5,000 | 87.59 | 116.54 | 28.95 | 33.05% |
| 6,000 | 90.42 | 120.12 | 29.70 | 32.85% |
| 7,000 | 93.25 | 123.71 | 30.46 | 32.66% |
| 8,000 | 96.08 | 127.29 | 31.21 | 32.48% |
| 9,000 | 98.91 | 130.88 | 31.96 | 32.31% |
| 10,000 | 101.75 | 134.46 | 32.72 | 32.16% |
| 12,000 | 107.41 | 141.63 | 34.23 | 31.87% |
| 14,000 | 113.07 | 148.80 | 35.74 | 31.60% |
| 16,000 | 118.73 | 155.97 | 37.24 | 31.37% |
| 18,000 | 124.39 | 163.15 | 38.75 | 31.15% |
| 20,000 | 130.06 | 170.32 | 40.26 | 30.96% |
| 25,000 | 144.21 | 188.24 | 44.03 | 30.53% |
| 30,000 | 158.37 | 206.17 | 47.80 | 30.19% |
| 35,000 | 172.52 | 224.10 | 51.58 | 29.90% |
| 40,000 | 186.68 | 242.02 | 55.35 | 29.65% |
| 45,000 | 200.83 | 259.95 | 59.12 | 29.44% |
| 50,000 | 217.41 | 281.44 | 64.03 | 29.45% |
| 60,000 | 250.56 | 324.42 | 73.85 | 29.47% |
| 70,000 | 283.72 | 367.39 | 83.68 | 29.49% |
| 80,000 | 316.87 | 410.37 | 93.50 | 29.51% |
| 90,000 | 350.03 | 453.35 | 103.32 | 29.52% |
| 100,000 | 383.18 | 496.33 | 113.14 | 29.53% |
| Average Usage | | | | |
| 2,583 | $ 80.75 | $ 107.87 | $ 27.12 | 33.59% |
| Median Usage | | | | |
| 2,500 | $ 80.51 | $ 107.57 | $ 27.06 | 33.61% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 73.44 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 2.83 |
| Over | 45,000 | $ | 3.32 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 98.61 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 3.59 |
| Over | 45,000 | $ | 4.30 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Schl

Exhibit
Rebuttal Schedule H-4
Page 14
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 117.50 | $ 157.78 | $ 40.28 | 34.28% |
| 1,000 | 120.33 | 161.36 | 41.03 | 34.10% |
| 2,000 | 123.16 | 164.95 | 41.79 | 33.93% |
| 3,000 | 125.99 | 168.53 | 42.54 | 33.77% |
| 4,000 | 128.82 | 172.12 | 43.30 | 33.61% |
| 5,000 | 131.65 | 175.70 | 44.05 | 33.46% |
| 6,000 | 134.48 | 179.29 | 44.81 | 33.32% |
| 7,000 | 137.31 | 182.87 | 45.56 | 33.18% |
| 8,000 | 140.14 | 186.46 | 46.31 | 33.05% |
| 9,000 | 142.98 | 190.04 | 47.07 | 32.92% |
| 10,000 | 145.81 | 193.63 | 47.82 | 32.80% |
| 12,000 | 151.47 | 200.80 | 49.33 | 32.57% |
| 14,000 | 157.13 | 207.97 | 50.84 | 32.36% |
| 16,000 | 162.79 | 215.14 | 52.35 | 32.16% |
| 18,000 | 168.45 | 222.31 | 53.86 | 31.97% |
| 20,000 | 174.12 | 229.48 | 55.37 | 31.80% |
| 25,000 | 188.27 | 247.41 | 59.14 | 31.41% |
| 30,000 | 202.43 | 265.33 | 62.91 | 31.08% |
| 35,000 | 216.58 | 283.26 | 66.68 | 30.79% |
| 40,000 | 230.74 | 301.19 | 70.45 | 30.53% |
| 45,000 | 244.89 | 319.11 | 74.22 | 30.31% |
| 50,000 | 259.05 | 337.04 | 77.99 | 30.11% |
| 60,000 | 287.36 | 372.89 | 85.54 | 29.77% |
| 70,000 | 315.67 | 408.75 | 93.08 | 29.49% |
| 80,000 | 347.85 | 450.30 | 102.45 | 29.45% |
| 90,000 | 381.01 | 493.28 | 112.27 | 29.47% |
| 100,000 | 414.16 | 536.26 | 122.09 | 29.48% |
| Average Usage | | | | |
| 40,576 | $ 232.37 | $ 303.25 | $ 70.89 | 30.51% |
| Median Usage | | | | |
| 24,000 | $ 185.44 | $ 243.82 | $ 58.38 | 31.48% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 117.50 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 2.83 |
| Over | 72,000 | $ | 3.32 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 157.78 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 3.59 |
| Over | 72,000 | $ | 4.30 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch School

Exhibit
Rebuttal Schedule H-4
Page 15
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 234.99 | $ 315.55 | $ 80.56 | 34.28% |
| 1,000 | 237.82 | 319.14 | 81.31 | 34.19% |
| 2,000 | 240.65 | 322.72 | 82.07 | 34.10% |
| 3,000 | 243.49 | 326.31 | 82.82 | 34.02% |
| 4,000 | 246.32 | 329.89 | 83.58 | 33.93% |
| 5,000 | 249.15 | 333.48 | 84.33 | 33.85% |
| 6,000 | 251.98 | 337.06 | 85.09 | 33.77% |
| 7,000 | 254.81 | 340.65 | 85.84 | 33.69% |
| 8,000 | 257.64 | 344.23 | 86.59 | 33.61% |
| 9,000 | 260.47 | 347.82 | 87.35 | 33.53% |
| 10,000 | 263.30 | 351.40 | 88.10 | 33.46% |
| 12,000 | 268.96 | 358.58 | 89.61 | 33.32% |
| 14,000 | 274.63 | 365.75 | 91.12 | 33.18% |
| 16,000 | 280.29 | 372.92 | 92.63 | 33.05% |
| 18,000 | 285.95 | 380.09 | 94.14 | 32.92% |
| 20,000 | 291.61 | 387.26 | 95.65 | 32.80% |
| 25,000 | 305.77 | 405.18 | 99.42 | 32.51% |
| 30,000 | 319.92 | 423.11 | 103.19 | 32.25% |
| 35,000 | 334.08 | 441.04 | 106.96 | 32.02% |
| 40,000 | 348.23 | 458.96 | 110.73 | 31.80% |
| 45,000 | 362.39 | 476.89 | 114.50 | 31.60% |
| 50,000 | 376.54 | 494.82 | 118.27 | 31.41% |
| 60,000 | 404.85 | 530.67 | 125.82 | 31.08% |
| 70,000 | 433.16 | 566.52 | 133.36 | 30.79% |
| 80,000 | 461.47 | 602.38 | 140.90 | 30.53% |
| 90,000 | 489.78 | 638.23 | 148.45 | 30.31% |
| 100,000 | 518.09 | 674.08 | 155.99 | 30.11% |
| Average Usage | | | | |
| 733,833 | $ 2,598.25 | $ 3,366.82 | $ 768.57 | 29.58% |
| Median Usage | | | | |
| 407,000 | $ 1,514.63 | $ 1,962.15 | $ 447.52 | 29.55% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 234.99 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 144,000 | $ | 2.83 |
| Over | 144,000 | $ | 3.32 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 315.55 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 144,000 | $ | 3.59 |
| Over | 144,000 | $ | 4.30 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 4 Inch Schl

Exhibit
Rebuttal Schedule H-4
Page 16
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 348.18 | $ 493.05 | $ 144.88 | 41.61% |
| 1,000 | 351.01 | 496.64 | 145.63 | 41.49% |
| 2,000 | 353.84 | 500.22 | 146.38 | 41.37% |
| 3,000 | 356.67 | 503.81 | 147.14 | 41.25% |
| 4,000 | 359.50 | 507.39 | 147.89 | 41.14% |
| 5,000 | 362.33 | 510.98 | 148.65 | 41.03% |
| 6,000 | 365.16 | 514.56 | 149.40 | 40.91% |
| 7,000 | 367.99 | 518.15 | 150.16 | 40.80% |
| 8,000 | 370.82 | 521.73 | 150.91 | 40.70% |
| 9,000 | 373.65 | 525.32 | 151.66 | 40.59% |
| 10,000 | 376.49 | 528.90 | 152.42 | 40.48% |
| 12,000 | 382.15 | 536.07 | 153.93 | 40.28% |
| 14,000 | 387.81 | 543.24 | 155.44 | 40.08% |
| 16,000 | 393.47 | 550.41 | 156.94 | 39.89% |
| 18,000 | 399.13 | 557.59 | 158.45 | 39.70% |
| 20,000 | 404.80 | 564.76 | 159.96 | 39.52% |
| 25,000 | 418.95 | 582.68 | 163.73 | 39.08% |
| 30,000 | 433.11 | 600.61 | 167.50 | 38.68% |
| 35,000 | 447.26 | 618.54 | 171.28 | 38.29% |
| 40,000 | 461.42 | 636.46 | 175.05 | 37.94% |
| 45,000 | 475.57 | 654.39 | 178.82 | 37.60% |
| 50,000 | 489.73 | 672.31 | 182.59 | 37.28% |
| 60,000 | 518.04 | 708.17 | 190.13 | 36.70% |
| 70,000 | 546.35 | 744.02 | 197.68 | 36.18% |
| 80,000 | 574.66 | 779.87 | 205.22 | 35.71% |
| 90,000 | 602.97 | 815.73 | 212.76 | 35.29% |
| 100,000 | 631.28 | 851.58 | 220.30 | 34.90% |
| Average Usage | | | | |
| 242,167 | $ 1,042.07 | $ 1,373.52 | $ 331.45 | 31.81% |
| Median Usage | | | | |
| 242,000 | $ 1,041.51 | $ 1,372.80 | $ 331.29 | 31.81% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 348.18 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 225,000 | $ | 2.83 |
| Over | 225,000 | $ | 3.32 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 493.05 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 225,000 | $ | 3.59 |
| Over | 225,000 | $ | 4.30 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 6 Inch School

Exhibit
Rebuttal Schedule H-4
Page 17
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 734.35 | $ 986.10 | $ 251.75 | 34.28% |
| 1,000 | 737.18 | 989.69 | 252.50 | 34.25% |
| 2,000 | 740.01 | 993.27 | 253.26 | 34.22% |
| 3,000 | 742.84 | 996.86 | 254.01 | 34.19% |
| 4,000 | 745.67 | 1,000.44 | 254.77 | 34.17% |
| 5,000 | 748.51 | 1,004.03 | 255.52 | 34.14% |
| 6,000 | 751.34 | 1,007.61 | 256.28 | 34.11% |
| 7,000 | 754.17 | 1,011.20 | 257.03 | 34.08% |
| 8,000 | 757.00 | 1,014.78 | 257.78 | 34.05% |
| 9,000 | 759.83 | 1,018.37 | 258.54 | 34.03% |
| 10,000 | 762.66 | 1,021.95 | 259.29 | 34.00% |
| 12,000 | 768.32 | 1,029.12 | 260.80 | 33.94% |
| 14,000 | 773.98 | 1,036.29 | 262.31 | 33.89% |
| 16,000 | 779.65 | 1,043.46 | 263.82 | 33.84% |
| 18,000 | 785.31 | 1,050.64 | 265.33 | 33.79% |
| 20,000 | 790.97 | 1,057.81 | 266.84 | 33.74% |
| 25,000 | 805.13 | 1,075.73 | 270.61 | 33.61% |
| 30,000 | 819.28 | 1,093.66 | 274.38 | 33.49% |
| 35,000 | 833.44 | 1,111.59 | 278.15 | 33.37% |
| 40,000 | 847.59 | 1,129.51 | 281.92 | 33.26% |
| 45,000 | 861.75 | 1,147.44 | 285.69 | 33.15% |
| 50,000 | 875.90 | 1,165.36 | 289.46 | 33.05% |
| 60,000 | 904.21 | 1,201.22 | 297.01 | 32.85% |
| 70,000 | 932.52 | 1,237.07 | 304.55 | 32.66% |
| 80,000 | 960.83 | 1,272.92 | 312.09 | 32.48% |
| 90,000 | 989.14 | 1,308.78 | 319.64 | 32.31% |
| 100,000 | 1,017.45 | 1,344.63 | 327.18 | 32.16% |
| Average Usage | | | | |
| 604,167 | $ 2,519.44 | $ 3,262.06 | $ 742.62 | 29.48% |
| Median Usage | | | | |
| 654,000 | $ 2,684.66 | $ 3,476.23 | $ 791.57 | 29.48% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 734.35 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 450,000 | $ | 2.83 |
| Over | 450,000 | $ | 3.32 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 986.10 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 450,000 | $ | 3.59 |
| Over | 450,000 | $ | 4.30 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Multi-Family

Exhibit
Rebuttal Schedule H-4
Page 18
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.46 | $ 20.76 | $ 5.30 | 34.28% |
| 1,000 | 16.95 | 22.88 | 5.93 | 35.01% |
| 2,000 | 18.44 | 25.01 | 6.57 | 35.62% |
| 3,000 | 19.93 | 27.13 | 7.20 | 36.14% |
| 4,000 | 22.91 | 30.91 | 8.00 | 34.90% |
| 5,000 | 25.89 | 34.68 | 8.79 | 33.95% |
| 6,000 | 28.87 | 38.45 | 9.58 | 33.20% |
| 7,000 | 31.85 | 42.23 | 10.38 | 32.58% |
| 8,000 | 34.83 | 46.00 | 11.17 | 32.08% |
| 9,000 | 37.81 | 49.78 | 11.97 | 31.65% |
| 10,000 | 41.30 | 54.30 | 13.00 | 31.48% |
| 12,000 | 48.28 | 63.35 | 15.07 | 31.21% |
| 14,000 | 55.26 | 72.40 | 17.14 | 31.01% |
| 16,000 | 62.24 | 81.44 | 19.20 | 30.85% |
| 18,000 | 69.22 | 90.49 | 21.27 | 30.73% |
| 20,000 | 76.20 | 99.54 | 23.34 | 30.63% |
| 25,000 | 93.65 | 122.16 | 28.51 | 30.44% |
| 30,000 | 111.10 | 144.78 | 33.68 | 30.31% |
| 35,000 | 128.55 | 167.40 | 38.85 | 30.22% |
| 40,000 | 146.00 | 190.02 | 44.02 | 30.15% |
| 45,000 | 163.45 | 212.64 | 49.19 | 30.09% |
| 50,000 | 180.90 | 235.26 | 54.36 | 30.05% |
| 60,000 | 215.80 | 280.50 | 64.70 | 29.98% |
| 70,000 | 250.70 | 325.74 | 75.04 | 29.93% |
| 80,000 | 285.60 | 370.98 | 85.38 | 29.89% |
| 90,000 | 320.50 | 416.22 | 95.72 | 29.87% |
| 100,000 | 355.40 | 461.46 | 106.06 | 29.84% |
| Average Usage | | | | |
| 10,429 | $ 42.80 | $ 56.24 | $ 13.44 | 31.41% |
| Median Usage | | | | |
| 8,000 | $ 34.83 | $ 46.00 | $ 11.17 | 32.08% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 15.46 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 1.49 |
| Up to | 9,000 | $ | 2.98 |
| Over | 9,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 20.76 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 2.12 |
| Up to | 9,000 | $ | 3.77 |
| Over | 9,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Multi-Family

Exhibit
Rebuttal Schedule H-4
Page 19
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 77.30 | $ 103.80 | $ 26.50 | 34.28% |
| 1,000 | 80.28 | 107.57 | 27.29 | 34.00% |
| 2,000 | 83.26 | 111.35 | 28.09 | 33.74% |
| 3,000 | 86.24 | 115.12 | 28.88 | 33.49% |
| 4,000 | 89.22 | 118.90 | 29.68 | 33.26% |
| 5,000 | 92.20 | 122.67 | 30.47 | 33.05% |
| 6,000 | 95.18 | 126.44 | 31.26 | 32.85% |
| 7,000 | 98.16 | 130.22 | 32.06 | 32.66% |
| 8,000 | 101.14 | 133.99 | 32.85 | 32.48% |
| 9,000 | 104.12 | 137.77 | 33.65 | 32.31% |
| 10,000 | 107.10 | 141.54 | 34.44 | 32.16% |
| 12,000 | 113.06 | 149.09 | 36.03 | 31.87% |
| 14,000 | 119.02 | 156.64 | 37.62 | 31.60% |
| 16,000 | 124.98 | 164.18 | 39.20 | 31.37% |
| 18,000 | 130.94 | 171.73 | 40.79 | 31.15% |
| 20,000 | 136.90 | 179.28 | 42.38 | 30.96% |
| 25,000 | 151.80 | 198.15 | 46.35 | 30.53% |
| 30,000 | 166.70 | 217.02 | 50.32 | 30.19% |
| 35,000 | 181.60 | 235.89 | 54.29 | 29.90% |
| 40,000 | 196.50 | 254.76 | 58.26 | 29.65% |
| 45,000 | 211.40 | 273.63 | 62.23 | 29.44% |
| 50,000 | 228.85 | 296.25 | 67.40 | 29.45% |
| 60,000 | 263.75 | 341.49 | 77.74 | 29.47% |
| 70,000 | 298.65 | 386.73 | 88.08 | 29.49% |
| 80,000 | 333.55 | 431.97 | 98.42 | 29.51% |
| 90,000 | 368.45 | 477.21 | 108.76 | 29.52% |
| 100,000 | 403.35 | 522.45 | 119.10 | 29.53% |
| Average Usage | | | | |
| 9,250 | $ 104.87 | $ 138.71 | $ 33.84 | 32.27% |
| Median Usage | | | | |
| 8,500 | $ 102.63 | $ 135.88 | $ 33.25 | 32.40% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 77.30 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 2.98 |
| Over | 45,000 | $ | 3.49 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 103.80 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 3.77 |
| Over | 45,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Industrial

Exhibit
Rebuttal Schedule H-4
Page 20
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.46 | $ 20.76 | $ 5.30 | 34.28% |
| 1,000 | 16.95 | 22.88 | 5.93 | 35.01% |
| 2,000 | 18.44 | 25.01 | 6.57 | 35.62% |
| 3,000 | 19.93 | 27.13 | 7.20 | 36.14% |
| 4,000 | 22.91 | 30.91 | 8.00 | 34.90% |
| 5,000 | 25.89 | 34.68 | 8.79 | 33.95% |
| 6,000 | 28.87 | 38.45 | 9.58 | 33.20% |
| 7,000 | 31.85 | 42.23 | 10.38 | 32.58% |
| 8,000 | 34.83 | 46.00 | 11.17 | 32.08% |
| 9,000 | 37.81 | 49.78 | 11.97 | 31.65% |
| 10,000 | 41.30 | 54.30 | 13.00 | 31.48% |
| 12,000 | 48.28 | 63.35 | 15.07 | 31.21% |
| 14,000 | 55.26 | 72.40 | 17.14 | 31.01% |
| 16,000 | 62.24 | 81.44 | 19.20 | 30.85% |
| 18,000 | 69.22 | 90.49 | 21.27 | 30.73% |
| 20,000 | 76.20 | 99.54 | 23.34 | 30.63% |
| 25,000 | 93.65 | 122.16 | 28.51 | 30.44% |
| 30,000 | 111.10 | 144.78 | 33.68 | 30.31% |
| 35,000 | 128.55 | 167.40 | 38.85 | 30.22% |
| 40,000 | 146.00 | 190.02 | 44.02 | 30.15% |
| 45,000 | 163.45 | 212.64 | 49.19 | 30.09% |
| 50,000 | 180.90 | 235.26 | 54.36 | 30.05% |
| 60,000 | 215.80 | 280.50 | 64.70 | 29.98% |
| 70,000 | 250.70 | 325.74 | 75.04 | 29.93% |
| 80,000 | 285.60 | 370.98 | 85.38 | 29.89% |
| 90,000 | 320.50 | 416.22 | 95.72 | 29.87% |
| 100,000 | 355.40 | 461.46 | 106.06 | 29.84% |
| Average Usage | | | | |
| 5,065 | $ 26.08 | $ 34.92 | $ 8.84 | 33.90% |
| Median Usage | | | | |
| 3,000 | $ 19.93 | $ 27.13 | $ 7.20 | 36.14% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 15.46 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 1.49 |
| Up to | 9,000 | $ | 2.98 |
| Over | 9,000 | $ | 3.49 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 20.76 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 3,000 | $ | 2.12 |
| Up to | 9,000 | $ | 3.77 |
| Over | 9,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Industrial

Exhibit
Rebuttal Schedule H-4
Page 21
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 123.68 | $ 166.08 | $ 42.40 | 34.28% |
| 1,000 | 126.66 | 169.85 | 43.19 | 34.10% |
| 2,000 | 129.64 | 173.63 | 43.99 | 33.93% |
| 3,000 | 132.62 | 177.40 | 44.78 | 33.77% |
| 4,000 | 135.60 | 181.18 | 45.58 | 33.61% |
| 5,000 | 138.58 | 184.95 | 46.37 | 33.46% |
| 6,000 | 141.56 | 188.72 | 47.16 | 33.32% |
| 7,000 | 144.54 | 192.50 | 47.96 | 33.18% |
| 8,000 | 147.52 | 196.27 | 48.75 | 33.05% |
| 9,000 | 150.50 | 200.05 | 49.55 | 32.92% |
| 10,000 | 153.48 | 203.82 | 50.34 | 32.80% |
| 12,000 | 159.44 | 211.37 | 51.93 | 32.57% |
| 14,000 | 165.40 | 218.92 | 53.52 | 32.36% |
| 16,000 | 171.36 | 226.46 | 55.10 | 32.16% |
| 18,000 | 177.32 | 234.01 | 56.69 | 31.97% |
| 20,000 | 183.28 | 241.56 | 58.28 | 31.80% |
| 25,000 | 198.18 | 260.43 | 62.25 | 31.41% |
| 30,000 | 213.08 | 279.30 | 66.22 | 31.08% |
| 35,000 | 227.98 | 298.17 | 70.19 | 30.79% |
| 40,000 | 242.88 | 317.04 | 74.16 | 30.53% |
| 45,000 | 257.78 | 335.91 | 78.13 | 30.31% |
| 50,000 | 272.68 | 354.78 | 82.10 | 30.11% |
| 60,000 | 302.48 | 392.52 | 90.04 | 29.77% |
| 70,000 | 332.28 | 430.26 | 97.98 | 29.49% |
| 80,000 | 366.16 | 474.00 | 107.84 | 29.45% |
| 90,000 | 401.06 | 519.24 | 118.18 | 29.47% |
| 100,000 | 435.96 | 564.48 | 128.52 | 29.48% |
| Average Usage | | | | |
| 169,708 | $ 679.24 | $ 879.84 | $ 200.60 | 29.53% |
| Median Usage | | | | |
| 94,000 | $ 415.02 | $ 537.34 | $ 122.32 | 29.47% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 123.68 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 2.98 |
| Over | 72,000 | $ | 3.49 |

| | | | |
|---|---|---|---|
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 166.08 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 72,000 | $ | 3.77 |
| Over | 72,000 | $ | 4.52 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: 6 Inch Bulk (MSR)

Exhibit
Rebuttal Schedule H-4
Page 22
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 549.00 | $ 671.00 | $ 122.00 | 22.22% |
| 1,000 | 553.79 | 676.82 | 123.03 | 22.22% |
| 2,000 | 558.58 | 682.65 | 124.07 | 22.21% |
| 3,000 | 563.37 | 688.47 | 125.10 | 22.21% |
| 4,000 | 568.16 | 694.30 | 126.14 | 22.20% |
| 5,000 | 572.95 | 700.12 | 127.17 | 22.20% |
| 6,000 | 577.74 | 705.94 | 128.20 | 22.19% |
| 7,000 | 582.53 | 711.77 | 129.24 | 22.19% |
| 8,000 | 587.32 | 717.59 | 130.27 | 22.18% |
| 9,000 | 592.11 | 723.42 | 131.31 | 22.18% |
| 10,000 | 596.90 | 729.24 | 132.34 | 22.17% |
| 12,000 | 606.48 | 740.89 | 134.41 | 22.16% |
| 14,000 | 616.06 | 752.54 | 136.48 | 22.15% |
| 16,000 | 625.64 | 764.18 | 138.54 | 22.14% |
| 18,000 | 635.22 | 775.83 | 140.61 | 22.14% |
| 20,000 | 644.80 | 787.48 | 142.68 | 22.13% |
| 25,000 | 668.75 | 816.60 | 147.85 | 22.11% |
| 30,000 | 692.70 | 845.72 | 153.02 | 22.09% |
| 35,000 | 716.65 | 874.84 | 158.19 | 22.07% |
| 40,000 | 740.60 | 903.96 | 163.36 | 22.06% |
| 45,000 | 764.55 | 933.08 | 168.53 | 22.04% |
| 50,000 | 788.50 | 962.20 | 173.70 | 22.03% |
| 60,000 | 836.40 | 1,020.44 | 184.04 | 22.00% |
| 70,000 | 884.30 | 1,078.68 | 194.38 | 21.98% |
| 80,000 | 932.20 | 1,136.92 | 204.72 | 21.96% |
| 90,000 | 980.10 | 1,195.16 | 215.06 | 21.94% |
| 100,000 | 1,028.00 | 1,253.40 | 225.40 | 21.93% |
| Average Usage | | | | |
| 517,083 | $ 3,025.83 | $ 3,682.49 | $ 656.66 | 21.70% |
| Median Usage | | | | |
| 443,500 | $ 2,673.37 | $ 3,253.94 | $ 580.58 | 21.72% |

| | | |
|---|---|---|
| **Present Rates:** | | |
| Monthly Minimum: | $ | 549.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| All gallons | $ | 4.79 |
| **Proposed Rates:** | | |
| Monthly Minimum: | $ | 671.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| All gallons | $ | 5.82 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Bill Comparison Present and Proposed Rates
Meter Size: Fire Lines Up to 8 Inch

Exhibit
Rebuttal Schedule H-4
Page 23
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 5.00 | $ 5.00 | $ - | 0.00% |
| 1,000 | 5.00 | 5.00 | - | 0.00% |
| 2,000 | 5.00 | 5.00 | - | 0.00% |
| 3,000 | 5.00 | 5.00 | - | 0.00% |
| 4,000 | 5.00 | 5.00 | - | 0.00% |
| 5,000 | 5.00 | 5.00 | - | 0.00% |
| 6,000 | 5.00 | 5.00 | - | 0.00% |
| 7,000 | 5.00 | 5.00 | - | 0.00% |
| 8,000 | 5.00 | 5.00 | - | 0.00% |
| 9,000 | 5.00 | 5.00 | - | 0.00% |
| 10,000 | 5.00 | 5.00 | - | 0.00% |
| 12,000 | 5.00 | 5.00 | - | 0.00% |
| 14,000 | 5.00 | 5.00 | - | 0.00% |
| 16,000 | 5.00 | 5.00 | - | 0.00% |
| 18,000 | 5.00 | 5.00 | - | 0.00% |
| 20,000 | 5.00 | 5.00 | - | 0.00% |
| 25,000 | 5.00 | 5.00 | - | 0.00% |
| 30,000 | 5.00 | 5.00 | - | 0.00% |
| 35,000 | 5.00 | 5.00 | - | 0.00% |
| 40,000 | 5.00 | 5.00 | - | 0.00% |
| 45,000 | 5.00 | 5.00 | - | 0.00% |
| 50,000 | 5.00 | 5.00 | - | 0.00% |
| 60,000 | 5.00 | 5.00 | - | 0.00% |
| 70,000 | 5.00 | 5.00 | - | 0.00% |
| 80,000 | 5.00 | 5.00 | - | 0.00% |
| 90,000 | 5.00 | 5.00 | - | 0.00% |
| 100,000 | 5.00 | 5.00 | - | 0.00% |
| Average Usage | | | | |
| - | $ 5.00 | $ 5.00 | $ - | 0.00% |
| Median Usage | | | | |
| - | $ 5.00 | $ 5.00 | $ - | 0.00% |

**Present Rates:**
Monthly Minimum: $ 5.00

**Proposed Rates:**
Monthly Minimum: $ 5.00

# LIBERTY RIO RICO
# SEWER DIVISION
# RATE BASE SCHEDULES

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

| Line No. | | |
|---|---|---|
| 1 | Fair Value Rate Base | $ 5,275,096 |
| 2 | | |
| 3 | Adjusted Operating Income | $ 342,065 |
| 4 | | |
| 5 | Current Rate of Return | 6.48% |
| 6 | | |
| 7 | Required Operating Income | $ 453,553 |
| 8 | | |
| 9 | Required Rate of Return on Fair Value Rate Base | 8.60% |
| 10 | | |
| 11 | Operating Income Deficiency | $ 111,487 |
| 12 | | |
| 13 | Gross Revenue Conversion Factor | 1.6210 |
| 14 | | |
| 15 | Increase in Gross Revenue | |
| 16 | Requirement | $ 180,716 |
| 17 | | |
| 18 | Adjusted Test Year Revenues | $ 1,478,323 |
| 19 | Increase in Gross Revenue Revenue Requirement | $ 180,716 |
| 20 | Proposed Revenue Requirement | $ 1,659,039 |
| 21 | % Increase | 12.22% |
| 22 | | |

| | Customer Classification | | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|---|---|---|---|---|---|---|
| 25 | 5/8X3/4 Inch | Residential | $ 1,112,104 | $ 1,209,969 | $ 97,865 | 8.80% |
| 26 | 3/4 Inch | Residential | 4,916 | 5,348 | 433 | 8.80% |
| 27 | 1 Inch | Residential | 8,085 | 8,796 | 711 | 8.80% |
| 28 | | Subtotal | $ 1,125,104 | $ 1,224,113 | $ 99,009 | 8.80% |
| 29 | | | | | | |
| 30 | 5/8X3/4 Inch | Commercial | $ 47,024 | $ 55,123 | $ 8,099 | 17.22% |
| 31 | 1 Inch | Commercial | 54,875 | 64,970 | 10,094 | 18.40% |
| 32 | 1 1/2 Inch | Commercial | 18,582 | 22,678 | 4,096 | 22.05% |
| 33 | 2 Inch | Commercial | 56,017 | 67,598 | 11,581 | 20.67% |
| 34 | 3 Inch | Commercial | 7,306 | 8,338 | 1,032 | 14.13% |
| 35 | 4 Inch | Commercial | 63,195 | 83,995 | 20,800 | 32.91% |
| 36 | | Subtotal | $ 246,999 | $ 302,701 | $ 55,703 | 22.55% |
| 37 | | | | | | |
| 38 | 5/8X3/4 Inch | Commercial (SCUSD) | $ 1,164 | $ 1,266 | $ 102 | 8.80% |
| 39 | 2 Inch | Commercial (SCUSD) | 37,639 | 46,973 | 9,334 | 24.80% |
| 40 | 4 Inch | Commercial (SCUSD) | 10,668 | 13,428 | 2,760 | 25.87% |
| 41 | 6 Inch | Commercial (SCUSD) | 41,955 | 55,177 | 13,223 | 31.52% |
| 42 | | Subtotal | $ 91,426 | $ 116,845 | 25,419 | 27.80% |
| 43 | | | | | | |
| 44 | 5/8X3/4 Inch | Multi-tenant | $ 4,763 | $ 5,528 | $ 765 | 16.06% |
| 45 | 1 1/2 Inch | Multi-tenant | 1,389 | 1,557 | 168 | 12.13% |
| 46 | | Subtotal | $ 6,152 | $ 7,085 | 933 | 15.17% |
| 47 | | | | | | |
| 48 | Revenue Annualization | | $ 784 | $ 907 | 123 | 15.72% |
| 49 | **Subtotal** | | $ 1,470,465 | $ 1,651,652 | $ 181,188 | 12.32% |
| 50 | | | | | | |
| 51 | Other Water Revenues | | 7,468 | 7,468 | - | 0.00% |
| 52 | Reconciling Amount | | 390 | (81) | (471) | -120.77% |
| 53 | Rounding | | | | - | 0.00% |
| 54 | **Total of Water Revenues** | | $ 1,478,323 | $ 1,659,040 | $ 180,717 | 12.22% |
| 55 | | | | | | |
| 56 | | | | | | |
| 57 | SUPPORTING SCHEDULES: | | | | | |
| 58 | B-1 | | | | | |
| 59 | C-1 | | | | | |
| 60 | C-3 | | | | | |
| 61 | H-1 | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

| Line No. | | Original Cost Rate base | Fair Value Rate Base |
|---|---|---|---|
| 1 | | | |
| 2 | Gross Utility Plant in Service | $ 14,171,118 | $ 14,171,118 |
| 3 | Less: Accumulated Depreciation | 5,909,078 | 5,909,078 |
| 4 | | | |
| 5 | Net Utility Plant in Service | $ 8,262,040 | $ 8,262,040 |
| 6 | | | |
| 7 | Less: | | |
| 8 | Advances in Aid of Construction | 529,379 | 529,379 |
| 9 | | | |
| 10 | Contributions in Aid of Construction | 5,112,247 | 5,112,247 |
| 11 | | | |
| 12 | Accumulated Amortization of CIAC | (2,943,313) | (2,943,313) |
| 13 | | | |
| 14 | Customer Meter Deposits | - | - |
| 15 | Customer Security Deposits | - | - |
| 16 | Accumulated Deferred Income Tax | 275,599 | 275,599 |
| 17 | | | |
| 18 | | | |
| 19 | Plus: | | |
| 20 | Unamortized Finance | | |
| 21 | Charges | - | - |
| 22 | Prepayments | 743 | 743 |
| 23 | Materials and Supplies | - | - |
| 24 | Cash Working capital | (13,776) | (13,776) |
| 25 | | | |
| 26 | Total Rate Base | $ 5,275,096 | $ 5,275,096 |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | SUPPORTING SCHEDULES: | | |
| 42 | B-2 | | |
| 43 | B-3 | | |
| 44 | B-5 | | |
| 45 | E-1 | | |
| 46 | | | |
| 47 | | | |
| 48 | | | |
| 49 | | | |
| 50 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

| Line No. | | Adjusted at end of Test Year | Proforma Adjustment | Rebuttal Adjusted at end of Test Year |
|---|---|---|---|---|
| 1 | Gross Utility | | | |
| 2 | Plant in Service | $ 14,636,654 | (465,535) | $ 14,171,118 |
| 3 | | | | |
| 4 | **Less:** | | | |
| 5 | Accumulated | | | |
| 6 | Depreciation | 5,901,325 | 7,753 | 5,909,078 |
| 7 | | | | |
| 8 | | | | |
| 9 | Net Utility Plant | | | |
| 10 | in Service | $ 8,735,329 | | $ 8,262,040 |
| 11 | | | | |
| 12 | **Less:** | | | |
| 13 | Advances in Aid of | | | |
| 14 | Construction | 529,379 | - | 529,379 |
| 15 | | | | |
| 16 | Contributions in Aid of | | | |
| 17 | Construction - Gross | 5,112,247 | - | 5,112,247 |
| 18 | | | | |
| 19 | Accumulated Amortization of CIAC | (2,935,215) | (8,098) | (2,943,313) |
| 20 | | | | |
| 21 | Customer Meter Deposits | - | | - |
| 22 | Customer Security Deposits | - | - | - |
| 23 | Accumulated Deferred Income Tax | 683,150 | (407,552) | 275,599 |
| 24 | | | | - |
| 25 | | | | - |
| 26 | | | | |
| 27 | **Plus:** | | | |
| 28 | Unamortized Finance | | | |
| 29 | Charges | - | | - |
| 30 | Prepayments | 743 | | 743 |
| 31 | Materials and Supplies | - | | - |
| 32 | Working capital | 11,300 | (25,076) | (13,776) |
| 33 | | | | - |
| 34 | | | | |
| 35 | Total | $ 5,357,811 | | $ 5,275,096 |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | | | | |
| 42 | | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | | | | |
| 46 | SUPPORTING SCHEDULES: | | | RECAP SCHEDULES: |
| 47 | B-2, pages 2 | | | B-1 |
| 48 | E-1 | | | |
| 49 | | | | |
| 50 | | | | |
| 51 | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

| Line No. | | Adjusted at end of Test Year | 1 Plant-in-Service | 2 Accumulated Depreciation | Proforma Adjustments 3 CIAC | 4 AIAC | 5 ADIT | 6 Cash Working Capital | Rebuttal Adjusted at end of Test Year |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Gross Utility | | | | | | | | |
| 2 | Plant in Service | $ 14,636,654 | (465,535) | | | | | | $ 14,171,118 |
| 3 | | | | | | | | | |
| 4 | **Less:** | | | | | | | | |
| 5 | Accumulated | | | | | | | | |
| 6 | Depreciation | 5,901,325 | | 7,753 | | | | | 5,909,078 |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | Net Utility Plant | | | | | | | | |
| 10 | in Service | $ 8,735,329 | $ (465,535) | $ (7,753) | $ - | $ - | $ - | $ - | $ 8,262,040 |
| 11 | | | | | | | | | |
| 12 | **Less:** | | | | | | | | |
| 13 | Advances in Aid of | | | | | | | | |
| 14 | Construction | 529,379 | | | | - | | | 529,379 |
| 15 | | | | | | | | | |
| 16 | Contributions in Aid of | | | | | | | | |
| 17 | Construction (CIAC) | 5,112,247 | | | - | | | | 5,112,247 |
| 18 | | | | | | | | | |
| 19 | Accumulated Amort of CIAC | (2,935,215) | | | (8,098) | | | | (2,943,313) |
| 20 | | | | | | | | | |
| 21 | Customer Meter Deposits | - | | | | | | | - |
| 22 | Customer Security Deposits | - | | | | | | | - |
| 23 | Accumulated Deferred Income Taxes | 683,150 | | | | | (407,552) | | 275,599 |
| 24 | | | | | | | | | |
| 25 | | | | | | | | | |
| 26 | **Plus:** | | | | | | | | |
| 27 | Unamortized Finance | | | | | | | | |
| 28 | Charges | - | | | | | | | - |
| 29 | Prepayments | 743 | | | | | | | 743 |
| 30 | Materials and Supplies | - | | | | | | | - |
| 31 | Allowance for Cash Working Capital | 11,300 | | | | | | (25,076) | (13,776) |
| 32 | | | | | | | | | |
| 33 | Total | $ 5,357,811 | $ (465,535) | $ (7,753) | $ 8,098 | $ - | $ 407,552 | $ (25,076) | $ 5,275,096 |
| 34 | | | | | | | | | |
| 35 | | | | | | | | | |
| 36 | | | | | | | | | |
| 37 | SUPPORTING SCHEDULES: | | | | | | RECAP SCHEDULES: | | |
| 38 | B-2, pages 3-7 | | | | | | B-1 | | |
| 39 | E-1 | | | | | | | | |
| 40 | | | | | | | | | |
| 41 | | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

| Line No. | Acct. No. | Description | Actual Orginal Cost | A Plant Reclass | B Unsupported Plant | C Plant True-up | D Intentionally Left Blank | E Intentionally Left Blank | F Corporate Plant | G Adjustments to Reconcile Plant to Reconstructior | Adjusted Original Cost |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 101 | Plant-in-Service | $ - | | | | | | | $ - | $ - |
| 7 | 351 | Organization | 5,785 | - | - | - | | | | - | 5,785 |
| 8 | 352 | Franchise | 417 | - | - | - | | | | - | 417 |
| 9 | 353 | Land | 7,545 | - | - | - | | | | - | 7,545 |
| 10 | 354 | Structures & Improvements | 487,891 | (189,417) | (14,369) | 47,733 | | | | - | 331,839 |
| 11 | 355 | Power Generation | - | - | - | - | | | | - | - |
| 12 | 360 | Collection Sewer Forced | 636,023 | - | - | - | | | | - | 636,023 |
| 13 | 361 | Collection Sewers Gravity | 6,699,939 | - | - | 824 | | | | - | 6,700,763 |
| 14 | 362 | Special Collecting Structures | - | - | - | - | | | | - | - |
| 15 | 363 | Customer Services | 1,286,513 | - | - | 850 | | | | - | 1,287,363 |
| 16 | 364 | Flow Measuring Devices | 65,412 | - | - | - | | | | - | 65,412 |
| 17 | 366 | Reuse Services | - | - | - | - | | | | - | - |
| 18 | 367 | Reuse Meters And Installation | - | - | - | - | | | | - | - |
| 19 | 370 | Receiving Wells | 867,120 | - | - | - | | | | - | 867,120 |
| 20 | 371 | Pumping Equipment | 751,817 | (304,005) | - | 19,464 | | | | - | 467,276 |
| 21 | 374 | Reuse Distribution Reservoirs | - | - | - | - | | | | - | - |
| 22 | 375 | Reuse Trans. and Dist. System | - | - | - | - | | | | - | - |
| 23 | 380 | Treatment & Disposal Equipment | 982,394 | - | - | - | | | | - | 982,394 |
| 24 | 381 | Plant Sewers | 15,362 | - | - | - | | | | - | 15,362 |
| 25 | 382 | Outfall Sewer Lines | - | - | - | - | | | | - | - |
| 26 | 389 | Other Sewer Plant & Equipment | 63,376 | (6,205) | - | - | | | | - | 57,171 |
| 27 | 390 | Office Furniture & Equipment | 142,738 | (32,020) | (2,147) | - | | | | - | 108,570 |
| 28 | 390.1 | Computers and Software | 4,025 | 32,020 | - | - | | | | - | 36,045 |
| 29 | 391 | Transportation Equipment | 117 | 6,205 | - | - | | | | - | 6,322 |
| 30 | 392 | Stores Equipment | - | - | - | - | | | | - | - |
| 31 | 393 | Tools, Shop And Garage Equip | 19,957 | - | - | 370 | | | | - | 20,326 |
| 32 | 394 | Laboratory Equip | 6,152 | - | - | - | | | | - | 6,152 |
| 33 | 395 | Power Operated Equip | 29,947 | - | - | - | | | | - | 29,947 |
| 34 | 396 | Communication Equip | 6,057 | - | - | - | | | | - | 6,057 |
| 35 | 397 | Miscellaneous Equip. | - | - | - | - | | | | - | - |
| 36 | 398 | Other Tangible Plant | 3,913 | - | - | - | | | | - | 3,913 |
| 37 | 398.1 | Nogales WWTP | 2,431,717 | - | - | - | | | | - | 2,431,717 |
| 38 | | SUBTOTAL | 14,514,216 | (493,422) | (16,516) | 69,241 | - | - | - | - | 14,073,520 |
| 39 | | | | | | | | | | | - |
| 40 | 903 | Land and Land Rights | 5,880 | | | | | | (1,633) | | 4,247 |
| 41 | 904 | Structures and Improvments | 63,809 | | | | | | (17,689) | | 46,119 |
| 42 | 940 | Office Furniture & Equipment | 6,939 | | | | | | (496) | | 6,443 |
| 43 | 940.1 | Computers and Software | 45,811 | | | | | | (5,021) | | 40,790 |
| 44 | | SUBTOTAL | 122,438 | | | | | | (24,839) | | 97,599 |
| 45 | | TOTALS | $ 14,636,654 | $ (493,422) | $ (16,516) | $ 69,241 | $ - | $ - | $ (24,839) | $ - | $ 14,171,118 |
| 46 | | | | | | | | | | | |
| 47 | Plant-in-Service per Books | | | | | | | | | | |
| 48 | | | | | | | | | | | $ 14,636,654 |
| 49 | Increase (decrease) in Plant-in-Service | | | | | | | | | | |
| 50 | | | | | | | | | | | $ (465,535) |
| 51 | Adjustment to Plant-in-Service | | | | | | | | | | |
| 52 | | | | | | | | | | | $ (465,535) |

53 SUPPORTING SCHEDULES
54 B-2, pages 3.1 to 3.7
55

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

| Line No. | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | Plant Reclass | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | Acct. | | | | | | |
| 5 | No. | Description | 2012 | 2013 | 2014 | PTY | Total |
| 6 | 351 | Organization | $ - | $ - | $ - | | $ - |
| 7 | 352 | Franchise | | - | - | | - |
| 8 | 353 | Land | | - | - | | - |
| 9 | 354 | Structures & Improvements | | - | - | (189,417) | (189,417) |
| 10 | 355 | Power Generation | | - | - | - | - |
| 11 | 360 | Collection Sewer Forced | | - | - | - | - |
| 12 | 361 | Collection Sewers Gravity | | - | - | - | - |
| 13 | 362 | Special Collecting Structures | | - | - | - | - |
| 14 | 363 | Customer Services | | - | - | - | - |
| 15 | 364 | Flow Measuring Devices | | - | - | - | - |
| 16 | 366 | Reuse Services | | - | - | - | - |
| 17 | 367 | Reuse Meters And Installation | | - | - | - | - |
| 18 | 370 | Receiving Wells | | - | - | - | - |
| 19 | 371 | Pumping Equipment | | - | - | (304,005) | (304,005) |
| 20 | 374 | Reuse Distribution Reservoirs | | - | - | - | - |
| 21 | 375 | Reuse Trans. and Dist. System | | - | - | - | - |
| 22 | 380 | Treatment & Disposal Equipment | | - | - | - | - |
| 23 | 381 | Plant Sewers | | - | - | - | - |
| 24 | 382 | Outfall Sewer Lines | | - | - | - | - |
| 25 | 389 | Other Sewer Plant & Equipment | | - | (6,205) | - | (6,205) |
| 26 | 390 | Office Furniture & Equipment | | (32,020) | - | - | (32,020) |
| 27 | 390.1 | Computers and Software | | 32,020 | - | - | 32,020 |
| 28 | 391 | Transportation Equipment | | - | 6,205 | - | 6,205 |
| 29 | 392 | Stores Equipment | | - | - | - | - |
| 30 | 393 | Tools, Shop And Garage Equip | | - | - | - | - |
| 31 | 394 | Laboratory Equip | | - | - | - | - |
| 32 | 395 | Power Operated Equip | | - | - | - | - |
| 33 | 396 | Communication Equip | | - | - | - | - |
| 34 | 398 | Other Tangible Plant | | - | - | - | - |
| 35 | 398.1 | Nogales WWTP | | - | - | - | |
| 36 | | | | | | | |
| 37 | | | | | | | |
| 38 | | | | | | | |
| 39 | | Plant Held for Future Use | | | | | |
| 40 | | TOTALS | $ - | $ - | $ - | $ (493,422) | $ (493,422) |
| 41 | | | | | | | |
| 42 | | | | | | | |
| 43 | SUPPORTING SCHEDULE | | | | | | |
| 44 | Testimony | | | | | RECAP SCHEDULES: | |
| 45 | Work papers | | | | | B-2, page 3 | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

| Line No. | | | | | | |
|---|---|---|---|---|---|---|
| 1 | Unsupported Plant | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | Acct. | | | | | |
| 5 | No. | Description | 2012 | 2013 | 2014 | Total |
| 6 | 351 | Organization | $ - | $ - | $ - | $ - |
| 7 | 352 | Franchise | | | | - |
| 8 | 353 | Land | | | | - |
| 9 | 354 | Structures & Improvements | | | (14,369) | (14,369) |
| 10 | 355 | Power Generation | | | | - |
| 11 | 360 | Collection Sewer Forced | | | | - |
| 12 | 361 | Collection Sewers Gravity | | | | - |
| 13 | 362 | Special Collecting Structures | | | | - |
| 14 | 363 | Customer Services | | | | - |
| 15 | 364 | Flow Measuring Devices | | | | - |
| 16 | 366 | Reuse Services | | | | - |
| 17 | 367 | Reuse Meters And Installation | | | | - |
| 18 | 370 | Receiving Wells | | | | - |
| 19 | 371 | Pumping Equipment | | | | - |
| 20 | 374 | Reuse Distribution Reservoirs | | | | - |
| 21 | 375 | Reuse Trans. and Dist. System | | | | - |
| 22 | 380 | Treatment & Disposal Equipment | | | | - |
| 23 | 381 | Plant Sewers | | | | - |
| 24 | 382 | Outfall Sewer Lines | | | | - |
| 25 | 389 | Other Sewer Plant & Equipment | | | | - |
| 26 | 390 | Office Furniture & Equipment | | | (2,147) | (2,147) |
| 27 | 390.1 | Computers and Software | | | | - |
| 28 | 391 | Transportation Equipment | | | | - |
| 29 | 392 | Stores Equipment | | | | - |
| 30 | 393 | Tools, Shop And Garage Equip | | | | - |
| 31 | 394 | Laboratory Equip | | | | - |
| 32 | 395 | Power Operated Equip | | | | - |
| 33 | 396 | Communication Equip | | | | - |
| 34 | 398 | Other Tangible Plant | | | | - |
| 35 | 398.1 | Nogales WWTP | | | | |
| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | | |
| 39 | | Plant Held for Future Use | | | | |
| 40 | | TOTALS | $ - | $ - | $ (16,516) | $ (16,516) |
| 41 | | | | | | |
| 42 | | | | | | |
| 43 | SUPPORTING SCHEDULE | | | | | |
| 44 | Testimony | | | | | |
| 45 | Work papers | | | | | |

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.

1 Plant True-Up
2
3
4 Acct.

| 5 No. | Description | 2012 | 2013 | 2014 | PTY | Total |
|---|---|---|---|---|---|---|
| 6 351 | Organization | $ - | $ - | $ - | - | $ - |
| 7 352 | Franchise | | | - | - | - |
| 8 353 | Land | | | - | - | - |
| 9 354 | Structures & Improvements | | | - | 47,733 | 47,733 |
| 10 355 | Power Generation | | | - | - | - |
| 11 360 | Collection Sewer Forced | | | - | - | - |
| 12 361 | Collection Sewers Gravity | | | 824 | - | 824 |
| 13 362 | Special Collecting Structures | | | - | - | - |
| 14 363 | Customer Services | | | - | 850 | 850 |
| 15 364 | Flow Measuring Devices | | | - | - | - |
| 16 366 | Reuse Services | | | - | - | - |
| 17 367 | Reuse Meters And Installation | | | - | - | - |
| 18 370 | Receiving Wells | | | - | - | - |
| 19 371 | Pumping Equipment | | | - | 19,464 | 19,464 |
| 20 374 | Reuse Distribution Reservoirs | | | - | - | - |
| 21 375 | Reuse Trans. and Dist. System | | | - | - | - |
| 22 380 | Treatment & Disposal Equipment | | | - | - | - |
| 23 381 | Plant Sewers | | | - | - | - |
| 24 382 | Outfall Sewer Lines | | | - | - | - |
| 25 389 | Other Sewer Plant & Equipment | | | - | - | - |
| 26 390 | Office Furniture & Equipment | | | - | - | - |
| 27 390.1 | Computers and Software | | | - | - | - |
| 28 391 | Transportation Equipment | | | - | - | - |
| 29 392 | Stores Equipment | | | - | - | - |
| 30 393 | Tools, Shop And Garage Equip | | | - | 370 | 370 |
| 31 394 | Laboratory Equip | | | - | - | - |
| 32 395 | Power Operated Equip | | | - | - | - |
| 33 396 | Communication Equip | | | - | - | - |
| 34 398 | Other Tangible Plant | | | - | - | - |
| 35 398.1 | Nogales WWTP | | | - | - | |
| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | | |
| 39 | Plant Held for Future Use | | | | | |
| 40 | TOTALS | $ - | $ - | $ 824 | $ 68,417 | $ 69,241 |

41
42
43 SUPPORTING SCHEDULE
44 Testimony
45 Work papers

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Bourassa

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| Line No. |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Bourassa

| Line No. | | | [1] | [2] | [3] | [4] = [1]x[2]x[3] | | |
|---|---|---|---|---|---|---|---|---|
| 1 | Corporate Plant Allocation | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | Liberty | Rio Rico | Allocated | Direct | |
| 4 | Acct. | | Orginal | Utilities | Sewer | Orginal | Orginal | Increase |
| 5 | No. | Description | Cost | Factor | Factor | Cost | Cost | (Decrease) |
| 6 | 903 | Land and Land Rights | 1,312,818 | 12.94% | 2.50% | 4,247 | 5,880 | (1,633) |
| 7 | 904 | Structures and Improvments | 11,123,684 | 12.94% | 2.50% | 35,985 | 52,894 | (16,909) |
| 8 | 940.1 | Computers and Software | 2,104,352 | 12.94% | 2.50% | 6,808 | 9,212 | (2,405) |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | LU Sub-Corp. Plant | | | | | | | |
| 12 | | | | | | | | - |
| 13 | 903 | Land and Land Rights | - | | 2.50% | - | - | - |
| 14 | 904 | Structures and Improvments | 405,370 | | 2.50% | 10,134 | 10,915 | (780) |
| 15 | 940 | Office Furniture and Equipment | 257,704 | | 2.50% | 6,443 | 6,939 | (496) |
| 16 | 940.1 | Computers and Software | 1,359,281 | | 2.50% | 33,982 | 36,599 | (2,617) |
| 17 | | | | | | | | |
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| 39 | | | | | | | | |
| 40 | | | | | | | | |
| 41 | | | | | | | | |
| 42 | | Plant Held for Future Use | | | | | | |
| 43 | | TOTALS | $ 16,563,209 | | | $ 97,599 | | |
| 44 | | | | | | | | |
| 45 | | | | | | | | |
| 46 | SUPPORTING SCHEDULE | | | | RECAP SCHEDULES: | | | |
| 47 | Work papers | | | | B-2, page 3 | | | |
| 48 | Testimony | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - G

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Line No.

1 Reconciliation of Plant to Plant Reconstruction

| Acct. No. | Description | Orginal Cost | B-2 Adjustments | Adjusted Orginal Cost | Plant Per Reconstruction | Difference |
|---|---|---|---|---|---|---|
| 101 | Plant-in-Service | $ - | $ - | $ - | $ - | $ - |
| 351 | Organization | 5,785 | - | | 5,785 | |
| 352 | Franchise | 417 | - | 417 | 417 | - |
| 353 | Land | 7,545 | - | 7,545 | 7,545 | - |
| 354 | Structures & Improvements | 487,891 | (156,052) | 331,839 | 331,839 | - |
| 355 | Power Generation | - | - | - | - | - |
| 360 | Collection Sewer Forced | 636,023 | - | 636,023 | 636,023 | - |
| 361 | Collection Sewers Gravity | 6,699,939 | 824 | 6,700,763 | 6,700,763 | - |
| 362 | Special Collecting Structures | - | - | - | - | - |
| 363 | Customer Services | 1,286,513 | 850 | 1,287,363 | 1,287,363 | - |
| 364 | Flow Measuring Devices | 65,412 | - | 65,412 | 65,412 | - |
| 366 | Reuse Services | - | - | - | - | - |
| 367 | Reuse Meters And Installation | - | - | - | - | - |
| 370 | Receiving Wells | 867,120 | - | 867,120 | 867,120 | - |
| 371 | Pumping Equipment | 751,817 | (284,540) | 467,276 | 467,276 | - |
| 374 | Reuse Distribution Reservoirs | - | - | - | - | - |
| 375 | Reuse Trans. and Dist. System | - | - | - | - | - |
| 380 | Treatment & Disposal Equipment | 982,394 | - | 982,394 | 982,394 | - |
| 381 | Plant Sewers | 15,362 | - | 15,362 | 15,362 | - |
| 382 | Outfall Sewer Lines | - | - | - | - | - |
| 389 | Other Sewer Plant & Equipment | 63,376 | (6,205) | 57,171 | 57,171 | - |
| 390 | Office Furniture & Equipment | 142,738 | (34,168) | 108,570 | 108,570 | - |
| 390.1 | Computers and Software | 4,025 | 32,020 | 36,045 | 36,045 | - |
| 391 | Transportation Equipment | 117 | 6,205 | 6,322 | 6,322 | - |
| 392 | Stores Equipment | - | - | - | - | - |
| 393 | Tools, Shop And Garage Equip | 19,957 | 370 | 20,326 | 20,326 | - |
| 394 | Laboratory Equip | 6,152 | - | 6,152 | 6,152 | - |
| 395 | Power Operated Equipment | 29,947 | - | 29,947 | 29,947 | - |
| 396 | Communication Equip | 6,057 | - | 6,057 | 6,057 | - |
| 397 | Miscellaenous Equip. | - | - | - | - | - |
| 398 | Other Tangible Plant | 3,913 | - | 3,913 | 3,913 | - |
| 398.1 | Nogales WWTP | 2,431,717 | - | 2,431,717 | 2,431,717 | - |
| | | | | | | - |
| | TOTALS | $ 14,514,216 | $ (440,696) | $ 14,067,735 | $ 14,073,520 | $ - |

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.7
B-2, pages 3.8 through 3.10

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Sewer Division**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Bourassa

| | | | | Per Decision | | 2012 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | | Plant at 2/29/2012 | Accum. Deprec. At 2/29/2012 | Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | 10 Months Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
| 1 | 351 | Organization | 0.00% | | 5,785 | - | - | - | | | - | - | - | | - | 5,785 | - |
| 2 | 352 | Franchise | 0.00% | | 417 | - | - | - | | | - | - | - | | - | 417 | - |
| 3 | 353 | Land | 0.00% | | 7,545 | - | - | - | | | - | - | - | | - | 7,545 | - |
| 4 | 354 | Structures & Improvements | 3.33% | | 150,294 | 28,911 | 10,934 | - | (118) | - | 10,816 | - | - | - | 4,321 | 161,110 | 33,232 |
| 5 | 355 | Power Generation | 5.00% | | - | - | - | - | - | | - | - | - | | - | - | - |
| 6 | 360 | Collection Sewer Forced | 2.00% | | 636,023 | 1,910 | - | - | - | | - | - | - | | 10,600 | 636,023 | 12,511 |
| 7 | 361 | Collection Sewers Gravity | 2.00% | | 5,991,239 | 2,596,792 | 28 | 407,724 | (122) | - | 407,630 | - | - | - | 103,251 | 6,398,869 | 2,700,043 |
| 8 | 362 | Special Collecting Structures | 2.00% | | - | - | - | - | | | - | - | - | | - | - | - |
| 9 | 363 | Customer Services | 2.00% | | 1,204,113 | 669,898 | 8,015 | (438) | (1) | | 7,577 | 0 | 0 | | 20,132 | 1,211,690 | 690,030 |
| 10 | 364 | Flow Measuring Devices | 10.00% | | 66,339 | 51,174 | - | (928) | | | (928) | - | - | | 5,490 | 65,412 | 56,664 |
| 11 | 366 | Reuse Services | 2.00% | | - | - | - | - | | | - | - | - | | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | | - | - | - | - | | | - | - | - | | - | - | - |
| 13 | 370 | Receiving Wells | 3.33% | | 867,120 | 330,148 | - | - | | | - | - | - | | 24,063 | 867,120 | 354,210 |
| 14 | 371 | Pumping Equipment | 12.50% | <=2/2012 | 208,760 | (49,566) | | - | | | - | 190 | 190 | | 21,736 | 208,570 | (28,020) |
| 15 | 371 | Pumping Equipment | 12.50% | 2012 | | | 105,564 | - | (425) | | 105,139 | - | - | | 5,476 | 105,139 | 5,476 |
| 16 | 371 | Pumping Equipment | 12.50% | 2013 | | | - | - | | | - | - | - | | - | - | - |
| 17 | 371 | Pumping Equipment | 12.50% | 2014 | | | - | - | | | - | - | - | | - | - | - |
| 18 | 371 | Pumping Equipment | 12.50% | PTY | | | - | - | | | - | - | - | | - | - | - |
| 19 | 371 | Pumping Equipment | 12.50% | | 208,760 | (49,566) | 105,564 | - | (425) | - | 105,139 | 190 | 190 | - | 27,212 | 313,709 | (22,544) |
| 20 | 374 | Reuse Distribution Reservoirs | 2.50% | | - | - | - | - | | | - | - | - | | - | - | - |
| 21 | 375 | Reuse Trans. and Dist. System | 2.50% | | - | - | - | - | | | - | - | - | | - | - | - |
| 22 | 380 | Treatment & Disposal Equipment | 5.00% | | 975,033 | 815,247 | 5,120 | 2,664 | (33) | - | 7,751 | 195 | 195 | - | 40,784 | 982,589 | 855,836 |
| 23 | 381 | Plant Sewers | 5.00% | | 13,690 | 57 | 1,672 | - | | | 1,672 | - | - | | 605 | 15,362 | 662 |
| 24 | 382 | Outfall Sewer Lines | 3.33% | | - | - | - | - | | | - | - | - | | - | - | - |
| 25 | 389 | Other Sewer Plant & Equipment | 6.67% | | 64,928 | 64,650 | - | (7,758) | - | - | (7,758) | - | - | - | (6,940) | 57,170 | 57,710 |
| 26 | 390 | Office Furniture & Equipment | 6.67% | | 116,937 | 31,387 | - | (6,483) | - | - | (6,483) | - | - | - | 6,320 | 110,454 | 37,707 |
| 27 | 390.1 | Computers and Software | 20.00% | | 4,025 | 4,025 | - | - | - | - | - | - | - | - | - | 4,025 | 4,025 |
| 28 | 391 | Transportation Equipment | 20.00% | | 117 | 10 | - | - | - | - | - | - | - | - | 20 | 117 | 29 |
| 29 | 392 | Stores Equipment | 4.00% | | - | - | - | - | | | - | - | - | | - | - | - |
| 30 | 393 | Tools, Shop And Garage Equip | 5.00% | | 5,139 | 4,936 | 2,513 | - | - | - | 2,513 | - | - | - | 222 | 7,652 | 5,157 |
| 31 | 394 | Laboratory Equip | 10.00% | | - | - | - | - | | | - | - | - | | - | - | - |
| 32 | 395 | Power Operated Equipment | 5.00% | | - | - | - | - | | | - | - | - | | - | - | - |
| 33 | 396 | Communication Equip | 10.00% | | 5,936 | 5,936 | - | - | | | - | - | - | | - | 5,936 | 5,936 |
| 34 | 397 | Miscellaneous Equip | 10.00% | | | | - | - | | | - | - | - | | - | - | - |
| 35 | 398 | Other Tangible Plant | 10.00% | | 3,913 | 3,913 | - | - | | | - | - | - | | - | 3,913 | 3,913 |
| 36 | 398.1 | Nogales WWTP | 4.72% | | 2,424,604 | 139,454 | 7,113 | - | | | 7,113 | - | - | | 95,508 | 2,431,717 | 234,961 |
| 37 | | | | | | | | | | | - | | - | | - | - | - |
| 38 | | | | | | | | | | | - | | - | | - | - | - |
| 39 | | | | | | | | | | | - | | - | | - | - | - |
| 40 | | Plant Held for Future Use | | | | | | | | | - | | - | | - | - | - |
| 41 | | | | | | | | | | | | | | | | | |
| 42 | | TOTALS | | | 12,751,957 | 4,698,882 | 140,958 | 394,781 | (698) | - | 535,042 | 385 | 385 | - | 331,585 | 13,286,614 | 5,030,083 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Sewer Division**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2013 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 351 | Organization | 0.00% | - | | | | - | - | - | | - | 5,785 | - |
| 2 | 352 | Franchise | 0.00% | - | | | | - | - | - | | - | 417 | - |
| 3 | 353 | Land | 0.00% | - | | | | - | - | - | | - | 7,545 | - |
| 4 | 354 | Structures & Improvements | 3.33% | 13,094 | - | - | - | 13,094 | - | - | - | 5,583 | 174,204 | 38,815 |
| 5 | 355 | Power Generation | 5.00% | - | | | | - | - | - | | - | - | - |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | | | | - | - | - | | 12,720 | 636,023 | 25,231 |
| 7 | 361 | Collection Sewers Gravity | 2.00% | 285,732 | - | - | - | 285,732 | - | - | - | 130,835 | 6,684,601 | 2,830,877 |
| 8 | 362 | Special Collecting Structures | 2.00% | - | | | | - | - | - | | - | - | - |
| 9 | 363 | Customer Services | 2.00% | 65,137 | | | | 65,137 | 307 | 307 | | 24,882 | 1,276,520 | 714,605 |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | | | | - | - | - | | 6,541 | 65,412 | 63,205 |
| 11 | 366 | Reuse Services | 2.00% | - | | | | - | - | - | | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | | | | - | - | - | | - | - | - |
| 13 | 370 | Receiving Wells | 3.33% | - | | | | - | - | - | | 28,875 | 867,120 | 383,086 |
| 14 | 371 | Pumping Equipment | 12.50% | | | | | - | 8,059 | 8,059 | | 25,568 | 200,511 | (10,512) |
| 15 | 371 | Pumping Equipment | 12.50% | - | | | | - | - | - | | 13,142 | 105,139 | 18,618 |
| 16 | 371 | Pumping Equipment | 12.50% | 62,376 | | (50) | | 62,326 | - | - | | 3,895 | 62,326 | 3,895 |
| 17 | 371 | Pumping Equipment | 12.50% | - | | | | - | - | - | | - | - | - |
| 18 | 371 | Pumping Equipment | 12.50% | - | | | | - | - | - | | - | - | - |
| 19 | 371 | Pumping Equipment | 12.50% | 62,376 | - | (50) | - | 62,326 | 8,059 | 8,059 | - | 42,605 | 367,975 | 12,002 |
| 20 | 374 | Reuse Distribution Reservoirs | 2.50% | - | | | | - | - | - | | - | - | - |
| 21 | 375 | Reuse Trans. and Dist. System | 2.50% | - | | | | - | - | - | | - | - | - |
| 22 | 380 | Treatment & Disposal Equipment | 5.00% | - | (195) | - | - | (195) | - | - | - | 49,125 | 982,394 | 904,960 |
| 23 | 381 | Plant Sewers | 5.00% | - | | | | - | - | - | | 768 | 15,362 | 1,430 |
| 24 | 382 | Outfall Sewer Lines | 3.33% | - | | | | - | - | - | | - | - | - |
| 25 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - | - | - | - | - | - | 57,170 | 57,710 |
| 26 | 390 | Office Furniture & Equipment | 6.67% | 32,020 | - | - | (32,020) | - | - | - | - | 7,367 | 110,454 | 45,074 |
| 27 | 390.1 | Computers and Software | 20.00% | - | - | - | 32,020 | 32,020 | - | - | - | 3,202 | 36,045 | 7,227 |
| 28 | 391 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | 23 | 117 | 53 |
| 29 | 392 | Stores Equipment | 4.00% | - | | | | - | - | - | | - | - | - |
| 30 | 393 | Tools, Shop And Garage Equip | 5.00% | 123 | - | - | - | 123 | - | - | - | 163 | 7,775 | 5,320 |
| 31 | 394 | Laboratory Equip | 10.00% | - | | | | - | - | - | | - | - | - |
| 32 | 395 | Power Operated Equipment | 5.00% | - | | | | - | - | - | | - | - | - |
| 33 | 396 | Communication Equip | 10.00% | - | | | | - | - | - | | - | 5,936 | 5,936 |
| 34 | 397 | Miscellaneous Equip | 10.00% | - | | | | - | - | - | | - | - | - |
| 35 | 398 | Other Tangible Plant | 10.00% | - | | | | - | - | - | | - | 3,913 | 3,913 |
| 36 | 398.1 | Nogales WWTP | 4.72% | - | | | | - | - | - | | 114,777 | 2,431,717 | 349,738 |
| 37 | | | | - | | | | - | | - | | - | - | - |
| 38 | | | | - | | | | - | | - | | - | - | - |
| 39 | | | | - | | | | - | | - | | - | - | - |
| 40 | | Plant Held for Future Use | | | | | | - | | - | | - | - | - |
| 41 | | | | | | | | | | | | | | |
| 42 | | TOTALS | | 458,483 | (195) | (50) | - | 458,238 | 8,366 | 8,366 | - | 427,467 | 13,736,486 | 5,449,183 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Sewer Division**
Plant Additions and Retirements

Exhibit
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| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2014 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | PTY Plant | Salvage A/D Only | PTY Plant Depr | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 351 | Organization | 0.00% | - | - | | | - | - | - | | | | - | 5,785 | - |
| 2 | 352 | Franchise | 0.00% | - | - | | | - | - | - | | | | - | 417 | - |
| 3 | 353 | Land | 0.00% | - | - | | | - | - | - | | | | - | 7,545 | - |
| 4 | 354 | Structures & Improvements | 3.33% | 109,813 | - | - | (14,369) | 95,444 | - | - | 62,190 | - | 1,035 | 7,390 | 331,839 | 47,240 |
| 5 | 355 | Power Generation | 5.00% | - | - | | | - | - | - | | | | - | - | - |
| 6 | 360 | Collection Sewer Forced | 2.00% | - | - | | | - | - | - | | | | 12,720 | 636,023 | 37,951 |
| 7 | 361 | Collection Sewers Gravity | 2.00% | 19,867 | (26,806) | - | 824 | (6,114) | - | - | 22,276 | - | 223 | 133,631 | 6,700,763 | 2,964,731 |
| 8 | 362 | Special Collecting Structures | 2.00% | - | - | | | - | - | - | | | | - | - | - |
| 9 | 363 | Customer Services | 2.00% | 5,569 | - | | | 5,569 | 1,230 | 1,230 | 6,504 | | 65 | 25,574 | 1,287,363 | 739,014 |
| 10 | 364 | Flow Measuring Devices | 10.00% | - | - | | | - | - | - | | | | 2,207 | 65,412 | 65,412 |
| 11 | 366 | Reuse Services | 2.00% | - | - | | | - | - | - | | | | - | - | - |
| 12 | 367 | Reuse Meters And Installation | 8.33% | - | - | | | - | - | - | | | | - | - | - |
| 13 | 370 | Receiving Wells | 3.33% | - | - | | | - | - | - | | | | 28,875 | 867,120 | 411,961 |
| 14 | 371 | Pumping Equipment | 12.50% | | - | | | - | - | - | | | | 25,064 | 200,511 | 14,552 |
| 15 | 371 | Pumping Equipment | 12.50% | - | - | | | - | - | - | | | | 13,142 | 105,139 | 31,761 |
| 16 | 371 | Pumping Equipment | 12.50% | - | - | | | - | - | - | | | | 7,791 | 62,326 | 11,686 |
| 17 | 371 | Pumping Equipment | 12.50% | 79,455 | - | | | 79,455 | - | - | | | | 4,966 | 79,455 | 4,966 |
| 18 | 371 | Pumping Equipment | 12.50% | - | - | | | - | - | - | 19,846 | | 1,240 | - | 19,846 | 1,240 |
| 19 | 371 | Pumping Equipment | 12.50% | 79,455 | - | - | - | 79,455 | - | - | 19,846 | - | 1,240 | 50,963 | 467,276 | 64,205 |
| 20 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | | | - | - | - | | | | - | - | - |
| 21 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | | | - | - | - | | | | - | - | - |
| 22 | 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | - | - | - | - | - | - | - | 49,120 | 982,394 | 954,080 |
| 23 | 381 | Plant Sewers | 5.00% | - | - | | | - | - | - | | | | 768 | 15,362 | 2,198 |
| 24 | 382 | Outfall Sewer Lines | 3.33% | - | - | | | - | - | - | | | | - | - | - |
| 25 | 389 | Other Sewer Plant & Equipment | 6.67% | 6,205 | - | - | (6,205) | 0 | - | - | - | - | - | 0 | 57,171 | 57,710 |
| 26 | 390 | Office Furniture & Equipment | 6.67% | 264 | - | - | (2,147) | (1,883) | - | - | - | - | - | 7,367 | 108,570 | 52,442 |
| 27 | 390.1 | Computers and Software | 20.00% | - | - | - | - | - | - | - | - | - | - | 6,404 | 36,045 | 13,631 |
| 28 | 391 | Transportation Equipment | 20.00% | - | - | - | 6,205 | 6,205 | - | - | - | - | - | 644 | 6,322 | 697 |
| 29 | 392 | Stores Equipment | 4.00% | - | - | | | - | - | - | | | | - | - | - |
| 30 | 393 | Tools, Shop And Garage Equip | 5.00% | 783 | - | - | - | 783 | - | - | 11,769 | - | 294 | 151 | 20,326 | 5,766 |
| 31 | 394 | Laboratory Equip | 10.00% | 6,152 | - | | - | 6,152 | - | - | | | | 308 | 6,152 | 308 |
| 32 | 395 | Power Operated Equipment | 5.00% | - | - | | | - | - | - | 29,947 | | 749 | - | 29,947 | 749 |
| 33 | 396 | Communication Equip | 10.00% | 121 | - | | | 121 | - | - | | | | 121 | 6,057 | 6,057 |
| 34 | 397 | Miscellaneous Equip | 10.00% | - | - | | | - | - | - | | | | - | - | - |
| 35 | 398 | Other Tangible Plant | 10.00% | - | - | | | - | - | - | | | | - | 3,913 | 3,913 |
| 36 | 398.1 | Nogales WWTP | 4.72% | - | - | | | - | - | - | | | | 114,777 | 2,431,717 | 464,515 |
| 37 | | | | | | | | - | | - | | | | - | - | - |
| 38 | | | | | | | | - | | - | | | | - | - | - |
| 39 | | | | | | | | - | | - | | | | - | - | - |
| 40 | | Plant Held for Future Use | | | | | | - | | - | | | | - | - | - |
| 41 | | | | | | | | | | | | | | | | |
| 42 | | TOTALS | | 228,230 | (26,806) | - | (15,692) | 185,732 | 1,230 | 1,230 | 152,532 | - | 3,607 | 441,020 | 14,073,520 | 5,892,580 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

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Page 4
Witness: Bourassa

Accumulated Depreciation

| Line No. | Acct. No. | Description | Adjusted Accum. Depr. | A Plant Reclass | B Unsupported Plant | C Plant True-up | D Intentionally Left Blank | E Intentionally Left Blank | F Allocated Corporate Plant | G PTY Plant Depreciation | H Adjustments to Reconcile A/D to Reconstruction | Rebuttal Adjusted Accum. Depr. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Adjustments | | | | | | | | |
| 6 | 108 | Accumulated Depreciation | $ - | | | | | | | | $ - | $ - |
| 7 | 351 | Organization | - | - | - | - | | | | - | - | - |
| 8 | 352 | Franchise | - | - | - | - | | | | - | - | - |
| 9 | 353 | Land | - | - | - | - | | | | - | - | - |
| 10 | 354 | Structures & Improvements | 46,444 | - | (239) | - | | | | 1,035 | - | 47,240 |
| 11 | 355 | Power Generation | - | - | - | - | | | | - | - | - |
| 12 | 360 | Collection Sewer Forced | 37,951 | - | - | - | | | | - | - | 37,951 |
| 13 | 361 | Collection Sewers Gravity | 2,964,500 | - | - | 8 | | | | 223 | - | 2,964,731 |
| 14 | 362 | Special Collecting Structures | - | - | - | - | | | | - | - | - |
| 15 | 363 | Customer Services | 738,949 | - | - | - | | | | 65 | - | 739,014 |
| 16 | 364 | Flow Measuring Devices | 65,412 | - | - | - | | | | - | - | 65,412 |
| 17 | 366 | Reuse Services | - | - | - | - | | | | - | - | - |
| 18 | 367 | Reuse Meters And Installation | - | - | - | - | | | | - | - | - |
| 19 | 370 | Receiving Wells | 411,961 | - | - | - | | | | - | - | 411,961 |
| 20 | 371 | Pumping Equipment | 62,965 | - | - | - | | | | 1,240 | - | 64,205 |
| 21 | 374 | Reuse Distribution Reservoirs | - | - | - | - | | | | - | - | - |
| 22 | 375 | Reuse Trans. and Dist. System | - | - | - | - | | | | - | - | - |
| 23 | 380 | Treatment & Disposal Equipment | 954,080 | - | - | - | | | | - | - | 954,080 |
| 24 | 381 | Plant Sewers | 2,198 | - | - | - | | | | - | - | 2,198 |
| 25 | 382 | Outfall Sewer Lines | - | - | - | - | | | | - | - | - |
| 26 | 389 | Other Sewer Plant & Equipment | 57,917 | (207) | - | - | | | | - | - | 57,710 |
| 27 | 390 | Office Furniture & Equipment | 55,654 | (3,204) | (72) | - | | | | - | 63 | 52,442 |
| 28 | 390.1 | Computers and Software | 4,025 | 9,606 | - | - | | | | - | - | 13,631 |
| 29 | 391 | Transportation Equipment | 76 | 621 | - | - | | | | - | - | 697 |
| 30 | 392 | Stores Equipment | - | - | - | - | | | | - | - | - |
| 31 | 393 | Tools, Shop And Garage Equip | 5,471 | - | - | - | | | | 294 | - | 5,766 |
| 32 | 394 | Laboratory Equip | 308 | - | - | - | | | | - | - | 308 |
| 33 | 395 | Power Operated Equipment | - | - | - | - | | | | 749 | - | 749 |
| 34 | 396 | Communication Equip | 6,057 | - | - | - | | | | - | - | 6,057 |
| 35 | 397 | Miscellaneous Equip. | - | - | - | - | | | | - | - | - |
| 36 | 398 | Other Tangible Plant | 3,913 | - | - | - | | | | - | - | 3,913 |
| 37 | 398.1 | Nogales WWTP | 464,515 | - | - | - | | | | - | - | 464,515 |
| 38 | | SUBTOTAL | 5,882,397 | 6,816 | (311) | 8 | - | - | - | 3,607 | 63 | 5,892,580 |
| 39 | | | | | | | | | | | | |
| 40 | 903 | Land and Land Rights | | | | | | | | | | |
| 41 | 904 | Structures and Improvments | 2,875 | | | | | | - | | | 2,875 |
| 42 | 940 | Office Furniture & Equipment | 538 | | | | | | (500) | | | 38 |
| 43 | 940.1 | Computers and Software | 15,515 | | | | | | (41) | | | 15,474 |
| 44 | | | | | | | | | (1,888) | | | (1,888) |
| 45 | | | | | | | | | | | | - |
| 46 | | Plant Held for Future Use | | | | | | | | | | - |
| 47 | | TOTALS | $ 5,901,325 | $ 6,816 | $ (311) | $ 8 | $ - | $ - | $ (2,430) | $ 3,607 | $ 63 | $ 5,909,078 |
| 48 | | | | | | | | | | | | |
| 49 | | Accumulated Depreciation per Books | | | | | | | | | | $ 5,901,325 |
| 50 | | | | | | | | | | | | |
| 51 | | Increase (decrease) in Accumulated Depreciation | | | | | | | | | | $ 7,753 |
| 52 | | | | | | | | | | | | |
| 53 | | Adjustment to Accumulated Depreciation | | | | | | | | | | $ 7,753 |
| 54 | | | | | | | | | | | | |

55 SUPPORTING SCHEDULES
56 B-2, pages 4.1 through 4.8

RECAP SCHEDULES:
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
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Page 4.1
Witness: Bourassa

Line No.

1 Plant Reclass

| Acct. No. | Description | Depr Rate | 2012 | 2013 | 2014 | Total |
|---|---|---|---|---|---|---|
| 351 | Organization | 0.00% | - | - | - | $ - |
| 352 | Franchise | 0.00% | - | - | - | - |
| 353 | Land | 0.00% | - | - | - | - |
| 354 | Structures & Improvements | 3.33% | - | - | - | - |
| 355 | Power Generation | 5.00% | - | - | - | - |
| 360 | Collection Sewer Forced | 2.00% | - | - | - | - |
| 361 | Collection Sewers Gravity | 2.00% | - | - | - | - |
| 362 | Special Collecting Structures | 2.00% | - | - | - | - |
| 363 | Customer Services | 2.00% | - | - | - | - |
| 364 | Flow Measuring Devices | 10.00% | - | - | - | - |
| 366 | Reuse Services | 2.00% | - | - | - | - |
| 367 | Reuse Meters And Installation | 8.33% | - | - | - | - |
| 370 | Receiving Wells | 3.33% | - | - | - | - |
| 371 | Pumping Equipment | 12.50% | - | - | - | - |
| 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - |
| 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - |
| 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | - |
| 381 | Plant Sewers | 5.00% | - | - | - | - |
| 382 | Outfall Sewer Lines | 3.33% | - | - | - | - |
| 389 | Other Sewer Plant & Equipment | 6.67% | - | - | (207) | (207) |
| 390 | Office Furniture & Equipment | 6.67% | - | (1,068) | (2,136) | (3,204) |
| 390.1 | Computers and Software | 20.00% | - | 3,202 | 6,404 | 9,606 |
| 391 | Transportation Equipment | 20.00% | - | - | 621 | 621 |
| 392 | Stores Equipment | 4.00% | - | - | - | - |
| 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - |
| 394 | Laboratory Equip | 10.00% | - | - | - | - |
| 395 | Power Operated Equip | 5.00% | - | - | - | - |
| 396 | Communication Equip | 10.00% | - | - | - | - |
| 398 | Other Tangible Plant | 10.00% | - | - | - | - |
| 398.1 | Nogales WWTP | 4.72% | - | - | - | - |
| | TOTALS | | $ - | $ 2,134 | $ 4,682 | $ - $- $ 6,816 |

SUPPORTING SCHEDULE
Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line No.

1 Unsupported Plant

| Line No. | Acct. No. | Description | Depr Rate | 2012 | 2013 | 2014 | | Total |
|---|---|---|---|---|---|---|---|---|
| 6 | 351 | Organization | 0.00% | - | - | - | $ | - |
| 7 | 352 | Franchise | 0.00% | - | - | - | | - |
| 8 | 353 | Land | 0.00% | - | - | - | | - |
| 9 | 354 | Structures & Improvements | 3.33% | - | - | (239) | | (239) |
| 10 | 355 | Power Generation | 5.00% | - | - | - | | - |
| 11 | 360 | Collection Sewer Forced | 2.00% | - | - | - | | - |
| 12 | 361 | Collection Sewers Gravity | 2.00% | - | - | - | | - |
| 13 | 362 | Special Collecting Structures | 2.00% | - | - | - | | - |
| 14 | 363 | Customer Services | 2.00% | - | - | - | | - |
| 15 | 364 | Flow Measuring Devices | 10.00% | - | - | - | | - |
| 16 | 366 | Reuse Services | 2.00% | - | - | - | | - |
| 17 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | | - |
| 18 | 370 | Receiving Wells | 3.33% | - | - | - | | - |
| 19 | 371 | Pumping Equipment | 12.50% | - | - | - | | - |
| 20 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | | - |
| 21 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | | - |
| 22 | 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | | - |
| 23 | 381 | Plant Sewers | 5.00% | - | - | - | | - |
| 24 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | | - |
| 25 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | | - |
| 26 | 390 | Office Furniture & Equipment | 6.67% | - | - | (72) | | (72) |
| 27 | 390.1 | Computers and Software | 20.00% | - | - | - | | - |
| 28 | 391 | Transportation Equipment | 20.00% | - | - | - | | - |
| 29 | 392 | Stores Equipment | 4.00% | - | - | - | | - |
| 30 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | | - |
| 31 | 394 | Laboratory Equip | 10.00% | - | - | - | | - |
| 32 | 395 | Power Operated Equip | 5.00% | - | - | - | | - |
| 33 | 396 | Communication Equip | 10.00% | - | - | - | | - |
| 34 | 398 | Other Tangible Plant | 10.00% | - | - | - | | - |
| 35 | 398.1 | Nogales WWTP | 4.72% | - | - | - | | - |
| 40 | | TOTALS | | $ - | $ - | $ (311) | $ - ## | $ (311) |

43 SUPPORTING SCHEDULE
44 Work papers
45

RECAP SCHEDULES:
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

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Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Plant True-up

| Line | Acct. No. | Description | Depr Rate | 2012 | 2013 | 2014 | Total |
|---|---|---|---|---|---|---|---|
| 6 | 351 | Organization | 0.00% | - | - | - | $ - |
| 7 | 352 | Franchise | 0.00% | - | - | - | - |
| 8 | 353 | Land | 0.00% | - | - | - | - |
| 9 | 354 | Structures & Improvements | 3.33% | - | - | - | - |
| 10 | 355 | Power Generation | 5.00% | - | - | - | - |
| 11 | 360 | Collection Sewer Forced | 2.00% | - | - | - | - |
| 12 | 361 | Collection Sewers Gravity | 2.00% | - | - | 8 | 8 |
| 13 | 362 | Special Collecting Structures | 2.00% | - | - | - | - |
| 14 | 363 | Customer Services | 2.00% | - | - | - | - |
| 15 | 364 | Flow Measuring Devices | 10.00% | - | - | - | - |
| 16 | 366 | Reuse Services | 2.00% | - | - | - | - |
| 17 | 367 | Reuse Meters And Installation | 8.33% | - | - | - | - |
| 18 | 370 | Receiving Wells | 3.33% | - | - | - | - |
| 19 | 371 | Pumping Equipment | 12.50% | - | - | - | - |
| 20 | 374 | Reuse Distribution Reservoirs | 2.50% | - | - | - | - |
| 21 | 375 | Reuse Trans. and Dist. System | 2.50% | - | - | - | - |
| 22 | 380 | Treatment & Disposal Equipment | 5.00% | - | - | - | - |
| 23 | 381 | Plant Sewers | 5.00% | - | - | - | - |
| 24 | 382 | Outfall Sewer Lines | 3.33% | - | - | - | - |
| 25 | 389 | Other Sewer Plant & Equipment | 6.67% | - | - | - | - |
| 26 | 390 | Office Furniture & Equipment | 6.67% | - | - | - | - |
| 27 | 390.1 | Computers and Software | 20.00% | - | - | - | - |
| 28 | 391 | Transportation Equipment | 20.00% | - | - | - | - |
| 29 | 392 | Stores Equipment | 4.00% | - | - | - | - |
| 30 | 393 | Tools, Shop And Garage Equip | 5.00% | - | - | - | - |
| 31 | 394 | Laboratory Equip | 10.00% | - | - | - | - |
| 32 | 395 | Power Operated Equip | 5.00% | - | - | - | - |
| 33 | 396 | Communication Equip | 10.00% | - | - | - | - |
| 34 | 398 | Other Tangible Plant | 10.00% | - | - | - | - |
| 35 | 398.1 | Nogales WWTP | 4.72% | - | - | - | - |
| 40 | | TOTALS | | $ - | $ - | $ 8 | $ - # $ 8 |

43 SUPPORTING SCHEDULE
44 Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2- D

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INTENTIONALLY LEFT BLANK

| Line No. |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Exhibit
Rebuttal Schedule B-2
Page 4.5
Witness: Bourassa

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| Line No. |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

Exhibit
Rebuttal Schedule B-2
Page 4.6
Witness: Bourassa

| Line No. | Acct. No. | Description | [1] A/D | [2] Liberty Utilities Factor | [3] Rio Rico Sewer Factor | [4] = [1]x[2]x[3] Allocated Orginal Cost | Direct Orginal Cost | Increase (Decrease) |
|---|---|---|---|---|---|---|---|---|
| 1 | Corporate Plant | | | | | | | |
| 6 | 903 | Land and Land Rights | $ - | 12.94% | 2.50% | - | - | - |
| | 904 | Structures and Improvments | 309,237 | 12.94% | 2.50% | 1,000 | 1,356 | (356) |
| 7 | 940.1 | Computers and Software | 65,442 | 12.94% | 2.50% | 212 | 921 | (710) |
| 10 | LU Sub-Corp. Plant | | | | | | | |
| | | | | | | | | - |
| 12 | 903 | Land and Land Rights | - | | 2.50% | - | - | - |
| 13 | 904 | Structures and Improvments | 74,974 | | 2.50% | 1,874 | 2,019 | (144) |
| 14 | 940 | Office Furniture and Equipment | 21,535 | | 2.50% | 538 | 580 | (41) |
| 15 | 940.1 | Computers and Software | 612,134 | | 2.50% | 15,303 | 16,482 | (1,178) |
| 42 | | TOTALS | $1,083,322 | | | $ 18,928 | $ 21,358 | $ (2,430) |

SUPPORTING SCHEDULE
Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - G

Exhibit
Rebuttal Schedule B-2
Page 4.7
Witness: Bourassa

Line No.

1 Post-Test Year Plant Accummulated Depreciation

| Acct. No. | Description | Direct PTY Plant Balance | Adjustments | Adjusted PTY Plant Balance | Depr Rate | Depr (1/2 Year) PTY |
|---|---|---|---|---|---|---|
| 101 | Plant-in-Service | $ - | $ - | $ - | 0.00% | $ - |
| 351 | Organization | - | - | - | 0.00% | - |
| 352 | Franchise | - | - | - | 0.00% | - |
| 353 | Land | - | - | - | 0.00% | - |
| 354 | Structures & Improvements | 203,874 | (141,684) | 62,190 | 3.33% | 1,035 |
| 355 | Power Generation | - | - | - | 5.00% | - |
| 360 | Collection Sewer Forced | - | - | - | 2.00% | - |
| 361 | Collection Sewers Gravity | 22,276 | - | 22,276 | 2.00% | 223 |
| 362 | Special Collecting Structures | - | - | - | 2.00% | - |
| 363 | Customer Services | 5,654 | 850 | 6,504 | 2.00% | 65 |
| 364 | Flow Measuring Devices | - | - | - | 10.00% | - |
| 366 | Reuse Services | - | - | - | 2.00% | - |
| 367 | Reuse Meters And Installation | - | - | - | 8.33% | - |
| 370 | Receiving Wells | - | - | - | 3.33% | - |
| 371 | Pumping Equipment | 304,386 | (284,540) | 19,846 | 12.50% | 1,240 |
| 374 | Reuse Distribution Reservoirs | - | - | - | 2.50% | - |
| 375 | Reuse Trans. and Dist. System | - | - | - | 2.50% | - |
| 380 | Treatment & Disposal Equipment | - | - | - | 5.00% | - |
| 381 | Plant Sewers | - | - | - | 5.00% | - |
| 382 | Outfall Sewer Lines | - | - | - | 3.33% | - |
| 389 | Other Sewer Plant & Equipment | - | - | - | 6.67% | - |
| 390 | Office Furniture & Equipment | - | - | - | 6.67% | - |
| 390.1 | Computers and Software | - | - | - | 20.00% | - |
| 391 | Transportation Equipment | - | - | - | 20.00% | - |
| 392 | Stores Equipment | - | - | - | 4.00% | - |
| 393 | Tools, Shop And Garage Equip | 11,399 | 370 | 11,769 | 5.00% | 294 |
| 394 | Laboratory Equip | - | - | - | 10.00% | - |
| 395 | Power Operated Equipment | 29,947 | - | 29,947 | 5.00% | 749 |
| 396 | Communication Equip | - | - | - | 10.00% | - |
| 397 | Miscellaenous Equip. | - | - | - | 10.00% | - |
| 398 | Other Tangible Plant | - | - | - | 10.00% | - |
| 398.1 | Nogales WWTP | - | - | - | 4.72% | - |
| | TOTALS | $ 577,537 | $ (425,005) | $ 152,532 | | $ 3,607 |

SUPPORTING SCHEDULE
Work Papers

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - H

Exhibit
Rebuttal Schedule B-2
Page 4.8
Witness: Bourassa

Line No.

1 Reconciliation of A/D to A/D Reconstruction

| Acct. No. | Description | Orginal Cost | B-2 Adjustments | Adjusted Orginal Cost | Plant Per Reconstruction | Difference |
|---|---|---|---|---|---|---|
| 108 | Accumulated Depreciation | $ - | $ - | $ - | $ - | $ - |
| 351 | Organization | - | - | - | - | - |
| 352 | Franchise | - | - | - | - | - |
| 353 | Land | - | - | - | - | - |
| 354 | Structures & Improvements | 46,444 | 796 | 47,240 | 47,240 | - |
| 355 | Power Generation | - | - | - | - | - |
| 360 | Collection Sewer Forced | 37,951 | - | 37,951 | 37,951 | - |
| 361 | Collection Sewers Gravity | 2,964,500 | 231 | 2,964,731 | 2,964,731 | - |
| 362 | Special Collecting Structures | - | - | - | - | - |
| 363 | Customer Services | 738,949 | 65 | 739,014 | 739,014 | - |
| 364 | Flow Measuring Devices | 65,412 | - | 65,412 | 65,412 | - |
| 366 | Reuse Services | - | - | - | - | - |
| 367 | Reuse Meters And Installation | - | - | - | - | - |
| 370 | Receiving Wells | 411,961 | - | 411,961 | 411,961 | - |
| 371 | Pumping Equipment | 62,965 | 1,240 | 64,205 | 64,205 | - |
| 374 | Reuse Distribution Reservoirs | - | - | - | - | - |
| 375 | Reuse Trans. and Dist. System | - | - | - | - | - |
| 380 | Treatment & Disposal Equipment | 954,080 | - | 954,080 | 954,080 | - |
| 381 | Plant Sewers | 2,198 | - | 2,198 | 2,198 | - |
| 382 | Outfall Sewer Lines | - | - | - | - | - |
| 389 | Other Sewer Plant & Equipment | 57,917 | (207) | 57,710 | 57,710 | - |
| 390 | Office Furniture & Equipment | 55,654 | (3,275) | 52,379 | 52,442 | 63 |
| 390.1 | Computers and Software | 4,025 | 9,606 | 13,631 | 13,631 | - |
| 391 | Transportation Equipment | 76 | 621 | 697 | 697 | - |
| 392 | Stores Equipment | - | - | - | - | - |
| 393 | Tools, Shop And Garage Equip | 5,471 | 294 | 5,766 | 5,766 | - |
| 394 | Laboratory Equip | 308 | - | 308 | 308 | - |
| 395 | Power Operated Equipment | - | 749 | 749 | 749 | - |
| 396 | Communication Equip | 6,057 | - | 6,057 | 6,057 | - |
| 397 | Miscellaneous Equipment | - | - | - | - | - |
| 398 | Other Tangible Plant | 3,913 | - | 3,913 | 3,913 | - |
| 398.1 | Nogales WWTP | 464,515 | - | 464,515 | 464,515 | - |
| | | | | | | - |
| | TOTALS | $ 5,882,397 | $ 10,120 | $ 5,892,517 | $ 5,892,580 | $ 63 |

SUPPORTING SCHEDULE
B-2, pages 4.1
B-2, pages 3.8 through 3.10

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

| Line No. | | Gross CIAC | Accumulated Amortization |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | Computed balance at End of Test Year | $ 5,112,247 | $ 2,943,313 |
| 6 | | | |
| 7 | Adjusted balance at End of Test Year | $ 5,112,247 | $ 2,935,215 |
| 8 | | | |
| 9 | Increase (decrease) | $ - | $ 8,098 |
| 10 | | | |
| 11 | | | |
| 12 | Adjustment to CIAC/AA CIAC | $ - | $ (8,098) |
| 13 | Label | 3a | 3b |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | SUPPORTING SCHEDULES | | RECAP SCHEDULES: |
| 20 | E-1 | | B-2, page 2 |
| 21 | B-2, page 5.1 | | |
| 22 | | | |
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| 25 | | | |
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| 40 | | | |

berty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Divisi
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5.1
Witness: Bourassa

| Line No. | | Per Decision | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|
| 1 | | Balance 2/29/2012 | Additions | Balance 12/31/2012 | Additions | Balance 12/31/2013 | Additions | Balance 12/31/2014 |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | CIAC | 5,152,673 | - | 5,112,247 | - | 5,112,247 | - | 5,112,247 |
| 6 | | | | | | | | |
| 7 | Rate Case Adj - AIAC error | | (261,316) | | | | | |
| 8 | Rate Case Adj - AIAC error | | 220,890 | | | | | |
| 9 | | | | | | | | |
| 10 | Amortization Decision No. 58743 | | | | | | | |
| 11 | Amortization Rate | 0.38% | | 2.51% | | 3.14% | | 3.17% |
| 12 | Amortization | 19,594 | | 129,418 | | 160,453 | | 162,305 |
| 13 | Accumulated Amortization | 2,491,137 | | 2,620,555 | | 2,781,008 | | 2,943,313 |
| 14 | | | | | | | | |
| 15 | Net CIAC | 2,661,536 | - | 2,491,691 | - | 2,331,239 | - | 2,168,934 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6
Witness: Bourassa

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Computed balance at End of Test Year | $ | 529,379 |
| 5 | | | |
| 6 | Book balance at End of Test Year | $ | 529,379 |
| 7 | | | |
| 8 | Increase (decrease) | $ | - |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
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| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | SUPPORTING SCHEDULES | RECAP SCHEDULES: | |
| 20 | E-1 | B-2, page 2 | |
| 21 | B-2, page 6.1 | | |
| 22 | | | |
| 23 | | | |
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| 35 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6.1
Witness: Bourassa

| Line No. | | Per Decision | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|
| 1 | | Balance | | Balance | | Balance | | Balance |
| 2 | | 2/29/2012 | Activity | 12/31/2012 | Activity | 12/31/2013 | Activity | 12/31/2014 |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | AIAC additions | 293,794 | | 188,837 | 342,525 | 530,890 | | 529,379 |
| 6 | Refunds | | (4,531) | | (5,472) | | (1,511) | |
| 7 | Rate Case Adj - Adjust to move to CIAC | | (220,890) | | | | | |
| 8 | Rate Case Adj - AIAC in Process | | 95,000 | | | | | |
| 9 | Rate Case Adj - IAD | | 22,963 | | | | | |
| 10 | AIAC in Process | | | | | | | |
| 11 | IAD | | 2,500 | | 5,000 | | - | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | Total AIAC | 293,794 | (104,958) | 188,837 | 342,053 | 530,890 | (1,511) | 529,379 |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |

18 AIAC agreement was originaly posted to CIAC pre acqusition in 2003 for 261,316. The contratc was only for 5yrs however AIAC was refunded for 8 years.
19 Journal entries were never made to correct the GL accounts. So in 2011 an entry to move the bal to CIAC should have been 220,889.63
20
21 AIAC in process rate case adjustment was for the AIAC in procees that was taken in 2008 but was not included in the AIAC amount. In the 2012 rate case the 95000 was subtracted out.
22
23 IAD Rate case adj - the deposit was not added the previous rate case AIAC amount
24
25
26
27

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 7.0
Witness: Bourassa

**Deferred Income Tax as of December 31, 2014**

| Line No. | | | Water & Sewer Adjusted Book Value | Water & Sewer Tax Value | Probability of Realization of Future Tax Benefit | Deductible TD (Taxable TD) Expected to be Realized | Effective Tax Rate | Future Tax Asset Current | Future Tax Asset Non Current | Future Tax Liability Current | Future Tax Liability Non Current |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | | Plant-in-Service | $ 52,254,628 [1] | | | | | | | | |
| 7 | | Accum. Deprec. | (22,235,387) [1] | | | | | | | | |
| 8 | | CIAC | (13,104,588) [3] | | | | | | | | |
| 9 | Fed. | Fixed Assets | $ 16,914,653 | $ 13,960,888 [2] | 100.0% | $ (2,953,765) | 32.54% | | - | | (961,269) |
| 11 | State | Fixed Assets | $ 16,914,653 | $ 14,063,222 [2] | 100.0% | $ (2,851,431) | 4.900% | | - | | (139,720) |
| 13 | Fed &State | AIAC | | 783,815 [4] | 100.0% | $ 783,815 [4] | 37.444% | | $ 293,491 | | |
| 15 | | | | | | | | $ - | $ 293,491 | $ - | $ (1,100,990) |

| | |
|---|---|
| Net Asset (Liability) | $ (807,499) |
| Allocation Factor - Wastewater-Division (based on rate base before ADIT) | 0.3367 |
| Net Asset (Liability) Water Division | $ (271,908) |
| Allocated Corporate ADIT[5] | $ (3,690) |
| Total Asset (Liability) Wastewater Division | $ (275,599) |
| DIT Asset (Liability) per Direct | $ (683,150) |
| Adjustment to DIT | $ (407,552) |

Footnotes - See page 7.1

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 7.1
Witness: Bourassa

| Line No. | | FEDERAL | | | STATE | | |
|---|---|---|---|---|---|---|---|
| 1 | [1] **Per adjusted book balances, land not included** | | | | | | |
| 2 | | | | | | | |
| 3 | [2] **Computation of Net Tax Value December 31, 2014** | | | | | | |
| 4 | | | | | | | |
| 5 | Based on 2014 Tax Depreciation report (December 31, 2014) | | | | | | |
| 6 | Adjusted Cost at December 31, 2014 per federal and state tax depr. report | $ 27,137,977 | | | $ 28,144,708 | | |
| 7 | Land on Tax and not on included in adjusted plant balance | | | | - | | |
| 8 | PTY Plant | | | | - | | |
| 9 | | | | | | | |
| 10 | | 2,067,697 | | | 2,067,697 | | |
| 11 | | | | | - | | |
| 12 | | | | | - | | |
| 13 | | | | | - | | |
| 14 | | | | | - | | |
| 15 | Net Unadjusted Cost tax Basis at December 31, 2014 | | | | - | | |
| 16 | | | | $ 29,205,674 | | | $ 30,212,405 |
| 17 | Reductions | | | | | | |
| 18 | A/D 2014 per federal and state tax depr. report | $ (15,200,060) | | | $ (16,104,457) | | |
| 19 | Accumulated Depreciation 2014 | | | | - | | |
| 20 | PTY Plant | (44,725) | | | (44,725) | | |
| 21 | | - | | | - | | |
| 22 | | - | | | - | | |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | Net Reductions through December 31, 2014 | | | (15,244,785) | | | (16,149,183) |
| 27 | Net tax value of plant-in-service at December 31, 2014 | | | $ 13,960,888 | | | $ 14,063,222 |
| 28 | | | | | | | |
| 29 | [3] **CIAC (including impact of change to probability of realization)** | | | | | | |
| 30 | Gross CIAC per adjusted book balances | | $ 25,374,157 | | | | |
| 31 | CIAC reductions/addtions | | | | | | |
| 32 | A.A per adjusted book balances | $ (13,323,725) | | | | | |
| 33 | | - | | | | | |
| 34 | | | | | | | |
| 35 | Net CIAC before unrealized AIAC | | (13,323,725) | | | | |
| 36 | | | | $ 12,050,432 | | | |
| 37 | Unrealized AIAC Component | | | | | | |
| 38 | AIAC per adjusted book balances | | $ 1,505,937 | | | | |
| 39 | Adjusted Net AIAC (see footnote 5 below) | | 70.0% | | | | |
| 40 | Unrealized AIAC Component % (1-Realized AIAC Component) | | | $ 1,054,156 | | | |
| 41 | | | | $ 13,104,588 | | | |
| 42 | Total realizable CIAC | | | | | | |
| 43 | | | | | | | |
| 44 | [4] **AIAC (including impact of change in probability of realization)** | | | | | | |
| 45 | AIAC per adjusted book balances | | | $ 1,505,937 | | | |
| 46 | Less: Unrealized AIAC (from Note 3, above) | | | $ (1,054,156) | | | |
| 47 | | | | | | | |
| 48 | Subtotal | | | $ 451,781 | | | |
| 49 | Meter and Service Line Installation Charges per adjusted book balances | | | 332,034 | | | |
| 50 | Total realizable AIAC | | | $ 783,815 | | | |
| 51 | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Cash Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

| Line No. | Description | Proforma Test Year Amount[1] | Revenue Lag (Lead) Days | Expense Lag (Lead) Days | Net Lag (Lead) Days Col. C - Col. D | Lead/Lag Factor Col. E/365 | Cash Working Capital Required Col. B * Col. F |
|---|---|---|---|---|---|---|---|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
| 7 | OPERATING EXPENSES | | | | | | |
| 8 | Salaries and Wages | $ - | 44.96 | - | 44.96 | 0.12317808 | $ - |
| 9 | Purchased Wastewater Treatment | 3,811 | 44.96 | 29.82 | 15.14 | 0.04147945 | 158 |
| 10 | Sludge Removal | - | 44.96 | - | 44.96 | 0.12317808 | - |
| 11 | Purchased Power | 176,787 | 44.96 | 34.96 | 10.00 | 0.02739726 | 4,843 |
| 12 | Fuel for Power Production | - | 44.96 | - | 44.96 | 0.12317808 | - |
| 13 | Chemicals | 6,030 | 44.96 | 3.91 | 41.05 | 0.11246575 | 678 |
| 14 | Materials and Supplies | 7,433 | 44.96 | 17.14 | 27.82 | 0.07621918 | 567 |
| 15 | Contractual Services - Professional | 156,760 | 44.96 | 19.99 | 24.97 | 0.06841096 | 10,724 |
| 16 | Contractual Services - Testing | 405 | 44.96 | 8.50 | 36.46 | 0.09989041 | 40 |
| 17 | Contractual Services - Other | 159,131 | 44.96 | 22.47 | 22.49 | 0.06161644 | 9,805 |
| 18 | Office Supplies and Expense | 1,916 | 44.96 | 46.21 | (1.25) | (0.00342466) | (7) |
| 19 | Rents | 3,379 | 44.96 | 46.21 | (1.25) | (0.00342466) | (12) |
| 20 | Transportation | 10,899 | 44.96 | 20.78 | 24.18 | 0.06624658 | 722 |
| 21 | Insurance | 7,991 | 44.96 | (182.50) | 227.46 | 0.62317808 | 4,980 |
| 22 | Miscellaneous | 44,277 | 44.96 | 112.06 | (67.10) | (0.18383562) | (8,140) |
| 23 | Interest Expense | 54,755 | 44.96 | 90.25 | (45.29) | (0.12408219) | (6,794) |
| 26 | TAXES | | | | | | |
| 27 | General Taxes-Property[1] | $ 78,834 | 44.96 | 213.96 | (169.00) | (0.46300913) | $ (36,501) |
| 28 | General Taxes-Other | - | 44.96 | - | 44.96 | 0.12317808 | - |
| 29 | Income Tax[1] | 236,575 | 44.96 | 37.00 | 7.96 | 0.02180822 | 5,159 |
| 31 | OTHER | | | | | | |
| 32 | Regulatory Commission Expense | - | 44.96 | (136.54) | 181.50 | 0.49726484 | - |
| 34 | TOTAL | $ 948,982 | | WORKING CASH REQUIREMENT | | | $ (13,776) |
| 36 | | | | ADJUSTED TY WORKING CAPITAL | | | 11,300 |
| 38 | | | | INCREASE (DECREASE) | | | $ (25,076) |

[1]At proposed rates.

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

| Line No. | | Test Year Book Results | Adjustment | Test Year Adjusted Results | Proposed Rate Increase | Adjusted with Rate Increase |
|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | |
| 2 | Flat Rate Revenue | $ 1,470,855 | $ - | $ 1,470,855 | $ 180,716 | $ 1,651,571 |
| 3 | Measured Revenues | - | - | - | | - |
| 4 | Misc Revenues | 7,468 | - | 7,468 | | 7,468 |
| 5 | | $ 1,478,323 | $ - | $ 1,478,323 | $ 180,716 | $ 1,659,040 |
| 6 | **Operating Expenses** | | | | | |
| 7 | Salaries and Wages | $ - | - | $ - | | $ - |
| 8 | Purchased Wastewater Treatment | 3,811 | - | 3,811 | | 3,811 |
| 9 | Sludge Removal | - | - | - | | - |
| 10 | Purchased Power | 67,788 | 108,999 | 176,787 | | 176,787 |
| 11 | Fuel for Power Production | - | - | - | | - |
| 12 | Chemicals | 6,030 | - | 6,030 | | 6,030 |
| 13 | Materials and Supplies | 7,433 | - | 7,433 | | 7,433 |
| 14 | Contractual Services - Professional | 167,347 | (10,587) | 156,760 | | 156,760 |
| 15 | Contractual Services - Testing | 405 | - | 405 | | 405 |
| 16 | Contractual Services - Other | 260,568 | (101,437) | 159,131 | | 159,131 |
| 17 | Office Supplies and Expense | 1,916 | - | 1,916 | | 1,916 |
| 18 | Rents | 3,379 | - | 3,379 | | 3,379 |
| 19 | Transportation | 10,899 | - | 10,899 | | 10,899 |
| 20 | Insurance | 7,991 | - | 7,991 | | 7,991 |
| 21 | Regulatory Commission Expense | 14,717 | - | 14,717 | | 14,717 |
| 22 | Miscellaneous | 45,814 | (1,537) | 44,277 | | 44,277 |
| 23 | Depreciation | 326,172 | (29,628) | 296,544 | | 296,544 |
| 24 | Taxes Other Than Income | - | - | - | | - |
| 25 | Property Taxes | 75,741 | - | 75,741 | 3,092 | 78,834 |
| 26 | Income Tax | 157,337 | 13,100 | 170,438 | 66,137 | 236,575 |
| 27 | **Total Operating Expenses** | $ 1,157,347 | $ (21,089) | $ 1,136,258 | $ 69,229 | $ 1,205,487 |
| 28 | **Operating Income** | $ 320,976 | $ 21,089 | $ 342,065 | $ 111,487 | $ 453,552 |
| 29 | **Other Income (Expense)** | | | | | |
| 30 | Interest and Dividend Income | - | - | - | | - |
| 31 | AFUDC Income | - | - | - | | - |
| 32 | Miscellaneous Non-Utility Expenses | - | - | - | | - |
| 33 | Interest Expense | (55,750) | 994 | (54,755) | | (54,755) |
| 34 | | | | | | |
| 35 | **Total Other Income (Expense)** | $ (55,750) | $ 994 | $ (54,755) | $ - | $ (54,755) |
| 36 | **Net Profit (Loss)** | $ 265,226 | $ 22,084 | $ 287,310 | $ 111,487 | $ 398,797 |
| 37 | | | | | | |
| 38 | SUPPORTING SCHEDULES: | | | | RECAP SCHEDULES: | |
| 39 | C-1, page 2 | | | | A-1 | |
| 40 | E-2 | | | | | |
| 41 | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
**dba Liberty Utilities**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

| Line No. | | LABEL>>>>> Test Year Book Results | 1 Depreciation | 2 Property Taxes | 3 Rate Case Expense | 4 Intentionally Left Blank | 5 Expense Reclass | 6 Intentionally Left Blank | 7 Intentionally Left Blank | 8 Corporate Cost Adj. Non-Labor |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | | | | | |
| 2 | Flat Rate Revenue | $ 1,470,855 | | | | | | | | |
| 3 | Measured Revenues | - | | | | | | | | |
| 4 | Misc Revenues | 7,468 | | | | | | | | |
| 5 | | $ 1,478,323 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 6 | **Operating Expenses** | | | | | | | | | |
| 7 | Salaries and Wages | $ - | | | | | | | | |
| 8 | Purchased Wastewater Treatment | 3,811 | | | | | | | | |
| 9 | Sludge Removal | - | | | | | | | | |
| 10 | Purchased Power | 67,788 | | | | | 108,999 | | | |
| 11 | Fuel for Power Production | - | | | | | | | | |
| 12 | Chemicals | 6,030 | | | | | | | | |
| 13 | Materials and Supplies | 7,433 | | | | | | | | |
| 14 | Contractual Services - Professional | 167,347 | | | | | | | | 2,011 |
| 15 | Contractual Services - Testing | 405 | | | | | | | | |
| 16 | Contractual Services - Other | 260,568 | | | | | (108,999) | | | |
| 17 | Office Supplies and Expense | 1,916 | | | | | | | | |
| 18 | Rents | 3,379 | | | | | | | | |
| 19 | Transportation | 10,899 | | | | | | | | |
| 20 | Insurance | 7,991 | | | | | | | | |
| 21 | Regulatory Commission Expense | 14,717 | | | - | | | | | |
| 22 | Miscellaneous | 45,814 | | | | | | | | |
| 23 | Depreciation | 326,172 | (29,628) | | | | | | | |
| 24 | Taxes Other Than Income | - | | | | | | | | |
| 25 | Property Taxes | 75,741 | | - | | | | | | |
| 26 | Income Tax | 157,337 | | | | | | | | |
| 27 | **Total Operating Expenses** | $ 1,157,347 | $ (29,628) | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,011 |
| 28 | **Operating Income** | $ 320,976 | $ 29,628 | $ - | $ - | $ - | $ - | $ - | $ - | $ (2,011) |
| 29 | **Other Income (Expense)** | | | | | | | | | |
| 30 | Interest and Dividend Income | - | | | | | | | | |
| 31 | AFUDC Income | - | | | | | | | | |
| 32 | Miscellaneous Non-Utility Expenses | - | | | | | | | | |
| 33 | Interest Expense | (55,750) | | | | | | | | |
| 34 | | | | | | | | | | |
| 35 | **Total Other Income (Expense)** | $ (55,750) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 36 | **Net Profit (Loss)** | $ 265,226 | $ 29,628 | $ - | $ - | $ - | $ - | $ - | $ - | $ (2,011) |
| 37 | | | | | | | | | | |
| 38 | SUPPORTING SCHEDULES: | | | | | | | | | |
| 39 | C-2 | | | | | | | | | |
| 40 | E-2 | | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sev**
**dba Liberty Utilities**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

| Line No. | | 9 Corporate Cost Adj. Labor | 10 Corporate Cost Adj. Labor Inc | 11 Restated Capitalized Labor | 12 Postage | 13 Intentionally Left Blank | 14 Intentionally Left Blank | 15 Interest Synch. | 16 Income Taxes | Test Year Adjusted Results | Proposed Rate Increase | Adjusted with Rate Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | | | | | | | |
| 2 | Flat Rate Revenue | | | | | | | | | $ 1,470,855 | $ 180,716 | $ 1,651,571 |
| 3 | Measured Revenues | | | | | | | | | - | | - |
| 4 | Misc Revenues | | | | | | | | | 7,468 | | 7,468 |
| 5 | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,478,323 | $ 180,716 | $ 1,659,040 |
| 6 | **Operating Expenses** | | | | | | | | | | | |
| 7 | Salaries and Wages | | | | | | | | | $ - | | $ - |
| 8 | Purchased Wastewater Treatment | | | | | | | | | 3,811 | | 3,811 |
| 9 | Sludge Removal | | | | | | | | | - | | - |
| 10 | Purchased Power | | | | | | | | | 176,787 | | 176,787 |
| 11 | Fuel for Power Production | | | | | | | | | - | | - |
| 12 | Chemicals | | | | | | | | | 6,030 | | 6,030 |
| 13 | Materials and Supplies | | | | | | | | | 7,433 | | 7,433 |
| 14 | Contractual Services - Professional | (14,011) | 2,922 | (1,508) | | | | | | 156,760 | | 156,760 |
| 15 | Contractual Services - Testing | | | | | | | | | 405 | | 405 |
| 16 | Contractual Services - Other | - | 7,562 | | | | | | | 159,131 | | 159,131 |
| 17 | Office Supplies and Expense | | | | | | | | | 1,916 | | 1,916 |
| 18 | Rents | | | | | | | | | 3,379 | | 3,379 |
| 19 | Transportation | | | | | | | | | 10,899 | | 10,899 |
| 20 | Insurance | | | | | | | | | 7,991 | | 7,991 |
| 21 | Regulatory Commission Expense | | | | | | | | | 14,717 | | 14,717 |
| 22 | Miscellaneous | | | | (1,537) | | | | | 44,277 | | 44,277 |
| 23 | Depreciation | | | | | | | | | 296,544 | | 296,544 |
| 24 | Taxes Other Than Income | | | | | | | | | - | | - |
| 25 | Property Taxes | | | | | | | | | 75,741 | 3,092 | 78,834 |
| 26 | Income Tax | | | | | | | | 13,100 | 170,438 | 66,137 | 236,575 |
| 27 | **Total Operating Expenses** | $ (14,011) | $ 10,484 | $ (1,508) | $ (1,537) | $ - | $ - | $ - | $ 13,100 | $ 1,136,258 | $ 69,229 | $ 1,205,487 |
| 28 | **Operating Income** | $ 14,011 | $ (10,484) | $ 1,508 | $ 1,537 | $ - | $ - | $ - | $ (13,100) | $ 342,065 | $ 111,487 | $ 453,552 |
| 29 | **Other Income (Expense)** | | | | | | | | | | | |
| 30 | Interest and Dividend Income | | | | | | | | | - | | - |
| 31 | AFUDC Income | | | | | | | | | - | | - |
| 32 | Miscellaneous Non-Utility Expenses | | | | | | | | | - | | - |
| 33 | Interest Expense | | | | | | | 994 | | (54,755) | | (54,755) |
| 34 | | | | | | | | | | | | |
| 35 | **Total Other Income (Expense)** | $ - | $ - | $ - | $ - | $ - | $ - | $ 994 | $ - | $ (54,755) | $ - | $ (54,755) |
| 36 | **Net Profit (Loss)** | $ 14,011 | $ (10,484) | $ 1,508 | $ 1,537 | $ - | $ - | $ 994 | $ (13,100) | $ 287,310 | $ 111,487 | $ 398,797 |
| 37 | | | | | | | | | | | | |
| 38 | SUPPORTING SCHEDULES: | | | | | | | | | | | |
| 39 | C-2 | | | | | | | | | | | |
| 40 | E-2 | | | | | | | | | | | |

RECAP SCHEDULES:
C-1, page 1

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

| Line No. | | 1 Depreciation | 2 Property Taxes | 3 Rate Case Expense | 4 Intentionally Left Blank | 5 Expense Reclass | 6 Intentionally Left Blank | Subtotal |
|---|---|---|---|---|---|---|---|---|
| 4 | Revenues | - | - | - | - | - | - | - |
| 6 | Expenses | (29,628) | - | - | - | - | - | (29,628) |
| 9 | Operating Income | 29,628 | - | - | - | - | - | 29,628 |
| 12 | Interest Expense | | | | | | | - |
| 15 | Other Income / Expense | | | | | | | - |
| 17 | Net Income | 29,628 | - | - | - | - | - | 29,628 |

Adjustments to Revenues and Expenses

| Line No. | | 7 Intentionally Left Blank | 8 Corporate Cost Adj. Non-Labor | 9 Corporate Cost Adj. Labor | 10 Corporate Cost Adj. Labor Inc | 11 Restated Capitalized Labor | 12 Postage | Subtotal |
|---|---|---|---|---|---|---|---|---|
| 25 | Revenues | | | | | | | - |
| 27 | Expenses | - | 2,011 | (14,011) | 10,484 | (1,508) | (1,537) | (34,190) |
| 30 | Operating Income | - | (2,011) | 14,011 | (10,484) | 1,508 | 1,537 | 34,190 |
| 33 | Interest Expense | - | | | | | | - |
| 36 | Other Income / Expense | | | | | | | - |
| 38 | Net Income | - | (2,011) | 14,011 | (10,484) | 1,508 | 1,537 | 34,190 |

Adjustments to Revenues and Expenses

| Line No. | | 13 Intentionally Left Blank | 14 Intentionally Left Blank | 15 Interest Synch. | 16 Income Taxes | | | Total |
|---|---|---|---|---|---|---|---|---|
| 46 | Revenues | - | - | - | - | | | - |
| 48 | Expenses | - | - | - | 13,100 | | | (21,089) |
| 51 | Operating Income | - | - | - | (13,100) | - | - | 21,089 |
| 54 | Interest Expense | | | 994 | | | | 994 |
| 57 | Other Income / Expense | | | | | | | - |
| 59 | Net Income | - | - | 994 | (13,100) | - | - | 22,084 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

| Line No. | Acct. No. | Description | Adjusted Original Cost | Non-Depr. or Fully Depr. Plant | Depr Original Cost | Proposed Rates | Depreciation Expense |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | Acct. | | Adjusted Original | Non-Depr. or Fully | Depr Original | Proposed | Depreciation |
| 4 | No. | Description | Cost | Depr. Plant | Cost | Rates | Expense |
| 5 | 101 | Plant-in-Service | - | - | - | 0.00% | - |
| 6 | 351 | Organization | 5,785 | (5,785) | - | 0.00% | - |
| 7 | 352 | Franchise | 417 | (417) | - | 0.00% | - |
| 8 | 353 | Land | 7,545 | (7,545) | - | 0.00% | - |
| 9 | 354 | Structures & Improvements | 331,839 | - | 331,839 | 3.33% | 11,050 |
| 10 | 355 | Power Generation | - | - | - | 5.00% | - |
| 11 | 360 | Collection Sewer Forced | 636,023 | - | 636,023 | 2.00% | 12,720 |
| 12 | 361 | Collection Sewers Gravity | 6,700,763 | - | 6,700,763 | 2.00% | 134,015 |
| 13 | 362 | Special Collecting Structures | - | - | - | 2.00% | - |
| 14 | 363 | Customer Services | 1,287,363 | - | 1,287,363 | 2.00% | 25,747 |
| 15 | 364 | Flow Measuring Devices | 65,412 | (65,412) | - | 10.00% | - |
| 16 | 366 | Reuse Services | - | - | - | 2.00% | - |
| 17 | 367 | Reuse Meters And Installation | - | - | - | 8.33% | - |
| 18 | 370 | Receiving Wells | 867,120 | - | 867,120 | 3.33% | 28,875 |
| 19 | 371 | Pumping Equipment | 467,276 | - | 467,276 | 12.50% | 58,410 |
| 20 | 374 | Reuse Distribution Reservoirs | - | - | - | 2.50% | - |
| 21 | 375 | Reuse Trans. and Dist. System | - | - | - | 2.50% | - |
| 22 | 380 | Treatment & Disposal Equipment | 982,394 | - | 982,394 | 5.00% | 49,120 |
| 23 | 381 | Plant Sewers | 15,362 | - | 15,362 | 5.00% | 768 |
| 24 | 382 | Outfall Sewer Lines | - | - | - | 3.33% | - |
| 25 | 389 | Other Sewer Plant & Equipment | 57,171 | (57,170) | 0 | 6.67% | - * |
| 26 | 390 | Office Furniture & Equipment | 108,570 | - | 108,570 | 6.67% | 7,242 |
| 27 | 390.1 | Computers and Software | 36,045 | (4,025) | 32,020 | 20.00% | 6,404 |
| 28 | 391 | Transportation Equipment | 6,322 | - | 6,322 | 20.00% | 1,264 |
| 29 | 392 | Stores Equipment | - | - | - | 4.00% | - |
| 30 | 393 | Tools, Shop And Garage Equip | 20,326 | (5,139) | 15,187 | 5.00% | 759 |
| 31 | 394 | Laboratory Equip | 6,152 | - | 6,152 | 10.00% | 615 |
| 32 | 395 | Power Operated Equipment | 29,947 | - | 29,947 | 5.00% | 1,497 |
| 33 | 396 | Communication Equip | 6,057 | (6,057) | - | 10.00% | - |
| 34 | 397 | Miscellaneous Equip. | - | | - | 10.00% | - |
| 35 | 398 | Other Tangible Plant | 3,913 | (3,913) | 0 | 10.00% | 0 |
| 36 | 398.1 | Nogales WWTP | 2,431,717 | - | 2,431,717 | 4.72% | 114,777 |
| 37 | | SUBTOTAL | $ 14,073,520 | $ (155,462) | $ 13,918,057 | | $ 453,265 |
| 38 | | | - | | | | |
| 39 | 903 | Land and Land Rights | 4,247 | (4,247) | - | 0.00% | - |
| 40 | 904 | Structures and Improvments | 46,119 | | 46,119 | 2.56% | 1,181 |
| 41 | 940 | Office Furniture & Equipment | 6,443 | | 6,443 | 6.67% | 430 |
| 42 | 940.1 | Computers and Software | 40,790 | | 40,790 | 20.00% | 8,158 |
| 43 | | TOTALS | $ 14,171,118 | $ (159,709) | $ 14,011,409 | | $ 463,033 |
| 44 | | | | | | | |
| 45 | Less: Amortization of Contributions | | | | Gross CIAC | Amort. Rate | |
| 46 | | | | | $ 5,112,247 | 3.2567% | $ (166,489) |
| 47 | | | | | | | $ - |
| 48 | | | | | | | $ - |
| 49 | | | | | | | $ - |
| 50 | | | | | | | |
| 51 | Total Depreciation Expense | | | | | | $ 296,544 |
| 52 | | | | | | | |
| 53 | Adjusted Test Year Depreciation Expense | | | | | | 326,172 |
| 54 | | | | | | | |
| 55 | Increase (decrease) in Depreciation Expense | | | | | | (29,628) |
| 56 | | | | | | | |
| 57 | Adjustment to Revenues and/or Expenses | | | | | | $ (29,628) |
| 58 | | | | | | | |
| 59 | SUPPORTING SCHEDULE | | | | | | |
| 60 | B-2, page 3 | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
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Page 3
Witness: Bourassa

Property Taxes

| Line No. | DESCRIPTION | Test Year as adjusted | Company Recommended |
|---|---|---|---|
| 1 | Company Adjusted Test Year Revenues | $ 1,478,323 | $ 1,478,323 |
| 2 | Weight Factor | 2 | 2 |
| 3 | Subtotal (Line 1 * Line 2) | 2,956,646 | 2,956,646 |
| 4 | Company Recommended Revenue | 1,478,323 | 1,659,040 |
| 5 | Subtotal (Line 4 + Line 5) | 4,434,970 | 4,615,686 |
| 6 | Number of Years | 3 | 3 |
| 7 | Three Year Average (Line 5 / Line 6) | 1,478,323 | 1,538,562 |
| 8 | Department of Revenue Mutilplier | 2 | 2 |
| 9 | Revenue Base Value (Line 7 * Line 8) | 2,956,646 | 3,077,124 |
| 10 | Plus: 10% of CWIP (intentionally excluded) | - | - |
| 11 | Less: Net Book Value of Licensed Vehicles | 5,844 | 5,844 |
| 12 | Full Cash Value (Line 9 + Line 10 - Line 11) | 2,950,802 | 3,071,280 |
| 13 | Assessment Ratio | 18.0% | 18.0% |
| 14 | Assessment Value (Line 12 * Line 13) | 531,144 | 552,830 |
| 15 | Composite Property Tax Rate - Obtained from ADOR | 14.2600% | 14.2600% |
| 16 | Test Year Adjusted Property Tax Expense (Line 14 * Line 15) | $ 75,741 | $ 78,834 |
| 17 | Tax on Parcels | - | - |
| 18 | Total Property Taxes (Line 16 + Line 17) | $ 75,741 | |
| 19 | Test Year Property Taxes | $ 75,741 | |
| 20 | Adjustment to Test Year Property Taxes (Line 18 - Line 19) | $ - | |
| 21 | | | |
| 22 | Property Tax on Company Recommended Revenue (Line 16 + Line 17) | | $ 78,834 |
| 23 | Company Test Year Adjusted Property Tax Expense (Line 18) | | $ 75,741 |
| 24 | Increase in Property Tax Due to Increase in Revenue Requirement | | **$ 3,092** |
| 25 | | | |
| 26 | Increase in Property Tax Due to Increase in Revenue Requirement (Line 24) | | $ 3,092 |
| 27 | Increase in Revenue Requirement | | $ 180,716 |
| 28 | Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27) | | 1.71120% |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | Estimated Rate Case Expense | $ | 73,583 |
| 4 | | | |
| 5 | Estimated Amortization Period in Years | | 5 |
| 6 | | | |
| 7 | Annual Rate Case Expense | $ | 14,717 |
| 8 | | | |
| 9 | Test Year Rate Case Expense | $ | 14,717 |
| 10 | | | |
| 11 | Increase(decrease) Rate Case Expense | $ | - |
| 12 | | | |
| 13 | Adjustment to Revenue and/or Expense | $ | - |
| 14 | | | |
| 15 | | | |
| 16 | Reference | | |
| 17 | Testimony | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

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| Line No. |
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| 1 |
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| 12 |
| 13 |
| 14 |
| 15 |
| 16 |
| 17 |
| 18 |
| 19 |
| 20 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Reclass Purchased WW Treatment

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Purchased Wastewater Treatment | $ | 108,999 |
| 3 | Contractual Services -Other | | (108,999) |
| 4 | | | |
| 5 | Increase(decrease) in Expense | $ | - |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | SUPPORTING SCHEDULES | | |
| 18 | Work Papers | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. |
|---|
| 1 |
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| 10 |
| 11 |
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| 20 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

INTENTIONALLY LEFT BLANK

| Line No. |
|---|
| 1 |
| 2 |
| 3 |
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| 18 |
| 19 |
| 20 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Corporate Cost Adjustment - Non-Labor

| Line No. | | |
|---|---|---|
| 1 | | |
| 2 | Corporate Allocation Adjustment | |
| 3 | | |
| 4 | Adjusted Allocated Non-Labor Costs per Rebuttal | $ 87,601 |
| 5 | Adjusted Allocated Non-Labor Costs per Direct | 85,591 |
| 6 | | |
| 7 | Adjustment to Contractual Services Professional | $ 2,011 |
| 8 | | |
| 9 | | |
| 10 | Adjustment to Revenue and/or Expense | $ 2,011 |
| 11 | | |
| 12 | Reference | |
| 13 | Testimony | |
| 14 | Work Papers | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Contracual Services - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | Allocated Contract Services - Professional (Labor) | | |
| 2 | | | |
| 3 | Adjusted Allocated Contractual Services APUC, LUCC and LABS per Rebuttal | $ | 15,506 |
| 4 | Adjusted Allocated Contractual Services LU(SUB) per Rebuttal | $ | 100,647 |
| 5 | Total | $ | 116,154 |
| 6 | Adjusted Allocated Contractual Services - Professional (labor) per Direct | | 130,165 |
| 7 | Required Adjustment | $ | (14,011) |
| 8 | Amount reclassified to Contractual Services - Other | | - |
| 9 | Net Adjustment to Contractual Services Professional | $ | (14,011) |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | Adjustment to Revenue and/or Expense | $ | (14,011) |
| 23 | | | |
| 24 | Reference | | |
| 25 | Testimony | | |
| 26 | | | |
| 27 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

Corporate Cost Adjustment - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Allocated Contract Services - Professional (Labor) | | |
| 3 | Allocated Labor Costs per Rebuttal | $ | 114,720 |
| 4 | Factor (1) | | 6.09% |
| 5 | Increase in Labor Costs per Rebuttal | $ | 6,986 |
| 6 | Increase in Labor Costs per Direct | | 4,065 |
| 7 | Adjustment to Contractual Services - Professional | $ | 2,922 |
| 8 | | | |
| | Allocated Contract Services - Other (Labor) | | |
| 9 | Test Year Allocated Labor Costs | $ | 145,461 |
| 10 | Factor (1) | | 6.09% |
| 11 | Increase in Labor Costs per Rebuttal | $ | 8,859 |
| 12 | Increase in Labor Costs per Direct | | 1,296 |
| 13 | Adjustment to Contractual Services - Other | $ | 7,562 |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | Adjustment to Revenue and/or Expense | $ | 10,484 |
| 18 | | | |
| 19 | Reference | | |
| 20 | Testimony | | |
| 21 | Work papers | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

Capitalized Expense

| Line No. | | | |
|---|---|---|---|
| 1 | Arizona Direct Labor to be Capitalized | $ | 56,054 |
| 2 | | | |
| 3 | Updated Allocation Factor | | 2.69% |
| 4 | | | |
| 5 | Allocated Capitalized Expense | $ | 1,508 |
| 6 | | | |
| 7 | Increase (decrease) in Contractual Services - Professional | $ | (1,508) |
| 8 | | | |
| 9 | | | |
| 10 | Adjustment to Revenue and/or Expense | $ | (1,508) |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | Reference | | |
| 16 | Testimony | | |
| 17 | Work papers | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Rebuttal Schedule C-2
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Postage

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Number of Water Bills in the Test Year Including annualized bills | | 76,857 |
| 3 | | | |
| 4 | US Postal Decrease in Postage | $ | (0.02) |
| 5 | | | |
| 6 | Total Adjustment to Postage Due to Postage Price Decrease | $ | (1,537) |
| 7 | | | |
| 8 | Sewer Division Allocation Factor | | 100.00% |
| 9 | | | |
| 10 | Increase (decrease) in Miscellaneous Expense | $ | (1,537) |
| 11 | | | |
| 12 | Adjustment to Revenue and/or Expense | $ | (1,537) |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | Reference | | |
| 18 | Testimony | | |
| 19 | Work papers | | |
| 20 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Rebuttal Schedule C-2
Page 14
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| Line No. |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Rebuttal Schedule C-2
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| Line No. |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 15

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

Interest Synchronization

| Line No. | | | | |
|---|---|---|---|---|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | Fair Value Rate Base | $ 5,275,096 | | |
| 5 | Weighted Cost of Debt | 1.04% | | |
| 6 | Interest Expense | | $ | 54,755 |
| 7 | | | | |
| 8 | Test Year Interest Expense | | $ | 55,750 |
| 9 | | | | |
| 10 | Increase (decrease) in Interest Expense | | | (994) |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |
| 14 | Adjustment to Revenue and/or Expense | | $ | 994 |
| 15 | | | | |
| 16 | | | | |
| 17 | Weighted Cost of Debt Computation | | | |
| 18 | Pro forma Capital Structure | | | Weighted |
| 19 | | Percent | Cost | Cost |
| 20 | Debt | 30.00% | 3.46% | 1.04% |
| 21 | Equity | 70.00% | 10.80% | 7.56% |
| 22 | Total | 100.00% | | 8.60% |
| 23 | | | | |
| 24 | | | | |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 16

Exhibit
Rebuttal Schedule C-2
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Witness: Bourassa

| Line No. | | Test Year at Present Rates | Test Year at Proposed Rates |
|---|---|---|---|
| 1 | Income Taxes | | |
| 2 | | | |
| 3 | | | |
| 4 | Compauted Income Tax | $ 170,438 | $ 236,575 |
| 5 | Test Year Income tax Expense | - | 170,438 |
| 6 | Adjustment to Income Tax Expense | $ 170,438 | $ 66,137 |
| 7 | | | |
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| 11 | | | |
| 12 | | | |
| 13 | SUPPORTING SCHEDULE | | |
| 14 | C-3, page 2 | | |
| 15 | | | |
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**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

| Line No. | Description | Percentage of Incremental Gross Revenues |
|---|---|---|
| 1 | Combined Federal and State Effective Income Tax Rate | 37.234% |
| 2 | | |
| 3 | Property Taxes | 1.074% |
| 4 | | |
| 5 | | |
| 6 | Total Tax Percentage | 38.308% |
| 7 | | |
| 8 | Operating Income % = 100% - Tax Percentage | 61.692% |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | 1 = Gross Revenue Conversion Factor | |
| 14 | Operating Income % | 1.6210 |
| 15 | | |
| 16 | | |
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| 24 | | |
| 25 | SUPPORTING SCHEDULES: | RECAP SCHEDULES: |
| 26 | C-3, page 2 | A-1 |
| 27 | | |
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Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014

Exhibit
Rebuttal Schedule C-3
Page 2
Witness: Bourassa

## GROSS REVENUE CONVERSION FACTOR

| Line No. | Description | (A) | (B) | (C) |
|---|---|---|---|---|
| | *Calculation of Gross Revenue Conversion Factor:* | | | |
| 1 | Revenue | 100.0000% | | |
| 2 | Uncollecible Factor (Line 11) | 0.0000% | | |
| 3 | Revenues (L1 - L2) | 100.0000% | | |
| 4 | Combined Federal and State Income Tax and Property Tax Rate (Line 23) | 38.3081% | | |
| 5 | Subtotal (L3 - L4) | 61.6919% | | |
| 6 | **Revenue Conversion Factor (L1 / L5)** | 1.620957 | | |
| | *Calculation of Uncollectible Factor:* | | | |
| 7 | Unity | 100.0000% | | |
| 8 | Combined Federal and State Tax Rate (L17) | 37.2340% | | |
| 9 | One Minus Combined Income Tax Rate (L7 - L8 ) | 62.7660% | | |
| 10 | Uncollectible Rate | 0.0000% | | |
| 11 | Uncollectible Factor (L9 * L10 ) | | 0.0000% | |
| | *Calculation of Effective Tax Rate:* | | | |
| 12 | Operating Income Before Taxes (Arizona Taxable Income) | 100.0000% | | |
| 13 | Arizona State Income Tax Rate | 4.9000% | | |
| 14 | Federal Taxable Income (L12 - L13) | 95.1000% | | |
| 15 | Applicable Federal Income Tax Rate (L55, Col E) | 34.0000% | | |
| 16 | Effective Federal Income Tax Rate (L14 x L15) | 32.3340% | | |
| 17 | Combined Federal and State Income Tax Rate (L13 +L16) | | 37.2340% | |
| | *Calculation of Effective Property Tax Factor* | | | |
| 18 | Unity | 100.0000% | | |
| 19 | Combined Federal and State Income Tax Rate (L17) | 37.2340% | | |
| 20 | One Minus Combined Income Tax Rate (L18-L19) | 62.7660% | | |
| 21 | Property Tax Factor | 1.7112% | | |
| 22 | Effective Property Tax Factor (L20*L21) | | 1.0741% | |
| 23 | Combined Federal and State Income Tax and Property Tax Rate (L17+L22) | | | 38.3081% |
| 24 | Required Operating Income | $ 453,553 | | |
| 25 | AdjustedTest Year Operating Income (Loss) | $ 342,065 | | |
| 26 | Required Increase in Operating Income (L24 - L25) | | $ 111,487 | |
| 27 | Income Taxes on Recommended Revenue (Col. (E), L52) | $ 236,575 | | |
| 28 | Income Taxes on Test Year Revenue (Col. (B), L54) | $ 170,438 | | |
| 29 | Required Increase in Revenue to Provide for Income Taxes (L27 - L28) | | $ 66,137 | |
| 30 | Recommended Revenue Requirement | $ 1,659,040 | | |
| 31 | Uncollectible Rate (Line 10) | 0.0000% | | |
| 32 | Uncollectible Expense on Recommended Revenue (L24 * L25) | $ - | | |
| 33 | Adjusted Test Year Uncollectible Expense | $ - | | |
| 34 | Required Increase in Revenue to Provide for Uncollectible Exp. | | $ - | |
| 35 | Property Tax with Recommended Revenue | $ 78,834 | | |
| 36 | Property Tax on Test Year Revenue | $ 75,741 | | |
| 37 | Increase in Property Tax Due to Increase in Revenue (L35-L36) | | $ 3,092 | |
| 38 | Total Required Increase in Revenue (L26 + L29 + L37) | | $ 180,717 | |

| Line No. | Description | (A) Test Year Total | (B) Test Year Sewer | (C) | (D) Company Recommended Total | (E) Company Recommended Sewer | (F) |
|---|---|---|---|---|---|---|---|
| | *Calculation of Income Tax:* | | | | | | |
| 39 | Revenue | $ 1,478,323 | $ 1,478,323 | | $ 1,659,040 | $ 1,659,040 | |
| 40 | Operating Expenses Excluding Income Taxes | $ 965,820 | $ 965,820 | | $ 968,913 | $ 968,913 | |
| 41 | Synchronized Interest (L47) | $ 54,755 | $ 54,755 | | $ 54,755 | $ 54,755 | |
| 42 | Arizona Taxable Income (L39 - L40 - L41) | $ 457,748 | $ 457,748 | | $ 635,372 | $ 635,372 | |
| 43 | Arizona State Effective Income Tax Rate (see work papers) | 4.9000% | 4.9000% | | 4.9000% | 4.9000% | |
| 44 | Arizona Income Tax (L42 x L43) | $ 22,430 | $ 22,430 | | $ 31,133 | $ 31,133 | |
| 45 | Federal Taxable Income (L42- L44) | $ 435,318 | $ 435,318 | | $ 604,239 | $ 604,239 | |
| 46 | | | | | | | |
| 47 | Federal Tax on First Income Bracket ($1 - $50,000) @ 15% | $ 7,500 | $ 7,500 | | $ 7,500 | $ 7,500 | |
| 48 | Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25% | $ 6,250 | $ 6,250 | | $ 6,250 | $ 6,250 | |
| 49 | Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34% | $ 8,500 | $ 8,500 | | $ 8,500 | $ 8,500 | |
| 50 | Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39% | $ 91,650 | $ 91,650 | | $ 91,650 | $ 91,650 | |
| 51 | Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34% | $ 34,108 | $ 34,108 | | $ 91,541 | $ 91,541 | |
| 52 | | | | | | | |
| 53 | Total Federal Income Tax | $ 148,008 | $ 148,008 | | $ 205,441 | $ 205,441 | |
| 54 | Combined Federal and State Income Tax (L35 + L42) | $ 170,438 | $ 170,438 | | $ 236,575 | $ 236,575 | |

| | | | | |
|---|---|---|---|---|
| 55 | COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45] | | 34.0000% | |
| 56 | WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45] | | | 34.0000% |
| 57 | WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45] | | | 0.0000% |

| Line No. | Description | Sewer |
|---|---|---|
| | *Calculation of Interest Synchronization:* | |
| 58 | Rate Base | $ 5,275,096 |
| 59 | Weighted Average Cost of Debt | 1.0380% |
| 60 | Synchronized Interest (L45 X L46) | $ 54,755 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

| Line No. | Meter Size | Class | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Percent of Present WW Revenues | Percent of Proposed WW Revenues |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | $ 1,112,104 | $ 1,209,969 | $ 97,865 | 8.80% | 75.67% | 73.30% |
| 2 | 3/4 Inch | Residential | 4,916 | 5,348 | 433 | 8.80% | 0.33% | 0.32% |
| 3 | 1 Inch | Residential | 8,085 | 8,796 | 711 | 8.80% | 0.55% | 0.53% |
| 4 | | | | | | | | |
| 5 | | Subtotal | 1,125,104 | 1,224,113 | 99,009 | 8.80% | 76.55% | 74.16% |
| 6 | | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | $ 47,024 | $ 55,123 | $ 8,099 | 17.22% | 3.20% | 3.34% |
| 8 | 1 Inch | Commercial | 54,875 | 64,970 | 10,094 | 18.40% | 3.73% | 3.94% |
| 9 | 1 1/2 Inch | Commercial | 18,582 | 22,678 | 4,096 | 22.05% | 1.26% | 1.37% |
| 10 | 2 Inch | Commercial | 56,017 | 67,598 | 11,581 | 20.67% | 3.81% | 4.09% |
| 11 | 3 Inch | Commercial | 7,306 | 8,338 | 1,032 | 14.13% | 0.50% | 0.51% |
| 12 | 4 Inch | Commercial | 63,195 | 83,995 | 20,800 | 32.91% | 4.30% | 5.09% |
| 13 | | | | | | | | |
| 14 | | Subtotal | $ 246,999 | $ 302,701 | $ 55,703 | 22.55% | 16.81% | 18.34% |
| 15 | | | | | | | | |
| 16 | 5/8X3/4 Inch | Commercial (SCUSD) | $ 1,164 | $ 1,266 | $ 102 | 8.80% | 0.08% | 0.08% |
| 17 | 2 Inch | Commercial (SCUSD) | 37,639 | 46,973 | 9,334 | 24.80% | 2.56% | 2.85% |
| 18 | 4 Inch | Commercial (SCUSD) | 10,668 | 13,428 | 2,760 | 25.87% | 0.73% | 0.81% |
| 19 | 6 Inch | Commercial (SCUSD) | 41,955 | 55,177 | 13,223 | 31.52% | 2.85% | 3.34% |
| 20 | | Subtotal | $ 91,426 | $ 116,845 | $ 25,419 | 27.80% | 6.22% | 7.08% |
| 21 | | | | | | | | |
| 22 | | | | | | | | |
| 23 | 5/8X3/4 Inch | Multi-tenant | $ 4,763 | $ 5,528 | 765 | 16.06% | 0.32% | 0.33% |
| 24 | 1 1/2 Inch | Multi-tenant | 1,389 | 1,557 | 168 | 12.13% | 0.09% | 0.09% |
| 25 | | | | | | | | |
| 26 | | Subtotal | 6,152 | 7,085 | 933 | 15.17% | 0.42% | 0.43% |
| 27 | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | | | | | | | |
| 30 | | | | | | | | |
| 31 | Total Revenues Before Annualization | | $ 1,469,680.7 | $ 1,650,745.2 | $ 181,064.5 | 12.32% | 100.00% | 100.00% |
| 32 | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 2
Witness: Bourassa

**Revenue Annualization**

| Line No. | Meter Size | Class | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Additional Bills |
|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | $ (1,372) | $ (1,493) | (121) | 0.00% | (28) |
| 2 | 3/4 Inch | Residential | 509 | 553 | 45 | 8.80% | 9 |
| 3 | 1 Inch | Residential | 1,037 | 1,128 | 91 | 8.80% | 15 |
| 4 | | | | | | | |
| 5 | | Subtotal | $ 173 | $ 188 | 15 | 8.80% | (4) |
| 6 | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | $ 63 | $ 73 | 10 | 15.07% | 1 |
| 8 | 1 Inch | Commercial | 529 | 607 | 78 | 14.84% | 6 |
| 9 | 1 1/2 Inch | Commercial | - | - | - | 0.00% | - |
| 10 | 2 Inch | Commercial | 7 | 10 | 3 | 36.80% | - |
| 11 | 3 Inch | Commercial | 58 | 80 | 21 | 36.80% | - |
| 12 | 4 Inch | Commercial | - | - | - | 0.00% | - |
| 13 | | | | | - | | |
| 14 | | Subtotal | $ 657 | $ 770 | 143 | 21.69% | 7 |
| 15 | | | | | | | |
| 16 | 5/8X3/4 Inch | Commercial (SCUSD) | $ (47) | $ (51) | (4) | 0.00% | (1) |
| 17 | 2 Inch | Commercial (SCUSD) | - | - | - | 0.00% | - |
| 18 | 4 Inch | Commercial (SCUSD) | - | - | - | 0.00% | - |
| 19 | 6 Inch | Commercial (SCUSD) | - | - | - | 0.00% | - |
| 20 | | Subtotal | $ (47) | $ (51) | $ (4) | 8.80% | 6 |
| 21 | | | | | | | |
| 22 | | | | | | | |
| 23 | 5/8X3/4 Inch | Multi-tenant | $ - | $ - | - | 0.00% | - |
| 24 | 1 1/2 Inch | Multi-tenant | - | - | - | 0.00% | - |
| 25 | | | | | | | |
| 26 | | Subtotal | $ - | $ - | - | 0.00% | - |
| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 | | | | | | | |
| 32 | Total Revenue Annualization | | $ 784 | $ 907 | $ 154 | 19.61% | 3 |
| 33 | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 3
Witness: Bourassa

| Line No. | | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Percent of Present WW Revenues | Percent of Proposed WW Revenues |
|---|---|---|---|---|---|---|---|
| 1 | Subtotal Revenues | $ 1,469,681 | $ 1,650,745 | $ 181,064 | 12.32% | 100.00% | 100.00% |
| 2 | Subtotal Revenue Annualization | 784 | 907 | 123.27 | 15.72% | 0.05% | 0.05% |
| 3 | Total Revenues | $ 1,470,465 | $ 1,651,652 | $ 181,188 | 12.32% | | |
| 4 | | | | | | | |
| 5 | Misc. Revenues | $ 7,468 | $ 7,468 | - | 0.00% | 0.51% | 0.45% |
| 6 | Reconciling Amount to GL | 390 | (81) | (471) | -120.77% | 0.03% | 0.00% |
| 7 | Total Water Revenues | $ 1,478,323 | $ 1,659,040 | $ 180,717 | 12.22% | 0.00% | 0.00% |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | WW Revenues per GL | $ 1,470,855 | | | | | |
| 12 | WW Revenues from BC | 1,469,681 | | | | | |
| 13 | Difference | $ 1,174 | | | | | |
| 14 | Revenue Accrual Fix | 23,000 | | | | | |
| 15 | GL Under-billing error | 9,695 | | | | | |
| 16 | Adjusted Difference | $ 33,869 | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | Tollerance (+/- 0.5%) | $ 7,354 | | | | | |
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| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 | | | | | | | |
| 32 | | | | | | | |
| 33 | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Customer Summary
**At 9.5% WACC**

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

| Line No. | Meter Size, Class | | (a) Average Number of Customers at 12/31/2014 | Average Consumption | Average Bill Present Rates | Average Bill Proposed Rates | Proposed Increase Dollar Amount | Proposed Increase Percent Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | 1,891 | - | $ 49.00 | $ 53.31 | 4.31 | 8.80% |
| 2 | 3/4 Inch | Residential | 7 | - | 56.50 | 61.47 | 4.97 | 8.80% |
| 3 | 1 Inch | Residential | 10 | - | 69.10 | 75.18 | 6.08 | 8.80% |
| 4 | | | | | | | | |
| 5 | | Subtotal | 1,908 | | | | | |
| 6 | | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | 56 | 7,841 | $ 53.20 | $ 59.06 | 5.86 | 11.01% |
| 8 | 1 Inch | Commercial | 44 | 11,948 | 93.84 | 109.03 | 15.19 | 16.18% |
| 9 | 1 1/2 Inch | Commercial | 8 | 24,573 | 189.86 | 231.17 | 41.31 | 21.76% |
| 10 | 2 Inch | Commercial | 19 | 25,785 | 235.43 | 282.44 | 47.02 | 19.97% |
| 11 | 3 Inch | Commercial | 2 | 17,667 | 299.83 | 341.15 | 41.32 | 13.78% |
| 12 | 4 Inch | Commercial | 2 | 460,542 | 2,633.11 | 3,499.78 | 866.67 | 32.91% |
| 13 | | | | | | | | |
| 14 | | Subtotal | 130 | | | | | |
| 15 | | | | | | | | |
| 16 | 5/8X3/4 Inch | Commercial (SCUSD) | 2 | 440 | $ 46.55 | $ 50.65 | 4.10 | 8.80% |
| 17 | 2 Inch | Commercial (SCUSD) | 10 | 44,392 | 312.04 | 389.23 | 77.19 | 24.74% |
| 18 | 4 Inch | Commercial (SCUSD) | 1 | 121,083 | 889.03 | 1,118.99 | 229.97 | 25.87% |
| 19 | 6 Inch | Commercial (SCUSD) | 1 | 604,167 | 3,496.22 | 4,598.12 | 1,101.90 | 31.52% |
| 20 | | Subtotal | 14 | | | | | |
| 21 | | | | | | | | |
| 22 | 5/8X3/4 Inch | Multi-tenant | 6 | 8,736 | $ 57.68 | $ 65.19 | 7.51 | 13.01% |
| 23 | 1 1/2 Inch | Multi-tenant | 1 | 9,250 | 113.25 | 126.37 | 13.12 | 11.58% |
| 24 | | Subtotal | 7 | | | | | |
| 25 | | | | | | | | |
| 26 | | | | | | | | |
| 27 | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | Total | 2,046 | | | | | |
| 30 | | | | | | | | |

31 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
32

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

| Line No. | Meter Size, Class | | (a) Average Number of Customers at 12/31/2014 | Median Consumption | Median Bill Present Rates | Median Bill Proposed Rates | Proposed Increase Dollar Amount | Proposed Increase Percent Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | 1,891 | - | $ 49.00 | $ 53.31 | 4.31 | 8.80% |
| 2 | 3/4 Inch | Residential | 7 | - | 56.50 | 61.47 | 4.97 | 8.80% |
| 3 | 1 Inch | Residential | 10 | - | 69.10 | 75.18 | 6.08 | 8.80% |
| 4 | | | | | | | | |
| 5 | | Subtotal | 1,908 | | | | | |
| 6 | | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | 56 | 4,000 | $ 49.00 | $ 53.31 | 4.31 | 8.80% |
| 8 | 1 Inch | Commercial | 44 | 7,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 9 | 1 1/2 Inch | Commercial | 8 | 13,500 | 134.50 | 155.44 | 20.94 | 15.57% |
| 10 | 2 Inch | Commercial | 19 | 8,000 | 146.50 | 160.79 | 14.29 | 9.76% |
| 11 | 3 Inch | Commercial | 2 | 26,500 | 344.00 | 401.57 | 57.57 | 16.74% |
| 12 | 4 Inch | Commercial | 2 | 330,500 | 1,982.90 | 2,610.30 | 627.40 | 31.64% |
| 13 | | | | | | | | |
| 14 | | Subtotal | 130 | | | | | |
| 15 | | | | | | | | |
| 16 | 5/8X3/4 Inch | Commercial (SCUSD) | 2 | 500 | $ 46.55 | $ 50.65 | 4.10 | 8.80% |
| 17 | 2 Inch | Commercial (SCUSD) | 10 | 58,500 | 265.05 | 324.95 | 59.90 | 22.60% |
| 18 | 4 Inch | Commercial (SCUSD) | 1 | 121,000 | 888.63 | 1,118.45 | 229.82 | 25.86% |
| 19 | 6 Inch | Commercial (SCUSD) | 1 | 654,000 | 3,732.93 | 4,921.94 | 1,189.01 | 31.85% |
| 20 | | Subtotal | 14 | | | | | |
| 21 | | | | | | | | |
| 22 | 5/8X3/4 Inch | Multi-tenant | 6 | 7,500 | $ 51.50 | $ 56.73 | 5.23 | 10.16% |
| 23 | 1 1/2 Inch | Multi-tenant | 1 | 8,500 | 109.50 | 121.24 | 11.74 | 10.72% |
| 24 | | Subtotal | 7 | | | | | |
| 25 | | | | | | | | |
| 26 | | | | | | | | |
| 27 | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | Total | 2,046 | | | | | |
| 30 | | | | | | | | |

31 **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.
32

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Bourassa

| Line No. | Monthly Minimum Charge for: | Present Rates[1,2] | Proposed Rates[1,2] | Change | Percent Change |
|---|---|---|---|---|---|
| 1 | Meter Size (All Classes): | | | | |
| 2 | 5/8 Inch | $ 49.00 | $ 53.31 | $ 4.31 | 8.80% |
| 2 | 3/4 Inch | 56.50 | 61.47 | 4.97 | 8.80% |
| 3 | 1 Inch | 69.10 | 75.18 | 6.08 | 8.80% |
| 4 | 1 1/2 Inch | 102.00 | 110.98 | 8.98 | 8.80% |
| 5 | 2 Inch | 141.50 | 153.95 | 12.45 | 8.80% |
| 6 | 3 Inch | 246.50 | 268.19 | 21.69 | 8.80% |
| 7 | 4 Inch | 365.40 | 397.56 | 32.16 | 8.80% |
| 8 | 6 Inch | 694.40 | 755.51 | 61.11 | 8.80% |
| 9 | 8 Inch | 1,057.78 | 1,150.86 | 93.08 | 8.80% |
| 10 | 10 Inch | 1,585.07 | 1,724.56 | 139.49 | 8.80% |
| 11 | 12 Inch | 2,254.08 | 2,452.44 | 198.36 | 8.80% |

| Line No. | Commodity Rates (Commercial and Multi-tenant Only)[1] | Block | (Per 1,000 gallons) Present Rates[1,2] | Proposed Rates[1,2] |
|---|---|---|---|---|
| 24 | All Meter Sizes | 0 gallons to 7,000 gallons | $ - | $ - |
| 25 | | over 7,000 gallons | $ 5.00 | $ 6.84 |

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

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

NT = No Tariff

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Changes in Representative Rate Schedules
Test Year Ended December 31, 2014

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Bourassa

| Line No. | Other Service Charges | Present Rates | Proposed Rates |
|---|---|---|---|
| 1 | Establishment | $ 15.00 | $ 25.00 |
| 2 | Reestablishment (within 12 months) | (1) | (1) |
| 3 | Reconnection (Delinquent) | $ 15.00 | (2) |
| 4 | Deposit | (3) | (3) |
| 5 | Deposit Interest | (4) | 6%(4) |
| 6 | NSF Check | $ 25.00 | $ 10.00 |
| 7 | Late Payment Penalty | 1.5% per month | 1.5% per month |
| 8 | Deferred Payment | 1.5% per month | 1.5% per month |
| 9 | Service Charge - after hours | $ 50.00 | $ 50.00 |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | (1) Per Commission Rule A.A.C. R14-2-603(D) - Months off the system times the monthly minimum. | | |
| 14 | (2) Per Commission Rule A.A.C. R-14-2-603(B) | | |
| 15 | (3) Per Commission Rule A.A.C. R-14-2-603(B) | | |
| 16 | (4) Per Commission Rule A.A.C. R14-2-603(D) - Months off the system times the monthly minimum. | | |
| 17 | | | |
| 18 | (a) At customers request. No charge for service during normal working hours. | | |
| 19 | | | |
| 20 | IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM | | |
| 21 | ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE | | |
| 22 | TAX. PER COMMISSION RULE 14-2-608D(5). | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Meter and Service Line Charges

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Bourassa

**Service Line Installation Charges**

| Service Line Size | Present Charge | Proposed Charge |
|---|---|---|
| 4 Inch | At Cost | At Cost |
| 6 Inch | At Cost | At Cost |
| 8 Inch | At Cost | At Cost |
| 10 Inch | At Cost | At Cost |
| 12 Inch | At Cost | At Cost |

N/T = No Tariff

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 1
Witness: Bourassa

| Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|
| $ 49.00 | $ 53.31 | $ 4.31 | 8.80% |

**Present Rates:**
Monthly Minimum: $ 49.00

**Proposed Rates:**
Monthly Minimum: $ 53.31

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 2
Witness: Bourassa

| Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|
| $ 56.50 | $ 61.47 | $ 4.97 | 8.80% |

**Present Rates:**
Monthly Minimum: $ 56.50

**Proposed Rates:**
Monthly Minimum: $ 61.47

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 3
Witness: Bourassa

| Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|
| $ 69.10 | $ 75.18 | $ 6.08 | 8.80% |

**Present Rates:**
Monthly Minimum: $ 69.10

**Proposed Rates:**
Monthly Minimum: $ 75.18

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 4
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 49.00 | $ 53.31 | $ 4.31 | 8.80% |
| 1,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 2,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 3,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 4,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 5,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 6,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 7,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 8,000 | 54.00 | 60.15 | 6.15 | 11.39% |
| 9,000 | 59.00 | 66.99 | 7.99 | 13.55% |
| 10,000 | 64.00 | 73.83 | 9.83 | 15.36% |
| 12,000 | 74.00 | 87.51 | 13.51 | 18.26% |
| 14,000 | 84.00 | 101.19 | 17.19 | 20.47% |
| 16,000 | 94.00 | 114.87 | 20.87 | 22.20% |
| 18,000 | 104.00 | 128.55 | 24.55 | 23.61% |
| 20,000 | 114.00 | 142.23 | 28.23 | 24.76% |
| 25,000 | 139.00 | 176.43 | 37.43 | 26.93% |
| 30,000 | 164.00 | 210.63 | 46.63 | 28.43% |
| 35,000 | 189.00 | 244.83 | 55.83 | 29.54% |
| 40,000 | 214.00 | 279.03 | 65.03 | 30.39% |
| 45,000 | 239.00 | 313.23 | 74.23 | 31.06% |
| 50,000 | 264.00 | 347.43 | 83.43 | 31.60% |
| 60,000 | 314.00 | 415.83 | 101.83 | 32.43% |
| 70,000 | 364.00 | 484.23 | 120.23 | 33.03% |
| 80,000 | 414.00 | 552.63 | 138.63 | 33.49% |
| 90,000 | 464.00 | 621.03 | 157.03 | 33.84% |
| 100,000 | 514.00 | 689.43 | 175.43 | 34.13% |
| Average Usage | | | | |
| 7,841 | $ 53.20 | $ 59.06 | $ 5.86 | 11.01% |
| Median Usage | | | | |
| 4,000 | $ 49.00 | $ 53.31 | $ 4.31 | 8.80% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 49.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 5.00 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 53.31 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.84 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 5
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 69.10 | $ 75.18 | $ 6.08 | 8.80% |
| 1,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 2,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 3,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 4,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 5,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 6,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 7,000 | 69.10 | 75.18 | 6.08 | 8.80% |
| 8,000 | 74.10 | 82.02 | 7.92 | 10.69% |
| 9,000 | 79.10 | 88.86 | 9.76 | 12.34% |
| 10,000 | 84.10 | 95.70 | 11.60 | 13.79% |
| 12,000 | 94.10 | 109.38 | 15.28 | 16.24% |
| 14,000 | 104.10 | 123.06 | 18.96 | 18.21% |
| 16,000 | 114.10 | 136.74 | 22.64 | 19.84% |
| 18,000 | 124.10 | 150.42 | 26.32 | 21.21% |
| 20,000 | 134.10 | 164.10 | 30.00 | 22.37% |
| 25,000 | 159.10 | 198.30 | 39.20 | 24.64% |
| 30,000 | 184.10 | 232.50 | 48.40 | 26.29% |
| 35,000 | 209.10 | 266.70 | 57.60 | 27.55% |
| 40,000 | 234.10 | 300.90 | 66.80 | 28.54% |
| 45,000 | 259.10 | 335.10 | 76.00 | 29.33% |
| 50,000 | 284.10 | 369.30 | 85.20 | 29.99% |
| 60,000 | 334.10 | 437.70 | 103.60 | 31.01% |
| 70,000 | 384.10 | 506.10 | 122.00 | 31.76% |
| 80,000 | 434.10 | 574.50 | 140.40 | 32.34% |
| 90,000 | 484.10 | 642.90 | 158.80 | 32.80% |
| 100,000 | 534.10 | 711.30 | 177.20 | 33.18% |
| Average Usage | | | | |
| 11,948 | $ 93.84 | $ 109.03 | $ 15.19 | 16.18% |
| Median Usage | | | | |
| 7,000 | $ 69.10 | $ 75.18 | $ 6.08 | 8.80% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 69.10 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 5.00 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 75.18 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.84 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 6
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 102.00 | $ 110.98 | $ 8.98 | 8.80% |
| 1,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 2,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 3,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 4,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 5,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 6,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 7,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 8,000 | 107.00 | 117.82 | 10.82 | 10.11% |
| 9,000 | 112.00 | 124.66 | 12.66 | 11.30% |
| 10,000 | 117.00 | 131.50 | 14.50 | 12.39% |
| 12,000 | 127.00 | 145.18 | 18.18 | 14.31% |
| 14,000 | 137.00 | 158.86 | 21.86 | 15.95% |
| 16,000 | 147.00 | 172.54 | 25.54 | 17.37% |
| 18,000 | 157.00 | 186.22 | 29.22 | 18.61% |
| 20,000 | 167.00 | 199.90 | 32.90 | 19.70% |
| 25,000 | 192.00 | 234.10 | 42.10 | 21.93% |
| 30,000 | 217.00 | 268.30 | 51.30 | 23.64% |
| 35,000 | 242.00 | 302.50 | 60.50 | 25.00% |
| 40,000 | 267.00 | 336.70 | 69.70 | 26.10% |
| 45,000 | 292.00 | 370.90 | 78.90 | 27.02% |
| 50,000 | 317.00 | 405.10 | 88.10 | 27.79% |
| 60,000 | 367.00 | 473.50 | 106.50 | 29.02% |
| 70,000 | 417.00 | 541.90 | 124.90 | 29.95% |
| 80,000 | 467.00 | 610.30 | 143.30 | 30.68% |
| 90,000 | 517.00 | 678.70 | 161.70 | 31.28% |
| 100,000 | 567.00 | 747.10 | 180.10 | 31.76% |
| Average Usage 24,573 | $ 189.86 | $ 231.17 | $ 41.31 | 21.76% |
| Median Usage 13,500 | $ 134.50 | $ 155.44 | $ 20.94 | 15.57% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 102.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 5.00 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 110.98 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.84 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 7
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 141.50 | $ 153.95 | $ 12.45 | 8.80% |
| 1,000 | 141.50 | 153.95 | 12.45 | 8.80% |
| 2,000 | 141.50 | 153.95 | 12.45 | 8.80% |
| 3,000 | 141.50 | 153.95 | 12.45 | 8.80% |
| 4,000 | 141.50 | 153.95 | 12.45 | 8.80% |
| 5,000 | 141.50 | 153.95 | 12.45 | 8.80% |
| 6,000 | 141.50 | 153.95 | 12.45 | 8.80% |
| 7,000 | 141.50 | 153.95 | 12.45 | 8.80% |
| 8,000 | 146.50 | 160.79 | 14.29 | 9.76% |
| 9,000 | 151.50 | 167.63 | 16.13 | 10.65% |
| 10,000 | 156.50 | 174.47 | 17.97 | 11.48% |
| 12,000 | 166.50 | 188.15 | 21.65 | 13.00% |
| 14,000 | 176.50 | 201.83 | 25.33 | 14.35% |
| 16,000 | 186.50 | 215.51 | 29.01 | 15.56% |
| 18,000 | 196.50 | 229.19 | 32.69 | 16.64% |
| 20,000 | 206.50 | 242.87 | 36.37 | 17.61% |
| 25,000 | 231.50 | 277.07 | 45.57 | 19.69% |
| 30,000 | 256.50 | 311.27 | 54.77 | 21.35% |
| 35,000 | 281.50 | 345.47 | 63.97 | 22.73% |
| 40,000 | 306.50 | 379.67 | 73.17 | 23.87% |
| 45,000 | 331.50 | 413.87 | 82.37 | 24.85% |
| 50,000 | 356.50 | 448.07 | 91.57 | 25.69% |
| 60,000 | 406.50 | 516.47 | 109.97 | 27.05% |
| 70,000 | 456.50 | 584.87 | 128.37 | 28.12% |
| 80,000 | 506.50 | 653.27 | 146.77 | 28.98% |
| 90,000 | 556.50 | 721.67 | 165.17 | 29.68% |
| 100,000 | 606.50 | 790.07 | 183.57 | 30.27% |
| Average Usage | | | | |
| 25,785 | $ 235.43 | $ 282.44 | $ 47.02 | 19.97% |
| Median Usage | | | | |
| 8,000 | $ 146.50 | $ 160.79 | $ 14.29 | 9.76% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 141.50 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 5.00 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 153.95 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.84 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 8
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 246.50 | $ 268.19 | $ 21.69 | 8.80% |
| 1,000 | 246.50 | 268.19 | 21.69 | 8.80% |
| 2,000 | 246.50 | 268.19 | 21.69 | 8.80% |
| 3,000 | 246.50 | 268.19 | 21.69 | 8.80% |
| 4,000 | 246.50 | 268.19 | 21.69 | 8.80% |
| 5,000 | 246.50 | 268.19 | 21.69 | 8.80% |
| 6,000 | 246.50 | 268.19 | 21.69 | 8.80% |
| 7,000 | 246.50 | 268.19 | 21.69 | 8.80% |
| 8,000 | 251.50 | 275.03 | 23.53 | 9.36% |
| 9,000 | 256.50 | 281.87 | 25.37 | 9.89% |
| 10,000 | 261.50 | 288.71 | 27.21 | 10.41% |
| 12,000 | 271.50 | 302.39 | 30.89 | 11.38% |
| 14,000 | 281.50 | 316.07 | 34.57 | 12.28% |
| 16,000 | 291.50 | 329.75 | 38.25 | 13.12% |
| 18,000 | 301.50 | 343.43 | 41.93 | 13.91% |
| 20,000 | 311.50 | 357.11 | 45.61 | 14.64% |
| 25,000 | 336.50 | 391.31 | 54.81 | 16.29% |
| 30,000 | 361.50 | 425.51 | 64.01 | 17.71% |
| 35,000 | 386.50 | 459.71 | 73.21 | 18.94% |
| 40,000 | 411.50 | 493.91 | 82.41 | 20.03% |
| 45,000 | 436.50 | 528.11 | 91.61 | 20.99% |
| 50,000 | 461.50 | 562.31 | 100.81 | 21.84% |
| 60,000 | 511.50 | 630.71 | 119.21 | 23.31% |
| 70,000 | 561.50 | 699.11 | 137.61 | 24.51% |
| 80,000 | 611.50 | 767.51 | 156.01 | 25.51% |
| 90,000 | 661.50 | 835.91 | 174.41 | 26.37% |
| 100,000 | 711.50 | 904.31 | 192.81 | 27.10% |
| Average Usage | | | | |
| 17,667 | $ 299.83 | $ 341.15 | $ 41.32 | 13.78% |
| Median Usage | | | | |
| 26,500 | $ 344.00 | $ 401.57 | $ 57.57 | 16.74% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 246.50 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 5.00 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 268.19 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.84 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 4 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 9
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 365.40 | $ 397.56 | $ 32.16 | 8.80% |
| 1,000 | 365.40 | 397.56 | 32.16 | 8.80% |
| 2,000 | 365.40 | 397.56 | 32.16 | 8.80% |
| 3,000 | 365.40 | 397.56 | 32.16 | 8.80% |
| 4,000 | 365.40 | 397.56 | 32.16 | 8.80% |
| 5,000 | 365.40 | 397.56 | 32.16 | 8.80% |
| 6,000 | 365.40 | 397.56 | 32.16 | 8.80% |
| 7,000 | 365.40 | 397.56 | 32.16 | 8.80% |
| 8,000 | 370.40 | 404.40 | 34.00 | 9.18% |
| 9,000 | 375.40 | 411.24 | 35.84 | 9.55% |
| 10,000 | 380.40 | 418.08 | 37.68 | 9.90% |
| 12,000 | 390.40 | 431.76 | 41.36 | 10.59% |
| 14,000 | 400.40 | 445.44 | 45.04 | 11.25% |
| 16,000 | 410.40 | 459.12 | 48.72 | 11.87% |
| 18,000 | 420.40 | 472.80 | 52.40 | 12.46% |
| 20,000 | 430.40 | 486.48 | 56.08 | 13.03% |
| 25,000 | 455.40 | 520.68 | 65.28 | 14.33% |
| 30,000 | 480.40 | 554.88 | 74.48 | 15.50% |
| 35,000 | 505.40 | 589.08 | 83.68 | 16.56% |
| 40,000 | 530.40 | 623.28 | 92.88 | 17.51% |
| 45,000 | 555.40 | 657.48 | 102.08 | 18.38% |
| 50,000 | 580.40 | 691.68 | 111.28 | 19.17% |
| 60,000 | 630.40 | 760.08 | 129.68 | 20.57% |
| 70,000 | 680.40 | 828.48 | 148.08 | 21.76% |
| 80,000 | 730.40 | 896.88 | 166.48 | 22.79% |
| 90,000 | 780.40 | 965.28 | 184.88 | 23.69% |
| 100,000 | 830.40 | 1,033.68 | 203.28 | 24.48% |
| Average Usage | | | | |
| 460,542 | $ 2,633.11 | $ 3,499.78 | $ 866.67 | 32.91% |
| Median Usage | | | | |
| 330,500 | $ 1,982.90 | $ 2,610.30 | $ 627.40 | 31.64% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 365.40 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 5.00 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 397.56 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.84 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Commercial (SCUSD)

Exhibit
Rebuttal Schedule H-4
Page 10
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 46.55 | $ 50.65 | $ 4.10 | 8.80% |
| 1,000 | 46.55 | 50.65 | 4.10 | 8.80% |
| 2,000 | 46.55 | 50.65 | 4.10 | 8.80% |
| 3,000 | 46.55 | 50.65 | 4.10 | 8.80% |
| 4,000 | 46.55 | 50.65 | 4.10 | 8.80% |
| 5,000 | 46.55 | 50.65 | 4.10 | 8.80% |
| 6,000 | 46.55 | 50.65 | 4.10 | 8.80% |
| 7,000 | 46.55 | 50.65 | 4.10 | 8.80% |
| 8,000 | 51.30 | 57.14 | 5.84 | 11.39% |
| 9,000 | 56.05 | 63.64 | 7.59 | 13.55% |
| 10,000 | 60.80 | 70.14 | 9.34 | 15.36% |
| 12,000 | 70.30 | 83.14 | 12.84 | 18.26% |
| 14,000 | 79.80 | 96.13 | 16.33 | 20.47% |
| 16,000 | 89.30 | 109.13 | 19.83 | 22.20% |
| 18,000 | 98.80 | 122.12 | 23.32 | 23.61% |
| 20,000 | 108.30 | 135.12 | 26.82 | 24.76% |
| 25,000 | 132.05 | 167.61 | 35.56 | 26.93% |
| 30,000 | 155.80 | 200.10 | 44.30 | 28.43% |
| 35,000 | 179.55 | 232.59 | 53.04 | 29.54% |
| 40,000 | 203.30 | 265.08 | 61.78 | 30.39% |
| 45,000 | 227.05 | 297.57 | 70.52 | 31.06% |
| 50,000 | 250.80 | 330.06 | 79.26 | 31.60% |
| 60,000 | 298.30 | 395.04 | 96.74 | 32.43% |
| 70,000 | 345.80 | 460.02 | 114.22 | 33.03% |
| 80,000 | 393.30 | 525.00 | 131.70 | 33.49% |
| 90,000 | 440.80 | 589.98 | 149.18 | 33.84% |
| 100,000 | 488.30 | 654.96 | 166.66 | 34.13% |
| Average Usage | | | | |
| 440 | $ 46.55 | $ 50.65 | $ 4.10 | 8.80% |
| Median Usage | | | | |
| - | $ 46.55 | $ 50.65 | $ 4.10 | 8.80% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 46.55 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 4.75 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 50.65 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.50 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial (SCUSD)

Exhibit
Rebuttal Schedule H-4
Page 11
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 134.43 | $ 146.25 | $ 11.83 | 8.80% |
| 1,000 | 134.43 | 146.25 | 11.83 | 8.80% |
| 2,000 | 134.43 | 146.25 | 11.83 | 8.80% |
| 3,000 | 134.43 | 146.25 | 11.83 | 8.80% |
| 4,000 | 134.43 | 146.25 | 11.83 | 8.80% |
| 5,000 | 134.43 | 146.25 | 11.83 | 8.80% |
| 6,000 | 134.43 | 146.25 | 11.83 | 8.80% |
| 7,000 | 134.43 | 146.25 | 11.83 | 8.80% |
| 8,000 | 139.18 | 152.75 | 13.58 | 9.76% |
| 9,000 | 143.93 | 159.25 | 15.33 | 10.65% |
| 10,000 | 148.68 | 165.75 | 17.07 | 11.48% |
| 12,000 | 158.18 | 178.74 | 20.57 | 13.00% |
| 14,000 | 167.68 | 191.74 | 24.07 | 14.35% |
| 16,000 | 177.18 | 204.74 | 27.56 | 15.56% |
| 18,000 | 186.68 | 217.73 | 31.06 | 16.64% |
| 20,000 | 196.18 | 230.73 | 34.55 | 17.61% |
| 25,000 | 219.93 | 263.22 | 43.29 | 19.69% |
| 30,000 | 243.68 | 295.71 | 52.03 | 21.35% |
| 35,000 | 267.43 | 328.20 | 60.77 | 22.73% |
| 40,000 | 291.18 | 360.69 | 69.51 | 23.87% |
| 45,000 | 314.93 | 393.18 | 78.25 | 24.85% |
| 50,000 | 338.68 | 425.67 | 86.99 | 25.69% |
| 60,000 | 386.18 | 490.65 | 104.47 | 27.05% |
| 70,000 | 433.68 | 555.63 | 121.95 | 28.12% |
| 80,000 | 481.18 | 620.61 | 139.43 | 28.98% |
| 90,000 | 528.68 | 685.59 | 156.91 | 29.68% |
| 100,000 | 576.18 | 750.57 | 174.39 | 30.27% |
| Average Usage | | | | |
| 44,392 | $ 312.04 | $ 389.23 | $ 77.19 | 24.74% |
| Median Usage | | | | |
| 34,500 | $ 265.05 | $ 324.95 | $ 59.90 | 22.60% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 134.43 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 4.75 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 146.25 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.50 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 4 Inch Commercial (SCUSD)

Exhibit
Rebuttal Schedule H-4
Page 12
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 347.13 | $ 377.68 | $ 30.55 | 8.80% |
| 1,000 | 347.13 | 377.68 | 30.55 | 8.80% |
| 2,000 | 347.13 | 377.68 | 30.55 | 8.80% |
| 3,000 | 347.13 | 377.68 | 30.55 | 8.80% |
| 4,000 | 347.13 | 377.68 | 30.55 | 8.80% |
| 5,000 | 347.13 | 377.68 | 30.55 | 8.80% |
| 6,000 | 347.13 | 377.68 | 30.55 | 8.80% |
| 7,000 | 347.13 | 377.68 | 30.55 | 8.80% |
| 8,000 | 351.88 | 384.18 | 32.30 | 9.18% |
| 9,000 | 356.63 | 390.67 | 34.04 | 9.55% |
| 10,000 | 361.38 | 397.17 | 35.79 | 9.90% |
| 12,000 | 370.88 | 410.17 | 39.29 | 10.59% |
| 14,000 | 380.38 | 423.16 | 42.78 | 11.25% |
| 16,000 | 389.88 | 436.16 | 46.28 | 11.87% |
| 18,000 | 399.38 | 449.16 | 49.78 | 12.46% |
| 20,000 | 408.88 | 462.15 | 53.27 | 13.03% |
| 25,000 | 432.63 | 494.64 | 62.01 | 14.33% |
| 30,000 | 456.38 | 527.13 | 70.75 | 15.50% |
| 35,000 | 480.13 | 559.62 | 79.49 | 16.56% |
| 40,000 | 503.88 | 592.11 | 88.23 | 17.51% |
| 45,000 | 527.63 | 624.60 | 96.97 | 18.38% |
| 50,000 | 551.38 | 657.09 | 105.71 | 19.17% |
| 60,000 | 598.88 | 722.07 | 123.19 | 20.57% |
| 70,000 | 646.38 | 787.05 | 140.67 | 21.76% |
| 80,000 | 693.88 | 852.03 | 158.15 | 22.79% |
| 90,000 | 741.38 | 917.01 | 175.63 | 23.69% |
| 100,000 | 788.88 | 981.99 | 193.11 | 24.48% |
| Average Usage | | | | |
| 121,083 | $ 889.03 | $ 1,118.99 | $ 229.97 | 25.87% |
| Median Usage | | | | |
| 121,000 | $ 888.63 | $ 1,118.45 | $ 229.82 | 25.86% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 347.13 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 4.75 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 377.68 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.50 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 6 Inch Commercial (SCUSD)

Exhibit
Rebuttal Schedule H-4
Page 13
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 659.68 | $ 717.73 | $ 58.05 | 8.80% |
| 1,000 | 659.68 | 717.73 | 58.05 | 8.80% |
| 2,000 | 659.68 | 717.73 | 58.05 | 8.80% |
| 3,000 | 659.68 | 717.73 | 58.05 | 8.80% |
| 4,000 | 659.68 | 717.73 | 58.05 | 8.80% |
| 5,000 | 659.68 | 717.73 | 58.05 | 8.80% |
| 6,000 | 659.68 | 717.73 | 58.05 | 8.80% |
| 7,000 | 659.68 | 717.73 | 58.05 | 8.80% |
| 8,000 | 664.43 | 724.23 | 59.80 | 9.00% |
| 9,000 | 669.18 | 730.73 | 61.55 | 9.20% |
| 10,000 | 673.93 | 737.23 | 63.30 | 9.39% |
| 12,000 | 683.43 | 750.22 | 66.79 | 9.77% |
| 14,000 | 692.93 | 763.22 | 70.29 | 10.14% |
| 16,000 | 702.43 | 776.21 | 73.78 | 10.50% |
| 18,000 | 711.93 | 789.21 | 77.28 | 10.85% |
| 20,000 | 721.43 | 802.21 | 80.78 | 11.20% |
| 25,000 | 745.18 | 834.70 | 89.52 | 12.01% |
| 30,000 | 768.93 | 867.19 | 98.26 | 12.78% |
| 35,000 | 792.68 | 899.68 | 107.00 | 13.50% |
| 40,000 | 816.43 | 932.17 | 115.74 | 14.18% |
| 45,000 | 840.18 | 964.66 | 124.48 | 14.82% |
| 50,000 | 863.93 | 997.15 | 133.22 | 15.42% |
| 60,000 | 911.43 | 1,062.13 | 150.70 | 16.53% |
| 70,000 | 958.93 | 1,127.11 | 168.18 | 17.54% |
| 80,000 | 1,006.43 | 1,192.09 | 185.66 | 18.45% |
| 90,000 | 1,053.93 | 1,257.07 | 203.14 | 19.27% |
| 100,000 | 1,101.43 | 1,322.05 | 220.62 | 20.03% |
| Average Usage | | | | |
| 604,167 | $ 3,496.22 | $ 4,598.12 | $ 1,101.90 | 31.52% |
| Median Usage | | | | |
| 654,000 | $ 3,732.93 | $ 4,921.94 | $ 1,189.01 | 31.85% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 659.68 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 4.75 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 717.73 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.50 |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Multi-Tenant

Exhibit
Rebuttal Schedule H-4
Page 14
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 49.00 | $ 53.31 | $ 4.31 | 8.80% |
| 1,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 2,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 3,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 4,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 5,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 6,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 7,000 | 49.00 | 53.31 | 4.31 | 8.80% |
| 8,000 | 54.00 | 60.15 | 6.15 | 11.39% |
| 9,000 | 59.00 | 66.99 | 7.99 | 13.55% |
| 10,000 | 64.00 | 73.83 | 9.83 | 15.36% |
| 12,000 | 74.00 | 87.51 | 13.51 | 18.26% |
| 14,000 | 84.00 | 101.19 | 17.19 | 20.47% |
| 16,000 | 94.00 | 114.87 | 20.87 | 22.20% |
| 18,000 | 104.00 | 128.55 | 24.55 | 23.61% |
| 20,000 | 114.00 | 142.23 | 28.23 | 24.76% |
| 25,000 | 139.00 | 176.43 | 37.43 | 26.93% |
| 30,000 | 164.00 | 210.63 | 46.63 | 28.43% |
| 35,000 | 189.00 | 244.83 | 55.83 | 29.54% |
| 40,000 | 214.00 | 279.03 | 65.03 | 30.39% |
| 45,000 | 239.00 | 313.23 | 74.23 | 31.06% |
| 50,000 | 264.00 | 347.43 | 83.43 | 31.60% |
| 60,000 | 314.00 | 415.83 | 101.83 | 32.43% |
| 70,000 | 364.00 | 484.23 | 120.23 | 33.03% |
| 80,000 | 414.00 | 552.63 | 138.63 | 33.49% |
| 90,000 | 464.00 | 621.03 | 157.03 | 33.84% |
| 100,000 | 514.00 | 689.43 | 175.43 | 34.13% |
| Average Usage 8,736 | $ 57.68 | $ 65.19 | $ 7.51 | 13.01% |
| Median Usage 7,500 | $ 51.50 | $ 56.73 | $ 5.23 | 10.16% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 49.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Up to | 99,999,999 | $ | 5.00 |
| Over | 99,999,999 | $ | - |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 53.31 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Up to | 99,999,999 | $ | 6.84 |
| Over | 99,999,999 | $ | - |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Multi-Tenant

Exhibit
Rebuttal Schedule H-4
Page 15
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 102.00 | $ 110.98 | $ 8.98 | 8.80% |
| 1,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 2,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 3,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 4,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 5,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 6,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 7,000 | 102.00 | 110.98 | 8.98 | 8.80% |
| 8,000 | 107.00 | 117.82 | 10.82 | 10.11% |
| 9,000 | 112.00 | 124.66 | 12.66 | 11.30% |
| 10,000 | 117.00 | 131.50 | 14.50 | 12.39% |
| 12,000 | 127.00 | 145.18 | 18.18 | 14.31% |
| 14,000 | 137.00 | 158.86 | 21.86 | 15.95% |
| 16,000 | 147.00 | 172.54 | 25.54 | 17.37% |
| 18,000 | 157.00 | 186.22 | 29.22 | 18.61% |
| 20,000 | 167.00 | 199.90 | 32.90 | 19.70% |
| 25,000 | 192.00 | 234.10 | 42.10 | 21.93% |
| 30,000 | 217.00 | 268.30 | 51.30 | 23.64% |
| 35,000 | 242.00 | 302.50 | 60.50 | 25.00% |
| 40,000 | 267.00 | 336.70 | 69.70 | 26.10% |
| 45,000 | 292.00 | 370.90 | 78.90 | 27.02% |
| 50,000 | 317.00 | 405.10 | 88.10 | 27.79% |
| 60,000 | 367.00 | 473.50 | 106.50 | 29.02% |
| 70,000 | 417.00 | 541.90 | 124.90 | 29.95% |
| 80,000 | 467.00 | 610.30 | 143.30 | 30.68% |
| 90,000 | 517.00 | 678.70 | 161.70 | 31.28% |
| 100,000 | 567.00 | 747.10 | 180.10 | 31.76% |
| Average Usage | | | | |
| 9,250 | $ 113.25 | $ 126.37 | $ 13.12 | 11.58% |
| Median Usage | | | | |
| 8,500 | $ 109.50 | $ 121.24 | $ 11.74 | 10.72% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 102.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 5.00 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 110.98 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 7,000 | $ | - |
| Over | 7,000 | $ | 6.84 |

# LIBERTY BELLA VISTA
# RATE BASE SCHEDULES

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

| Line No. | | |
|---|---|---|
| 1 | Fair Value Rate Base | $ 11,616,198 |
| 2 | | |
| 3 | Adjusted Operating Income | 271,590 |
| 4 | | |
| 5 | Current Rate of Return | 2.34% |
| 6 | | |
| 7 | Required Operating Income | $ 1,063,811 |
| 8 | | |
| 9 | Required Rate of Return on Fair Value Rate Base | 9.16% |
| 10 | | |
| 11 | Operating Income Deficiency | $ 792,221 |
| 12 | | |
| 13 | Gross Revenue Conversion Factor | 1.6228 |
| 14 | | |
| 15 | Increase in Gross Revenue | |
| 16 | Requirement | $ 1,285,580 |
| 17 | | |
| 18 | Adjusted Test Year Revenues | $ 4,557,697 |
| 19 | Increase in Gross Revenue Revenue Requirement | $ 1,285,580 |
| 20 | Proposed Revenue Requirement | $ 5,843,277 |
| 21 | % Increase | 28.21% |
| 22 | | |

| 23 | Customer | | Present | Proposed | Dollar | Percent |
|---|---|---|---|---|---|---|
| 24 | Classification | | Rates | Rates | Increase | Increase |
| 25 | 5/8X3/4 Inch | Residential | $ 2,723,332 | $ 3,468,051 | $ 744,719 | 27.35% |
| 26 | 3/4 Inch | Residential | 28,247 | 47,379 | 19,131 | 67.73% |
| 27 | 1 Inch | Residential | 4,815 | 6,382 | 1,567 | 32.54% |
| 28 | | | | | | |
| 29 | | Subtotal | $ 2,756,394 | $ 3,521,812 | $ 765,417 | 27.77% |
| 30 | | | | | | |
| 31 | 5/8X3/4 Inch | Commercial | $ 122,357 | $ 157,457 | $ 35,100 | 28.69% |
| 32 | 3/4 Inch | Commercial | 1,347 | 1,670 | 323 | 23.95% |
| 33 | 1 Inch | Commercial | 121,081 | 160,739 | 39,658 | 32.75% |
| 34 | 1 1/2 Inch | Commercial | 195,802 | 260,458 | 64,656 | 33.02% |
| 35 | 2 Inch | Commercial | 1,020,829 | 1,326,306 | 305,477 | 29.92% |
| 36 | 3 Inch | Commercial | 186,072 | 241,675 | 55,603 | 29.88% |
| 37 | 4 Inch | Commercial | 77,948 | 101,844 | 23,896 | 30.66% |
| 38 | 6 Inch | Commercial | 11,067 | 13,695 | 2,627 | 23.74% |
| 39 | 8 Inch | Commercial | 14,704 | 17,880 | 3,176 | 21.60% |
| 40 | | Subtotal | $ 1,751,208 | $ 2,281,725 | $ 530,516 | 30.29% |
| 41 | | | | | | |
| 42 | 3 Inch | Hydrant | $ 46,250 | $ 55,366 | $ 9,116 | 19.71% |
| 43 | | Fire Lines 4 Inch | 16,100 | 16,100 | - | 0.00% |
| 44 | | Fire Lines 6 Inch | 6,315 | 6,315 | - | 0.00% |
| 45 | | Fire Lines 8 Inch | 2,940 | 2,940 | - | 0.00% |
| 46 | | | | | | |
| 47 | Usage Normalization Adjustment | | (159,530) | (190,460) | (30,930) | 19.39% |
| 48 | Revenue Annualization | | 41,402 | 53,790 | 12,388 | 29.92% |
| 49 | **Subtotal** | | $ 4,461,080 | $ 5,747,587 | $ 1,286,507 | 28.84% |
| 50 | | | | | | |
| 51 | Other Water Revenues | | 94,478 | 94,478 | - | 0.00% |
| 52 | Reconciling Amount | | 2,139 | 1,212 | (927) | -43.34% |
| 53 | Rounding | | | | - | 0.00% |
| 54 | **Total of Water Revenues** | | $ 4,557,697 | $ 5,843,277 | $ 1,285,580 | 28.21% |
| 55 | | | | | | |
| 56 | | | | | | |
| 57 | SUPPORTING SCHEDULES: | | | | | |
| 58 | B-1 | | | | | |
| 59 | C-1 | | | | | |
| 60 | C-3 | | | | | |
| 61 | H-1 | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

| Line No. | | Original Cost Rate base | Fair Value Rate Base |
|---|---|---|---|
| 1 | | | |
| 2 | Gross Utility Plant in Service | $ 37,583,565 | $ 37,583,565 |
| 3 | Less: Accumulated Depreciation | 14,446,017 | 14,446,017 |
| 4 | | | |
| 5 | Net Utility Plant in Service | $ 23,137,547 | $ 23,137,547 |
| 6 | | | |
| 7 | Less: | | |
| 8 | Advances in Aid of Construction | 8,595,621 | 8,595,621 |
| 9 | | | |
| 10 | Contributions in Aid of Construction | 1,080,442 | 1,080,442 |
| 11 | | | |
| 12 | Accumulated Amortization of CIAC | (337,988) | (337,988) |
| 13 | | | |
| 14 | Customer Meter Deposits | 408,155 | 408,155 |
| 15 | Custmer Security Deposits | 15,077 | 15,077 |
| 16 | Accumulated Deferred Income Tax | 1,847,354 | 1,847,354 |
| 17 | | | |
| 18 | | | |
| 19 | Plus: | | |
| 20 | | | |
| 21 | Deferred Regulatory Assets TCE Plume | - | - |
| 22 | Prepayments | 1,855 | 1,855 |
| 23 | Materials and Supplies | - | - |
| 24 | Working capital | 85,456 | 85,456 |
| 25 | | | |
| 26 | Total Rate Base | $ 11,616,198 | $ 11,616,198 |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | SUPPORTING SCHEDULES: | | |
| 42 | B-2 | | |
| 43 | B-3 | | |
| 44 | B-5 | | |
| 45 | | | |
| 46 | | | |
| 47 | | | |
| 48 | | | |
| 49 | | | |
| 50 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

| Line No. | | Adjusted at end of Test Year | Proforma Adjustment | Rebuttal Adjusted at end of Test Year |
|---|---|---|---|---|
| 1 | Gross Utility | | | |
| 2 | Plant in Service | $ 37,612,452 | (28,887) | $ 37,583,565 |
| 3 | | | | |
| 4 | **Less:** | | | |
| 5 | Accumulated | | | |
| 6 | Depreciation | 14,375,372 | 70,645 | 14,446,017 |
| 7 | | | | |
| 8 | | | | |
| 9 | Net Utility Plant | | | |
| 10 | in Service | $ 23,237,079 | | $ 23,137,547 |
| 11 | | | | |
| 12 | **Less:** | | | |
| 13 | Advances in Aid of | | | |
| 14 | Construction | 9,114,847 | (519,226) | 8,595,621 |
| 15 | | | | |
| 16 | Contributions in Aid of | | | |
| 17 | Construction - Gross | 579,988 | 500,454 | 1,080,442 |
| 18 | | | | |
| 19 | Accumulated Amortization of CIAC | (304,864) | (33,125) | (337,988) |
| 20 | | | | |
| 21 | Customer Meter Deposits | 408,155 | - | 408,155 |
| 22 | Custmer Security Deposits | 15,077 | - | 15,077 |
| 23 | Accumulated Deferred Income Tax | 381,189 | 1,466,165 | 1,847,354 |
| 24 | | | | - |
| 25 | | | | - |
| 26 | | | | |
| 27 | **Plus:** | | | |
| 28 | | | | |
| 29 | Deferred Regulatory Assets | - | | - |
| 30 | Prepayments | 1,855 | | 1,855 |
| 31 | Materials and Supplies | - | | - |
| 32 | Working capital | 160,647 | (75,191) | 85,456 |
| 33 | | | | - |
| 34 | | | | |
| 35 | Total | $ 13,205,189 | | $ 11,616,198 |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | | | | |
| 42 | | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | | | | |
| 46 | SUPPORTING SCHEDULES: | | | RECAP SCHEDULES: |
| 47 | B-2, pages 2 | | | B-1 |
| 48 | | | | |
| 49 | | | | |
| 50 | | | | |
| 51 | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

| Line No. | | Adjusted at end of Test Year | Proforma Adjustments 1 Plant-in-Service | 2 Accumulated Depreciation | 3 CIAC | 4 AIAC | 5 ADIT | 6 Cash Working Capital | Rebuttal Adjusted at end of Test Year |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Gross Utility | | | | | | | | |
| 2 | Plant in Service | $ 37,612,452 | (28,887) | | | | | | $ 37,583,565 |
| 3 | | | | | | | | | |
| 4 | **Less:** | | | | | | | | |
| 5 | Accumulated | | | | | | | | |
| 6 | Depreciation | 14,375,372 | | 70,645 | | | | | 14,446,017 |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | Net Utility Plant | | | | | | | | |
| 10 | in Service | $ 23,237,079 | $ (28,887) | $ (70,645) | $ - | $ - | $ - | $ - | $ 23,137,547 |
| 11 | | | | | | | | | |
| 12 | **Less:** | | | | | | | | |
| 13 | Advances in Aid of | | | | | | | | |
| 14 | Construction | 9,114,847 | | | | (519,226) | | | 8,595,621 |
| 15 | | | | | | | | | |
| 16 | Contributions in Aid of | | | | | | | | |
| 17 | Construction (CIAC) | 579,988 | | | 500,454 | | | | 1,080,442 |
| 18 | | | | | | | | | |
| 19 | Accumulated Amort of CIAC | (304,864) | | | (33,125) | | | | (337,988) |
| 20 | | | | | | | | | |
| 21 | Customer Meter Deposits | 408,155 | | | | | | | 408,155 |
| 22 | Customer Security Deposits | 15,077 | | | | | | | 15,077 |
| 23 | Accumulated Deferred Income Taxes | 381,189 | | | | | 1,466,165 | | 1,847,354 |
| 24 | | | | | | | | | |
| 25 | | | | | | | | | |
| 26 | **Plus:** | | | | | | | | |
| 27 | | | | | | | | | |
| 28 | Deferred Regulatory Assets | - | | | | | | | - |
| 29 | Prepayments | 1,855 | | | | | | | 1,855 |
| 30 | Materials and Supplies | - | | | | | | | - |
| 31 | Allowance for Cash Working Capital | 160,647 | | | | | | (75,191) | 85,456 |
| 32 | | | | | | | | | |
| 33 | Total | $ 13,205,189 | $ (28,887) | $ (70,645) | $ (467,330) | $ 519,226 | $ (1,466,165) | $ (75,191) | $ 11,616,198 |
| 34 | | | | | | | | | |
| 35 | | | | | | | | | |
| 36 | | | | | | | | | |
| 37 | SUPPORTING SCHEDULES: | | | | | | RECAP SCHEDULES: | | |
| 38 | B-2, pages 3-7 | | | | | | B-1 | | |
| 39 | | | | | | | | | |
| 40 | | | | | | | | | |
| 41 | | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

| Line No. | Acct. No. | Description | Adjusted Original Cost | A Plant Reclass | B Unsupported Plant | C Plant True-up | D Plant Addition Correction | E Retirements | F Corporate Plant | H Adjustments to Reconcile Plant to Reconstruction | Rebuttal Adjusted Original Cost |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 101 | Plant -in-Service | - | | | | | | | - | - |
| 7 | 301 | Organization Cost | - | - | - | - | - | - | | - | - |
| 8 | 302 | Franchise Cost | 98,989 | - | - | - | - | - | | - | 98,989 |
| 9 | 303 | Land and Land Rights | 688,011 | - | - | - | - | - | | - | 688,011 |
| 10 | 304 | Structures and Improvements | 4,294,328 | (119,288) | - | (168,312) | - | - | | 3 | 4,006,731 |
| 11 | 305 | Collecting and Impounding Res. | 46,813 | - | - | - | - | - | | (0) | 46,813 |
| 12 | 306 | Lake River and Other Intakes | - | - | - | - | - | - | | - | - |
| 13 | 307 | Wells and Springs | 1,692,408 | (31,527) | - | 12,291 | - | - | | - | 1,673,171 |
| 14 | 308 | Infiltration Galleries and Tunnels | - | - | - | - | - | - | | - | - |
| 15 | 309 | Supply Mains | 432,050 | - | - | 2,180 | - | - | | - | 434,230 |
| 16 | 310 | Power Generation Equipment | 195,696 | - | - | (561) | - | - | | - | 195,135 |
| 17 | 311 | Electric Pumping Equipment | 3,195,256 | 48,697 | (1,424) | 55,590 | - | (36,183) | | - | 3,261,936 |
| 18 | 320 | Water Treatment Equipment | 117,674 | (41,228) | - | - | - | - | | - | 76,446 |
| 19 | 320.1 | Water Treatment Plant | - | - | - | 777 | - | - | | - | 777 |
| 20 | 320.2 | Chemical Solution Feeders | - | 41,228 | - | 429 | - | - | | - | 41,657 |
| 21 | 330 | Dist. Reservoirs & Standpipe | 3,195,343 | (557,577) | - | - | - | - | | 1 | 2,637,767 |
| 22 | 330.1 | Storage tanks | - | 526,889 | - | - | - | - | | - | 526,889 |
| 23 | 330.2 | Pressure Tanks | - | 211 | - | - | - | - | | - | 211 |
| 24 | 331 | Trans. and Dist. Mains | 14,654,450 | 132,596 | - | 30,034 | (1,324) | 1,324 | | - | 14,817,080 |
| 25 | 333 | Services | 2,173,490 | - | - | 52,357 | - | - | | - | 2,225,847 |
| 26 | 334 | Meters | 1,959,945 | - | - | (60,890) | (143,229) | 143,229 | | - | 1,899,055 |
| 27 | 335 | Hydrants | 1,151,007 | - | - | 1,328 | - | - | | - | 1,152,335 |
| 28 | 336 | Backflow Prevention Devices | - | - | - | - | - | - | | - | - |
| 29 | 339 | Other Plant and Misc. Equip. | 189,235 | - | - | - | - | - | | - | 189,235 |
| 30 | 340 | Office Furniture and Fixtures | 281,034 | (113,318) | - | (2,137) | - | - | | - | 165,579 |
| 31 | 340.1 | Computers and Software | 166,002 | 113,318 | - | 2,137 | - | - | | - | 281,457 |
| 32 | 341 | Transportation Equipment | 519,513 | - | - | 38,258 | - | - | | - | 557,771 |
| 33 | 342 | Stores Equipment | - | - | - | - | - | - | | - | - |
| 34 | 343 | Tools and Work Equipment | 314,385 | - | - | 5,395 | - | - | | - | 319,779 |
| 35 | 344 | Laboratory Equipment | 3,285 | - | - | - | - | - | | - | 3,285 |
| 36 | 345 | Power Operated Equipment | 101,250 | - | - | 37 | - | - | | - | 101,287 |
| 37 | 346 | Communications Equipment | 892,339 | - | - | 3,490 | - | - | | - | 895,829 |
| 38 | 347 | Miscellaneous Equipment | 662,722 | (442,442) | - | - | - | - | | - | 220,280 |
| 39 | 347.1 | Miscellaneous Equipment - CNG Plant | - | 442,442 | - | 8,141 | - | - | | | 450,582 |
| 40 | 348 | Other Tangible Plant | 155,378 | - | - | - | - | - | | - | 155,378 |
| 41 | | SUBTOTAL | 37,180,603 | - | (1,424) | (19,456) | (144,553) | 108,371 | - | 4 | 37,123,543 |
| 42 | | | | | | | | | | | |
| 43 | 903 | Land and Land Rights | 20,738 | | | | | | (2,127) | | 18,611 |
| 44 | 904 | Structures and Improvments | 225,059 | | | | | | (9,229) | | 215,830 |
| 45 | 940 | Office Furniture and Fixtures | 24,473 | | | | | | 6,296 | | 30,770 |
| 46 | 940.1 | Computers and Software | 161,580 | | | | | | 33,232 | | 194,811 |
| 47 | | | 431,849 | - | - | - | - | - | 28,172 | - | 460,022 |
| 48 | | | | | | | | | | | - |
| 49 | | TOTALS | $ 37,612,452 | $ - | $ (1,424) | $ (19,456) | $ (144,553) | $ 108,371 | $ 28,172 | $ 4 | $ 37,583,565 |
| 50 | | | | | | | | | | | |
| 51 | | Plant-in-Service per Books | | | | | | | | | $ 37,612,452 |
| 52 | | | | | | | | | | | |
| 53 | | Increase (decrease) in Plant-in-Service | | | | | | | | | $ (28,887) |
| 54 | | | | | | | | | | | |
| 55 | | Adjustment to Plant-in-Service | | | | | | | | | $ (28,887) |
| 56 | | | | | | | | | | | |
| 57 | | SUPPORTING SCHEDULES | | | | | | | | | |
| 58 | | B-2, pages 3.1 to 3.7 | | | | | | | | | |
| 59 | | | | | | | | | | | |

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.

1 Plant Reclass

| Line | Acct. No. | Description | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | PTY | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 7 | 302 | Franchise Cost | | | | | | | | - |
| 8 | 303 | Land and Land Rights | | | | | | | | - |
| 9 | 304 | Structures and Improvements | (102,118) | | (17,170) | | | | | (119,288) |
| 10 | 305 | Collecting and Impounding Res. | | | | | | | | - |
| 11 | 306 | Lake River and Other Intakes | | | | | | | | - |
| 12 | 307 | Wells and Springs | | (48,697) | 17,170 | | | | | (31,527) |
| 13 | 308 | Infiltration Galleries and Tunnels | | | | | | | | - |
| 14 | 309 | Supply Mains | | | | | | | | - |
| 15 | 310 | Power Generation Equipment | | | | | | | | - |
| 16 | 311 | Electric Pumping Equipment | | 48,697 | | | | | | 48,697 |
| 17 | 320 | Water Treatment Equipment | | | | (14,351) | (16,671) | (4,217) | (5,989) | (41,228) |
| 18 | 320.1 | Water Treatment Plant | | | | | | | | - |
| 19 | 320.2 | Chemical Solution Feeders | | | | 14,351 | 16,671 | 4,217 | 5,989 | 41,228 |
| 20 | 330 | Dist. Reservoirs & Standpipe | (19,891) | (108,787) | (2,051) | | | (426,848) | | (557,577) |
| 21 | 330.1 | Storage tanks | 102,118 | | | | | 424,771 | | 526,889 |
| 22 | 330.2 | Pressure Tanks | | | 211 | | | | | 211 |
| 23 | 331 | Trans. and Dist. Mains | 19,891 | 108,787 | 1,840 | | | 2,077 | | 132,596 |
| 24 | 333 | Services | | | | | | | | - |
| 25 | 334 | Meters | | | | | | | | - |
| 26 | 335 | Hydrants | | | | | | | | - |
| 27 | 336 | Backflow Prevention Devices | | | | | | | | - |
| 28 | 339 | Other Plant and Misc. Equip. | | | | | | | | - |
| 29 | 340 | Office Furniture and Fixtures | | | | (75,068) | (37,996) | (254) | | (113,318) |
| 30 | 340.1 | Computers and Software | | | | 75,068 | 37,996 | 254 | | 113,318 |
| 31 | 341 | Transportation Equipment | | | | | | | | - |
| 32 | 342 | Stores Equipment | | | | | | | | - |
| 33 | 343 | Tools and Work Equipment | | | | | | | | - |
| 34 | 344 | Laboratory Equipment | | | | | | | | - |
| 35 | 345 | Power Operated Equipment | | | | | | | | - |
| 36 | 346 | Communications Equipment | | | | | | | | - |
| 37 | 347 | Miscellaneous Equipment | | | | | | | (442,442) | (442,442) |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | | | | | | | 442,442 | 442,442 |
| 39 | 348 | Other Tangible Plant | | | | | | | | - |
| 40 | | | | | - | | | | | |
| 41 | | TOTALS | $ - | $ - | $ (0) | $ - | $ - | $ 0 | $ - | $ - |

44 SUPPORTING SCHEDULE
45 Work papers

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Line No.

1 Unsupported Plant

| Acct. No. | Description | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | PTY | Total |
|---|---|---|---|---|---|---|---|---|---|
| 301 | Organization Cost | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 302 | Franchise Cost | | | | | | | | - |
| 303 | Land and Land Rights | | | | | | | | - |
| 304 | Structures and Improvements | | | | | | | | - |
| 305 | Collecting and Impounding Res. | | | | | | | | - |
| 306 | Lake River and Other Intakes | | | | | | | | - |
| 307 | Wells and Springs | | | | | | | | - |
| 308 | Infiltration Galleries and Tunnels | | | | | | | | - |
| 309 | Supply Mains | | | | | | | | - |
| 310 | Power Generation Equipment | | | | | | | | - |
| 311 | Electric Pumping Equipment | | (1,424) | | | | | | (1,424) |
| 320 | Water Treatment Equipment | | | | | | | | - |
| 320.1 | Water Treatment Plant | | | | | | | | - |
| 320.2 | Chemical Solution Feeders | | | | | | | | - |
| 330 | Dist. Reservoirs & Standpipe | | | | | | | | - |
| 330.1 | Storage tanks | | | | | | | | - |
| 330.2 | Pressure Tanks | | | | | | | | - |
| 331 | Trans. and Dist. Mains | | | | | | | | - |
| 333 | Services | | | | | | | | - |
| 334 | Meters | | | | | | | | - |
| 335 | Hydrants | | | | | | | | - |
| 336 | Backflow Prevention Devices | | | | | | | | - |
| 339 | Other Plant and Misc. Equip. | | | | | | | | - |
| 340 | Office Furniture and Fixtures | | | | | | | | - |
| 340.1 | Computers and Software | | | | | | | | - |
| 341 | Transportation Equipment | | | | | | | | - |
| 342 | Stores Equipment | | | | | | | | - |
| 343 | Tools and Work Equipment | | | | | | | | - |
| 344 | Laboratory Equipment | | | | | | | | - |
| 345 | Power Operated Equipment | | | | | | | | - |
| 346 | Communications Equipment | | | | | | | | - |
| 347 | Miscellaneous Equipment | | | | | | | | - |
| 347.1 | Miscellaneous Equipment - CNG Plant | | | | | | | | - |
| 348 | Other Tangible Plant | | | | | | | | - |
| | | | | - | | | | | |
| | TOTALS | $ - | $ (1,424) | $ - | $ - | $ - | $ - | | $ (1,424) |

SUPPORTING SCHEDULE
Work papers

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No. 1 Plant True-Up

| Line No. | Acct. No. | Description | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | PTY | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 7 | 302 | Franchise Cost | | | | | | | - | - |
| 8 | 303 | Land and Land Rights | | | | | | | - | - |
| 9 | 304 | Structures and Improvements | | | | | | (164,173) | (4,140) | (168,312) |
| 10 | 305 | Collecting and Impounding Res. | | | | | | | - | - |
| 11 | 306 | Lake River and Other Intakes | | | | | | | - | - |
| 12 | 307 | Wells and Springs | | | | | | | 12,291 | 12,291 |
| 13 | 308 | Infiltration Galleries and Tunnels | | | | | | | - | - |
| 14 | 309 | Supply Mains | | | | | | 2,180 | - | 2,180 |
| 15 | 310 | Power Generation Equipment | | | | | | | (561) | (561) |
| 16 | 311 | Electric Pumping Equipment | | | | | | 124 | 55,466 | 55,590 |
| 17 | 320 | Water Treatment Equipment | | | | | | | - | - |
| 18 | 320.1 | Water Treatment Plant | | | | | | | 777 | 777 |
| 19 | 320.2 | Chemical Solution Feeders | | | | | | | 429 | 429 |
| 20 | 330 | Dist. Reservoirs & Standpipe | | | | | | | - | - |
| 21 | 330.1 | Storage tanks | | | | | | | - | - |
| 22 | 330.2 | Pressure Tanks | | | | | | | - | - |
| 23 | 331 | Trans. and Dist. Mains | | | | | | (43) | 30,077 | 30,034 |
| 24 | 333 | Services | | | | | | | 52,357 | 52,357 |
| 25 | 334 | Meters | | | | | | (100,149) | 39,259 | (60,890) |
| 26 | 335 | Hydrants | | | | | | | 1,328 | 1,328 |
| 27 | 336 | Backflow Prevention Devices | | | | | | | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | | | | | | | - | - |
| 29 | 340 | Office Furniture and Fixtures | | | | | | | (2,137) | (2,137) |
| 30 | 340.1 | Computers and Software | | | | | | | 2,137 | 2,137 |
| 31 | 341 | Transportation Equipment | | | | | | 38,258 | - | 38,258 |
| 32 | 342 | Stores Equipment | | | | | | | - | - |
| 33 | 343 | Tools and Work Equipment | | | | | | | 5,395 | 5,395 |
| 34 | 344 | Laboratory Equipment | | | | | | | - | - |
| 35 | 345 | Power Operated Equipment | | | | | | | 37 | 37 |
| 36 | 346 | Communications Equipment | | | | | | 627 | 2,863 | 3,490 |
| 37 | 347 | Miscellaneous Equipment | | | | | | | | - |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | | | | | | | 8,141 | 8,141 |
| 39 | 348 | Other Tangible Plant | | | | | | | - | - |
| 40 | | | | | - | | | | | |
| 41 | | TOTALS | $ - | $ - | $ - | $ - | $ - | $ (223,175) | $ 203,719 | $ (19,456) |

SUPPORTING SCHEDULE
Work papers

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - D

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Bourassa

Line No.

1 Plant Addition Correction

| Line No. | Acct. No. | Description | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|---|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 7 | 302 | Franchise Cost | | | | | | | - |
| 8 | 303 | Land and Land Rights | | | | | | | - |
| 9 | 304 | Structures and Improvements | | | | | | | - |
| 10 | 305 | Collecting and Impounding Res. | | | | | | | - |
| 11 | 306 | Lake River and Other Intakes | | | | | | | - |
| 12 | 307 | Wells and Springs | | | | | | | - |
| 13 | 308 | Infiltration Galleries and Tunnels | | | | | | | - |
| 14 | 309 | Supply Mains | | | | | | | - |
| 15 | 310 | Power Generation Equipment | | | | | | | - |
| 16 | 311 | Electric Pumping Equipment | | | | | | | - |
| 17 | 320 | Water Treatment Equipment | | | | | | | - |
| 18 | 320.1 | Water Treatment Plant | | | | | | | - |
| 19 | 320.2 | Chemical Solution Feeders | | | | | | | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | | | | | | | - |
| 21 | 330.1 | Storage tanks | | | | | | | - |
| 22 | 330.2 | Pressure Tanks | | | | | | | - |
| 23 | 331 | Trans. and Dist. Mains | | | | | | | - |
| 24 | 333 | Services | | | | | | (1,324) | (1,324) |
| 25 | 334 | Meters | | | | | | | - |
| 26 | 335 | Hydrants | | | | | | (143,229) | (143,229) |
| 27 | 336 | Backflow Prevention Devices | | | | | | | - |
| 28 | 339 | Other Plant and Misc. Equip. | | | | | | | - |
| 29 | 340 | Office Furniture and Fixtures | | | | | | | - |
| 30 | 340.1 | Computers and Software | | | | | | | - |
| 31 | 341 | Transportation Equipment | | | | | | | - |
| 32 | 342 | Stores Equipment | | | | | | | - |
| 33 | 343 | Tools and Work Equipment | | | | | | | - |
| 34 | 344 | Laboratory Equipment | | | | | | | - |
| 35 | 345 | Power Operated Equipment | | | | | | | - |
| 36 | 346 | Communications Equipment | | | | | | | - |
| 37 | 347 | Miscellaneous Equipment | | | | | | | - |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | | | | | | | - |
| 39 | 348 | Other Tangible Plant | | | | | | | - |
| 40 | | | | | - | | | | |
| 41 | | TOTALS | $ - | $ - | $ - | $ - | $ - | $ (144,553) | $ (144,553) |

44 SUPPORTING SCHEDULE
45 Work papers

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - E

Exhibit
Rebuttal Sch
Page 3.5
Witness: Bou

| Line No. | | | |
|---|---|---|---|
| 1 | Retirements and Retirement Corrections | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | |
| 5 | No. | Description | Retirements |
| 6 | 301 | Organization Cost | |
| 7 | 302 | Franchise Cost | |
| 8 | 303 | Land and Land Rights | |
| 9 | 304 | Structures and Improvements | |
| 10 | 305 | Collecting and Impounding Res. | |
| 11 | 306 | Lake River and Other Intakes | |
| 12 | 307 | Wells and Springs | |
| 13 | 308 | Infiltration Galleries and Tunnels | |
| 14 | 309 | Supply Mains | |
| 15 | 310 | Power Generation Equipment | |
| 16 | 311 | Electric Pumping Equipment | (36,183) |
| 17 | 320 | Water Treatment Equipment | |
| 18 | 320.1 | Water Treatment Plant | |
| 19 | 320.2 | Chemical Solution Feeders | |
| 20 | 330 | Dist. Reservoirs & Standpipe | |
| 21 | 330.1 | Storage tanks | |
| 22 | 330.2 | Pressure Tanks | |
| 23 | 331 | Trans. and Dist. Mains | 1,324 |
| 24 | 333 | Services | |
| 25 | 334 | Meters | 143,229 |
| 26 | 335 | Hydrants | |
| 27 | 336 | Backflow Prevention Devices | |
| 28 | 339 | Other Plant and Misc. Equip. | |
| 29 | 340 | Office Furniture and Fixtures | |
| 30 | 340.1 | Computers and Software | |
| 31 | 341 | Transportation Equipment | |
| 32 | 342 | Stores Equipment | |
| 33 | 343 | Tools and Work Equipment | |
| 34 | 344 | Laboratory Equipment | |
| 35 | 345 | Power Operated Equipment | |
| 36 | 346 | Communications Equipment | |
| 37 | 347 | Miscellaneous Equipment | |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | |
| 39 | 348 | Other Tangible Plant | |
| 40 | | | |
| 41 | | TOTALS | $ 108,371 |
| 42 | | | |
| 43 | | | |
| 44 | SUPPORTING SCHEDULE | | |
| 45 | Work papers | | |
| 46 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - F

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Bourassa

| Line No. | | | [1] Revised Orginal Cost | [2] Liberty Utilities Factor | [3] BV Water Factor | [4] = [1]x[2]x[3] Allocated Orginal Cost | Direct Orginal Cost | Increase (Decrease) |
|---|---|---|---|---|---|---|---|---|
| 1 | Allocated Corporate Plant | | | | | | | |
| 6 | 903 | Land and Land Rights | 1,204,550 | 12.94% | 11.94% | 18,611 | 20,738 | (2,127) |
| 7 | 904 | Structures and Improvments | 10,836,550 | 12.94% | 11.94% | 167,429 | 186,562 | (19,133) |
| 8 | 940.1 | Computers and Software | 2,104,352 | 12.94% | 11.94% | 32,513 | 32,493 | 20 |
| 11 | LU Sub-Corp. Plant | | | | | | | |
| 13 | 903 | Land and Land Rights | - | | 11.94% | - | - | - |
| 14 | 904 | Structures and Improvments | 405,370 | | 11.94% | 48,401 | 38,497 | 9,904 |
| 15 | 940 | Office Furniture and Equipment | 257,704 | | 11.94% | 30,770 | 24,473 | 6,296 |
| 16 | 940.1 | Computers and Software | 1,359,281 | | 11.94% | 162,298 | 129,087 | 33,211 |
| 41 | | TOTALS | | | | $ 460,022 | $ 431,849 | $ 28,172 |

44 SUPPORTING SCHEDULE
45 Work papers
46 Testimony

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - G

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Line No.

1 Reconciliation of Plant to Plant Reconstruction

| Acct. No. | Description | Orginal Cost | B-2 Adjustments | Adjusted Orginal Cost | Plant Per Reconstruction | Difference |
|---|---|---|---|---|---|---|
| 101 | Plant-in-Service | - | - | - | - | - |
| 301 | Organization Cost | - | - | - | - | - |
| 302 | Franchise Cost | 98,989 | - | 98,989 | 98,989 | - |
| 303 | Land and Land Rights | 688,011 | - | 688,011 | 688,011 | - |
| 304 | Structures and Improvements | 4,294,328 | (287,600) | 4,006,728 | 4,006,731 | 3 |
| 305 | Collecting and Impounding Res. | 46,813 | - | 46,813 | 46,813 | (0) |
| 306 | Lake River and Other Intakes | - | - | - | - | - |
| 307 | Wells and Springs | 1,692,408 | (19,236) | 1,673,171 | 1,673,171 | - |
| 308 | Infiltration Galleries and Tunnels | - | - | - | - | - |
| 309 | Supply Mains | 432,050 | 2,180 | 434,230 | 434,230 | - |
| 310 | Power Generation Equipment | 195,696 | (561) | 195,135 | 195,135 | - |
| 311 | Electric Pumping Equipment | 3,195,256 | 66,680 | 3,261,936 | 3,261,936 | - |
| 320 | Water Treatment Equipment | 117,674 | (41,228) | 76,446 | 76,446 | - |
| 320.1 | Water Treatment Plant | - | 777 | 777 | 777 | - |
| 320.2 | Chemical Solution Feeders | - | 41,657 | 41,657 | 41,657 | - |
| 330 | Dist. Reservoirs & Standpipe | 3,195,343 | (557,577) | 2,637,766 | 2,637,767 | 1 |
| 330.1 | Storage tanks | - | 526,889 | 526,889 | 526,889 | - |
| 330.2 | Pressure Tanks | - | 211 | 211 | 211 | - |
| 331 | Trans. and Dist. Mains | 14,654,450 | 162,630 | 14,817,080 | 14,817,080 | - |
| 333 | Services | 2,173,490 | 52,357 | 2,225,847 | 2,225,847 | - |
| 334 | Meters | 1,959,945 | (60,890) | 1,899,055 | 1,899,055 | - |
| 335 | Hydrants | 1,151,007 | 1,328 | 1,152,335 | 1,152,335 | - |
| 336 | Backflow Prevention Devices | - | - | - | - | - |
| 339 | Other Plant and Misc. Equip. | 189,235 | - | 189,235 | 189,235 | - |
| 340 | Office Furniture and Fixtures | 281,034 | (115,455) | 165,579 | 165,579 | - |
| 340.1 | Computers and Software | 166,002 | 115,455 | 281,457 | 281,457 | - |
| 341 | Transportation Equipment | 519,513 | 38,258 | 557,771 | 557,771 | - |
| 342 | Stores Equipment | - | - | - | - | - |
| 343 | Tools and Work Equipment | 314,385 | 5,395 | 319,779 | 319,779 | - |
| 344 | Laboratory Equipment | 3,285 | - | 3,285 | 3,285 | - |
| 345 | Power Operated Equipment | 101,250 | 37 | 101,287 | 101,287 | - |
| 346 | Communications Equipment | 892,339 | 3,490 | 895,829 | 895,829 | - |
| 347 | Miscellaneous Equipment | 662,722 | (442,442) | 220,280 | 220,280 | - |
| 347.1 | Miscellaneous Equipment - CNG F | - | 450,582 | | | |
| 348 | Other Tangible Plant | 155,378 | - | 155,378 | 155,378 | - |
| | | | | | - | - |
| | TOTALS | $ 37,180,603 | $ (57,063) | $ 36,672,957 | $ 36,672,961 | $ 4 |

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.2
B-2, pages 3.8 through 3.13

RECAP SCHEDULES:
B-2, page 3

**Liberty Utilities (Bella Vista Water) Corp.**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | Per Decision Plant at 3/31/2009 | Per Decision Accum. Deprec. At 3/31/2009 | 2009 Plant Additions (Per Books) | 2009 Plant Adjustments | 2009 Affiliate Profit Plant Adjustments | 2009 RC Adjustments | 2009 Adjusted Plant Additions | 2009 Plant Retirements (Per Books) | 2009 Adjusted Plant Retirements | 2009 Salvage A/D Only | 2009 9 months Depreciation (Calculated) | 2009 Plant Balance | 2009 Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | 0.00% | - | - | - | - | | - | - | - | - | - | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | 961 | - | - | (6,362) | | - | (6,362) | - | - | - | - | (5,401) | - |
| 3 | 303 | Land and Land Rights | 0.00% | 688,011 | - | - | - | | - | - | - | - | | - | 688,011 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 1,914,771 | 397,034 | 116,776 | (99,772) | (1,238) | (102,118) | (86,351) | - | - | - | 46,743 | 1,828,420 | 443,777 |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | 46,813 | 2,059 | - | - | | | - | - | - | | 878 | 46,813 | 2,936 |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | - | - | | | - | - | - | | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | 1,298,272 | 527,041 | 36,778 | - | (12,702) | - | 24,076 | - | - | - | 32,725 | 1,322,348 | 559,766 |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | - | - | | | - | - | - | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | 3,256 | 85 | 924 | - | | | 924 | - | - | | 56 | 4,180 | 141 |
| 10 | 310 | Power Generation Equipment | 5.00% | 1,293 | 75 | - | - | | | - | - | - | | 48 | 1,293 | 124 |
| 11 | 311 | Pumping Equipment | 12.50% | 2,246,171 | 1,934,910 | 3,849 | - | - | - | 3,849 | - | - | - | 210,759 | 2,250,020 | 2,145,669 |
| 12 | 320 | Water Treatment Equipment | 3.33% | 83,385 | 12,825 | - | - | - | - | - | - | - | - | 2,083 | 83,385 | 14,907 |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | 2,637,717 | 775,303 | 24,049 | (2,900) | (1,208) | (19,891) | 50 | - | - | - | 43,918 | 2,637,767 | 819,221 |
| 16 | 330.1 | Storage Tanks | 2.22% | | | - | - | | 102,118 | 102,118 | - | - | | 850 | 102,118 | 850 |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 12,226,889 | 3,489,236 | 210,421 | (111,626) | (44,296) | 19,891 | 74,390 | - | - | - | 183,961 | 12,301,279 | 3,673,197 |
| 19 | 333 | Services | 3.33% | 1,458,715 | 817,929 | 31,515 | (167) | (82) | | 31,266 | - | - | | 36,822 | 1,489,981 | 854,751 |
| 20 | 334 | Meters | 8.33% | 1,378,333 | 1,346,699 | 32,939 | (3,470) | - | - | 29,469 | - | - | - | 24,646 | 1,407,802 | 1,371,345 |
| 21 | 335 | Hydrants | 2.00% | 961,896 | 276,163 | 31,400 | - | | | 31,400 | - | - | | 14,664 | 993,296 | 290,827 |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | | | - | - | - | | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | 114,539 | 8,753 | 1,268 | - | | | 1,268 | - | - | | 5,762 | 115,807 | 14,515 |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 177,672 | 138,232 | - | - | - | - | - | - | - | - | 8,888 | 177,672 | 147,120 |
| 25 | 340.1 | Computers & Software | 20.00% | 160,920 | 117,738 | - | - | - | - | - | - | - | - | 24,138 | 160,920 | 141,876 |
| 26 | 341 | Transportation Equipment | 20.00% | 268,464 | 248,950 | 30,435 | (13,609) | - | - | 16,826 | - | - | - | 15,898 | 285,290 | 264,847 |
| 27 | 342 | Stores Equipment | 4.00% | - | - | - | - | | | - | - | - | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | 122,712 | 122,448 | - | - | - | | - | - | - | - | 198 | 122,712 | 122,646 |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | | | - | - | - | | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | 31,548 | 5,882 | - | - | | | - | - | - | | 1,183 | 31,548 | 7,065 |
| 31 | 346 | Communication Equipment | 10.00% | 420,744 | 93,204 | 64,135 | (57,385) | (348) | - | 6,402 | - | - | - | 31,796 | 427,146 | 125,000 |
| 32 | 347 | Miscellaneous Equipment | 10.00% | 107,306 | 100,742 | - | - | - | - | - | - | - | - | 4,923 | 107,306 | 105,665 |
| 33 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | - | - | | | - | - | - | | - | - | - |
| 34 | 348 | Other Tangible Plant | 10.00% | 155,378 | 27,191 | - | - | | | - | - | - | | 11,653 | 155,378 | 38,845 |
| 34 | | Rounding | | - | - | - | - | | | - | - | - | | - | - | - |
| 35 | | | | | | | | | | | | | | | | |
| 36 | | TOTALS | | 26,505,767 | 10,442,499 | 584,490 | (295,291) | (59,873) | - | 229,325 | - | - | - | 702,591 | 26,735,092 | 11,145,090 |

**Liberty Utilities (Bella Vista Water) Corp.**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2010 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | 0.00% | - | - | | | - | | - | | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | 96,443 | - | | | 96,443 | | - | | - | 91,042 | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | | | - | | - | | - | 688,011 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 928,254 | - | - | - | 928,254 | - | - | - | 76,342 | 2,756,675 | 520,119 |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | | | - | | - | | 1,170 | 46,813 | 4,107 |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | | | - | | - | | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | 48,697 | - | - | (48,697) | - | - | - | - | 44,034 | 1,322,348 | 603,800 |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | | | - | | - | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | | | - | | - | | 84 | 4,180 | 225 |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | | | - | | - | | 65 | 1,293 | 188 |
| 11 | 311 | Pumping Equipment | 12.50% | 69,641 | - | - | 47,273 | 116,914 | 36,183 | 36,183 | - | 108,470 | 2,330,751 | 2,217,957 |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | - | - | 2,777 | 83,385 | 17,684 |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | 108,787 | - | - | (108,787) | - | - | - | - | 58,558 | 2,637,767 | 877,780 |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | | | - | | - | | 2,267 | 102,118 | 3,117 |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - | - |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 413,723 | - | (2,767) | 108,787 | 519,743 | - | - | - | 251,223 | 12,821,022 | 3,924,420 |
| 19 | 333 | Services | 3.33% | 47,808 | - | | | 47,808 | | - | | 50,412 | 1,537,788 | 905,163 |
| 20 | 334 | Meters | 8.33% | 46,614 | - | - | - | 46,614 | - | - | - | 12,305 | 1,454,416 | 1,383,650 |
| 21 | 335 | Hydrants | 2.00% | 20,220 | - | | | 20,220 | | - | | 20,068 | 1,013,516 | 310,895 |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | | | - | | - | | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | 5,694 | - | | | 5,694 | | - | | 7,914 | 121,502 | 22,429 |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 5,111 | - | - | - | 5,111 | - | - | - | 12,021 | 182,783 | 159,142 |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - | 19,044 | 160,920 | 160,920 |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | 8,244 | 285,290 | 273,091 |
| 27 | 342 | Stores Equipment | 4.00% | - | - | | | - | | - | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | 13,683 | - | - | | 13,683 | - | - | - | 408 | 136,395 | 123,054 |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | | | - | | - | | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | | | - | | - | | 1,577 | 31,548 | 8,642 |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | 42,715 | 427,146 | 167,714 |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | 1,641 | 107,306 | 107,306 |
| 33 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | | | - | | - | | - | - | - |
| 34 | 348 | Other Tangible Plant | 10.00% | - | - | | | - | | - | | 15,538 | 155,378 | 54,382 |
| 34 | | Rounding | | - | - | | | - | | - | | - | - | - |
| 35 | | | | | | | | | | | | | | |
| 36 | | TOTALS | | 1,804,674 | - | (2,767) | (1,424) | 1,800,484 | 36,183 | 36,183 | - | 736,878 | 28,499,393 | 11,845,785 |

**Liberty Utilities (Bella Vista Water) Corp.**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.10
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2011 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | 0.00% | - | - | | | - | | - | | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | 7,947 | - | | | 7,947 | | - | | - | 98,989 | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | | | - | | - | | - | 688,011 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 127,169 | - | (27) | (17,170) | 109,972 | - | - | - | 93,628 | 2,866,647 | 613,747 |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | | | - | | - | | 1,170 | 46,813 | 5,277 |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | | | - | | - | | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | 214,277 | - | (2,350) | 17,170 | 229,097 | - | - | - | 47,849 | 1,551,445 | 651,649 |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | | | - | | - | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | | | - | | - | | 84 | 4,180 | 308 |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | | | - | | - | | 65 | 1,293 | 253 |
| 11 | 311 | Pumping Equipment | 12.50% | 132,018 | - | (1,829) | - | 130,189 | - | - | - | 23,232 | 2,460,940 | 2,241,189 |
| 12 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | - | - | 2,777 | 83,385 | 20,460 |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | 2,051 | - | - | (2,051) | - | - | - | - | 58,558 | 2,637,767 | 936,338 |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | | | - | | - | | 2,267 | 102,118 | 5,384 |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | 211 | 211 | - | - | - | 5 | 211 | 5 |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 892,283 | - | (5,313) | 1,840 | 888,810 | - | - | - | 265,309 | 13,709,832 | 4,189,728 |
| 19 | 333 | Services | 3.33% | 125,038 | - | (1,592) | | 123,446 | | - | | 53,264 | 1,661,235 | 958,427 |
| 20 | 334 | Meters | 8.33% | 25,286 | - | (376) | - | 24,910 | - | - | - | 7,375 | 1,479,326 | 1,391,025 |
| 21 | 335 | Hydrants | 2.00% | 39,110 | - | (333) | | 38,777 | | - | | 20,658 | 1,052,293 | 331,553 |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | | | - | | - | | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | 5,815 | - | | | 5,815 | | - | | 8,298 | 127,317 | 30,727 |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 504 | - | - | - | 504 | - | - | - | 12,208 | 183,287 | 171,350 |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | - | - | - | - | - | - | 160,920 | 160,920 |
| 26 | 341 | Transportation Equipment | 20.00% | 15,986 | - | (194) | - | 15,792 | - | - | - | 4,944 | 301,082 | 278,036 |
| 27 | 342 | Stores Equipment | 4.00% | - | - | | | - | | - | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | 34,834 | - | (752) | | 34,083 | - | - | - | 1,536 | 170,478 | 124,591 |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | | | - | | - | | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | | | - | | - | | 1,577 | 31,548 | 10,220 |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | 42,715 | 427,146 | 210,429 |
| 32 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - | - | - | 107,306 | 107,306 |
| 33 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | | | - | | - | | - | - | - |
| 34 | 348 | Other Tangible Plant | 10.00% | - | - | | | - | | - | | 15,538 | 155,378 | 69,920 |
| 34 | | Rounding | | - | - | | | - | | - | | - | - | - |
| 35 | | | | | | | | | | | | | | |
| 36 | | TOTALS | | 1,622,318 | - | (12,765) | - | 1,609,553 | - | - | - | 663,058 | 30,108,946 | 12,508,843 |

**Liberty Utilities (Bella Vista Water) Corp.**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.11
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2012 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | 0.00% | - | - | | | - | - | | - | | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | | | - | - | | - | | - | 98,989 | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | | | - | - | | - | | - | 688,011 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 96,738 | - | (1,429) | - | 95,309 | - | - | - | - | 97,046 | 2,961,956 | 710,793 |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | | | - | - | | - | | 1,170 | 46,813 | 6,447 |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | | | - | - | | - | | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | 33,438 | - | (600) | - | 32,839 | - | - | - | - | 52,210 | 1,584,284 | 703,858 |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | | | - | | | - | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | | | - | | | - | | 84 | 4,180 | 392 |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | | | - | | | - | | 65 | 1,293 | 318 |
| 11 | 311 | Pumping Equipment | 12.50% | 168,448 | - | (1,120) | - | 167,328 | - | - | - | - | 41,827 | 2,628,269 | 2,283,016 |
| 12 | 320 | Water Treatment Equipment | 3.33% | 14,685 | - | (333) | (14,351) | - | - | - | - | - | 2,777 | 83,385 | 23,237 |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | 14,351 | 14,351 | - | - | - | - | 1,435 | 14,351 | 1,435 |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | - | - | - | - | 58,558 | 2,637,767 | 994,897 |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | | | - | - | | - | | 2,267 | 102,118 | 7,651 |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | 11 | 211 | 16 |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 559,443 | - | (4,260) | - | 555,183 | 1 | - | 1 | - | 279,748 | 14,265,014 | 4,469,476 |
| 19 | 333 | Services | 3.33% | 231,032 | - | (2,984) | | 228,047 | | | - | | 59,116 | 1,889,282 | 1,017,543 |
| 20 | 334 | Meters | 8.33% | 78,846 | - | (1,400) | - | 77,446 | - | - | - | - | 11,638 | 1,556,772 | 1,402,663 |
| 21 | 335 | Hydrants | 2.00% | 48,199 | - | (567) | | 47,632 | - | | - | | 21,522 | 1,099,925 | 353,075 |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | | | - | - | | - | | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | - | - | | | - | - | | - | | 8,492 | 127,317 | 39,219 |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 77,205 | - | (2,136) | (75,068) | - | - | - | - | - | 7,224 | 183,287 | 178,574 |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | 75,068 | 75,068 | - | - | - | - | 7,507 | 235,989 | 168,427 |
| 26 | 341 | Transportation Equipment | 20.00% | 2,366 | - | - | - | 2,366 | - | - | - | - | 6,760 | 303,448 | 284,796 |
| 27 | 342 | Stores Equipment | 4.00% | - | - | | | - | - | | - | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | 39,333 | - | (836) | | 38,497 | - | - | - | - | 3,351 | 208,975 | 127,941 |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | | | - | - | | - | | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | | | - | - | | - | | 1,577 | 31,548 | 11,797 |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - | 42,715 | 427,146 | 253,143 |
| 32 | 347 | Miscellaneous Equipment | 10.00% | 10,063 | - | (247) | - | 9,817 | - | - | - | - | 491 | 117,123 | 107,797 |
| 33 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | | | - | - | | - | | - | - | - |
| 34 | 348 | Other Tangible Plant | 10.00% | - | - | | | - | - | | - | | 15,538 | 155,378 | 85,458 |
| 34 | | Rounding | | - | - | | | - | - | | - | | - | - | - |
| 35 | | | | | | | | | | | | | | | |
| 36 | | TOTALS | | 1,359,796 | - | (15,912) | - | 1,343,884 | 1 | - | 1 | - | 723,130 | 31,452,829 | 13,231,972 |

**Liberty Utilities (Bella Vista Water) Corp.**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.12
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2013 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Plant only B-2 Adjust | Salvage A/D Only | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | 0.00% | - | - | | | - | - | | - | | | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | | | - | - | | - | | | - | 98,989 | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | | | - | - | | - | | | - | 688,011 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 217,500 | - | - | - | 217,500 | 72,674 | - | 72,674 | - | - | 101,044 | 3,106,782 | 739,164 |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | | | - | - | | - | | | 1,170 | 46,813 | 7,618 |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | | | - | - | | - | | | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | - | - | - | - | - | 17,716 | - | 17,716 | - | - | 52,462 | 1,566,568 | 738,604 |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | | | - | - | | - | | | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | - | - | | | - | - | | - | | | 84 | 4,180 | 475 |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | | | - | - | | - | | | 65 | 1,293 | 382 |
| 11 | 311 | Pumping Equipment | 12.50% | 100,208 | - | - | - | 100,208 | 86,258 | - | 86,258 | - | - | 58,548 | 2,642,219 | 2,255,307 |
| 12 | 320 | Water Treatment Equipment | 3.33% | 16,671 | - | - | (16,671) | - | 6,826 | - | 6,826 | - | - | 2,663 | 76,559 | 19,075 |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | 16,671 | 16,671 | - | - | - | - | - | 4,537 | 31,022 | 5,972 |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | - | - | - | - | - | - | - | - | - | - | 58,558 | 2,637,767 | 1,053,455 |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | | | - | - | | - | | | 2,267 | 102,118 | 9,918 |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - | 11 | 211 | 26 |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 102,328 | - | (1,071) | - | 101,257 | 16,707 | - | 16,707 | - | - | 286,146 | 14,349,564 | 4,738,915 |
| 19 | 333 | Services | 3.33% | 120,495 | - | | | 120,495 | 49,263 | | 49,263 | | | 64,099 | 1,960,514 | 1,032,379 |
| 20 | 334 | Meters | 8.33% | 165,722 | - | - | - | 165,722 | 48,869 | - | 48,869 | - | - | 21,766 | 1,673,625 | 1,375,561 |
| 21 | 335 | Hydrants | 2.00% | 37,941 | - | | | 37,941 | 2,737 | | 2,737 | | | 22,351 | 1,135,129 | 372,689 |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | | | - | - | | - | | | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | 1,479 | - | | | 1,479 | - | | - | | | 8,541 | 128,796 | 47,760 |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 51,904 | - | - | (37,996) | 13,908 | 33,565 | - | 33,565 | - | - | 838 | 163,630 | 145,848 |
| 25 | 340.1 | Computers & Software | 20.00% | - | - | - | 37,996 | 37,996 | - | - | - | - | - | 18,813 | 273,985 | 187,240 |
| 26 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - | - | - | - | 6,997 | 303,448 | 291,793 |
| 27 | 342 | Stores Equipment | 4.00% | - | - | | | - | - | | - | | | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | 62,242 | - | - | | 62,242 | 8,792 | - | 8,792 | - | - | 5,869 | 262,424 | 125,018 |
| 29 | 344 | Laboratory Equipment | 10.00% | - | - | | | - | - | | - | | | - | - | - |
| 30 | 345 | Power Operated Equipment | 5.00% | - | - | | | - | - | | - | | | 1,577 | 31,548 | 13,375 |
| 31 | 346 | Communication Equipment | 10.00% | - | - | - | - | - | - | - | - | - | - | 42,715 | 427,146 | 295,858 |
| 32 | 347 | Miscellaneous Equipment | 10.00% | 45 | - | - | - | 45 | 5,888 | - | 5,888 | - | - | 984 | 111,280 | 102,893 |
| 33 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | | | - | - | | - | | | - | - | - |
| 34 | 348 | Other Tangible Plant | 10.00% | - | - | | | - | - | | - | | | 15,538 | 155,378 | 100,996 |
| 34 | | Rounding | | - | - | | | - | - | | - | | | - | - | - |
| 35 | | | | | | | | | | | | | | | | |
| 36 | | TOTALS | | 876,535 | - | (1,071) | - | 875,464 | 349,295 | - | 349,295 | - | - | 777,644 | 31,978,998 | 13,660,320 |

**Liberty Utilities (Bella Vista Water) Corp.**
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.13
Witness: Bourassa

| Line No. | NARUC Account No. | Description | Allowed Deprec. Rate | 2014 Plant Additions (Per Books) | Plant Adjustments | Affiliate Profit Plant Adjustments | RC Adjustments | Adjusted Plant Additions | Plant Retirements (Per Books) | Retirement Adjustments | Adjusted Plant Retirements | Adjusted PTY Plant | Salvage A/D Only | RC Only PTY A/D | Depreciation (Calculated) | Plant Balance | Accum. Deprec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 301 | Organization Cost | 0.00% | - | - | | | - | - | | - | | | - | - | - | - |
| 2 | 302 | Franchise Cost | 0.00% | - | - | | | - | - | | - | | | - | - | 98,989 | - |
| 3 | 303 | Land and Land Rights | 0.00% | - | - | | | - | - | | - | | | - | - | 688,011 | - |
| 4 | 304 | Structures & Improvements | 3.33% | 1,018,589 | - | - | (164,173) | 854,417 | 9,159 | - | 9,159 | 54,692 | - | 911 | 117,529 | 4,006,731 | 848,444 |
| 5 | 305 | Collecting & Impounding Reservoirs | 2.50% | - | - | | | - | - | | - | | | - | 1,170 | 46,813 | 8,788 |
| 6 | 306 | Lake, River, Canal Intakes | 2.50% | - | - | | | - | - | | - | | | - | - | - | - |
| 7 | 307 | Wells & Springs | 3.33% | 90,947 | - | - | - | 90,947 | 83 | - | 83 | 15,740 | - | 262 | 53,680 | 1,673,171 | 792,463 |
| 8 | 308 | Infiltration Galleries | 6.67% | - | - | | | - | - | | - | | | - | - | - | - |
| 9 | 309 | Raw Water Supply Mains | 2.00% | 427,870 | - | | 2,180 | 430,051 | - | | - | | | - | 4,384 | 434,230 | 4,860 |
| 10 | 310 | Power Generation Equipment | 5.00% | - | - | | | - | - | | - | 193,841 | | 4,846 | 65 | 195,135 | 5,293 |
| 11 | 311 | Pumping Equipment | 12.50% | 615,082 | - | - | 124 | 615,206 | 79,372 | - | 79,372 | 83,882 | - | 5,243 | 103,261 | 3,261,936 | 2,284,439 |
| 12 | 320 | Water Treatment Equipment | 3.33% | 4,217 | - | - | (4,217) | - | - | - | - | (113) | - | (2) | 2,549 | 76,446 | 21,622 |
| 13 | 320.1 | Water Treatment Plants | 3.33% | - | - | - | - | - | - | - | - | 777 | - | 13 | - | 777 | 13 |
| 14 | 320.2 | Solution Chemical Feeders | 20.00% | - | - | - | 4,217 | 4,217 | - | - | - | 6,418 | - | 642 | 6,626 | 41,657 | 13,240 |
| 15 | 330 | Distribution Reservoirs & Standpipes | 2.22% | 426,849 | - | - | (426,848) | 0 | - | - | - | - | - | - | 58,558 | 2,637,767 | 1,112,014 |
| 16 | 330.1 | Storage Tanks | 2.22% | - | - | | 424,771 | 424,771 | - | | - | | | - | 6,982 | 526,889 | 16,900 |
| 17 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - | - | - | - | - | 11 | 211 | 37 |
| 18 | 331 | Transmission & Distribution Mains | 2.00% | 451,838 | - | (121) | 711 | 452,427 | 26,254 | (1,324) | 24,930 | 40,018 | - | 400 | 291,266 | 14,817,080 | 5,005,652 |
| 19 | 333 | Services | 3.33% | 197,457 | - | | | 197,457 | 35,784 | | 35,784 | 103,660 | | 1,726 | 67,977 | 2,225,847 | 1,066,297 |
| 20 | 334 | Meters | 8.33% | 432,978 | - | - | (243,378) | 189,600 | 165,661 | (143,229) | 22,432 | 58,261 | - | 2,427 | 36,565 | 1,899,055 | 1,392,121 |
| 21 | 335 | Hydrants | 2.00% | 14,131 | - | | | 14,131 | 63 | | 63 | 3,139 | | 31 | 22,843 | 1,152,335 | 395,500 |
| 22 | 336 | Backflow Prevention Devices | 6.67% | - | - | | | - | - | | - | | | - | - | - | - |
| 23 | 339 | Other Plant & Misc Equipment | 6.67% | 60,440 | - | | | 60,440 | - | | - | | | - | 10,606 | 189,235 | 58,367 |
| 24 | 340 | Office Furniture & Equipment | 6.67% | 1,619 | - | - | (254) | 1,365 | - | - | - | 584 | - | 19 | 1,348 | 165,579 | 147,215 |
| 25 | 340.1 | Computers & Software | 20.00% | 5,603 | - | - | 254 | 5,858 | 1,262 | - | 1,262 | 2,877 | - | 288 | 23,199 | 281,457 | 209,465 |
| 26 | 341 | Transportation Equipment | 20.00% | 310,415 | - | - | 38,258 | 348,673 | 94,350 | - | 94,350 | - | - | - | 40,602 | 557,771 | 238,045 |
| 27 | 342 | Stores Equipment | 4.00% | - | - | | | - | - | | - | | | - | - | - | - |
| 28 | 343 | Tools, Shop & Garage Equipment | 5.00% | 45,101 | - | - | | 45,101 | 6,503 | - | 6,503 | 18,757 | - | 469 | 8,553 | 319,779 | 127,537 |
| 29 | 344 | Laboratory Equipment | 10.00% | 3,285 | - | | | 3,285 | - | | - | | | - | 164 | 3,285 | 164 |
| 30 | 345 | Power Operated Equipment | 5.00% | 39,350 | - | | | 39,350 | - | | - | 30,389 | | 760 | 2,561 | 101,287 | 16,695 |
| 31 | 346 | Communication Equipment | 10.00% | 456,746 | - | - | 627 | 457,373 | 1,676 | - | 1,676 | 12,986 | - | 649 | 65,499 | 895,829 | 360,331 |
| 32 | 347 | Miscellaneous Equipment | 10.00% | 109,001 | - | - | - | 109,001 | - | - | - | - | - | - | 6,436 | 220,280 | 109,329 |
| 33 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | | | | | - | - | | - | 450,582 | | 7,502 | - | 450,582 | 7,502 |
| 34 | 348 | Other Tangible Plant | 10.00% | - | - | | | - | - | | - | | | - | 15,538 | 155,378 | 116,534 |
| 34 | | Rounding | | | | | | - | - | | - | | | - | - | - | - |
| 35 | | | | | | | | | | | | | | | | | |
| 36 | | TOTALS | | 4,711,519 | - | (121) | (367,729) | 4,343,669 | 420,168 | (144,553) | 275,615 | 1,076,491 | - | 26,186 | 947,974 | 37,123,543 | 14,358,865 |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

| Line No. | Acct. No. | Description | Adjusted Accum. Depr. | A Plant Reclass | B Unsupported Plant | C Plant True-Up | D Plant Addition Correction | E Retirements | F Corporate Plant | G PTY Plant Depreciation | H Eliminate A/D | I Adjustments to Reconcile A/D to Reconstruction | Adjusted Accum. Depr. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 108 | Accumulated Depreciation | - | | | | | | | | | - | - |
| 7 | 186 | Accumulated Amortization | 125,026 | | | | | | | | (125,026) | - | - |
| 8 | 301 | Organization Cost | - | - | - | - | - | - | | - | | - | - |
| 9 | 302 | Franchise Cost | - | - | - | - | - | - | | - | | - | - |
| 10 | 303 | Land and Land Rights | - | - | - | - | - | - | | - | | - | - |
| 11 | 304 | Structures and Improvements | 870,543 | (20,279) | - | (2,733) | - | - | | 911 | | 3 | 848,444 |
| 12 | 305 | Collecting and Impounding Res. | 8,788 | - | - | - | - | - | | - | | - | 8,788 |
| 13 | 306 | Lake River and Other Intakes | - | - | - | - | - | - | | - | | - | - |
| 14 | 307 | Wells and Springs | 797,497 | (5,296) | - | - | - | - | | 262 | | - | 792,463 |
| 15 | 308 | Infiltration Galleries and Tunnels | - | - | - | - | - | - | | - | | - | - |
| 16 | 309 | Supply Mains | 4,838 | - | - | 22 | - | - | | - | | - | 4,860 |
| 17 | 310 | Power Generation Equipment | 447 | - | - | - | - | - | | 4,846 | | - | 5,293 |
| 18 | 311 | Electric Pumping Equipment | 2,288,780 | 27,392 | (801) | 8 | - | (36,183) | | 5,243 | | - | 2,284,439 |
| 19 | 320 | Water Treatment Equipment | 23,722 | (2,098) | - | - | - | - | | (2) | | - | 21,622 |
| 20 | 320.1 | Water Treatment Plant | - | - | - | - | - | - | | 13 | | - | 13 |
| 21 | 320.2 | Chemical Solution Feeders | - | 12,599 | - | - | - | - | | 642 | | - | 13,240 |
| 22 | 330 | Dist. Reservoirs & Standpipe | 1,130,151 | (18,139) | - | - | - | - | | - | | 1 | 1,112,014 |
| 23 | 330.1 | Storage tanks | - | 16,900 | - | - | - | - | | - | | - | 16,900 |
| 24 | 330.2 | Pressure Tanks | - | 37 | - | - | - | - | | - | | - | 37 |
| 25 | 331 | Trans. and Dist. Mains | 4,991,849 | 12,079 | - | (0) | (13) | 1,324 | | 400 | | 13 | 5,005,652 |
| 26 | 333 | Services | 1,064,571 | - | - | - | - | - | | 1,726 | | - | 1,066,297 |
| 27 | 334 | Meters | 1,256,602 | - | - | (4,171) | (5,965) | 143,229 | | 2,427 | | - | 1,392,121 |
| 28 | 335 | Hydrants | 395,469 | - | - | - | - | - | | 31 | | - | 395,500 |
| 29 | 336 | Backflow Prevention Devices | - | - | - | - | - | - | | - | | - | - |
| 30 | 339 | Other Plant and Misc. Equip. | 58,367 | - | - | - | - | - | | - | | - | 58,367 |
| 31 | 340 | Office Furniture and Fixtures | 163,523 | (16,328) | - | - | - | - | | 19 | | - | 147,215 |
| 32 | 340.1 | Computers and Software | 160,219 | 48,958 | - | - | - | - | | 288 | | - | 209,465 |
| 33 | 341 | Transportation Equipment | 234,219 | - | - | 3,826 | - | - | | - | | - | 238,045 |
| 34 | 342 | Stores Equipment | - | - | - | - | - | - | | - | | - | - |
| 35 | 343 | Tools and Work Equipment | 127,068 | - | - | - | - | - | | 469 | | - | 127,537 |
| 36 | 344 | Laboratory Equipment | 164 | - | - | - | - | - | | - | | - | 164 |
| 37 | 345 | Power Operated Equipment | 15,936 | - | - | - | - | - | | 760 | | - | 16,695 |
| 38 | 346 | Communications Equipment | 359,650 | - | - | 31 | - | - | | 649 | | - | 360,331 |
| 39 | 347 | Miscellaneous Equipment | 109,329 | - | - | - | - | - | | - | | - | 109,329 |
| 40 | 347.1 | Miscellaneous Equipment - CNG Plant | - | - | - | - | - | - | | 7,502 | | - | 7,502 |
| 40 | 348 | Other Tangible Plant | 116,534 | - | - | - | - | - | | - | | - | 116,534 |
| 41 | | | 14,303,290 | 55,826 | (801) | (3,018) | (5,979) | 108,371 | - | 26,186 | (125,026) | 17 | 14,358,865 |
| 42 | | | | | | | | | | | | | |
| 43 | 903 | Land and Land Rights | - | | | | | | | | | | - |
| 44 | 904 | Structures and Improvments | 11,904 | | | | | | 1,826 | | | | 13,730 |
| 45 | 940 | Office Furniture and Fixtures | 2,045 | | | | | | 526 | | | | 2,571 |
| 46 | 940.1 | Computers and Software | 58,133 | | | | | | 12,718 | | | | 70,851 |
| 47 | | | | | | | | | | | | | - |
| 48 | | | | | | | | | | | | | - |
| 49 | | TOTALS | $ 14,375,372 | $ 55,826 | $ (801) | $ (3,018) | $ (5,979) | $ 108,371 | $ 15,070 | $ 26,186 | $ (125,026) | $ 17 | $ 14,446,017 |
| 50 | | | | | | | | | | | | | |
| 51 | | Accumulated Depreciation per Books | | | | | | | | | | | $ 14,375,372 |
| 52 | | | | | | | | | | | | | |
| 53 | | Increase (decrease) in Accumulated Depreciation | | | | | | | | | | | $ 70,645 |
| 54 | | | | | | | | | | | | | |
| 55 | | Adjustment to Accumulated Depreciation | | | | | | | | | | | $ 70,645 |
| 56 | | | | | | | | | | | | | |
| 57 | | SUPPORTING SCHEDULES | | | | | | | | | | | |
| 58 | | B-2, pages 4.1 to 4.9 | | | | | | | | | | | |

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.

1 Plant Reclass

| Line | Acct. No. | Description | Depr Rate | Depr. 2009 | Depr. 2010 | Depr. 2011 | Depr. 2012 | Depr. 2013 | Depr. 2014 | Depr. Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | $ - |
| 7 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - |
| 8 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - |
| 9 | 304 | Structures and Improvements | 3.33% | (1,275) | (3,401) | (3,686) | (3,972) | (3,972) | (3,972) | (20,279) |
| 10 | 305 | Collecting and Impounding Res. | 2.50% | - | - | - | - | - | - | - |
| 11 | 306 | Lake River and Other Intakes | 2.50% | - | - | - | - | - | - | - |
| 12 | 307 | Wells and Springs | 3.33% | - | (811) | (1,336) | (1,050) | (1,050) | (1,050) | (5,296) |
| 13 | 308 | Infiltration Galleries and Tunnels | 6.67% | - | - | - | - | - | - | - |
| 14 | 309 | Supply Mains | 2.00% | - | - | - | - | - | - | - |
| 15 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | - |
| 16 | 311 | Electric Pumping Equipment | 12.50% | - | 3,044 | 6,087 | 6,087 | 6,087 | 6,087 | 27,392 |
| 17 | 320 | Water Treatment Equipment | 3.33% | - | - | - | (239) | (755) | (1,103) | (2,098) |
| 18 | 320.1 | Water Treatment Plant | 3.33% | - | - | - | - | - | - | - |
| 19 | 320.2 | Chemical Solution Feeders | 20.00% | - | - | - | 1,435 | 4,537 | 6,626 | 12,599 |
| 20 | 330 | Dist. Reservoirs & Standpipe | 2.22% | (166) | (1,649) | (2,879) | (2,902) | (2,902) | (7,640) | (18,139) |
| 21 | 330.1 | Storage tanks | 2.22% | 850 | 2,267 | 2,267 | 2,267 | 2,267 | 6,982 | 16,900 |
| 22 | 330.2 | Pressure Tanks | 5.00% | - | - | 5 | 11 | 11 | 11 | 37 |
| 23 | 331 | Trans. and Dist. Mains | 2.00% | 149 | 1,486 | 2,592 | 2,610 | 2,610 | 2,631 | 12,079 |
| 24 | 333 | Services | 3.33% | - | - | - | - | - | - | - |
| 25 | 334 | Meters | 8.33% | - | - | - | - | - | - | - |
| 26 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | - |
| 27 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | 6.67% | - | - | - | - | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | 6.67% | - | - | - | (2,504) | (6,274) | (7,550) | (16,328) |
| 30 | 340.1 | Computers and Software | 20.00% | - | - | - | 7,507 | 18,813 | 22,638 | 48,958 |
| 31 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - |
| 32 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - |
| 33 | 343 | Tools and Work Equipment | 5.00% | - | - | - | - | - | - | - |
| 34 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - |
| 35 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - |
| 36 | 346 | Communications Equipment | 10.00% | - | - | - | - | - | - | - |
| 37 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | - | - | - | - | - |
| 39 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - |
| 41 | | TOTALS | | $ (441) | $ 936 | $ 3,050 | $ 9,250 | $ 19,372 | $ 23,660 | $ 55,826 |

44 SUPPORTING SCHEDULE
45 Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line No.

1 Unsupported Plant

| Line No. | Acct. No. | Description | Depr Rate | Depr 2009 | Depr 2010 | Depr 2011 | Depr 2012 | Depr 2013 | Depr 2014 | Depr Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | $ - |
| 7 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - |
| 8 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - |
| 9 | 304 | Structures and Improvements | 3.33% | - | - | - | - | - | - | - |
| 10 | 305 | Collecting and Impounding Res. | 2.50% | - | - | - | - | - | - | - |
| 11 | 306 | Lake River and Other Intakes | 2.50% | - | - | - | - | - | - | - |
| 12 | 307 | Wells and Springs | 3.33% | - | - | - | - | - | - | - |
| 13 | 308 | Infiltration Galleries and Tunnels | 6.67% | - | - | - | - | - | - | - |
| 14 | 309 | Supply Mains | 2.00% | - | - | - | - | - | - | - |
| 15 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | - |
| 16 | 311 | Electric Pumping Equipment | 12.50% | - | (89) | (178) | (178) | (178) | (178) | (801) |
| 17 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | - |
| 18 | 320 | Water Treatment Plant | 3.33% | - | - | - | - | - | - | - |
| 19 | 320 | Chemical Solution Feeders | 20.00% | - | - | - | - | - | - | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | 2.22% | - | - | - | - | - | - | - |
| 21 | 330 | Storage tanks | 2.22% | - | - | - | - | - | - | - |
| 22 | 330 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - |
| 23 | 331 | Trans. and Dist. Mains | 2.00% | - | - | - | - | - | - | - |
| 24 | 333 | Services | 3.33% | - | - | - | - | - | - | - |
| 25 | 334 | Meters | 8.33% | - | - | - | - | - | - | - |
| 26 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | - |
| 27 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | 6.67% | - | - | - | - | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | 6.67% | - | - | - | - | - | - | - |
| 30 | 340 | Computers and Software | 20.00% | - | - | - | - | - | - | - |
| 31 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - |
| 32 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - |
| 33 | 343 | Tools and Work Equipment | 5.00% | - | - | - | - | - | - | - |
| 34 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - |
| 35 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - |
| 36 | 346 | Communications Equipment | 10.00% | - | - | - | - | - | - | - |
| 37 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - |
| 38 | 347 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | - | - | - | - | - |
| 39 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - |
| 41 | | TOTALS | | $ - | $ (89) | $ (178) | $ (178) | $ (178) | $ (178) | $ (801) |

44 SUPPORTING SCHEDULE
45 Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Plant Accrual Adjustment

| Line No. | Acct. No. | Description | Depr Rate | Depr 2009 | Depr 2010 | Depr 2011 | Depr 2012 | Depr 2013 | Depr 2014 | Depr Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | $ - |
| 7 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - |
| 8 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - |
| 9 | 304 | Structures and Improvements | 3.33% | - | - | - | - | - | (2,733) | (2,733) |
| 10 | 305 | Collecting and Impounding Res. | 2.50% | - | - | - | - | - | - | - |
| 11 | 306 | Lake River and Other Intakes | 2.50% | - | - | - | - | - | - | - |
| 12 | 307 | Wells and Springs | 3.33% | - | - | - | - | - | - | - |
| 13 | 308 | Infiltration Galleries and Tunnels | 6.67% | - | - | - | - | - | - | - |
| 14 | 309 | Supply Mains | 2.00% | - | - | - | - | - | 22 | 22 |
| 15 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | - |
| 16 | 311 | Electric Pumping Equipment | 12.50% | - | - | - | - | - | 8 | 8 |
| 17 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | - |
| 18 | 320.1 | Water Treatment Plant | 3.33% | - | - | - | - | - | - | - |
| 19 | 320.2 | Chemical Solution Feeders | 20.00% | - | - | - | - | - | - | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | 2.22% | - | - | - | - | - | - | - |
| 21 | 330.1 | Storage tanks | 2.22% | - | - | - | - | - | - | - |
| 22 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - |
| 23 | 331 | Trans. and Dist. Mains | 2.00% | - | - | - | - | - | (0) | (0) |
| 24 | 333 | Services | 3.33% | - | - | - | - | - | - | - |
| 25 | 334 | Meters | 8.33% | - | - | - | - | - | (4,171) | (4,171) |
| 26 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | - |
| 27 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | 6.67% | - | - | - | - | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | 6.67% | - | - | - | - | - | - | - |
| 30 | 340.1 | Computers and Software | 20.00% | - | - | - | - | - | - | - |
| 31 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | 3,826 | 3,826 |
| 32 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - |
| 33 | 343 | Tools and Work Equipment | 5.00% | - | - | - | - | - | - | - |
| 34 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - |
| 35 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - |
| 36 | 346 | Communications Equipment | 10.00% | - | - | - | - | - | 31 | 31 |
| 37 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | - | - | - | - | - |
| 39 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - |
| 41 | | TOTALS | | $ - | $ - | $ - | $ - | $ - | $ (3,018) | $ (3,018) |

44 SUPPORTING SCHEDULE
45 Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - D

Exhibit
Rebuttal Schedule B-2
Page 4.4
Witness: Bourassa

Line No.

1 Plant Addition Correction

| Line No. | Acct. No. | Description | Depr Rate | Depr 2009 | Depr 2010 | Depr 2011 | Depr 2012 | Depr 2013 | Depr 2014 | Depr Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | 0.00% | - | - | - | - | - | - | $ - |
| 7 | 302 | Franchise Cost | 0.00% | - | - | - | - | - | - | - |
| 8 | 303 | Land and Land Rights | 0.00% | - | - | - | - | - | - | - |
| 9 | 304 | Structures and Improvements | 3.33% | - | - | - | - | - | - | - |
| 10 | 305 | Collecting and Impounding Res. | 2.50% | - | - | - | - | - | - | - |
| 11 | 306 | Lake River and Other Intakes | 2.50% | - | - | - | - | - | - | - |
| 12 | 307 | Wells and Springs | 3.33% | - | - | - | - | - | - | - |
| 13 | 308 | Infiltration Galleries and Tunnels | 6.67% | - | - | - | - | - | - | - |
| 14 | 309 | Supply Mains | 2.00% | - | - | - | - | - | - | - |
| 15 | 310 | Power Generation Equipment | 5.00% | - | - | - | - | - | - | - |
| 16 | 311 | Electric Pumping Equipment | 12.50% | - | - | - | - | - | - | - |
| 17 | 320 | Water Treatment Equipment | 3.33% | - | - | - | - | - | - | - |
| 18 | 320.1 | Water Treatment Plant | 3.33% | - | - | - | - | - | - | - |
| 19 | 320.2 | Chemical Solution Feeders | 20.00% | - | - | - | - | - | - | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | 2.22% | - | - | - | - | - | - | - |
| 21 | 330.1 | Storage tanks | 2.22% | - | - | - | - | - | - | - |
| 22 | 330.2 | Pressure Tanks | 5.00% | - | - | - | - | - | - | - |
| 23 | 331 | Trans. and Dist. Mains | 2.00% | - | - | - | - | - | (13) | (13) |
| 24 | 333 | Services | 3.33% | - | - | - | - | - | - | - |
| 25 | 334 | Meters | 8.33% | - | - | - | - | - | (5,965) | (5,965) |
| 26 | 335 | Hydrants | 2.00% | - | - | - | - | - | - | - |
| 27 | 336 | Backflow Prevention Devices | 6.67% | - | - | - | - | - | - | - |
| 28 | 339 | Other Plant and Misc. Equip. | 6.67% | - | - | - | - | - | - | - |
| 29 | 340 | Office Furniture and Fixtures | 6.67% | - | - | - | - | - | - | - |
| 30 | 340.1 | Computers and Software | 20.00% | - | - | - | - | - | - | - |
| 31 | 341 | Transportation Equipment | 20.00% | - | - | - | - | - | - | - |
| 32 | 342 | Stores Equipment | 4.00% | - | - | - | - | - | - | - |
| 33 | 343 | Tools and Work Equipment | 5.00% | - | - | - | - | - | - | - |
| 34 | 344 | Laboratory Equipment | 10.00% | - | - | - | - | - | - | - |
| 35 | 345 | Power Operated Equipment | 5.00% | - | - | - | - | - | - | - |
| 36 | 346 | Communications Equipment | 10.00% | - | - | - | - | - | - | - |
| 37 | 347 | Miscellaneous Equipment | 10.00% | - | - | - | - | - | - | - |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | 3.33% | - | - | - | - | - | - | - |
| 39 | 348 | Other Tangible Plant | 10.00% | - | - | - | - | - | - | - |
| 41 | | TOTALS | | $ - | $ - | $ - | $ - | $ - | $ (5,979) | $ (5,979) |

44 SUPPORTING SCHEDULE
45 Work papers

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Exhibit
Rebuttal Schedule B-2
Page 4.5
Witness: Bourassa

| Line No. | | | |
|---|---|---|---|
| 1 | Retirements and Retirements Corrections A/D | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | |
| 5 | No. | Description | A/D |
| 6 | 301 | Organization Cost | - |
| 7 | 302 | Franchise Cost | - |
| 8 | 303 | Land and Land Rights | - |
| 9 | 304 | Structures and Improvements | - |
| 10 | 305 | Collecting and Impounding Res. | - |
| 11 | 306 | Lake River and Other Intakes | - |
| 12 | 307 | Wells and Springs | - |
| 13 | 308 | Infiltration Galleries and Tunnels | - |
| 14 | 309 | Supply Mains | - |
| 15 | 310 | Power Generation Equipment | - |
| 16 | 311 | Electric Pumping Equipment | (36,183) |
| 17 | 320 | Water Treatment Equipment | - |
| 18 | 320.1 | Water Treatment Plant | - |
| 19 | 320.2 | Chemical Solution Feeders | - |
| 20 | 330 | Dist. Reservoirs & Standpipe | - |
| 21 | 330.1 | Storage tanks | - |
| 22 | 330.2 | Pressure Tanks | - |
| 23 | 331 | Trans. and Dist. Mains | 1,324 |
| 24 | 333 | Services | - |
| 25 | 334 | Meters | 143,229 |
| 26 | 335 | Hydrants | - |
| 27 | 336 | Backflow Prevention Devices | - |
| 28 | 339 | Other Plant and Misc. Equip. | - |
| 29 | 340 | Office Furniture and Fixtures | - |
| 30 | 340.1 | Computers and Software | - |
| 31 | 341 | Transportation Equipment | - |
| 32 | 342 | Stores Equipment | - |
| 33 | 343 | Tools and Work Equipment | - |
| 34 | 344 | Laboratory Equipment | - |
| 35 | 345 | Power Operated Equipment | - |
| 36 | 346 | Communications Equipment | - |
| 37 | 347 | Miscellaneous Equipment | - |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | - |
| 39 | 348 | Other Tangible Plant | - |
| 40 | | | |
| 41 | | TOTALS | $ 108,371 |
| 42 | | | |
| 43 | | | |
| 44 | SUPPORTING SCHEDULE | | |
| 45 | Work papers | | |
| 46 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - F

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Rebuttal Schedule B-2
Page 4.6
Witness: Bourassa

Line No.

1 PTY Plant A/D

| Line | Acct. No. | Description | Direct PTY Plant Balance | Adjustments | Adjusted PTY Plant Balance | Depr Rate | Depr (1/2 Year) PTY |
|---|---|---|---|---|---|---|---|
| 6 | 301 | Organization Cost | $ - | $ - | $ - | 0.00% | $ - |
| 7 | 302 | Franchise Cost | - | - | - | 0.00% | - |
| 8 | 303 | Land and Land Rights | - | - | - | 0.00% | - |
| 9 | 304 | Structures and Improvements | 58,831 | (4,140) | 54,692 | 3.33% | 911 |
| 10 | 305 | Collecting and Impounding Res. | - | - | - | 2.50% | - |
| 11 | 306 | Lake River and Other Intakes | - | - | - | 2.50% | - |
| 12 | 307 | Wells and Springs | 3,449 | 12,291 | 15,740 | 3.33% | 262 |
| 13 | 308 | Infiltration Galleries and Tunnels | - | - | - | 6.67% | - |
| 14 | 309 | Supply Mains | - | - | - | 2.00% | - |
| 15 | 310 | Power Generation Equipment | 194,402 | (561) | 193,841 | 5.00% | 4,846 |
| 16 | 311 | Electric Pumping Equipment | 28,417 | 55,466 | 83,882 | 12.50% | 5,243 |
| 17 | 320 | Water Treatment Equipment | 5,876 | (5,989) | (113) | 3.33% | (2) |
| 18 | 320.1 | Water Treatment Plant | - | 777 | 777 | 3.33% | 13 |
| 19 | 320.2 | Chemical Solution Feeders | - | 6,418 | 6,418 | 20.00% | 642 |
| 20 | 330 | Dist. Reservoirs & Standpipe | - | - | - | 2.22% | - |
| 21 | 330.1 | Storage tanks | - | - | - | 2.22% | - |
| 22 | 330.2 | Pressure Tanks | - | - | - | 5.00% | - |
| 23 | 331 | Trans. and Dist. Mains | 9,942 | 30,077 | 40,018 | 2.00% | 400 |
| 24 | 333 | Services | 51,303 | 52,357 | 103,660 | 3.33% | 1,726 |
| 25 | 334 | Meters | 19,002 | 39,259 | 58,261 | 8.33% | 2,427 |
| 26 | 335 | Hydrants | 1,811 | 1,328 | 3,139 | 2.00% | 31 |
| 27 | 336 | Backflow Prevention Devices | - | - | - | 6.67% | - |
| 28 | 339 | Other Plant and Misc. Equip. | - | - | - | 6.67% | - |
| 29 | 340 | Office Furniture and Fixtures | 2,721 | (2,137) | 584 | 6.67% | 19 |
| 30 | 340.1 | Computers and Software | 740 | 2,137 | 2,877 | 20.00% | 288 |
| 31 | 341 | Transportation Equipment | - | - | - | 20.00% | - |
| 32 | 342 | Stores Equipment | - | - | - | 4.00% | - |
| 33 | 343 | Tools and Work Equipment | 13,362 | 5,395 | 18,757 | 5.00% | 469 |
| 34 | 344 | Laboratory Equipment | - | - | - | 10.00% | - |
| 35 | 345 | Power Operated Equipment | 30,352 | 37 | 30,389 | 5.00% | 760 |
| 36 | 346 | Communications Equipment | 10,123 | 2,863 | 12,986 | 10.00% | 649 |
| 37 | 347 | Miscellaneous Equipment | 442,442 | (442,442) | - | 10.00% | - |
| 38 | 347.1 | Miscellaneous Equipment - CNG Plant | - | 450,582 | 450,582 | 3.33% | 7,502 |
| 39 | 348 | Other Tangible Plant | | - | - | 10.00% | - |
| 41 | | TOTALS | $ 872,772 | $ 203,719 | $ 1,076,491 | | $ 26,186 |

44 SUPPORTING SCHEDULE
45 Work papers

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - G

Exhibit
Rebuttal Schedule B-2
Page 4.7
Witness: Bourassa

| Line No. | | | [1] | [2] | [3] | [4] = [1]x[2]x[3] | | |
|---|---|---|---|---|---|---|---|---|
| 1 | Corporate Plant A/D | | | | | | | |
| 4 | Acct. No. | Description | Orginal Cost | Liberty Utilities Factor | Rio Rico Water Factor | Allocated Orginal Cost | Direct Orginal Cost | Increase (Decrease) |
| 6 | 903 | Land and Land Rights | $ - | 12.94% | 11.94% | - | - | - |
| 7 | 904 | Structures and Improvments | 309,237 | 12.94% | 11.94% | 4,778 | 4,784 | (6) |
| 8 | 940.1 | Computers and Software | 65,442 | 12.94% | 11.94% | 1,011 | 3,249 | (2,238) |
| 11 | LU Sub-Corp. Plant | | | | | | | |
| 13 | 903 | Land and Land Rights | - | | 11.94% | - | - | - |
| 14 | 904 | Structures and Improvments | 74,974 | | 11.94% | 8,952 | 7,120 | 1,832 |
| 15 | 940 | Office Furniture and Equipment | 21,535 | | 11.94% | 2,571 | 2,045 | 526 |
| 16 | 940.1 | Computers and Software | 612,134 | | 11.94% | 73,089 | 58,133 | 14,956 |
| 41 | | TOTALS | | | | $ 90,401 | $ 75,331 | $ 15,070 |

44 SUPPORTING SCHEDULE
45 Work papers
46 Testimony

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - H

Exhibit
Rebuttal Schedule B-2
Page 4.8
Witness: Bourassa

| Line No. | | | |
|---|---|---|---|
| 1 | Remove A/D | | |
| 2 | | | |
| 3 | | | |
| 4 | Acct. | | |
| 5 | No. | Description | A/D |
| 6 | 186 | Accumulated Amortization | $ (125,026) |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | TOTALS | $ (125,026) |
| 42 | | | |
| 43 | | | |
| 44 | SUPPORTING SCHEDULE | | RECAP SCHEDULES: |
| 45 | Work papers | | B-2, page 4 |
| 46 | Testimony | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - I

Exhibit
Rebuttal Schedule B-2
Page 4.9
Witness: Bourassa

Line No.

1 Reconciliation of A/D to A/D Reconstruction

| Acct. No. | Description | Orginal Cost | B-2 Adjustments | Adjusted Orginal Cost | Plant Per Reconstruction | Difference |
|---|---|---|---|---|---|---|
| 108 | Accumulated Depreciation | - | - | - | - | - |
| 186 | Accumulated Amortization | 125,026 | (125,026) | - | - | - |
| 301 | Organization Cost | - | - | - | - | - |
| 302 | Franchise Cost | - | - | - | - | - |
| 303 | Land and Land Rights | - | - | - | - | - |
| 304 | Structures and Improvements | 870,543 | (22,102) | 848,441 | 848,444 | 3 |
| 305 | Collecting and Impounding Res. | 8,788 | - | 8,788 | 8,788 | - |
| 306 | Lake River and Other Intakes | - | - | - | - | - |
| 307 | Wells and Springs | 797,497 | (5,034) | 792,463 | 792,463 | - |
| 308 | Infiltration Galleries and Tunnels | - | - | - | - | - |
| 309 | Supply Mains | 4,838 | 22 | 4,860 | 4,860 | - |
| 310 | Power Generation Equipment | 447 | 4,846 | 5,293 | 5,293 | - |
| 311 | Electric Pumping Equipment | 2,288,780 | (4,341) | 2,284,439 | 2,284,439 | - |
| 320 | Water Treatment Equipment | 23,722 | (2,100) | 21,622 | 21,622 | - |
| 320.1 | Water Treatment Plant | - | 13 | 13 | 13 | - |
| 320.2 | Chemical Solution Feeders | - | 13,240 | 13,240 | 13,240 | - |
| 330 | Dist. Reservoirs & Standpipe | 1,130,151 | (18,139) | 1,112,013 | 1,112,014 | 1 |
| 330.1 | Storage tanks | - | 16,900 | 16,900 | 16,900 | - |
| 330.2 | Pressure Tanks | - | 37 | 37 | 37 | - |
| 331 | Trans. and Dist. Mains | 4,991,849 | 13,790 | 5,005,639 | 5,005,652 | 13 |
| 333 | Services | 1,064,571 | 1,726 | 1,066,297 | 1,066,297 | - |
| 334 | Meters | 1,256,602 | 135,519 | 1,392,121 | 1,392,121 | - |
| 335 | Hydrants | 395,469 | 31 | 395,500 | 395,500 | - |
| 336 | Backflow Prevention Devices | - | - | - | - | - |
| 339 | Other Plant and Misc. Equip. | 58,367 | - | 58,367 | 58,367 | - |
| 340 | Office Furniture and Fixtures | 163,523 | (16,308) | 147,215 | 147,215 | - |
| 340.1 | Computers and Software | 160,219 | 49,246 | 209,465 | 209,465 | - |
| 341 | Transportation Equipment | 234,219 | 3,826 | 238,045 | 238,045 | - |
| 342 | Stores Equipment | - | - | - | - | - |
| 343 | Tools and Work Equipment | 127,068 | 469 | 127,537 | 127,537 | - |
| 344 | Laboratory Equipment | 164 | - | 164 | 164 | - |
| 345 | Power Operated Equipment | 15,936 | 760 | 16,695 | 16,695 | - |
| 346 | Communications Equipment | 359,650 | 681 | 360,331 | 360,331 | - |
| 347 | Miscellaneous Equipment | 109,329 | - | 109,329 | 109,329 | - |
| 347.1 | Miscellaneous Equipment - CNG F | - | 7,502 | 7,502 | 7,502 | - |
| 348 | Other Tangible Plant | 116,534 | - | 116,534 | 116,534 | - |
| | | | | | | - |
| | TOTALS | $ 14,303,290 | $ 55,558 | $ 14,358,848 | $ 14,358,865 | $ 17 |

SUPPORTING SCHEDULE
B-2, pages 4.1
B-2, pages 3.9 through 3.14

RECAP SCHEDULES:
B-2, page 4

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

| Line No. | | Gross CIAC | Accumulated Amortization |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | Computed balance at End of Test Year | $ 1,080,442 | $ 337,988 |
| 6 | | | |
| 7 | Adjusted balance at End of Test Year | $ 579,988 | $ 304,864 |
| 8 | | | |
| 9 | Increase (decrease) | $ 500,454 | $ 33,125 |
| 10 | | | |
| 11 | | | |
| 12 | Adjustment to CIAC/AA CIAC | $ 500,454 | $ (33,125) |
| 13 | Label | 3a | 3b |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | SUPPORTING SCHEDULES | | RECAP SCHEDULES: |
| 20 | B-2, page 5.1 to 5.4 | | B-2, page 2 |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Rebuttal Schedule B-2
Page 5.1
Witness: Bourassa

| Line No. | | Decision Balance 3/31/2009 | 2009 Additions | 2009 Balance 12/31/2009 | 2010 Additions | 2010 Balance 12/31/2010 | 2011 Additions | 2011 Balance 12/31/2011 |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | CIAC | 542,445 | 2,000 | 544,445 | 1,000 | 545,445 | 5,000 | 550,445 |
| 6 | | | | | | | | |
| 7 | Details: | | | | | | | |
| 8 | Bella Vista | 496,445 | | | | | | |
| 9 | Northern Sunrise | 27,000 | | | | | 1,000 | |
| 10 | Southern Sunrise | 19,000 | 2,000 | | 1,000 | | 4,000 | |
| 11 | Rate Case Adj - AIAC error | | | | | | | |
| 12 | Rate Case Adj - AIAC error | | | | | | | |
| 13 | Total | 542,445 | 2,000 | - | 1,000 | - | 5,000 | - |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | Amortization Decision | 230,987 | | | | | | |
| 17 | Amortization Rate | | | 2.70% | | 2.67% | | 2.64% |
| 18 | Amortization | | | 14,683 | | 14,564 | | 14,556 |
| 19 | Accumulated Amortization | | | 245,670 | | 260,234 | | 274,789 |
| 20 | | | | | | | | |
| 21 | Net CIAC | 311,458 | 2,000 | 298,775 | 1,000 | 285,211 | 5,000 | 275,655 |
| 22 | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Rebuttal Schedule B-2
Page 5.2
Witness: Bourassa

| Line No. | | Decision Balance 3/31/2009 | 2009 Additions | 2009 Balance 12/31/2009 | 2012 Additions | 2012 Balance 12/31/2012 | 2013 Additions | 2013 Balance 12/31/2013 | 2014 Additions | 2014 Balance 12/31/2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | | |
| 2 | | | | | | | | | | |
| 3 | | | | | | | | | | |
| 4 | | | | | | | | | | |
| 5 | CIAC | 542,445 | 2,000 | 544,445 | 8,277 | 558,721 | 2,495 | 561,216 | 519,226 | 1,080,442 |
| 6 | | | | | | | | | | |
| 7 | Details: | | | | | | | | | |
| 8 | Bella Vista | 496,445 | | | 8,277 | | 2,495 | | 519,226 | |
| 9 | Northern Sunrise | 27,000 | | | | | | | | |
| 10 | Southern Sunrise | 19,000 | 2,000 | | | | | | | |
| 11 | Rate Case Adj - AIAC error | | | | | | | | | |
| 12 | Rate Case Adj - AIAC error | | | | | | | | | |
| 13 | Total | 542,445 | 2,000 | - | 8,277 | - | 2,495 | - | 519,226 | - |
| 14 | | | | | | | | | | |
| 15 | | | | | | | | | | |
| 16 | Amortization Decision | 230,987 | | | | | | | | |
| 17 | Amortization Rate | | | 2.70% | | 2.74% | | 2.89% | | 2.94% |
| 18 | Amortization | | | 14,683 | | 15,294 | | 16,194 | | 31,711 |
| 19 | Accumulated Amortization | | | 245,670 | | 290,083 | | 306,277 | | 337,988 |
| 20 | | | | | | | | | | |
| 21 | Net CIAC | 311,458 | 2,000 | 298,775 | 8,277 | 268,638 | 2,495 | 254,939 | 519,226 | 742,454 |
| 22 | | | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6
Witness: Bourassa

| Line No. | | |
|---|---|---|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | Computed balance at End of Test Year | $ 8,595,621 |
| 5 | | |
| 6 | Adjusted balance at End of Test Year | $ 9,114,847 |
| 7 | | |
| 8 | Increase (decrease) | $ (519,226) |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | SUPPORTING SCHEDULES | RECAP SCHEDULES: |
| 20 | B-2, page 6.1 | B-2, page 2 |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |
| 26 | | |
| 27 | | |
| 28 | | |
| 29 | | |
| 30 | | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6.1
Witness: Bourassa

| Line No. | | Decision (1) Balance 3/31/2009 | 2009 Activity | 2009 Balance 12/31/2008 | 2010 Activity | 2010 Balance 12/31/2009 | 2011 Activity | 2011 Balance 12/31/2010 |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | AIAC | 6,773,640 | 242,021 | 7,015,662 | 402,270 | 7,417,932 | 916,055 | 8,333,987 |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | Total AIAC | 6,773,640 | 242,021 | 7,015,662 | 402,270 | 7,417,932 | 916,055 | 8,333,987 |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | Per Prior Decision | | | | | | | |
| 16 | AIAC | 6,773,640 | | | | | | |
| 17 | Customer Meter Deposits | 7,803 | | | | | | |
| 18 | Total Per Decision | 6,781,443 | | | | | | |
| 19 | | | | | | | | |
| 20 | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Advances-in-Aid of Construction (AIAC)

Exhibit
Rebuttal Schedule B-2
Page 6.1
Witness: Bourassa

| Line No. | | 2012 | | 2013 | | 2014 | | |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | | Activity | Balance 12/31/2011 | Additions | Balance 12/31/2012 | Additions | Reclass | Balance 12/31/2012 |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | AIAC | 620,553 | 8,954,540 | (1,516) | 8,953,024 | 161,823 | (519,226) | 8,595,621 |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | Total AIAC | 620,553 | 8,954,540 | (1,516) | 8,953,024 | 161,823 | (519,226) | 8,595,621 |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | Per Prior Decision | | | | | | | |
| 16 | AIAC | | | | | | | |
| 17 | Customer Meter Deposits | | | | | | | |
| 18 | Total Per Decision | | | | | | | |
| 19 | | | | | | | | |
| 20 | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Rebuttal Schedule B-2
Page 7.0
Witness: Bourassa

**Deferred Income Tax as of December 31, 2014**

| Line No. | | | Water & Sewer Adjusted Book Value | Water & Sewer Tax Value | Probability of Realization of Future Tax Benefit | Deductible TD (Taxable TD) Expected to be Realized | Effective Tax Rate | Future Tax Asset Current | Future Tax Asset Non Current | Future Tax Liability Current | Future Tax Liability Non Current |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | | Plant-in-Service | $ 36,435,532 [1] | | | | | | | | |
| 7 | | Accum. Deprec. | (14,358,865) [1] | | | | | | | | |
| 8 | | CIAC | (6,759,388) [3] | | | | | | | | |
| 9 | Fed. | Fixed Assets | $ 15,317,278 | $ 7,495,545 [2] | 100.0% | $ (7,821,733) | 32.79% | | - | | (2,564,423) |
| 11 | State | Fixed Assets | $ 15,317,278 | $ 7,360,459 [2] | 100.0% | $ (7,956,819) | 4.900% | | - | | (389,884) |
| 13 | Fed &State | AIAC | | 2,986,841 [4] | 100.0% | $ 2,986,841 [4] | 37.686% | | $ 1,125,617 | | |
| 16 | | | | | | | | $ - | $ 1,125,617 | $ - | $ (2,954,307) |

| | |
|---|---|
| Net Asset (Liability) | $ (1,828,690) |
| Allocation Factor | 1.0000 |
| Net Asset (Liability) Water Division | $ (1,828,690) |
| Allocated Corporate ADIT[5] | $ (18,664) |
| Total Asset (Liability) Water Division | $ (1,847,354) |
| DIT Asset (Liability) per Direct | $ (381,189) |
| Adjustment to DIT | $ 1,466,165 |

Footnotes - See page 7.1

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Exhibit
Schedule B-2
Page 7.1
Witness: Bourassa

| Line No. | | FEDERAL | | | STATE | | |
|---|---|---|---|---|---|---|---|
| 1 | [1] **Per adjusted book balances, land not included and corporate plant not oncluded** | | | | | | |
| 2 | | | | | | | |
| 3 | **2 Computation of Net Tax Value December 31, 2014** | | | | | | |
| 4 | | | | | | | |
| 5 | Based on 2014 Tax Depreciation report | | | | | | |
| 6 | Adjusted Cost at December 31, 2014 per federal and state tax depr. report | $ 18,067,384 | | | $ 22,412,040 | | |
| 7 | Reconciling Items not on tax report: | | | | - | | |
| 8 | Land on Tax and not on included in adjusted plant balance | | | | - | | |
| 9 | PTY Plant as revised | 1,076,491 | | | 1,076,491 | | |
| 10 | | | | | - | | |
| 11 | | | | | - | | |
| 12 | | | | | - | | |
| 13 | | - | | | - | | |
| 14 | | | | | - | | |
| 15 | Net Unadjusted Cost tax Basis at December 31, 2012 | | | $ 19,143,875 | | | $ 23,488,531 |
| 16 | | | | | | | |
| 17 | Reductions | | | | | | |
| 18 | Accumulated Depreciation | $ (11,624,715) | | | $ (16,104,457) | | |
| 19 | | | | | | | |
| 20 | PTY Plant | (23,614) | | | (23,614) | | |
| 21 | | - | | | - | | |
| 22 | | - | | | - | | |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | Net Reductions through December 31, 2012 | | | (11,648,329) | | | (16,128,072) |
| 27 | Net tax value of plant-in-service at December 31. 2012 | | | $ 7,495,545 | | | $ 7,360,459 |
| 28 | | | | | | | |
| 29 | [3] **CIAC (including impact of change to probability of realization)** | | | | | | |
| 30 | Gross CIAC per adjusted book balances | | $ 1,080,442 | | | | |
| 31 | CIAC reductions/addtions | | | | | | |
| 32 | A.A per adjusted book balances | $ (337,988) | | | | | |
| 33 | | - | | | | | |
| 34 | | | (337,988) | | | | |
| 35 | Net CIAC before unrealized AIAC | | | $ 742,454 | | | |
| 36 | | | | | | | |
| 37 | Unrealized AIAC Component | | | | | | |
| 38 | AIAC per adjusted book balances | | $ 8,595,621 | | | | |
| 39 | Adjusted Net AIAC (see footnote 5 below) | | 70.0% | | | | |
| 40 | Unrealized AIAC Component % (1-Realized AIAC Component) | | | $ 6,016,934 | | | |
| 41 | | | | $ 6,759,388 | | | |
| 42 | Total realizable CIAC | | | | | | |
| 43 | | | | | | | |
| 44 | [4] **AIAC (including impact of change in probability of realization)** | | | | | | |
| 45 | AIAC per adjusted book balances | | | $ 8,595,621 | | | |
| 46 | Less: Unrealized AIAC (from Note 3, above) | | | $ (6,016,934) | | | |
| 47 | | | | | | | |
| 48 | Subtotal | | | $ 2,578,686 | | | |
| 49 | Meter and Service Line Installation Charges per adjusted book balances | | | 408,155 | | | |
| 50 | Total realizable AIAC | | | $ 2,986,841 | | | |
| 51 | | | | | | | |
| 52 | [5] **See work papers** | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Cash Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

| Line No. | Description | Proforma Test Year Amount[1] | Revenue Lag (Lead) Days | Expense Lag (Lead) Days | Net Lag (Lead) Days Col. C - Col. D | Lead/Lag Factor Col. E/365 | Cash Working Capital Required Col. B * Col. F |
|---|---|---|---|---|---|---|---|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
| 7 | OPERATING EXPENSES | | | | | | |
| 8 | Salaries and Wages | $ - | 42.63 | - | 42.63 | 0.11679452 | $ - |
| 9 | Purchased Water | $ 3,021 | 42.63 | 24.34 | 18.29 | 0.05010959 | 151 |
| 10 | Purchased Power | 518,331 | 42.63 | 32.09 | 10.54 | 0.02887671 | 14,968 |
| 11 | Chemicals | 15,943 | 42.63 | (24.00) | 66.63 | 0.18254795 | 2,910 |
| 12 | Fuel for Power Production | - | 42.63 | - | 42.63 | 0.11679452 | - |
| 13 | Repairs and Maintenance | - | 42.63 | 16.11 | 26.52 | 0.07265753 | - |
| 14 | Office Supplies and Expense | 39,640 | 42.63 | 39.26 | 3.37 | 0.00923288 | 366 |
| 15 | Outside Services | - | 42.63 | - | 42.63 | 0.11679452 | - |
| 16 | Contractual Services - Professional | 1,078,463 | 42.63 | 19.92 | 22.71 | 0.06221918 | 67,101 |
| 17 | Contractual Services - Testing | 50,350 | 42.63 | 26.06 | 16.57 | 0.04539726 | 2,286 |
| 18 | Contractual Services - Other | 787,719 | 42.63 | 22.70 | 19.93 | 0.05460274 | 43,012 |
| 19 | Water Testing | - | 42.63 | - | 42.63 | 0.11679452 | - |
| 20 | Rents | 6,162 | 42.63 | (6.12) | 48.75 | 0.13356164 | 823 |
| 21 | Transportation | 105,295 | 42.63 | 25.37 | 17.26 | 0.04728767 | 4,979 |
| 22 | Insurance | 45,568 | 42.63 | - | 42.63 | 0.11679452 | 5,322 |
| 23 | Materials and Supplies | 63,090 | 42.63 | 16.11 | 26.52 | 0.07265753 | 4,584 |
| 24 | Miscellaneous | 152,581 | 42.63 | (8.28) | 50.91 | 0.13947945 | 21,282 |
| 25 | Interest Expense | 120,576 | 42.63 | 90.00 | (47.37) | (0.12978082) | (15,648) |
| 29 | TAXES | | | | | | |
| 30 | General Taxes-Property[1] | 160,442 | 42.63 | 213.96 | (171.33) | (0.46939269) | $ (75,310) |
| 31 | General Taxes-Other | | 42.63 | - | 42.63 | 0.11679452 | - |
| 32 | Income Tax[1] | 559,545 | 42.63 | 37.00 | 5.63 | 0.01542466 | 8,631 |
| 34 | OTHER | | | | | | |
| 35 | Regulatory Commission Expense | - | 42.63 | (136.54) | 179.17 | 0.49088128 | - |
| 37 | TOTAL | $ 3,706,725 | | | | | |

| | |
|---|---|
| WORKING CASH REQUIREMENT | $ 85,456 |
| ADJUSTD TY CASH WORKING CAPITAL | 160,647 |
| INCREASE(DECREASE) | $ (75,191) |

[1]At proposed rates.

RECAP SCHEDULES:
B-2, page 2

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

| Line No. | | Test Year Adjusted Results | Adjustment | Rebuttal Test Year Adjusted Results | Proposed Rate Increase | Adjusted with Rate Increase |
|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | |
| 2 | Metered Water Revenues | $ 4,530,252 | $ (67,033) | $ 4,463,219 | $ 1,285,580 | $ 5,748,799 |
| 3 | Unmetered Water Revenues | - | - | - | | - |
| 4 | Other Water Revenues | 94,478 | - | 94,478 | | 94,478 |
| 5 | | $ 4,624,730 | $ (67,033) | $ 4,557,697 | $ 1,285,580 | $ 5,843,277 |
| 6 | **Operating Expenses** | | | | | |
| 7 | Salaries and Wages | $ - | - | $ - | | $ - |
| 8 | Purchased Water | 3,021 | - | 3,021 | | 3,021 |
| 9 | Purchased Power | 534,813 | (16,483) | 518,331 | | 518,331 |
| 10 | Chemicals | 16,800 | (857) | 15,943 | | 15,943 |
| 11 | Fuel for Power Production | - | - | - | | - |
| 12 | Repairs and Maintenance | - | - | - | | - |
| 13 | Office Supplies and Expense | 39,640 | - | 39,640 | | 39,640 |
| 14 | Outside Services | - | - | - | | - |
| 15 | Contractual Services - Professional | 1,209,810 | (131,348) | 1,078,463 | | 1,078,463 |
| 16 | Contractual Services - Testing | 89,695 | (39,345) | 50,350 | | 50,350 |
| 17 | Contractual Services - Other | 673,384 | 114,335 | 787,719 | | 787,719 |
| 18 | Water Testing | - | - | - | | - |
| 19 | Rents | 6,162 | - | 6,162 | | 6,162 |
| 20 | Transportation | 105,295 | - | 105,295 | | 105,295 |
| 21 | Insurance | 45,568 | - | 45,568 | | 45,568 |
| 22 | Regulatory Commission Expense | 52,111 | - | 52,111 | | 52,111 |
| 23 | Materials and Supplies | 63,090 | - | 63,090 | | 63,090 |
| 24 | Miscellaneous | 152,340 | 241 | 152,581 | | 152,581 |
| 25 | Depreciation | 1,175,263 | (34,058) | 1,141,205 | | 1,141,205 |
| 26 | Taxes Other Than Income | - | - | - | | - |
| 27 | Property Taxes | 148,997 | (2,801) | 146,196 | 14,245 | 160,442 |
| 28 | Income Tax | 55,166 | 25,266 | 80,432 | 479,113 | 559,545 |
| 29 | | | - | - | | - |
| 30 | **Total Operating Expenses** | $ 4,371,156 | $ (85,049) | $ 4,286,107 | $ 493,359 | $ 4,779,466 |
| 31 | **Operating Income** | $ 253,574 | $ 18,017 | $ 271,590 | $ 792,221 | $ 1,063,811 |
| 32 | **Other Income (Expense)** | | | | | |
| 33 | Interest and Dividend Income | - | - | - | | - |
| 34 | AFUDC Income | 57,346 | - | 57,346 | | 57,346 |
| 35 | Miscellaneous Non-Utility Expenses | (849) | - | (849) | | (849) |
| 36 | Interest Expense | (137,466) | 16,890 | (120,576) | | (120,576) |
| 37 | | - | - | - | | - |
| 38 | **Total Other Income (Expense)** | $ (80,969) | $ 16,890 | $ (64,080) | $ - | $ (64,080) |
| 39 | **Net Profit (Loss)** | $ 172,604 | $ 34,907 | $ 207,511 | $ 792,221 | $ 999,732 |
| 40 | | | | | | |
| 41 | SUPPORTING SCHEDULES: | | | | RECAP SCHEDULES: | |
| 42 | C-1, page 2 | | | | A-1 | |
| 43 | E-2 | | | | | |
| 44 | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
**dba Liberty Utilities**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
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| Line No. | | LABEL>>>>> Test Year Adjusted Results | 1 Depreciation | 2 Property Taxes | 3 Rate Case Expense | 4 Usage Normalization | 5 Expense Reclass | 6 Water Testing | 7 Reclass Contractual Services | 8 Corporate Cost Adj. Non-Labor |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | | | | | |
| 2 | Metered Water Revenues | $ 4,530,252 | | | | $ (67,033) | | | | |
| 3 | Unmetered Water Revenues | - | | | | | | | | |
| 4 | Other Water Revenues | 94,478 | | | | | | | | |
| 5 | | $ 4,624,730 | $ - | $ - | $ - | $ (67,033) | $ - | $ - | $ - | |
| 6 | **Operating Expenses** | | | | | | | | | |
| 7 | Salaries and Wages | $ - | | | | | | | | |
| 8 | Purchased Water | 3,021 | | | | | | | | |
| 9 | Purchased Power | 534,813 | | | | (16,483) | | | | |
| 10 | Chemicals | 16,800 | | | | (857) | | | | |
| 11 | Fuel for Power Production | - | | | | | | | | |
| 12 | Repairs and Maintenance | - | | | | | | | | |
| 13 | Office Supplies and Expense | 39,640 | | | | | | | | |
| 14 | Outside Services | - | | | | | | | | |
| 15 | Contractual Services - Professional | 1,209,810 | | | | | | | (120,421) | 69,976 |
| 16 | Contractual Services - Testing | 89,695 | | | | | 5,845 | (45,190) | | |
| 17 | Contractual Services - Other | 673,384 | | | | | (6,086) | | 120,421 | |
| 18 | Water Testing | - | | | | | | | | |
| 19 | Rents | 6,162 | | | | | | | | |
| 20 | Transportation | 105,295 | | | | | | | | |
| 21 | Insurance | 45,568 | | | | | | | | |
| 22 | Regulatory Commission Expense | 52,111 | | | - | | | | | |
| 23 | Materials and Supplies | 63,090 | | | | | | | | |
| 24 | Miscellaneous | 152,340 | | | | | 241 | | | |
| 25 | Depreciation | 1,175,263 | (34,058) | | | | | | | |
| 26 | Taxes Other Than Income | - | | | | | | | | |
| 27 | Property Taxes | 148,997 | | (2,801) | | | | | | |
| 28 | Income Tax | 55,166 | | | | | | | | |
| 29 | | | | | | | | | | |
| 30 | **Total Operating Expenses** | $ 4,371,156 | $ (34,058) | $ (2,801) | $ - | $ (17,340) | $ - | $ (45,190) | $ - | $ 69,976 |
| 31 | **Operating Income** | $ 253,574 | $ 34,058 | $ 2,801 | $ - | $ (49,693) | $ - | $ 45,190 | $ - | $ (69,976) |
| 32 | **Other Income (Expense)** | | | | | | | | | |
| 33 | Interest and Dividend Income | - | | | | | | | | |
| 34 | AFUDC Income | 57,346 | | | | | | | | |
| 35 | Miscellaneous Non-Utility Expenses | (849) | | | | | | | | |
| 36 | Interest Expense | (137,466) | | | | | | | | |
| 37 | | - | | | | | | | | |
| 38 | **Total Other Income (Expense)** | $ (80,969) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 39 | **Net Profit (Loss)** | $ 172,604 | $ 34,058 | $ 2,801 | $ - | $ (49,693) | $ - | $ 45,190 | $ - | $ (69,976) |
| 40 | | | | | | | | | | |
| 41 | SUPPORTING SCHEDULES: | | | | | | | | | |
| 42 | C-2 | | | | | | | | | |
| 43 | | | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
**dba Liberty Utilities**
Test Year Ended December 31, 2014
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

| Line No. | | 9 Corporate Cost Adj. Labor | 10 Corporate Cost Adj. Labor Inc | 11 Restated Capitalized Labor | 12 Intentionally Left Blank | 13 Intentionally Left Blank | 14 Intentionally Left Blank | 15 Interest Synch. | 16 Income Taxes | Rebuttal Adjusted Results | Proposed Rate Increase | Adjusted with Rate Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Revenues** | | | | | | | | | | | |
| 2 | Metered Water Revenues | | | | | | | | | $ 4,463,219 | $ 1,285,580 | $ 5,748,799 |
| 3 | Unmetered Water Revenues | | | | | | | | | - | | - |
| 4 | Other Water Revenues | | | | | | | | | 94,478 | | 94,478 |
| 5 | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 4,557,697 | $ 1,285,580 | $ 5,843,277 |
| 6 | **Operating Expenses** | | | | | | | | | | | |
| 7 | Salaries and Wages | | | | | | | | | $ - | | $ - |
| 8 | Purchased Water | | | | | | | | | 3,021 | | 3,021 |
| 9 | Purchased Power | | | | | | | | | 518,331 | | 518,331 |
| 10 | Chemicals | | | | | | | | | 15,943 | | 15,943 |
| 11 | Fuel for Power Production | | | | | | | | | - | | - |
| 12 | Repairs and Maintenance | | | | | | | | | - | | - |
| 13 | Office Supplies and Expense | | | | | | | | | 39,640 | | 39,640 |
| 14 | Outside Services | | | | | | | | | - | | - |
| 15 | Contractual Services - Professional | (71,704) | (4,367) | (4,832) | | | | | | 1,078,463 | | 1,078,463 |
| 16 | Contractual Services - Testing | | | | | | | | | 50,350 | | 50,350 |
| 17 | Contractual Services - Other | - | | | | | | | | 787,719 | | 787,719 |
| 18 | Water Testing | | | | | | | | | - | | - |
| 19 | Rents | | | | | | | | | 6,162 | | 6,162 |
| 20 | Transportation | | | | | | | | | 105,295 | | 105,295 |
| 21 | Insurance | | | | | | | | | 45,568 | | 45,568 |
| 22 | Regulatory Commission Expense | | | | | | | | | 52,111 | | 52,111 |
| 23 | Materials and Supplies | | | | | | | | | 63,090 | | 63,090 |
| 24 | Miscellaneous | | | | | | | | | 152,581 | | 152,581 |
| 25 | Depreciation | | | | | | | | | 1,141,205 | | 1,141,205 |
| 26 | Taxes Other Than Income | | | | | | | | | - | | - |
| 27 | Property Taxes | | | | | | | | | 146,196 | 14,245 | 160,442 |
| 28 | Income Tax | | | | | | | | 25,266 | 80,432 | 479,113 | 559,545 |
| 29 | | | | | | | | | | | | |
| 30 | **Total Operating Expenses** | $ (71,704) | $ (4,367) | $ (4,832) | $ - | $ - | $ - | $ - | $ 25,266 | $ 4,286,107 | $ 493,359 | $ 4,779,466 |
| 31 | **Operating Income** | $ 71,704 | $ 4,367 | $ 4,832 | $ - | $ - | $ - | $ - | $ (25,266) | $ 271,590 | $ 792,221 | $ 1,063,811 |
| 32 | **Other Income (Expense)** | | | | | | | | | | | |
| 33 | Interest and Dividend Income | | | | | | | | | - | | - |
| 34 | AFUDC Income | | | | | | | | | 57,346 | | 57,346 |
| 35 | Miscellaneous Non-Utility Expenses | | | | | | | | | (849) | | (849) |
| 36 | Interest Expense | | | | | | | 16,890 | | (120,576) | | (120,576) |
| 37 | | | | | | | | | | - | | - |
| 38 | **Total Other Income (Expense)** | $ - | $ - | $ - | $ - | $ - | $ - | $ 16,890 | $ - | $ (64,080) | $ - | $ (64,080) |
| 39 | **Net Profit (Loss)** | $ 71,704 | $ 4,367 | $ 4,832 | $ - | $ - | $ - | $ 16,890 | $ (25,266) | $ 207,511 | $ 792,221 | $ 999,732 |
| 40 | | | | | | | | | | | | |
| 41 | SUPPORTING SCHEDULES: | | | | | | | | | | | |
| 42 | C-2 | | | | | | | | | | | |
| 43 | | | | | | | | | | | | |

RECAP SCHEDULES:
C-1, page 1

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

| Line No. | | 1 | 2 | 3 | 4 | 5 | 6 | Subtotal |
|---|---|---|---|---|---|---|---|---|
| | | Depreciation | Property Taxes | Rate Case Expense | Usage Normalization | Expense Reclass | Water Testing | |
| 4 | Revenues | - | - | - | (67,033) | - | - | (67,033) |
| 6 | Expenses | (34,058) | (2,801) | - | (17,340) | - | (45,190) | (99,388) |
| 8 9 | Operating Income | 34,058 | 2,801 | - | (49,693) | - | 45,190 | 32,356 |
| 11 12 | Interest Expense | | | | | | | - |
| 13 14 15 | Other Income / Expense | | | | | | | - |
| 17 | Net Income | 34,058 | 2,801 | - | (49,693) | - | 45,190 | 32,356 |

Adjustments to Revenues and Expenses

| | | 7 | 8 | 9 | 10 | 11 | 12 | Subtotal |
|---|---|---|---|---|---|---|---|---|
| | | Reclass Contractual Services | Corporate Cost Adj. Non-Labor | Corporate Cost Adj. Labor | Corporate Cost Adj. Labor Inc | Restated Capitalized Labor | Intentionally Left Blank | |
| 25 | Revenues | - | - | - | - | - | - | (67,033) |
| 27 | Expenses | - | 69,976 | (71,704) | (4,367) | (4,832) | - | (110,315) |
| 29 30 | Operating Income | - | (69,976) | 71,704 | 4,367 | 4,832 | - | 43,282 |
| 32 33 | Interest Expense | - | | | | | | - |
| 34 35 36 | Other Income / Expense | | | | | | | - |
| 38 | Net Income | - | (69,976) | 71,704 | 4,367 | 4,832 | - | 43,282 |

Adjustments to Revenues and Expenses

| | | 13 | 14 | 15 | 16 | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Intentionally Left Blank | Intentionally Left Blank | Interest Synch. | Income Taxes | | | |
| 46 | Revenues | - | - | - | - | | | (67,033) |
| 48 | Expenses | - | - | - | 25,266 | | | (85,049) |
| 50 51 | Operating Income | - | - | - | (25,266) | - | - | 18,017 |
| 53 54 | Interest Expense | | | 16,890 | | | | 16,890 |
| 55 56 57 | Other Income / Expense | | | | | | | - |
| 59 | Net Income | - | - | 16,890 | (25,266) | - | - | 34,907 |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustments to Revenues and Expenses
Adjustment Number 1

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Rebuttal Schedule C-2
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Depreciation Expense

| Line No. | Acct. No. | Description | Adjusted Original Cost | Non-Depr. and Fully Depr. Plant | Depreciable Original Cost | Proposed Rates | Depreciation Expense |
|---|---|---|---|---|---|---|---|
| 1 | 101 | Plant-in-Service | - | - | - | 0.00% | - |
| 2 | 301 | Organization Cost | - | - | - | 0.00% | - |
| 2 | 302 | Franchise Cost | 98,989 | (98,989) | - | 0.00% | - |
| 3 | 303 | Land and Land Rights | 688,011 | (688,011) | - | 0.00% | - |
| 4 | 304 | Structures and Improvements | 4,006,731 | | 4,006,731 | 3.33% | 133,424 |
| 5 | 305 | Collecting and Impounding Res. | 46,813 | | 46,813 | 2.50% | 1,170 |
| 6 | 306 | Lake River and Other Intakes | - | | - | 2.50% | - |
| 7 | 307 | Wells and Springs | 1,673,171 | | 1,673,171 | 3.33% | 55,717 |
| 8 | 308 | Infiltration Galleries and Tunnels | - | | - | 6.67% | - |
| 9 | 309 | Supply Mains | 434,230 | | 434,230 | 2.00% | 8,685 |
| 10 | 310 | Power Generation Equipment | 195,135 | | 195,135 | 5.00% | 9,757 |
| 11 | 311 | Electric Pumping Equipment | 3,261,936 | (2,044,359) | 1,217,577 | 12.50% | 152,197 |
| 12 | 320 | Water Treatment Equipment | 76,446 | | 76,446 | 3.33% | 2,546 |
| 13 | 320.1 | Water Treatment Plant | 777 | | 777 | 3.33% | 26 |
| 14 | 320.2 | Chemical Solution Feeders | 41,657 | | 41,657 | 20.00% | 8,331 |
| 15 | 330 | Dist. Reservoirs & Standpipe | 2,637,767 | | 2,637,767 | 2.22% | 58,558 |
| 16 | 330.1 | Storage tanks | 526,889 | | 526,889 | 2.22% | 11,697 |
| 17 | 330.2 | Pressure Tanks | 211 | | 211 | 5.00% | 11 |
| 18 | 331 | Trans. and Dist. Mains | 14,817,080 | | 14,817,080 | 2.00% | 296,342 |
| 19 | 333 | Services | 2,225,847 | | 2,225,847 | 3.33% | 74,121 |
| 20 | 334 | Meters | 1,899,055 | (1,307,033) | 592,022 | 8.33% | 49,315 |
| 21 | 335 | Hydrants | 1,152,335 | | 1,152,335 | 2.00% | 23,047 |
| 22 | 336 | Backflow Prevention Devices | - | | - | 6.67% | - |
| 23 | 339 | Other Plant and Misc. Equip. | 189,235 | | 189,235 | 6.67% | 12,622 |
| 24 | 340 | Office Furniture and Fixtures | 165,579 | (144,107) | 21,473 | 6.67% | 1,432 |
| 25 | 340.1 | Computers and Software | 281,457 | (159,658) | 121,798 | 20.00% | 24,360 |
| 26 | 341 | Transportation Equipment | 557,771 | (174,114) | 383,657 | 20.00% | 76,731 |
| 27 | 342 | Stores Equipment | - | | - | 4.00% | - |
| 28 | 343 | Tools and Work Equipment | 319,779 | (107,417) | 212,363 | 5.00% | 10,618 |
| 29 | 344 | Laboratory Equipment | 3,285 | | 3,285 | 10.00% | 329 |
| 30 | 345 | Power Operated Equipment | 101,287 | | 101,287 | 5.00% | 5,064 |
| 31 | 346 | Communications Equipment | 895,829 | | 895,829 | 10.00% | 89,583 |
| 32 | 347 | Miscellaneous Equipment | 220,280 | (101,418) | 118,862 | 10.00% | 11,886 |
| 33 | 348 | Other Tangible Plant | 155,378 | | 155,378 | 10.00% | 15,538 |
| 34 | | SUBTOTAL | $ 36,672,961 | $ (4,825,105) | $ 31,847,856 | | $ 1,133,106 |
| 35 | | | | | | | |
| 36 | | | | | | | |
| 37 | 903 | Land and Land Rights | 18,611 | (18,611) | - | 0.00% | - |
| 38 | 904 | Structures and Improvments | 215,830 | | 215,830 | 2.56% | 5,525 |
| 39 | 940 | Office Furniture and Fixtures | 30,770 | | 30,770 | 6.67% | 2,052 |
| 40 | 940.1 | Computers and Software | 194,811 | | 194,811 | 20.00% | 38,962 |
| 41 | | TOTALS | $ 37,132,982 | $ (4,843,716) | $ 32,289,266 | | $ 1,179,646 |
| 42 | | | | | | | |
| 43 | | | | | Gross | Amort. Rate | |
| 44 | | Less: Amortization of Contributions | | | $ 1,080,442 | 3.5579% | $ (38,441) |
| 45 | | | | | | | |
| 46 | | | | | | | |
| 47 | | | | | | | $ (38,441) |
| 48 | | Total Depreciation Expense | | | | | $ 1,141,205 |
| 49 | | | | | | | |
| 50 | | Adjusted Test Year Depreciation Expense | | | | | 1,175,263 |
| 51 | | | | | | | |
| 52 | | Increase (decrease) in Depreciation Expense | | | | | (34,058) |
| 53 | | | | | | | |
| 54 | | Adjustment to Revenues and/or Expenses | | | | | $ (34,058) |
| 55 | | | | | | | |
| 56 | | SUPPORTING SCHEDULE | | | | | |
| 57 | | B-2, page 3 | | | | | |

Liberty Utilities (Bella Vista Water) Corp.
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 2

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Rebuttal Schedule C-2
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Witness: Bourassa

Property Taxes

| Line No. | DESCRIPTION | Test Year as adjusted | Company Recommended |
|---|---|---|---|
| 1 | Company Adjusted Test Year Revenues | $ 4,557,697 | $ 4,557,697 |
| 2 | Weight Factor | 2 | 2 |
| 3 | Subtotal (Line 1 * Line 2) | 9,115,394 | 9,115,394 |
| 4 | Company Recommended Revenue | 4,557,697 | 5,843,277 |
| 5 | Subtotal (Line 4 + Line 5) | 13,673,092 | 14,958,672 |
| 6 | Number of Years | 3 | 3 |
| 7 | Three Year Average (Line 5 / Line 6) | 4,557,697 | 4,986,224 |
| 8 | Department of Revenue Mutilplier | 2 | 2 |
| 9 | Revenue Base Value (Line 7 * Line 8) | 9,115,394 | 9,972,448 |
| 10 | Plus: 10% of CWIP (intentionally excluded) | - | - |
| 11 | Less: Net Book Value of Licensed Vehicles | 319,726 | 319,726 |
| 12 | Full Cash Value (Line 9 + Line 10 - Line 11) | 8,795,668 | 9,652,722 |
| 13 | Assessment Ratio | 18.0% | 18.0% |
| 14 | Assessment Value (Line 12 * Line 13) | 1,583,220 | 1,737,490 |
| 15 | Composite Property Tax Rate - Obtained from ADOR | 9.2341% | 9.2341% |
| 16 | Test Year Adjusted Property Tax Expense (Line 14 * Line 15) | $ 146,196 | $ 160,442 |
| 17 | Tax on Parcels | - | - |
| 18 | Total Property Taxes (Line 16 + Line 17) | $ 146,196 | |
| 19 | Test Year Property Taxes | $ 148,997 | |
| 20 | Adjustment to Test Year Property Taxes (Line 18 - Line 19) | **$ (2,801)** | |
| 21 | | | |
| 22 | Property Tax on Company Recommended Revenue (Line 16 + Line 17) | | $ 160,442 |
| 23 | Company Test Year Adjusted Property Tax Expense (Line 18) | | $ 146,196 |
| 24 | Increase in Property Tax Due to Increase in Revenue Requirement | | **$ 14,245** |
| 25 | | | |
| 26 | Increase in Property Tax Due to Increase in Revenue Requirement (Line 24) | | $ 14,245 |
| 27 | Increase in Revenue Requirement | | $ 1,285,580 |
| 28 | Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27) | | 1.10809% |
| 29 | | | |
| 30 | | | |
| 31 | | | |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | Estimated Rate Case Expense | $ | 260,557 |
| 4 | | | |
| 5 | Estimated Amortization Period in Years | | 5 |
| 6 | | | |
| 7 | Annual Rate Case Expense | $ | 52,111 |
| 8 | | | |
| 9 | Test Year Rate Case Expense | $ | 52,111 |
| 10 | | | |
| 11 | Increase(decrease) Rate Case Expense | $ | - |
| 12 | | | |
| 13 | Adjustment to Revenue and/or Expense | $ | - |
| 14 | | | |
| 15 | | | |
| 16 | Reference | | |
| 17 | Testimony | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Usage Normalization

| Line No. | | | |
|---|---|---|---|
| 1 | Usage Normalization Adjustment per Rebuttal | $ | (159,530) |
| 2 | Usage Normalization Adjustment per Direct | | (92,497) |
| 3 | Increase (decrease) in Revenues | $ | (67,033) |
| 4 | | | |
| 5 | TY Purchased Power Expense | $ | 556,214 |
| 6 | Gallons Sold During Test Year (in 1,000s) | | 1,025,278 |
| 7 | Cost per 1,000 gallons | $ | 0.5425 |
| 8 | | | |
| 9 | Additional Gallons Sold from Usage Normalization (in 1,000s) per Rebuttal | | (74,625) |
| 10 | Additional Gallons Sold from Usage Normalization (in 1,000s) per Direct | | (44,242) |
| 11 | Increase (decrease) in Gallons Sold | | (30,383) |
| 12 | | | |
| 13 | | | |
| 14 | Increase (decrease) in Purchased Power | $ | (16,483) |
| 15 | | | |
| 16 | TY Chemicals Expense | $ | 17,963 |
| 17 | Gallons Sold During Test Year (in 1,000s) | | 636,008 |
| 18 | Cost per 1,000 gallons | $ | 0.0282 |
| 19 | | | |
| 20 | Increase (decrease) in Gallons Sold from Usage Normalization (in 1,000s) | | (30,383) |
| 21 | | | |
| 22 | Increase (decrease) in Chemicals Expense | $ | (857) |
| 23 | | | |
| 24 | | | |
| 25 | Adjustment to Revenue and/or Expense | $ | (49,693) |
| 26 | | | |
| 27 | Reference | | |
| 28 | Testimony | | |
| 29 | Work papers | | |
| 30 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Reclassify Expense

| Line No. | | | |
|---|---|---|---|
| 1 | Contractual Services - Testing | $ | 5,845 |
| 2 | Contractual Services - Other | | 241 |
| 3 | Miscellaneous Expense | | (6,086) |
| 4 | | | |
| 5 | Increase (decrease) in Expense | $ | - |
| 6 | | | |
| 7 | Adjustment to Revenue and/or Expense | $ | - |
| 8 | | | |
| 9 | Reference | | |
| 10 | Testimony | | |
| 11 | Work papers | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
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| 18 | | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Water Testing

| Line No. | | | |
|---|---|---|---|
| 1 | Water Testing Expense per Staff | $ | 50,350 |
| 2 | Adjusted TY Water Testing Expense plus Expense Reclass (Rb. Adj. 5) | $ | 95,540 |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | Adjustment to Water Testing Expense | $ | (45,190) |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | $ | (45,190) |
| 10 | | | |
| 11 | Reference | | |
| 12 | Testimony | | |
| 13 | H-1 | | |
| 14 | Work Papers | | |
| 15 | | | |
| 16 | | | |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

Reclassify Contractual Services - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | Contractual Services - Professional (labor) | $ | (120,421) |
| 2 | Contractual Services - Other (labor) | $ | 120,421 |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | Adjustment to Expenses | $ | - |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | $ | - |
| 10 | | | |
| 11 | Reference | | |
| 12 | Testimony | | |
| 13 | Work Papers | | |
| 14 | | | |
| 15 | | | |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Corporate Cost Adjustment - Non-Labor

| Line No. | | | |
|---|---|---|---|
| 1 | Corporate Allocation Adjustment | | |
| 2 | | | |
| 3 | Adjusted Allocated Non-Labor Costs per Rebuttal | $ | 418,524 |
| 4 | Adjusted Allocated Non-Labor Costs per Direct | $ | 348,548 |
| 5 | | | |
| 6 | Adjustment to Contractual Services Professional | $ | 69,976 |
| 7 | | | |
| 8 | | | |
| 9 | Adjustment to Revenue and/or Expense | $ | 69,976 |
| 10 | | | |
| 11 | Reference | | |
| 12 | Testimony | | |
| 13 | Work Papers | | |
| 14 | | | |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Contracual Services - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | Allocated Contract Services - Professional (Labor) | | |
| 2 | | | |
| 3 | Adjusted Allocated Contractual Services APUC, LUCC and LABS per Rebuttal | $ | 74,082 |
| 4 | Adjusted Allocated Contractual Services LU(SUB) per Rebuttal | | 480,852 |
| 3 | Adjusted Allocated Contractual Services - Professional (labor) per Rebuttal | $ | 554,934.24 |
| 4 | Adjusted Allocated Contractual Services - Professional (labor) per Direct | | 747,059 |
| 5 | Required Adjustment | $ | (192,125) |
| 6 | Amount reclassified to Contractual Services - Other (see Rb. Adj. #7) | | (120,421) |
| 7 | Net Adjustment to Contractual Services Professional | $ | (71,704) |
| 8 | | | |
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| 18 | | | |
| 19 | | | |
| 20 | Adjustment to Revenue and/or Expense | $ | (71,704) |
| 21 | | | |
| 22 | Reference | | |
| 23 | Testimony | | |
| 24 | Work Papers | | |
| 25 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Rebuttal Schedule C-2
Page 11
Witness: Bourassa

Corporate Cost Adjustment - Labor

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Allocated Contract Services - Professional (Labor) | | |
| 3 | Adjusted Allocated Labor Costs per Rebuttal | $ | 554,934 |
| 4 | Factor (1) | | 6.09% |
| 5 | Increase in Labor Costs per Rebuttal | $ | 33,795 |
| 6 | Increase in Labot Cost Per Direct | | 45,496 |
| 7 | Adjustment to Contractual Services - Professional | $ | (11,700) |
| 8 | | | |
| 9 | Allocated Contract Services - Other (Labor) | | |
| 10 | Adjusted Allocated Labor Costs per Rebuttal | $ | 701,112 |
| 11 | Factor (1) | | 6.09% |
| 12 | Increase in Labor Costs per Rebuttal | $ | 42,698 |
| 13 | Increase in Labor Costs per Direct | | 35,364 |
| 14 | Adjustment to Contractual Services - Other | $ | 7,334 |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | Adjustment to Revenue and/or Expense | $ | (4,367) |
| 20 | | | |
| 21 | Reference | | |
| 22 | Testimony | | |
| 23 | Work papers | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Rebuttal Schedule C-2
Page 12
Witness: Bourassa

Capitalized Expense

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | Arizona Direct Labor to be Capitalized | $ | 56,054 |
| 3 | | | |
| 4 | Updated Allocation Factor | | 8.62% |
| 5 | | | |
| 6 | Allocated Capitalized Expense | $ | 4,832 |
| 7 | | | |
| 8 | Increase (decrease) in Contractual Services - Professional | $ | (4,832) |
| 9 | | | |
| 10 | | | |
| 11 | Adjustment to Revenue and/or Expense | $ | (4,832) |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | Reference | | |
| 17 | Testimony | | |
| 18 | Work papers | | |
| 19 | | | |
| 20 | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Rebuttal Schedule C-2
Page 13
Witness: Bourassa

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| Line No. |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Rebuttal Schedule C-2
Page 14
Witness: Bourassa

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| Line No. |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Rebuttal Schedule C-2
Page 15
Witness: Bourassa

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| Line No. |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and Expenses
Adjustment Number 15

Exhibit
Rebuttal Schedule C-2
Page 16
Witness: Bourassa

Interest Synchronization

| Line No. | | | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | Fair Value Rate Base | $ 11,616,198 | |
| 5 | Weighted Cost of Debt | 1.04% | |
| 6 | Interest Expense | | $ 120,576 |
| 7 | | | |
| 8 | Test Year Interest Expense | | $ 137,466 |
| 9 | | | |
| 10 | Increase (decrease) in Interest Expense | | (16,890) |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | Adjustment to Revenue and/or Expense | | $ 16,890 |
| 15 | | | |
| 16 | | | |
| 17 | Weighted Cost of Debt Computation | | |
| 18 | | | |

| 19 | | Percent | Cost | Weighted Cost |
|---|---|---|---|---|
| 20 | Debt | 30.00% | 3.46% | 1.04% |
| 21 | Equity | 70.00% | 11.60% | 8.12% |
| 22 | Total | 100.00% | | 9.16% |

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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 16

Exhibit
Rebuttal Schedule C-2
Page 17
Witness: Bourassa

| Line No. | | Test Year at Present Rates | Test Year at Proposed Rates |
|---|---|---|---|
| 1 | Income Taxes | | |
| 2 | | | |
| 3 | | | |
| 4 | Computed Income Tax | $ 80,432 | $ 559,545 |
| 5 | Test Year Income tax Expense | - | 80,432 |
| 6 | Adjustment to Income Tax Expense | $ 80,432 | $ 479,113 |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | SUPPORTING SCHEDULE | | |
| 14 | C-3, page 2 | | |
| 15 | | | |
| 16 | | | |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

| Line No. | Description | Percentage of Incremental Gross Revenues |
|---|---|---|
| 1 | Combined Federal and State Effective Income Tax Rate | 37.686% |
| 2 | | |
| 3 | Property Taxes | 0.690% |
| 4 | | |
| 5 | | |
| 6 | Total Tax Percentage | 38.376% |
| 7 | | |
| 8 | Operating Income % = 100% - Tax Percentage | 61.624% |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | 1 = Gross Revenue Conversion Factor | |
| 14 | Operating Income % | 1.6228 |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | SUPPORTING SCHEDULES: | RECAP SCHEDULES: |
| 26 | C-3, page 2 | A-1 |
| 27 | | |
| 28 | | |
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**Liberty Utilities (Bella Vista Water) Corp.**
**Test Year Ended December 31, 2014**

Exhibit
Rebuttal Schedule C-3
Page 2
Witness: Bourassa

## GROSS REVENUE CONVERSION FACTOR

| Line No. | Description | (A) | (B) | (C) | (D) | [E] | [F] |
|---|---|---|---|---|---|---|---|
| | *Calculation of Gross Revenue Conversion Factor:* | | | | | | |
| 1 | Revenue | 100.0000% | | | | | |
| 2 | Uncollecible Factor (Line 11) | 0.0000% | | | | | |
| 3 | Revenues (L1 - L2) | 100.0000% | | | | | |
| 4 | Combined Federal and State Income Tax and Property Tax Rate (Line 23) | 38.3764% | | | | | |
| 5 | Subtotal (L3 - L4) | 61.6236% | | | | | |
| 6 | **Revenue Conversion Factor (L1 / L5)** | 1.622754 | | | | | |
| | *Calculation of Uncollectible Factor:* | | | | | | |
| 7 | Unity | 100.0000% | | | | | |
| 8 | Combined Federal and State Tax Rate (L17) | 37.6859% | | | | | |
| 9 | One Minus Combined Income Tax Rate (L7 - L8 ) | 62.3141% | | | | | |
| 10 | Uncollectible Rate | 0.0000% | | | | | |
| 11 | Uncollectible Factor (L9 * L10 ) | | 0.0000% | | | | |
| | *Calculation of Effective Tax Rate:* | | | | | | |
| 12 | Operating Income Before Taxes (Arizona Taxable Income) | 100.0000% | | | | | |
| 13 | Arizona State Income Tax Rate | 4.9000% | | | | | |
| 14 | Federal Taxable Income (L12 - L13) | 95.1000% | | | | | |
| 15 | Applicable Federal Income Tax Rate (L55 Col F) | 34.4751% | | | | | |
| 16 | Effective Federal Income Tax Rate (L14 x L15) | 32.7859% | | | | | |
| 17 | Combined Federal and State Income Tax Rate (L13 +L16) | | 37.6859% | | | | |
| | *Calculation of Effective Property Tax Factor* | | | | | | |
| 18 | Unity | 100.0000% | | | | | |
| 19 | Combined Federal and State Income Tax Rate (L17) | 37.6859% | | | | | |
| 20 | One Minus Combined Income Tax Rate (L18-L19) | 62.3141% | | | | | |
| 21 | Property Tax Factor | 1.1081% | | | | | |
| 22 | Effective Property Tax Factor (L20*L21) | | 0.6905% | | | | |
| 23 | Combined Federal and State Income Tax and Property Tax Rate (L17+L22) | | | 38.3764% | | | |
| 24 | Required Operating Income | $ 1,063,811 | | | | | |
| 25 | AdjustedTest Year Operating Income (Loss) | $ 271,590 | | | | | |
| 26 | Required Increase in Operating Income (L24 - L25) | | $ 792,221 | | | | |
| 27 | Income Taxes on Recommended Revenue (Col. (F), L52) | $ 559,545 | | | | | |
| 28 | Income Taxes on Test Year Revenue (Col. (C), L52) | $ 80,432 | | | | | |
| 29 | Required Increase in Revenue to Provide for Income Taxes (L27 - L28) | | $ 479,113 | | | | |
| 30 | Recommended Revenue Requirement | $ 5,843,277 | | | | | |
| 31 | Uncollectible Rate (Line 10) | 0.0000% | | | | | |
| 32 | Uncollectible Expense on Recommended Revenue (L24 * L25) | $ - | | | | | |
| 33 | Adjusted Test Year Uncollectible Expense | $ - | | | | | |
| 34 | Required Increase in Revenue to Provide for Uncollectible Exp. | | $ - | | | | |
| 35 | Property Tax with Recommended Revenue | $ 160,442 | | | | | |
| 36 | Property Tax on Test Year Revenue | $ 146,196 | | | | | |
| 37 | Increase in Property Tax Due to Increase in Revenue (L35-L36) | | $ 14,245 | | | | |
| 38 | Total Required Increase in Revenue (L26 + L29 + L37) | | $ 1,285,580 | | | | |

| | | (A) | (B) | (C) | (D) | [E] | [F] |
|---|---|---|---|---|---|---|---|
| | | Test Year | | | Company Recommended | | |
| | | Total | | Water | Total | | Water |
| | *Calculation of Income Tax:* | | | | | | |
| 39 | Revenue | $ 4,557,697 | | $ 4,557,697 | $ 5,843,277 | | $ 5,843,277 |
| 40 | Operating Expenses Excluding Income Taxes | 4,205,675 | | 4,205,675 | 4,219,921 | | 4,219,921 |
| 41 | Synchronized Interest (L47) | 120,576 | | 120,576 | 120,576 | | 120,576 |
| 42 | Arizona Taxable Income (L39 - L40 - L41) | $ 231,446 | | $ 231,446 | $ 1,502,782 | | $ 1,502,781 |
| 43 | Arizona State Effective Income Tax Rate (see work papers) | 4.9000% | | 4.9000% | 4.9000% | | 4.9000% |
| 44 | Arizona Income Tax (L42 x L43) | $ 11,341 | | $ 11,341 | $ 73,636 | | $ 73,636 |
| 45 | Federal Taxable Income (L42- L44) | $ 220,105 | | $ 220,105 | $ 1,429,145 | | $ 1,429,144 |
| 46 | | | | | | | |
| 47 | Federal Tax on First Income Bracket ($1 - $50,000) @ 15% | $ 7,500 | | $ 7,500 | $ 7,500 | | $ 7,500 |
| 48 | Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25% | $ 6,250 | | $ 6,250 | $ 6,250 | | $ 6,250 |
| 49 | Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34% | $ 8,500 | | $ 8,500 | $ 8,500 | | $ 8,500 |
| 50 | Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39% | $ 46,841 | | $ 46,841 | $ 91,650 | | $ 91,650 |
| 51 | Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34% | $ - | | $ - | $ 372,009 | | $ 372,009 |
| 52 | | | | | | | |
| 53 | Total Federal Income Tax | $ 69,091 | | $ 69,091 | $ 485,909 | | $ 485,909 |
| 54 | Combined Federal and State Income Tax (L35 + L42) | $ 80,432 | | $ 80,432 | $ 559,546 | | $ 559,545 |

| | | | | |
|---|---|---|---|---|
| 55 | COMBINED Applicable Federal Income Tax Rate [Col. [D], L53 - Col. [A], L53 / [Col. [D], L45 - Col. [A], L45] | 34.4751% | | |
| 56 | WASTEWATER Applicable Federal Income Tax Rate [Col. [E], L53 - Col. [B], L53] / [Col. [E], L45 - Col. [B], L45] | | 0.0000% | |
| 57 | WATER Applicable Federal Income Tax Rate [Col. [F], L53 - Col. [C], L53] / [Col. [F], L45 - Col. [C], L45] | | | 34.4751% |

| | | | |
|---|---|---|---|
| | *Calculation of Interest Synchronization:* | | Water |
| 58 | Rate Base | | $ 11,616,198 |
| 59 | Weighted Average Cost of Debt | | 1.0380% |
| 60 | Synchronized Interest (L59 X L60) | | $ 120,576 |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

| Line No. | Meter Size | Class | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Percent of Present Water Revenues | Percent of Proposed Water Revenues |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | $ 2,723,332 | $ 3,468,051 | $ 744,719 | 27.35% | 59.75% | 59.35% |
| 2 | 3/4 Inch | Residential | 28,247 | 47,379 | 19,131 | 67.73% | 0.62% | 0.81% |
| 3 | 1 Inch | Residential | 4,815 | 6,382 | 1,567 | 32.54% | 0.11% | 0.11% |
| 4 | | | | | | | | |
| 5 | | Subtotal | 2,756,394 | 3,521,812 | 765,417 | 27.77% | 60.48% | 60.27% |
| 6 | | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | $ 122,357 | $ 157,457 | $ 35,100 | 28.69% | 2.68% | 2.69% |
| 8 | 3/4 Inch | Commercial | 1,347 | 1,670 | 323 | 23.95% | 0.03% | 0.03% |
| 9 | 1 Inch | Commercial | 121,081 | 160,739 | 39,658 | 32.75% | 2.66% | 2.75% |
| 10 | 1 1/2 Inch | Commercial | 195,802 | 260,458 | 64,656 | 33.02% | 4.30% | 4.46% |
| 11 | 2 Inch | Commercial | 1,020,829 | 1,326,306 | 305,477 | 29.92% | 22.40% | 22.70% |
| 12 | 3 Inch | Commercial | 186,072 | 241,675 | 55,603 | 29.88% | 4.08% | 4.14% |
| 13 | 4 Inch | Commercial | 77,948 | 101,844 | 23,896 | 30.66% | 1.71% | 1.74% |
| 14 | 6 Inch | Commercial | 11,067 | 13,695 | 2,627 | 23.74% | 0.24% | 0.23% |
| 15 | 8 Inch | Commercial | 14,704 | 17,880 | 3,176 | 21.60% | 0.32% | 0.31% |
| 16 | | Subtotal | $ 1,751,208 | $ 2,281,725 | $ 530,516 | 30.29% | 38.42% | 39.05% |
| 17 | | | | | | | | |
| 18 | 3 Inch | Hydrant | 46,250 | 55,366 | 9,116 | 19.71% | 1.01% | 0.95% |
| 19 | | Fire Lines 4 Inch | 16,100 | 16,100 | - | 0.00% | 0.35% | 0.28% |
| 20 | | Fire Lines 6 Inch | 6,315 | 6,315 | - | 0.00% | 0.14% | 0.11% |
| 21 | | Fire Lines 8 Inch | 2,940 | 2,940 | - | 0.00% | 0.06% | 0.05% |
| 22 | Total Revenues Before Annualization | | $ 4,579,207 | $ 5,884,257 | $ 1,305,050 | 28.50% | 100.47% | 100.70% |
| 23 | | | | | | | | |
| 24 | | | | | | | | |
| 25 | | | | | | | | |
| 26 | | | | | | | | |
| 27 | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | | | | | | | |
| 30 | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 2
Witness: Bourassa

| Line No. | Meter Size | Class | Revenue Annualization: Present Revenues | Revenue Annualization: Proposed Revenues | Revenue Annualization: Dollar Change | Revenue Annualization: Percent Change | Revenue Annualization: Additional Bills | Revenue Annualization: Additional Gallons to be Pumped (In 1,000's) |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | $ 11,467 | $ 14,509 | 3,042 | 26.53% | 476 | 2,613 |
| 2 | 3/4 Inch | Residential | 1,263 | 2,136 | 874 | 69.19% | 61 | 232 |
| 3 | 1 Inch | Residential | 520 | 686 | 166 | 31.86% | 9 | 89 |
| 4 | | | | | | | | |
| 5 | | Subtotal | $ 13,250 | $ 17,331 | 4,081 | 30.80% | 546 | 2,934 |
| 6 | | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | $ 1,966 | $ 2,518 | 552 | 28.08% | 67 | 404 |
| 8 | 3/4 Inch | Commercial | - | - | - | 0.00% | - | - |
| 9 | 1 Inch | Commercial | 1,923 | 2,545 | 622 | 32.33% | 29 | 388 |
| 10 | 1 1/2 Inch | Commercial | (2,943) | (3,900) | (957) | 0.00% | (20) | (665) |
| 11 | 2 Inch | Commercial | 20,548 | 26,580 | 6,032 | 29.36% | - | - |
| 12 | 3 Inch | Commercial | 6,993 | 9,051 | 2,058 | 29.43% | 12 | 1,733 |
| 13 | 4 Inch | Commercial | - | - | - | 0.00% | - | - |
| 14 | 6 Inch | Commercial | - | - | - | 0.00% | - | - |
| 15 | 8 Inch | Commercial | - | - | - | 0.00% | - | - |
| 16 | | Subtotal | $ 28,487 | $ 36,794 | 8,307 | 29.16% | 88 | 1,860 |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| 19 | | Fire Lines 4 Inch | (140) | (140) | - | 0.00% | (14) | - |
| 20 | | Fire Lines 6 Inch | (195) | (195) | - | 0.00% | (13) | - |
| 21 | | Fire Lines 8 Inch | - | - | - | 0.00% | - | - |
| 22 | | | | | | | | |
| 23 | Total Revenue Annualization | | $ 41,402 | $ 53,790 | $ 12,388 | 29.92% | 607 | 4,794 |
| 24 | | | | | | | | |
| 25 | | | | | | | | |
| 26 | | | | | | | | |
| 27 | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | | | | | | | |
| 30 | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Revenue Summary
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 3
Witness: Bourassa

| Line No. | | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Percent of Present Water Revenues | Percent of Proposed Water Revenues |
|---|---|---|---|---|---|---|---|
| 1 | Subtotal Metered Revenues | $ 4,579,207 | $ 5,884,257 | $ 1,305,050 | 28.50% | 100.47% | 100.70% |
| 2 | Subtotal Revenue Annualization | 41,402 | 53,790 | 12,388 | 29.92% | 0.91% | 0.92% |
| 3 | Usage Normalization Adjustment | (159,530) | (190,460) | (30,930) | 19.39% | -3.50% | -3.26% |
| 4 | Total Metered Revenues | $ 4,461,080 | $ 5,747,587 | $ 1,286,507 | 28.84% | 97.88% | 98.36% |
| 5 | | | | | | | |
| 6 | Misc. Revenues | $ 94,478 | $ 94,478 | - | 0.00% | 2.07% | 1.62% |
| 7 | Reconciling Amount | 2,139 | 1,212 | (927) | -43.34% | 0.05% | 0.02% |
| 8 | Total Water Revenues | $ 4,557,697 | $ 5,843,277 | $ 1,285,580 | 28.21% | 100.00% | 100.00% |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | | | | | | | |
| 22 | | | | | | | |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | | | | | | | |
| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

| Line No. | Meter Size, Class | | (a) Average Number of Customers at 12/31/2014 | Average Consumption | Average Bill Present Rates | Average Bill Proposed Rates | Proposed Increase Dollar Amount | Proposed Increase Percent Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | 8,653 | 5,914 | $ 25.03 | $ 31.74 | 6.71 | 26.82% |
| 2 | 3/4 Inch | Residential | 109 | 3,820 | 20.54 | 34.81 | 14.27 | 69.49% |
| 3 | 1 Inch | Residential | 6 | 11,794 | 61.98 | 81.83 | 19.85 | 32.03% |
| 4 | | | | | | | | |
| 5 | | Subtotal | 8,769 | | | | | |
| 6 | | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | 335 | 6,082 | $ 29.50 | $ 37.80 | 8.30 | 28.13% |
| 8 | 3/4 Inch | Commercial | 6 | 1,639 | 18.62 | 23.06 | 4.44 | 23.84% |
| 9 | 1 Inch | Commercial | 149 | 13,193 | 65.78 | 87.03 | 21.24 | 32.29% |
| 10 | 1 1/2 Inch | Commercial | 108 | 32,885 | 146.19 | 193.71 | 47.52 | 32.51% |
| 11 | 2 Inch | Commercial | 289 | 68,942 | 284.57 | 368.05 | 83.48 | 29.34% |
| 12 | 3 Inch | Commercial | 26 | 143,395 | 580.06 | 750.59 | 170.53 | 29.40% |
| 13 | 4 Inch | Commercial | 6 | 285,797 | 1,071.79 | 1,398.58 | 326.79 | 30.49% |
| 14 | 6 Inch | Commercial | 1 | 77,959 | 922.29 | 1,141.24 | 218.95 | 23.74% |
| 15 | 8 Inch | Commercial | 1 | 11,459 | 1,225.32 | 1,489.99 | 264.67 | 21.60% |
| 16 | | Subtotal | 921 | | | | | |
| 17 | | | | | | | | |
| 18 | 3 Inch | Hydrant | 7 | 102,817 | 519.66 | 622.09 | 102.43 | 19.71% |
| 19 | | Fire Lines 4 Inch | 134 | - | $ 10.00 | $ 10.00 | - | 0.00% |
| 20 | | Fire Lines 6 Inch | 35 | - | $ 15.00 | $ 15.00 | - | 0.00% |
| 21 | | Fire Lines 8 Inch | 7 | 0 | 35.00 | 35.00 | 0 | 0.00% |
| 22 | | Total | 9,872.83 | | | | | |
| 23 | | | | | | | | |
| 24 | **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year. | | | | | | | |
| 25 | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Customer Summary

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

| Line No. | Meter Size, Class | | (a) Average Number of Customers at 12/31/2014 | Median Consumption | Median Bill Present Rates | Median Bill Proposed Rates | Proposed Increase Dollar Amount | Proposed Increase Percent Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | 5/8X3/4 Inch | Residential | 8,653 | 4,500 | $ 21.91 | $ 27.55 | 5.64 | 25.76% |
| 2 | 3/4 Inch | Residential | 109 | 2,500 | 18.63 | 32.22 | 13.59 | 72.97% |
| 3 | 1 Inch | Residential | 6 | 5,500 | 47.16 | 61.81 | 14.66 | 31.09% |
| 4 | | | | | | | | |
| 5 | | Subtotal | 8,769 | | | | | |
| 6 | | | | | | | | |
| 7 | 5/8X3/4 Inch | Commercial | 335 | 2,500 | $ 20.53 | $ 25.62 | 5.09 | 24.80% |
| 8 | 3/4 Inch | Commercial | 6 | 1,500 | 18.32 | 22.65 | 4.33 | 23.67% |
| 9 | 1 Inch | Commercial | 149 | 6,500 | 49.37 | 64.78 | 15.42 | 31.23% |
| 10 | 1 1/2 Inch | Commercial | 108 | 20,500 | 115.31 | 151.81 | 36.50 | 31.66% |
| 11 | 2 Inch | Commercial | 289 | 27,500 | 180.78 | 227.17 | 46.40 | 25.66% |
| 12 | 3 Inch | Commercial | 26 | 111,786 | 494.08 | 633.12 | 139.04 | 28.14% |
| 13 | 4 Inch | Commercial | 6 | 218,670 | 889.20 | 1,149.12 | 259.92 | 29.23% |
| 14 | 6 Inch | Commercial | 1 | 71,500 | 908.02 | 1,122.08 | 214.07 | 23.58% |
| 15 | 8 Inch | Commercial | 1 | 4,000 | 1,208.84 | 1,467.86 | 259.02 | 21.43% |
| 16 | | Subtotal | 921 | | | | | |
| 17 | | | | | | | | |
| 18 | 3 Inch | Hydrant | 7 | 28,500 | 317.52 | 345.91 | 28.39 | 8.94% |
| 19 | | Fire Lines 4 Inch | 134 | - | $ 10.00 | $ 10.00 | - | 0.00% |
| 20 | | Fire Lines 6 Inch | 35 | - | $ 15.00 | $ 15.00 | - | 0.00% |
| 21 | | Fire Lines 8 Inch | 7 | 0 | 35.00 | 35.00 | 0 | 0.00% |
| 22 | | Total | 9,873 | | | | | |
| 23 | | | | | | | | |
| 24 | **(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year. | | | | | | | |
| 25 | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Bourassa

| Line No. | Monthly Usage Charge for: | Present Rates[1] | Proposed Rates[1] | Change | Percent Change |
|---|---|---|---|---|---|
| 1 | Meter Size (All Classes): | | | | |
| 2 | 5/8 Inch | $ 15.00 | $ 18.20 | $ 3.20 | 21.33% |
| 2 | 3/4 Inch | 15.00 | 27.30 | 12.30 | 82.00% |
| 3 | 1 Inch | 35.00 | 45.50 | 10.50 | 30.00% |
| 4 | 1 1/2 Inch | 70.00 | 91.00 | 21.00 | 30.00% |
| 5 | 2 Inch | 120.00 | 145.60 | 25.60 | 21.33% |
| 6 | 3 Inch | 240.00 | 291.20 | 51.20 | 21.33% |
| 7 | 4 Inch | 375.00 | 455.00 | 80.00 | 21.33% |
| 8 | 6 Inch | 750.00 | 910.00 | 160.00 | 21.33% |
| 9 | 8 Inch | 1,200.00 | 1,456.00 | 256.00 | 21.33% |
| 10 | 10 Inch | NT | 2,093.00 | | |
| 11 | 12 Inch | NT | 3,913.00 | | |
| 12 | | | | | |
| 13 | Low Income Tariff - A 15% discount is available to qualified residential customers meeting the low income qualifications. | | | | |
| 14 | | | | | |
| 15 | Fire Lines 8 Inch (R-14-2-408.B) | Per Rule* | Per Rule* | | |
| 16 | Fire Lines 10 Inch (R-14-2-408.B) | Per Rule* | Per Rule* | | |
| 17 | Fire Lines 12 Inch (R-14-2-408.B) | Per Rule* | Per Rule* | | |
| 18 | | | | | |
| 19 | * Note 1: 2% of the equivalent monthly meter size or $10 whichever is greater for all meter sizes. | | | | |
| 20 | | | | | |
| 21 | | | | | |
| 22 | Gallons In Minimum (All Classes) | - | - | | |
| 23 | | | | | |
| 24 | | | | | |
| 25 | Commodity rates - see pages 2 and 3. | | | | |
| 26 | | | | | |
| 27 | | | | | |
| 28 | | | | | |
| 29 | | | | | |
| 30 | | | | | |
| 31 | | | | | |
| 32 | | | | | |
| 33 | [1] Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting | | | | |
| 34 | the low income qualifications. | | | | |
| 35 | | | | | |
| 36 | NT = No Tariff | | | | |
| 37 | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Bourassa

| Line No. | | | (Per 1,000 gallons) Present Rates[1] | Proposed Rates[1] |
|---|---|---|---|---|
| 1 | | | | |
| 2 | **Commodity Rates** | | | |
| 3 | **(All Classes)** | **Block** | | |
| 4 | 5/8x3/4 Inch Residential | 0 gallons to 4,000 gallons | $ 1.45 | $ 1.97 |
| 5 | | 4,000 gallons to 10,000 gallons | $ 2.21 | $ 2.97 |
| 6 | | over 10,000 gallons | $ 2.72 | $ 3.72 |
| 7 | | | | |
| 8 | 5/8x3/4 Inch Commercial | 0 gallons to 4,000 gallons | $ 2.21 | $ 2.97 |
| 9 | | over 4,000 gallons | $ 2.72 | $ 3.72 |
| 10 | | | | |
| 11 | 3/4 Inch Residential | 0 gallons to 4,000 gallons | $ 1.45 | $ 1.97 |
| 12 | | 4,000 gallons to 10,000 gallons | $ 2.21 | $ 2.97 |
| 13 | | over 10,000 gallons | $ 2.72 | $ 3.72 |
| 14 | | | | |
| 15 | 3/4 Inch Commercial | 0 gallons to 4,000 gallons | $ 2.21 | $ 2.97 |
| 16 | | over 4,000 gallons | $ 2.72 | $ 3.72 |
| 17 | | | | |
| 18 | 1 Inch Meter All Classes (Except Standpipe) | 0 gallons to 10,000 gallons | $ 2.21 | $ 2.97 |
| 19 | | over 10,000 gallons | $ 2.72 | $ 3.72 |
| 20 | | | | |
| 21 | 1.5 Inch Meter All Classes (Except Standpipe) | 0 gallons to 26,000 gallons | $ 2.21 | $ 2.97 |
| 22 | | over 26,000 gallons | $ 2.72 | $ 3.72 |
| 23 | | | | |
| 24 | 2 Inch Meter All Classes (Except Standpipe) | 0 gallons to 45,000 gallons | $ 2.21 | $ 2.97 |
| 25 | | over 45,000 gallons | $ 2.72 | $ 3.72 |
| 26 | | | | |
| 27 | 3 Inch Meter Classes (Exept Standpipe) | 0 gallons to 98,000 gallons | $ 2.21 | $ 2.97 |
| 28 | | over 98,000 gallons | $ 2.72 | $ 3.72 |
| 29 | | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | [1] Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting | | | |
| 33 | the low income qualifications. | | | |
| 34 | | | | |
| 35 | NT = No Tariff | | | |
| 36 | | | | |
| 37 | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Bourassa

| Line No. | | | (Per 1,000 gallons) Present Rates[1] | Proposed Rates[1] |
|---|---|---|---|---|
| 1 | | | | |
| 2 | **Commodity Rates** | | | |
| 3 | **(All Classes)** | | | |
| 4 | 4 Inch Meter All Classes (Except Standpipe) | 0 gallons to 158,000 gallons | $ 2.21 | $ 2.97 |
| 5 | | over 158,000 gallons | $ 2.72 | $ 3.72 |
| 6 | | | | |
| 7 | 6 Inch Meter All Classes (Except Standpipe) | 0 gallons to 327,000 gallons | $ 2.21 | $ 2.97 |
| 8 | | over 327,000 gallons | $ 2.72 | $ 3.72 |
| 9 | | | | |
| 10 | 8 Inch Meter All Classes (Except Standpipe) | 0 gallons to 584,000 gallons | $ 2.21 | $ 2.97 |
| 11 | | over 584,000 gallons | $ 2.72 | $ 3.72 |
| 12 | | | | |
| 13 | 10 Inch Meter All Classes (Except Standpipe) | 0 gallons to 870,000 gallons | NT | $ 2.97 |
| 14 | | over 870,000 gallons | NT | $ 3.72 |
| 15 | | | | |
| 16 | 10 Inch Meter All Classes (Except Standpipe) | 0 gallons to 1,500,000 gallons | NT | $ 2.97 |
| 17 | | over 1,500,000 gallons | NT | $ 3.72 |
| 18 | | | | |
| 19 | Standpipe (hydrant, bulk) | All gallons | $ 2.72 | $ 3.72 |
| 20 | | | | |
| 21 | | | | |
| 22 | | | | |
| 23 | | | | |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | [1] Low Income Tariff - A 15% discount is available on monthly minimum and commodity charges to qualified residential customers meeting | | | |
| 33 | the low income qualifications. | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | NT = No Tariff | | | |
| 37 | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Changes in Representative Rate Schedules
Test Year Ended December 31, 2014

Exhibit
Rebuttal Schedule H-3
Page 4
Witness: Bourassa

| Line No. | Other Service Charges | Present Rates | Proposed Rates |
|---|---|---|---|
| 1 | Establishment | $ 30.00 | $ 25.00 |
| 2 | Establishment (After Hours) | $ 45.00 | remove |
| 3 | Reestablishment (within 12 months) | (a) | (a) |
| 4 | Reconnection (Delinquent) | $ 30.00 | $ 20.00 |
| 5 | Reconnection (Delinquent) (After Hours) | $ 45.00 | remove |
| 6 | Meter test (If Correct) | $ 30.00 | $ 30.00 |
| 7 | Meter Reread (if Correct) | $ 15.00 | $ 20.00 |
| 8 | Deposit | (c) | (c) |
| 9 | Deposit Interest | (c) | 6%(c) |
| 10 | | | |
| 11 | NSF Check | $ 15.00 | $ 10.00 |
| 12 | Meter Reread (if Correct) | $ 15.00 | $ 20.00 |
| 13 | Late Payment Penalty | (d) | (d) |
| 14 | Deferred Payment (R-01-2-409.G) | 1.5% per month | 1.5% per month |
| 15 | Moving meter at customer request (R-14-2-405.B) | at Cost | at Cost |
| 16 | After Hours Service Charge(e) | $ 50.00 | $ 50.00 |
| 17 | | | |
| 18 | | | |

19 (a) Minimum charge times number of full months off the system per A.A.C. R-14-2-403 (D).
20 (b) Customer shall pay the cost of physical disconnection plus Establishment charge (if same
21 customer) and there shall be no charge for disconnection if no work is performed.
22 (c) Per Commission Rule A.A.C. R14-2-403(B):
23 Residential - two times the average bill;
24 Commercial - two and one-half times the average bill.
25 (d) 1.5% of unpaid balance.
26 (e) At customer request. No charge for service during normal working hours.
27
28
29
30 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
31 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
32 TAX. PER COMMISSION RULE 14-2-409D(5).
33
34
35
36
37

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Meter and Service Line Charges

Exhibit
Rebuttal Schedule H-3
Page 5
Witness: Bourassa

**Refundable Meter and Service Line Charges**

| Line No. | | Present Service Line Charge | Present Meter Install-ation Charge | Total Present Charge | Proposed Service Line Charge | Proposed Meter Install-ation Charge | Total Proposed Charge |
|---|---|---|---|---|---|---|---|
| 9 | 5/8 x 3/4 Inch | 1,765.00 | 105.00 | 1,870.00 | At Cost | At Cost | At Cost |
| 10 | 3/4 Inch | 1,765.00 | 180.00 | 1,945.00 | At Cost | At Cost | At Cost |
| 11 | 1 Inch | 1,765.00 | 240.00 | 2,005.00 | At Cost | At Cost | At Cost |
| 12 | 1 1/2 Inch | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 13 | 2 Inch Turbine | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 14 | 2 Inch Compund | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 15 | 3 Inch Turbine | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 16 | 3 Inch Compund | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 17 | 4 Inch Turbine | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 18 | 4 Inch Compound | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 19 | 6 inch Turbine | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 20 | 6 inch Compund | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |
| 21 | 8 Inch & Larger | At Cost | At Cost | At Cost | At Cost | At Cost | At Cost |

**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Hook-Up Fees

Exhibit
Rebuttal Schedule H-3
Page 6
Witness: Bourassa

**Off-site Facilities Hook-up Fee**

| | Size Factor | Present Charge | Size Factor | Proposed Charge |
|---|---|---|---|---|
| 5/8 x 3/4 Inch | 1 | $ 1,600 | 1 | $ 1,600 |
| 3/4 Inch | 1.5 | 2,400 | 1.5 | 2,400 |
| 1 Inch | 2.5 | 4,000 | 2.5 | 4,000 |
| 1 1/2 Inch | 5 | 8,000 | 5 | 8,000 |
| 2 Inch | 8 | 12,800 | 8 | 12,800 |
| 3 Inch | 16 | 25,600 | 16 | 25,600 |
| 4 Inch | 25 | 40,000 | 25 | 40,000 |
| 6 Inch or larger | 50 | 80,000 | 50 | 80,000 |

NT = no tariff

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8x3/4 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 1
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.00 | $ 18.20 | $ 3.20 | 21.33% |
| 1,000 | 16.45 | 20.17 | 3.72 | 22.59% |
| 2,000 | 17.90 | 22.13 | 4.23 | 23.64% |
| 3,000 | 19.35 | 24.10 | 4.75 | 24.54% |
| 4,000 | 20.80 | 26.06 | 5.26 | 25.31% |
| 5,000 | 23.01 | 29.03 | 6.02 | 26.17% |
| 6,000 | 25.22 | 32.00 | 6.78 | 26.87% |
| 7,000 | 27.43 | 34.96 | 7.53 | 27.46% |
| 8,000 | 29.64 | 37.93 | 8.29 | 27.97% |
| 9,000 | 31.85 | 40.90 | 9.05 | 28.40% |
| 10,000 | 34.06 | 43.86 | 9.80 | 28.78% |
| 12,000 | 39.50 | 51.29 | 11.79 | 29.86% |
| 14,000 | 44.94 | 58.73 | 13.79 | 30.68% |
| 16,000 | 50.38 | 66.16 | 15.78 | 31.32% |
| 18,000 | 55.82 | 73.59 | 17.77 | 31.84% |
| 20,000 | 61.26 | 81.02 | 19.76 | 32.26% |
| 25,000 | 74.86 | 99.61 | 24.75 | 33.06% |
| 30,000 | 88.46 | 118.19 | 29.73 | 33.60% |
| 35,000 | 102.06 | 136.77 | 34.71 | 34.01% |
| 40,000 | 115.66 | 155.35 | 39.69 | 34.31% |
| 45,000 | 129.26 | 173.93 | 44.67 | 34.56% |
| 50,000 | 142.86 | 192.51 | 49.65 | 34.75% |
| 60,000 | 170.06 | 229.67 | 59.61 | 35.05% |
| 70,000 | 197.26 | 266.83 | 69.57 | 35.27% |
| 80,000 | 224.46 | 304.00 | 79.54 | 35.43% |
| 90,000 | 251.66 | 341.16 | 89.50 | 35.56% |
| 100,000 | 278.86 | 378.32 | 99.46 | 35.67% |
| Average Usage | | | | |
| 5,914 | $ 25.03 | $ 31.74 | $ 6.71 | 26.82% |
| Median Usage | | | | |
| 4,500 | $ 21.91 | $ 27.55 | $ 5.64 | 25.76% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 15.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 1.45 |
| Up to | 10,000 | $ | 2.21 |
| Over | 10,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 18.20 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 1.97 |
| Up to | 10,000 | $ | 2.97 |
| Over | 10,000 | $ | 3.72 |
| Over | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 2
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.00 | $ 27.30 | $ 12.30 | 82.00% |
| 1,000 | 16.45 | 29.27 | 12.82 | 77.91% |
| 2,000 | 17.90 | 31.23 | 13.33 | 74.48% |
| 3,000 | 19.35 | 33.20 | 13.85 | 71.57% |
| 4,000 | 20.80 | 35.16 | 14.36 | 69.06% |
| 5,000 | 23.01 | 38.13 | 15.12 | 65.71% |
| 6,000 | 25.22 | 41.10 | 15.88 | 62.95% |
| 7,000 | 27.43 | 44.06 | 16.63 | 60.64% |
| 8,000 | 29.64 | 47.03 | 17.39 | 58.67% |
| 9,000 | 31.85 | 50.00 | 18.15 | 56.97% |
| 10,000 | 34.06 | 52.96 | 18.90 | 55.50% |
| 12,000 | 39.50 | 60.39 | 20.89 | 52.90% |
| 14,000 | 44.94 | 67.83 | 22.89 | 50.93% |
| 16,000 | 50.38 | 75.26 | 24.88 | 49.38% |
| 18,000 | 55.82 | 82.69 | 26.87 | 48.14% |
| 20,000 | 61.26 | 90.12 | 28.86 | 47.12% |
| 25,000 | 74.86 | 108.71 | 33.85 | 45.21% |
| 30,000 | 88.46 | 127.29 | 38.83 | 43.89% |
| 35,000 | 102.06 | 145.87 | 43.81 | 42.92% |
| 40,000 | 115.66 | 164.45 | 48.79 | 42.18% |
| 45,000 | 129.26 | 183.03 | 53.77 | 41.60% |
| 50,000 | 142.86 | 201.61 | 58.75 | 41.12% |
| 60,000 | 170.06 | 238.77 | 68.71 | 40.40% |
| 70,000 | 197.26 | 275.93 | 78.67 | 39.88% |
| 80,000 | 224.46 | 313.10 | 88.64 | 39.49% |
| 90,000 | 251.66 | 350.26 | 98.60 | 39.18% |
| 100,000 | 278.86 | 387.42 | 108.56 | 38.93% |
| Average Usage | | | | |
| 3,820 | $ 20.54 | $ 34.81 | $ 14.27 | 69.49% |
| Median Usage | | | | |
| 2,500 | $ 18.63 | $ 32.22 | $ 13.59 | 72.97% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 15.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 1.45 |
| Up to | 10,000 | $ | 2.21 |
| Over | 10,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 27.30 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 1.97 |
| Up to | 10,000 | $ | 2.97 |
| Over | 10,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Residential

Exhibit
Rebuttal Schedule H-4
Page 3
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 35.00 | $ 45.50 | $ 10.50 | 30.00% |
| 1,000 | 37.21 | 48.47 | 11.26 | 30.25% |
| 2,000 | 39.42 | 51.43 | 12.01 | 30.47% |
| 3,000 | 41.63 | 54.40 | 12.77 | 30.67% |
| 4,000 | 43.84 | 57.36 | 13.52 | 30.85% |
| 5,000 | 46.05 | 60.33 | 14.28 | 31.01% |
| 6,000 | 48.26 | 63.30 | 15.04 | 31.16% |
| 7,000 | 50.47 | 66.26 | 15.79 | 31.29% |
| 8,000 | 52.68 | 69.23 | 16.55 | 31.42% |
| 9,000 | 54.89 | 72.20 | 17.31 | 31.53% |
| 10,000 | 57.10 | 75.16 | 18.06 | 31.63% |
| 12,000 | 62.54 | 82.59 | 20.05 | 32.07% |
| 14,000 | 67.98 | 90.03 | 22.05 | 32.43% |
| 16,000 | 73.42 | 97.46 | 24.04 | 32.74% |
| 18,000 | 78.86 | 104.89 | 26.03 | 33.01% |
| 20,000 | 84.30 | 112.32 | 28.02 | 33.24% |
| 25,000 | 97.90 | 130.91 | 33.01 | 33.71% |
| 30,000 | 111.50 | 149.49 | 37.99 | 34.07% |
| 35,000 | 125.10 | 168.07 | 42.97 | 34.35% |
| 40,000 | 138.70 | 186.65 | 47.95 | 34.57% |
| 45,000 | 152.30 | 205.23 | 52.93 | 34.75% |
| 50,000 | 165.90 | 223.81 | 57.91 | 34.91% |
| 60,000 | 193.10 | 260.97 | 67.87 | 35.15% |
| 70,000 | 220.30 | 298.13 | 77.83 | 35.33% |
| 80,000 | 247.50 | 335.30 | 87.80 | 35.47% |
| 90,000 | 274.70 | 372.46 | 97.76 | 35.59% |
| 100,000 | 301.90 | 409.62 | 107.72 | 35.68% |
| Average Usage | | | | |
| 11,794 | $ 61.98 | $ 81.83 | $ 19.85 | 32.03% |
| Median Usage | | | | |
| 5,500 | $ 47.16 | $ 61.81 | $ 14.66 | 31.09% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 35.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 10,000 | $ | 2.21 |
| Over | 10,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 45.50 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 10,000 | $ | 2.97 |
| Over | 10,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 5/8 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 4
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.00 | $ 18.20 | $ 3.20 | 21.33% |
| 1,000 | 17.21 | 21.17 | 3.96 | 22.99% |
| 2,000 | 19.42 | 24.13 | 4.71 | 24.27% |
| 3,000 | 21.63 | 27.10 | 5.47 | 25.28% |
| 4,000 | 23.84 | 30.06 | 6.22 | 26.11% |
| 5,000 | 26.56 | 33.78 | 7.22 | 27.19% |
| 6,000 | 29.28 | 37.50 | 8.22 | 28.06% |
| 7,000 | 32.00 | 41.21 | 9.21 | 28.79% |
| 8,000 | 34.72 | 44.93 | 10.21 | 29.41% |
| 9,000 | 37.44 | 48.65 | 11.21 | 29.93% |
| 10,000 | 40.16 | 52.36 | 12.20 | 30.38% |
| 12,000 | 45.60 | 59.79 | 14.19 | 31.13% |
| 14,000 | 51.04 | 67.23 | 16.19 | 31.71% |
| 16,000 | 56.48 | 74.66 | 18.18 | 32.19% |
| 18,000 | 61.92 | 82.09 | 20.17 | 32.58% |
| 20,000 | 67.36 | 89.52 | 22.16 | 32.90% |
| 25,000 | 80.96 | 108.11 | 27.15 | 33.53% |
| 30,000 | 94.56 | 126.69 | 32.13 | 33.97% |
| 35,000 | 108.16 | 145.27 | 37.11 | 34.31% |
| 40,000 | 121.76 | 163.85 | 42.09 | 34.57% |
| 45,000 | 135.36 | 182.43 | 47.07 | 34.77% |
| 50,000 | 148.96 | 201.01 | 52.05 | 34.94% |
| 60,000 | 176.16 | 238.17 | 62.01 | 35.20% |
| 70,000 | 203.36 | 275.33 | 71.97 | 35.39% |
| 80,000 | 230.56 | 312.50 | 81.94 | 35.54% |
| 90,000 | 257.76 | 349.66 | 91.90 | 35.65% |
| 100,000 | 284.96 | 386.82 | 101.86 | 35.75% |
| Average Usage | | | | |
| 6,082 | $ 29.50 | $ 37.80 | $ 8.30 | 28.13% |
| Median Usage | | | | |
| 2,500 | $ 20.53 | $ 25.62 | $ 5.09 | 24.80% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 15.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 2.21 |
| Over | 4,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 18.20 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 2.97 |
| Over | 4,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 5
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.00 | $ 18.20 | $ 3.20 | 21.33% |
| 1,000 | 17.21 | 21.17 | 3.96 | 22.99% |
| 2,000 | 19.42 | 24.13 | 4.71 | 24.27% |
| 3,000 | 21.63 | 27.10 | 5.47 | 25.28% |
| 4,000 | 23.84 | 30.06 | 6.22 | 26.11% |
| 5,000 | 26.56 | 33.78 | 7.22 | 27.19% |
| 6,000 | 29.28 | 37.50 | 8.22 | 28.06% |
| 7,000 | 32.00 | 41.21 | 9.21 | 28.79% |
| 8,000 | 34.72 | 44.93 | 10.21 | 29.41% |
| 9,000 | 37.44 | 48.65 | 11.21 | 29.93% |
| 10,000 | 40.16 | 52.36 | 12.20 | 30.38% |
| 12,000 | 45.60 | 59.79 | 14.19 | 31.13% |
| 14,000 | 51.04 | 67.23 | 16.19 | 31.71% |
| 16,000 | 56.48 | 74.66 | 18.18 | 32.19% |
| 18,000 | 61.92 | 82.09 | 20.17 | 32.58% |
| 20,000 | 67.36 | 89.52 | 22.16 | 32.90% |
| 25,000 | 80.96 | 108.11 | 27.15 | 33.53% |
| 30,000 | 94.56 | 126.69 | 32.13 | 33.97% |
| 35,000 | 108.16 | 145.27 | 37.11 | 34.31% |
| 40,000 | 121.76 | 163.85 | 42.09 | 34.57% |
| 45,000 | 135.36 | 182.43 | 47.07 | 34.77% |
| 50,000 | 148.96 | 201.01 | 52.05 | 34.94% |
| 60,000 | 176.16 | 238.17 | 62.01 | 35.20% |
| 70,000 | 203.36 | 275.33 | 71.97 | 35.39% |
| 80,000 | 230.56 | 312.50 | 81.94 | 35.54% |
| 90,000 | 257.76 | 349.66 | 91.90 | 35.65% |
| 100,000 | 284.96 | 386.82 | 101.86 | 35.75% |
| Average Usage | | | | |
| 1,639 | $ 18.62 | $ 23.06 | $ 4.44 | 23.84% |
| Median Usage | | | | |
| 1,500 | $ 18.32 | $ 22.65 | $ 4.33 | 23.67% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 15.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 2.21 |
| Over | 4,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 18.20 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 4,000 | $ | 2.97 |
| Over | 4,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 1 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 6
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 35.00 | $ 45.50 | $ 10.50 | 30.00% |
| 1,000 | 37.21 | 48.47 | 11.26 | 30.25% |
| 2,000 | 39.42 | 51.43 | 12.01 | 30.47% |
| 3,000 | 41.63 | 54.40 | 12.77 | 30.67% |
| 4,000 | 43.84 | 57.36 | 13.52 | 30.85% |
| 5,000 | 46.05 | 60.33 | 14.28 | 31.01% |
| 6,000 | 48.26 | 63.30 | 15.04 | 31.16% |
| 7,000 | 50.47 | 66.26 | 15.79 | 31.29% |
| 8,000 | 52.68 | 69.23 | 16.55 | 31.42% |
| 9,000 | 54.89 | 72.20 | 17.31 | 31.53% |
| 10,000 | 57.10 | 75.16 | 18.06 | 31.63% |
| 12,000 | 62.54 | 82.59 | 20.05 | 32.07% |
| 14,000 | 67.98 | 90.03 | 22.05 | 32.43% |
| 16,000 | 73.42 | 97.46 | 24.04 | 32.74% |
| 18,000 | 78.86 | 104.89 | 26.03 | 33.01% |
| 20,000 | 84.30 | 112.32 | 28.02 | 33.24% |
| 25,000 | 97.90 | 130.91 | 33.01 | 33.71% |
| 30,000 | 111.50 | 149.49 | 37.99 | 34.07% |
| 35,000 | 125.10 | 168.07 | 42.97 | 34.35% |
| 40,000 | 138.70 | 186.65 | 47.95 | 34.57% |
| 45,000 | 152.30 | 205.23 | 52.93 | 34.75% |
| 50,000 | 165.90 | 223.81 | 57.91 | 34.91% |
| 60,000 | 193.10 | 260.97 | 67.87 | 35.15% |
| 70,000 | 220.30 | 298.13 | 77.83 | 35.33% |
| 80,000 | 247.50 | 335.30 | 87.80 | 35.47% |
| 90,000 | 274.70 | 372.46 | 97.76 | 35.59% |
| 100,000 | 301.90 | 409.62 | 107.72 | 35.68% |
| Average Usage | | | | |
| 13,193 | $ 65.78 | $ 87.03 | $ 21.24 | 32.29% |
| Median Usage | | | | |
| 6,500 | $ 49.37 | $ 64.78 | $ 15.42 | 31.23% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 35.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 10,000 | $ | 2.21 |
| Over | 10,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 45.50 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 10,000 | $ | 2.97 |
| Over | 10,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 1 1/2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 7
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 70.00 | $ 91.00 | $ 21.00 | 30.00% |
| 1,000 | 72.21 | 93.97 | 21.76 | 30.13% |
| 2,000 | 74.42 | 96.93 | 22.51 | 30.25% |
| 3,000 | 76.63 | 99.90 | 23.27 | 30.36% |
| 4,000 | 78.84 | 102.86 | 24.02 | 30.47% |
| 5,000 | 81.05 | 105.83 | 24.78 | 30.57% |
| 6,000 | 83.26 | 108.80 | 25.54 | 30.67% |
| 7,000 | 85.47 | 111.76 | 26.29 | 30.76% |
| 8,000 | 87.68 | 114.73 | 27.05 | 30.85% |
| 9,000 | 89.89 | 117.70 | 27.81 | 30.93% |
| 10,000 | 92.10 | 120.66 | 28.56 | 31.01% |
| 12,000 | 96.52 | 126.59 | 30.07 | 31.16% |
| 14,000 | 100.94 | 132.53 | 31.59 | 31.29% |
| 16,000 | 105.36 | 138.46 | 33.10 | 31.42% |
| 18,000 | 109.78 | 144.39 | 34.61 | 31.53% |
| 20,000 | 114.20 | 150.32 | 36.12 | 31.63% |
| 25,000 | 125.25 | 165.16 | 39.91 | 31.86% |
| 30,000 | 138.34 | 182.99 | 44.65 | 32.27% |
| 35,000 | 151.94 | 201.57 | 49.63 | 32.66% |
| 40,000 | 165.54 | 220.15 | 54.61 | 32.99% |
| 45,000 | 179.14 | 238.73 | 59.59 | 33.26% |
| 50,000 | 192.74 | 257.31 | 64.57 | 33.50% |
| 60,000 | 219.94 | 294.47 | 74.53 | 33.89% |
| 70,000 | 247.14 | 331.63 | 84.49 | 34.19% |
| 80,000 | 274.34 | 368.80 | 94.46 | 34.43% |
| 90,000 | 301.54 | 405.96 | 104.42 | 34.63% |
| 100,000 | 328.74 | 443.12 | 114.38 | 34.79% |
| Average Usage | | | | |
| 32,885 | $ 146.19 | $ 193.71 | $ 47.52 | 32.51% |
| Median Usage | | | | |
| 20,500 | $ 115.31 | $ 151.81 | $ 36.50 | 31.66% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 70.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 26,000 | $ | 2.21 |
| Over | 26,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 91.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 26,000 | $ | 2.97 |
| Over | 26,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 2 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 8
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 120.00 | $ 145.60 | $ 25.60 | 21.33% |
| 1,000 | 122.21 | 148.57 | 26.36 | 21.57% |
| 2,000 | 124.42 | 151.53 | 27.11 | 21.79% |
| 3,000 | 126.63 | 154.50 | 27.87 | 22.01% |
| 4,000 | 128.84 | 157.46 | 28.62 | 22.22% |
| 5,000 | 131.05 | 160.43 | 29.38 | 22.42% |
| 6,000 | 133.26 | 163.40 | 30.14 | 22.62% |
| 7,000 | 135.47 | 166.36 | 30.89 | 22.80% |
| 8,000 | 137.68 | 169.33 | 31.65 | 22.99% |
| 9,000 | 139.89 | 172.30 | 32.41 | 23.17% |
| 10,000 | 142.10 | 175.26 | 33.16 | 23.34% |
| 12,000 | 146.52 | 181.19 | 34.67 | 23.67% |
| 14,000 | 150.94 | 187.13 | 36.19 | 23.97% |
| 16,000 | 155.36 | 193.06 | 37.70 | 24.27% |
| 18,000 | 159.78 | 198.99 | 39.21 | 24.54% |
| 20,000 | 164.20 | 204.92 | 40.72 | 24.80% |
| 25,000 | 175.25 | 219.76 | 44.51 | 25.40% |
| 30,000 | 186.30 | 234.59 | 48.29 | 25.92% |
| 35,000 | 197.35 | 249.42 | 52.07 | 26.38% |
| 40,000 | 208.40 | 264.25 | 55.85 | 26.80% |
| 45,000 | 219.45 | 279.08 | 59.63 | 27.17% |
| 50,000 | 233.05 | 297.66 | 64.61 | 27.72% |
| 60,000 | 260.25 | 334.82 | 74.57 | 28.65% |
| 70,000 | 287.45 | 371.98 | 84.53 | 29.41% |
| 80,000 | 314.65 | 409.15 | 94.50 | 30.03% |
| 90,000 | 341.85 | 446.31 | 104.46 | 30.56% |
| 100,000 | 369.05 | 483.47 | 114.42 | 31.00% |
| Average Usage | | | | |
| 68,942 | $ 284.57 | $ 368.05 | $ 83.48 | 29.34% |
| Median Usage | | | | |
| 27,500 | $ 180.78 | $ 227.17 | $ 46.40 | 25.66% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 120.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 2.21 |
| Over | 45,000 | $ | 2.72 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 145.60 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 45,000 | $ | 2.97 |
| Over | 45,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 9
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 240.00 | $ 291.20 | $ 51.20 | 21.33% |
| 1,000 | 242.21 | 294.17 | 51.96 | 21.45% |
| 2,000 | 244.42 | 297.13 | 52.71 | 21.57% |
| 3,000 | 246.63 | 300.10 | 53.47 | 21.68% |
| 4,000 | 248.84 | 303.06 | 54.22 | 21.79% |
| 5,000 | 251.05 | 306.03 | 54.98 | 21.90% |
| 6,000 | 253.26 | 309.00 | 55.74 | 22.01% |
| 7,000 | 255.47 | 311.96 | 56.49 | 22.11% |
| 8,000 | 257.68 | 314.93 | 57.25 | 22.22% |
| 9,000 | 259.89 | 317.90 | 58.01 | 22.32% |
| 10,000 | 262.10 | 320.86 | 58.76 | 22.42% |
| 12,000 | 266.52 | 326.79 | 60.27 | 22.62% |
| 14,000 | 270.94 | 332.73 | 61.79 | 22.80% |
| 16,000 | 275.36 | 338.66 | 63.30 | 22.99% |
| 18,000 | 279.78 | 344.59 | 64.81 | 23.17% |
| 20,000 | 284.20 | 350.52 | 66.32 | 23.34% |
| 25,000 | 295.25 | 365.36 | 70.11 | 23.74% |
| 30,000 | 306.30 | 380.19 | 73.89 | 24.12% |
| 35,000 | 317.35 | 395.02 | 77.67 | 24.47% |
| 40,000 | 328.40 | 409.85 | 81.45 | 24.80% |
| 45,000 | 339.45 | 424.68 | 85.23 | 25.11% |
| 50,000 | 350.50 | 439.51 | 89.01 | 25.40% |
| 60,000 | 372.60 | 469.17 | 96.57 | 25.92% |
| 70,000 | 394.70 | 498.83 | 104.13 | 26.38% |
| 80,000 | 416.80 | 528.50 | 111.70 | 26.80% |
| 90,000 | 438.90 | 558.16 | 119.26 | 27.17% |
| 100,000 | 462.02 | 589.32 | 127.30 | 27.55% |
| Average Usage 143,395 | $ 580.06 | $ 750.59 | $ 170.53 | 29.40% |
| Median Usage 111,786 | $ 494.08 | $ 633.12 | $ 139.04 | 28.14% |

| | | | |
|---|---|---|---|
| **Present Rates:** | | | |
| Monthly Minimum: | | $ | 240.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 98,000 | $ | 2.21 |
| Over | 98,000 | $ | 2.72 |
| **Proposed Rates:** | | | |
| Monthly Minimum: | | $ | 291.20 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 98,000 | $ | 2.97 |
| Over | 98,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 4 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 10
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 375.00 | $ 455.00 | $ 80.00 | 21.33% |
| 1,000 | 377.21 | 457.97 | 80.76 | 21.41% |
| 2,000 | 379.42 | 460.93 | 81.51 | 21.48% |
| 3,000 | 381.63 | 463.90 | 82.27 | 21.56% |
| 4,000 | 383.84 | 466.86 | 83.02 | 21.63% |
| 5,000 | 386.05 | 469.83 | 83.78 | 21.70% |
| 6,000 | 388.26 | 472.80 | 84.54 | 21.77% |
| 7,000 | 390.47 | 475.76 | 85.29 | 21.84% |
| 8,000 | 392.68 | 478.73 | 86.05 | 21.91% |
| 9,000 | 394.89 | 481.70 | 86.81 | 21.98% |
| 10,000 | 397.10 | 484.66 | 87.56 | 22.05% |
| 12,000 | 401.52 | 490.59 | 89.07 | 22.18% |
| 14,000 | 405.94 | 496.53 | 90.59 | 22.32% |
| 16,000 | 410.36 | 502.46 | 92.10 | 22.44% |
| 18,000 | 414.78 | 508.39 | 93.61 | 22.57% |
| 20,000 | 419.20 | 514.32 | 95.12 | 22.69% |
| 25,000 | 430.25 | 529.16 | 98.91 | 22.99% |
| 30,000 | 441.30 | 543.99 | 102.69 | 23.27% |
| 35,000 | 452.35 | 558.82 | 106.47 | 23.54% |
| 40,000 | 463.40 | 573.65 | 110.25 | 23.79% |
| 45,000 | 474.45 | 588.48 | 114.03 | 24.03% |
| 50,000 | 485.50 | 603.31 | 117.81 | 24.27% |
| 60,000 | 507.60 | 632.97 | 125.37 | 24.70% |
| 70,000 | 529.70 | 662.63 | 132.93 | 25.10% |
| 80,000 | 551.80 | 692.30 | 140.50 | 25.46% |
| 90,000 | 573.90 | 721.96 | 148.06 | 25.80% |
| 100,000 | 596.00 | 751.62 | 155.62 | 26.11% |
| Average Usage 285,797 | $ 1,071.79 | $ 1,398.58 | $ 326.79 | 30.49% |
| Median Usage 218,670 | $ 889.20 | $ 1,149.12 | $ 259.92 | 29.23% |

**Present Rates:**

| | | |
|---|---|---|
| Monthly Minimum: | | $ 375.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to | 158,000 | $ 2.21 |
| Over | 158,000 | $ 2.72 |

**Proposed Rates:**

| | | |
|---|---|---|
| Monthly Minimum: | | $ 455.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to | 158,000 | $ 2.97 |
| Over | 158,000 | $ 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 6 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 11
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 750.00 | $ 910.00 | $ 160.00 | 21.33% |
| 1,000 | 752.21 | 912.97 | 160.76 | 21.37% |
| 2,000 | 754.42 | 915.93 | 161.51 | 21.41% |
| 3,000 | 756.63 | 918.90 | 162.27 | 21.45% |
| 4,000 | 758.84 | 921.86 | 163.02 | 21.48% |
| 5,000 | 761.05 | 924.83 | 163.78 | 21.52% |
| 6,000 | 763.26 | 927.80 | 164.54 | 21.56% |
| 7,000 | 765.47 | 930.76 | 165.29 | 21.59% |
| 8,000 | 767.68 | 933.73 | 166.05 | 21.63% |
| 9,000 | 769.89 | 936.70 | 166.81 | 21.67% |
| 10,000 | 772.10 | 939.66 | 167.56 | 21.70% |
| 12,000 | 776.52 | 945.59 | 169.07 | 21.77% |
| 14,000 | 780.94 | 951.53 | 170.59 | 21.84% |
| 16,000 | 785.36 | 957.46 | 172.10 | 21.91% |
| 18,000 | 789.78 | 963.39 | 173.61 | 21.98% |
| 20,000 | 794.20 | 969.32 | 175.12 | 22.05% |
| 25,000 | 805.25 | 984.16 | 178.91 | 22.22% |
| 30,000 | 816.30 | 998.99 | 182.69 | 22.38% |
| 35,000 | 827.35 | 1,013.82 | 186.47 | 22.54% |
| 40,000 | 838.40 | 1,028.65 | 190.25 | 22.69% |
| 45,000 | 849.45 | 1,043.48 | 194.03 | 22.84% |
| 50,000 | 860.50 | 1,058.31 | 197.81 | 22.99% |
| 60,000 | 882.60 | 1,087.97 | 205.37 | 23.27% |
| 70,000 | 904.70 | 1,117.63 | 212.93 | 23.54% |
| 80,000 | 926.80 | 1,147.30 | 220.50 | 23.79% |
| 90,000 | 948.90 | 1,176.96 | 228.06 | 24.03% |
| 100,000 | 971.00 | 1,206.62 | 235.62 | 24.27% |
| Average Usage | | | | |
| 77,959 | $ 922.29 | $ 1,141.24 | $ 218.95 | 23.74% |
| Median Usage | | | | |
| 71,500 | $ 908.02 | $ 1,122.08 | $ 214.07 | 23.58% |

| **Present Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 750.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 327,000 | $ | 2.21 |
| Over | 327,000 | $ | 2.72 |

| **Proposed Rates:** | | | |
|---|---|---|---|
| Monthly Minimum: | | $ | 910.00 |
| Gallons in Minimum | | | - |
| Charge Per 1,000 Gallons | | | |
| Up to | 327,000 | $ | 2.97 |
| Over | 327,000 | $ | 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 8 Inch Commercial

Exhibit
Rebuttal Schedule H-4
Page 12
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 1,200.00 | $ 1,456.00 | $ 256.00 | 21.33% |
| 1,000 | 1,202.21 | 1,458.97 | 256.76 | 21.36% |
| 2,000 | 1,204.42 | 1,461.93 | 257.51 | 21.38% |
| 3,000 | 1,206.63 | 1,464.90 | 258.27 | 21.40% |
| 4,000 | 1,208.84 | 1,467.86 | 259.02 | 21.43% |
| 5,000 | 1,211.05 | 1,470.83 | 259.78 | 21.45% |
| 6,000 | 1,213.26 | 1,473.80 | 260.54 | 21.47% |
| 7,000 | 1,215.47 | 1,476.76 | 261.29 | 21.50% |
| 8,000 | 1,217.68 | 1,479.73 | 262.05 | 21.52% |
| 9,000 | 1,219.89 | 1,482.70 | 262.81 | 21.54% |
| 10,000 | 1,222.10 | 1,485.66 | 263.56 | 21.57% |
| 12,000 | 1,226.52 | 1,491.59 | 265.07 | 21.61% |
| 14,000 | 1,230.94 | 1,497.53 | 266.59 | 21.66% |
| 16,000 | 1,235.36 | 1,503.46 | 268.10 | 21.70% |
| 18,000 | 1,239.78 | 1,509.39 | 269.61 | 21.75% |
| 20,000 | 1,244.20 | 1,515.32 | 271.12 | 21.79% |
| 25,000 | 1,255.25 | 1,530.16 | 274.91 | 21.90% |
| 30,000 | 1,266.30 | 1,544.99 | 278.69 | 22.01% |
| 35,000 | 1,277.35 | 1,559.82 | 282.47 | 22.11% |
| 40,000 | 1,288.40 | 1,574.65 | 286.25 | 22.22% |
| 45,000 | 1,299.45 | 1,589.48 | 290.03 | 22.32% |
| 50,000 | 1,310.50 | 1,604.31 | 293.81 | 22.42% |
| 60,000 | 1,332.60 | 1,633.97 | 301.37 | 22.62% |
| 70,000 | 1,354.70 | 1,663.63 | 308.93 | 22.80% |
| 80,000 | 1,376.80 | 1,693.30 | 316.50 | 22.99% |
| 90,000 | 1,398.90 | 1,722.96 | 324.06 | 23.17% |
| 100,000 | 1,421.00 | 1,752.62 | 331.62 | 23.34% |
| Average Usage | | | | |
| 11,459 | $ 1,225.32 | $ 1,489.99 | $ 264.67 | 21.60% |
| Median Usage | | | | |
| 4,000 | $ 1,208.84 | $ 1,467.86 | $ 259.02 | 21.43% |

| | | |
|---|---|---|
| **Present Rates:** | | |
| Monthly Minimum: | | $ 1,200.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to | 584,000 | $ 2.21 |
| Over | 584,000 | $ 2.72 |
| **Proposed Rates:** | | |
| Monthly Minimum: | | $ 1,456.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to | 584,000 | $ 2.97 |
| Over | 584,000 | $ 3.72 |

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: Fire Lines 4 Inch

Exhibit
Rebuttal Schedule H-4
Page 13
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 10.00 | $ 10.00 | $ - | 0.00% |
| 1,000 | 10.00 | 10.00 | - | 0.00% |
| 2,000 | 10.00 | 10.00 | - | 0.00% |
| 3,000 | 10.00 | 10.00 | - | 0.00% |
| 4,000 | 10.00 | 10.00 | - | 0.00% |
| 5,000 | 10.00 | 10.00 | - | 0.00% |
| 6,000 | 10.00 | 10.00 | - | 0.00% |
| 7,000 | 10.00 | 10.00 | - | 0.00% |
| 8,000 | 10.00 | 10.00 | - | 0.00% |
| 9,000 | 10.00 | 10.00 | - | 0.00% |
| 10,000 | 10.00 | 10.00 | - | 0.00% |
| 12,000 | 10.00 | 10.00 | - | 0.00% |
| 14,000 | 10.00 | 10.00 | - | 0.00% |
| 16,000 | 10.00 | 10.00 | - | 0.00% |
| 18,000 | 10.00 | 10.00 | - | 0.00% |
| 20,000 | 10.00 | 10.00 | - | 0.00% |
| 25,000 | 10.00 | 10.00 | - | 0.00% |
| 30,000 | 10.00 | 10.00 | - | 0.00% |
| 35,000 | 10.00 | 10.00 | - | 0.00% |
| 40,000 | 10.00 | 10.00 | - | 0.00% |
| 45,000 | 10.00 | 10.00 | - | 0.00% |
| 50,000 | 10.00 | 10.00 | - | 0.00% |
| 60,000 | 10.00 | 10.00 | - | 0.00% |
| 70,000 | 10.00 | 10.00 | - | 0.00% |
| 80,000 | 10.00 | 10.00 | - | 0.00% |
| 90,000 | 10.00 | 10.00 | - | 0.00% |
| 100,000 | 10.00 | 10.00 | - | 0.00% |
| Average Usage | | | | |
| - | $ 10.00 | $ 10.00 | $ - | 0.00% |
| Median Usage | | | | |
| - | $ 10.00 | $ 10.00 | $ - | 0.00% |

**Present Rates:**
Monthly Minimum: $ 10.00

**Proposed Rates:**
Monthly Minimum: $ 10.00

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: Fire Lines 6 Inch

Exhibit
Rebuttal Schedule H-4
Page 14
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 15.00 | $ 15.00 | $ - | 0.00% |
| 1,000 | 15.00 | 15.00 | - | 0.00% |
| 2,000 | 15.00 | 15.00 | - | 0.00% |
| 3,000 | 15.00 | 15.00 | - | 0.00% |
| 4,000 | 15.00 | 15.00 | - | 0.00% |
| 5,000 | 15.00 | 15.00 | - | 0.00% |
| 6,000 | 15.00 | 15.00 | - | 0.00% |
| 7,000 | 15.00 | 15.00 | - | 0.00% |
| 8,000 | 15.00 | 15.00 | - | 0.00% |
| 9,000 | 15.00 | 15.00 | - | 0.00% |
| 10,000 | 15.00 | 15.00 | - | 0.00% |
| 12,000 | 15.00 | 15.00 | - | 0.00% |
| 14,000 | 15.00 | 15.00 | - | 0.00% |
| 16,000 | 15.00 | 15.00 | - | 0.00% |
| 18,000 | 15.00 | 15.00 | - | 0.00% |
| 20,000 | 15.00 | 15.00 | - | 0.00% |
| 25,000 | 15.00 | 15.00 | - | 0.00% |
| 30,000 | 15.00 | 15.00 | - | 0.00% |
| 35,000 | 15.00 | 15.00 | - | 0.00% |
| 40,000 | 15.00 | 15.00 | - | 0.00% |
| 45,000 | 15.00 | 15.00 | - | 0.00% |
| 50,000 | 15.00 | 15.00 | - | 0.00% |
| 60,000 | 15.00 | 15.00 | - | 0.00% |
| 70,000 | 15.00 | 15.00 | - | 0.00% |
| 80,000 | 15.00 | 15.00 | - | 0.00% |
| 90,000 | 15.00 | 15.00 | - | 0.00% |
| 100,000 | 15.00 | 15.00 | - | 0.00% |
| Average Usage | | | | |
| - | $ 15.00 | $ 15.00 | $ - | 0.00% |
| Median Usage | | | | |
| - | $ 15.00 | $ 15.00 | $ - | 0.00% |

**Present Rates:**
Monthly Minimum: $ 15.00

**Proposed Rates:**
Monthly Minimum: $ 15.00

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: Fire Lines 8 Inch

Exhibit
Rebuttal Schedule H-4
Page 15
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 35.00 | $ 35.00 | $ - | 0.00% |
| 1,000 | 35.00 | 35.00 | - | 0.00% |
| 2,000 | 35.00 | 35.00 | - | 0.00% |
| 3,000 | 35.00 | 35.00 | - | 0.00% |
| 4,000 | 35.00 | 35.00 | - | 0.00% |
| 5,000 | 35.00 | 35.00 | - | 0.00% |
| 6,000 | 35.00 | 35.00 | - | 0.00% |
| 7,000 | 35.00 | 35.00 | - | 0.00% |
| 8,000 | 35.00 | 35.00 | - | 0.00% |
| 9,000 | 35.00 | 35.00 | - | 0.00% |
| 10,000 | 35.00 | 35.00 | - | 0.00% |
| 12,000 | 35.00 | 35.00 | - | 0.00% |
| 14,000 | 35.00 | 35.00 | - | 0.00% |
| 16,000 | 35.00 | 35.00 | - | 0.00% |
| 18,000 | 35.00 | 35.00 | - | 0.00% |
| 20,000 | 35.00 | 35.00 | - | 0.00% |
| 25,000 | 35.00 | 35.00 | - | 0.00% |
| 30,000 | 35.00 | 35.00 | - | 0.00% |
| 35,000 | 35.00 | 35.00 | - | 0.00% |
| 40,000 | 35.00 | 35.00 | - | 0.00% |
| 45,000 | 35.00 | 35.00 | - | 0.00% |
| 50,000 | 35.00 | 35.00 | - | 0.00% |
| 60,000 | 35.00 | 35.00 | - | 0.00% |
| 70,000 | 35.00 | 35.00 | - | 0.00% |
| 80,000 | 35.00 | 35.00 | - | 0.00% |
| 90,000 | 35.00 | 35.00 | - | 0.00% |
| 100,000 | 35.00 | 35.00 | - | 0.00% |
| Average Usage | | | | |
| - | $ 35.00 | $ 35.00 | $ - | 0.00% |
| Median Usage | | | | |
| - | $ 35.00 | $ 35.00 | $ - | 0.00% |

**Present Rates:**
Monthly Minimum: $ 35.00

**Proposed Rates:**
Monthly Minimum: $ 35.00

**Liberty Utilities (Bella Vista Water) Corp.**
Bill Comparison Present and Proposed Rates
Meter Size: 3 Inch Hydrant

Exhibit
Rebuttal Schedule H-4
Page 16
Witness: Bourassa

| Usage | Present Bill | Proposed Bill | Dollar Increase | Percent Increase |
|---|---|---|---|---|
| - | $ 240.00 | $ 240.00 | $ - | 0.00% |
| 1,000 | 242.72 | 243.72 | 1.00 | 0.41% |
| 2,000 | 245.44 | 247.43 | 1.99 | 0.81% |
| 3,000 | 248.16 | 251.15 | 2.99 | 1.20% |
| 4,000 | 250.88 | 254.86 | 3.98 | 1.59% |
| 5,000 | 253.60 | 258.58 | 4.98 | 1.96% |
| 6,000 | 256.32 | 262.30 | 5.98 | 2.33% |
| 7,000 | 259.04 | 266.01 | 6.97 | 2.69% |
| 8,000 | 261.76 | 269.73 | 7.97 | 3.04% |
| 9,000 | 264.48 | 273.45 | 8.97 | 3.39% |
| 10,000 | 267.20 | 277.16 | 9.96 | 3.73% |
| 12,000 | 272.64 | 284.59 | 11.95 | 4.38% |
| 14,000 | 278.08 | 292.03 | 13.95 | 5.02% |
| 16,000 | 283.52 | 299.46 | 15.94 | 5.62% |
| 18,000 | 288.96 | 306.89 | 17.93 | 6.21% |
| 20,000 | 294.40 | 314.32 | 19.92 | 6.77% |
| 25,000 | 308.00 | 332.91 | 24.91 | 8.09% |
| 30,000 | 321.60 | 351.49 | 29.89 | 9.29% |
| 35,000 | 335.20 | 370.07 | 34.87 | 10.40% |
| 40,000 | 348.80 | 388.65 | 39.85 | 11.42% |
| 45,000 | 362.40 | 407.23 | 44.83 | 12.37% |
| 50,000 | 376.00 | 425.81 | 49.81 | 13.25% |
| 60,000 | 403.20 | 462.97 | 59.77 | 14.82% |
| 70,000 | 430.40 | 500.13 | 69.73 | 16.20% |
| 80,000 | 457.60 | 537.30 | 79.70 | 17.42% |
| 90,000 | 484.80 | 574.46 | 89.66 | 18.49% |
| 100,000 | 512.00 | 611.62 | 99.62 | 19.46% |
| Average Usage | | | | |
| 102,817 | $ 519.66 | $ 622.09 | $ 102.43 | 19.71% |
| Median Usage | | | | |
| 28,500 | $ 317.52 | $ 345.91 | $ 28.39 | 8.94% |

**Present Rates:**

| | |
|---|---|
| Monthly Minimum: | $ 240.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| All gallons | $ 2.72 |

**Proposed Rates:**

| | |
|---|---|
| Monthly Minimum: | $ 240.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| All gallons | $ 3.72 |

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and Liberty Utilities (Rio Rico Water & Sewer) Corp.

**BEFORE THE ARIZONA CORPORATION COMMISSION**

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: W-02465A-15-0367 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BELLA VISTA WATER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $4,700,000. | DOCKET NO: W-02465A-15-0370 |
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. | DOCKET NO: WS-02676A-15-0368 |

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $8,900,000. | DOCKET NO: WS-02676A-15-0371 |

# REBUTTAL TESTIMONY OF THOMAS J. BOURASSA

## COST OF CAPITAL

**June 20, 2016**

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## I. INTRODUCTION.

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

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

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

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

**Q. HAVE YOU ALSO PREPARED REBUTTAL TESTIMONY ON RATE BASE ISSUES IN THIS DOCKET?**

A. Yes, my rebuttal testimony on rate base, income statement, revenue requirement and rate design is being filed in a separate volume concurrently with this testimony. In this volume, I present my cost of capital rebuttal testimony.

**Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR REBUTTAL TESTIMONY?**

A. I will provide updates of my cost of capital analysis and recommended rate of return using more recent financial data. I also will provide rebuttal in response to the direct testimony of Staff cost of capital witness, Crystal Brown, and RUCO cost of capital witness, John Cassidy.

## II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR LIBERTY RIO RICO AND LIBERTY BELLA VISTA.

### A. Summary of Rebuttal Recommendations.

**Q. WHAT IS YOUR RECOMMENDED COST OF CAPITAL FOR LIBERTY RIO RICO AND LIBERTY BELLA VISTA?**

A. For Liberty Rio Rico, I recommend a return on equity or ROE of 10.8 percent, which is 70 basis points above the mid-point of the range of my DCF, Risk Premium, and

CAPM analyses of 10.1 percent for the publicly traded water utilities ("water proxy group"). My recommended 10.8 percent is also at the mid-point of the range of estimates for Liberty Rio Rico of 10.8 percent, which takes into account a downward *financial* risk adjustment of 30 basis points, and which recognizes Liberty Rio Rico's lower *financial* risk compared to the water proxy group, and an upward risk adjustment for Liberty Rio Rico of 100 basis points to recognize the additional *investment* risk of an investment in Liberty Rio Rico compared to the water proxy group.[1] I continue to use a capital structure consisting of 30 percent debt and 70 percent equity and a cost of debt of 3.46 percent.[2] Based on these recommendations, the weighted average cost of capital ("WACC") for Liberty Rio Rico is 8.60 percent.[3] Therefore, I recommend a return of at least 8.60 percent be applied to Liberty Rio Rico's fair value rate base ("FVRB").

For Liberty Bella Vista, I recommend an ROE of 11.6 percent, which is 150 basis points above the mid-point of the range of my DCF, Risk Premium, and CAPM analyses of 10.1 percent for the water proxy group. My recommended 11.6 percent is at the mid-point of the range of estimates for Liberty Bella Vista of 11.8 percent, which takes into account a downward *financial* risk adjustment of 30 basis points, and which recognizes Liberty Bella Vista's lower *financial* risk compared to the water proxy group, and an upward risk adjustment for Liberty Bella Vista of 200 basis points to recognize the additional *investment* risk of an investment in Liberty Bella Vista compared to the water proxy group.[4] I continue to use a capital structure

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[1] *See* Liberty Rio Rico Rebuttal Schedule D-4.1.

[2] Cost of debt is equal to forecast 10 U.S. Treasury rate for 1st quarter 2017 from Blue Chip Financial Forecast (June 2016) of 2.3 plus 116 basis points.

[3] *See* Liberty Rio Rico Rebuttal Schedule D-1.

[4] *See* Liberty Rio Rico Rebuttal Schedule D-4.1 and Liberty Bella Vista Rebuttal Schedule D-4.1.

consisting of 30 percent debt and 70 percent equity and a cost of debt of 3.46 percent.[5] Based on these recommendations, the WACC is 9.16 percent.[6] Therefore, I recommend a return of at least 9.16 percent be applied to Liberty Bella Vista's FVRB.

**Q. HAVE YOU UPDATED YOUR COST OF CAPITAL ANALYSIS?**

A. Yes, the overall results of my updated analysis for the water proxy group are similar to those in my direct testimony. The range of my rebuttal DCF, Risk Premium, and CAPM analyses for the water proxy group is from 10.0 percent to 10.3 percent with a mid-point of 10.1 percent.[7] This compares pretty closely to my direct filing where the range was from 9.6 percent to 10.4 percent with midpoint estimate of 10.0 percent.[8]

The results of my updated analysis for Liberty Rio Rico are similar to those in my direct testimony. The range of my rebuttal DCF, Risk Premium, and CAPM analyses for Liberty Rio Rico is 10.7 percent to 11.0 percent with a mid-point of 10.8 percent.[9] My direct DCF, Risk Premium, and CAPM analyses for Liberty Rio Rico showed the indicated cost of equity in the range of 10.4 percent to 11.2 percent with a midpoint of 10.8 percent.[10]

After considering the differences in business and financial risk between Liberty Rio Rico and the water proxy group, the cost of equity for Liberty Rio Rico falls in the range of 10.7 percent to 11.0 percent with a mid-point of 10.8 percent.

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[5] Cost of debt is equal to forecast 10 U.S. Treasury rate for 1st quarter 2017 from Blue Chip Financial Forecast (June 2016) of 2.3 plus 116 basis points.

[6] *See* Liberty Bella Vista Rebuttal Schedule D-1.

[7] *See* Liberty Rio Rico Rebuttal Schedule D-4.1 and Liberty Bella Vista Rebuttal Schedule D-4.1.

[8] *See* Liberty Rio Rico Direct Schedule D-4.1.

[9] *See* Liberty Rio Rico Rebuttal Schedule D-4.1.

[10] *See* Liberty Rio Rico Direct Schedule D-4.1.

I continue to recommend an ROE of no less than 10.8 percent for Liberty Rio Rico.

The results of my updated analysis for Liberty Bella Vista are somewhat higher than those in my direct testimony. The range of my rebuttal DCF, Risk Premium, and CAPM analyses for Liberty Bella Vista is 11.7 percent to 12.0 percent with a mid-point of 11.8 percent.[11] My direct DCF, Risk Premium, and CAPM analyses for Liberty Bella Vista showed the indicated cost of equity in the range of 11.2 percent to 12.0 percent with a midpoint of 11.9 percent.[12]

I believe that 10.8 percent is a reasonable ROE for Liberty Rio Rico and 11.6 percent is a reasonable ROE for Liberty Bella Vista based on the returns on common equity currently being earned by substantially larger, publicly traded water utilities and the additional risk associated with an equity investment in Liberty Rio Rico and Liberty Bella Vista. The business and regulatory risks of these investments more than offsets the lower financial risk resulting lower leverage (debt) in their capital structures.[13]

After considering the differences in business and financial risk between Liberty Rio Rico and the water proxy group, and Liberty Bella Vista and the water proxy group, the cost of equity for Liberty Rio Rico falls in the range of 10.7 percent to 11.0 percent with a mid-point of 10.8 percent and the cost of equity for Liberty Bella Vista falls in the range of 11.7 percent to 12.0 percent with a mid-point of 11.8 percent.[14] Accordingly, I continue to recommend a 10.8 percent and 11.6 percent ROE for Liberty Rio Rico and Liberty Bella Vista, respectively.

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[11] *See* Liberty Bella Vista Rebuttal Schedule D-4.1.

[12] *See* Liberty Bella Vista Direct Schedule D-4.1.

[13] The average level of debt for the water proxy group is about 45 percent (*see* Rebuttal Schedule D-4.3) whereas the proposed capital structures for Liberty Rio Rico and Liberty Bella Vista have 30 percent debt.

[14] *See* Liberty Bella Vista Direct Schedule D-4.1.

**Q. HAVE YOU CHANGED YOUR METHODS AND/OR INPUTS IN YOUR MODELS?**

A. Yes. Besides updating my analysis to reflect more recent market data, I have modified my DCF growth estimate in response to criticisms by RUCO. Specifically, I have changed how I compute one of the growth inputs to the DCF model (stock price growth). I have also changed the inputs to my risk premium method for total returns.

**Q. OKAY, LET'S START WITH YOUR CHANGE TO THE DCF GROWTH ESTIMATE INPUTS. WHAT CHANGE DID YOU MAKE?**

A. I changed the stock price growth estimates shown on Rebuttal Schedules D-4.4 and D-4.5, which now reflect a change to how the stock price growth is computed. RUCO correctly points out stock prices adjusted for both stock splits and dividends are used as a measure of total return not stock price growth. [15] Rather than use the adjusted closing price of the stock reflecting adjustments for dividends and stock splits, I now use an adjusted closing price of the stock reflecting only stock splits.[16]

**Q. WHAT CHANGE HAVE YOU MADE TO THE HISTORICAL TOTAL RETURNS FOR YOUR WATER PROXY GROUP USED IN YOUR RISK PREMIUM MODEL?**

A. I compute the historical total returns for the water proxy group from the adjusted closing stock price adjusted for dividends and stock splits, which RUCO points out is used to compute total returns.[17] RUCO complains that the total returns used in my direct testimony were "hardcoded" in my work papers and could not be confirmed

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[15] *See* Direct Testimony of John A. Cassidy ("Cassidy Dt.") at 28-29.

[16] *See* Rebuttal Schedule D-4.4 and Rebuttal Schedule D-4.5.

[17] Cassidy Dt. at 39. *See also* Rebuttal Schedule D-4-9.

by RUCO.[18] I would note that the historical total returns I used were reported by *Value Line Analyzer* and that data comes from *Value Line* "hardcoded." I have no control over how the data is reported, and this is no different than the data reported in the periodic ratings reports published by *Value Line* that RUCO attaches to its own testimony, except that the total return data is in electronic format.[19] That said, now that I compute the historical returns from the adjusted closing stock price and provide the computations in my work papers, RUCO can confirm the calculations for the historical total returns listed on Rebuttal Schedule D-4.9.[20]

**Q. WHAT CHANGE HAVE YOU MADE TO YOUR RECOMMEND RISK PREMIUM FOR LIBERTY RIO RICO AND LIBERTY BELLA VISTA?**

A. Instead of recommending a 110 basis point premium to reflect the additional risks of an investment in Liberty Rio Rico compared to the water proxy group, I now recommend 100 basis points, which is at the mid-point of my risk premium estimates based upon my risk study for Liberty Rio Rico. My direct filing risk study was shown in Exhibit TJB-COC-DT2. I provide an updated risk study for rebuttal in **Exhibit TJB-COC-RB1**.

For Liberty Bella Vista, instead of recommending a 190 basis point premium to reflect the additional risks of an investment in Liberty Bella Vista compared to the water proxy group, I now recommend 205 basis points, which is also at the mid-point of my risk premium estimates based upon my comparative risk study for

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[18] Cassidy Dt. at 41.

[19] Cassidy Dt., Attachment 2.

[20] Total return data from *Value Line Analyzer* is only available from 1999 forward as I did not start downloading *Value Line Analyzer* until sometime in 2009. I cannot go back prior to 1999 due to limitations of *Value Line Analyzer*. This is why I used only 16 years of historical total returns in my direct cost of capital analysis (1999 to 2014). Now that I am computing returns from adjusted closing prices reported by Yahoo Finance, I have expanded the number of years from 16 to 20 years as the Yahoo Finance data allows me to.

Liberty Bella Vista. My direct filing comparative risk study was shown in Exhibit TJB-COC-DT3. I provide an updated comparative risk study for rebuttal in **Exhibit TJB-COC-RB2**.

**Q. HAS LBERTY RIO RICO OR LIBERTY BELLA VISTA EARNED ITS RESPECTIVE AUTHORIZED RETURNS OVER THE PAST 5 YEARS?**

A. No, and they haven't come close. My comparative risk studies reveal that the historical 5-year (2011-2015) average equity return for Liberty Rio Rico and Liberty Bella Vista are 5.24 percent and 3.67 percent, respectively.[21] The authorized return for Liberty Rio Rico and Liberty Bella Vista are 9.5 percent and 9.5 percent, respectively.[22] Consider that from 2011 to 2015, the average return on equity for the water proxy group was 10.00 percent. This is information an investor would consider before making an investment in utilities like Liberty Rio Rico and Liberty Bella Vista.

Not achieving the authorized returns tells volumes about the relative business and regulatory risks faced by Liberty Rio Rico and Liberty Bella Vista compared to the substantially larger water proxy group. My updated comparative risk studies also reveal that Liberty Rio Rico is 3 to 5 times more risky than the water proxy group and that Liberty Bella Vista is 4 to 7 times more risky as measured by the commonly used metrics coefficient of variation of operating income, coefficient of variation of operating margin, and coefficient of variation of return on equity.[23] This is additional

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[21] *See* **Exhibit TJB-COC-RB1, page 1** and **Exhibit TJB-COC-RB2, page 1**.

[22] Authorized return on equity for Liberty Rio Rico in Decision No. 72059 (January 6, 2011) was 9.5 percent and in Decision No. 73996 (June 30, 2013) was 9.5 percent. Authorized return on equity for Liberty Bella Vista in Decision No. 72251 (April 7, 2011) was 9.5 percent.

[23] *See* **Exhibit TJB-COC-RB1, page 1** and **Exhibit TJB-COC-RB2, page 1**. Neither Liberty Rio Rico nor Liberty Bella Vista achieved its authorized return in any of the years from 2011 to 2015.

indisputable evidence that both Liberty Rio Rico and Liberty Bella Vista are more risky than the utilities in the water proxy group. And, only Liberty Rio Rico's and Liberty Bella Vista's cost of equity analyses considers this additional risk.

**Q. DOES THE FAILURE TO CONSIDER THE DIFFERENCES IN RISK VIOLATE THE COMPARABLE EARNINGS STANDARD?**

A. In my view it does. As I discussed in my direct testimony, there are two landmark Supreme Court decisions, *Bluefield Water Works* and *Hope Natural Gas*, which established the basic criteria applicable to determining a fair and reasonable rate of return. As I stated on pages 15 through 17 of my direct testimony, a utility's authorized rate of return should satisfy the following:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and

(3) The return should be sufficient to maintain and support the utility's credit.

The cost of capital is based on the concept of opportunity cost, i.e., the prospective return to investors must be comparable to investments of similar risk. If a utility's return is less than the returns on investments with similar risk, investors can and will invest elsewhere. As explained by Dr. Roger Morin:

> The concept of cost of capital is firmly anchored in the opportunity cost notion of economics. The cost of a specific source of capital is basically determined by the riskiness of that investment in light of alternative opportunities and equals investor's current opportunity cost of investing in the securities of that utility. A rational investor is maximizing the performance of his or her portfolio only if returns expected on investor investments of comparable risk are the same. If not, the investor will switch out of those investments yielding low returns at a given risk level in favor of those investments offering higher returns for the same degree of risk. This implies that a utility will be unable to attract capital unless it can offer returns to capital

> suppliers comparable to those achieved on alternate competing investments of similar risk.[24]

The *Bluefield* decision suggests that opportunity cost is an appropriate measure of the actual cost of common equity for a utility. This necessarily involves the direct observation of returns on equity actually earned by firms with comparable risk to ensure that the authorized rate of return is equivalent to the returns those firms are earning.

**Q. WHAT ARE THE ACTUAL AND FORECAST COMMON EQUITY RETURNS AND CURRENTLY AUTHORIZED RETURNS FOR THE WATER PROXY GROUP?**

A. *Value Line* publishes actual and forecasts of returns on common equity for larger publicly traded water companies. These water utilities are included in my water proxy and in both RUCO's and Staff's water proxy groups. AUS Utility Reports also provides the currently authorized return on equity for these utilities. The reported currently authorized returns as the projected returns are shown in Table 1.

| Company | Symbol | Currently Authorized[1] | Value Line[2] 2015 Act. | 2016 Proj. | 2017 Proj. | 19-21 Proj. |
|---|---|---|---|---|---|---|
| American States Water | AWR | 9.43% | 13.00% | 12.50% | 13.00% | 14.50% |
| American Water | AWK | 9.75% | 9.40% | 9.50% | 10.00% | 10.50% |
| Artesian Resources | ARTNA | 10.00% | 8.50% | ND | ND | ND |
| Aqua America | WTR | 9.79% | 11.70% | 12.50% | 12.50% | 13.50% |
| California Water | CWT | 9.43% | 7.00% | 7.50% | 9.50% | 10.00% |
| Connecticut Water | CTWS | 9.63% | 10.10% | 10.00% | 10.00% | 10.50% |
| Middlesex | MSEX | 9.75% | 9.60% | 10.00% | 10.00% | 9.00% |
| SJW Corp. | SJW | 9.43% | 9.90% | 9.50% | 9.50% | 9.00% |
| York Water Company | YORW | NM | 11.50% | 11.50% | 11.50% | 12.50% |
| Average | | 9.65% | 10.08% | 10.38% | 10.75% | 11.19% |

[1] AUS Utility Reports (June 2016)
[2] Value Line Rating and Reports (April 15, 2016)

[24] Morin, Roger A., *New Regulatory Finance*, (Vienna, Virginia, Public Utility Reports, Inc. 2006), pp. 21-22.

If the goal is to authorize a rate of return that is commensurate with the returns being earned by enterprises with corresponding risk then the starting point must be to consider the rates of return that are actually being earned. If the authorized rate of return for a utility set by this Commission differs substantially from the rates of return that are actually being earned by the sample group, the comparable earnings standard set forth in *Hope* and *Bluefield* will be violated.

**Q. HOW DO THE RESULTS OF YOUR COST OF EQUITY ANALYSIS OF THE WATER PROXY GROUP COMPARE TO THE DATA IN TABLE 1?**

A. The range of my rebuttal DCF, Risk Premium, and CAPM analyses on the ROEs for the water proxy group is from 10.0 percent to 10.3 percent with a mid-point of 10.1 percent. This is approximately the same as the actual 2015 returns listed in table 1 of 10.0 percent but significantly lower than the projected returns.[25] I believe my analysis is conservative as a result.

**B. <u>Summary of the Staff and RUCO Recommendations</u>.**

**Q. PLEASE SUMMARIZE THE RESPECTIVE RECOMMENDATIONS OF STAFF AND RUCO FOR THE RATE OF RETURN ON FVRB.**

A. Staff is also recommending a capital structure consisting of 30 percent debt and 70 percent equity, the same as the Liberty BV/RR.[26] Staff determined an ROE of 9.3 percent based on the highest result produced by its DCF and CAPM models.[27] Staff also determined the cost of debt to be 3.47 percent.[28] Staff used a sample of seven publicly traded water utilities, all of which are the same as those I used in my

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[25] *See* Liberty Rio Rico Rebuttal Schedule D-4.1 and Liberty Bella Vista Rebuttal Schedule D-4.1.

[26] Direct Testimony of Crystal S. Brown ("Brown Dt.") at 37.

[27] Brown Dt. at 33.

[28] Brown Dt. at 37.

analysis.[29] Staff did not consider financial risk or differences in business and regulatory risks between the publicly traded water companies and Liberty Rio Rico or the publicly traded water companies and Liberty Bella Vista in its analysis. Based on its capital structure recommendation, Staff determined the WACC for Liberty Rio Rico and Liberty Bella Vista to be 7.50 percent.[30]

RUCO is also recommending a capital structure consisting of 30 percent debt and 70 percent equity.[31] RUCO determined an ROE of 9.17 percent based on the weighted average of the cost of equity produced by its DCF, CAPM and Comparable Earnings ("CE") analysis.[32] RUCO determined the cost of debt to be 2.97 percent.[33] RUCO used a sample of nine publicly traded water utilities; seven of which are the same as those I used in my analysis.[34] RUCO did not consider financial risk or differences in business and regulatory risks between the publicly traded water companies and Liberty Rio Rico or the publicly traded water companies and Liberty Bella Vista in its analysis. Based on its capital structure recommendation, RUCO determined the WACC for Liberty Rio Rico and Liberty Bella Vista to be 7.31 percent.[35]

**Q. PLEASE COMMENT ON RUCO'S RECOMMENDED COST OF DEBT?**

A. RUCO used a spot yield on a 10-year U.S. Treasury of 1.81 percent plus 116 basis points (the required spread listed in the financing terms for Liberty BV/RR financing

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[29] Brown Dt. at 13.

[30] Brown Dt. at 8.

[31] Cassidy Dt. at 4.

[32] Cassidy Dt. at 5.

[33] Cassidy Dt. at 4, 26.

[34] Cassidy Dt. at 27. RUCO has added American Water (AWK) and Artesian Resources (ARTNA) to its analysis.

[35] Cassidy Dt. at 4.

applications). While I don't dispute the spread of 116 basis points, Liberty BV/RR has not been authorized to borrow any money at this stage. The soonest Liberty BV/RR will be able to borrow is the first quarter of 2017. Consequently, I used a forecast interest rate (first quarter 2017) to base my recommendation for the cost of debt.

**C. Rebuttal to the ROR Recommendations of Staff and RUCO.**

**Q. DO YOU HAVE ANY CRITICISMS OF THE STAFF AND/OR RUCO COST OF CAPITAL ANALYSES?**

A. Only a few at this time. While I could criticize the Staff and RUCO approaches extensively as I have done in the past, particularly on their respective inputs and failure to recognize the assumptions and limitations of the DCF and CAPM models, I believe the unreasonableness of their DCF and CAPM results as well as their ROE recommendations speak for themselves. The ROEs recommended by Staff and RUCO, 9.3 percent and 9.17 percent, respectively, are simply too low given the higher investment risks of Liberty Rio Rico and Liberty Bella Vista.

**Q. HOW DO THE RECOMMENDATIONS OF STAFF AND RUCO COMPARE TO ACTUAL AND FORECAST COMMON EQUITY RETURNS AND CURRENTLY AUTHORIZED RETURNS LISTED IN TABLE 1?**

A. They are well below *all* of the equity returns listed in Table 1 above. But for the inclusion of his 10.40 percent CE analysis result and weighting of 40 percent,[36] Mr. Cassidy's DCF and CAPM results would indicate an ROE of just 8.12 percent.[37] The average result of Ms. Brown's DCF and CAPM models is just 8.45 percent.[38]

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[36] Cassidy Dt. at 5.

[37] Mr. Cassidy's DCF result is 8.85 percent and his CAPM result is 7.56 percent. *See* Cassidy Dt. at 5. The average of these two is 8.14 percent.

[38] Average of the results of Staff DCF and CAPM models listed in Table 2 of Ms. Brown's direct testimony at page 33.

Something is clearly off in these recommendations. Investors would be better off investing in the water proxy group than investing in Liberty Rio Rico or Liberty Bella Vista, or, in every other utility investment in the APUC/Liberty portfolio. Only the Liberty BV/RR cost of capital analysis comes close to reflecting what the water proxy group is expected to earn. At the end of the day, when all the expert and lawyer wrangling over inputs and assumptions is done, the results should still pass the simple, common-sense "smell test" and the Staff and the RUCO recommendations don't.

**Q. PLEASE RESPOND TO MR. CASSIDY'S TESTIMONY (ON PAGE 38), THAT THE STOCK PRICE GROWTH METRIC SHOULD NOT BE USED IN ASSESSING THE DCF GROWTH RATE.**

A. I do not agree, particularly under current market conditions. As I noted in my direct testimony, the DCF model is based on a number of assumptions that may not be realistic given the current capital market environment.[39] An underlying assumption of the standard DCF is that the stock price, book value, dividends, and earnings all grow at the same rate.[40] This has not been historically true for the sample water utility companies. I also noted that the 1-year, 3-year, and 5-year annualized total returns for the publicly traded water utilities listed in Table 1 are 19.01 percent, 17.43 percent, and 15.88 percent, respectively,[41] which all are significantly higher than even the high end of the range of my rebuttal DCF estimate of the cost of equity of 9.2 percent. So even with the inclusion of the stock price growth as one of the metrics, my DCF estimate of the cost of equity is low. This is true even in

[39] Direct Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC Dt.") at 34-35.

[40] Bourassa COC Dt. at 34.

[41] *Value Line Analyzer* data, weekly as of May 26, 2016.

comparison to the authorized, actual and projected returns listed in Table 1. But Mr. Cassidy's DCF estimate is even lower at 8.80 percent.[42]

**Q. PLEASE RESPOND TO MR. CASSIDY'S TESTIMONY (ON PAGE 49), THAT YOUR 1999 AND 2000 TOTAL RETURNS USED IN YOUR RISK PREMIUM MODEL DID NOT INCLUDE TOTAL RETURN DATA FOR YORK WATER.**

A. *Value Line* did not report total returns for York Water so, for purposes of my analysis, I assumed it was zero. This assumption on my part actually resulted in a lower estimate for the risk premium for 1999 and 2000 as well as for the entire period. This in turn led to an understatement of my Risk Premium model indicated ROE. I would not agree that it was improper, but I would agree with Mr. Cassidy that my Risk Premium cost of equity estimate result was understated.

**Q. NOW THAT YOU COMPUTED THE TOTAL RETURNS USING ADJUSTED CLOSING PRICE DATA, WHAT WOULD HAVE BEEN THE TOTAL RETURNS FOR 1999 AND 2000, AND WHAT WOULD YOUR 16-YEAR AVERAGE RISK PREMIUM AND INDICATED COST OF EQUITY BE?**

A. The 1999 and 2000 total returns for my water proxy group would be 30.93 percent and 8.95 percent, respectively.[43] Compare these to the 1999 and 2000 total returns listed in the direct filing Schedule D-4-9, of 26.28 percent and 2.70 percent, respectively. My average risk premium for the period 1999 to 2014 would have increased to 7.1 percent compared with the 6.4 percent originally listed in Direct Schedule D-4.9, and the indicated cost of equity would have increased to 11.2 percent compared to the 10.5 percent originally listed in Direct Schedule D-4.9.

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[42] Cassidy Dt at 5.

[43] *See* Rebuttal Schedule D-4.9.

**Q. MR. CASSIDY (ON PAGE 50), ASSERTS THAT YOUR 16-YEAR PERIOD IS NOT REPRESENTATIVE OF EXPECTED FUTURE EXPECTATIONS. PLEASE COMMENT.**

A. I don't know how Mr. Cassidy can make that assertion. I could say the same thing about the historical return data he uses to compute his market risk premium for the CAPM (1977-2015) on his Schedule JAC-4, page 2 of 2. Within the market data he uses (S&P 500) there are firms that had unusually high or unusually low returns, yet Mr. Cassidy uses that data without question.[44] The bottom line is Mr. Cassidy is picking and choosing which data he likes and dislikes and then tries to criticize me for it. Mr. Cassidy is performing a results oriented and blatantly self-serving analysis. His arguments should be seen for what they are and be rejected.

Perhaps Mr. Cassidy will agree that the most recent historical 5-year period (2011–2015) is more representative of future expectations. After all, Mr. Cassidy uses historical 5-year growth rates to estimate his growth rate for the DCF which relies on the assumption that historical growth rates represent future expectations.[45] That said, if an historical 5-year period is used for my Risk Premium analysis, the average risk premium would be 8.8 percent and the indicated cost of equity would be 12.4 percent.[46]

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[44] There are many instances of total returns for individual S&P 500 firms that have had total returns well over 100 percent and many more with returns of 80 percent or more in any given year. The number of instances are too numerous to list but here are just a few: Akamai Technologies (AKAM) – 166.53 percent (2006), Corning (GLW) – 105.57 percent (2009), Crown Castle Intl (CCI) – 122.07 percent (2009), Expedia (EXPE) – 113.75 percent (2012), Intercontinental Exchange (ICE) – 196.84 percent (2006), Regeneron Pharmc. (REGN) – 208.62 percent (2012), Whirlpool (WHR) – 120.22 percent (2012), and American Express (AXP) – 126.07 percent (2009). There are also numerous instances of negative total returns of 80 percent and 100 percent or more.

[45] *See* RUCO Schedule JAC-3.

[46] Forecast yield on 30-year U.S. Treasury bond of 3.6 percent as shown in Rebuttal Schedule D-4.9 plus 8.8 percent risk premium.

**Q. ON PAGE 47 HIS DIRECT TESTIMONY, MR. CASSIDY ASSERTS THAT EXCLUSIVELY USING AN ARITHMETIC MEAN IN YOUR RISK PREMIUM ANALYSIS IS INCORRECT BECAUSE IT LEADS TO HIGHER AND POTENTIALLY EXCESSIVE RISK PREMIUMS. PLEASE COMMENT.**

A. I was puzzled by this criticism since Mr. Cassidy exclusively uses an arithmetic mean for his market risk premium CAPM analysis.[47] But, Mr. Cassidy is misguided. As various finance experts have explained, an arithmetic mean is the correct approach to use in estimating the cost of capital, particularly for a risk premium model.[48] As Dr. Morin states:

> Because valuation is forward-looking, the appropriate average is the one that most accurately approximates the expected future rate of return. *The best estimate of the expected returns over a future holding period is the arithmetic average. Only arithmetic means are correct for forecasting purposes and for estimating the cost of capital.* There is no theoretical or empirical justification for the use of geometric rates of return as a measure of the appropriate discount rate in computing the cost of capital or in computing present values.[49]

The consensus among these experts makes sense. Only arithmetic mean return rates and yields are appropriate for cost of capital purposes because ex-post (historical) total returns and equity risk premiums differ in size and direction over time, providing insight into the variance and standard deviation of returns. The geometric mean of ex-post (after the fact) equity risk premiums provides no insight

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[47] *See* RUCO Direct Schedule JAC-4, page 2 of 2.

[48] Zvi Bode, Alex Kane, Alan J. Marcus, Investments (McGraw-Hill 6th ed., 2005)("Bode"), pp. 864 – 865; Richard A. Brealey, Stewart C. Myers, Frankin Allen, Principles of Corporate Finance (McGraw-Hill 11th ed.) ("Brealey"), pp. 162 – 163.

[49] Morin, Roger A. (2006). *New Regulatory Finance*. Vienna, VA: Public Utilities Reports, Inc. ("Morin"), pp. 116 – 117 (emphasis added).

into the potential variance of future returns because the geometric mean relates the change over many periods to a constant rate of change, rather than the year-to-year fluctuations, or variance, which are critical to risk analysis. In short, the conclusion of these financial experts is that while the geometric mean is useful in comparing what happened in the past, it should not be used to determine estimates of expected future returns or market risk premiums.

**Q. MR. CASSIDY (ON PAGES 53 AND 54 OF HIS DIRECT) CRITICIZES YOU FOR USING A FORECAST YEILD ON 30-YEAR U.S. TREASURY BONDS. PLEASE RESPOND.**

A. Models to determine the cost of capital, like the Risk Premium and CAPM, are prospective in nature, which require expectational inputs such as forecasted interest rates.[50]

**Q. TO REBUT ANY IMPACT OF SIZE FOR UTILITY COMPANIES, MR. CASSIDY REFERENCES A STUDY BY ANNIE WONG (ON PAGE 58). ARE YOU FAMILIAR WITH THIS STUDY?**

A. Yes. Ms. Wong's now decades old, one of its kind study has been criticized soundly: "[her] weak evidence provides little support for a small firm effect existing or not existing in *either* the industrial *or* the utility sector."[51] Dr. Zepp found that Ms. Wong's empirical results were not strong enough to conclude that beta risk of utilities is unrelated to size; he found that her use of monthly, weekly, and daily data may be the cause of her inability to find a relationship; and he found other studies that show trading infrequency to be a powerful cause of bias in beta risk when time

[50] Morin, p. 172.

[51] Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited," The Quarterly Review Economics and Finance, Vol. 43, Issue 3, Autumn 2003, pp. 578 – 582.

intervals of a month or less are used to estimate betas for small stocks.[52] The studies relied on in Mr. Zepp's published paper found, "when a stock is thinly traded, its stock price does not reflect the movement of the market, which drives down the covariance with the market and creates an artificially low beta estimate."[53] Thus, Ms. Wong's weak results were due to a flawed analysis.

More importantly, Ms. Wong's study is not relevant. I am not recommending a risk premium based upon simply *size* itself. Financial experts suggest that the size factor may be proxy for other systematic risk factors related to size not captured by beta. That said, unlike Mr. Cassidy, I have performed comparative risk studies for both Liberty Rio Rico and Liberty Bella Vista, and I have actually examined and quantified the relative risk differences between the water proxy group and Liberty Rio Rico and between the water proxy group and Liberty Bella Vista. My risk study utilizes the nexus between business risk factors and market data provided by Duff & Phelps[54] and the results happen to be consistent with other market data regarding size as well as Dr. Zepp's study.[55]

I have prepared similar risk studies for several utilities in Arizona and my results directly contradict Ms. Wong. However, whether it is Liberty Rio Rico's or Liberty Bella Vista's small size itself, Arizona regulatory risk, or a higher business risk in general for utilities in Arizona, the fact still remains inarguable – Liberty Rio Rico and Liberty Bella Vista are demonstrably more risky than the publicly traded water companies. So, I am not sure why Mr. Cassidy brings up the Annie Wong study in the first place, although he has in nearly every case in which I have testified

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[52] *Id.* at 579.

[53] *Id.*

[54] Bourassa COC Dt. at 27.

[55] *See* Rebuttal Schedule D-4.15.

and he has too.

**Q. PLEASE RESPOND TO MR. CASSDIY'S TESTIMONY (ON PAGES 61 AND 62) CITING PRIOR COMMISSION DECISIONS REJECTING SIZE AS A RISK FACTOR.**

A. I am fully aware of this Commission's rejection of size premiums. I view the Commission's rejection of size premiums in the past more an issue over evidence. There should be no question that small firms are more risky than large firms. The empirical financial data supports this. We also know the risk of smaller companies is a systematic risk and not a unique risk.[56] So, over the past few years in response to those decisions, I have adapted my cost of capital analyses to include comparative risk studies that indisputably demonstrate that the utilities in Arizona, which are relatively small compared to the publicly traded water utilities, are more risky than the large publicly traded utility companies. In each case where I have presented those studies neither Staff nor RUCO challenged the results. Staff and RUCO simply argue that this Commission doesn't recognize "size" premiums. Similar arguments were used by the other parties in the past to reject using proposed revenues in the property tax calculation, reject the inclusion of post-test year plant, reject the recognition of income taxes for tax pass through companies, and include unexpended hook-up fees as a reduction to rate base, to name a few. Over time, this Commission, based on the evidence and merits, has changed its position.

**Q. DO YOU HAVE ANY RESPONSES TO MS. BROWN'S TESTIMONY ON YOUR COST OF CAPITAL ANALYSIS?**

A. Just a few comments. Ms. Brown asserts her cost of capital analysis is more straightforward, conceptually sound, and simpler to understand.[57] I disagree. Let's

[56] Bourassa COC Dt. at 34.

[57] Brown Dt. at 34.

start with Staff's assertion that its models are straightforward. I would not characterize the DCF and CAPM as straightforward or easy to understand, after all, they have many assumptions that do not always hold true, and the process of determining reasonable inputs is not easy. That said, apart from the differences in the inputs, I employ the same basic DCF and CAPM models as the other parties. So, the Applicants' approach is not any less straightforward than Staff's in that respect.

I would also disagree that Staff's models are conceptually sound. First, with all due respect, Ms. Brown lacks the expertise and experience to make these sweeping assertions. She just started doing cost of capital last year when Mr. Cassidy left the Commission to go to RUCO. Second, Staff does not discuss and, therefore, does not recognize, the limitations imposed by the assumptions underlying the DCF and CAPM. For example, that the DCF assumes that earnings, dividends, book value, and market price, all grow at this same rate.[58] Or, that Staff gives less weight to the best estimate of growth for the DCF.[59] Or, that Staff makes no accommodation for and/or consideration of current capital market conditions to recognize this.[60]

Likewise, Staff also uses spot interest rates for its risk-free rate in its CAPM when the cost of capital estimation in a ratemaking setting is a forward looking process. As such, models to determine the cost of capital, like the CAPM, are prospective in nature, which require expectational inputs such as forecasted interest rates.[61] I can go on, but in the end, the failure to recognize and account for the limitations in the use of these complex models undermines Ms. Brown's bold

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[58] Bourassa COC Dt. at 34.

[59] Bourassa COC Dt. at 37.

[60] *See* page 18, *supra*.

[61] Morin, p. 172.

assertion that Staff's cost of capital analysis is always conceptually sound.

Indeed, Staff's approach is only simpler in the sense that Staff ignores the necessary work and analysis required by *Hope* and *Bluefield* to provide Liberty Rio Rico and Liberty Bella Vista returns that are commensurate with returns on investments of comparable risk.[62] Obviously, Liberty Rio Rico and Liberty Bella Vista are more risky than the large publicly traded water utilities. A great deal of my direct testimony was devoted to this reality.[63] Further, I prepared risk studies to quantify the risk differences, which happens to be consistent with the empirical financial data and with published studies.[64]

**Q. THANK YOU, MR. BOURASSA. MS. BROWN TESTIFIES (ON PAGES 4 AND 36) THAT ANY RETURN ON EQUITY FALLING IN THE RANGE OF A COST OF CAPITAL ANALYSIS COULD BE CONSIDERED A REASONABLE RETURN ON EQUITY. DO YOU AGREE?**

A. No. I disagree. First of all, whose cost of capital analysis is Staff referring to? Its own? Clearly, there are differences in the indicated costs of equity results produced by the models of each party in the instant case uses. Just because Staff's CAPM produces a certain indicated cost of equity doesn't mean that the result is reasonable. Compare Staff's results to the data I previously discussed on page 9. By this comparison, none of the cost of equity in Staff's range of results is even close to being reasonable.

Second, each of the methods used by the parties are not perfect proxies for estimating the cost of capital. Each has its own way of estimating the cost of capital and each has its own underlying assumptions. That is why multiple methods should

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[62] Bourassa COC Dt. at 15-16.

[63] *See* Bourassa COC Dt. at 18-23, 25-29.

[64] *See* **Exhibit TJB-COC-RB1** and Rebuttal Schedule D-4.15.

be used and considerable and reasoned judgement must be made on the inputs and their applicability under current market conditions. As Dr. Morin states:

> Each methodology requires the exercise of considerable judgment on the reasonableness of the assumptions underlying the methodology and on the reasonableness of the proxies used to validate a theory. *The inability of the DCF model to account for changes in relative market valuation, discussed below, is a vivid example of the potential shortcomings of the DCF model when applied to a given company.* Similarly, the inability of the CAPM to account for variables that affect security returns other than beta tarnishes its use (emphasis added).
>
> No one individual method provides the necessary level of precision for determining a fair return, but each method provides useful evidence to facilitate the exercise of an informed judgment. Reliance on any single method or preset formula is inappropriate when dealing with investor expectations because of possible measurement difficulties and vagaries in individual companies' market data.
>
> When measuring equity costs, which essentially deals with the measurement of investor expectations, no single methodology provides a foolproof panacea. Each methodology requires the exercise of considerable judgment on the reasonableness of the assumptions underlying the methodology and on the reasonableness of the proxies used to validate the theory. It follows that more than one methodology should be employed in arriving at a judgment on the cost of equity and that these methodologies should be applied across a series of comparable risk companies. [65]

In sum, Ms. Brown's self-laudatory blessing of Staff's range of equity returns is of no value in this rate case.

**Q. BUT, MR. BOURASSA, YOU ARE RECOMMENDING A SPECIFIC RISK PREMIUM ADJUSTMENT FOR LIBERTY RIO RICO AND LIBERTY BELLA VISTA. WOULDN'T STAFF'S PORTFOILIO THEORY ARGUMENT BE JUSTIFICATION FOR DENYING YOUR RECOMMENDED ADJUSTMENT?**

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[65] Morin, pp. 428-429.

A. No. First, the risk of smaller companies is a systematic risk and not a unique risk.[66] Second, in quantifying my risk premium for Liberty Rio Rico and Liberty Bella Vista in my comparative risk studies, I use market portfolio data provided by Duff & Phelps to quantify the additional systematic risk of Liberty Rio Rico and Liberty Bella Vista.[67]

**Q. DO YOU HAVE ANY FURTHER COMMENTS ON MS. BROWN'S TESTIMONY?**

A. Not at this time.

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ON THE COST OF CAPITAL?**

A. Yes.

[66] Bourassa COC Dt. at 42.

[67] Bourassa COC Dt. at 25 – 28.

# EXHIBIT
# TJB-COC-RB1

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Comparative Risk Study**
Computations of Operating Margin and Coefficient of Variation of Operating Margin



| Line No. | Operating Income EBIT ($ in millions) | | 2015 | 2014 | 2013 | 2012 | 2011 | Average | Std Dev. | Co-efficient of variation of Operating Income |
|---|---|---|---|---|---|---|---|---|---|---|
| 3 | Company | Symbol | | | | | | | | |
| 4 | American States Water | AWR | 119 | 119 | 119 | 111 | 95 | 112.66 | 10.48 | 0.0930 |
| 5 | Aqua America | WTR | 321 | 314 | 305 | 322 | 286 | 309.60 | 14.84 | 0.0479 |
| 6 | California Water | CWT | 71 | 109 | 93 | 93 | 90 | 91.20 | 13.54 | 0.1484 |
| 7 | Connecticut Water | CTWS | 27 | 25 | 22 | 20 | 16 | 22.00 | 4.30 | 0.1955 |
| 8 | Middlesex | MSEX | 36 | 34 | 31 | 28 | 24 | 30.60 | 4.77 | 0.1560 |
| 9 | SJW Corp. | SJW | 80 | 93 | 53 | 55 | 54 | 67.00 | 18.40 | 0.2746 |
| 10 | York Water Company | YORW | 23 | 22 | 21 | 21 | 20 | 21.40 | 1.14 | 0.0533 |
| 11 | | | | | | | | | | |
| 12 | Water Proxy Group | | | | | | | | | 0.1384 |
| 13 | | | | | | | | | | |
| 14 | Company | | 0.76 | 1.00 | 1.82 | 1.40 | 0.70 | 1.14 | 0.47 | 0.4134 |
| 15 | | | | | | | | | | |
| 16 | **Risk relative to the average risk of the water utilities sample** | | | | | | | | | **2.99** |
| 17 | | | | | | | | | | |
| 18 | Sales ($ in millions) | | 2015 | 2014 | 2013 | 2012 | 2011 | Average | | |
| 19 | Company | Symbol | | | | | | | | |
| 20 | American States Water | AWR | 459 | 466 | 472 | 467 | 419 | 457 | | |
| 21 | Aqua America | WTR | 814 | 780 | 769 | 758 | 712 | 767 | | |
| 22 | California Water | CWT | 588 | 598 | 584 | 560 | 502 | 566 | | |
| 23 | Connecticut Water | CTWS | 96 | 94 | 91 | 84 | 69 | 87 | | |
| 24 | Middlesex | MSEX | 126 | 117 | 115 | 110 | 102 | 114 | | |
| 25 | SJW Corp. | SJW | 305 | 320 | 277 | 262 | 239 | 281 | | |
| 26 | York Water Company | YORW | 47 | 46 | 42 | 41 | 41 | 43 | | |
| 27 | | | | | | | | | | |
| 28 | Company | | 4.40 | 4.55 | 4.50 | 4.18 | 4.14 | 4.35 | | |
| 29 | | | | | | | | | | |
| 30 | Operating Margin (%) | | | | | | | | Std | Co-efficient of variation |
| 31 | Company | Symbol | 2015 | 2014 | 2013 | 2012 | 2011 | Average | Dev. | of Operating Margin |
| 32 | Amercian Water Works | AWK | 26.01% | 25.54% | 25.21% | 23.77% | 22.67% | 24.64% | 0.01 | 0.0561 |
| 33 | Aqua America | WTR | 39.43% | 40.26% | 39.66% | 42.48% | 40.17% | 40.40% | 0.01 | 0.0301 |
| 34 | California Water | CWT | 12.07% | 18.23% | 15.92% | 16.61% | 17.93% | 16.15% | 0.02 | 0.1530 |
| 35 | Connecticut Water | CTWS | 28.13% | 26.60% | 24.18% | 23.81% | 23.19% | 25.18% | 0.02 | 0.0831 |
| 36 | Middlesex | MSEX | 28.57% | 29.06% | 26.96% | 25.45% | 23.53% | 26.71% | 0.02 | 0.0852 |
| 37 | SJW Corp. | SJW | 26.22% | 29.06% | 19.13% | 20.99% | 22.59% | 23.60% | 0.04 | 0.1701 |
| 38 | York Water Company | YORW | 48.83% | 47.83% | 50.00% | 51.22% | 48.78% | 49.33% | 0.01 | 0.0265 |
| 39 | | | | | | | | | | |
| 40 | Average Water Proxy Group | | | | | | | 29.43% | | 0.0863 |
| 41 | | | | | | | | | | |
| 42 | Company | | 17.36% | 22.05% | 40.33% | 33.48% | 16.81% | 26.01% | 0.10 | 0.4015 |
| 43 | | | | | | | | | | |
| 44 | **Risk relative to the average risk of the water utilities sample** | | | | | | | | | **4.65** |
| 45 | | | | | | | | | | |
| 46 | | | | | | | | | | Co-efficient |
| 47 | Return on Equity (ROE) | | | | | | | | Std | of variation |
| 48 | | | 2015 | 2014 | 2013 | 2012 | 2011 | Average | Dev. | of ROE |
| 49 | Company | Symbol | | | | | | | | |
| 50 | American States Water | AWR | 13.0% | 12.1% | 12.7% | 11.9% | 10.3% | 12.0% | 0.01 | 0.0870 |
| 51 | Aqua America | WTR | 11.7% | 12.9% | 13.4% | 11.0% | 11.6% | 12.1% | 0.01 | 0.0821 |
| 52 | California Water | CWT | 7.0% | 9.0% | 9.0% | 9.0% | 8.0% | 8.4% | 0.01 | 0.1060 |
| 53 | Connecticut Water | CTWS | 10.1% | 10.2% | 9.3% | 7.3% | 8.3% | 9.0% | 0.01 | 0.1376 |
| 54 | Middlesex | MSEX | 9.6% | 9.3% | 8.7% | 7.8% | 7.5% | 8.6% | 0.01 | 0.1069 |
| 55 | SJW Corp. | SJW | 9.9% | 14.4% | 7.0% | 8.1% | 7.9% | 9.5% | 0.03 | 0.3125 |
| 56 | York Water Company | YORW | 11.5% | 11.0% | 9.4% | 9.3% | 9.5% | 10.1% | 0.01 | 0.1002 |
| 57 | | | | | | | | | | |
| 58 | Water Proxy Group | | 10.4% | 11.3% | 9.9% | 9.2% | 9.0% | 10.0% | | 0.1332 |
| 59 | | | | | | | | | | |
| 60 | Company | | 2.77% | 3.92% | 7.74% | 7.84% | 3.94% | 5.24% | 0.02 | 0.4529 |
| 61 | | | | | | | | | | |
| 62 | **Risk relative to the average risk of the water utilities sample** | | | | | | | | | **3.40** |

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Comparative Risk Study**
**Beta Estimate Using Duff and Phelps Risk Study Portfolio Information**

| Line No. | | Portfolio | Operating Margin[1] | Portfolio | CV (Operating Margin)[1] | Portfolio | CV (ROE)[1] | |
|---|---|---|---|---|---|---|---|---|
| | A. Beta Estimates for Water Sample Group and Company | | | | | | | |
| 1 | Company | 3 | 26.01% | 5 | 40.15% | 10 | 45.29% | |
| 2 | Water Proxy Group | 2 | 29.43% | 19 | 8.63% | 22 | 13.32% | |
| | | | Portfolio Beta[2] | | Portfolio Beta[3] | | Portfolio Beta[3] | Average |
| 3 | Company | | 0.87 | | 1.25 | | 1.17 | |
| 4 | Water Proxy Group | | 0.84 | | 1.00 | | 0.91 | |
| 5 | Percentage Difference | | 3.6% | | 25.0% | | 28.6% | **19.0%** |
| | B. Assume percentage difference is the same for water utilities as companies in general | | | | | | | |
| 6 | Water Sample Group[5] | | 0.69 | | 0.69 | | 0.69 | |
| 7 | Implied Beta for Company[6] | | 0.71 | | 0.86 | | 0.89 | **0.82** |

Notes:
[1] See work papers. CV stands for Coefficient of Variation,
[2] Source is Duff & Phelps 2016 Valuation Handbook, Risk Study, Exhibit D-1, Companies Ranked by Operating Margin.
[3] Source is Duff & Phelps 2016 Valuation Handbook, Risk Study, Exhibit D-2, Companies Ranked by CV (Operating Margin).
5 Source is Rebuttal Schedule D-4.3.
[6] Calculated by multiplying (1+ percentage difference in risk study betas) times average beta for the water sample group.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Comparative Risk Study**
**Traditional Capital Asset Pricing Model (CAPM) Using Implied Beta**
**To Find Additional Risk Premium**



| Line No. | | Rf[1] | + | Implied beta[2] | x | $RP_M$ | | = | k | CAPM Results From uttal Schedule D- | Indicated Company Risk Premium |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Historical Market Risk Premium CAPM | 3.6% | + | 0.82 | x | 7.00% | 3 | = | 9.3% | 8.4% | 0.9% |
| 2 | Currrent Market Risk Premium CAPM | 3.6% | + | 0.82 | x | 8.25% | 4 | = | 10.4% | 9.3% | 1.1% |

Notes:

[1] Forecasts of long-term treasury yields. See Scehdule D-4.9.

[2] Implied Beta computed from Duff and Phelps 2015 Valuation Handbook Risk Study information. See page 1 of exhibit.

3 Historical Market Risk Premium from (Rp) from Morningstar Ibbotson 214 Classic Yearbook, Long-Horizon ERP on S&P 500. See Rebuttal Schedule D-4.11.

4 See Rebuttal Schedule D-4.10

# EXHIBIT
# TJB-COC-RB2

**Liberty Utilities (Bella Vista Water) Corp.**
**Comparative Risk Study**
Computations of Operating Margin and Coefficient of Variation of Operating Margin



| Line No. | Operating Income EBIT ($ in millions) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | Std | Co-efficient of variation |
| 2 | | | 2015 | 2014 | 2013 | 2012 | 2011 | Average | Dev. | of Operating Income |
| 3 | Company | Symbol | | | | | | | | |
| 4 | American States Water | AWR | 119 | 119 | 119 | 111 | 95 | 112.66 | 10.48 | 0.0930 |
| 5 | Aqua America | WTR | 321 | 314 | 305 | 322 | 286 | 309.60 | 14.84 | 0.0479 |
| 6 | California Water | CWT | 71 | 109 | 93 | 93 | 90 | 91.20 | 13.54 | 0.1484 |
| 7 | Connecticut Water | CTWS | 27 | 25 | 22 | 20 | 16 | 22.00 | 4.30 | 0.1955 |
| 8 | Middlesex | MSEX | 36 | 34 | 31 | 28 | 24 | 30.60 | 4.77 | 0.1560 |
| 9 | SJW Corp. | SJW | 80 | 93 | 53 | 55 | 54 | 67.00 | 18.40 | 0.2746 |
| 10 | York Water Company | YORW | 23 | 22 | 21 | 21 | 20 | 21.40 | 1.14 | 0.0533 |
| 11 | | | | | | | | | | |
| 12 | Water Proxy Group | | | | | | | | | 0.1384 |
| 13 | | | | | | | | | | |
| 14 | Company | | 0.14 | 0.22 | 0.77 | 0.75 | 0.76 | 0.53 | 0.32 | 0.6024 |
| 15 | | | | | | | | | | |
| 16 | **Risk relative to the average risk of the water utilities sample** | | | | | | | | | **4.35** |
| 17 | | | | | | | | | | |
| 18 | Sales ($ in millions) | | 2015 | 2014 | 2013 | 2012 | 2011 | Average | | |
| 19 | Company | Symbol | | | | | | | | |
| 20 | American States Water | AWR | 459 | 466 | 472 | 467 | 419 | 457 | | |
| 21 | Aqua America | WTR | 814 | 780 | 769 | 758 | 712 | 767 | | |
| 22 | California Water | CWT | 588 | 598 | 584 | 560 | 502 | 566 | | |
| 23 | Connecticut Water | CTWS | 96 | 94 | 91 | 84 | 69 | 87 | | |
| 24 | Middlesex | MSEX | 126 | 117 | 115 | 110 | 102 | 114 | | |
| 25 | SJW Corp. | SJW | 305 | 320 | 277 | 262 | 239 | 281 | | |
| 26 | York Water Company | YORW | 47 | 46 | 42 | 41 | 41 | 43 | | |
| 27 | | | | | | | | | | |
| 28 | Company | | 4.35 | 4.66 | 4.84 | 4.82 | 4.68 | 4.67 | | |
| 29 | | | | | | | | | | |
| 30 | Operating Margin (%) | | | | | | | | | Co-efficient |
| 31 | Company | Symbol | 2015 | 2014 | 2013 | 2012 | 2011 | Average | Std Dev. | of variation of Operating Margin |
| 32 | Amercian Water Works | AWK | 26.01% | 25.54% | 25.21% | 23.77% | 22.67% | 24.64% | 0.01 | 0.0561 |
| 33 | Aqua America | WTR | 39.43% | 40.26% | 39.66% | 42.48% | 40.17% | 40.40% | 0.01 | 0.0301 |
| 34 | California Water | CWT | 12.07% | 18.23% | 15.92% | 16.61% | 17.93% | 16.15% | 0.02 | 0.1530 |
| 35 | Connecticut Water | CTWS | 28.13% | 26.60% | 24.18% | 23.81% | 23.19% | 25.18% | 0.02 | 0.0831 |
| 36 | Middlesex | MSEX | 28.57% | 29.06% | 26.96% | 25.45% | 23.53% | 26.71% | 0.02 | 0.0852 |
| 37 | SJW Corp. | SJW | 26.22% | 29.06% | 19.13% | 20.99% | 22.59% | 23.60% | 0.04 | 0.1701 |
| 38 | York Water Company | YORW | 48.83% | 47.83% | 50.00% | 51.22% | 48.78% | 49.33% | 0.01 | 0.0265 |
| 39 | | | | | | | | | | |
| 40 | Average Water Proxy Group | | | | | | | 29.43% | | 0.0863 |
| 41 | | | | | | | | | | |
| 42 | Liberty Utilities (Bella Vista Water) Corp. | | 3.28% | 4.71% | 15.82% | 15.54% | 16.33% | 11.13% | 0.07 | 0.5878 |
| 43 | | | | | | | | | | |
| 44 | **Risk relative to the average risk of the water utilities sample** | | | | | | | | | **6.81** |
| 45 | | | | | | | | | | |
| 46 | | | | | | | | | | |
| 47 | Return on Equity (ROE) | | | | | | | | | Co-efficient |
| 48 | | | 2015 | 2014 | 2013 | 2012 | 2011 | Average | Std Dev. | of variation of ROE |
| 49 | Company | Symbol | | | | | | | | |
| 50 | American States Water | AWR | 13.0% | 12.1% | 12.7% | 11.9% | 10.3% | 12.0% | 0.01 | 0.0870 |
| 51 | Aqua America | WTR | 11.7% | 12.9% | 13.4% | 11.0% | 11.6% | 12.1% | 0.01 | 0.0821 |
| 52 | California Water | CWT | 7.0% | 9.0% | 9.0% | 9.0% | 8.0% | 8.4% | 0.01 | 0.1060 |
| 53 | Connecticut Water | CTWS | 10.1% | 10.2% | 9.3% | 7.3% | 8.3% | 9.0% | 0.01 | 0.1376 |
| 54 | Middlesex | MSEX | 9.6% | 9.3% | 8.7% | 7.8% | 7.5% | 8.6% | 0.01 | 0.1069 |
| 55 | SJW Corp. | SJW | 9.9% | 14.4% | 7.0% | 8.1% | 7.9% | 9.5% | 0.03 | 0.3125 |
| 56 | York Water Company | YORW | 11.5% | 11.0% | 9.4% | 9.3% | 9.5% | 10.1% | 0.01 | 0.1002 |
| 57 | | | | | | | | | | |
| 58 | Water Proxy Group | | 10.4% | 11.3% | 9.9% | 9.2% | 9.0% | 10.0% | | 0.1332 |
| 59 | | | | | | | | | | |
| 60 | Company | | 0.52% | 1.43% | 5.04% | 5.22% | 6.16% | 3.67% | 0.03 | 0.6861 |
| 61 | | | | | | | | | | |
| 62 | **Risk relative to the average risk of the water utilities sample** | | | | | | | | | **5.15** |

**Liberty Utilities (Bella Vista Water) Corp.**
**Comparative Risk Study**
**Beta Estimate Using Duff and Phelps Risk Study Portfolio Information**

| Line No. | | Portfolio | Operating Margin[1] | Portfolio | CV (Operating Margin)[1] | Portfolio | CV (ROE)[1] | |
|---|---|---|---|---|---|---|---|---|
| | A. Beta Estimates for Water Sample Group and Company` | | | | | | | |
| 1 | Company | 14 | 11.13% | 3 | 58.78% | 7 | 68.61% | |
| 2 | Water Proxy Group | 2 | 29.43% | 19 | 8.63% | 22 | 13.32% | |
| | | | Portfolio Beta[2] | | Portfolio Beta[3] | | Portfolio Beta[3] | Average |
| 3 | Company | | 1.19 | | 1.34 | | 1.26 | |
| 4 | Water Proxy Group | | 0.84 | | 1.00 | | 0.91 | |
| 5 | Percentage Difference | | 41.7% | | 34.0% | | 38.5% | **38.0%** |
| | B. Assume percentage difference is the same for water utilities as companies in general | | | | | | | |
| 6 | Water Sample Group[5] | | 0.69 | | 0.69 | | 0.69 | |
| 7 | Implied Beta for Company[6] | | 0.98 | | 0.92 | | 0.96 | **0.95** |

Notes:
[1] See work papers. CV stands for Coefficient of Variation,
[2] Source is Duff & Phelps 2016 Valuation Handbook, Risk Study, Exhibit D-1, Companies Ranked by Operating Margin.
[3] Source is Duff & Phelps 2016 Valuation Handbook, Risk Study, Exhibit D-2, Companies Ranked by CV (Operating Margin).
5 Source is Rebuttal Schedule D-4.3.
[6] Calculated by multiplying (1+ percentage difference in risk study betas) times average beta for the water sample group.

**Liberty Utilities (Bella Vista Water) Corp.**
**Comparative Risk Study**
**Traditional Capital Asset Pricing Model (CAPM) Using Implied Beta**
**To Find Additional Risk Premium**



| Line No. | | Rf[1] | + | Implied beta[2] | x | $RP_M$ | | = | k | CAPM Results From uttal Schedule D- | Indicated Company Risk Premium |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Historical Market Risk Premium CAPM | 3.6% | + | 0.95 | x | 7.00% | 3 | = | 10.3% | 8.4% | 1.9% |
| 2 | Currrent Market Risk Premium CAPM | 3.6% | + | 0.95 | x | 8.25% | 4 | = | 11.4% | 9.3% | 2.1% |

Notes:

[1] Forecasts of long-term treasury yields. See Scehdule D-4.9.

[2] Implied Beta computed from Duff and Phelps 2015 Valuation Handbook Risk Study information. See page 1 of exhibit.

3 Historical Market Risk Premium from (Rp) from Morningstar Ibbotson 214 Classic Yearbook, Long-Horizon ERP on S&P 500. See Rebuttal Schedule D-4.11.

4 See Rebuttal Schedule D-4.10

# D SCHEDULES

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division**
Test Year Ended December 31, 2014
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

| Line No. | Item of Capital | Projected Capital Structure: Percent of Total | Cost Rate | Weighted Cost |
|---|---|---|---|---|
| 1 | Long-Term Debt | 30.00% | 3.47% | 1.04% |
| 2 | | | | |
| 3 | Stockholder's Equity | 70.00% | 10.80% | 7.56% |
| 4 | | | | |
| 5 | Totals | 100.00% | | 8.60% |
| 6 | | | | |
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| 21 | | | | |
| 22 | SUPPORTING SCHEDULES: | | | |
| 23 | D-1 | | | |
| 24 | Testimony | | | |
| 25 | | | | |
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| 30 | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division**
Test Year Ended December 31, 2014
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

| Line No. | Item of Capital | Projected Capital Structure: Percent of Total | Cost Rate | Weighted Cost |
|---|---|---|---|---|
| 1 | Long-Term Debt | 30.00% | 3.47% | 1.04% |
| 2 | | | | |
| 3 | Stockholder's Equity | 70.00% | 10.80% | 7.56% |
| 4 | | | | |
| 5 | Totals | 100.00% | | 8.60% |
| 6 | | | | |
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| 22 | SUPPORTING SCHEDULES: | | | |
| 23 | D-1 | | | |
| 24 | Testimony | | | |
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**Liberty Utilities (Bella Vista Water) Corp.**
Test Year Ended December 31, 2014
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

| Line No. | Item of Capital | Projected Capital Structure: Percent of Total | Cost Rate | Weighted Cost |
|---|---|---|---|---|
| 1 | Long-Term Debt | 30.00% | 3.47% | 1.04% |
| 2 | | | | |
| 3 | Stockholder's Equity | 70.00% | 11.60% | 8.12% |
| 4 | | | | |
| 5 | Totals | 100.00% | | 9.16% |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
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| 10 | | | | |
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| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | SUPPORTING SCHEDULES: | | | |
| 23 | D-1 | | | |
| 24 | Testimony | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | | | | |
| 30 | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Summary of Results**

**Exhibit**
**Rebuttal Schedule D-4.1**
Page 1
Witness: Bourassa

| Line No. | | Indicated Cost of Equity for Water Sample Group | | | Indicated Cost of Equity for Liberty Utilities (Rio Rico Water & Sewer) Corp. [1] | | |
|---|---|---|---|---|---|---|---|
| 1 | DCF Constant Growth - Rebuttal Schedule D-4-7 | 9.0% | to | 9.2% | 10.0% | to | 10.2% |
| 2 | Risk Premium Model - Rebuttal Schedule D-4.9 | | 12.5% | | | 13.5% | |
| 3 | CAPM - Rebuttal Schedule D-4.11 | 8.4% | to | 9.3% | 9.4% | to | 10.3% |
| 4 | Range of Cost of Equity Estimates | 10.0% | to | 10.3% | 11.0% | to | 11.3% |
| 5 | Financial Risk Adjustment - Rebuttal Schedule D-4.14 | | 0.0% | | | -0.30% | |
| 6 | Adjusted Range of Cost of Equity Estimates | 10.0% | to | 10.3% | 10.7% | to | 11.0% |
| 7 | Mid-point | | 10.1% | | | 10.8% | |
| 8 | Cost of Equity Recommendation | | | | 10.8% | | |

Notes:
[1]Estimates include an equity risk premium of 100 basis points based on comparative risk study. See Testimony.

**Liberty Utilities (Bella Vista Water) Corp.**
**Summary of Results**

**Exhibit**
**Rebuttal Schedule D-4.1**
Page 2
Witness: Bourassa

| Line No. | | Indicated Cost of Equity for Water Sample Group | | | Indicated Cost of Equity for Liberty Utilities (Bella Vista Water) Corp. [1] | | |
|---|---|---|---|---|---|---|---|
| 1 | DCF Constant Growth - Rebuttal Schedule D-4-7 | 9.0% | to | 9.2% | 11.0% | to | 11.2% |
| 2 | Risk Premium Model - Rebuttal Schedule D-4.9 | | 12.5% | | | 14.5% | |
| 3 | CAPM - Rebuttal Schedule D-4.11 | 8.4% | to | 9.3% | 10.4% | to | 11.3% |
| 4 | Range of Cost of Equity Estimates | 10.0% | to | 10.3% | 12.0% | to | 12.3% |
| 5 | Financial Risk Adjustment - Rebuttal Schedule D-4.14 | | 0.0% | | | -0.30% | |
| 6 | Adjusted Range of Cost of Equity Estimates | 10.0% | to | 10.3% | 11.7% | to | 12.0% |
| 7 | Mid-point | | 10.1% | | | 11.8% | |
| 8 | Cost of Equity Recommendation | | | | 11.6% | | |

Notes:
[1]Estimates include an equity risk premium of 200 basis points based on comparative risk study. See Testimony.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit**
**Rebuttal Schedule D-4.2**
Witness: Bourassa

**Selected Characteristics of Sample Group of Water Utilities**

| Line No. | Company | Symbol | % Water Revenues[1] | Operating Revenues (millions)[1] | Net Plant (millions)[1] | S&P Bond Rating[1] | Moody's Bond Rating[1] | Allowed ROE (%)[1] | Value Line Beta[2] | Market Capitalization[2] | Size Category[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | American States Water | AWR | 72% | $ 451.2 | $ 1,079.3 | A+ | A2 | 9.43 | 0.70 | $ 1,416.6 | Low-Cap |
| 2 | Aqua America | WTR | 96% | $ 816.5 | $ 4,752.9 | AA- | NR | 9.79 | 0.70 | $ 5,695.3 | Mid cap |
| 3 | California Water | CWT | 99% | $ 588.1 | $ 1,739.7 | AA- | NR | 9.43 | 0.75 | $ 1,381.2 | Low-Cap |
| 4 | Connecticut Water | CTWS | 96% | $ 102.9 | $ 554.5 | A/A- | NR | 9.63 | 0.60 | $ 540.1 | Micro-cap |
| 5 | Middlesex | MSEX | 87% | $ 127.8 | $ 486.5 | A | NR | 9.75 | 0.70 | $ 599.5 | Micro-cap |
| 6 | SJW Corp. | SJW | 103% | $ 304.1 | $ 1,042.5 | A | NR | 9.43 | 0.70 | $ 703.8 | Micro-cap |
| 7 | York Water Company | YORW | 100% | $ 47.2 | $ 261.9 | A- | NR | NM | 0.70 | $ 354.3 | Micro-cap |
| 8 | Average | | 93% | $ 348.3 | $ 1,416.8 | | | 9.58 | 0.69 | $ 1,527.3 | |
| 9 | Liberty Utilities (Rio Rico Water & Sewer) Corp. | | 68% | $ 4.5 | $ 29.8 | NR | NR | | | | |
| 10 | Liberty Utilities (Bella Vista Water) Corp. | | 100% | $ 4.7 | $ 21.7 | NR | NR | | | | |

Notes:
[1] AUS Utility Reports (June 2016).
[2] Value Line Analyzer Data (Weekly as of May 26, 2016)
[3] See Schdule D-4.15 for definitions of size category

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit**
**Rebuttal Schedule D-4.3**
Witness: Bourassa

**Capital Structures**

| Line No. | Company | Symbol | Book Value[1] Long-Term Debt | Book Value[1] Common Equity | Market Value[1] Long-Term Debt | Market Value[1] Common Equity |
|---|---|---|---|---|---|---|
| 1 | American States Water | AWR | 41.1% | 58.9% | 18.7% | 81.3% |
| 2 | Aqua America | WTR | 50.3% | 49.7% | 23.4% | 76.6% |
| 3 | California Water | CWT | 44.4% | 55.6% | 27.1% | 72.9% |
| 4 | Connecticut Water | CTWS | 44.2% | 55.8% | 24.8% | 75.2% |
| 5 | Middlesex | MSEX | 39.8% | 60.2% | 18.5% | 81.5% |
| 6 | SJW Corp. | SJW | 49.8% | 50.2% | 35.1% | 64.9% |
| 7 | York Water Company | YORW | 44.5% | 55.5% | 19.8% | 80.2% |
| 8 | Average | | 44.9% | 55.1% | 23.9% | 76.1% |
| 9 | Liberty Utilities (Rio Rico Water & Sewer) Corp. | Proforma | 30.0% | 70.0% | N/A | N/A |
| 10 | Liberty Utilities (Bella Vista Water) Corp. | Proforma | 30.0% | 70.0% | N/A | N/A |

[1] Value Line Analyzer Data (Weekly as of May 26, 2016)

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Comparisons of Past and Future Estimates of Growth**

**Exhibit**
**Rebuttal Schedule D-4.4**
Witness: Bourassa

| Line No. | Company | [1] Price[1] | [2] Book Value[2] | [3] EPS[2] | [4] DPS[2] | [5] Average Historical Growth | [6] Value Line Projected Growth[2] | [7] Average of Historical and Proj. Grwth |
|---|---|---|---|---|---|---|---|---|
| | | Five-year historical average annual changes | | | | | | |
| 1 | American States Water | 19.46% | 6.00% | 12.00% | 10.00% | 11.87% | 6.00% | 8.93% |
| 2 | Aqua America | 10.63% | 7.00% | 13.00% | 7.50% | 9.53% | 7.00% | 8.27% |
| 3 | California Water | 4.54% | 5.00% | 2.00% | 2.00% | 3.38% | 7.50% | 5.44% |
| 4 | Connecticut Water | 6.39% | 8.50% | 10.50% | 2.50% | 6.97% | 4.00% | 5.49% |
| 5 | Middlesex | 7.66% | 3.00% | 5.50% | 1.50% | 4.41% | 3.50% | 3.96% |
| 6 | SJW Corp. | 2.29% | 5.00% | 15.00% | 2.50% | 6.20% | 1.50% | 3.85% |
| 7 | York Water Company | 7.60% | 4.00% | 6.50% | 2.50% | 5.15% | 6.00% | 5.58% |
| 8 | GROUP AVERAGE | 8.37% | 5.50% | 9.21% | 4.07% | 6.79% | 5.07% | 5.93% |

Notes:
[1] Compound growth in stock prices ending December 31 through 2015. Data from Yahoo Finance website.
[2] Value Line Analyzer, weekly as of May 26, 2016.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Comparisons of Past and Future Estimates of Growth**

**Exhibit**
**Rebuttal Schedule D-4.5**
Witness: Bourassa

| Line No. | Company | [1] Ten-year historical average annual changes: Price[1] | [2] Book Value[2] | [3] EPS[2] | [4] DPS[2] | [5] Average Col 1-4 | [6] Value Line Growth[2] | [7] Average of Historical and Proj. Grwth |
|---|---|---|---|---|---|---|---|---|
| 1 | American States Water | 10.54% | 5.50% | 12.00% | 6.50% | 8.64% | 6.00% | 7.32% |
| 2 | Aqua America | 3.16% | 7.00% | 8.50% | 8.00% | 6.66% | 7.00% | 6.83% |
| 3 | California Water | 1.98% | 5.50% | 4.50% | 1.50% | 3.37% | 7.50% | 5.44% |
| 4 | Connecticut Water | 4.49% | 5.50% | 6.00% | 2.00% | 4.50% | 4.00% | 4.25% |
| 5 | Middlesex | 4.35% | 4.50% | 5.00% | 1.50% | 3.84% | 3.50% | 3.67% |
| 6 | SJW Corp. | 2.68% | 6.00% | 6.50% | 4.00% | 4.80% | 1.50% | 3.15% |
| 7 | York Water Company | 3.71% | 6.00% | 5.50% | 4.00% | 4.80% | 6.00% | 5.40% |
| 8 | GROUP AVERAGE | 4.42% | 5.71% | 6.86% | 3.93% | 5.23% | 5.07% | 5.15% |

Notes:
[1] Compound growth in stock prices ending December 31 through 2015. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, weekly as of May 26, 2016.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit**
**Rebuttal Schedule D-4.6**
Witness: Bourassa

**Current Dividend Yields for Water Utility Sample Group**

| Line No. | Company | [1] Stock Price ($P_0$)[1] | [2] Current Dividend ($D_0$)[1] | [3] Current Dividend Yield ($D_0/P_0$) | [4] Average Annual Dividend Yield ($D_0/P_0$)[1,2] |
|---|---|---|---|---|---|
| 1 | American States Water | $ 40.60 | $ 0.93 | 2.29% | 2.21% |
| 2 | Aqua America | $ 33.36 | $ 0.75 | 2.25% | 2.58% |
| 3 | California Water | $ 29.97 | $ 0.69 | 2.30% | 2.88% |
| 4 | Connecticut Water | $ 49.83 | $ 1.13 | 2.27% | 2.93% |
| 5 | Middlesex | $ 38.35 | $ 0.80 | 2.09% | 3.33% |
| 6 | SJW Corp. | $ 35.05 | $ 0.81 | 2.31% | 2.53% |
| 7 | York Water Company | $ 28.31 | $ 0.62 | 2.19% | 2.63% |
| 8 | GROUP AVERAGE | | | 2.24% | 2.73% |

Notes:
[1] Stock prices as of June 3, 2016. Indicated Dividend from Value Line Analyzer weekly as of May 26, 2016.
[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. As report by Value Line Analyzer software. For comparison purposes only.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit**
**Rebuttal Schedule D-4.7 (page 1)**
Witness: Bourassa

**Discounted Cash Flow Analysis**
**DCF Constant Growth**

| Line No. | | [1] Dividend Yield ($D_0/P_0$)[1] | [2] Expected Dividend Yield ($D_1/P_0$)[2] | | [3] Value Line Projected Growth (g)[3] | | [4] Indicated Cost of Equity (COE) k=Div Yld + g (Cols 2+3) | |
|---|---|---|---|---|---|---|---|---|
| 1 | 1. American States Water | 2.29% | 2.43% | + | 6.00% | = | 8.43% | |
| 2 | 2. Aqua America | 2.25% | 2.41% | + | 7.00% | = | 9.41% | |
| 3 | 3. California Water | 2.30% | 2.47% | + | 7.50% | = | 9.97% | |
| 4 | 4. Connecticut Water | 2.27% | 2.36% | + | 4.00% | = | 6.36% | * |
| 5 | 5. Middlesex | 2.09% | 2.16% | + | 3.50% | = | 5.66% | * |
| 6 | 6. SJW Corp. | 2.31% | 2.35% | + | 1.50% | = | 3.85% | * |
| 7 | 7. York Water Company | 2.19% | 2.32% | + | 6.00% | = | 8.32% | |
| 8 | Average | 2.24% | 2.36% | | 5.07% | | 7.43% | |
| 9 | Adjusted Average[4] | | | | | | 9.03% | |

Notes:
1 Spot Dividend Yield = D0/P0. See Rebuttal Schedule D-4.6.
2 Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
3 Value Line Growth rate (g). See Schdule D-4.5, Col. 6.
4 Excludes CTWES, MSEX, and SJW because results are less than projected Baa bond yields plus 100 basis points or 7.0%. See Testimony.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit**
**Rebuttal Schedule D-4.7 (page 2)**
Witness: Bourassa

**Discounted Cash Flow Analysis**
**DCF Constant Growth**

| Line No. | | [1] Dividend Yield ($D_0/P_0$)[1] | [2] Expected Dividend Yield ($D_1/P_0$)[2] | | [3] Average of Historical and Proj. Grwth[3] | | [4] Indicated Cost of Equity (COE) k=Div Yld + g (Cols 2+3) | |
|---|---|---|---|---|---|---|---|---|
| 1 | 1. American States Water | 2.29% | 2.50% | + | 8.93% | = | 11.43% | |
| 2 | 2. Aqua America | 2.25% | 2.43% | + | 8.27% | = | 10.70% | |
| 3 | 3. California Water | 2.30% | 2.43% | + | 5.44% | = | 7.87% | |
| 4 | 4. Connecticut Water | 2.27% | 2.39% | + | 5.49% | = | 7.88% | |
| 5 | 5. Middlesex | 2.09% | 2.17% | + | 3.96% | = | 6.13% | * |
| 6 | 6. SJW Corp. | 2.31% | 2.40% | + | 3.85% | = | 6.25% | * |
| 7 | 7. York Water Company | 2.19% | 2.31% | + | 5.58% | = | 7.89% | |
| 8 | Average | | | | | | 8.31% | |
| 9 | Adjusted Average[4] | | | | | | 9.15% | |

Notes:
[1] Spot Dividend Yield = $D_0/P_0$. See Table 7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Historical Growth rate (g). See Scehdule D-4.5 Col. 7.
[4] Excludes MSEX and SJW because results are less than projected Baa bond yields plus 100 basis points or 7.0%. See Testimony.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Forecasts of Long-Term Interest Rates**

**Exhibit**
**Rebuttal Schedule D-4.8**
Witness: Bourassa

| Line No. | | 2017 | 2018 | 2019 | Average |
|---|---|---|---|---|---|
| 1 | Long-term Treasury Rates | | | | |
| 2 | Blue Chip Consensus Forecasts[1] | 3.30% | 3.90% | 4.20% | |
| 3 | Value Line[2] | 3.10% | 3.40% | 3.80% | |
| 4 | Average | | | | 3.6% |
| 5 | Aaa Corporate Bonds | | | | |
| 6 | Blue Chip Consensus Forecasts[1] | 4.50% | 5.10% | 5.70% | |
| 7 | Value Line[2] | 4.80% | 4.50% | 4.60% | |
| 8 | Average | | | | 4.9% |
| 9 | Baa Corporate Bonds | | | | |
| 10 | Blue Chip Consensus Forecasts[1] | 5.60% | 6.10% | 6.40% | |
| 11 | Value Line[2] | | | | |
| 12 | Average | | | | 6.0% |

Notes:
[1] Blue Chip consensus forecasts (June 2016).
[2] Value Line Quarterly Forecasts dated June 3, 2016.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**
**Risk Premium Analysis Based on Total Returns**

**Exhibit**
**Rebuttal Schedule D-4.9**
Witness: Bourassa

| Line No. | | Annual Total Return[1] | Treasury Bond Yields[2] | Annual Risk Premiums |
|---|---|---|---|---|
| 1 | 1996 | 24.29% | 6.71% | 17.58% |
| 2 | 1997 | 36.12% | 6.61% | 29.51% |
| 3 | 1998 | 18.03% | 5.58% | 12.45% |
| 4 | 1999 | 30.73% | 5.87% | 24.86% |
| 1 | 2000 | 8.95% | 5.94% | 3.01% |
| 1 | 2001 | 16.59% | 5.49% | 11.10% |
| 2 | 2002 | -4.05% | 5.42% | -9.47% |
| 3 | 2003 | 23.97% | 5.05% | 18.92% |
| 4 | 2004 | 13.75% | 5.12% | 8.63% |
| 5 | 2005 | 19.09% | 4.56% | 14.53% |
| 6 | 2006 | 15.88% | 4.91% | 10.97% |
| 7 | 2007 | -2.73% | 4.84% | -7.57% |
| 8 | 2008 | -1.81% | 4.28% | -6.09% |
| 9 | 2009 | -0.22% | 4.08% | -4.30% |
| 10 | 2010 | 15.30% | 4.25% | 11.05% |
| 11 | 2011 | 1.54% | 3.91% | -2.37% |
| 12 | 2012 | 15.08% | 2.92% | 12.16% |
| 13 | 2013 | 20.44% | 3.45% | 16.99% |
| 14 | 2014 | 14.98% | 3.34% | 11.64% |
| 15 | 2015 | 8.23% | 2.84% | 5.39% |
| 16 | | 20-Year Average | 4.8% | 8.9% |
| 17 | | Expected Long-term Treasury Bond Rate[3] | | 3.6% |
| 18 | | Projected Returns on Equity for Sample | | 12.5% |

Notes:
[1] Computed Composite Total Returns from 1996-2015 from Yahoo Finance data.
[2] Average annual 30 Yr. U.S. Treasury Bond yields as reported by the Federal Reserve.
3 Source is Rebuttal Schedule D-4.8.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit**
**Rebuttal Schedule D-4.10**
Witness: Bourassa

**Estimation of Current Market Risk Premium**
**Using DCF Analysis**

| Line No. | Month | Dividend Yield ($D_0/P_0$)[1] | Expected Dividend Yield ($D_1/P_0$)[2] | + | Expected Growth (g)[3] | = | Expected Market Return (k) | - | Monthly Average 30 Year Treasury Rate[4] | = | Expected Market Risk Premium (MRP) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | May 2014 | 2.01% | 2.20% | + | 9.42% | = | 11.62% | - | 3.39% | = | 8.23% |
| 2 | June | 2.34% | 2.56% | + | 9.33% | = | 11.89% | - | 3.42% | = | 8.47% |
| 3 | July | 2.42% | 2.65% | + | 9.50% | = | 12.15% | - | 3.33% | = | 8.82% |
| 4 | Aug | 2.38% | 2.61% | + | 9.50% | = | 12.11% | - | 3.20% | = | 8.91% |
| 5 | Sept | 2.82% | 3.10% | + | 9.83% | = | 12.93% | - | 3.26% | = | 9.67% |
| 6 | Oct | 2.45% | 2.68% | + | 9.50% | = | 12.18% | - | 3.04% | = | 9.14% |
| 7 | Nov | 2.38% | 2.61% | + | 9.67% | = | 12.27% | - | 3.04% | = | 9.23% |
| 8 | Dec | 2.44% | 2.67% | + | 9.67% | = | 12.34% | - | 2.83% | = | 9.51% |
| 9 | Jan 2015 | 2.45% | 2.68% | + | 9.50% | = | 12.18% | - | 2.46% | = | 9.72% |
| 10 | Feb | 2.38% | 2.61% | + | 9.50% | = | 12.11% | - | 2.57% | = | 9.54% |
| 11 | Mar | 2.42% | 2.64% | + | 9.17% | = | 11.81% | - | 2.63% | = | 9.18% |
| 12 | Apr | 2.40% | 2.61% | + | 9.00% | = | 11.61% | - | 2.59% | = | 9.02% |
| 13 | May | 2.41% | 2.63% | + | 9.00% | = | 11.63% | - | 2.96% | = | 8.67% |
| 14 | June | 2.50% | 2.72% | + | 8.83% | = | 11.56% | - | 3.11% | = | 8.45% |
| 15 | July | 2.56% | 2.78% | + | 8.83% | = | 11.62% | - | 3.07% | = | 8.55% |
| 16 | Aug | 2.70% | 2.95% | + | 9.00% | = | 11.95% | - | 2.86% | = | 9.09% |
| 17 | Sept | 2.84% | 3.10% | + | 9.00% | = | 12.10% | - | 2.95% | = | 9.15% |
| 18 | Oct | 2.67% | 2.91% | + | 9.00% | = | 11.91% | - | 2.89% | = | 9.02% |
| 19 | Nov | 2.70% | 2.94% | + | 8.83% | = | 11.77% | - | 3.03% | = | 8.74% |
| 20 | Dec | 2.80% | 3.04% | + | 8.67% | = | 11.71% | - | 2.97% | = | 8.74% |
| 21 | Jan 2016 | 3.07% | 3.33% | + | 8.50% | = | 11.83% | | 2.86% | = | 8.97% |
| 22 | Feb | 2.91% | 3.16% | + | 8.50% | = | 11.66% | - | 2.62% | = | 9.04% |
| 23 | Mar | 2.75% | 2.97% | + | 8.00% | = | 10.97% | - | 2.68% | = | 8.29% |
| 24 | Apr | 2.63% | 2.84% | + | 8.00% | = | 10.84% | - | 2.62% | = | 8.22% |
| 25 | May | 2.67% | 2.89% | + | 8.00% | = | 10.89% | - | 2.63% | = | 8.26% |
| 25 | Recommended | 2.68% | 2.90% | + | 8.00% | = | 10.90% | - | 2.64% | = | 8.25% |
| 26 | Short-term Trends | | | | | | | | | | |
| 27 | Recent Twelve Months Avg | 2.73% | 2.97% | + | 8.60% | = | 11.56% | - | 2.86% | = | 8.71% |
| 28 | Recent Nine Months Avg | 2.78% | 3.02% | + | 8.50% | = | 11.52% | - | 2.81% | = | 8.71% |
| 29 | Recent Six Months Avg | 2.80% | 3.04% | + | 8.28% | = | 11.31% | - | 2.73% | = | 8.58% |
| 30 | Recent Three Months Avg | 2.68% | 2.90% | + | 8.00% | = | 10.90% | - | 2.64% | = | 8.25% |

Notes:

[1] Average Dividend Yield ($D_0/P_0$) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

[2] Expected Dividend Yield ($D_1/P_0$) equals current average dividend yield ($D_0/P_0$) times one plus growth rate(g).

[3] Median of Projected EPS, Projected DPS Growth and Projected BV Growth for VL 1700 stocks. Data from Value Line Investment Analyzer Software.

[4] Monthly average 30 year U.S. Treasury. Federal Reserve.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Traditional Capital Asset Pricing Model (CAPM)**

**Exhibit**
**Rebuttal Schedule D-4.11**
Witness: Bourassa

| Line No. | | Rf[1] | + | beta[2] | x | $RP_M$ | | = | k |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Historical Market Risk Premium CAPM | 3.6% | + | 0.69 | x | 7.00% | [3] | = | 8.4% |
| 2 | Currrent Market Risk Premium CAPM | 3.6% | + | 0.69 | x | 8.25% | [4] | = | 9.3% |
| 3 | Average | | | | | | | | 8.9% |

Notes:

1 Forecasts of long-term treasury yields. See Rebuttal Schedule D-4.8.

2 Value Line Investment Analyzer data. See Rebuttal Schedule D-4.3.

3 Historical Market Risk Premium from (Rp) Duff & Phelps 2016 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2015.

4 See Rebuttal Schedule D-4.10.

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Financial Risk Computation**
**Unlevered Beta**

**Exhibit**
**Rebuttal Schedule D-4.12**
Witness: Bourassa

| Line No. | | Company | VL Beta $\beta_L$[1] | Raw Beta Raw $\beta_l$[2] | Tax Rate t[3] | MV Debt D[4] | MV Equity E[4] | | Unlevered Raw Beta $\beta_U$[5] |
|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | | | | | | | | | |
| 4 | | | | | | | | | |
| 5 | 1. | American Water Worl | 0.70 | 0.55 | 38.4% | 18.7% | 81.3% | | 0.48 |
| 6 | 2. | Aqua America | 0.70 | 0.55 | 6.9% | 23.4% | 76.6% | | 0.43 |
| 7 | 3. | California Water | 0.75 | 0.63 | 36.0% | 27.1% | 72.9% | | 0.51 |
| 8 | 4. | Connecticut Water | 0.60 | 0.40 | 3.5% | 24.8% | 75.2% | | 0.30 |
| 9 | 5. | Middlesex | 0.70 | 0.55 | 34.5% | 18.5% | 81.5% | | 0.48 |
| 10 | 6. | SJW Corp. | 0.70 | 0.55 | 38.1% | 35.1% | 64.9% | | 0.41 |
| 11 | 7. | York Water | 0.70 | 0.55 | 27.5% | 19.8% | 80.2% | | 0.47 |
| 12 | | | | | | | | | |
| 13 | | Sample Water Utilitie: | 0.69 | 0.54 | 26.4% | 23.9% | 76.1% | # | 0.44 |
| 14 | | | | | | | | | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | | | | | | | | | |
| 18 | | | | | | | | | |
| 19 | | | | | | | | | |
| 20 | | 1 Value Line Investment Analyzer data. See Rebuttal Schedule D-4.1. | | | | | | | |
| 21 | | Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows: | | | | | | | |
| 22 | | Adjusted beta = .33 + (.67) * Raw beta | | | | | | | |
| 23 | | 2 Raw Beta = (VL beta - .33)/(.67) | | | | | | | |
| 24 | | 3 Effective tax rates for year ended December 31, 2013. | | | | | | | |
| 25 | | 4 See Rebuttal Schedule D-4.2. | | | | | | | |
| 26 | | 5 Raw $B_u$ = Raw $B_L$/ (1+ (1-t)*D/E) | | | | | | | |
| 27 | | | | | | | | | |
| 28 | | | | | | | | | |
| 29 | | | | | | | | | |
| 30 | | | | | | | | | |

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Financial Risk Computation**
**Relevered Beta**

**Exhibit**
**Rebuttal Schedule D-4.13**
Page 1
Witness: Bourassa

| Line No. | | Unlevered Raw Beta $\beta_U$[1] | MV Book Debt BD[2] | MV Equity Capital EC[2] | Tax Rate t[3] | Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC)$ $\beta_{RL}$ | VL Adjusted Relevered Beta .33 + .67(Raw Beta) $\beta_{RL}$ |
|---|---|---|---|---|---|---|---|
| 1 | Liberty Utilities (Rio Rico Water & Sewer) Corp. | 0.44 | 13.3% | 86.7% | 37.23% | 0.48 | 0.65 |

[1] Unlevered Beta fron Unlevered Beta tab in WP.
[2] Proforma Capital Structure of Company per D-1

| | Rio Rico Water & Sewer (in Thousands) | | | MV (in Thousands) | MV % |
|---|---|---|---|---|---|
| Long-term Debt | $ 4,938 | 1.00 | | $ 4,938 | 13.30% |
| Preferred Stock | $ - | 1.00 | | - | 0.0% |
| Common Stock | $ 11,522 | 2.79 | (a) | 32,120 | 86.7% |
| Total Capital | $ 16,460 | | | $ 37,058 | 100.0% |

(a) Current market-to-book ratio of sample water utilities. See work papers.

[3] Current Tax rate based on test year ending 12/31/2014. See Schedule C-5.

**Liberty Utilities (Bella Vista Water) Corp.**
**Financial Risk Computation**
**Relevered Beta**

**Exhibit**
**Rebuttal Schedule D-4.13**
Page 2
Witness: Bourassa

| Line No. | | Unlevered Raw Beta $\beta_U$[1] | MV Book Debt BD[2] | MV Equity Capital EC[2] | Tax Rate t[3] | Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ $\beta_{RL}$ | VL Adjusted Relevered Beta .33 + .67(Raw Beta) $\beta_{RL}$ |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | Liberty Utilities (Bella Vista Water) Corp. | 0.44 | 13.3% | 86.7% | 37.79% | 0.48 | 0.65 |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |

13 [1] Unlevered Beta fron Unlevered Beta tab in WP.
14 [2] Proforma Capital Structure of Company per D-1
15
16

| | Bella Vista Water (in Thousands) | | | MV (in Thousands) | MV % |
|---|---|---|---|---|---|
| 17 Long-term Debt | $ 2,635 | 1.00 | | $ 2,635 | 13.30% |
| 18 Preferred Stock | $ - | 1.00 | | - | 0.0% |
| 19 Common Stock | $ 6,148 | 2.79 | (a) | 17,139 | 86.7% |
| 20 Total Capital | $ 8,783 | | | $ 19,774 | 100.0% |

21
22 (a) Current market-to-book ratio of sample water utilities. See work papers.
23
24 [3] Current Tax rate based on test year ending 12/31/2014. See Schedule C-5.
25
26

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Financial Risk Computation**

**Exhibit**
**Rebuttal Schedule D-4.14**
Page 1
Witness: Bourassa

| Line No. | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **CAPM** | | | | | | | | | | |
| 2 | | **Rf** | | + | **β** | | x | **(Rp)** | | | **k** |
| 3 | Historical Market Risk Premium | 3.6% | 1 | + | 0.69 | 2 | x | 7.00% | 3 | = | 8.4% |
| 4 | Current Market Risk Premium | 3.6% | 1 | + | 0.69 | 2 | x | 8.25% | 4 | = | 9.3% |
| 5 | | | | | | | | | | | |
| 6 | Average | | | | | | | | | | |
| 7 | | | | | | | | | | | 8.9% |
| 8 | | | | | | | | | | | |
| 9 | **CAPM Relevered Beta** | | | | | | | | | | |
| 10 | | **Rf** | | + | **β** | | x | **(Rp)** | | | **k** |
| 11 | Historical Market Risk Premium | 3.6% | 1 | + | 0.65 | 5 | x | 7.00% | 3 | = | 8.2% |
| 12 | Current Market Risk Premium | 3.6% | 1 | + | 0.65 | 5 | x | 8.25% | 4 | = | 9.0% |
| 13 | | | | | | | | | | | |
| 14 | Average | | | | | | | | | | |
| 15 | | | | | | | | | | | 8.6% |
| 16 | Indicated Financial Risk Adjustment | | | | | | | | | | |
| 17 | | | | | | | | | | | **-0.3%** |
| 18 | | | | | | | | | | | |
| 19 | 1 Forecast of long-term treasury yields. See Rebuttal Schedule D-4.8. | | | | | | | | | | |
| 20 | 2 Value Line Investment Analyzer data. See Rebuttal Schedule D-4.1. | | | | | | | | | | |
| 21 | 3 Historical Market Risk Premium from (Rp) Duff & Phelps 2015 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2014. | | | | | | | | | | |
| 22 | 4 Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks | | | | | | | | | | |
| 23 | and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.10. | | | | | | | | | | |
| 24 | 5 Relevered beta found on Relevered Beta. See Rebuttal Schedule D-4.13. | | | | | | | | | | |
| 25 | | | | | | | | | | | |

**Liberty Utilities (Bella Vista Water) Corp.**
**Financial Risk Computation**

**Exhibit**
**Rebuttal Schedule D-4.14**
Page 2
Witness: Bourassa

| Line No. | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **CAPM** | | | | | | | | | | |
| 2 | | **Rf** | | + | **β** | | x | **(Rp)** | | | **k** |
| 3 | Historical Market Risk Premium | 3.6% | 1 | + | 0.69 | 2 | x | 7.00% | 3 | = | 8.4% |
| 4 | Current Market Risk Premium | 3.6% | 1 | + | 0.69 | 2 | x | 8.25% | 4 | = | 9.3% |
| 5 | | | | | | | | | | | |
| 6 | Average | | | | | | | | | | |
| 7 | | | | | | | | | | | 8.9% |
| 8 | | | | | | | | | | | |
| 9 | **CAPM Relevered Beta** | | | | | | | | | | |
| 10 | | **Rf** | | + | **β** | | x | **(Rp)** | | | **k** |
| 11 | Historical Market Risk Premium | 3.6% | 1 | + | 0.65 | 5 | x | 7.00% | 3 | = | 8.2% |
| 12 | Current Market Risk Premium | 3.6% | 1 | + | 0.65 | 5 | x | 8.25% | 4 | = | 9.0% |
| 13 | | | | | | | | | | | |
| 14 | Average | | | | | | | | | | |
| 15 | | | | | | | | | | | 8.6% |
| 16 | Indicated Financial Risk Adjustment | | | | | | | | | | |
| 17 | | | | | | | | | | | **-0.3%** |
| 18 | | | | | | | | | | | |

19 1 Forecast of long-term treasury yields. See Rebuttal Schedule D-4.8.
20 2 Value Line Investment Analyzer data. See Rebuttal Schedule D-4.1.
21 3 Historical Market Risk Premium from (Rp) Duff & Phelps 2015 Valuation Handbook Appendix3 Long-Horizon ERP 1926-2014.
22 4 Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
23 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Rebuttal Schedule D-4.10.
24 5 Relevered beta found on Relevered Beta. See Rebuttal Schedule D-4.13.
25

**Liberty Utilities (Rio Rico Water & Sewer) Corp.**
**Liberty Utilities (Bella Vista Water) Corp.**

**Exhibit**
**Rebuttal Schedule D-4.15**
Witness: Bourassa

**Risk Premium[1]**

| Line No. | | Beta(β) | Size Premium | Risk Premium for Small Water Utilities[7] |
|---|---|---|---|---|
| 1 | Mid-Cap Companies[2] | 1.12 | 1.00% | |
| 2 | Low-Cap Companies[3] | 1.22 | 1.70% | |
| 3 | Micro-Cap Companies[4] | 1.35 | 3.58% | |
| 4 | Decile 10[5] | 1.40 | 5.60% | 3.19% |

| | | Risk Premium for Small Water Utilities |
|---|---|---|
| 5 | Estimated Risk Premium for small utilities[6] | 0.99% |
| 6 | Estimated Risk Premium for Rio Rico Water & Sewer[8] | 0.90% to 1.10% |
| 7 | Estimated Risk Premium for Bella Vista Water[8] | 1.90% to 2.10% |

[1] Data from Table 4-7 of Duff & Phelps, 2016 Valuation Handbook Guide to Cost of Capital.
[2] Mid-Cap companies includes companies with market capitalization between $2,090.6 million and $9,611.2 million.
[3] Low-Cap companies includes companies with market capitalization between $448.5 million and $2,090.6 million.
[4] Micro-Cap companies includes companies with market capitalization less than $448.5 million.
[5] Decile 10 includes companies with market capitalization less than $209 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Micro-Cap risk premium and the inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

| | | Market Cap. (Millions) | Class | Size Premium | Difference to Decile 10 | Weight | Weighted Size Premium |
|---|---|---|---|---|---|---|---|
| 1. | American States | $ 1,417 | Low-Cap | 1.70% | 3.90% | 0.14285714 | 0.56% |
| 2. | Aqua America | $ 5,695 | Mid-Cap | 1.00% | 4.60% | 0.14285714 | 0.66% |
| 3. | California Water | $ 1,381 | Low-Cap | 1.70% | 3.90% | 0.14285714 | 0.56% |
| 4. | Connecticut Water | $ 540 | Micro-Cap | 3.58% | 2.02% | 0.14285714 | 0.29% |
| 5. | Middlesex | $ 600 | Micro-Cap | 3.58% | 2.02% | 0.14285714 | 0.29% |
| 6. | SJW Corp. | $ 704 | Micro-Cap | 1.70% | 3.90% | 0.14285714 | 0.56% |
| 7. | York Water Company | $ 354 | Micro-Cap | 3.58% | 2.02% | 0.14285714 | 0.29% |
| | | | Average | 2.41% | Wghtd Size Prem. for Small Utilities | | 3.19% |

[8] Results of Comparative Risk Study. See work papers.